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Croatian Telecom

Zagreb – 10 June 2020

Croatian Telecom Inc.

Radnička cesta 21, HR – Zagreb

Ordinary share: HT (ISIN: HRHT00RA0005)

LEI: 097900BFHJ0000029454

Listing: Zagreb Stock Exchange, Official market

Member State: Republic of Croatia

Notification on convocation of the General Assembly of Croatian Telecom Inc.

Croatian Telecom (Reuters: HT.ZA; Bloomberg: HT CZ; the Company), Croatia's leading telecommunications provider, announces the Invitation to the General Assembly of the Company to be held in the Company headquarters in Zagreb, Radnička cesta 21, on 20 July 2020 at 10:00 hours, together with the proposed Agenda, proposed Decisions and pertaining documents per Agenda items, the explanation of proposals of General Assembly Decisions and instructions for shareholders for reporting their participation and issuing of a power of attorney.

If the quorum will not be met, the General Assembly will be held at the same date with commencement at 18:00 hours, at the same venue, with the same agenda and will be able to validly pass all decisions, notwithstanding the amount of the capital represented. The given powers of authority are valid for this General Assembly as well.

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About Croatian Telecom

Croatian Telecom (HT) is the leading provider of telecommunication services in Croatia, serving 0.8 million fixed lines, 2.3 million mobile subscribers and 736 thousand broadband connections through its Residential and Business divisions.



INVITATION TO THE GENERAL ASSEMBLY OF CROATIAN TELECOM INC.

Pursuant to the provisions of Article 277, Paragraph 2 of the Companies Act, the Management Board of the Joint Stock Company Croatian Telecom, with the registered seat in Zagreb, Radnička cesta 21 (hereinafter: HT Inc. or "the Company"), passed on 9 June 2020 the decision on the convocation of the General Assembly of the Company and hereby invites the shareholders of the Company to the

GENERAL ASSEMBLY of Croatian Telecom Inc.

to be held in the Company headquarters in Zagreb, Radnička cesta 21, on 20 July 2020 at 10:00 hours

with the following agenda:

1. Election of the Chairman of the General Assembly;
2. Annual financial statements of the Company and consolidated annual financial statements of HT Group for the business year 2019, including the Annual Report on the Status and Business Operations of the Company and HT Group for the business year 2019 and the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2019;
3. Decision on the utilization of profit;
4. Decision on approval of actions of the Members of the Management Board of the Company for the business year 2019;
5. Decision on approval of actions of the Members of the Supervisory Board of the Company for the business year 2019;
6. Decision on Amendments to Articles 26, 27 and 39 of the Articles of Association of the Company;
7. Decision on approval of the Report on remuneration paid to the Members of the Supervisory Board and to the Management Board Members in the business year 2019;
8. Decision on approval of the Remuneration policy for Members of the Management Board;
9. Decision on remuneration for the work of the Members of the Supervisory Board;
10. Decision on election of Members of the Supervisory Board;
11. Decision on appointment of the auditor of the Company

Proposals of decisions of the General Assembly:

Ad 1) The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

"Professor Hrvoje Markovinović, Ph.D., Faculty of Law, University of Zagreb, is elected as Chairman of the General Assembly of Croatian Telecom Inc. for this convocation".

Ad 3) The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

"Decision on utilization of profit for the year 2019"

1. *It is determined that Croatian Telecom Inc. in the business year ending with 31 December 2019 realized net profit in the amount of HRK 717,064,453.22.*

Net profit amount stated herein shall be used accordingly:

- *A part of net profit in the amount of HRK 646,129,832.00 shall be paid out as dividend to shareholders, in the amount of HRK 8.00 per share.*
- *A part of net profit in the amount of HRK 21,106,194.51 shall be allocated to legal reserves.*
- *A part of net profit in the amount of HRK 49,828,426.71 shall be allocated to retained earnings.*

2. Dividend referred to under Item 1 hereof shall be paid out to all shareholders that are registered as shareholders at the Central Depository & Clearing Company (SKDD) on July 28th, 2020 (record date). Date on which security of Croatian Telecom Inc. will be traded without dividend payment right is July 27th, 2020 (ex date). Dividend payment claim matures on August 10th, 2020 (payment date).
3. This Decision shall enter into effect as at the day of its passing”.

Ad 4) The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

“The approval of actions is given to the Members of the Management Board of the Company for the business year 2019”.

Ad 5) The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

“The approval of actions is given to the Members of the Supervisory Board of the Company for the business year 2019”.

Ad 6) The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

“Decision on Amendments to the Articles of Association of the Joint Stock Company Croatian Telecom

Article 1

In Article 26, new paragraphs 4, 5 and 6 are added, reading as follows:

„The Management Board of the Company is authorized to pass a decision enabling shareholders to exercise all or some of their rights, in full or partially, by means of electronic communication, and when they are not participating in the work of the General Assembly at the venue where the General Assembly is taking place, neither personally, nor by proxy, in line with provision of Article 274, paragraph 1, second sentence of the Companies Act and by taking into account all surrounding circumstances.

If the Management Board decides to enable shareholders to exercise their rights by means of electronic communication, the conditions for that shall be determined in detail in the invitation to the General Assembly.

The Management Board of the Company is authorized to pass a decision enabling the broadcasting of the work of the General Assembly by transmission of sound and images, in line with provision of Article 274, paragraph 4 of the Companies Act. If the Management Board decides to broadcast the work of the General Assembly by transmission of sound and images, this shall be stated in the invitation to the General Assembly.”

Article 2

In Article 27:

- *A new paragraph 2 is added, reading as follows:*

„The Management Board of the Company is authorized to pass a decision enabling shareholders to cast their votes in writing or by means of electronic communication, when they are not participating at the General Assembly, in line with provision of Article 274, paragraphs 1 and 2 of the Companies Act. If the Management Board decides to enable shareholders to cast their votes in this manner, the conditions for voting in writing or by means of electronic communication shall be determined in detail in the invitation to the General Assembly.”

- *Former paragraphs 2 and 3 become paragraphs 3 and 4.*

- *In former paragraph 4, which becomes paragraph 5, the following part of the text is deleted:*

„(NN 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08 and 137/09)“

Article 3

In the clean text of the Articles of Association, Article 39 shall be amended to read as follows:

“By coming into force of these Articles of Association, the Articles of Association of the Company in the form as adopted on December 7, 1998, with amendments as of October 5, 1999, October 24, 2001, June 28, 2002, December 17, 2004, April 23, 2007, April 21, 2008, April 21, 2010, May 4, 2011, June 17, 2013, April 29, 2014, April 29, 2015, April 21, 2016, April 25, 2017, March 23, 2018, May 6, 2019 and June 21, 2019 and shall cease to be valid.”

Article 4

All other provisions of the Articles of Association shall remain unchanged.

Article 5

This Decision on Amendments to the Articles of Association shall come into force and apply as of the date of entry in the Court Register.

Article 6

The Supervisory Board shall be authorized to specify the clean text of the Articles of Association in accordance with this Decision on Amendments to the Articles of Association”.

Ad 7) The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

1. *“The Report on remuneration paid to the members of the Supervisory Board and to the Management Board Members in the business year 2019 is hereby approved, in the text published as Attachment 1 of the Invitation to the General Assembly, together with the Auditors’ Report, as attached hereto and making and integral part hereof.*
2. *This Decision shall come into force as of the day of its passing”.*

Ad 8) The Supervisory Board of the Company proposes to the General Assembly to adopt the following decision:

1. *“The Remuneration policy for Members of the Management Board is hereby approved, in the text published as Attachment 2 of the Invitation to the General Assembly, as attached hereto and making and integral part hereof.*
2. *This Decision shall come into force as of the day of its passing”.*

Ad 9) The Supervisory Board of the Company proposes to the General Assembly to adopt the following decision:

1. *“The Decision on remuneration for the work of the Members of the Supervisory Board is hereby adopted, in the text published as Attachment 3 of the Invitation to the General Assembly, as attached hereto and making and integral part hereof.*
2. *This Decision shall come into force as of the day of its passing”.*

Ad 10) The Supervisory Board of the Company proposes to the General Assembly to pass the following decision:

“Mr. Ivica Mišetić, Ph.D. in Economics, from Zagreb, is elected Member of the Supervisory Board of Croatian Telecom Inc. for another term of office for the period of four (4) years. This decision shall come into effect on the day of its passing”.

