



2018

SUSTAINABILITY REPORT



LIFE IS FOR SHARING.

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CEO FOREWORD

“In 2018, Hrvatski Telekom achieved another successful business year in which it consolidated its leading position in all segments of the Croatian telecommunications market. Along with the growth of all key financial indicators, last year was also marked by a strong investment cycle. Over the past five years, we have invested over HRK 7 billion in digital infrastructure. Our operations, as one of the leading Croatian investors, have also been positively affected by changes in the investment climate. The Government’s decision to reduce the radio frequency spectrum fee for the telecommunications sector is particularly important. Further improvement of the investment environment is the basis for additional momentum for new investments significant for the digitalization of Croatia. After securing the preconditions for the implementation of the 5G network in Istria in the summer of 2018, the cutting-edge mobile technology has also been set up in the city of Zagreb. At the same time, we have introduced the first commercial NB-IoT network in this part of Europe, which will enable further development and implementation of new smart IT solutions. With investments in the modernization of fixed and mobile networks, our focus remains on further growth in all business segments, development of innovative products and improvement of the quality of services for all our customers. HT has been promoting sustainable development for years, setting best practices in establishing standards of superior communication, facilitating integration into the information and knowledge society, and taking the lead in recognizing the importance of protecting the environment. HT is an excellent company with a great team of employees. We also made a regional step forward and showed great results in doing business outside the domestic market. Over the last five years, HT has become one of the largest investors in the country and one of the most important employers contributing to the overall development of the country through its operations.”



KOSTAS NEBIS
PRESIDENT OF THE MANAGEMENT BOARD (CEO)

MATERIALITY TOPICS AND CONTRIBUTION TOWARDS UN SUSTAINABLE DEVELOPMENT GOALS

Material topics represent the key influences of Hrvatski Telekom, which provide insight into the current business operations of the company, the progress made since the previous reporting period, as well as plans for continued sustainable development of the company in the future.

As a driver of the digital economy in Croatia, we are influencing a large number of people and customers who use our products and services daily that we constantly develop to maximize interconnectivity, and with the introduction of modern technologies such as the Internet of Things (IoT) and the cutting-edge 5G network, we make business easier that brings many savings, such as a reduced need for energy and materials, which positively affects slowing down of climate change and environmental pollution. However, our reputation depends not only on the quality and particularities of our products and services, but also on the relationship of the company to employees, suppliers, investors, and the broader community in which we operate. Positive interaction with all stakeholders is at the heart of these relationships. By encouraging all these segments, the teamwork and dedication of the entire company to socially responsible business we aim to foster different ideas, contribute to society and work to improve the quality of life. The emphasis of our work remains on the importance of investment and new technologies and business driven by innovation, vision, and creativity. In this way, as the largest private investor in Croatia, we encourage the growth of the economy and provide new opportunities for development.



Selection process

Hrvatski Telekom identified its material topics in 2016 as part of a multi-stakeholder platform that thoroughly analyzed stakeholder attitudes and expectations about the positive and negative impacts of HT's business activities and provided insights into the challenges of sustainability, competitiveness, customer relationships, and impact management. The process included Maruška Vizek, Ph.D. (The Institute of Economics), Dejan Ljuština (PwC), Vesna Mamić (Croatian Trade Union of Telecommunications), Dražen Lučić, Ph.D., and Domagoj Jurjević (HAKOM), and Vladimir Jelavić, Ph.D., Croatian Association for Carbon Footprint Reduction.

The process had our stages, formed according to guidelines for determining material topics of the Global Reporting Initiative. We had first recognized the material topics, identified their importance, after which it was confirmed, and finally, the presentation of individual material topics was determined. During the process of preparing the 2018 report, the importance of the material topics selected was reassessed compared to the previous reporting periods and members of the HT reporting team were briefed on the Deutsche Telekom Group's Sustainable Development Strategy and United Nations Sustainable

Development Goals. During the workshop with the reporting team, the goals that HT has the most significant influence on were identified, in accordance with the guidelines of the 17 goals and 169 specific sub-objectives of the 2030 Agenda, as well as by the International Telecommunications Expert Group ¹ which proposes indicators to measure the contribution of the ICT industry to the particular UN Sustainable Development Goals in the Joint Proposal of ICT indicators for the Sustainable Development Goal (SDG) indicator framework. The reporting team identified five goals that HT directly contributes to, as well as six goals that HT contributes indirectly with its activities. In most cases, these activities have multiplier effects, that is, they often contribute to the achievement of more sustainable development goals, and permeate through several material topics of Hrvatski Telekom and are implemented by several organizational units at the same time. This provides a holistic approach to managing the company's sustainable development, which all employees contribute to, both in their area of expertise and operations and in activities carried out at the company level. Our goal for future remains to drive positive change that will enable all our stakeholders to further leverage their contribution to the goals of the 2030 Agenda of the United Nations by using our innovative products and services.

¹ The partnership includes fourteen organizations: ITU, UNCTAD, OECD, EUROSTAT, ILO, UIS, UN ECA, UN ECLAC, UN ESCAP, UN ESCWA, UNDESA, UNEP/SBS, UNU-IAS and World Bank

4 QUALITY EDUCATION



4 QUALITY EDUCATION (ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL)

4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.²

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.³

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.⁴

4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.

7 AFFORDABLE AND CLEAN ENERGY



7 AFFORDABLE AND CLEAN ENERGY (ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL)

7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

7.3 By 2030, double the global rate of improvement in energy efficiency.

8 DECENT WORK AND ECONOMIC GROWTH



8 DECENT WORK AND ECONOMIC GROWTH (PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL)

8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 percent gross domestic product growth per annum in the least developed countries.

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labor-intensive sectors.⁵

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.⁶

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.

8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.⁷

² Indicator Partnership on measuring ICT for development: Entry into elementary and secondary education containing personal computers for pedagogical purposes, by sex.

³ Indicator Partnership on measuring ICT for development: Individuals with ICT skills, by sex.

⁴ Indicator Partnership on measuring ICT for development: Individuals with ICT skills, by sex.

⁵ Indicator Partnership on measuring ICT for development: Value added in the ICT sector; Fixed broadband subscribers, by network speed.

⁶ Indicator Partnership on measuring ICT for development: Rate of collected e-waste.

⁷ Indicator Partnership on measuring ICT for development: Companies that use the internet by activity type



9 INDUSTRY, INNOVATIONS AND INFRASTRUCTURE (BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION)

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.⁸

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

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

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

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

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.¹⁰



⁸ Indicator Partnership on measuring ICT for development: Percentage of population covered by mobile network, by technology; Proportion of households with broadband internet access; Rate of e-waste collected.

⁹ Indicator Partnership on measuring ICT for development: Fixed broadband subscribers, according to network speed.

¹⁰ Indicator Partnership on measuring ICT for development: Cost of access to fixed broadband; Percentage of population covered by mobile network, by technology; Number of individuals using the internet; Households with internet access; Businesses using the internet.



11 SUSTAINABLE CITIES AND COMMUNITIES (MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE)

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.¹¹

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

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

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

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

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.¹²

11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

11.a Support positive economic, social and



environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.

11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.¹³

11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.

¹¹ Indicator Partnership on measuring ICT for development: Urban households with access to internet.

¹² Indicator Partnership on measuring ICT for development: Rate of collected e-waste.

¹³ Indicator Partnership on measuring ICT for development: Urban population covered by mobile broadband, broken down by technology; Individuals who own a mobile phone; E-waste collection rate.

INDIRECT CONTRIBUTION:

3 GOOD HEALTH
AND WELL-BEING



**3 HEALTH AND WELL-BEING
(ENSURE HEALTHY LIVES AND
PROMOTE WELL-BEING FOR ALL
AT ALL AGES)**

5 GENDER
EQUALITY



**5 GENDER EQUALITY (ACHIEVE
GENDER EQUALITY AND
EMPOWER ALL WOMEN AND
GIRLS)**

10 REDUCED
INEQUALITIES



**10 REDUCING INEQUALITY
(REDUCE INEQUALITY WITHIN
AND AMONG COUNTRIES)**

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



**12 RESPONSIBLE
CONSUMPTION AND
PRODUCTION (ENSURE
SUSTAINABLE CONSUMPTION
AND PRODUCTION PATTERNS)**

13 CLIMATE
ACTION

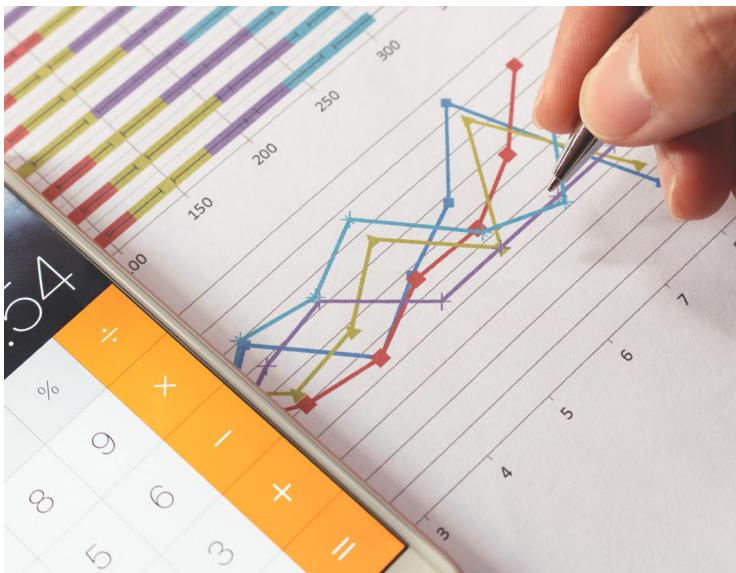


**13 RESPONSE TO CLIMATE
CHANGE (TAKE URGENT ACTION
TO COMBAT CLIMATE CHANGE
AND ITS IMPACTS)**

17 PARTNERSHIPS
FOR THE GOALS



**17 PARTNERING TO OBJECTIVES
(STRENGTHEN THE MEANS OF
IMPLEMENTATION AND
REVITALIZE THE GLOBAL
PARTNERSHIP FOR
SUSTAINABLE DEVELOPMENT)**



Key macroeconomic and market trends in the telecommunications market

The positive trends of economic activity continued in 2018. The real GDP growth was 2.6%, driven primarily by household consumption growth and exports. Tourism has again hit a record high with 10 percent revenue growth. Employment continued to grow, with unemployment below 10% for the first time since 2009. In 2018, average inflation moved at relatively low levels due to rising energy prices.

Economic recovery continued, mainly due to strong domestic demand. Personal consumption continues to be high as households have higher disposable income due to continued growth in employment and wages. Available data from 2018 point to a slowdown in the growth of goods and services exports, while at the same time a strong growth in imports of goods and services, albeit slightly slower, is further reducing the effect of net exports on growth. The deleveraging of the public and private sectors continued in 2018.¹⁴

In 2018, there were no major changes in the use of telephone services and internet access. The telecommunications market, both mobile and fixed, is still dominated by Hrvatski Telekom. In December 2018, 53.03% of fixed-line users used the services of Hrvatski Telekom. HT's market share was only slightly reduced from 54.87%, as in December 2017. In mobile network, 46.26 percent of users used the services of Hrvatski Telekom. Compared to the end of 2017, mobile operators' market shares remained virtually unchanged.

The telecommunications sector ended 2018 with 8,490 employees. This is an increase of 2.29 percent compared to 2017 when the telecommunications sector employed an average of 8,300 employees. The average monthly gross wage of employees working in telecommunications exceeds the average of the Republic of Croatia. While the average monthly salary at the level of Croatia in 2018 amounted to HRK 8,448, employees in the telecommunications sector received an average gross amount of HRK 13,078. The average gross wage last year was 0.23% higher than the average gross wage of the sector in 2017. Data on gross monthly wage in 2019 indicate positive developments in the telecommunications sector.¹⁵

HRK 8,448

average monthly salary in 2018 at the country level

HRK 13,078

average gross salary in telco sector

¹⁴ Source: European Commission - The report for Croatia in 2019 with a detailed review of the prevention and correction of macroeconomic imbalances

¹⁵ Source: Institute of Economics, Zagreb - Sectoral Analyses - Telecommunications, June 2019.



Media coverage of Hrvatski Telekom's activities

During 2018, media coverage of Hrvatski Telekom's activities provided relevant insights into how HT is affecting Croatia's economy, environment, and society. Local media gave much attention to the activities related to the presentation of new services for residential and business customers (MaxTV, Magenta 1), developmental donation projects (STEM donations, Generation NEXT, What's Next, Internet of Things (IoT) donation contest, NB IoT etc.), development sponsorship projects (HT Hackathon, NB IoT, 5G network, Generation NEXT), development infrastructure projects (IT transformation, SmartCity project, announcements of

further investments), and HT business results which are a markedly positive topic in the media. Also, various topics related to business quality and brand development topics (T-HT@MSU, Magenta 1 B2B RUN, HT, What's NEXT, Generation NEXT, NB IoT, etc.) were presented in a positive light. Negative media write-ups were in a much smaller amount than those in positive and neutral tone and mostly related to the issue of protests by HT workers regarding the downsizing, various end-user business problems, infrastructure and base stations issues, and various topics inherited from earlier business periods, such as the privatization of HT.

ECONOMIC VALUE

Hrvatski Telekom is guided by the UN Sustainable Development Goals, whose mission is to make life better and more acceptable to all, and the activities undertaken by the company in 2018 under this material topic have largely contributed to the sustainable development goals

8 DECENT WORK AND
ECONOMIC GROWTH



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

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

HT is the largest private investor in Croatia and is preparing society for a new wave of technological change. During 2018, we invested HRK 1.826 billion in infrastructure and development of innovative services and directly influenced the creation of 9582 new jobs and a 0.62% GDP growth. By implementing the new work models provided by the digital revolution, we show by example how to provide quality working conditions and an environment that fosters openness, innovation, and creativity in the workplace.

Financial indicators

In 2018, revenues amounted to HRK 7.783 billion, which is 0.4% more than in 2017. Excluding the effect of Crnogorski Telekom, revenues grew 0.6% compared to the previous year. EBITDA before one-time items amounted to HRK 3.186 billion, up 1.5% compared to 2017, with a strong EBITDA margin of 40.9%, which is up 0.5 percentage points compared to the year before. Without the effect of Crnogorski Telekom, EBITDA is 1.2% higher than in the previous year. Net profit in 2018 is HRK 1.061 million, up by 7.5 percent compared to 2017.

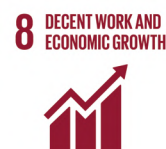


During 2018, Hrvatski Telekom continued to dominate the Croatian telecommunications market, both in the field of mobile and fixed communications. In December 2018, 53.03% of fixed-line users used the services of Hrvatski Telekom, which slightly reduced the market share of HT by 54.87%, as it was in December 2017. In the mobile network, 46.26% of users used the services of Hrvatski Telekom, and the market share in this segment remained almost unchanged.¹⁶

¹⁶ Sectoral analysis - telecommunications; Institute of Economics, Zagreb, June 2019., issue 69, year 8.

Table 1 - Directly generated and distributed economic value

Income statement in HRK million	2017	2018	% of change A18/A17
Revenue	7.756	7.783	0,4%
Mobile	3.305	3.450	4,4%
Fixed voice	927	809	-12,7%
Broadband & TV	1.439	1.411	-1,9%
Fixed wholesale	369	318	-13,8%
Other fixed	835	878	5,1%
System solutions	731	801	9,6%
Miscellaneous	151	118	-22,0%
EBITDA before exceptional items	3.138	3.186	1,5%
Exceptional items	151	55	-63,7%
EBITDA after exceptional items	2.986	3.131	4,8%
EBIT (Operating profit)	1.118	1.401	25,4%
Net profit after non controlling interests	863	1.061	22,9%
EBITDA margin before exceptional items	40,5%	40,9%	0,5 p.p.
EBITDA margin after exceptional items	38,5%	40,2%	1,7 p.p.
EBIT margin	14,4%	18,0%	3,6 p.p.
Net profit margin	11,1%	13,6%	2,5 p.p.
Balance sheet	At 31 Dec 2017	At 31 Dec 2018	% of change A18/A17
Total non current assets	10.385	10.694	3,0%
Total current assets	5.353	5.337	-0,3%
TOTAL ASSETS	15.738	16.031	1,9%
Total issued capital and reserves	12.573	13.208	5,1%
Total non current liabilities	737	498	-32,5%
Total current liabilities	2.429	2.326	-4,2%
TOTAL EQUITY AND LIABILITIES	15.738	16.031	1,9%
Cash flow	2017	2018	% of change A18/A17
Net cash flow from operating activities	2.691	2.345	-12,9%
Net cash flow from investing activities	-1.215	-1.368	-12,6%
Net cash flow from financing activities	-981	-992	-1,1%
Cash and cash equivalents at the end of period	3.152	3.137	-0,5%
Capex	2017	2018	% of change A18/A17
CAPEX	1.885	1.826	-3,1%
CAPEX / Revenue ratio	24,3%	23,5%	-0,8 p.p.



The Management Board and the Supervisory Board proposed to the General Assembly of Hrvatski Telekom the distribution of a dividend of HRK 10 per share. HRK 7 per share was paid out of current profit in 2018 in the amount of HRK 568,536,829.00. Additionally, HRK 3 per share was paid out of retained earnings of prior periods in the amount of HRK 243,658,641.00.

The remainder of the current profit of 2018 in the amount of HRK 422,123,890.00 was proposed for subscription to the share capital, by increasing the share capital of the company without issuing new shares by proportionally increasing the share of all issued shares in the share capital.

The final decision is passed by the General Assembly, and this dividend payment proposal is based on the company's excellent financial results in 2018. The proposal is made in the conditions of improved economic and investment environment in the country. The telecommunications sector is particularly positively influenced by the decision of the Government of the Republic of Croatia, which reduced the radiofrequency spectrum fees.

HT retains its "Dividend Policy" and it remains unchanged for 2019. According to it, dividends can amount to 50 to 100 percent of the distributable profit of the company acquired in the previous year. Any annual dividend will depend on the overall financial position of the company and its working capital needs in the relevant period; it will include, but will not be limited to, the Company's business prospects, cash requirements, financial results, and other factors, taking into account taxation and regulatory issues, payment practices of other European telecommunications operators, as well as the general economic climate.

HT announces a minimum target dividend for each year at the beginning of each year, which will be within the range stated in the Dividend Policy. For Financial 2019 Management Board currently expects to pay a dividend of at least HRK 6 per share. HT will monitor the impact of the above measures, the development of results, increased investment needs in the optics and 5G network, potential acquisition opportunities, and the general economic and investment climate.

It is important to highlight the signing of a 100% Equity Purchase Agreement with HP Produkcija d.o.o., the Evotv rights holder, further enhancing HT's position in the growing PayTV market and expanding its range of services.



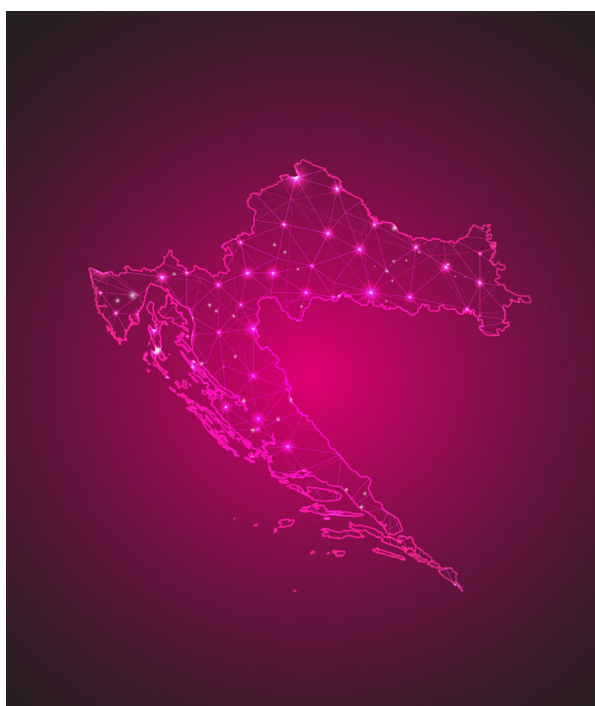
Investments into infrastructure and innovative services

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



In 2018, Hrvatski Telekom invested HRK 1.826 billion in infrastructure and development of innovative services. Investments in fixed-line network have enabled optic access for 400 thousand households. Continuous rise in user speeds has continued, so new generation access speeds are available in 58.2% of Croatian households.

