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CONTENTS

Guideline for Prevention of Conflicts of Interest



GUIDELINE FOR PREVENTION OF CONFLICTS OF INTEREST

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1 INTRODUCTION

According to the Art. 4 of the Policy for Prevention of Corruption and Other Conflicts of Interest, Croatian Telecom Inc. (further in the text: „Company“), requires of its employees and other engaged persons to avoid conflict of interest. This Guideline's aim is to clearly define criteria, working processes and obligations of all stakeholders (employees, management, and corporate bodies).

Basic tasks of this Guideline are to assure transparency in establishing cases and to clearly prescribe the process for the removal of conflicts of interest.

2 BASIC PRINCIPLES

2.1 CONFLICT OF INTEREST

Conflict of interest is an unwanted situation where interests of a singular person come into conflict with interests of the Company. In principle, such situations should be avoided whenever possible. As it is not always possible, there are regulations and policies that establish basic rules of behaviour and basic criteria for recognition of cases where Company's interests are in conflict with interests of specific employee.

Labour Regulations of HT prescribes that without approval of the Management Board, employees (workers) cannot:

- Close deals related to the Company's activities on his/her or someone else's behalf (legal prohibition of competition)
- Perform tasks on behalf of the Company with companies which he/she owns, which are in his/her majority ownership or in which his/her close family members are employed,
- Receive gifts or services for his/her work which might create a dependence in his/her work,
- Work during and outside his/her working hours at Company premises for the needs of other legal and natural persons

Breaches of these provisions are considered to be extremely offensive violation of employment obligations (Art. 82) and may result in termination of employment contract.

Generally, employee or otherwise engaged person may come in conflict of interest with the Company in the following ways:

1. By ownership or representation of other legal or natural persons that are either competitors or business partners (vendors, co-investors, etc) of the Company;

2. By work engagement with other legal or natural persons that are either competitors or business partners (vendors, co-investors, etc) of the Company;
3. Through close family ties¹ with persons who are in situations described under items 1 and 2;
4. By usage of material and immaterial property of the Company for personal gain or benefit of other natural or legal persons, when this is not in the interest of the Company.

Any of the listed situations may negatively impact Company's business, so it is prescribed that any such situations requires approval of the Company's Management Board which presumes that the employee already expressed such a situation and requested approval.

Management Board (responsible managers) can approve employee to continue his engagement outside Company or to keep the stake or position in other companies and in doing so will follow transparent principles given in this guideline. When approving, management will consider whether the requesting person is a manager or worker and his/hers potential to influence particular business relationship. Main principle is to disallow person in potential conflict of interest to participate in specific business relationship between the Company and:

- Business or organization where employee or his/her close family participates in ownership with more than 5%;
- Business or organization which are in business relationship with the Company and where the employee is engaged (employed, representing or otherwise), or where employee's family is in decision-making position.

If an employee informed Company of his/her activity which can represent potential conflict of interest during his recruitment process and the Company never requested to stop the activity, it is deemed that the employee has approval and can continue with the activity. However, if at a later stage, relevant Company bodies find out that the situation is detrimental to the interest of the Company, different decision can be made (see chapter 3).

2.2 COMPETITION BAN

Competition ban is a specific type of conflict of interest where an employee directly or indirectly competes with the Company.

By the nature of open market competition, benefits of the Company are in opposition to the benefits of its competitors. Therefore, it's realistic that a company requires from its employees not to actively support competition against its own interests.

¹ Spouses, parents, children and siblings are considered as „close family“.

Employees' any support of competition through investment, representation or employment is deemed to oppose interests of the Company and represents extremely offensive violation of employee's labour contract. It must be stated that this does not relate to usage of competitors' services.

Competition ban is in force throughout the employment in the Company.

In that sense, following situations are not allowed:

- 1 Employee gains or holds considerable stake² of Company's competitor(s);
- 2 Employee works for Company's competitor(s);
- 3 Employee owns a business which is partnered with Company's competitor(s).

Situations which require disclosure and approval of Company's relevant bodies are:

- 1 Employee's close family members gain or hold considerable stake of Company's competitor(s);
- 2 Employee's family member(s) own a business that is partnered with Company's competitor(s)

2.3 CONFLICTS OF INTEREST THROUGH SIDE-ACTIVITIES

In general, the Company does not forbid its employees additional work engagement if it is not in collision with their duties in the Company. However, if a Company employee is engaged with companies and /or crafts or is contracted to execute specific for business partners (e.g. vendors, joint-venture partners, etc.), a conflict of interest is possible.