“Mrs. Eirini Nikolaidi, degree in Law and master’s degree in International Business Law, from Athens, Hellenic Republic, is elected Member of the Supervisory Board of Croatian Telecom Inc. for another term of office for the period of four (4) years. This decision shall come into effect on the day of its passing”.

“Professor Gordan Gledec, Dean of Faculty of Electrical Engineering and Computing, Ph.D. in the scientific field of technical sciences, area: computer science, from Zagreb, is elected Member of the Supervisory Board of Croatian Telecom Inc. for the period of four (4) years. This decision shall come into effect on the day of its passing”.

Ad 11) The Supervisory Board of the Company proposes to the General Assembly to pass the following decision:

“The company PricewaterhouseCoopers d.o.o., Heinzelova ulica 70, 10 000 Zagreb, is appointed as the auditor of the Company for the business year 2020”.

Explanation of proposals of General Assembly decisions:

Ad 1) Explanation of the proposal for election of the Chairman of the General Assembly

Professor Markovinović, Ph.D., is one of the leading corporate law experts in the Republic of Croatia. He is a professor at the Faculty of Law, University of Zagreb, where he lectures commercial law and company law at undergraduate, Master and PhD levels. Professor Markovinović, Ph.D., has published many scientific papers from the fields of commercial and company law. It is therefore proposed that he is elected as Chairman of the Assembly for this convocation.

Ad 2) Annual financial statements of the Company and consolidated annual financial statements of HT Group for the business year 2019, including the Annual Report on the Status and Business Operations of the Company and HT Group for the business year 2019 and the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2019

Pursuant to the obligation from Article 280a, paragraph 1, item 2 of the Companies Act, HT Inc. informs its shareholders that, pursuant to Article 300d of the Companies Act and pursuant to Article 31 of the Articles of Association of the Company, the annual financial statements of the Company and consolidated annual financial statements of HT Group for the business year 2019 are adopted both by the Management Board and the Supervisory Board, and, therefore, the General Assembly does not pass a decision thereon. The said financial statements are to be forwarded to the General Assembly together with the Annual Report of the Management Board on the Status and Business Operations of the Company and HT Group for the business year 2019 and the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2019.

The General Assembly does not pass any decisions under this agenda item.

The General Assembly, by its Decisions from 2011, 2014 and 2016, authorized the Management Board to acquire Company shares (authorization is valid until 21 April 2021) and to act in accordance with the Article 352 paragraph 3, item 3 of the Companies Act. The Management Board is authorized to withdraw the acquired Company shares without nominal value without the share capital of the Company being decreased, in which case the remaining shares' participation in the share capital is increased, and in that case to align the information on the number of shares in the Articles of Association of the Company.

The Management Board launched the Share Buyback Programme ("Programme"), which started on 3 July 2017 and is to last until 20 April 2021. The maximum of 2,500,000 shares is scheduled for acquisition during the duration of the Programme, whereas the maximum funds that are assigned to the Programme amount to HRK 500,000,000.00.

In July 2019 the Company withdrew 450,517 Company shares without nominal value acquired during the year 2018, without the share capital of the Company being decreased. Thereby the total number of shares has decreased from 81,670,064 shares to 81,219,547 shares without nominal value, while the remaining shares' participation in the share capital has been increased.

During 2019 the Company acquired at Zagreb Stock Exchange 453,318 Company shares, representing 0.56% of the Company's issued share capital, i.e., HT holds in total 453,318 Company shares as at 31 December 2019. For this acquisition of Company shares in 2019, the Company paid out an equivalent value of HRK 72,774,264.79.

Ad 3) Explanation of the proposal of decision on the utilization of profit

The Management Board and the Supervisory Board propose to the General Assembly to pass the decision by which a part of the net profit will be distributed to shareholders as dividend payment, in the amount of HRK 646.129.832,00, or HRK 8.00 per share, a part of the net profit in the amount of HRK 21.106.194,51 is to be allocated to legal reserves, and the remainder of net profit in the amount of HRK 49.828.426,71 is to be allocated to retained earnings.

The proposed dividend is within the range declared as a dividend policy and is equivalent to 90.19% pay-out of the distributable profits earned in the year 2019.

HT Inc. announces target dividend for each year at the beginning of the year. Management Board currently expects a minimum dividend of HRK 6 per share for the year 2020. The Management Board will monitor the movements of parameters that could influence on dividend amount and decide on the proposed amount.

Ad 4) Explanation of the proposal of decision on approval of actions of the Members of the Management Board of the Company for the business year 2019

Pursuant to Article 280, paragraph 3 of the Companies Act, the Management Board and the Supervisory Board propose to the General Assembly to pass the decision by which approval of actions is given to the Members of the Management Board of the Company for the business year 2019. It is hereby proposed that the Assembly approved the manner of the work of the Management Board for the business year 2019.

Voting on the approval of actions may be conducted separately for each member of the Management Board if the Assembly decides so, or upon the request of the shareholders holding at least a tenth part of the share capital of the Company.

Ad 5) Explanation of the proposal of decision on approval of actions of the Members of the Supervisory Board of the Company for the business year 2019

Pursuant to Article 280, paragraph 3 of the Companies Act, the Management Board and the Supervisory Board propose to the General Assembly to pass the decision by which approval of actions is given to the Members of the Supervisory Board of the Company for the business year 2019. It is hereby proposed that the Assembly approved the manner of the work of the Supervisory Board for the business year 2019.

Voting on the approval of actions may be conducted separately for each member of the Supervisory Board if the Assembly decides so, or upon the request of the shareholders holding at least a tenth part of the share capital of the Company.

Ad 6. Explanation of the proposal of Amendments to Articles 26 and 27 of the Articles of Association of the Company

a) Article 26/3/4/5 of the Articles of Association

By proposed amendments the Management Board of the Company shall be authorized to pass a decision enabling shareholders to exercise all or some of their rights, in full or partially, by means of electronic communication, and when they are not participating in the work of the General Assembly at the venue where it is taking place, neither personally, nor by proxy.

Shareholders decide for themselves whether they shall be using this possibility or not.

Taking into account future circumstances and the capabilities of the Company to comply with the proscribed conditions for all owing these possibilities, if the Management Board decides to implement any of these solutions, it shall notify the shareholders thereon within the invitation to the General Assembly.

b) Article 27/2 of the Articles of Association

By proposed amendments the Management Board of the Company shall be authorized to pass a decision enabling shareholders to cast their votes in writing or by means of electronic communication, when they are not participating at the General Assembly.

If the Management Board decides to enable shareholders to cast their votes in this manner, the conditions for voting in writing or by means of electronic communication shall be determined in detail in the invitation to the General Assembly.

c) Article 27/5 of the Articles of Association

The citation of the numbers of Official Herald of the Republic of Croatia is being deleted, as to avoid the need for aligning the Articles of Association in case of future publication of amendments of the CA in the Official Herald.

Ad 7) Explanation of the proposal of decision on approval of the Report on remuneration paid to the Members of the Supervisory Board and to the Management Board Members in the business year 2019

In line with new Article 272.r of the Companies Act, the Management Board and the Supervisory Board compiled the Report on remuneration paid to the members of the Supervisory Board and Management Board members in the previous business year and referred it to the Auditor for review, in line with the Law.

The Auditor who performed the audit of the Annual Financial statements, the company PricewaterhouseCoopers d.o.o., reviewed the Report and issued their opinion on compliance of the Report with the prerequisites stated in Article 272.r, paragraphs 1 and 2 of the Companies Act. The Report, together with the Auditors' Report, has been published as Attachment 1 of the Invitation to this General Assembly.