In the mobile network, the 4G indoor coverage of the population is 82.0%, while the outdoor coverage has reached 98.5%. The modernization of the radio access network in the whole of Croatia started in early 2018. This network will enable the introduction of 5G technology as soon as the required radio frequency spectrum is allocated to it. The project is expected to be completed by the end of 2019, and over the past year it has been successfully implemented at almost 1000 locations in Istria and Zagreb, Kvarner and Dalmatia.¹⁷



82.0 %

4G indoor coverage

98.5 %

4G outdoor coverage

¹⁷ By the end of 2018, 613 locations had been modernized, and an additional 356 sites had been upgraded before modernization to serve the increase in traffic.

Key challenges

Hrvatski Telekom invests 25% of its revenues in the latest technology and infrastructure modernization every year, which is above the industry average at the European level, thus enabling a new mobile network of the future, developing innovative products and raising the quality of service for private and business customers. Also, HT explores new areas of growth that will enrich the lives of our customers in the future. Over the next year, we plan to provide all customers in the Republic of Croatia with an option to access internet speeds of at least 20Mbit/s up to 1Gbit/s. The new fixed and mobile network infrastructure will be the one to provide the highest quality internet services in all parts of Croatia at affordable prices for each Croatian household.

During the reporting period, the study was done by the Institute of Economics, Zagreb on analytical guidelines for the right-of-way fee for electronic communication infrastructure, with concrete recommendations for regulatory alignment with the best European practices of the EU countries leading according to the DESI¹⁸ index. With a better regulatory framework modeled on leading EU countries in terms of digitalization, these investments can be many times higher, as shown by the results of a study on the analytical determinants of the right-of-way fee for electronic communications infrastructure (ECI) of the Institute of Economics, Zagreb which analyzes the current model of the right-of-way fee and gives clear recommendations to enable the state to create a more favorable regulatory solution for faster digital development in Croatia.

Almost half of the capital investment of the telecommunications sector, i.e. HRK 1.03 billion per year, goes to parafiscal charges, a large part of which goes for the right-of-way fee. Since the study determines that the Croatian model of right-of-way fee significantly deviates from the European practices and since the amount of fee is disproportionate to the value of the land the electronic communication infrastructure (ECI) goes through, the study recommends a significant reduction of the right-of-way fee, free passage (ECI) over publicly owned land, the possibility of paying a one-time fee for the right-of-way for ECI, a unique model for determining the amount and the method of charging the fee and establishing the registry of the recipient of the fee with HAKOM and a centralized system of payment of fees.

“Croatia needs to align the regulation of the right-of-way fee with the best practices of the most developed EU members at the top of the DESI index. By reducing the fee by 75% and directing these funds to the electronic communications infrastructure, over 10 years, additional 15 thousand jobs would have been created and would achieve a GDP growth of 1%”, concluded the director of the Institute of Economics, Zagreb Maruška Vizek, adding that the lost revenue due to reduced right-of-way fee could return to local communities through increased taxes due to increased investment in a new electronic communications infrastructure.



CROATIA NEEDS TO ALIGN THE REGULATION OF THE RIGHT-OF-WAY FEE WITH THE BEST PRACTICES OF THE MOST DEVELOPED EU MEMBERS AT THE TOP OF THE DESI INDEX. BY REDUCING THE FEE BY 75% AND DIRECTING THESE FUNDS TO THE ELECTRONIC COMMUNICATIONS INFRASTRUCTURE, OVER 10 YEARS, ADDITIONAL 15 THOUSAND JOBS WOULD HAVE BEEN CREATED AND WOULD ACHIEVE A GDP GROWTH OF 1%

Maruška Vizek, director of the Institute of Economics Zagreb

DIGITAL SOCIETY

As a driver of the digital economy in Croatia, Hrvatski Telekom contributes to the development of the digital society with the aim of providing high-speed Internet service to all citizens, everywhere and everywhere. To maximize its efforts to continue contributing successfully to the Digital Agenda for Europe as the largest private investor in Croatia, HT conducts its activities related to this material topic across three main areas:

Digital inclusion, Digital literacy, Digital responsibility.

With its operation within this material topic, HT contributes to the goals of sustainable development:

3 GOOD HEALTH
AND WELL-BEING



ensure healthy lives and promote well-being for all at all ages

4 QUALITY
EDUCATION



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

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

10 REDUCED
INEQUALITIES



reduce inequality within and among countries

17 PARTNERSHIPS
FOR THE GOALS



strengthen the means of implementation and revitalize the global partnership for sustainable development

Digital inclusion

Digital inclusion means ensuring that everyone can contribute to the digital economy and society by using information and communication technologies (ICT). Activities to ensure ICT availability for all, assistive technologies, digital skills development, and social inclusion are just some of the ways in which HT, as the frontrunner of digitalization and digital transformation in Croatia, contributes to the achievement of these goals. HT is among the first operators in Europe to commercially introduce a 1Gbit/s symmetric internet speed, and in late April launched the first commercial NB-IoT network, i.e. a network specializing in the internet of things. The full potential of these investments will be realized using the 5G technology.

17 PARTNERSHIPS FOR THE GOALS



THE EFFECT OF DIGITAL TRANSFORMATION ON THE WESTERN BALKANS

At the digital summit of the Western Balkan countries, organized by the WB6 Initiative held in Skopje in 2018, the results of the study “The effect of digital transformation on the Western Balkans” were presented. This is the first study clearly focused on digitalization in the Western Balkan countries, which provides analyzes of the potentials that would be achieved through cooperation, an analysis of the degree of digitalization of each of the countries involved, and recommendations for specific national policies to be implemented. The study was initiated by Deutsche Telekom, with the Committee on Eastern European economic relations of the German economy and the German Federal Government, and includes other partners and telecom operators. The team of the Institute of Economics, Zagreb, and its director Maruška Vizek also took part in the preparation of the said study. The study showed the importance of digitalization for socio-political security, transparency, and better EU integration of the Western Balkan countries, while the results also indicate that in the Western Balkans, a 10 percent increase in the digitalization index links to GDP growth of up to 1 percent.

EUR 100 million creates 3,848 new jobs and EUR 47 million in new tax revenues and increases GDP growth by 0.25 percentage points. In 2018, Hrvatski Telekom invested more than HRK 1.7 billion in infrastructure and innovative services, which means that HT’s multiplicative effects from investing in digital infrastructure are increasing every year. The study also highlighted the importance of facilitating the use of public land for infrastructure development purposes and reducing the number and amount of parafiscal charges on digital infrastructure investments.”

Despite the fact that Croatia is at the forefront of the European Union in terms of economic indicators, as a digital economy, we are achieving good results and we have a reason for optimism. Croatia ranks ninth out of 28 EU countries in the cloud business, 12th in terms of online sales channels, and 14th in terms of overall internet usage. In terms of intensity of telecoms’ investment in 2016, Croatia ranks third, but there is room for improvement, given that Croatia is at the forefront of EU countries in developing public e-services and connectivity.

However, Croatia needs to be even faster in fixing the backlogs and eliminating investment barriers, including the most expensive radiofrequency spectrum in Europe, as many as 38 parafiscal charges and complicated procedures. Solving these problems would free up considerable funds for investments, but there is no progress without people. STEM skills are crucial in this, and those who master them will attract capital, start incubators, and connect the world.

10 REDUCED INEQUALITIES



According to Maruška Vizek, director of the Institute of Economics, “Croatia and Slovenia are the most advanced digitized economies in the Western Balkans. The research findings also point to the very significant economic effects of digital infrastructure investments in Croatia; Namely, investing in this infrastructure worth



**CROATIA AND SLOVENIA ARE THE MOST
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WORTH EUR 100 MILLION CREATES 3,848 NEW
JOBS AND EUR 47 MILLION IN NEW TAX
REVENUES AND INCREASES GDP GROWTH BY
0.25 PERCENTAGE POINTS. IN 2018, HRVATSKI
TELEKOM INVESTED MORE THAN HRK 1.7
BILLION IN INFRASTRUCTURE AND
INNOVATIVE SERVICES, WHICH MEANS THAT
HT'S MULTIPLICATIVE EFFECTS FROM
INVESTING IN DIGITAL INFRASTRUCTURE ARE
INCREASING EVERY YEAR. THE STUDY ALSO
HIGHLIGHTED THE IMPORTANCE OF
FACILITATING THE USE OF PUBLIC LAND FOR
INFRASTRUCTURE DEVELOPMENT PURPOSES
AND REDUCING THE NUMBER AND AMOUNT OF
PARAFISCAL CHARGES ON DIGITAL
INFRASTRUCTURE INVESTMENTS**

Maruška Vizek,
director of the Institute of Economics

HRVATSKI TELEKOM RECOGNIZED FOR ITS CONTRIBUTION TO THE DEVELOPMENT OF DIGITAL SOCIETY

As part of the Digital Takeover Conference, organized by media outlet 24sata, Business Leader awards were presented to the frontrunners of digital business in Croatia. These are companies that have contributed to changing the image of digital Croatia and that define what digital business in Croatia will look like tomorrow. Hrvatski Telekom was recognized for its contribution to the development of digital society. With the development of technology and infrastructure, STEM skills and knowledge, products and services for more entertainment and connectivity, and tools that enhance the business of the company, HT is continuously helping the society.



THIS IS AN AWARD FOR ALL HT EMPLOYEES, MY COLLEAGUES WHO WORK HARD AND HELP SOCIETY TO TAKE ADVANTAGE OF THE OPPORTUNITIES THAT TECHNOLOGICAL CHANGE BRINGS US - BETTER CONNECTIVITY, MORE OPPORTUNITIES TO LEARN AND SHARE, MORE NEW JOBS. IN ADDITION TO PEOPLE, INVESTMENTS ARE CRUCIAL. AS THE LARGEST PRIVATE INVESTOR, HT INVESTS SIGNIFICANTLY IN BETTER CONNECTIVITY, SPEEDS, STEM KNOWLEDGE, AND A SMART SOCIETY. IN THIS WAY, WE ARE RAISING A NEW GENERATION - THE GENERATION NEXT, ON WHICH THE FUTURE AND PROGRESS OF OUR SOCIETY DEPENDS

Nina Išek Međugorac, Director of Corporate Communications of Hrvatski Telekom

- Smart parking,
- Waste management,
- Air quality control,
- Tracking objects and shipments,
- Smart meters,
- Smart home,
- Health monitoring and the like.

The NB-IoT network is characterized by excellent distribution and high quality of mobile signal indoors (e.g., in basements), which is especially important for specific applications such as smart meters and is characterized by a high level of security and reliability in accordance with global telecommunications standards in mobile networks. This applies not only to data security but also to the safety of people as one of the possible applications of NB-IoT technology is in traffic regulation.

COMBIS BUSINESS SOLUTIONS

The **Combis consulting team** creates eco-systems for energy and utilities, manufacturing and trade, transport and logistics, the financial industry and tourism. So in 2018, it introduced a new Electronic Document Exchange (EDI) service for business users, which will reduce paper business, speed up day-to-day business, increase transparency and reduce costs. EDI is a platform that enables the exchange of electronic invoices, which enables considerable savings for businesses as there is no cost of printing invoices, no paper costs, no postage for sending invoices, data processing processes are automated and the possibility of errors in creating and sending documents is reduced. The information is transmitted in real-time, which speeds up processing and all transactions can be monitored and supervised. In 2018, COMBIS financially supported the reconstruction of a part of the children's hospital Klaićeva in Zagreb, the project Princeza Pričalica of the X grammar school "Ivan Supek", participation of the robotics team of elementary school Ivan Cankar at a robot competition, networking of the informatics classroom of Senj elementary school (Sv. Juraj), the Croatian Association for Guide Dogs Training and Mobility, and the sports equipment for young players of the football club FEŠK Feričanci.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



NARROWBAND IOT (NB-IOT)

In 2018, Hrvatski Telekom introduced the new network technology, Narrowband IoT (NB-IoT). The technology is intended for devices that do not need to be online continuously and send extremely small amounts of data traffic without the need for SMS, MMS or voice communication. In this way, the technology will enable an extremely large number of connected IoT devices on the Croatian market and provides Croatian IT companies with preconditions for the development of a large number of IoT solutions for domestic and foreign markets. NB-IoT technology is suitable for application in solutions intended for business and residential customers, such as systems for:

Digital literacy

HT, as the frontrunner of Croatia's digital transformation, with Generation Next program, promotes the development of digital literacy and the acquisition of key competences for the use of modern technologies, thus providing inclusive and quality education, equipping the educational institution with modern technologies and achieving higher levels of economic productivity through diversification, technological advancement, and innovation.



The aim is to collaborate with educational institutions and encourage the development of STEM skills in young people so that they are ready for the jobs of the future. Strengthening knowledge and skills from the STEM area is key to stimulating an innovative and smart society that can take full advantage of the existing technology. The Generation Next program increases the number of students educated in the use of modern technologies, and more recently, the program has included training for mentors to ensure the successful transfer of knowledge. This strengthens the inclusive and fair quality education and promotes lifelong learning opportunities for all. More than 160 schools have been equipped with advanced equipment for the Internet of Things projects. Višnja has a unique astrobiology laboratory that is visited by more than 700 children every year and where more than 300 mentors are educated. More than 100 schools throughout Croatia take part in this project.

4 QUALITY EDUCATION



GENERATION NEXT

The Generation Next program has been running since 2004 and brings together all the projects that help prepare Croatia for a new wave of technological change. During this period, HT invested more than HRK 10 million in over 300 projects. Over the past two years, the Generation Next donation contest has focused on promoting and popularizing STEM skills and sharing advanced technological knowledge. During that period, more than 160 schools were equipped with advanced equipment for IoT projects, and more than 2000 children participated in the projects with more than 130 mentors trained.

Educational institutions, non-profits and applicant communities or partnership projects, elementary and secondary schools, and youth education organizations throughout Croatia can apply for the Generation Next donation contest. The projects are selected by an Expert Jury composed of representatives of academic institutions, competent state bodies and representatives of the private sector. In order to make the projects within Generation Next as successful as possible and to ensure the continuous transfer of knowledge after the completion of the project, the training of mentors of selected projects has begun from 2018. At workshops, mentors gain a deeper understanding of the application of Internet of Things (IoT) technology, which enables better quality implementation of applied projects and structured youth education, ensuring the successful transfer of STEM knowledge and competencies and significantly increasing the multiplier effect of Generation Next on society as a whole.

”

WE ARE LIVING IN THE FOURTH INDUSTRIAL REVOLUTION, AND THERE IS A NEW WAVE OF TECHNOLOGICAL CHANGE AHEAD OF US. THE FASTER WE ADJUST, THE MORE SUCCESSFUL AS SOCIETY WE WILL BE. THAT IS WHY IN THE LAST TWO YEARS THROUGH THE DONATION CONTEST AS WELL AS WITH VARIOUS OTHER COMPANY'S ACTIVITIES WE ARE STRONGLY INVESTING IN THE STEM EDUCATION OF THE NEW GENERATION - GENERATION NEXT. THEY ARE THE FUTURE LEADERS WHO WILL LEARN, CREATE AND WORK ON THESE TECHNOLOGIES. THEY ARE OUR MOST VALUABLE RESOURCE FOR FUTURE BUSINESS, NEW JOBS, AND THE DEVELOPMENT OF THE ENTIRE SOCIETY

Boris Drilo, MB member and Chief Technical and Chief Information Officer of HT

”

I AM PROUD THAT WE ARE THE FIRST COMPANY TO RECOGNIZE THE IMPORTANCE OF ENCOURAGING STEM EDUCATION, AND WITH THE GENERATION NEXT PROGRAM, WE CONTINUE TO STIMULATE STEM REVOLUTION IN CROATIA. OUR DONATION CONTEST ENTIRELY AIMS AT TALENTED YOUNG PEOPLE WHO ARE THRILLED WITH THE POTENTIAL OF STEM TECHNOLOGIES

Nina Išek Međugorac, President of the Jury and Director of Corporate Communications of Hrvatski Telekom

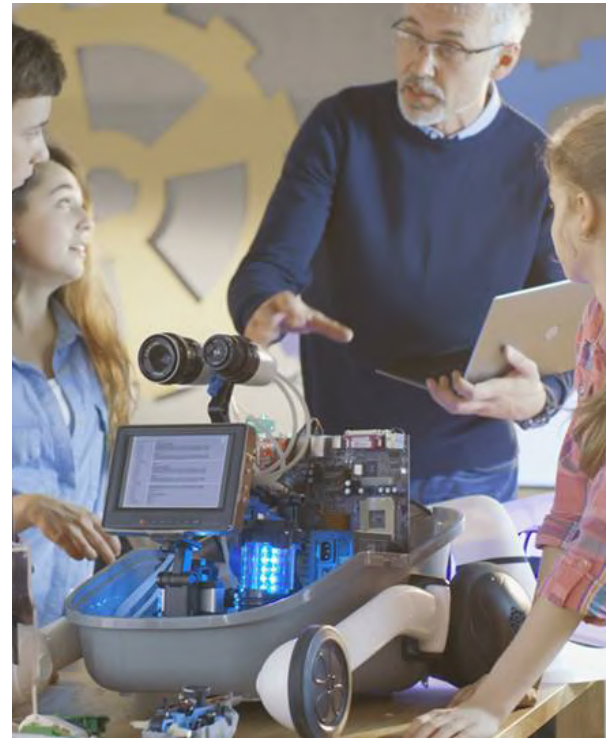


This year's Generation Next donation program searched for the best projects from two categories - Digital Innovations with IoT and Research Science Projects. In the Digital Innovation with IoT category, the jury selected 39 projects, which have a perspective of application in education, health, traffic, and the area of broader social responsibility. Five projects were selected in the Research Science category.

ADVANCED INTERNET OF THINGS (IOT) TECHNOLOGIES IN CROATIAN SCHOOLS

By supporting Croatia's preparation for a new wave of technological change, Hrvatski Telekom greatly contributes to the popularization of STEM knowledge and skills and the application of contemporary technologies in all segments of life. This is also the purpose of the donation contest with which HT awards and supports the best STEM projects in Croatia. Last year, among other things, HT donated HRK 300,000 to the Institute for Youth Development and Innovation (IRIM) for the project "Advanced Internet of Things Technologies (IoT) in Croatian Schools".

More than 100 schools across Croatia have been involved in the project, thanks to HT's financial support, providing attractive Internet of Things (IoT) equipment. With this equipment and teacher training, basic prerequisites have been achieved to empower students and encourage their creativity in finding smart IoT solutions. The best confirmation of the success of the "Advanced Internet of Things Technology (IoT) project in Croatian schools" is the excellent results of the first competition, conducted in January and February 2018 on "Smart Lighting". As many as 88 student teams from primary and secondary schools have applied for the competition, and the works are extremely innovative - from smart home and movie lighting to energy-saving lighting systems in the street and parking lighting. Each work submitted is also educational material so that all schools with IoT equipment could replicate the success of other teams and learn more about the Internet of Things through them.



The best creative solution was the work "Smart lighting in the house", by Elementary school Franje Krežma from Osijek. The project demonstrates different ways of controlling lighting fixtures in specific rooms. Various sensors have been used to switch the light on and off and for the indoor lighting intensity. The entire system is connected to the internet using the Blynk application, and it is possible to control all lighting fixtures separately, and additional combinations and additions to this system are possible as well.



WE ARE DELIGHTED WITH THE GREAT RESPONSE FROM STUDENTS TO THE COMPETITION AND THEIR EXTREMELY CREATIVE IOT SOLUTIONS. THIS MEANS THAT HRVATSKI TELEKOM IS WELL ON ITS WAY AND THAT WE HAVE A KEY ROLE TO PLAY IN CREATING THE STEM GENERATION, WHICH ALREADY INFLUENCES CROATIA'S FASTER ENTRY INTO THE DIGITAL AGE

Nina Išek Medugorac, Director of Corporate Communications of HT

IDEA KNOCKOUT

As the regional technology leader, Hrvatski Telekom strongly supports the development of the startup community in our society. As a partner of the organizer, technology monthly Bug, HT also participated in Idea Knockout (powered by T) 2018, the most important regional competition for technology ideas held in September 2018. HT collaborates with the winners on various projects and offers them the opportunity to develop through its programs.



HACK IT DAYZ

The third hackathon organized by Hrvatski Telekom, with the support of Deutsche Telekom and its startup accelerator hub:raum, Otvoreno učilište Algebra, Ericsson Nikola Tesla, Samsung, Tportal.hr, Zagrebačka banka and Mastercard, was held on November 24 - 25, bringing together contestants and experts from across the country. Nine teams had 24 hours to design and present a project related to the future of video communication, and an expert jury selected the best to win **the prestigious HRK 30,000 prize** and the opportunity to participate in a two-day 'Acceleration & design thinking' workshop at the hub:raum. This year's winners are the Emoji team and their solution that makes video communication easier for hearing impaired people and their interlocutors with subtitles and digital interpretation of sign speech.