Therefore, it is not permitted:

1. That the employee of the Company owns a considerable stake in or represents Company's vendor or partner;
2. That the employee is engaged by vendor or partner on the same or complementary tasks/positions he executes for the Company.

Following situations require disclosure and approval of Company's relevant bodies:

1. Employee owns business in partner relationship with the Company's vendor or business partner;
2. Employee's close family member(s) gain or hold considerable stake in Company's vendor or business partner;
3. Employee's close family member represents Company's vendor or partner.

² Equal or more than 5%.

2.4 CONFLICTS OF INTEREST VIA PARTICIPATION IN GOVERNING BODIES OF OTHER COMPANIES

Company employees may participate in governing bodies of other companies only with prior notification and approval by the Company. It is considered that this approval is given when they are appointed to such position by the Company (Company's Management Board). This rule does not apply to membership in the governing bodies of various non-profitable social, professional or similar organizations, institutions, forums and similar, when they are not involved in an economic, profitable activity.

To seek approval, employee must fill the Request for Approval of Membership in Supervisory Board/ Board of Director/s Management Board of a Company (attachment 1). Direct supervisor and organizational unit responsible for compliance will check the Request and sign it, thus confirming its acceptability. Finally, CHRO will approve the engagement by signing the Request sheet.

2.5 CONFLICTS OF INTEREST ARISING FROM POLITICAL OFFICE

The Company is aware of the fact that among its employees and managers there is a will to participate in society through political engagement in political parties or otherwise. The Company, however, does not support political parties and will not engage in any way in the political activities of its employees and /or managers. However, the Company asks from them to strictly separate their political activities from professional duties connected to their employment in the Company.

3 PREVENTION MEASURES AND REACTION IN CONFLICT OF INTEREST CASES

All conflicts of interest shall be addressed in a manner that complies with the Company ethical principles as set forth in the Guiding Principles and the Code of Conduct. Every employee of the Company shall avoid situations where his/her private interests may come into conflict with the interests of the Company.

In cases where conflicts of interest are unavoidable, each Company worker or managing person shall respect the following three principles:

- any conflict of interest, true or potential, shall be disclosed to his/her superior,
- any conflict of interest, true or potential, shall be documented, and

- all workers or managing persons involved in potential conflict of interest shall take special care to comply with the applicable laws and internal rules of the Company, with special care.

3.1 EMPLOYMENT

Employment processes have to be designed in a way that enables reliable assessment of skills and suitability of a candidate for particular position (workplace), but also to enable prior assessment if a potential employee comes into a conflict of interest by signing labour contract with the Company.

Internal organizational units responsible for employment are required to:

- Ask the candidate to disclose:
 - 1 ownership or representation rights in other businesses which are either competitors or in business relationship (vendor, partner, etc) with the Company;
 - 2 work engagement in other businesses which are either competitors or in business relationship (vendor, partner, etc) with the Company;
 - 3 close family relationship with persons in situations above (1 and 2);
 - 4 membership in governing bodies of other companies and whether they intend to remain with such engagement.
- Immediately after employment instruct chosen candidates on the matters of risks of corruption and other conflicts of interest described in the Policy for Prevention of Corruption and Other Conflicts of Interest and this Guideline, and measures which are, based on the Law and internal rules, applied in cases of their breach.

3.2 ASSURANCE OF ADEQUATE INFORMATION AND AWARENESS OF THE EMPLOYEES

Organizational unit responsible for compliance, in cooperation with the organizational unit in charge of education, training and development of employees implements communication and awareness measures on corruption risks.

If employed in organizational units with increased corruption risks, employees should be reminded and constantly thoroughly trained in relation to their concrete responsibilities. Organizational units with increased corruption risks are those which:

- Are directly involved in the processes of procurement and contracting of services (tracking, evaluation, negotiating) from Company's partners, vendors or third parties which are business related with the Company;

- Have direct contact with service users and are in position to accept or grant benefits;
- Have contact with authorities (government or local officials) on issuance or permits, legal proceedings and other administrative tasks
- Have access to privileged information related to Company's strategy, investment policy, financial KPIs or other classified information that could be abused.