It is proposed to approve the Report since the Company considers the remuneration of the Management Board and Supervisory Board Members to be appropriate to the engagement and work they are performing and to the status and business affairs of the Company.

Ad 8) Explanation of the proposal of decision on approval of the Remuneration policy for Members of the Management Board

In line with Articles 247.a and 276.a of the Companies Act, and pursuant to existing Company policies, the Supervisory Board determined the Remuneration policy for Members of the Management Board and proposes to the General Assembly to approve the said Policy. The Policy has been published as Attachment 2 of the Invitation to this General Assembly.

The Supervisory Board considers the Remuneration policy to be competitive and motivating, and that it appropriately reflects the work complexity and engagement of Management Board Members, while contributing to the business strategy and long-term sustainable development of the Company.

The Supervisory Board is responsible for determination of the Remuneration policy for Management Board Members, in cooperation with the General Assembly, in a way that the Assembly approves the Policy submitted by the Supervisory Board.

Ad 9) Explanation of the proposal of decision on remuneration for the work of the members of the Supervisory Board

In line with Article 269, paragraph 3, of the Companies Act, and pursuant to existing decisions and competencies of the Supervisory Board and the General Assembly, the Supervisory Board proposes to the General Assembly to adopt the decision on remuneration for the work of the members of the Supervisory Board. The Decision has been published as Attachment 3 of the Invitation to this General Assembly.

Proposal of the remuneration of Supervisory Board members is based on the principle of attracting, motivating and retaining highly qualified professionals with the aim to promote an effective supervisory function in accordance with the sustainable long-term strategy of the Company.

Ad 10) Explanation of the proposal for election of Members of the Supervisory Board

Pursuant to Article 280, paragraph 3 of the Companies Act, the Supervisory Board proposes to the General Assembly the election of three Supervisory Board Members, that is, Mrs. Eirini Nikolaidi, Mr. Ivica Mišetić, Ph.D., and professor Gordan Gledec, Ph.D., given the three vacancies due to expiry of two terms of office and one submitted resignation.

The terms of office of Mrs. Eirini Nikolaidi and Mr. Ivica Mišetić, Ph.D., in the Supervisory Board have expired as at 24 April 2020 and it is proposed that they are re-elected. Mrs. Nikolaidi is an expert in international finance and international trade law and Mr. Mišetić, Ph.D., is an expert in finances and marketing, and due to their past engaged work in the Supervisory Board and its committees, their re-election is proposed.

Given that following his election Mr. Mišetić, Ph.D., shall be serving his fourth consecutive mandate in the Supervisory Board, in duration exceeding twelve years, he shall no longer be considered an independent member, in line with the criteria and recommendations from the Code of Corporate Governance.

It is proposed to elect professor Gordan Gledec, Dean of Faculty of Electrical Engineering and Computing, Ph.D. in technical sciences from area of computer science. The Supervisory Board performed the initial assessment of independence of professor Gledec, in accordance with recommendations set by the Code of Corporate Governance, and concluded that the candidates' previous experiences, knowledge and personal values meet the requirements for the membership in the Supervisory Board and that his nomination as an independent member of the Supervisory Board should not be called into question.

Mrs. Eirini Nikolaidi is a member of the Boards of Directors of Germanos S.A., Telekom Romania Communications S.A. and Telekom Romania Mobile Communications S.A.

Mr. Ivica Mišetić, Ph.D., holds no membership in the Supervisory Boards or Boards of Directors of other companies.

Professor Gledec, Ph.D., holds no membership in the Supervisory Boards or Boards of Directors of other companies.

Ad 11) Explanation of the proposal for appointment of the auditor of the Company

Pursuant to Article 280, paragraph 3 of the Companies Act, the Supervisory Board proposes to the General Assembly to pass the decision by which the company PricewaterhouseCoopers d.o.o., Heinzelova ulica 70, 10 000 Zagreb, is appointed as the auditor of the Company for the business year 2020.

INVITATION AND INSTRUCTIONS FOR SHAREHOLDERS CONCERNING THEIR PARTICIPATION IN THE GENERAL ASSEMBLY (hereinafter – Instructions)

Total number of shares and voting rights

1. The share capital of the Company is divided into 81,219,547 shares without nominal value. All the shares of the first issue are ordinary and registered shares. Each share gives right to one vote. Since the Share Buyback Programme is ongoing, the number of voting rights shall be determined on the day of the holding of the General Assembly, given that the rights from Company (treasury) shares are dormant. HT Inc. holds 791,339 Company (treasury) shares on the day of the convocation of the General Assembly.
2. HT's shares exist only in a form of non-materialized securities in the computer system of the Central Depository Agency. The Company accepts as a shareholder only such person who has HT's share registered on its securities' account at the Central Depository Agency.

Share symbols

Share ISIN:	HRHT00RA0005
Trading symbol at Zagreb Stock Exchange:	HT
Trading symbol at Central Depository and Clearing Company	HT-R-A
Reuters:	HT.ZA
Bloomberg:	HT CZ

Invitation, time and venue of the General Assembly

1. The shareholders of HT Inc. are invited to participate in the work of the General Assembly to be held in the Company headquarters in Zagreb, Radnička cesta 21, on 20 July 2020 at 10:00 hours.
2. The participants are invited to come to the General Assembly on 20 July 2020 at least one hour prior to its scheduled beginning for the purpose of timely registration of participants and in order for the Committee for Participant Registration to make a list of participants in the work of the General Assembly. When registering, the shareholders or their proxies or representatives have to submit to the Committee a valid identification document provided under law, while the proxies who are legal persons have to submit an excerpt from the court register or other appropriate register in which the legal person concerned is entered or other appropriate public document, if such a document was not submitted with the application for participation in the General Assembly. After they have registered, the participants may leave the General Assembly only after informing the Committee for Participant Registration until the conclusion of the General Assembly.

Participation and voting at the General Assembly

3. Each shareholder of the Company who has submitted to the Company, either personally or through their proxy or representative, an application for participation in written form and at the latest six days prior to the holding of the General Assembly, taking into account that the day the application reaches the Company is not included into that deadline, i.e. latest by 13 July 2020, has the right to participate in the General Assembly. A legal or natural person who is registered as Company shareholder with the Central Depository & Clearing Company Inc., Zagreb, on the last day for application for participation in the General Assembly, i.e. on 13 July 2020, is considered a Company shareholder entitled to participate in the General Assembly.
4. The application shall have the following contents and attachments:
 - I. Application for shareholder – natural person
 - Name and family name, residence, address, number of account opened with the Central Depository & Clearing Company Inc. and the total number of shares of the shareholder concerned
 - II. Application for shareholder – legal person
 - Company name of the legal person, seat and address, personal identification number (OIB)
 - Number of account opened with the Central Depository & Clearing Company Inc. and the total number of shares of the shareholder concerned
 - An excerpt from the court register or from other register in which the legal person is entered or a copy of such document, a certified copy or other appropriate public document clearly showing that the application was signed by a person who is under law authorized to represent the legal person concerned shall be attached to the application
 - III. Application submitted by shareholder's proxy
 - a) Proxy – natural person:
 - Name and family name, residence and address of the proxy
 - List of shareholders the proxy is representing; for each shareholder – number of their account with the Central Depository & Clearing Company Inc. and the total number of shares of all represented shareholders
 - All individual powers of authority on the recommended form shall be attached to the application
 - b) Proxy – legal person:
 - Company name, seat and address and proxy's company personal identification number (OIB)
 - List of shareholders the proxy is representing; for each shareholder – number of their account with the Central Depository & Clearing Company Inc. and the total number of shares of all represented shareholders
 - Individual powers of authority given by shareholders in written form shall be attached to the application; if a shareholder is a legal person, the attachment shall contain an excerpt from the court register or other register in which the legal person is entered or a copy of such document, a certified copy or other public document clearly showing that the power of authority was signed by a person who is under law authorized to represent the legal person concerned.
5. For minors and legally incapable or partially capable natural persons application shall be submitted by their statutory representative, who represents them and an original document or a copy or certified copy thereof proving the status of statutory representative shall be enclosed to the application.
6. The shareholders at the General Assembly may be represented by proxies on the basis of a valid written power of authority which is issued by the shareholder or which on behalf of a shareholder which is a legal person is issued by a person who is under law authorized to represent them.
7. The Company shall report the Invitation to the General Assembly, at the latest 21 days prior to holding of the General Assembly, to credit or financial institutions and to shareholder associations that voted on behalf of shareholders at the previous General Assembly, or if they asked for the Invitation to be reported to them. This report shall state the possibility for shareholders to vote at the General Assembly by proxies and by shareholder associations on their behalf.
8. The power of authority for the application for participation and/or voting at the General Assembly shall include name and family name or company, residence or seat and address of the giver of authority, number of account with the Central Depository & Clearing Company Inc., the total number of shares, name and family name or company, residence or seat and address of the proxy, signature of the giver of authority or statutory representative or representative under law, if the giver of authority is a legal person. It is recommended to use forms for the application for participation in the General Assembly and for the power of authority, which can be obtained at the seat of the Company and on the web site of the Company www.t.ht.hr.
9. The application for participation in the General Assembly and the power of authority, as well as any other attachment, shall be in the Croatian language; if they are in a foreign language, they shall be translated into Croatian by an authorized court interpreter.
10. The application for participation in the General Assembly shall be submitted directly to the Company at its seat in Zagreb, Radnička cesta 21, or sent to the Company by registered mail to the address: Croatian Telecom Inc, Radnička cesta 21, 10 000 Zagreb.