WE ARE VERY PLEASED WITH THE TRADITIONAL HACKATHON, AND ARE GLAD THAT IT IS GROWING YEAR BY YEAR, BOTH SPATIALLY AND CONTENTWISE. WE THINK A PROGRESSIVE TECHNOLOGICAL EVENT LIKE THIS ONE IS IDEAL, FIRST AND FOREMOST, BECAUSE HRVATSKI TELEKOM HAS THE TECHNOLOGICAL CAPACITY TO TURN THIS SOLUTION INTO REALITY

Nataša Rapačić, Management Board member and Chief Residential office of Hrvatski Telekom

COMBIS HACKATHON

Croatia's leading IT service provider COMBIS has organized the third edition of the 24-hour try{code}catch hackathon as part of the 12th COMBIS Conference, one of the largest regional gatherings of the ICT community. Every year, the hackathon aims to better connect the competition with current ICT technologies and Combis' vision and mission. In 2018, the try{code}catch hackathon task was a socially responsible topic - developing a blood donation app „We sincerely hope that this topic, which is intended to help the community, will further encourage competitors to complete the task.. We do not expect miracles to happen in 24 hours, we expect great ideas, an excellent atmosphere, and a pleasant company, as we do every year.” Mladen Maras, the director of the try{code}catch hackathon, pointed out.

The hackathon targets all full-time and part-time students in Croatia who have the opportunity to demonstrate their programming skills, learn something new, present their ideas and inspire numerous participants of the COMBIS conference, and the best have an opportunity to win valuable prizes. After 24 hours of competition, the Laganica team won the opportunity to participate in teamwork on innovative projects of the NeoStartup program aimed at fostering start-up culture within COMBIS. NeoStartup offers young creatives the best of the startup world, within an established company. Mladen Gregović, Member of the Combis Management Board emphasized that “we are definitely relying on technology today more than ever before, and tomorrow we will more than today - and that we need to prepare for it.”



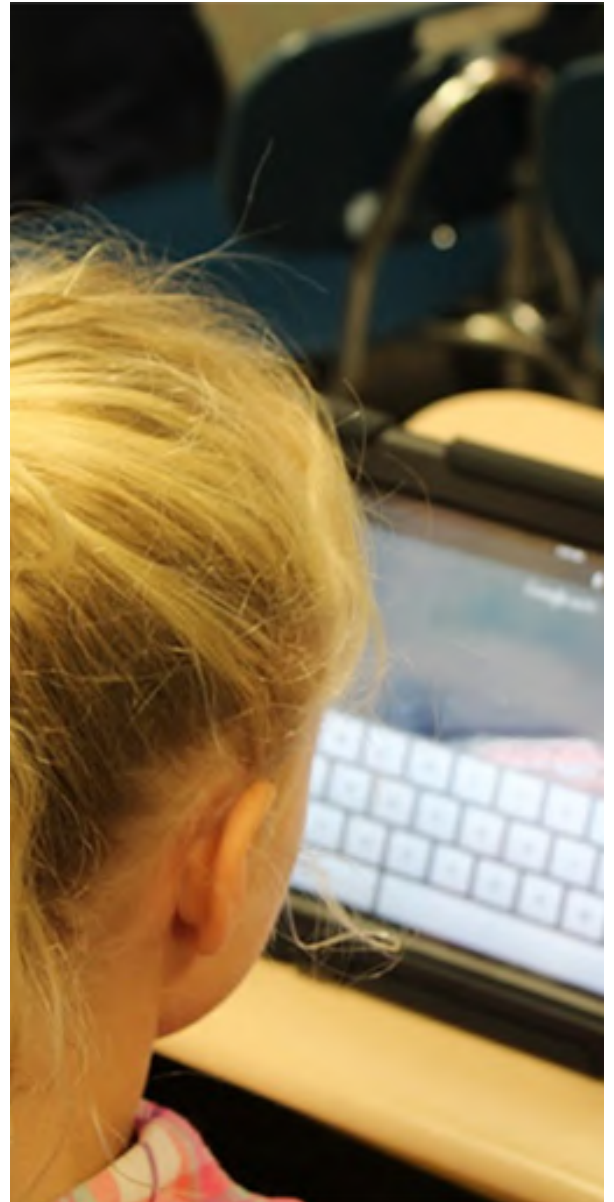
WE SINCERELY HOPE THAT THIS TOPIC, WHICH IS INTENDED TO HELP THE COMMUNITY, WILL FURTHER ENCOURAGE COMPETITORS TO COMPLETE THE TASK.. WE DO NOT EXPECT MIRACLES TO HAPPEN IN 24 HOURS, WE EXPECT GREAT IDEAS, AN EXCELLENT ATMOSPHERE, AND A PLEASANT COMPANY, AS WE DO EVERY YEAR

Mladen Maras
direktor try{code}catch hackathona



Digital responsibility

As the leading telecom operator and frontrunner of digital transformation in Croatia, Hrvatski Telekom feels responsible for providing as secure an environment as possible in which citizens, especially young people, use new technologies. HT recognizes the importance of this topic and continually encourages it through the initiative “Share the positive, block the positive, block the negative”. Data from the first national survey on child safety on the internet conducted by Hrabri telefon and the Association for Communication and Media Culture, whose representatives coordinate EU Kids Online, the largest international project on researching children’s media habits indicate that there is not enough awareness of risks - a third of young people on the internet communicates with people they don’t know, and every fourth teenager between the ages of 15 and 17 meets a person they have met online. For this reason, HT further enhanced customer education during 2018 and continued to introduce products and services designed to increase protection on digital platforms.



4 QUALITY EDUCATION



SHARE THE POSITIVE, BLOCK THE NEGATIVE

Since 2017, HT has been continuously implementing the socially responsible initiative “Share the positive, block the negative”, in which the academic community, the non-governmental sector, and state institutions jointly seek to increase the level of child safety on the internet. HT’s main partners are Hrabri telefon and the Association for Communication and Media Culture (DKMK), whose representatives coordinate EU Kids Online, the largest international project in the area of media habits of children.

On the occasion of the International

Safer Internet Day 2018, Hrvatski Telekom launched a broad national action to educate users on how to protect themselves on digital platforms as part of the initiative “Share the positive, block the negative”, and signed the Safer Internet Charter, an initiative launched by the Safer Internet Center and the Croatian Network Regulatory Agency (HAKOM), which demonstrates the willingness of mobile operators to take a proactive approach to enhancing child safety on the internet. As part of the initiative, HT employees at T-Centers across Croatia distributed a brochure “How to protect your child in the world of internet, network technologies and mobile phones” by

the Croatian Network Regulatory Agency (HAKOM), as well as many additional practical tips. The publication of HAKOM’s brochure was inspired by the results of the first national comparative internet safety survey conducted at the end of 2017 as part of the international EU Kids Online project. The research, which successfully united the academic community, the non-governmental sector and state institutions with the aim of providing an expert background for the inclusion of the topic of child and youth safety on the internet in the educational curriculum, was supported by HT through its large initiative “Share the positive, block the negative”.

FIRST DIGITAL GUIDE FOR SAFE VIDEO GAMING LET'S PLAY IT SAFE™

Late December 2018, as part of the big socially responsible initiative “Share the positive, block the negative”, Hrvatski Telekom launched a new educational campaign on video game safety - “Let’s play it safe”. The goal of the campaign was to show children and parents all the benefits and risks that gamers are exposed to daily in the virtual space. As part of the campaign, a unique digital guide for parents and children was presented, providing a comprehensive overview of the positive aspects as well as the risks associated with video games. Also, the guide provides specific tips - for parents on how to approach their children and protect them from the dangers that lurk, and for children how to choose video games and how to defend themselves against different types of potential risks. The guide was created in collaboration with experts from the Association for Communication and Media Culture and Hrabri telefon, and in early 2019 a documentary will be presented on the impact of playing video games in a family environment where gamers and parents jointly go through all the challenges in regard to security. But we don’t stop here with activities. In collaboration with Hrabri telefon, a Viber chat is planned in which all interested parties will be able to ask experts questions about this topic, and we have already opened the space to pose questions on our partners’ social networks. Statistics show that the digital guide has been downloaded over 3000 times since its release, which is the best indicator of the challenge of the topic among children and parents. The whole campaign attracted a lot of media attention and the publication of the digital guide was covered by all the relevant media - print,

television and internet portals. In the “Let’s play it safe” campaign, we had the opportunity to collaborate with a well-known YouTuber, Ivan Rad, better known as Malajski Tapir, who spoke from his own experience about the benefits and challenges of playing video games. His YouTube gaming channel has as many as 184,000 subscribers, while more than 79,000 fans follow him on Instagram. We are very happy that he helped us bring this campaign to a wider audience in a fun and educational way.



SEA HERO QUEST

For more than two years, HT has been participating in the Deutsche Telekom’s worldwide initiative #gameforgood which launched Sea Hero Quest, a mobile game that has so far been downloaded by over four million people which aims to suppress the Alzheimer’s disease. Thanks to the popularity of the game, scientists who research dementia have the largest database, which would normally take more than 12,000 years of lab research.

EMPLOYEES

Hrvatski Telekom is the leader of the digitalization of the Croatian economy and thus influences the development of the society as a whole. This is a great honor, but also a responsibility. Only competent staff who love their jobs can do the job at the highest standards and achieve excellent results.

It is up to the company to create such work conditions in which employees work professionally and grow personally to achieve their full potential and feel well in their work environment. We are aware that the growth of the company is based on the satisfaction and personal growth of the employees. It is up to us to enable it with the excellence in human resource management, with a continuous contribution to the sustainable development goals:

3 GOOD HEALTH
AND WELL-BEING



ensure healthy lives and promote well-being for all at all ages

4 QUALITY
EDUCATION



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

5 GENDER
EQUALITY



achieve gender equality and empower all women and girls

8 DECENT WORK AND
ECONOMIC GROWTH



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

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

10 REDUCED
INEQUALITIES



reduce inequality within and among countries

Sustainable employer

Previously, we have built a new employer brand with the message Think bigger, a reflection of a modern culture appropriate to the digital age, a culture of open communication and the collaboration we create together. Employee improvement is our priority, and apart from classical education, we have introduced digital learning through our own platform that offers over 7,000 online courses. Also, through the complete professional education program called HT Academy, our experts acquire knowledge in various fields with the help of external and internal lecturers. The HT Academy consists of the Technical, Sales and Marketing Academy, and its program includes interactive lectures, case studies, group work, practical assignments, e-learning and a final exam to confirm the success in acquiring new knowledge. We pay special attention to our talents that we include in international development programs at the level of Deutsche Telekom Group.

In the big changes brought by technology development, it is important for employees to balance their private and business life. Of the many programs we offer, we especially love At work with mom and dad. This is the day when the company is filled with children's laughter who assemble their first robots or have fun with the program we've prepared for them.



“IF YOU THINK TELECOMS ARE FOR MEN ONLY, THINK BIGGER.”
Klaudija Živković, CBO - Group Leader

” IN CROATIAN TELECOM 47% managers are female.

LIFE IS FOR SHARING.

REGION	2018	UNDER 30 YEARS OF AGE		30 - 50 YEARS OF AGE		OVER THE AGE OF 50		
		sex	M	F	M	F	M	F
RC	New hires		340	203	215	141	16	3
	Left		68	33	144	107	44	15

Table 2 - Rates of new hires and employee turnover

REGION NORTH	REGION SOUTH	REGION WEST	REGION EAST	TOTAL
2775	550	432	454	4211

Table 3 - Number of employees in regions



The corporate value system that guides HT in its day-to-day business is called the Guiding Principles, which, in addition to the Code of Conduct, are basic guidelines for working in HT. The guiding principles promote ethical conduct, mutual respect, teamwork, achieving the best results in the simplest possible way, openly expressing opinions, assuming responsibility, and creating an environment where exceptional results are encouraged, recognized and valued. The Guiding Principles are published on the company intranet and the pages www.t.ht.hr.

Knowledge of our values is also included in the Welcome and Onboarding Program, and behavior in accordance with the Guiding Principles is part of the company's competence model, which means that all employees and

management are familiar with them. The regular employee satisfaction survey always includes a question related to knowing the principles and doing business in accordance with the Guiding Principles. We are proud of the survey results as more than 85% of employees are asked: "I am guided by the guiding principles in my daily work" and responded: "I agree" and "I fully agree". Also, more than 70% of employees, when asked "I note that in my work environment, we adhere to the guiding principles" answered "I agree" and "I fully agree" which is considered a very good result at the DT group level. In addition, knowledge of our principles is part of the competency assessment process, i.e., each employee receives their individual assessment of the conduct and performance in accordance with the Guiding Principles.

Occupational health and safety

3 GOOD HEALTH AND WELL-BEING



8 DECENT WORK AND ECONOMIC GROWTH



There are four Occupational Safety Committees at HT and the Central Occupational Safety Committee. The committees meet quarterly and discuss the systematic improvement of the safety and health protection of workers and persons at work, the prevention of occupational injuries, and other occupational diseases. The committees operate in the areas North and Central Zagreb, West Rijeka, South Split, East Osijek, Central Committee Zagreb. - above 75%. The issues of protection and safety of our employees are covered by the signed agreements with the unions.



Table 4 - Number of injuries at work

HT	NUMBER OF INJURIES		NUMBER OF INJURIES %		LOST MAN HOURS		LOST MAN DAYS	
	17	18	17	18	17	18	17	18
Injuries at work	28	34	0.76	0.81	5,384	8,889	673	1108
During work	15	18	0.41	0.43	3,568	4,185	446	520
Outside work	13	16	0.35	0.38	1,816	4,704	227	588

Table 5 - Work-related injuries by sex

HT	BY SEX		BY SEX IN WORK PROCESS		BY SEX OUTSIDE WORK PROCESS	
	17	18	17	18	17	18
Total	28	34	15	18	13	16
M	17	24	13	15	4	9
F	11	10	2	3	9	7

Table 6 - Work-related injuries by region

HT	REGION NORTH	REGION SOUTH	REGION WEST	REGION EAST
During work	8 (0.29 %)	7 (1.27 %)	0	3 (0.66 %)
M	6	7	0	2
F	2	0	0	1
Outside work	13	1	2	0
M	7	1	1	0
F	6	0	1	0

BENEFITS

With the Collective Agreement, Hrvatski Telekom provides numerous benefits to its employees, and we are especially proud of the PrijaTelj Foundation, which assists parents and children who find themselves in difficult circumstances due to various life challenges.

Our Collective Agreement provides workers with health care, disability insurance, parental leave, retirement insurance, stock ownership, 24-hour accident insurance, and:

- paid leave up to a maximum of seven (7) days a year for important personal needs (e.g., marriage, the birth of a child, death of a close family member, relocation, etc.), free days for voluntary blood donation;
- paid leave to take exams in the education programs the workers attend;
- free days for volunteering;
- vacation and Christmas bonus; Easter voucher;
- payment of the cost of commute;
- payment of support for workers who are single parents, parents with four and more children and parents of children with developmental difficulties
- payment of severance pay in case the employer terminates the employment contract due to business or personal reasons;
- severance pay for retirement;
- payment of support in case of death of a close family member, the event of severe disability of the worker, continuous sick leave longer than 180 days and birth or adoption of a child.

Temporary workers who have a contract with HT have all the benefits as permanent employees. There are no workers or persons working at HT who are involved in professional activities that have a high incidence or risk of specific diseases.



CHILDREN'S PARTY

In 2018, HT organized a 'Day with mom and dad at work' day for its employees. HT's business philosophy is based on a balance between private and business life. Working Friday in the four Croatian cities of Zagreb, Rijeka, Split, and Osijek was somewhat more relaxed for HT employees, as there was a rich entertainment program for children up to 12 years old at Hrvatski Telekom.

As part of the 2018 program, more than 2,000 children of Hrvatski Telekom's employees gathered at the company's offices across Croatia, and humanoid robots, foosball and creative workshops entertained children and gave them a closer look at what their parents do, showed them how state-of-the-art technology works and inspired their creativity.

Hrvatski Telekom has various parent-oriented programs. In addition to 'Day with mom and dad at work', all employees who are parents of first graders, on the first day of school, on September 2, were given a day off to allow their children a smooth transition to a phase of life.

As part of the 2018 program, more than

  **2000**

children of Hrvatski Telekom's employees gathered at the company's offices across Croatia



Life-long learning



At HT, we support and raise awareness of the need for lifelong learning and training to ensure our own competitiveness and that of our employees. We expect all employees to regularly develop and acquire new knowledge and skills.

The e-learning system is our central employee education platform, available 24/7. In addition, employees have access to the Magenta MOOC (Massive Open Online Course), Skillsoft, and Learnlight programs for interdisciplinary learning experience based on video tutoring, academic mentorship and peer learning on digital trends and new business models. The digital learning systems make more than 10,000 educations and more than 5,000 digital books available to our employees.

Table 7 - Total number of training hours and number of training hours by employee category

HT / INDICATOR	TOTAL HOURS ¹⁹	HC	AVERAGE HOURS PER EMPLOYEES
Total by type of workplace	119,390	4,216	28
Executive	99,390	3,689	27
managing ²⁰	20,000	527	38
Total by sex	119,390	4,216	28
men	62,000	2,603	24
women	57,390	1,613	36

¹⁹ For 2018, training hours include hours from the HR system and hours registered in systems operated by the business without the involvement of HR (T-spot; compliance, security)

²⁰ There are 527 management positions in total.

There is a range of training programs available at HT, whereby employees develop competencies in existing jobs and at the same time support their competitiveness in the labor market. Compared to the year before, 2018 shows a significant increase in training hours. The increase was due to a significant increase in the number of online trainings conducted and because, in 2017, training hours spent outside HR coordination were not counted. Time spent on training trips is not included in the calculations.

All employees are included in one of three performance management systems, which includes defining goals, evaluating achievement of goals, and assessing and agreeing on strengths and areas of development, as a baseline for implementing a particular development program or individual development activity. Within the performance management system, all employees have the opportunity to continuously upgrade their competences in different programs or using different tools, such as:

- Online offering of more than 5,000 educational topics that are exclusively accessible to DT Group employees
- Programs that allow competencies to be upgraded for larger groups of employees (e.g., leadership academy, talent development, frontline first - development of employee competencies in direct communication with customers)
- IT; ICT expert training and certificates
- Training in security and ethical business
- Individual trainings in line with HT's business areas strategy.

Concerning the end of working life at HT, upon business termination, the company offers the possibility of outplacement programs, or transition programs. In 2018 there was no interest in such a program. The outplacement program, in the case of personally conditioned termination includes the offer of additional training at the employee's choice in the amount of HRK 5,000. In the case of business-related termination within redundancy management, HT provides a broader range of support and provides all the necessary information related to easier navigating the labor market.

CORPORATE VOLUNTEERING

No organized corporate volunteering programs were implemented in 2018. Nevertheless, a significant number of our employees have participated in numerous worthy actions by HT and our partners through programs such as training of educators under Generation Next and others. In order to improve and systematize the corporate volunteering program, a team was formed in 2018 to set up a structure for volunteering and organizing activities towards further digital literacy of the society.



MAGENTA 1 B2B RUN

MAGENTA 1 B2B RUN, for the fourth consecutive year, the largest business gathering of employees of Croatian companies took place in the four largest Croatian cities. The first race started in Split on May 10, followed by competitions in Rijeka and Osijek (May 24 and June 14), and the final gathering was on September 13 in Zagreb.

MAGENTA 1 B2B RUN is for employees of all business establishments registered in the territory of Croatia, and last year 6,500 employees from more than 400 companies from the private and public sector ran their five kilometers. This confirmed the status of the event, which brings together the largest number of employees in Croatia, and two more records were achieved. It is a racing competition that has encouraged the largest number of new participants to dare to get to the starting line: every third competitor made their first appearance in a race. In addition, in 2018, at the Zagreb competition, the Croatian record was broken in the number of runners who gathered for a race in one discipline: more than 4,500 started.

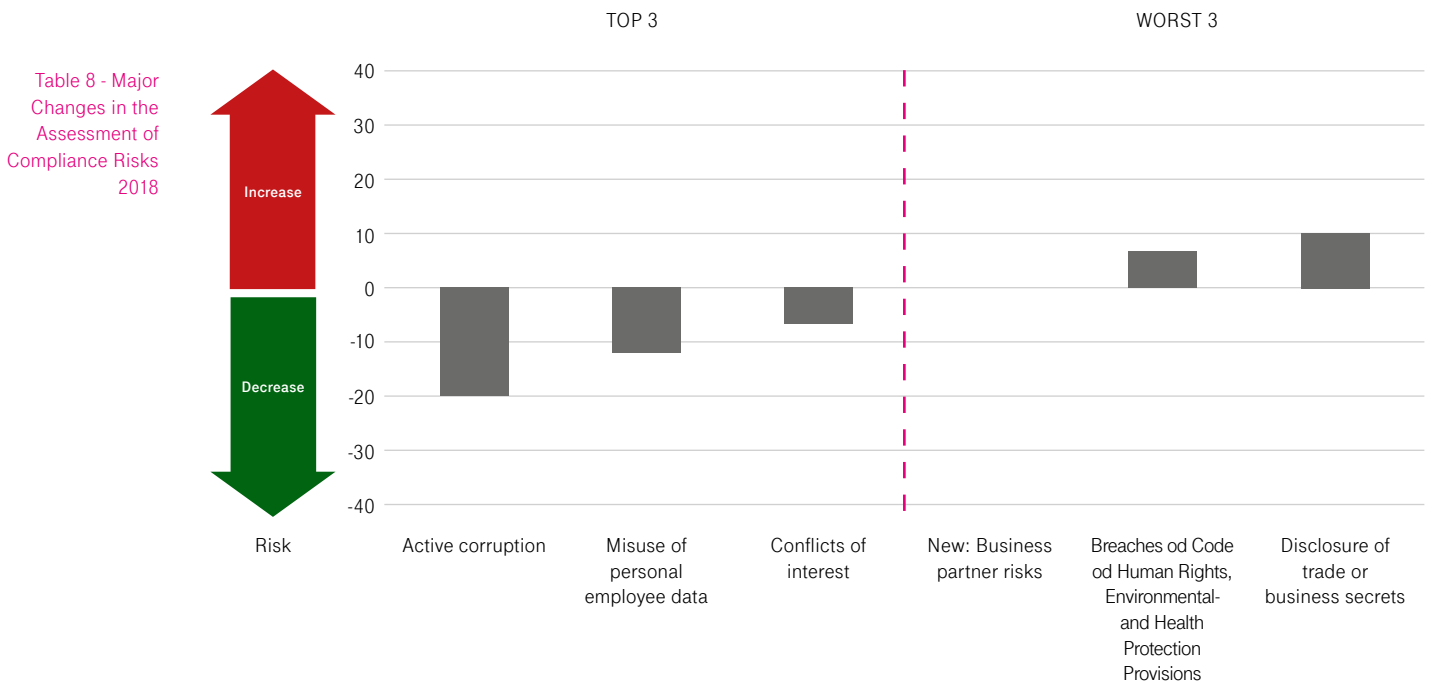
The concern about the health of employees is of great importance for us in Hrvatski Telekom. That is why we continuously develop programs that create a comfortable working environment to improve employee satisfaction. Also, participating in MAGENTA 1 B2B RUN races is an ideal way to encourage each other to acquire healthy habits, while at the same time having fun and connecting with people from other companies. The survey we conducted last year shows that MAGENTA 1 B2B RUN is an ideal blend of teamwork and informal socializing that has contributed to a better corporate culture and strengthened interpersonal relationships. It is precisely this union of HT employees that has resulted in the title of most fit company in most races to date.

For the past few years, MAGENTA 1 B2B RUN has positioned itself as an indispensable event for many Croatian companies and employers, as through a unique combination of sports and informal gathering, it serves as a useful tool for strengthening corporate culture, employee satisfaction, connecting with business community, and encouraging adoption of healthy lifestyles.

Anti-corruption

As part of the annual compliance risk assessment, Hrvatski Telekom conducted an audit of the entire organization (excluding Crnogorski Telekom, which did the same audit separately). The process involved an assessment of the risks of active and passive corruption, and the results showed that a large number of organizational units tested believe there is a possibility of exposure to the risk of corruption. Significant risks associated with corruption have been identified in terms of acceptance and giving

benefits and in the segment of events, sponsorships, and donations. The results of the review indicated that the risk assessment for active corruption was reduced compared to 2017. HT has a certified Compliance Management System (CMS) compliant with German Standard 980, as well as other regulations regarding the control environment for the prevention of corruption. The certification has confirmed that the HT's Compliance management system is effective in preventing risks.



All activities undertaken by HT are in accordance with the fundamental principles laid down in the Corporate Code of Conduct adopted late 2017. Workshops have been held during the reporting period with heads and MB members on the assessment of the effectiveness of the control environment and the determination of residual risk as well as measures to cover the remaining risks. Also, HT carries out regular training on the compliance rules and prevention of corruption at the level of the HT Group. All employees are familiar with anti-corruption policies and procedures. Policies are published in the company's newsletters and are also available on the corporate intranet. HT sensitizes the issue of corruption risks by Management Board communication, trainings, regular campaigns on the International Anti-Corruption Day, the website on Business Compliance, and direct

communication aiming to raise awareness of ethical and harmonized behavior. Employees and members of management bodies are provided with extensive and permanently accessible eLearning related to corruption risks. Education is based on an interactive and multimedia approach to employee awareness and education, and special attention is paid to educating new employees of the HT Group who are continually invited to participate in education. In addition to issues related to the recognition and prevention of conflicts of interest and corruption, risks include dealing with gifts and benefits, relationship with members of the public sector, and the control in working with external consultants and representatives. Education also includes a clear message from the Group's Management Board on the need to fight corruption at all levels - Tone from the Top.

Access to eLearning on the risks associated with corruption through corporate websites is also available to HT Group partners. To ensure transparent business operations and familiarize business partners with anti-corruption policies and procedures, according to the type of business partner, the anti-corruption clause is without exception an integral part of all contracts between Hrvatski Telekom and associated companies with third parties. There were no confirmed corruption incidents in 2018, indicating the adequacy of the current control environment for the prevention of corruption. Employees and members of the management body can obtain any answers or concerns regarding the prevention and prevention of corruption risks directly from the business compliance experts and through the Ask Me consultation portal.

Ethics and employees' dignity

10 REDUCED INEQUALITIES



5 GENDER EQUALITY



In terms of behavior and business, we emphasize: Rules are important, compliance is important, but culture and ethics are more important. Accordingly, in Hrvatski Telekom, any discriminatory treatment is strictly forbidden and HT has zero-tolerance against any form of discrimination under the Code of Conduct and other internal regulations. However, if such a case arises, the Company has, in addition to the compliance commissioner, appointed persons in charge of receiving complaints and protecting the dignity of workers. The zero-tolerance for all forms of discrimination in the workplace is also regulated by the Collective Agreement, with which HT commits to promoting equal opportunities and respect for diversity of employees. The company protects the dignity of employees while performing work by ensuring working conditions in which workers will not be exposed to any form of direct or indirect discrimination, harassment or sexual harassment when performing their work tasks. In their contacts with Employer's business partners and third parties, the employee must also 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, sexual orientation, marital status, family responsibilities, age, language, religion, political or social status, membership or non-membership in a political party, union or any other social organization, and physical or mental difficulties. During 2017 and 2018, through the initiative of GCM 'Transparente Unternehmenskultur', HT implemented measures to shape and strengthen a culture based on respect and evaluation in the DT Group. Activities began with interviews and an online survey in 2017, followed by cultural transformation measures in 2018. - „Speak Up!“, which included:

- eLearnings: Compliance Fundamentals and Anti-corruption training for all HT Group employees, students and agency staff
- Tone from the Top - video messages by Srinu Gopalan, DT board member for Europe, on the importance of business compliance and a culture that encourages the expression of opinions published on the intranet site
- Awareness activities on the intranet: an article on compliance and Speak Up! Campaign
- One-pager - A manual for handling potential conflicts of interest available to all employees
- Compliance eLearning for partners, customers, and suppliers of the HT Group available on the corporate site
- Speak Up posters in all HT buildings in the Republic of Croatia



REPORTING IRREGULARITIES

Everyone can report improper behavior or violation of the Code of Conduct. The report can be submitted through "Ethical Line" as a system that ensures to employees and third parties confidentiality and, if necessary, full anonymity. The Ethical line is accessible by post, phone, fax, e-mail or via a special web tool. In 2018, Hrvatski Telekom recorded three reports by employees related to the protection of dignity and/or discrimination. Taking into account all the circumstances of the above reports, the relevant organizational units have determined that there is no element of any form of discrimination or harassment of workers. Given the sensitivity of the area and the purpose of preventing possible similar circumstances, the organizational unit responsible for business compliance, in collaboration with the HR department, implemented appropriate measures to improve the process, after which there were no further employee-initiated actions.



DIVERSITY

Hrvatski Telekom is a signatory of the “Social Charter”, thus further committing itself to respect the principles of the Charter, and each year the Chief Human Resources Officer confirms compliance and adherence with the principles. In 2017, HT also joined the Diversity Charter Croatia, further confirming its commitment to the contribution and importance of diversity in the business world, and in 2018 undertook preparatory actions related to the development of its own Diversity Policy.

2018	M	F
Entitled to parental leave	112	78
Used parental leave	7	62
Returned to work during 2018 after parental leave ended	7	58
Employed 12 months after returning from parental leave	6	55
Rate of return after maternity leave (first six months after the birth of child)	100 %	94 %

Table 9 - Parental leave

Table 10 - Diversity of management bodies and employees

INDICATOR	TOTAL MEMBERS	SEX M	SEX F	AGE UNDER 30	AGE 30-50	AGE OVER 50	MINORITY GROUPS
Management Board	6	4	2	0	6	0	unknown
All employees	4210	2602	1608	808	2683	719	unknown

Table 11 - Ratio of average wages of women and men by employee category

EMPLOYEE CATEGORY	GROSS PAID WAGE RATIO OF WOMEN/MEN IN 2018	GROSS PAID WAGE RATIO OF WOMEN/MEN IN 2018	EXPLANATION
Non-managers	99.4 %		On average, women have a 0.6% lower wage than men, which is a slight difference to the total number of employees of Hrvatski Telekom.
Managers	92.9 %		On average, women have a 7.1% lower wage than men, due to the fact that men are more represented in senior management positions (e.g. Management Board members).



HT operates in the Republic of Croatia and the collective agreement applies to all HT employees. There are no employees in HT who receive the minimum wage, i.e. all employees are paid more than the minimum wage prescribed by law.

For the fifth consecutive year, Hrvatski Telekom has been awarded the Employer Partner Certificate of Excellence in Human Resource Management. HT stands out for its impeccably laid out processes in the areas of strategy and performance management, thanks to the strategic positioning of the HR function within the company and the performance and reward monitoring system that covers all employees.



**“IF YOU THINK THIS IS JUST AN ORDINARY CHALLENGE
THINK BIGGER.”**

WE CHALLENGE YOU, TECHNICAL WIZARDS!
Use your brains and find a solution to protect our forests. Show us what you are capable of in Zagreb, on January 18, 2019.
<https://challenge.telekom.com/croatia>

LIFE IS FOR SHARING.

Digitalization has deeply permeated our company and, as a result, is also changing the corporate culture, which now fosters greater openness, collaboration, innovation, and simplicity in everything we do. Strict organization and hierarchy are replaced by agile teams that gather around specific tasks, and everyone is given their opportunity to be relevant, to stand out, help and be rewarded. THINK BIGGER is a message that encourages us to work from our hearts, make the impossible possible, turn ordinary into fantastic and - have a great time. In this unstoppable transformation, the role of the Human Resources business department is strategic because we love technology, but people remain first.

CLIMATE CHANGE AND ENVIRONMENT

The Management Board of Hrvatski Telekom regularly reviews the impacts of business activities on the environment and climate change, especially in view of the important role HT plays in facilitating the transition to a low CO2 emission future. Through its Environmental, Health and Safety at Work Policy and Energy Policy, HT continuously strives to find solutions for energy-efficient products and services, to save natural resources and preserve health and the environment.

Within this material topic, HT contributes to the following sustainable development goals

7 AFFORDABLE AND CLEAN ENERGY



ensure access to affordable, reliable, sustainable, and modern energy for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



ensure sustainable consumption and production patterns

13 CLIMATE ACTION



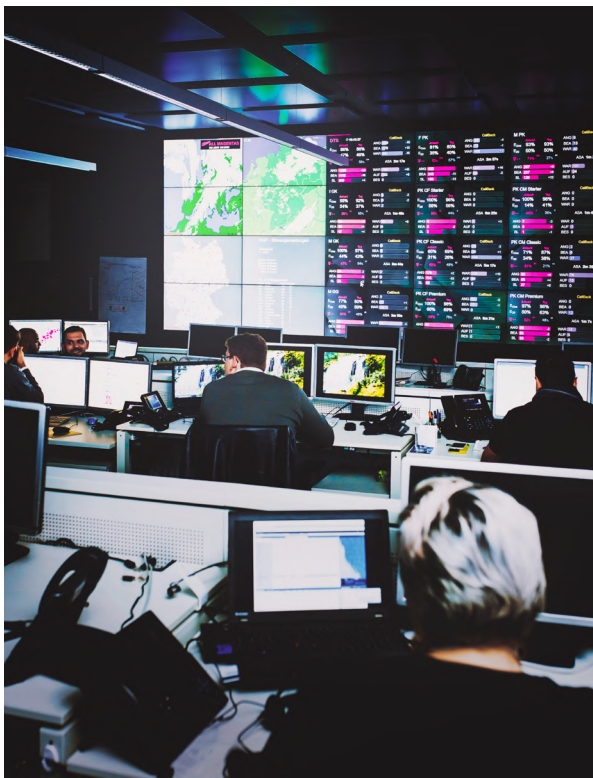
take urgent action to combat climate change and its impacts

ICT as a driver of change

HT is continuously striving to find innovative solutions for its products and services that save energy and natural resources, both on the HT side and on the customer side. In 2018, HT continued to promote e-business through new cloud services as well as research and development of new Internet of Things based services (IoT), which encompasses millions of telemetry devices for the transfer of small amounts of data. Cloud services based on the principles of the so-called cloud computing are primarily intended for business customers and are designed and made available centrally on the HT network. Through them, HT reduces the need for devices and equipment on the customer side, thus contributing to environmental protection. Furthermore, the e-bill service contributes to the environment protection due to reduced use of paper, and the number of HT users who activate it is increasing.

Through the continuous development of advanced products and services, HT enables the reduction of the consumption of electricity and resources of its customers. Cloud solutions enable users to share a high-performance

IT infrastructure, reducing electricity consumption and CO2 emissions while maintaining high level of security. The specialty of HT as the leader in the introduction of advanced ICT technologies and solutions requires the company to apply them as much as possible in its business by introducing the concept of e-company and changing methods and channels of communication with customers (online advertising, online sales, online customer support, e-bills, etc.). These products enable the development and implementation of an online business that transforms traditional, 'physical' products with electronic products, which has positive environmental effects in terms of increased energy efficiency, reduced greenhouse gas emissions, waste and the need for water and materials, resulting in a reduced carbon footprint of both HT and society as a whole. In the course of 2018, the DT Group has begun the process of adopting new ambitious targets for reducing CO2 emissions and climate protection for the period 2020-2030, to which HT plans to make a significant contribution.



As part of the certified Integrated Environmental, Health and Safety at Work Management System in line with ISO 14001 and ISO 45001 standards, HT regularly establishes environmental goals and programs and measures to achieve them, many of which are related to climate and environmental protection. The goals and programs set out the tasks, responsibilities, and resources. HT monitors multiple indicators to meet legal requirements (for example, the consumption of boiler fuel, the amount of waste generated, the results of electromagnetic fields measurements, the quantities of imported electronic equipment and devices, etc.), and many additional indicators on a voluntary basis (e.g. Energy and energy product consumption, the amount of mobile waste collected, air travel, etc.) In order to reduce its own environmental impact and climate change as effectively as possible, Hrvatski Telekom uses a number of management tools and procedures in its business processes, of which the certified Integrated Environmental, Health and Safety at Work Management System, in accordance with ISO 14001 and ISO 45001 standards, stands out. Through the implementation of the aforementioned system, HT has identified ways of influencing the environment and defined documented procedures for Waste management, Energy management, Treatment of ozone-depleting substances, and Environmental management for the use of official vehicles. Also, HT regularly monitors the impact of mobile network base stations through the documented process of Monitoring EM field levels.

Communication with individuals and customers about environmental protection is done in written or oral form and by e-mail. Telephone and written inquiries and complaints from residential customers are received by the organizational unit in charge of support and services for residential customers. Inquiries sent to e-mail zastita.okolisa@t.ht.hr are received and answered directly by the environmental manager and the team. Business customers resolve their inquiries through HT sales managers.

Records of internal and external inquiries, requests and complaints serve as a tool to assess HT's performance in environmental, health and occupational safety. The environmental manager and the occupational health and safety manager monitor the records and, based on inquiries, requests, and complaints, initiate further actions, if necessary. Further actions include initiating non-compliance, corrective action to eliminate the cause of the complaint, preventive action to prevent a recurrence of the complaint, initiating the creation of new or modifying existing documented processes or instructions, and the like. Positive comments aimed at improving environmental performance and the Integrated management system for the environment, health and safety at work are taken into account as well.

As part of DT's integrated environmental and occupational safety management system according to international standards, the Company's environmental and occupational safety performance is regularly evaluated, with guidance and tasks for the following period.

Certified auditors of the DEKRA certification company regularly audit the HT's Integrated Environmental, Health and Safety at Work Management System according to ISO 14001: 2015 and ISO 45001: 2015, and check compliance with the principles of environmental, health and safety at work. The implementation of the Integrated System was evaluated positively and the integration of environmental, health and occupational safety into all relevant work processes was confirmed. Hrvatski Telekom has been awarded

renewed certificates valid until September 13, 2021. These certificates are extracts from the umbrella certificate of DT's Quality, Health, Safety & Environment Management Policy in accordance with the international standards ISO 14001: 2015 and ISO 45001: 2015, which also complies with HT's Integrated Environmental, Health and Safety at Work Management System.

As a traditional telecommunications company, Hrvatski Telekom has a very extensive access network, which is largely built above ground, especially in rural and sparsely populated areas, making it highly susceptible to weather damage, which is often a direct consequence of climate change. Aiming to increase the resilience of the network to the impact of weather conditions and to ensure business continuity, funds are invested during regular operational activities to replace the above-ground network in particularly exposed locations with an underground one. Also, HT's telecommunications infrastructure is heavily dependent on safe and uninterrupted electricity supply, which is why it is exposed to the risk of power outages in the public network caused by weather conditions. For this reason, HT implements appropriate technical and organizational measures to secure stationary and mobile backup power systems for all major infrastructure facilities, to the greatest extent possible to prevent potential damage caused by the interruption of telecommunications traffic.

During 2018, as part of the certified Integrated Environmental, Health and Safety at Work Management System, Hrvatski Telekom has identified the following environmental objectives and programs and measures to achieve them:



Communicating and raising awareness

- Educating students about the importance of proper disposal of old mobile devices and accessories for the purpose of their recycling and protecting the environment.

Reducing greenhouse gas emissions and climate protection

- Reduce and prevent emissions of harmful gases in the air - Gradually replace the remaining systems and devices using HCFC (R-22)
- Replacement and modernization of cooling units
- Replacement of diesel-electric generators by low-voltage network at 3 locations of mobile networks
- Monitoring the microclimate conditions (CO₂ level in the air) in the classrooms of one elementary school in Dubrovnik.
- Launching the project to establish a sensor system in the Port of Gruž - Dubrovnik to monitor microclimate conditions related to air quality and the presence of various particles and gases



Reduction of CO₂ emissions
as HT's contribution to the
joint goal of the DT Group

20 %

2008 to 2020

Energy consumption

- More efficient use of thermo-technical systems in office buildings: Installation of own, more economical gas boiler at the facility in Slavonski Brod; Replacement of the pipeline for the secondary heating system at two facilities; Replacement of regular radiator valves with thermostatic valves
- Installation of thermo-efficient windows in one facility in Zagreb
- Installation of thermal insulation on flat roofs of one facility in Pula
- Reduction of electricity consumption Replacement of DC power supply at ten access locations with an average consumption of 3 kW; Replacement of two UPS systems in Zagreb facilities
- Conducting energy audits and energy certification of facilities and buildings
- Reduction of CO₂ emissions as HT's contribution to the joint goal of the DT Group (20% 2008 to 2020).