11. The application for participation in the General Assembly shall be considered timely submitted if it is, in accordance with these Instructions, submitted or sent by mail to the Company by 24:00 hours on 13 July 2020, at the latest. The shareholders who have failed to apply for participation in the General Assembly correctly and in accordance with these Instructions or who have failed to attach to the application the documents provided under these Instructions shall not be entitled to participate in the General Assembly.
12. Pursuant to the Articles of Association of the Company, the General Assembly cannot pass valid decisions unless attended by the shareholders, in person or via proxy, representing more than half (50%) of the share capital of the Company (quorum). If the quorum will not be met, the General Assembly will be held at the same date with commencement at 18:00 hours, at the same venue, with the same agenda and will be able to pass valid decision notwithstanding to the amount of the capital represented. Given powers of authority are valid for this General Assembly as well.

Shareholder rights to ask questions, request amendments to the agenda, submit counterproposals and the right on information

13. The shareholders who intend to ask questions at the General Assembly regarding individual agenda items are hereby asked, for the purpose of an efficacious organization of the work of the General Assembly, to announce their intention in writing when submitting their application for participation in the General Assembly or during the registration of participants prior to the General Assembly at the latest and to indicate the agenda item which their question or proposal will refer to and the content of their question.
14. Shareholders who together hold a twentieth part of the share capital of the Company have the right to request, after the General Assembly is convened, that an additional item is included in the agenda and published, and while doing so, the new agenda item should be accompanied by an explanation or respective decision proposal. Shareholders deliver the requests to add new items to the agenda to the seat of the Company (Croatian Telecom Inc., Radnička cesta 21, 10 000 Zagreb). In order for the amended agenda to be validly published according to the Companies Act, the request to add new items to the agenda has to be received by the Company at least 30 days prior to the day the General Assembly takes place, i.e., latest by 19 June 2020. This deadline does not include the day the request is received by the Company. In case the previously stated deadline is not observed the proposed additional items of the agenda would be considered as not validly published and no decision on them can be made at the General Assembly.
15. Shareholders have the right to submit counterproposals to the proposals submitted by the Management Board and/or Supervisory Board relating to the particular agenda item. Counterproposals, together with the names and surnames of shareholders, explanation and opinion by the Management Board if any, shall be reported to credit or financial institutions and to shareholder associations that voted on behalf of shareholders at the previous General Assembly and made available to shareholders on web pages of the Company (www.t.ht.hr), in case a shareholder submits his/her counterproposal to the seat of the Company (Croatian Telecom Inc., Radnička cesta 21, 10 000 Zagreb), at least 14 days prior to the day the General Assembly takes place. The date counterproposal is received by the Company is not included in this 14-day deadline, which expires accordingly on 5 July 2020. In case the shareholder does not exercise this right, he shall still be entitled to make counterproposals at the General Assembly. The same applies to shareholders proposals regarding the election of the Supervisory Board Members or appointment of the auditor of the Company.
16. At the General Assembly, the Management Board is obliged to provide information about the Company operations to any shareholder at his/her request, in case this information is necessary to judge topics included on the agenda.
17. The materials for the General Assembly, when required so under the law, will be made available to the shareholders and for issuing of copies at the seat of the Company in Zagreb on every working day from the day on which the invitation to the General Assembly is published to the day of the General Assembly, from 10:00 to 14:00 hours. At the same date the materials for the General Assembly shall be published on web pages of the Company (www.t.ht.hr). Due to precautionary measures connected with coronavirus (COVID-19), shareholders are kindly asked to announce their arrival to the seat of the Company a day in advance by sending an e-mail to Investor Relations e-mail address (ir@t.ht.hr) or by calling one of the telephone numbers listed as contacts below.

In Zagreb, 9 June 2020

Croatian Telecom Inc.

Contact:

Investor Relations:

Marina Bengez Sedmak + 385 1 491 1080

Email: Marina.Sedmak@t.ht.hr

Tomislav Bajić + 385 1 4911 11

Email: ir@t.ht.hr

Web: www.t.ht.hr

Attachment 1

Hrvatski Telekom d.d.

**Independent limited assurance report
on the Remuneration Report for the year 2019**



Independent limited assurance report on the Remuneration Report for the year 2019

To the Management Board and Supervisory Board of Hrvatski Telekom d.d.

Subject matter

Pursuant to the provisions of Article 272r item 3 of the Companies Act and the contract concluded with Hrvatski Telekom d.d. (the "Company"), we performed a limited assurance engagement of the accompanying Remuneration report for the year ended 31 December 2019 (the "Remuneration Report") prepared by the Company's Management Board and Supervisory Board.

Reporting criteria

The applicable reporting criteria for identifying the individuals to be included in the Remuneration Report and the disclosure requirements of their remuneration are contained in the provisions of Article 272r items 1 and 2 of the Companies Act.

Management Board's and Supervisory Board's responsibilities

The Company's Management Board and the Supervisory Board are responsible for:

- preparing the Remuneration Report for the year 2019 in accordance with disclosure requirements of Article 272r items 1 and 2 of the Companies Act,
- identifying the individuals to be included in the Remuneration Report in accordance with Article 272r item 1 of the Companies Act,
- selecting and applying appropriate remuneration policies as well as making judgments and estimates that are reasonable in relation to the information disclosed in the Remuneration Report,
- measurement of remuneration for the year ended 31 December 2019 in accordance with provisions of Article 272r items 1 and 2 of the Companies Act, and
- publishing the Remuneration Report on the Company's website in accordance with provisions of Article 272r item 4.

The Company's Management Board is also responsible for maintaining an internal control system that provides limited assurance that the information described above is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to report on examination of the Remuneration Report in accordance with the requirements of Article 272r item 3 of the Companies Act. We performed a limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised) - *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Our independence and quality control

We apply International Standard on Quality Control 1 and, accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Federation of Accountants, based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Commercial Court in Zagreb, no. Tt-99/7257-2, Reg. No.: 080238978; Company ID No.: 81744835353; Founding capital: HRK 1,810,000.00, paid in full; Management Board: J. M. Gasparac, President; S. Dusic, Member; T. Macasovic, Member; Giro-Account: Raiffeisenbank Austria d.d., Petrinjska 59, Zagreb, IBAN: HR8124840081105514875.