Consumption of natural resources

- Reduce paper consumption for printing bills and itemized call statements for customers by promoting the use of e-bills

Promotion of non-materiality

- Promotion of non-materiality - Promoting and implementing customer-side energy and resource-consuming reducing services (Development and implementation of new cloud-based services)
- Improving the quality of life and positive social change in the local community - Promoting, presenting and implementing the Internet of Things technological framework to reduce energy consumption and greenhouse gas emissions
- Improving the quality of life and positive social change in the local community - Collaboration with the University of Dubrovnik on the Smart City project through the Big Data - Crowd Management in Tourism Project

In 2018, HT began a major modernization of its mobile network equipment. Activities were carried out in the area of Istria and Zagreb, which caused increased concern of the surrounding population for health due to the impact of EM fields. HT takes all of these requirements seriously, understanding people's concerns and taking care of all aspects of mobile network base station security, by regularly conducting all prescribed EM field measurement activities in the vicinity of its base stations, obtaining the Ministry of Health's decision on the use of sources, and informing customers about facts regarding EM fields from mobile network base stations through the official website, as well as responses to individual inquiries and requests. All the research done so far, and the latest scientific findings have shown that electromagnetic fields in mobile communications systems do not have adverse effects on human health, as confirmed by the World Health Organization itself. In 2018, after the modernization of the network was completed, HT requested and received measurements on over 750 of its base stations from measuring laboratories authorized by the Ministry. Measuring results were submitted to the Ministry of Health, which issued decisions for the use of the source. All the EM field sources in Hrvatski Telekom's mobile networks have a decision for use issued by the Ministry of Health.



LET'S CHALLENGE - NB-IOT SAVES CROATIAN TREES

At the end of 2019, Hrvatski Telekom launched „Let's CHALLENGE – NB-IoT saves Croatian Trees“, an international virtual challenge aimed at encouraging the development of innovative solutions for (super) early detection of forest fires using temperature sensors, relative humidity, carbon monoxide, and dioxide air concentrations and connect them to an application or platform using NB-IoT technology. The challenge was completed in January 2019, and according to the HT jury, the best solution for early detection of forest fires was developed by a team from Poland, while the second place was won by a three-member team of high school students from Velika Gorica called GVG Firefighters. With this initiative, Hrvatski Telekom wants to help prevent fires that are a major problem every summer. Forests cover 30% of the Earth's surface but this percentage decreases and fires are one of the main reasons. At present, fires are visually detected through various cameras, and in HT we believe that the currently available technology provides a “smarter” approach to the alarm system, and invites everyone interested to apply and help solve this problem.



Energy efficiency and emission reductions



ENERGY EFFICIENCY

Within the certified Integrated Environmental, Health and Safety at Work Management System in accordance with ISO 14001 and ISO 45001, HT regularly establishes environmental goals and programs and measures to achieve them, some of which are directly or indirectly related to HT's products and services as well as the resulting reduction of energy consumption on the customer side.

The Energy Efficiency project on the corporate level continued in 2018, leading to the trend of increased consumption being decreased significantly due to energy efficiency measures, so consumption of electricity increased insignificantly compared to 2017. On the one hand, the main reasons for increased electricity consumption are the expansion of both fixed and mobile networks, the introduction of new technologies, increased data center capacity and extreme temperatures during the summer, which impose additional demands on cooling and air conditioning of sensitive telecommunications infrastructure. Key savings initiatives include the modernization of telecommunications equipment, and in particular significant efforts in 2018 have been made to modernize mobile network equipment, efficient air-conditioning and power supply systems, optimization of the refurbishment of real estate in line with energy

efficiency principles, and increase of the use of energy-efficient IT resources.

HT purchased for its needs over 110 GWh of renewable electricity and CO₂-neutral electricity in 2018, accounting for over 80% of HT's total electricity consumption. Total use of electricity from renewable sources increased by 6% compared to 2017, while that obtained from non-renewable sources decreased by 18%. The aforementioned increase in the use of electricity from renewable sources is a result of the fact that in 2017 electricity from renewable sources was used during the second half of the year, while in 2018 this was the case throughout the year. Also, during 2018, 12 wind-solar systems produced electricity for HT's mobile base stations. Total direct energy consumption from non-renewable sources increased by 5% in 2018 compared to 2017, and the reason for the increase is the increase in the use of diesel for transportation purposes. With the development, deployment, and ever-expanding range of ICT services in the cloud, HT is further contributing to the beneficial impact of ICT technologies and services on climate change, as evidenced by reducing the need for travel and reducing the use of energy, paper, and other

in 2018



12 wind-solar systems produced electricity for HT mobile base stations

in 2018. HT procured for own needs more than



110 GWh

of CO₂ neutral electricity from renewable sources



material resources.

In accordance with the adopted Environmental, Health and Safety at work Policy and the Energy Policy, HT is constantly working to find ways to save energy and natural resources and new solutions for energy-efficient products and services. In order to reduce and control energy consumption, the company has defined a documented "Energy Management" process within the certified Integrated Environmental, Health and Safety at Work Management System in accordance with ISO 14001 and ISO 45001 standards, and also adopts and sets goals every year for environmental protection related to energy efficiency and reduced energy consumption.

Targets in 2018

- Separation of heating from the system of Hrvatske pošte at the facility in Slavonski Brod, Trg Pobjede 2, for rationalization of heating (installation of own, more economical gas boiler)
- Installation of thermo-efficient windows at the facility in Zagreb, Draškovićeveva 26
- Installation of thermal insulation on flat roofs of the facility in Pula, Marsovo polje 64
- Replacement of the pipeline for the secondary heating system at two facilities
- Replacement of regular radiator valves with thermostatic valves
- Replacement of DC power supply at ten access locations with an average consumption of 3 kW
- Replacement of 2 UPS systems

Table 12 - Energy consumption within organization

HT DIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE IN GJ	2014 HT D.D.	2015 HT D.D.	2016 HT D.D.	2017 HT D.D.	2018 HT GROUP
Total direct energy consumption (from non-renewable sources)	118,921	98,034	101,930	102,928	109,949
of which natural gas	30,443	29,872	29,567	31,604	30,034
of which fuel for fleet / gas, diesel, lng	70,978	51,093	56,850	56,183	65,273
of which other fuels	17,500	17,069	15,513	15,141	14,642
HT TOTAL INDIRECT ENERGY CONSUMPTION (FROM NON-RENEWABLE ENERGY SOURCES)	2014 HT D.D.	2015 HT D.D.	2016 HT D.D.	2017 HT D.D.	2018 HT GROUP
Total indirect energy consumption (from non-renewable energy sources) in GJ	490,343	476,746	226,570	101,754	90,316
of which purchased electricity	472,062	458,746	210,714	86,627	77,558
of which thermal energy for heating from heating plants	18,281	18,173	15,865	15,127	12,757
HT TOTAL INDIRECT ENERGY CONSUMPTION (FROM RENEWABLE ENERGY SOURCES)	2014	2015	2016 HT D.D.	2017 HT D.D.	2018 HT GRUPA
Total indirect energy consumption (from renewable energy sources) in GJ (purchased electricity)	-	-	237,341	379,732	401,306

EMISSIONS

Table 13 - Total direct and indirect emissions of greenhouse gases by weight (in tonnes CO_{2e})²¹

	2014 HT D.D.	2015 HT D.D.	2016 HT D.D.	2017 HT D.D.	2017 HT GRUPA	2018 HT GRUPA	RATIO 2017/2018 FOR THE HT GROUP
Ukupna emisija stakleničkih plinova (zbroy izravnih i neizravnih emisija)	49.508	47.723	26.397	15.681	16.613	15.250	-8 %
of which total direct emission of CO ₂ (from non-renewable sources)	7,965	6,529	6,820	6,889	7,102	7,446	5 %
of which natural gas	1,475	1,448	1,433	1,532	1,556	1,456	-6 %
of which fuel for fleet (gas, diesel, lng)	4,958	3,586	4,029	4,031	4,220	4,708	12 %
of which fuel oil	1,532	1,495	1,358	1,326	1,326	1,282	-3 %
of which total indirect emission of CO ₂	41,543	41,194	19,577	8,792	9,511	7,804	-18 %

²¹ Sources for calculation: 1 World Resources Institute (2015). GHG Protocol tool for mobile combustion. Version 2.6.; 2. GHG Emissions from Purchased Electricity version 4.8, May 18, 2015, Added IEA emission factors for year 2012 and latest GWP values from IPCC Fifth Assessment Report



The total greenhouse gas emission of Hrvatski Telekom (the sum of direct and indirect emissions) is 8% lower than in 2017. Of this, total direct carbon dioxide emissions from non-renewable sources increased by 5% compared to the previous reporting period, caused by a reduction in fuel consumption in 2018 compared to 2017, while at the same time, there was an increase in diesel fuel consumption for fleet needs. Natural gas consumption is down 6 % compared to the previous reporting period. Fuel oil consumption was reduced by 3%. The significant decrease in total indirect CO₂ emissions over the past two years is the result of the procurement of CO₂-neutral ZelEn electricity from HEP-Opskrba.



Natural gas consumption is down

6 %
compared to the previous reporting period

Fuel oil consumption was reduced by

3 %

	2011	2012	2013	2014	2015	2016	2017	2018	2017/2018
Total emission NO ₂	6.12	1.86	4.73	0.99	4	1.34	3.68	1.3	-3 %
Total emission SO ₂	7.13	5.69	4.6	3.92	4.22	3.45	3.514	3.353	-4.31 %

Table 14 - NO_x, SO_x and other significant air emission by type and weight – HT d.d.

As part of the Integrated Environmental, Health and Safety at Work Management System, through the Dealing with ozone-depleting substances document, Hrvatski Telekom supervises and manages activities related to the maintenance of various equipment containing substances with a potential impact on the atmosphere. Hrvatski Telekom regularly monitors the air emissions from the boiler room and reports on it according to Croatian regulations. The air emission weights are determined directly from the measurements or indirectly from the calculation based on fuel consumption. Due to lower energy consumption

throughout years, the trend of NO₂ and SO₂ emissions is generally declining. 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 (measurements are mandatory every two years). Namely, emissions based on metering results are lower than emissions calculated from emission factors. Regular boiler room maintenance is the basis for reducing emissions into the environment, and their automated regulation monitors the parameters of consumption and contributes to more efficient resource use and lower emissions.

MATERIALS

Paper

USED MATERIALS BY WEIGHT OR VOLUME	2011	2012	2013	2014	2015	2016	2017	2018
Paper consumption (in tonnes)	138	131	108	112	78	68	70	61

Tablica 15 - Paper consumption

Through the Environmental management at the office procedure, HT implements the Green Office Policy, that is, the implementation of a set of measures and rules of conduct in the daily office operations. This increases the efficiency of resource usage, which simultaneously results in positive effects on the environment and business. The digitalization of internal processes and transition to e-business also continuously contribute to the reduction of paper consumption for office use.

In 2018, paper consumption in office operations decreased by 12% compared to 2017. The number of e-bill users is steadily increasing, reducing the number of print invoices, and the sales department continuously

digitizes sales documentation and processes, reducing paper consumption. Through its sales channels, Hrvatski Telekom motivates its customers to digital communication, which is evident in the growing number of users who receive e-bills. In 2018, the share of e-bills was 23% of the total number of invoices, saving the company a total of 79 tonnes of paper. Digital platforms/appl such as My Telecom HR in the new and updated version launched in the fall of 2018 provide users with all the necessary contract, service and billing information, ensuring smooth and fast bill payment, which directs users from classic paper documents to digital documentation available always and everywhere.

Water

	2011 HT D.D.	2012 HT D.D.	2013 HT D.D.	2014 HT D.D.	2015 HT D.D.	2016 HT D.D.	2017 HT D.D.	2018 HT D.D.
total water extraction (in thousand liters)	79,250	80,890	86,820	72,379	70,622	56,182	61,755	67,358

Table 15 - Total water extraction by source

	2015	2016	2017	2018	%(2018/2017)
HT	70,622	56,182	61,755	67,358	9.1 %
Combis	2,709	2,538	507	500	-1.4 %
Iskon	1,488	2,014	2,100	1,200	-42.9 %
Total	74,819	60,734	64,362	69,058	7.3 %



The Integrated Environmental, Health and Safety at Work Management System recognizes water consumption as an environmental aspect segment and describes it in detail in the Ecological Working Procedures at the Office. Hrvatski Telekom uses water from water supply services - for drinking, for sanitary purposes, in air conditioning systems, and fire extinguishing systems. HT does not use water for technology purposes. None of HT's business processes poses a risk of watercourses pollution, and where there is a risk of oil spills into sewerage, appropriate technical means are used - the so-called oil separators and grease traps - which ensure the separation of oil from the liquid. Water consumption

control is a result of good employee environmental awareness, optimization of business premises, rapid repair of malfunctions and preventive maintenance, and reconstruction of heating/cooling systems and water supply networks. Despite this, Hrvatski Telekom records an increase in water consumption compared to 2017 due to the opening of a number of small facilities in Slavonia for the work of new employees - technicians working to eliminate interferences, due to increased consumption in previously vacant buildings due to office space leasing and to a lesser extent because of losses and leaks on deteriorated hydrant network installations that have been repaired in the meantime.



Circular economy

HT proactively manages material topics related to climate and environment protection and energy consumption, which it has committed itself to in its Environmental, Health and Safety at Work Policy and Energy Policy. The company focuses on a circular economy approach in key areas of its business related to the energy efficiency of its products and services, sustainable management of materials, reuse and recycling, to minimize its and customers' negative climate and environmental footprint. Also, Hrvatski Telekom has for many years encouraged mobile service users to bring their obsolete mobile devices to HT sales points. With an excellent customer response, over 148,000 used mobile devices, their batteries and related equipment have been collected, disposed of and recycled by the end of 2018. HT is also actively involved in educating the youngest population on the importance of protecting the environment and managing waste properly. For the third consecutive school year, through our collaboration with the 22. lipnja Elementary school in Sisak, we explained to students what electronic waste is and how to treat it properly. The students made art on the topic of environment and electronic waste and collected over 100 old cell phones and related equipment during the year, which HT handed over to an authorized dealership for disposal.

Activities aiming at promoting the circular economy principle:

- Whenever possible, solutions are sought for the sale of functional devices and equipment to extend their lifecycle
- A significant number of old mobile devices were collected in 2018 from customers and from internal stock
- In 2018, HT introduced to its employees the possibility of purchasing quality and functional used telephone devices at very reasonable prices ("Auction"). 649 mobile devices thus got a new home and longer life
- Almost all of the waste generated by HT's business processes is further processed through recycling processes, putting again valuable components into the circulation
- Digitalization of internal processes and transition to e-business also constantly contribute to the reduction of paper consumption for office use.
- All paper waste and cardboard packaging waste is recycled, producing new (recycled) paper

Waste management

When talking about waste, the amounts of waste in the telecom industry reach different values, largely depending on numerous business activities. Case in point, replacing old technologies with newer and more advanced ones brings waste quantities higher than those in years when such activities are not carried out. The total amount of waste at Hrvatski Telekom is 28% lower than the amount of waste generated in 2017, precisely because such activities were significantly fewer than in 2017, and consequently, both the amount of hazardous waste and the amount of non-hazardous waste decreased compared to 2017. Of all types of waste, the only increase was in the amount of paper waste, the increase of which was mainly due to the recycling of larger quantities of old paper documents. Almost all waste was sent to recycling, while very little was disposed of through disposal.

Table 17 - Total weight of waste by type and method of disposal in tonnes

	2014 HT D.D.	2015 HT D.D.	2016 HT D.D.	2017 HT D.D.	2018 HT D.D., ISKON I COMBIS
Total weight of waste	921	595	782	1077.82	794.99
of which hazardous waste	178	179	102	271.47	229.52
of which non-hazardous waste	744	416	679	806.35	565.47



Biodiversity

13 CLIMATE ACTION



The Integrated Environmental, Health and Safety at Work Management System applied at HT, under the Planning, Preparation and Construction of the Network process defines the procedure that minimizes the impact and the visual impact on the environment. The impact of Hrvatski Telekom's facilities on biodiversity at sites and lands owned, leased or managed in protected areas or in their immediate vicinity and in high biodiversity areas outside protected areas is insignificant or negligible. When setting up mobile base stations on protected nature areas, HT cooperates closely with the Ministry of Environmental Protection and Energy, the Ministry of Construction and Physical Planning,

the Ministry of Culture, the local community, protected area administrations, mobile operators and other relevant stakeholders. HT and other mobile operators have been building joint base stations in recent years, thus reducing the impact of mobile networks on the landscape, especially in protected nature areas. The company's significantly greater potential lies in biodiversity protection through ongoing climate protection activities, such as the use of energy-efficient equipment and devices, service offerings that reduce the environmental impact of users, sponsorship of environmental protection activities, etc.).



CUSTOMERS AND PRODUCTS

Hrvatski Telekom brings the best network and fast internet to every corner of Croatia so that everyone can access digital services, regardless of who they are or where they live. HT's activities under this material topic contribute to the Sustainable Development Goals:

3 GOOD HEALTH AND WELL-BEING



ensure healthy lives and promote well-being for all at all ages

7 AFFORDABLE AND CLEAN ENERGY



ensure access to affordable, reliable, sustainable, and modern energy for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



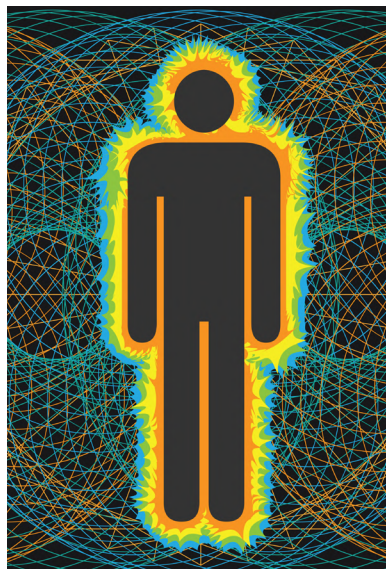
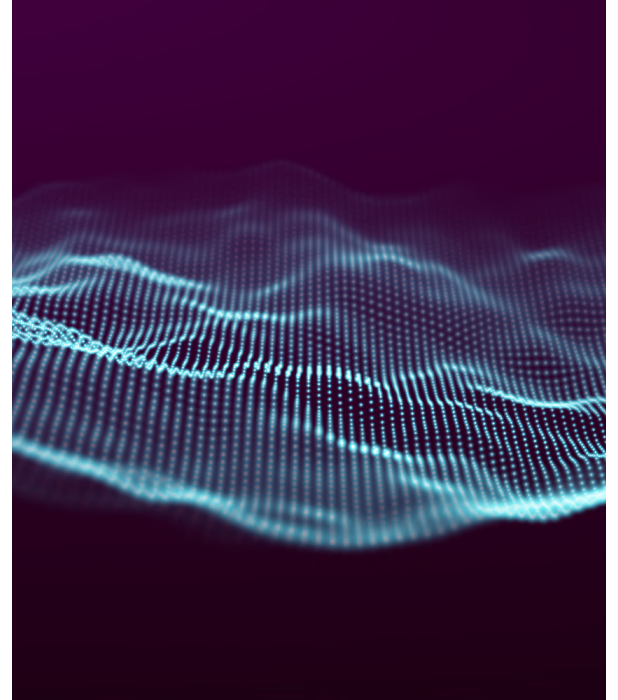
build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Sustainable products and services

Through its optical infrastructure and fiber-based access, and a combination of fixed and mobile technologies, HT provides urban and rural residents with more opportunities for flexible work, entertainment, fast search for information, and communication. Also, one of the strategic determinants of Hrvatski Telekom is the digitalization of companies of all sizes, regardless of whether it is the digitalization of processes, documentation or business, thus enabling them to be more efficient and productive, more agile and more competitive in the market.

With the development of mobile communications, the growing number of service users, and their increasing needs, there is a growing need for base stations and antennas without which mobile communication would be impossible. Hrvatski Telekom has the obligation to be highly committed to optimizing the use of mobile communications and minimizing potential risks. When it comes to electromagnetic fields from base stations, HT is fully compliant with current Croatian regulations; The Ordinance on the Protection against Electromagnetic Fields (OG



146/2014) issued by the Ministry of Health, and all telecommunications equipment is subject to the provisions of the Ordinance on the limitation of the electromagnetic field strength for radio equipment and telecommunications terminal equipment (OG 146/2014) The international standard for limiting exposure to time-varying electrical, magnetic and electromagnetic fields (up to 300 GHz) was issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), has been accepted by the World Health Organization and is being applied by Hrvatski Telekom. On its official website, Hrvatski Telekom publishes information on the impact of mobile network base stations on health and safety. Furthermore, in comparison to these standards, the Regulations for the protection against electromagnetic fields have introduced stricter limits than Directive 1999/519/EC and the ICNIRP guidelines:

- a safety margin of 60% is applied to the electric field (i.e., the permitted level is 40% of the Directive 1999/519/EC and the ICNIRP Guideline)
- a safety margin of as much as 84% is applied to power density (i.e., the permitted level of the radiated power is only 16% of the Directive 1999/519/EC and ICNIRP Guidelines)

Availability of high-speeds is a basic prerequisite for Croatia's further development towards the digital society and for strengthening the competitiveness of the Croatian economy. In 2018, HT continued its Next Generation Access Network (NGA) modernization program related to fixed broadband and ended the year with an additional 11,745 households on FTTH²² access, 6,797 households on FTTB²³/DP²⁴/ fast access and 6,961 households on FTTC access.²⁵ Additionally, for 70,000 users speeds are increased through VDSL technology, and for 42,000 users through hybrid access. A total of 58.2% of households have coverage at >30 Mbit/s speed, of which 21% is with at speed of >100Mbit/s, while FTTx (Optical Based Access Network) is available for 400,000 households.

In the mobile network, the indoor 4G network population coverage is 82%, while the outdoor coverage reached 98.5%. The implementation of high speeds of 350 Mbit/s on 4G download (now enabled for 51% of users) and 300 Mbit/s on the download (now enabled for 26% of users) continued.

Also, HT continues to realize its plans regarding a major investment program for the modernization of the mobile radio and transport network. Following the successful completion of the modernization of the network in Istria (at 138 locations) in the fourth quarter of 2018, the modernization of the infrastructure and the transport network in the City of Zagreb was completed and radio

equipment was replaced at 428 locations. The modernization of the radio and transport network in the Kvarner region has also started, with the replacement of radio equipment at 47 locations, bringing the total number of replaced locations to 613 at the end of 2018. Also, to support the expected increase in traffic, capacitive extensions of the 4G mobile access network were made at 356 locations in total. The new modernized network provides a better user experience - for example, in Istria during the 2018 tourist season, peak traffic was higher by as much as 73% compared to the previous year, with average peak traffic per user by 68% higher at these peak loads.

The focus is on modernizing the radio network according to the SRAN²⁶ concept - the technology that ensures the coexistence of 2G, 3G, 4G, and 5G networks on the same equipment, multiplies the capacity of the 4G network and ensures the Internet of Things (IoT) functionality. The new equipment set up ensures better network coverage, consumes less energy, and the goal of all the activities carried out is to enable the introduction of a 5G network as soon as the necessary radio frequency spectrum is allocated. The introduction of the 5G network will enable the entire society to be transformed in a way that will open up a spectrum of additional opportunities for using mobile technologies that will change people's lives for the better and improve the economy.

82 %

mobile 4G indoor coverage

98.5 %

mobile 4G outdoor coverage

²² Fiber to the home
²³ Fiber to the building
²⁴ Fiber to the distribution point
²⁵ Fiber to the cabinet
²⁶ Single Radio Access Network

Introduction of 5G network

In 2018, Hrvatski Telekom was the first in Croatia to demonstrate 5G functionalities in real conditions, thus making an important step towards the arrival of the 5G network in Croatia. 5G will enable further technological advancement of the society, and this demonstration ranks Croatia among the first European countries to have demonstrated 5G functionality in real infrastructure conditions. For the demonstration, test frequencies in the 3.5GHz band, Ericsson's ready-to-commercially-use network devices and a prototype of a 5G user device were used.

Early 2018, HT commenced the modernization of the radio access network in the whole of Croatia. This network will enable the introduction of 5G technology as soon as the required radio frequency spectrum is allocated to it. The project encompasses the modernization of infrastructure, transport capacities and radio equipment planned to be finalized by the end of 2019. In 2018, the modernization covered the area of Istria, Zagreb and Zagreb County, replacing old equipment with a state-of-the-art, 5G compatible equipment at a total of 603 locations, putting Croatia among the most developed European countries such as Germany and Switzerland. In addition to replacing the equipment, additional frequency layers have been activated, increasing the available network capacity on 4G technology.

5G is the new generation of communication networks and a great opportunity for the Croatian economy and development, which will include the entire accompanying ecosystem. Its commercialization will change the way we communicate, use devices from our everyday lives, and will ease our lives and businesses. Autonomous vehicles, smart homes, and robotics in medicine will only be realized with the latest generations of network. By delivering mobile broadband access of extreme speeds, robust low latency connectivity, and networking of millions of devices into massive Internet of Things (Massive IoT), the whole society will change. Just as the internet, electricity, steam machine, printing machine were or are the main driving forces of socio-economic development and make the so-called general-purpose technology, so the 5G will be the next big technology that will significantly improve people's quality of life and increase productivity.



OUR CUSTOMERS HAVE THE BEST MOBILE NETWORK IN EUROPE, AND THIS IS JUST A CONFIRMATION THAT THIS WILL BE THE CASE ALSO IN THE FUTURE. WE WERE FIRST TO MAKE A BIG STEP FORWARD IN THE PREPARATION OF CROATIA FOR 5G, WHICH PLACES US IN THE TOP EUROPEAN COUNTRIES WHICH DID THIS. HT SEES THE COMMERCIAL IMPLEMENTATION OF THE 5G NETWORK AROUND THE YEAR 2020 WHEN CUSTOMERS WILL HAVE ADDED VALUE IN PERFORMANCES COMPARED TO THE 4G NETWORK A FULL SWING WITH AN ENTIRE RANGE OF FUNCTIONALITIES IS EXPECTED IN BETWEEN 2025 AND 2030

Boris Drilo, Chief Technical and Information officer of Hrvatski Telekom

Customer experience



Customer satisfaction is one of HT's most important strategic goals HT monitors customer loyalty and satisfaction with the TRI*M methodology, and customer satisfaction on individual contact points is monitored within the International Customer Contact Analysis (ICCA) project.

The TRI * M research methodology has been applied at the level of the entire DT Group since 2007. This research, apart from the overall customer loyalty and satisfaction index, also analyzes the results of specific issues of products, pricing, contact points, and processes where customer contacts HT. In this way, HT has an insight into the overall picture of customer experience. The results are monitored at the level of individual employees (depending on the level of responsibility) to the level of the Management Board, and are used as strategic guidelines that define activities in areas where additional effort is needed to improve customer satisfaction. Results in 2018 show the achievement of the TRI*M index of 60 points (on a scale of -66 to +134), thus keeping the level of customer experience achieved in 2017 (index 61) and 2016 (index 62). Customers continue to rate the quality and coverage of the mobile network above average.

ICCA explores customer satisfaction with all HT contact points: call center, self-service voice mail (IVR), T-Centers, field technicians, various HT and outsource sales representatives. The research is conducted on a daily basis, immediately after the end of the last interaction with HT. By completing the survey, users have the opportunity to evaluate the competence and kindness of the agent or sales representative they communicate with, the duration and quality of the interaction itself. The results of each individual agent or sales representative are monitored up to the level of the Management Board, reported on them, and then, based on the achievements, short-term and long-term measures are taken to improve the quality of work of agents and sales representatives and the processes themselves. In 2018, customers also rated contacts with T-Centers, call center, and field technicians as best, and requested the self-service voice system be improved. In 2018, HT continued to make regular

callbacks to the customers who expressed dissatisfaction in ICCA research to find the cause of dissatisfaction and resolve the problem. In 2018, HT also implemented numerous initiatives aimed at solving basic problems, improving process and customer experience. In the course of 2018, HT paid particular attention to improving the customer experience in the following areas:

- Relevant to the customer (value for money)
- Relevant to the employee (processes and communication)

In the "Value for Money" area, a range of initiatives has been launched to reduce the incidence of interference and ensure continuity of service to enhance the customer experience. We also continued to work on eliminating the causes of customer complaints and streamlining our product portfolio and began to modernize our mobile network (SRAN) aiming to enable 5G technology in Croatia.

In the "Processes and Communication" area, a new model of customer interaction across all channels has been implemented, allowing for a better understanding of customer needs. In addition, the existing knowledge base has been upgraded to provide reliable information on products and services and related processes to employees, and consequently to customers. We have launched the Frontline First program aiming to improve the working conditions of Hrvatski Telekom's employees and their satisfaction through numerous concrete activities such as a clear employee development path and streamlining of business processes. All products and services marketed by HT in marketing communications, advertising, sponsorships, and promotion are subject to the DT Group's Brand Guidelines and HURA's Advertising Code. During the reporting period there were no cases of non-compliance with regulations and voluntary codes regarding product and service information and labeling, , and no cases of non-compliance with regulations and voluntary codes regarding marketing communications.

NETWORK QUALITY

The end of 2018 was marked by the P3 independent international award for the best mobile network in Croatia and among the best mobile internet in the world. In this measurement, Hrvatski Telekom has achieved the best result in the P3 measurement history in Croatia, and with the high 948 out of the possible 1000 points, it has further confirmed its position of the provider of the highest quality service.

Also, activities continued to improve the customer experience in the domain of network quality - reducing the root causes of network incidents. The five-year project of modernization of the aggregation network in the entire territory of the Republic of Croatia has been completed. Within the project, a total of 178 older generation devices (Ethernet aggregation) were gradually replaced with new IP/MPLS²⁷ equipment, which increased network bandwidth and reliability and stability of the service. The activities resulted in an overall reduction in network incidents by 80% compared to the same period last year.



In order to ensure sufficient capacity of the mobile core network in 2018, HT successfully installed the third mobile core location in Split in just five months, doubling the capacity of the mobile core network to 80 Gbit/s. This location is based on a virtualized cloud-based solution, the technology of the future, which has created the preconditions for more scalable and simpler future extensions with a more cost-effective ratio of installed Gbit/s of new capacity. This solution is a continuation of activities on further consolidation and virtualization of platforms, which through the use of shared HW infrastructure achieves better efficiency with the ultimate goal of simplifying and automating network systems.

The business and IT transformation program continued in 2018, focused primarily on replacing today's mobile billing system and introducing a new Order Management system to support E2E processes over mobile products.

At the DT Group level, Hrvatski Telekom is leading the HAL (Harmonized API layer) project, which is a crucial part of DT's digital architecture. HAL is a new technology concept that provides a faster and more flexible application interface development and is a framework for OneApp that will be used for all future front-end solutions in DT's national companies. In 2018, HT was the first in the DT Group to commercially deploy One App application that replaced the existing My Telecom application. The application is implemented on a new technological concept, which provides greater flexibility, simplicity, and speed in the development of new future applications. The One App provides a faster app, easier to use with a host of new features (one-click payment, PayPal solution), contributing to better and simpler customer experience and a step forward towards the digitalization of society. At the end of 2018, 101,000 customers actively use the app per month, while the app itself has an average rating of 4.4 on the Google Play platform.



CALLS VIA WIFI NETWORK

Voice over WiFi (VoWiFi), the new service of Hrvatski Telekom is an upgrade of the VoLTE service introduced in 2017. This is the technology that allows the user to communicate with voice over any WiFi access point that the user is registered on without entering an additional user name and password. In order to use the Voice over WiFi service, one does not have to install additional applications or register, it is sufficient to connect onto the available WiFi network, but the user must have an active VoLTE service.

Calls will now also be enabled through available WiFi networks in cases of inaccessibility of the mobile network, e.g. in garages, cellars, or shopping centers. In all these situations, the user will be able to talk using the available WiFi network. The device will switch the user if the device is connected to an available WiFi network in situations where the mobile network is unavailable or congested. The activation and use of voice service via WiFi is at no extra charge, and the prerequisite for its use is the device that supports the service and the corresponding software version.

²⁷ Multiprotocol Label Switching

Safety for customers' health



All HT's base stations are developed, tested and commissioned in accordance with international standards and requirements. From the equipment manufacturers, we obtain certificates that show that base stations meet ICNIRP's safety requirements and correspond to a number of standards for product safety and electromagnetic compatibility and general technical regulations. Similarly, all base stations have a Certificate of Compliance with a series of European and world standards issued by the Croatian Regulatory Agency for Network Operations.

Hrvatski Telekom pays special attention to clear, open and constructive communication about the impact of electromagnetic fields, especially because inaccurate and incomplete information is sometimes published in the public. HT respects the views of independent, competent sources such as the Ministry of Health, the Croatian Regulatory Agency for Network Operations, the World Health Organization, and the International Commission on Non-ionizing Radiation Protection. HT believes that exposure limits to EM fields should be determined on the basis of scientifically substantiated and recognized research and should be under constant control. Over the last few years, recognized expert organizations such as the World Health Organization and the International Commission for Non-ionizing Radiation Protection have repeatedly reviewed the validity thresholds for mobile communications on the basis of the latest scientific findings and have confirmed that, if these values are respected, the use of mobile technology is safe.



Since we began the modernization of our mobile networks during 2018, measurements were made at over 750 base stations after the changes in the network were made. Measuring results were submitted to the Ministry of Health, which issued decisions for the use of the sources. It is important to note that all EM field sources in Hrvatski Telekom's mobile networks have a decision for use issued by the Ministry of Health.

All the mobile devices that HT places on the market meet SAR security requirements. SAR (Specific Absorption Rate) is a measure of specific absorption, i.e., the value that describes the absorption rate of the electromagnetic energy per unit of tissue mass and is expressed in W/kg. According to European Union Directive 1999/519/EC on the limitation of exposure of humans to electromagnetic fields (0 Hz to 300 MHz), the SAR limit is 2 W/kg for every 10 g of tissue for head and body. The Croatian Ordinance on the protection from electromagnetic fields (OG 146/2014) adopted these same limit values. The SAR value of all mobile phones put by HT to the market is less than 2 W/kg.

There were no reports of non-compliance to regulations and voluntary codes regarding the effects of products and services on the health and safety of users during the reporting period.



SERVICES FOR HEALTHCARE

Digital transformation projects in the healthcare field bring many benefits to all involved. For hospital staff and patients, this is a simple, fast, and transparent communication, increasing efficiency and reducing the many costs of operating a healthcare facility. The European Union has also recognized the digitalization of health care as a relevant area, which is why part of the EU funds in Croatia is intended for such projects.

Croatia's leading IT service provider COMBIS has made a breakthrough in smart healthcare solutions through a partnership with Unify Software and Solutions GmbH & Co. KG. By attaining Unify Authorized Partner status, Combis became the first Unify partner for HiMed (Healthcare Communications) solutions in Croatia. HiMed solutions and services provide fully digitized and interactive communication between patients and hospital staff, information about each patient (e.g. medical records), timely informing patients of daily activity schedules, as well as pre- and post-operative procedures and activities. In addition to these functionalities, each patient can access multimedia content, internet access, and video or classic phone calls through the HiMed system.



COMBIS HAS BEEN PRESENT IN HOSPITALS FOR MANY YEARS WITH ITS IT SOLUTIONS, AND WITH THE NEW PARTNERSHIP, WE ARE EXPANDING OUR HEALTHCARE PORTFOLIO WITH THE MAIN FOCUS ON THE HIMED PRODUCT SEGMENT. HIMED SOLUTIONS CAN SIGNIFICANTLY IMPROVE DAY-TO-DAY BUSINESS PROCESSES IN HOSPITALS AND OTHER HEALTHCARE FACILITIES

Marko Galac, Director of Passive Network Infrastructure at Combis

Data security and protection of privacy

The security of our customers' information is of the utmost importance for Hrvatski Telekom's business operations. Keeping in mind the rapid development of new technologies and the migration of numerous data to the cloud, data security and privacy protection affect business success and reputation. HT protects business data, customer data, business partners' data and shareholders' data and employees' personal data against unauthorized use, loss or premature destruction by all available technical and organizational means, adhering to the relevant legal framework and laws of the Republic of Croatia, as well as DT Group's internal policies and rules.

The high sensitivity of the data entrusted to us by our customers, business partners, employees and shareholders encourages us to protect them by acting in a cautious and responsible manner, and for this reason we take a number of technical and organizational measures to ensure their confidentiality. Employees are responsible for providing a high level of information and consistently adhere to the provisions for the protection of personal data with special respect for the personal rights of customers whose data is collected, processed and used. Also, all information that comes out of the company or is related to the company must be provided only to authorized recipients.

HT highly values the protection of customers' privacy and its operations are fully compliant with the General Data Protection Regulation (GDPR) (EU) 2016/679, which entered into force on May 25, 2018. During the reporting period, no legitimate complaints were reported regarding breaches of customer privacy and loss of customer's personal data.



HRVATSKI TELEKOM STORES KEY APPLICATIONS AND DATA FOR BUSINESS USERS

In 2018, Hrvatski Telekom has introduced a new ICT service in its offering for business customers, which integrates two very important services in the cloud: backup and replication. The Veeam backup and replication service ensures the availability of key contingency services and data, thus preventing huge losses for entrepreneurs, trades and large companies.

Cloud Backup enables easy and automated backup of data stored on different devices: desktop or laptop, virtual machines, virtual servers and is intended for all business customers who need continuous data storage, and their backup data is available at all times available for retrieval.

Cloud Replication enables the replication of essential services to the cloud and restoring them in the event of a disaster so that operations can continue with minimal interruption. Replication prevents the loss of information that can be caused by human error, malfunction or natural disasters and also enables business continuity.

DEBT RELIEF TO PHYSICAL PERSONS

In 2018 based on Art. 10, p. 1 of the Law on writing off physical persons' debts (OG 62/2018), the Management of Hrvatski Telekom d.d. passed a decision to join the decision of the Government of the Republic of Croatia to write off debts to physical persons.

Debt relief has been granted to debtors who meet the following criteria:

- debt to Hrvatski Telekom d.d. with, as at December 31, 2017, enforced foreclosure over funds on the account of the beneficiary - debtor still in effect on the date of this announcement,
- debt of the beneficiary - debtor whose total debt to Hrvatski Telekom d.d. on the basis of principal and costs does not exceed HRK 2,500.00,
- beneficiaries - debtors who are recipients of one of the social welfare benefits (guaranteed minimum benefit, support allowance, personal disability allowance).

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WE ARE GRATEFUL FOR THE TRUST THAT HAS BEEN GIVEN TO US BY MORE THAN 100,000 COMPANIES AND TRADES, FOR WHICH WE ARE CONSTANTLY IMPROVING OURSELVES TO OFFER THE HIGHEST QUALITY INFORMATION AND COMMUNICATION SOLUTIONS. OVER THE LAST FOUR YEARS, WE HAVE INVESTED MORE THAN HRK 6 BILLION IN MOBILE AND FIXED NETWORKS TO PROVIDE THE HIGHEST QUALITY SERVICE

Tomislav Kosanović, Director of Business
Product Development at Hrvatski Telekom

Beneficiaries - debtors who have applied for debt write-off and who fulfill the above conditions have been notified by a law firm representing Hrvatski Telekom d.d. on the decision to write off the overdue debt without delay. In addition to debt relief from principal and expenses, the corresponding statutory default interest was also written off.

COOPERATION WITH LOCAL COMMUNITIES

One of the key goals of Hrvatski Telekom's strategy is to be the frontrunner in Croatia's digital transformation. In cooperation with an unparalleled network of partners, HT wants to be a quality participant in solving the problems of cities and regions. By investing heavily in its own network infrastructure and smart city projects, HT is directly involved in the transformational changes that contribute to local community development. Smart solutions implemented in local communities create budget savings, protect the environment, raise the quality of life of citizens and contribute to creating an entrepreneurial climate that attracts new investment and contributes to sustainable development goals.



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



ensure access to affordable, reliable, sustainable, and modern energy for all



make cities and human settlements inclusive, safe, resilient and sustainable

Infrastructure as foundation of development

The largest project of the new mobile network in the region, worth more than HRK 1 billion started in 2018, which will enable a threefold increase in network capacity and the preconditions for the 5G technology. By aligning the regulation of the right-of-way fee with the most developed EU members, over the next four years HT would invest up to HRK 1.4 billion in optics, thus securing a minimum internet speed of 100 Mbit/s for 760,000 households in total.

Due to its activity, HT operates throughout the Republic of Croatia, providing services to its customers in the City of Zagreb, 20 Counties, and 428 municipalities. Nevertheless, because of significant investments in the territory of the Republic of Croatia, HT's activities occasionally cause dissatisfaction with the local government. In some cases, when no agreement can be reached, this causes litigation regarding the resolution of property relations and the right of way. In 2018, a total of 73 litigations were pending, most of them with local governments, and smaller number with private individuals, from which 41 were started in the reporting period.



HRK 1.4 billion

over the next four years HT would invest up to HRK 1.4 billion in optics

760,000

number of households HT provided with a minimum internet speed of 100 Mbit/s over four years

In all these disputes, HT is always guided by the principles of good business person and strives to achieve outcomes that allow the necessary infrastructure to be built without interruption in order to provide all its customers with quality and unobstructed service.