Summary of the work performed

We have performed the following procedures regarding the subject matter:

- we inquired of members of Management, Supervisory Board and other persons within the Company to gain understanding of the remuneration policies and the process applied in preparing the Remuneration Report;
- we received from the Company a list of all members of the Management and Supervisory Boards during 2019 and checked whether their remuneration is disclosed in the Remuneration Report;
- we reconciled the remuneration information presented in the Remuneration Report with the Company's accounting records (general ledger and subledgers) for the year ended 31 December 2019;
- we reviewed, on a sample basis, the relevant documentation (contracts and payments) related to the remuneration information presented in the Remuneration Report; and
- we checked whether the Remuneration Report contains all the information required by provisions of Article 272r items 1 and 2 of the Companies Act.

The nature and extent of our procedures were determined based on our risk assessment and our professional judgment in order to obtain limited assurance.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited conclusion.

Limited assurance conclusion

Based on our work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Remuneration Report for the year ended 31 December 2019 is not prepared in accordance with the requirements specified in Article 272r items 1 and 2 of the Companies Act.

Restriction of distribution and use

This report has been prepared solely for the Management Board and Supervisory Board in accordance with the agreement between us, to assist the Company in reporting the Remuneration Report, and is intended solely for the purposes specified in Article 272r item 3 of the Companies Act. We permit this report to be disclosed in the Company's web page in accordance with Article 272r item 4 of the Companies Act.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's Management Board and Supervisory Board for our work or this report, except where such terms are expressly agreed in writing.

In addition, based on the procedures performed and described above, this is a limited assurance report and it is not, nor is it intended to be, a legal opinion on the Company's compliance with Article 272r items 1 and 2 of the Companies Act.

The Company's Management Board and Supervisory Board is responsible for placing the Remuneration Report on the Company's web-site and for accuracy of such information. The scope of our performed work does not include reviewing these matters; consequently, we do not assume any responsibility for any amendments that might have been made to the Remuneration Report underlying this Independent limited assurance report or any differences between the report issued by us and the information presented on the Company's web-site.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzlova 70, Zagreb
8 June 2020


John Mathias Gasparac
President of the Management Board


PricewaterhouseCoopers d.o.o.⁴
za reviziju i konzalting
Zagreb, Heinzlova 70

Tomičić
Michaela Tomičić
Certified Auditor



Pursuant to Article 272r of the Companies Act and pursuant to Code of Corporate Governance of the Zagreb Stock Exchange and HANFA (Croatian Financial Monitoring Agency), the Supervisory Board and Management Board of Croatian Telecom Inc., Zagreb, Radnička cesta 21, (hereinafter referred to as "HT" or "the Company"), submit to the General Assembly this

REPORT

on remuneration paid to the members of the Supervisory Board and Management Board in the business year 2019

The remuneration and evaluation of the work performed by the Management Board of HT, focusing on the Company's sustainable development and growth, have been conducted in accordance with the Global Compensation Guideline for Executives (last applicable version adopted by Supervisory Board on 27 February 2018).

The remuneration of the Supervisory Board Members has been determined in accordance with the decision of the General Assembly as of 16 June 2000, with amendments as of 21 April 2009.

REMUNERATION OF THE SUPERVISORY BOARD

The Supervisory Board consists of nine members, eight members are elected by the General Assembly and one is appointed by the Workers' Council as a representative of the Company's employees. Out of eight members elected by the General Assembly, five members represent Deutsche Telekom AG and three members are independent.

Supervisory Board members serving during 2019:

Jonathan Richard Talbot	Chairman	From 25 April 2017
Ivica Mišetić, Ph. D.	Deputy Chairman	Member from 21 April 2008, Deputy Chairman from 8 May 2008
Vesna Mamić	Member, workers' representative	From 1 January 2016
Damir Grbavac	Member	Until 6 May 2019
Dolly Predovic	Member	From 29 April 2014
Marc Stehle	Member	From 16 December 2015
Eirini Nikolaidi	Member	From 25 April 2016
Eva Somorjai-Tamassy	Member	From 25 April 2017
Tino Puch	Member	From 24 April 2018
Davor Majetić	Member	From 6 May 2019

Members of the Supervisory Board are entitled to a monthly remuneration for their work during their entire term of office. The remuneration of members of the Supervisory Board is determined according to the function they hold in the membership of the Supervisory Board and the tasks they perform within the Board or committees of the Supervisory Board, and in relation to the average net salary of employees paid in the previous month, as follows:

- The Chairman of the Supervisory Board receives remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month.
- The Deputy Chairman receives a remuneration in the amount of 1.25 of the average net salary of the Company's employees paid in the previous month.
- A member of the Supervisory Board receives a remuneration in the amount of 1 average net salary of the Company's employees paid in the previous month.
- A member of the Supervisory Board who is also the Chairman of the Audit Committee of the Supervisory Board receives a remuneration in the amount of 1.5 of the average monthly net salary of the Company's employees paid in the previous month.
- A member of the Supervisory Board, who is also a member of one board or committee of the Supervisory Board, receives a remuneration in the amount of 1.25 of the average monthly net salary of the Company's employees paid in the previous month.
- A member of the Supervisory Board who is simultaneously a member of two or more committees of the Supervisory Board receives a remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month.

The Company bears the travel expenses, accommodation expenses and other expenses connected with the participation of the members of the Supervisory Board at the Supervisory Board sessions and sessions of the Committees of the Supervisory Board as well as for their attendance at the General Assembly.

The remuneration to the Supervisory Board members does not include a variable part, therefore it is not influenced by the Company's operating results in a given past or future period.

Members of the Supervisory Board are not entitled to a severance pay, additional payments from the Company or its affiliates or to participate in share allocation plans.

In determining the remuneration model, the practices of regional and local companies in the telecom industry and the level of the remuneration and remuneration policies applicable in the Company are taken into account.

The Supervisory Board has established the Compensation and Nomination Committee, encompassing both the compensation/remuneration role and the nomination/appointment role. From the point of view of a good corporate governance, the decision to have these closely related topics dealt with by one single body with an overall competence does not give rise to any concerns as to the competence and independence of the Committee.

The Compensation and Nomination Committee, within its compensation role, reviews the remuneration of the Supervisory Board members and proposes to the Supervisory Board the respective remuneration system to be submitted to the General Assembly for adoption, and proposes to the Supervisory Board general principles and tools for the determination of the compensation of members of the Management Board.

The remuneration of individual Supervisory Board members paid in 2019 is as follows:

			The period of 2019 in which the remuneration was paid		
			From	To	Gross 1 (in HRK)
Vesna	Mamić	Member	1 January	31 December	154,780
Dolly	Predovic	Member	1 February	31 December	186,132
Ivica	Mišetić	Deputy Chairman	1 January	31 December	193,475
Davor	Majetić	Member	6 May	31 December	88,256
Total					622,644

DT AG representatives do not receive any remuneration for their membership in the Supervisory Board due to a respective policy of Deutsche Telekom AG.

The Company deems the remuneration paid as appropriate for engagement in the tasks they perform in the Supervisory Board and the committees thereof, as well as that the remuneration paid corresponds to the status and business operations of the Company.

The Company has not granted any advances or loans to the current or former Supervisory Board members, nor were any other financial obligations to the benefit of this group of people entered into.

The Company and its affiliates have not given any gifts or benefits of significant value to the members of the Supervisory Board.

REMUNERATION OF THE MANAGEMENT BOARD

The Management Board consists of five to seven members, and in line with the relevant Supervisory Board Decision on the division of competence among Management Board Members, the current composition of the Management Board includes six positions.