Smart cities

Hrvatski Telekom is the only organization in Croatia that offers comprehensive smart city solutions, ranging from basic infrastructure to concrete applications. It is part of the HT strategy as the leader of the digital transformation of Croatia. Knowledge and experience in developing and using advanced digital technologies is Croatia's best preparation for a new wave of technological change that has the potential to completely change the way we work and live. The crucial technology that enables the development of a smart city is the Internet of Things. Thanks to IoT technology, cities have the ability to provide better quality services to their citizens and businesses, while cost and resource consumption are decreasing.

With significant investments in advanced infrastructure, Hrvatski Telekom accelerates the digitalization of society with numerous projects. Together with more than 30 partners, Hrvatski Telekom has a portfolio with more than 20 solutions for smart cities, including the widest national network of EV charging stations, smart waste management, smart parking, and digital payphones.

At Smart City Expo, the most prestigious international congress of technology solutions for "smart" cities, which took place in Barcelona November 13 to 15, Hrvatski Telekom presented, as part of the joint exhibition space of Deutsche Telekom, as the best practice of developing smart city technologies, the innovative solutions implemented with the help of its partners on the island of Krk and in Zagreb: EB charging station system throughout Croatia, with a particular focus on good practice on the island of Krk, and an air control measurement system that continuously analyzes its quality, implemented in Zagreb.



SMART STREET

After Hrvatski Telekom and the City of Dubrovnik Signed a Cooperation Agreement at the beginning of 2016, as part of the project for the candidacy of Dubrovnik for the title of European Capital of Culture 2020, positioning HT as a technological partner of the City in projects that are changing the future of Dubrovnik, HT CEO Davor Tomašković and Dubrovnik Mayor Andro Vlahušić together opened the Smart Street on the Stjepan Radić shore, a pilot project developed in strategic partnership with CISCO and in collaboration with local partners. Smart Street features public lighting with a multifunctional sensor network with various access technologies, ranging from optical links and 4G networks to Wi-Fi, giving citizens and visitors to Dubrovnik free high-speed broadband wireless internet access (50 Mbit/s). Part of the smart street is a traffic solution whose cameras recognize traffic violations, and for the first time in the world innovative parking technology has been installed in the street, which automatically recognizes vehicles and makes contactless payment for parking and which through digital panels informs drivers in real-time about the parking occupancy.

SMART PARKING

Hrvatski Telekom, with its partner, Mobilisis, implemented a smart parking solution for people with disabilities for Split parking, which contributes to increasing the quality of life of people with disabilities in Split and reduces city crowds in the very center of Split. A total of 12 Mobilisis sensors have been installed in parking spaces intended for persons with disabilities working on the Narrowband IoT network of Hrvatski Telekom. The sensors are connected to the Split parking app, with which users see accessible parking spaces. This directly contributes to a better quality of traffic in the city.

Smart parking in Split is the first IoT project implemented on the Narrowband IoT network of Hrvatski Telekom in Croatia. The network features excellent coverage, low cost, high signal quality and a high level of security and reliability in line with global telecommunications standards in mobile networks. The Smart parking project continues at other places for people with disabilities in the City of Split, and the plan is to implement new technology on standard commercial parking places. In late 2018, sensors on 670 parking places were installed on Krk.



SMART PAY PHONES

Hrvatski Telekom and Go2Digital, a Croatian agency specializing in outdoor digital advertising, have jointly set global trends and are the first in Croatia to contribute to the digitalization of our cities. In 2018, an agreement was signed commencing the project of modernization of payphones. Existing payphones, which offer only telephony, are replaced with digital payphones and a range of IoT based smart solutions.

Citizens thus have access to many new features, ranging from wireless charging of mobile devices to information about the level of pollen in the air, using special sensors inside the booths, to the SOS key that can be used to call for emergency help in the event of an accident. To make users and passers-by connected, each booth is also a Wi-Fi Hot Spot with free and unlimited internet.

For easier navigation in cities, the digital display features an interactive map in six languages, which instructs users on how to reach the desired location, and digital city light for advertisers on the back of the payphone. At least 25 payphones throughout Croatia will be replaced annually.

MUNICIPAL WASTE MANAGEMENT

During 2018, in cooperation with its partner network, HT implemented solutions for municipal waste management in Koprivnica, Split, Dubrovnik, Makarska, Sv. Ivan Zelina, Dugo Selo, and Velika Gorica.

AIR QUALITY CONTROL

During 2018, HT implemented sensors for measuring air quality in Koprivnica and Dubrovnik.



PUBLIC CITY BICYCLE SYSTEM AND ELECTRIC BICYCLES

During 2018, HT has introduced systems of public city bicycles and e-bicycles in Orahovica, Erdut, Lonjsko Polje and Dubrovnik (island of Lopud).

TRAFFIC AND TOURISM ANALYTICS

During 2018, HT also launched a pilot project on the implementation of the Dubrovnik Crowd management tourist tracking system..

ICT VIDEO SURVEILLANCE

ICT video surveillance systems have been implemented in Krk and Dubrovnik during 2018.

Top 5 cities in the Smart City project:

ZAGREB

- Smart parking (information system for billing and management of parking)
- Waste management (NB/IoT sensors)
- WiFi (on public urban areas and in ZET trams)
- Smart metering (GPRS gas meter reading system)
- EV charging station and smart benches (Zagreb County project)

KOPRIVNICA

- Waste management
- Air quality outdoor
- ISO 37120 certificate for smart city
- Smart parking (parking management information system)

BELIŠĆE

- Smart benches
- EV charging stations

SPLIT

- Smart parking (pilot project realized)
- Waste management (Big belly)

DUBROVNIK

- Smart city pilot project in 2016 (public lighting, smart parking, air quality, WiFi)
- Waste management (Big belly tanks with video surveillance and no video surveillance)
- Air quality outdoor (Dubrovnik Port Authority)
- Smart Parking (NB/IoT with billing and parking management system)
- Bike-sharing
- WiFi Meraki (network as platform)
- Crowd management (big data for tracking tourists)
- Altereco (big data project for counting and tracking tourists)



EV CHARGING STATIONS

In the development of Croatian entrepreneurship, of cities as well as the state, EU funds are also of great importance. Funds from EU funds enable participation in various European projects to implement a number of innovative solutions that contribute to a higher quality of life, to the development of society and greater competitiveness of the state as a whole. Hrvatski Telekom takes part in many of these projects as well, as a partner that continually helps Croatian cities and entrepreneurs to successfully withdraw funds from the European Union, offering them specific technical assistance, from suggesting relevant projects to drawing up the documentation itself. Hrvatski Telekom manages more than 50 percent of EV charging stations in Croatia, whose use has increased by 400 percent in the past year alone. This is a confirmation of the value of this project for the future of mobility and the environment.

One of the best examples of this synergy between Hrvatski Telekom on the one hand, and the state, cities and entrepreneurs on the other, is the **“Comprehensive fast-charging corridor network in Southeast Europe”**, aimed at providing superior customer experience through the implementation of an advanced ICT system that will enable geo-locating free chargers, booking outlets, authorization, billing and providing the best customer support. This project is co-funded under the EU’s Connecting Europe Facility (CEF or Instrument to connect Europe) program and enables the development of green corridors of e-mobility in Central and South-Eastern Europe, part of a wider global project for connecting countries from southeast Europe. The purpose of the project is to provide top-of-the-line charging service for domestic EV users, as well as an increasing number of tourists who come to Croatia on holiday by electric vehicles. Apart from installation itself, the owners of the locations that decide to open an EV charging station will be helped by Hrvatski Telekom in getting EU funds. The project contributes to the Europe 2020 Strategy goals, particularly in the part defined by the Clean Power for Transport Package. In addition to the traditional workplaces required for the development and maintenance of the charging network, the project encourages employment in the IT system and digital services segment.

The project to build an EV charging station network significantly contributes to the preservation of the environment as it encourages an increasing number of drivers to use electric vehicles, thereby directly reducing the emission of harmful gases. All of that is a step towards building a sustainable environment, an environment with cleaner air, and hence healthier and better quality life.



Just before the start of the 2018 tourist season, Hrvatski Telekom and Tower Center Rijeka set up the first fast EV charging station in the City of Rijeka as part of the project “Comprehensive fast-charging corridor network in Southeast Europe.” With this installation, Rijeka has joined the map of smart cities that promote e-mobility as a key concept of low-carbon mobility. The installation of the first fast EV charging station in the City of Rijeka is a continuation of the project co-funded by the European Union. The project’s plan is to open as many as 69 fast and four ultra-fast EV charging stations at 31 locations in corridors across Croatia and Romania. The project lasts until the end of 2020 and its total value is 4.3 million euros. The first fast EV charging station in Rijeka provides top-of-the-line charging service for domestic EV users, as well as an increasing number of tourists who come to Croatia on holiday by electric vehicles. The service is available around the clock, seven days a week, free of charge for all electric car users. The charging takes about 20 minutes, the experience of using it is digital and non-stop customer support is also available.

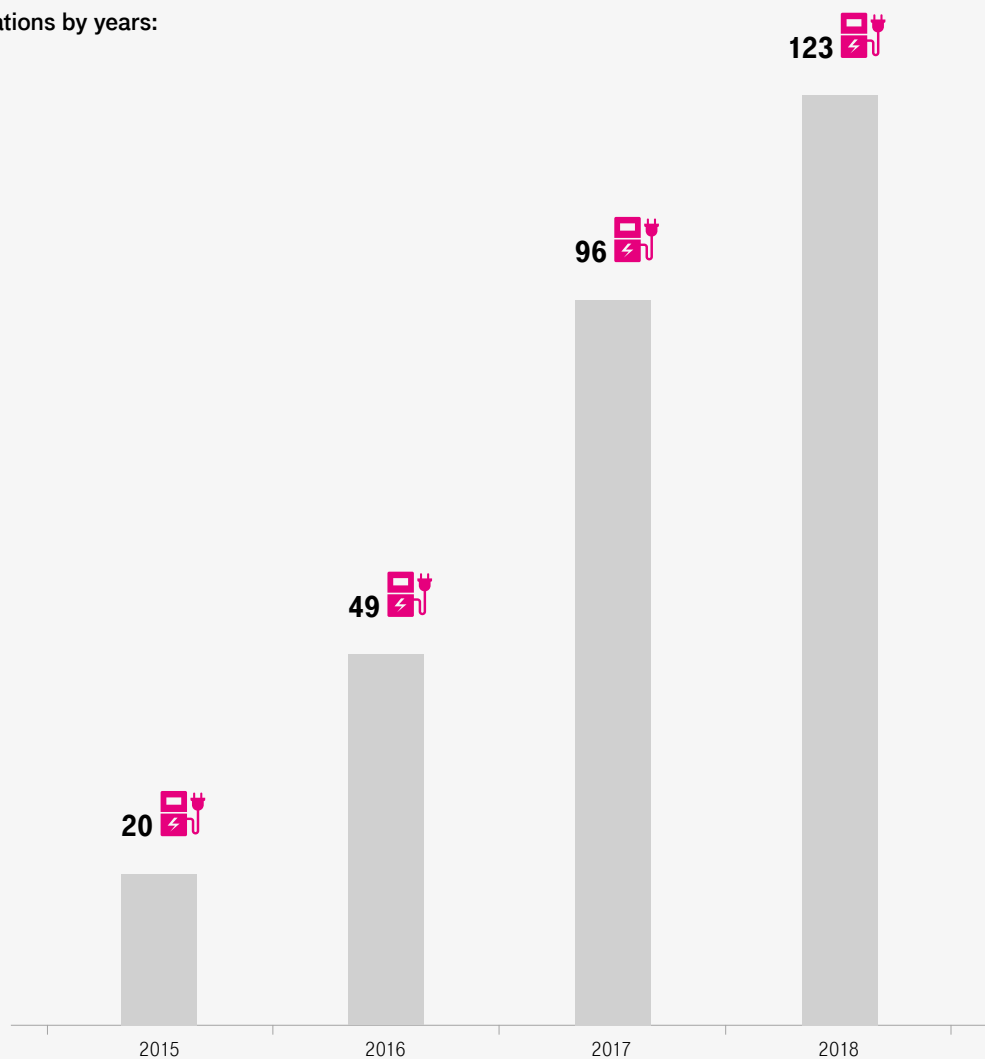


In addition to the charging station in the City of Rijeka, at the beginning of June, the seventh fast charging station was commissioned in the City of Zagreb in front of the head office of the Hrvatski Autoklub on Dubrovnik Avenue. Also, as part of this project, Hrvatski Telekom has set up a fast EV charging station at the recently revitalized ROX gas station. It is the eighth fast EV charging station set up by Hrvatski Telekom in Croatia, but it is important to note that it is also the first fast EV charging station in Croatia that allows charging of all types of electric vehicles which is placed on a classic gas station, while new fast-charging stations are

planned at locations in Varaždin, Karlovac, Delnice, Rijeka, and Zagreb. Collaboration with the Hrvatski Autoklub will soon provide additional benefits to all EV users. The first of many is the integration of dynamic data on the status of Puni.hr's charging stations through HAK mobile app. The largest regional Puni.hr EV charging network currently numbers more than 123 publicly available EV charging stations in 75 Croatian cities making more than 50 percent of all publicly available inter-operable EV charging stations in Croatia.

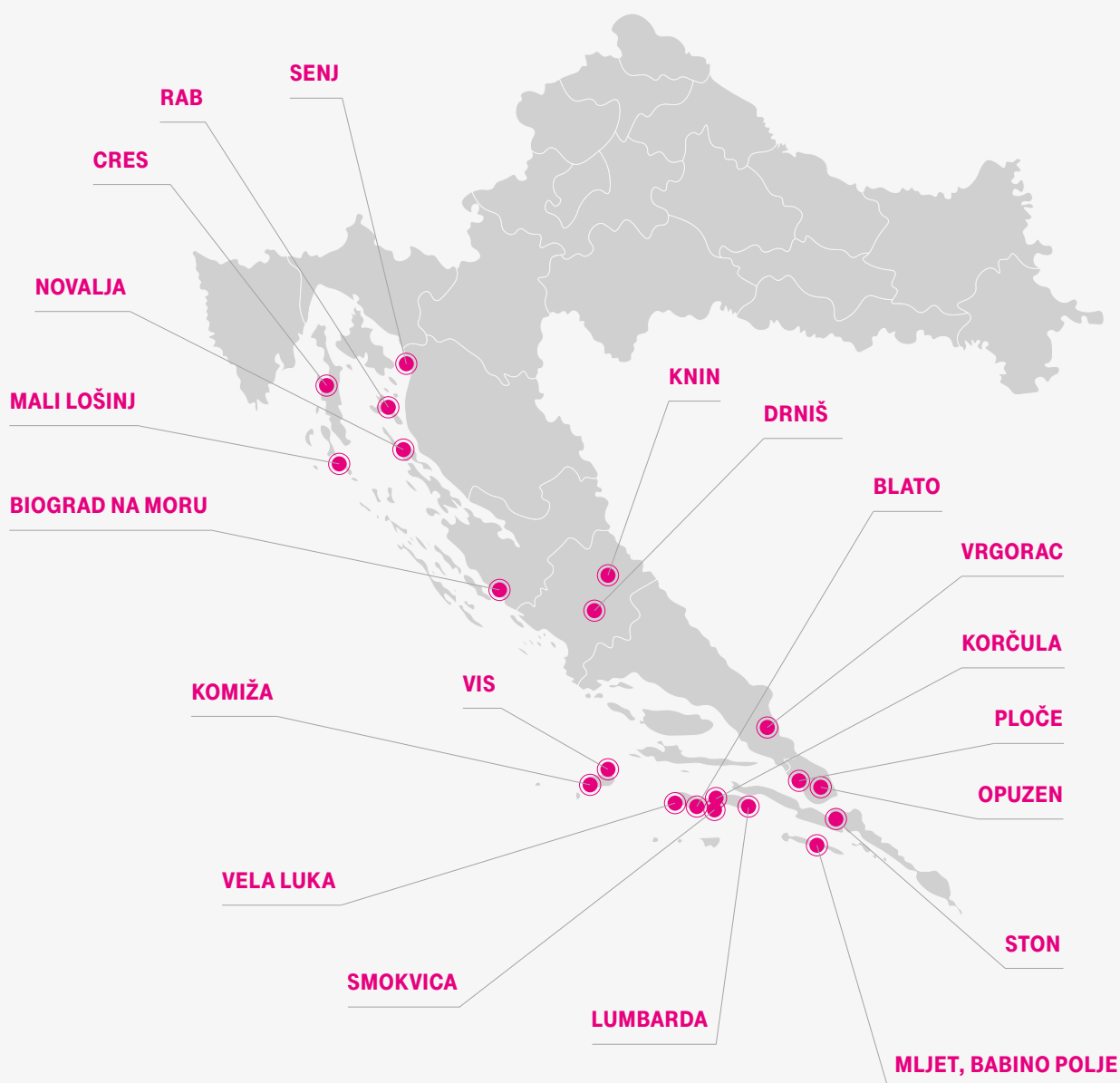
EV charging stations by years:

- 2015 - 20
- 2016 - 49
- 2017 - 96
- 2018 - 123



T-TRUCK

In 2018, Hrvatski Telekom organized a T-Truck tour, enabling the availability of its services to locals in locations where there are no T sales outlets. The T-Truck enables customers to realize all the services as in other T-points of sale. During the distinctive tour, T-Truck toured locations throughout Croatia, from Kvarner, Dalmatia to islands. The 2018 tour included these locations:.



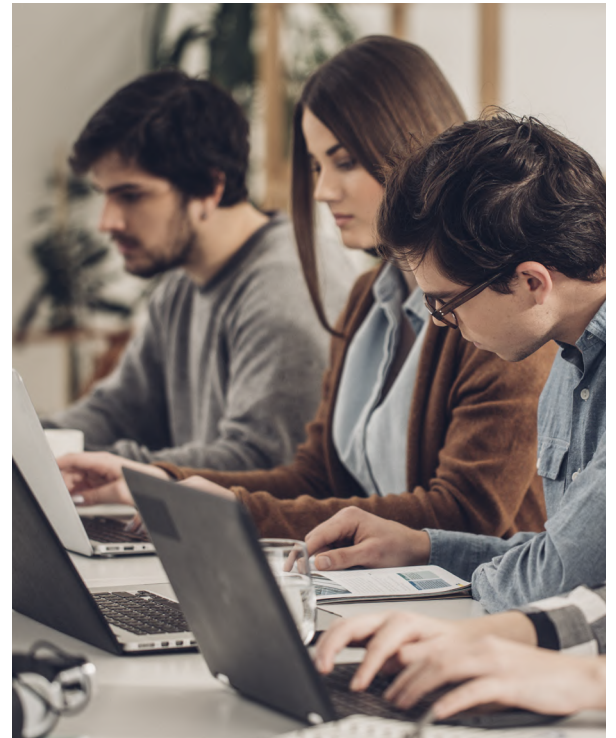
Cooperation with the academia

The leading provider of IT services in Croatia, Combis and the Faculty of Engineering in Rijeka signed an agreement in November 2018 on cooperation in scientific research, development and education projects. The cooperation is in several areas: research and development projects and expertise, applying and implementing joint research and development projects to domestic and international sources of funding, education of Combis employees, as well as professional and practical training of students of the Faculty of Engineering through student practice, workshops and professional lectures at Combis.

”

CONNECTING THE ECONOMY AND EDUCATION IS A WINNING COMBINATION IN TERMS OF THE DEVELOPMENT OF EVERYONE INVOLVED IN THE PROCESS. COMBIS AND THE FACULTY OF ENGINEERING WANT TO CREATE INNOVATIVE PROJECTS IN THE EXPANSIVE IT FIELD, WHILE THERE IS A GROWING EMPHASIS AMONG THE STUDENT POPULATION ON GAINING EXPERIENCE WHILE STUDYING. COMBIS IS ALSO STRONGLY FOCUSED ON FOSTERING YOUNG TALENT AND SUPPORTING THE COMMUNITY IN WHICH IT OPERATES

Mladen Maras, Director of the Application Development and Implementation Sector at Combis



For years, Combis has supported the young IT community through student competition sponsorships, organized the hackathon try{code}catch, and is the first in Croatia to have formed an internal startup incubator - NeoStartup.