The following section lists the changes in the Management Board membership during 2019:

Management Board members serving during 2019:

Konstantinos Nempis	President of the Management Board (CEO)	from 1 April 2019
Nataša Rapačić	Member of the Management Board and COOR	
Ivan Bartulović	Member of the Management Board and CHRO	from 1 March 2019
Daniel Darius Denis Daub	Member of the Management Board and CFO	
Boris Drilo	Member of the Management Board and CTIO	
Saša Kramar	Member of the Management Board and COOB	until 1 January 2020
Davor Tomašković	President of the Management Board (CEO)	until 1 April 2019
Marija Felkel	Member of the Management Board and CHRO	until 17 January 2019

The Management Board members' remuneration comprises a fixed annual remuneration and a performance-related variable component (Short-Term Incentive), as well as other fringe benefits, non-cash benefits and remuneration in kind, Spot bonus, Long-Term Incentive and Share Matching Plan, which can be awarded on top of the annual target salary.

Annual target salary, performance-related variable components and other remuneration elements and other non-cash benefits and services are determined by an individual contract of each MB Member, subject to the approval by the Supervisory Board, based on the proposal of the Compensation and Nomination Committee.



The total fixed and variable remuneration paid to Management Board members in 2019 is shown in detail in the following table:

Gross 1 (in HRK)

Management Board member	Fix remuneration	%	Short-Term Incentive (STI)*	%	Total	%
Konstantinos Nempis	1,482,050	100%	-		1,482,050	100%
Nataša Rapaic	1,657,314	71%	677,272	29%	2,334,586	100%
Ivan Bartulović	797,677	100%	-		797,677	100%
Daniel Darius Denis Daub	1,283,171	67%	621,087	33%	1,904,258	100%
Boris Drilo	1,090,339	69%	490,439	31%	1,580,778	100%
Saša Kramar	1,090,205	69%	490,439	31%	1,580,643	100%
Davor Tomašković	719,257	27%	1,937,402	73%	2,656,658	100%
Marija Felkel	114,218	23%	393,145	77%	507,363	100%

*STI column relates to the payment for 2018, except for Davor Tomašković who received pro-rated amount for 2019.

Remuneration (fixed or variable) is paid in pro-rated amount in accordance with the term of appointment.

Long-Term Incentive (LTI) 2015 paid to eligible Management Board members in 2019 is shown in the following table:

Gross 1 (in HRK)

Management Board member	Long-Term Incentive (LTI) 2015
Nataša Rapaic	871,648
Daniel Darius Denis Daub	735,300
Saša Kramar	139,633
Davor Tomašković	2,011,863

According to the Agreement on the early Termination of the Contract on Rights and Obligations of the President of the Management Board, Davor Tomašković received: Termination Payment in the amount of HRK 3,646,185, one-off payment for education cost in the amount of HRK 344,851 and prohibition of competition payment in the amount of HRK 1,077,262.

According to the Agreement on the early Termination of the Contract on Rights and Obligations of the Member of the Management Board, Saša Kramar received a termination compensation in the amount of HRK 1,185,233.



Member of the Management Board Ivan Bartulović received a one-time sign-on bonus in the amount of HRK 1,076,481 to compensate all financial disadvantages resulting from the move to the Company (non-compete penalty) and one-time compensation in the amount of HRK 369,924 according to employment contract and target achievement.

Fringe benefits (company car usage, accommodation cost, education/trainings, pension fund, scholarship for children) paid to Management Board members in 2019 are shown in the following table:

Gross 1 (in HRK)

Management Board member	Fringe benefits
Konstantinos Nempis	1,144,950
Nataša Rapačić	66,311
Ivan Bartulović	49,481
Daniel Darius Denis Daub	555,582
Boris Drilo	49,866
Saša Kramar	48,616
Davor Tomašković	18,485
Marija Felkel	2,398

Total number of Deutsche Telekom AG shares transferred in 2019 as a part of the Share Matching Plan (SMP) is shown in the following table:

Management Board member	Share Matching Plan (SMP)	Matching DT AG shares (pieces)	Non-cash benefit per share (in EUR)	Non-cash benefit (in EUR)
Daniel Darius Denis Daub	2015	257	15.18	3,901
Saša Kramar	2015	121	15.18	1,837
Davor Tomašković	2015*	2,933	14.72	43,174
	2016*	2,443	14.72	35,961
	2017*	1,341	14.72	19,740
	2018*	625	14.72	9,200

* According to the Agreement on early Termination of the Contract on Rights and Obligations of the President of the Management Board, Davor Tomašković received a pro-rata number of the matching shares for a period proportionated to the duration of his participation in the Share Matching Plans 2015, 2016, 2017 and 2018. All shares were unlocked within 10 days after Termination Date.



Short-Term Incentive (STI) for 2019 paid to Management Board members in 2020 is shown in the following table:

Gross 1 (in HRK)

Management Board member	Short-Term Incentive (STI) for 2019 paid in 2020
Konstantinos Nempis	1,205,742
Nataša Rapačić	783,732
Ivan Bartulović	411,962
Daniel Darius Denis Daub	641,396
Boris Drilo	506,412
Saša Kramar	506,412

Remuneration package components

Annual Target Salary is agreed in the individual contracts on the rights and obligations of MB Members and comprises a fixed basic annual salary and a performance-related variable component, the so-called Short-Term Incentive (STI). The ratio of the fixed basic annual salary and STI within the annual on-target earnings is 60:40 for the CEO, 70:30 for other Management Board members, as included in the employment contract.

The **fixed basic annual salary** is a (fixed) annual amount determined for the individual that differs in different positions.

Short-Term Incentive (STI) rewards the achievement of collective targets over an annual period. Collective target achievement is split between financial and non-financial targets and for the year 2019 were set, as follows:

- 1) Financial Targets (50% of total target set)
 - Revenue HT Group (weight: 40%)
 - EBITDA HT Group (weight: 40%)
 - oFCF HT Group (weight: 20%)
- 2) Strategic Targets (50% of total target set)
 - Convergence HT Group (weight: 33.33%)
 - Digitalization HT Group (weight: 66.66%)

Supervisory Board sets annual targets based on the adopted Business Plan. After the determination of the annual financial statements, the Supervisory Board performs the evaluation of targets achievement and determines the target achievements as the basis for the calculation of pay-outs.

Additionally, to acknowledge extraordinary individual performance a **Spot Bonus** can be granted as a one-time payment within one calendar year. There were no Spot Bonus payments implemented in the year 2019.

Remuneration system also encompasses long-term remuneration elements, **Long-Term Incentive (LTI)**, which can be awarded on top of the target salary, **Share Matching Plan (SMP)** as a voluntary long term remuneration instrument, and **Repeated Performance Incentive (RPI)**. The aim of these programs is to enhance willingness to take on entrepreneurial responsibility and identification with the Company and thus boost the Company's value in the medium to long-term.

The **Long-Term Incentive (LTI)** is a cash-based four-year program that is linked to the performance of four indicators of the Deutsche Telekom Group:

- ROCE (Return on Capital Employed),
- Adjusted EPS (Earnings per Share),
- Customer satisfaction and
- Employee satisfaction.

The payment is always made after the program's expiry and the evaluation of the targets' performance levels on a scale of 0-150% and the achievable amount is 30% of the annual on-target earnings.

Long-Term Incentive plans Lead to Win 2016, Lead to Win 2017, Lead to Win 2018 and Lead to Win 2019 exist at the Deutsche Telekom Group level. The plans promote the medium and long-term value enhancement of the Deutsche Telekom Group, thus aligning the interests of the management and the shareholders.

LTI 2015 ended on 31 December 2018, and the Supervisory Board determined the final target achievement of 151%.

The term of LTI 2019 covers the period from 1 January 2019 to 31 December 2022.

Share Matching Plan (SMP) is a long-term remuneration instrument which is mandatory to the Company's President of the Management Board and voluntary for Management Board members. Plan participants purchase Deutsche Telekom AG shares ("voluntary, private personal investment") based on an offer. The amount of the voluntary personal investment is between 10% ("minimum amount") and one half ("maximum amount") of the gross payment amount of the 2018 Short-Term Incentive (STI) paid out in 2019 and is determined by the plan participant when accepting the Deutsche Telekom offer. The term of the 2019 SMP covers the period from 1 July 2019 to 30 June 2023. Participants must hold their shares for at least 4 years ("lock-up period") and may freely use them upon the expiry of the freeze. At the end of the plan term, the plan participant shall be granted Deutsche Telekom shares free of charge. The proportion of the number of additional shares thus granted depends on the individual's management level: CEO: 1:1, other Management Board members: 1:2.

Repeated Performance Incentive (RPI) is a four-year program. It covers the period of 1 January 2018 (beginning of the plan) to 31 December 2021 (end of the plan). Target achievement of a minimum two consecutive years is always the decisive factor for the eligibility for a bonus payment. The first year is only considered as the year of eligibility of the Company and the bonus will be paid out from the second year onwards. The key performance indicator is attached to the unadjusted EBITDA. No payment of RPI was made in 2019.

Supervisory Board determines the detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration.

The rules of participation in the programs (LTI, SMP, RPI) and plans initiation have to be adopted by Supervisory Board every year.

Individual MB member's contract can include **fringe benefits**: assignment of the company car, accommodation cost, education/trainings, pension fund, and scholarship for children, life and accident insurance, other non-cash benefits and services, depending on individual circumstances of the person in question.



The remuneration structure for the Management Board members is based on the Guiding Principles and the Leadership Principles. It is designed to support, reward and acknowledge the executives' achievements and their effort for the success of Company. It ensures that Management Board remuneration is oriented toward a sustained development of the Company.

The relative value of the remuneration components is determined on the basis of benchmark and market conditions in order to provide a competitive and motivational remuneration structure.

All executive positions are assessed on the basis of standard criteria (Hay Group grading system) and assigned to management groups MG 1 to MG 3. The assessment results clearly reflect the contribution made by each position toward increasing the Company's value and success.

The following tables show an average remuneration paid to all employees in Gross 1 amount, which includes a fixed and variable part of the salary, other remuneration components, remuneration in kind and other material rights arising from employment status, divided by the average number of employees equivalent to full time employment (FTE). The same methodology is applied to calculate the average remuneration paid to Management Board members and Supervisory Board members.

Average remuneration per employee Gross 1 (in HRK)	2019	2018	2017	2016	2015
Annual remuneration	175.110	171.102	176.866	175.114	172.351

Hrvatski Telekom d.d. (in HRK)	2019	2018	2017	2016	2015
Revenue	5.893.460.026	6.028.401.549	6.073.361.765	5.933.439.097	5.875.944.678
Net profit	717.064.453	990.660.719	841.265.804	908.796.891	893.483.740

Average remuneration paid to: Gross 1 (in HRK)	2019*	2018*	2017	2016	2015*
Supervisory Board members	172.957	179.063	179.152	148.355	195.438
Management Board members*	3.151.345	2.483.903	2.112.158	2.521.154	2.996.971

* One-off payments (early Termination Payment and other compensation related to termination) have been excluded in 2015, 2018 and 2019

No Management Board member received benefits or corresponding commitments from a third party for his or her activity as Management Board member during the past financial year.

There were no requests to Management Board members to repay to the Company any received remuneration.



The Company has not granted any advances or loans to current or former Management Board members, nor were any other financial obligations to the benefit of this group of people entered into.

In case of an early termination of the Contract on the Rights and Obligations of Management Board members by the Company, the CEO shall receive a compensation in amount of one annual target salary (one fixed annual salary and one STI assuming 100% target achievement) and other Management Board members are entitled to receive one fixed annual salary. There is no compensation obligation if the contract is terminated in the case of an important reason (Article 244 paragraph 2 of the Companies Law) with the immediate effect.

The Contract stipulate a post-contractual prohibition of competition.

There is no additional remuneration for members when they undertake membership in the Supervisory Boards and similar positions/functions in companies in which the Company directly or indirectly holds shares, as well as duties in associations to which the Company belongs pursuant to its scope of activities.

Pursuant to Article 247a of the Companies Law, the Remuneration Policy shall be submitted to the General Assembly to be held in the year 2020.

Zagreb, 8 June 2020

Jonathan Richard Talbot,
Chairman of the Supervisory Board

Konstantinos Nempis,
President of the Management Board (CEO)

Attachment 2

Pursuant to Article 247a and in connection with Article 276a, paragraph 1 of the Companies Act, the Supervisory Board of Hrvatski Telekom d.d. (hereinafter: the Company or HT) proposes to the General Assembly to be held in 2020 the approval of the following

Remuneration Policy for Members of the Management Board

Introduction

As HT is part of the Deutsche Telekom Group (hereinafter "the Group") and included in the consolidated financial statements of Deutsche Telekom through full consolidation, the Supervisory Board of HT adopted the Group Policy – Performance Management for Executives in Groups MG1 to MG3 and the Global Compensation Guideline for Executives in Management Groups MG1 to MG3, for application to members of the Management Board of HT.

The remuneration structure for members of the Management Board (managers) and the performance management model were determined on the basis of the Guiding Principles and the Management Principles. Their purpose is to support, reward and recognize the achievements of managers and their contribution to the success of the Company and the Group. This Remuneration Policy for Members of the Management Board is based on the principle of attracting, motivating and retaining highly qualified professionals with the aim of promoting good and efficient management. The Policy aims to ensure a balanced, sustainable and transparent remuneration of members of the Management Board, which strongly encourages a culture of performance, long-term strategy of the Company, increases the readiness to take entrepreneurial responsibility and identification with the Company and thus increases the Company's value in the medium and long term. This leads to a greater balance of management and stakeholders interest.

In order to implement these policies, a standardized system of job evaluation at the global level has been implemented within the Group. The system is based on a standardized procedure that is established at the international level (currently it is the Hay Group classification system).

Job evaluation provides an objective and transparent basis for determining the remuneration elements for executives.

All managerial functions are evaluated on the basis of standard criteria and are assigned to management groups MG1 to MG3. Factors of a personal nature have no effect on classification.

The result obtained on the basis of evaluation criteria must clearly reflect the contribution of each function to increasing the value and success of the Company and enable internal and external comparisons of managerial positions.

Elements of remuneration

Members of the Management Board (managers) receive an annual target salary and additional benefits in the form of long-term remuneration elements (Long-Term Incentive, Share Allocation Plan) and additional benefits and spot bonuses.

Annual target salary

The annual target salary is agreed in individual employment contracts. It consists of a fixed basic annual salary and a performance-dependent variable component (Short-Term Incentive - STI).

The annual target salary is reviewed as part of a procedure that is repeated every year, provided that funds are approved for this purpose.

Short-term Incentive (STI)

In addition to a fixed base annual salary, the annual target salary also includes a variable performance-dependent component, short-term incentive (STI). The share of STI in the annual target salary depends on the management group to which the position of a member of the Management Board belongs.

STI rewards the achievement of collective targets over a period of one year.

Collective targets are divided into financial and non-financial targets.

The Supervisory Board sets annual targets based on the adopted Business Plan. After determining the annual financial statements, the Supervisory Board evaluates the achieved targets and determines the target achievements as a basis for calculating the payment.

Spot Bonus

To recognize outstanding personal performance and personal achievements, it is possible to award a Spot Bonus (a bonus that is awarded immediately upon achievement) as a one-time payment. Even in the case of re-payment based on a Spot Bonus as a voluntary benefit provided by the employer, the right to any future award is not exercised. The decision is made by the Supervisory Board.

Long-term Incentive (LTI)

Long-term Incentive (LTI) is a long-term component that can be awarded in addition to the targeted salary. It is a voluntary element of remuneration aimed at the long-term success of the Group and at increasing the value of the Company. Even in the case of re-issuance under the LTI as a voluntary benefit provided by the employer, the right to any future assignment is not exercised.

The decision to issue an LTI in a certain year is exclusively within the competence of the competent body of the Deutsche Telekom Group and the Supervisory Board of the Company. This also applies to individual eligibility criteria for granting incentives.

The details are governed by the general terms and conditions of the relevant plan.