Christmas campaign in cooperation with Vukovar Social Grocery

Social sensitivity, solidarity, and socially responsible business are among the basic determinants of Hrvatski Telekom and the corporate culture nurtured in the company. Employees of Hrvatski Telekom have shown their humanity in action by participating in the traditional internal Christmas campaign and collected groceries and toiletries at all regional centers - Rijeka, Split, Zagreb, and Osijek for the Vukovar Social Grocery wanting to brighten Christmas holidays for the service beneficiaries. Social Grocery in Vukovar serves more than 600 families from the Vukovar-Srijem County every day. Social Grocery started operating in 2014 as a project of the Humanitarian Association Duga and since then the number of beneficiaries is growing every day. Some of the users of Vukovar Social Grocery come for supplies once a month, and users who live in extremely difficult conditions visit the grocery two or three times a month.



”

UNFORTUNATELY, VUKOVAR HAS MANY FAMILIES WHO LIVE IN DIFFICULT CONDITIONS AND ON THE EDGE OF POVERTY. SINCE WE OPENED FOUR YEARS AGO, THE NUMBER OF OUR USERS HAS BEEN GROWING STEADILY SO AT THE MOMENT WE ARE HELPING MORE THAN 600 FAMILIES OR 1500 USERS. EVERY HELP IS WELCOME DURING THE YEAR, AND WE WOULD LIKE TO THANK EMPLOYEES OF HRVATSKI TELEKOM FOR THEIR GENEROUS DONATION. I BELIEVE THAT THE COLLECTED FOOD AND TOILETRIES WILL MAKE THE CHRISTMAS HOLIDAYS FOR OUR USERS BETTER

Tamara Mikulić, President of the Duga Humanitarian Association and Coordinator of Vukovar Social Grocery

SUPPLY CHAIN

Hrvatski Telekom sees its supply chain as one of the material topics in its corporate social responsibility management strategy. As HT is not a manufacturing company, much of its business depends on external suppliers.

To ensure a standardized approach to this material topic, HT has a certified environmental management system in accordance with the ISO 14001 international standard, which requires that everyone working for and on behalf of HT be aware of the principles of environmental protection. This includes all suppliers of goods and services as well as other contractual partners. Considering its size, HT recognizes that influencing the supply chain can consequently affect the ways in which it affects the economy, the environment, and society as a whole, contributing in particular to the sustainable development goal.



ensure sustainable consumption
and production patterns

Sustainable supply chain

Our suppliers are often our customers as well, and in such situations, all related buying and selling activities are strictly separated, and transactions related to mutual obligations must always be approved by the procurement organizational unit. During 2018 there were no significant developments in the supply chain that would have caused or contributed to economic, environmental and social impacts.

In 2018, 65% of the total budget was spent on local suppliers. “Local” suppliers are not geographically defined, and the Company establishes direct business cooperation with them. In addition to local suppliers, there are “global” suppliers. With them, the collaboration is defined at the DT Group level (mostly but not limited to terminal equipment suppliers such as, for example, Apple, Huawei, and others). “Significant places of activity” are all purchases where the Company’s Procurement creates additional value through its action by promoting excellence within the supply chain and reducing operating costs.

The entire procurement process is designed to fully meet two principles. The first is the “4 eye principle”, that is, the rule that decisions and approvals to carry out a transaction must be given by two people, usually the CEO and CFO, while the second is the “segregation of duty” principle, the concept that requires an approval by more than one person to complete the task. In business, this stands for internal control designed to prevent fraud and error by assigning more than one individual to one task.



INTEGRATED PROCUREMENT SYSTEM

Procurement Department is responsible for procurement in HT. HT’s Procurement is charged with integrating procurement under its responsibility. Also, Procurement assigns mandates to the appropriate business units to carry out procurement activities and is able to define exceptional business operations in which responsibility is left to other business units; for example, in the case of taxes, wages, transactions, mergers, and acquisitions or mobile subsidies. Supplier relationships are managed in a way that monitors the overall life cycle of suppliers; from beginnings and retraining through evaluation to gradual exclusion. The Procurement is also responsible and competent for achieving the best value for the Company when procuring goods or services, including measures required for the implementation, management and monitoring of appropriate processes such as:

- Determining procurement strategy and supply chain
- Managing needs and costs aimed at increasing total savings and avoiding unnecessary costs
- Managing relationships with suppliers and procurement contracts, including continuous improvement programs with logistics partners.
- Prescribing the activities and responsibilities regarding the execution of the annual procurement plan to create the basis for optimum procurement conditions



EVALUATION OF BIDDERS AND BIDS

In HT, the procurement process goes through several defined steps. When there are many potential suppliers in the market, a “Long list of bidders” is drawn up and positive tendering criteria are established. All bidders invited to tender are sent for integrity checks to the Compliance Section. In addition to procurement communication, HT also sends a Business Sustainability Questionnaire, which bidders are required to complete and submit with the bid. If the subject of the procurement is a service which includes processing of personal data, a Questionnaire on the guarantees of the personal data processor is also sent. Procurement thoroughly checks the financial status of each bidder through the Business Croatia web portal, paying special attention to bankruptcy, closures, number of employees and the like. Once bids have been submitted, they are evaluated against predefined technical and financial criteria. Apart from one procurement segment (content and ICT), the entire procurement process is digitalized and is carried out with IT tools, including all internal communication and approvals, as well as communication and collecting bids from bidders. During the reporting period, there were no negative environmental impacts of the supply chain and, accordingly, there was no need to take adequate measures

IMPACT ON SUPPLIERS

The Procurement Department is also responsible for the management of supplier relationships. Hrvatski Telekom avoids doing business with those suppliers that may endanger its reputation or pose any other risk to its business. Procurement shall ensure that businesses that are on the list of undesirable suppliers or that have not passed the verification of the organizational unit for business compliance are not invited to tender. HT expects all of its partners, suppliers, and customers to comply with the highest international standards, established good business practices regarding ethical, anti-corruption, and concerted behavior. The Suppliers are bound to the desirable behavior by the anti-corruption clause, which is an integral part of any contract HT enters into with its business partners. Also, the corporate website provides training for all our partners and the HT Group Code of Conduct. Education is recommended but not mandatory.

Other important ethical issues for which HT has clearly outlined rules in its business relations with partners through its internal documents include the following :

- Has zero-tolerance for corruption
- avoids and suppresses all situations of a possible conflict of interest of any party in business relationships
- strictly regulates rules on gifts between business partners
- does not support reciprocal jobs and is committed to achieving complete transparency of all business processes
- has introduced and maintains internal control systems according to the highest standards
- requests all partners to accept the principles outlined in our five Guiding principles and in our Code of Conduct

All partners/suppliers are expected to comply with the following rules when conducting business activities for HT, especially at sites owned or controlled by HT:

- acting under applicable laws and other regulations in the field of environmental protection
- dealing with the waste generated during the execution of works as regulated by the contract
- after the maintenance service has been carried out, to dispose of the consumables, parts, and packaging
- act under the best environmental practice principles, regardless of whether their own certified environmental management system has been implemented or not.

COMPANY PROFILE

Hrvatski Telekom d.d. is the leading provider of telecommunication services in Croatia that provides fixed and mobile telephony services as well as wholesale, internet and data services. The registered office of HT d.d. is at Roberta Frangeša Mihanovića 9, 10110 Zagreb, Croatia.

The core activities of Hrvatski Telekom and its subsidiaries are the provision of electronic communications services and the design and construction of electronic communications networks in the Republic of Croatia. In addition to the fixed telephony services, HT also provides internet, IPTV, and ICT services, data transfer services (lease of cables, Metro-Ethernet, IP/MPLS, ATM), and GSM, UMTS, and LTE mobile network services.

Service segments

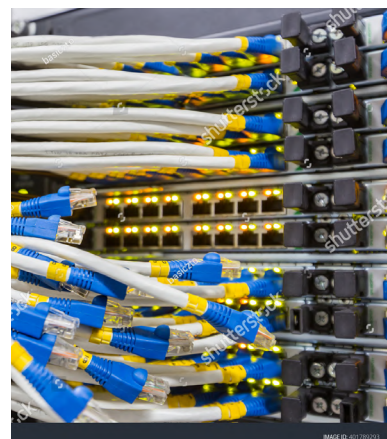


Fixed telephony and internet

- The HT Group provides all telecommunication services related to fixed telephony, internet, IPTV and international communications.

Mobile networks

- HT's mobile networks today cover about 98 percent of the territory of the Republic of Croatia, and international roaming with more than 200 GSM operators in the world enables our customers to be available beyond the borders of their home network. HT holds the leading position in the Croatian mobile communications market, with around 47 percent of all users.



Data transfer

- As the leading provider of data services in the market, HT provides customers with a range of data services - lease of lines, Metro-Ethernet, IP/MPLS, ATM.

HT Holding d.o.o. acts as a special purpose entity and includes the following companies:

- Iskon Internet d.d. (Croatia)



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 it provides broadband internet access services to. In addition to the internet, it offers telephony and digital television (IPTV) services and TV content viewing on mobile devices. The company operates as an independent company, and since 2006 is 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 d.o.o. (Croatia)



Combis, a regional system integrator, has been a member of the HT Group since 2010 and is wholly owned by Hrvatski Telekom. The company's focus is on the development of application, communication, security and system solutions, as well as providing services for the development and integration of ICT solutions, ICT infrastructure management and support and by integrating advanced technologies, it delivers complete business solutions, tailored to customer-specific requirements, on a turnkey basis. It is present in Croatia with eight service locations, and for years it has been active in the region, with three service locations in Bosnia and Herzegovina and in 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, doing business with top companies from Croatia and the region, mainly in the financial, industrial, telecommunications, tourism and government sectors.

- E-tours d.o.o. (Croatia)



E-tours d.o.o. travel agency has been a member of the HT Group since 2013 and is wholly owned by Hrvatski Telekom. The company provides airline ticket sales, accommodation, packaged travel, car and boat rental services.

- KDS d.o.o. (Croatia)



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

- OT-Optima Telekom d.d. (Croatia)



Optima Telekom (OT) is a fixed telecommunications operator whose IP technology-based network which ensures greater networking through the dominance of broadband connections, is present in more than 100 Croatian cities. Using the latest technologies and global telecommunication solutions, Optima creates added value on the fixed telephony market in Croatia. Citizens have the opportunity to select between the upgrade of voice services, data transmission, internet, and video content. Following the pre-bankruptcy settlement procedure and the strict conditions of the Croatian Competition Agency (AZTN), Hrvatski Telekom assumed the management of Optima Telekom in 2014. It aims to improve OT's market position and to stabilize its financial results to protect the interests of customers, employees, shareholders and other stakeholders of OT and the telecommunications market in general.

- Crnogorski Telekom AD (Republic of Montenegro)



Crnogorski Telekom (CT) is the largest telecommunications company in Montenegro providing a complete range of fixed and mobile telecommunication services (voice, messaging, internet, TV, leased lines, data networks, and ICT solutions). It has been operating within the HT Group since January 10, 2017, when Hrvatski Telekom took over 76.53 percent of the ownership stake of Crnogorski Telekom.

Ownership structure

The majority owner of Hrvatski Telekom is Deutsche Telekom Europe B. V. with a total share of 51.1%. Deutsche Telekom Europe B.V. is a wholly-owned subsidiary of Deutsche Telekom Europe Holding B.V. which is wholly owned by Deutsche Telekom Europe Holding GmbH (formerly T-Mobile Global Holding № 2 GmbH). Deutsche Telekom Europe Holding GmbH is wholly owned by Deutsche Telekom AG.

The Croatian War Veterans Fund holds 6.7%, while The Republic of Croatia Restructuring and Sale Center holds a 2.9% stake in the Company. The remaining 39.3% of the shares are held by private and institutional investors. Raiffeisen Mandatory Pension Funds stand out as the investor with the largest shareholdings among private and institutional investors. On December 31, 2018, Raiffeisen Mandatory Pension Funds owns 9.1% of HT shares.

Hrvatski Telekom's shares were included in the depository services of the Central Depository and Clearing Company on July 12, 2002, and have been listed on the Zagreb Stock Exchange market since October 5, 2007.

HT's ownership structure as of Monday, December 31, 2018:

- The majority owner is Deutsche Telekom Europe B. V. with a 51.1% stake (Deutsche Telekom Europe B. V. is a wholly-owned subsidiary of Deutsche Telekom Europe Holding B. V. whose 100% owner is Deutsche Telekom Europe Holding GmbH, formerly known as T-Mobile Global Holding № 2 GmbH. Deutsche Telekom Europe Holding GmbH is wholly owned by Deutsche Telekom AG).
- Private and institutional investors own 39.3% of the Company's shares
- 6.7% is owned by the Croatian War Veterans Fund
- The Republic of Croatia Restructuring and Sale Center owns 2.9%.



51.1 %

owned by the Deutsche Telekom Europe B. V.

39.3 %

owned by private and institutional investors

6.7 %

owned by the Croatian War Veterans Fund

2.9 %

owned by the Republic of Croatia Restructuring and Sale Center

Size of organization

On December 31, 2018, the HT Group had 5,447 employees in Croatia, which places it in the category of large companies. EBITDA before one-off items increased by HRK 35 million or 1.2% to HRK 2,953 million in 2018, primarily due to lower net income (HRK 40 million or 0.6%) and lower other operating income (- HRK 10 million or -5.8%), which were partially neutralized by lower operating expenses (before one-off items) (- HRK 5 million or -0.1%).

Regular operating expenses decreased as a result of lower spectrum fee (in accordance with the three Fee Regulations), reduced energy sales costs as a result of lower consumption by business customers and the transfer of HT's energy business segment, and savings measures. The lower revenue generation was primarily driven by a decline in fixed voice revenue.

On December 31, 2018, the HT Group had

5,477

employees

The realization of capital investments decreased by HRK 59 million or 3.1%, influenced by the lower realization of the HT Group in Croatia by HRK 98 million or 5.6%, while CT contributed to the larger capital investments by HRK 40 million or 28.3%, thanks to greater investment in access. The main drivers of the HT Group's lower realization are lower content capitalization in 2018 and greater investment in the Next Generation Television project in 2017. (the Next Generation Television project included the replacement of STB as a customer terminal equipment in 2017). 58.2% of coverage of households was achieved with a speed >30 Mbit/s, of which 21% with a speed >100Mbit/s, while FTTx (optical access network) is available for 400 thousand households.

Table 18 – Number of employees

Number of employees	at 31 Dec 2017	At 31 Dec 2018	% of change A18/A17
Number of employees (FTEs)	5,110	5,447	6.6 %
Residential segment	2017	2018	% promjene 18/17
Revenue	3,754	3,720	-0.9 %
Contribution to EBITDA before exceptional items	2,546	2,438	-4.2 %
Business segment	2017	2018	% promjene 18/17
Revenue	2,883	2,912	1.0 %
Contribution to EBITDA before exceptional items	1,329	1,365	2.7 %
Network & support functions	2017	2018	% promjene 18/17
Contribution to EBITDA before exceptional items	-1,236	-1,177	4.8 %
Segment optima consolidated	2017	2018	% promjene 18/17
Revenue	483	526	8.9 %
Contribution to EBITDA before exceptional items	275	320	16.1 %
SEGMENT CRNOGORSKI TELEKOM CONSOLIDATED	2017	2018	% promjene 18/17
Revenue	636	625	0
Contribution to EBITDA before exceptional items	223	239	0

Management Board

The Management Board of Hrvatski Telekom manages the business and is responsible for the overall result of the company. Members of the Management Board and its President are appointed and recalled by the Supervisory Board. The mandate of the Members of the Management Board and the President of the Management Board is five years. Upon expiry of the mandate of the Members of the Management Board, the Supervisory Board may reappoint them. The Articles of Association of the Company stipulate that the Management Board may consist of five to seven members. As of December 31, 2018, the Management Board consisted of seven members:

- President of the Management Board and Chief Executive Officer – **Davor Tomašković**
- Member of the Management Board and Chief Financial Officer (CFO) – **Daniel Daub**
- Member of the Management Board and Chief Operating Officer Residential (COO Residential) – **Nataša Rapačić**
- Member of the Management Board and Chief Operating Officer Business (COO Business) – **Saša Kramar**
- Member of the Management Board and Chief Technical and Chief Information Officer (CTIO) – **Boris Drilo**
- Member of the Management Board and Chief Customer Experience Officer (CCO) – **Marija Felkel**

The Annual Report of the Management Board of the Company and the HT Group for the business year 2018 contains more detailed information on the age, education, and career of the members of the Management Board and its President. As required by the Companies Act and the Company's internal documents (the Articles of Association of the Company and the Rules of Procedure of the Management Board), the Management Board manages all operations at its own responsibility, whereby it is obliged and authorized to take all actions and make decisions necessary for the successful operation of the Company. These documents prescribe issues on which the Management Board is not authorized to make decisions independently, but is required to seek the approval of the Supervisory Board for their implementation (e.g., individual large transactions, long-term borrowing or important appointments). The Statute stipulates that the Company may be represented by any two members of the Management Board. Decisions are made at Management Board meetings, which are generally held once a week, exceptionally more often when circumstances require. The decisions of the Management Board may exceptionally be made out of session, or by voting in writing, by telephone, telegraph, telefax, videoconferencing or use of other suitable technical means if no member of the Management Board promptly opposes to it. To make a quorum, four members must be present for a session of the Management Board, while decisions are made by a majority vote of the members present or represented. In situations where there is an equal number of votes for and against, the vote of the CEO is decisive.





Supervisory Board

The Supervisory Board appoints and revokes the members of the Management Board and supervises the management of the Company's business in accordance with the Companies Act, the Articles of Association and the Rules of Procedure of the Supervisory Board of the Company. Although the Management Board independently makes the decisions necessary for the successful operation of the Company, the Supervisory Board must give its consent when making certain important decisions, for example for large transactions, long-term borrowing or important appointments. The Supervisory Board meets at least four times a year. Members who cannot attend the session may cast their votes in writing. Like the Management Board, the

Supervisory Board may make decisions outside the session by voting in writing, by telephone, telegraph, telefax, videoconferencing or using other appropriate technical means if no member of the Supervisory Board objects to it within the appropriate deadline set by the Chairman of the Supervisory Board. The quorum for the Supervisory Board session requires the presence of five members of the Supervisory Board, and the decisions are made by a majority vote of the Supervisory Board present or represented. The main issues that were on the agenda of the Supervisory Board's sessions in the previous year are listed in the Report of the Supervisory Board on Supervision carried out during the business year of 2018, which was published on the Company's web site.

INDICATOR	TOTAL MEMBERS	SEX (M)	SEX (F)	AGE (< 30)	AGE (30-50)	AGE (< 50)	MINORITIES
Management Board	7	5	2	0	7	0	unknown
Supervisory Board	9	5	4	0	4	5	unknown

Table 19 - Structure of governing bodies

Management approach

Hrvatski Telekom d.d. it is organized in a way that allows the company flexibility and efficiency, and a complete commitment to customers and customer experience. The company's vision is to achieve sustainable and profitable growth by connecting all citizens of the Republic of Croatia with the opportunities offered by digitalization and enabling them to make their lives better. The company is divided into the following functional units:

- Business units
- Support and management functions
- Technical functions
- Customer experience functions.

Hrvatski Telekom is guided by the following values:

- customer focus
- trust
- cooperation
- empowering delegation of authority and responsibility.
- innovation
- teamwork
- communicating with empathy towards others



The Guiding Principles of the company are guidelines that employees should be guided by in their daily work, they promote ethical behavior, mutual respect, teamwork, achieving the best results in the simplest possible way, open expression of opinions, taking responsibility, and creating an environment where the exceptional results are encouraged, recognized, and appreciated. Fostering common standards of behavior, both for customers and associates creates a work atmosphere in which it is a pleasure to work which contributes to the overall business success of the company. All employees of the company are equally responsible for promoting and upholding these values.

Membership in associations

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. Apart from independently participating publicly in the media and at round tables and conferences, HT as an operator of electronic communications services acts also at the national level by participating in the work of the Telecommunications Association at the Croatian Chamber of Commerce, which publicly advocates the common interests of member operators. At the same time, HT 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 has been involved in the work of the Energy Association and the Information and Communication Association within the Croatian Employers' Association since its founding in 2013, and is a member of the Croatian Chamber of Economy's Environmental Protection Association, the Foreign Investors Council (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. Its members - representatives of the Croatian economy, public institutions and non-governmental organizations - combine knowledge, innovation, and accountability in the search for development paths that balance business success, social well-being and environmental protection.



Reporting practice

Material topics were identified in the process of preparing the 2017 report. This report has been prepared in accordance with GRI standards: core option. The reporting period encompasses January 1 - December 31, 2018, HT Group issues annual sustainability reports. The previous sustainability report of the HT Group was issued on February 28, 2019.

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