The Long-Term Incentive (LTI) is a four-year cash program linked to the performance of four Deutsche Telekom indicators:

- a) ROCE (return on capital)
- b) adjusted EPS (earnings per share)
- c) Customer satisfaction
- d) Employee satisfaction

Payment is always made after the expiration of the program and the assessment of the level of success of the goals on a scale of 0 - 150%, and the achievable amount is 30% of the annual target salary.

Incentive plan for repetitive exceptional performance (Repeated Performance Incentive – RPI)

The purpose of the incentive for repeated exceptional performance is to provide an incentive for outstanding collective performance, which is measured by exceeding a defined key indicator (KPI), which is included in the annual collective targets. RPI is a four-year program. If the objectives defined by the rules are achieved in two consecutive years, the first year is considered only the year of acquisition. The achievement of the key performance indicator defined for the program should be assessed in the context of the financial planning process. A key performance indicator is attached to unadjusted EBITDA.

In addition to the management group, the condition for participation in the Plan is defined by the level of management. The level of management of the manager on January 1 of the year in question, no later than July 1 (in case the manager exercises the right to participate in the first half of the year) is mandatory for participation. The amount of the bonus depends on the level of management, the achievement of the Company's goals and the number of consecutive years of achieving performance above expectations.

Share Matching Plan (SMP)

Share Matching Plan is a long-term voluntary remuneration instrument on the basis of which the managers of Deutsche Telekom (DT) and participating companies within Deutsche Telekom Group enter into the ownership structure and which enables them to benefit from the success of the share.

The obligatory precondition for participation in the SMP is that the executive invests in the DT's share indicated in a certain plan ("personal private investment"). Plan participants purchase DT shares based on an offer to eligible executives for the participation in the respective SMP. After a certain period of prohibition of trading in shares, the manager is awarded bonus shares. The number of bonus shares is proportional to the number of shares purchased by the manager.

The decision on the issuance of SMP in a certain year and on individual eligibility criteria for the allocation of treasury shares is the responsibility of the competent body of the Deutsche Telekom Group and the Supervisory Board of the Company.

The details are governed by the general terms and conditions of the relevant plan.

Share Matching Plan (SMP) as an instrument of long-term remuneration is mandatory for the President of the Management Board and voluntary for the members of the Management Board.

Fringe benefits

In addition to the above components, remuneration may include other additional benefits. Additional benefits are non-monetary benefits and services provided by the company and benefits in kind, e.g. benefits after work in the Company, mobility services (e.g. official vehicle), education, etc.). They may be granted in the form of voluntary or compulsory benefits provided by the employer.

Individual employment contracts

The contract with a member of the Management Board is concluded for the period of his/her appointment, which can be from three (3) years to five (5) years. It sets out the rights and obligations of a member of the Management Board, including the provisions on remuneration,

and the obligations based on his / her powers in the Management Board.

The contract may be terminated in accordance with legal provisions. The obligation to pay severance pay arises in the event of termination of the contract during its validity by the employer, unless the contract is terminated for reasons conditioned by the unlawful conduct of a member of the Management Board. The severance pay is limited to the amount of twelve (12) average monthly gross salaries paid to the member of the Management Board, i.e. to the amount of the annual target salary.

The annual target salary, variable components related to work and other elements of remuneration and other non-monetary remuneration and services are determined by an individual contract for each member of the Management Board approved by the Supervisory Board at the proposal of the Compensation and Nomination Committee.

The annual target salary is determined in individual contracts on the rights and obligations of members of the Management Board and contains a fixed basic annual salary and a variable related to performance, the so-called short-term incentive (STI).

- a) The ratio of fixed basic annual salary and short-term incentive (STI) within one annual target salary is 60:40 for the President of the Management Board.
- b) For other members of the Management Board, the ratio of fixed basic annual salary and short-term incentive (STI) within one annual target salary is 70:30, as included in the employment contract.

An individual contract of a member of the Management Board may include additional benefits: official car allocation, accommodation, education or training costs, payment into a pension fund, children's tuition, life and accident insurance, relocation costs, other non-monetary benefits and services, depending on the member's individual situation administration.

In the event of changes in circumstances and the situation in the Company that would significantly affect the ability to meet mutually agreed rights and obligations, the Supervisory Board has the right to adjust the agreed terms and parameters of remuneration to take into account the effects of changed circumstances.

In order to protect the legitimate interests of the Company, the contractual provisions include clauses to avoid conflicts of interest, prohibition of competition, protection of business secrets of the Company, protection of data secrecy and telecommunications secrecy and protection of personal data in accordance with applicable regulations.

The Supervisory Board, with the support of the Compensation and Nomination Committee, monitors the implementation of admission policies and individual contracts on an annual basis.

The Supervisory Board reserves the right to change these Policies in the event of changes in market circumstances and in such a case will submit to the Assembly for approval a proposal for changes with an explanation to the General Assembly in accordance with applicable regulations.



Chairman of the Supervisory Board

Jonatan Richard Talbot

Attachment 3

Pursuant to Article 269, paragraph 3 of the Companies Act, the Supervisory Board of Hrvatski Telekom d.d. (hereinafter: "the Company" or "HT") submits to the General Assembly to be held in 2020 for approval the following

Decision on remuneration of members of the Supervisory Board

Introduction

The remuneration for the work of the members of the Supervisory Board of HT was determined by the decisions of the General Assembly of the Company of 16 June 2000 and 21 April 2009.

This decision on the remuneration of the members of the Supervisory Board is based on the principle of attracting, motivating and retaining highly qualified professionals in order to promote an effective supervisory function in accordance with the sustainable long-term strategy of the Company.

In determining the remuneration model, various external and internal factors were taken into account, such as the state and opportunities of the Company, the prevailing practices of regional and local companies in the telecommunications industry and the salary and remuneration policies applied in the Company and the Group.

Remuneration for work

1. Members of the Supervisory Board are entitled to a monthly remuneration for their work during their entire term of office. The monthly remuneration is determined in relation to the average net salary of the Company's employees paid in the previous month. Remuneration does not contain a variable part.
2. In the event of an earlier termination of the term of office, the remuneration for the month in which the term of office was ended shall be calculated and paid in accordance with the time spent in that function ("pro rata temporis").
3. The remuneration of members of the Supervisory Board is determined according to the function they have in the membership of the Supervisory Board and the tasks they perform within the Board or committees of the Supervisory Board, and in relation to the average net salary of employees paid in the previous month, as follows:
 - a. The Chairman of the Supervisory Board receives a remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month.
 - b. The Deputy Chairman receives a remuneration in the amount of 1.25 of the average net salary of the Company's employees paid in the previous month.
 - c. A member of the Supervisory Board receives a remuneration in the amount of 1 average net salary of the Company's employees paid in the previous month.
 - d. A member of the Supervisory Board who is also the Chairman of the Audit Committee of the Supervisory Board receives a remuneration in the amount of 1.5 of the average monthly net salary of the Company's employees paid in the previous month.

- e. A member of the Supervisory Board who is also a member of a board or a committee of the Supervisory Board receives a remuneration in the amount of 1.25 of the average monthly net salary of the Company's employees paid in the previous month.
 - f. A member of the Supervisory Board who is simultaneously a member of two or more committees of the Supervisory Board receives a remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month.
4. Company shall bear travel expenses, accommodation costs and other costs related to the presence of members of the Supervisory Board at the sessions of the Supervisory Board and the sessions of the committees of the Supervisory Board and at the General Assembly.
 5. Members of the Supervisory Board are not entitled to severance pay, additional payments from the Company or its affiliates or to participate in share allocation plans.
 6. The Supervisory Board, with the support of the Compensation and Nomination Committee, shall monitor the implementation of this Decision on an annual basis.

In case considering changes to this decision, the Supervisory Board shall submit to the General Assembly a proposal on the changes to this decision and an explanation in accordance with applicable regulations.

7. This Decision shall enter into force on the day of the approval of the General Assembly and shall apply until a different decision of the General Assembly.

Chairman of the Supervisory Board



Jonatan Richard Talbot