Organizational units responsible for education, training and personnel development will include anti-corruption topics into their education programs.

3.3 DISCLOSURE OF CONFLICT OF INTEREST

Employees of the Company shall disclose any conflict of interest to organizational unit responsible for compliance and their superiors (Directors, Operating Directors and MB Members), while MB Members of the Company and of other companies where the Company holds a majority share or majority voting rights shall disclose any conflict of interest to their respective Supervisory Boards. Any information on disclosure of conflict of interest and on the proceedings or results of related cases shall be deemed a business secret and should be marked as "confidential".

In cases of disclosed conflicts of interest, any situation showing risk of material or reputational damage for the Company should be prevented or removed immediately.

In cases of disclosed conflicts of interest where immediate danger of material or reputational damage for the Company does not exist, an employee may be granted approval to continue with their side activity or keeping of ownership, or some other abovementioned situation (see 2.2. – 2.5.). The request shall be submitted in writing, to the immediate superior manager, including disclosure and explanation of the conflict of interest. Approvals are issued by the superior Director, Operating Director or Member of the Management Board, upon consultation with the organizational unit responsible for compliance. Organizational unit responsible for compliance shall check, within its responsibilities and capabilities, the statements made in the request and shall, within five (5) working days, present their assessment on acceptability of the request to the manager who will issue the approval. Organizational unit responsible for compliance shall archive one copy of all documents issued in the process.

All Company employees have to take care that conflict of interest does not occur with third persons (Company's business partners, vendors, customers, etc.), so they are obligated to warn any partner's representatives of potential conflict of interest. For help on evaluation and proper behaviour, Organizational unit responsible for compliance should be contacted.

Any information on disclosure of conflict of interest and on the proceedings or results of related cases shall be deemed a business secret, in line with the Secret Information Protection Act (NN 108/96).

3.4 REPORTING OF NOTED CONFLICT OF INTEREST CASES

According to the Policy on Prevention of Corruption and Other Conflicts of Interest and this Guideline, all Company employees are obliged to report organizational unit responsible for compliance on all noted cases of corruption or conflicts of interest, if there is a suspicion or concrete evidence.

When organizational unit responsible for compliance receives the report on concrete case, regardless of the position or status in the Company of the presumed perpetrator, a plausibility of the report will be tested. This check has to review all circumstances which accuse the suspicious person, but also those that liberate him/her from guilt.

By reporting to corporate bodies, employees must be careful not to endanger internal checks. When the information is forwarded, it has to be assured that there are no negative effects to the legitimate interests of affected persons.

3.5 ACTING IN CASE OF OMISSION

If conflict of interest is not adequately disclosed and no adequate permission is requested, it could be that the Labour Regulations of the Company are breached. The same applies to all cases of use of Company property for side activities, be it for own or third person's benefit.

Company's Compliance Committee is giving qualified assessment of existence of the conflict of interest and measures for its removal, based on the report of organizational unit responsible for compliance or other Company bodies who reviewed the particular case, bearing in mind especially:

- Facts found through plausibility check of the report, internal investigation or audit, and responsibilities of the employee;
- Potential material and/or reputational damage to the Company;
- Other facts important for the case which need to be transparently presented on Compliance Committee session (employee's history, work assessment results, etc.).

In case of further doubts on irregularities that can appear as a result of the conflicts of interest, additional internal checks may be required and executed for the purpose of remediation and removal of the damaging consequences.

Any public disclosure on reviewed cases may be done only through responsible unit for corporate communications, with prior agreement of organizational unit responsible for legal affairs and organizational unit responsible for compliance.

4 CASES OF DOUBT, CONSULTATIONS AND WHISTLE BLOWING

4.1 CONSULTATION DESK „ASK ME!“

In cases of doubts, all employees can freely address them to the organizational unit responsible for compliance. If there are any legal issues to be considered, organizational unit responsible for compliance will discuss those with organizational unit responsible for legal affairs or other unit responsible for professional opinion in any particular case.

Consultation desk „Ask Me!“ is accessible on the intranet page:

<http://intranet.t.ht.hr/Uskladjenost-poslovanja/Stranice/Pitaj-me.aspx>

or via email address:

compliance@t.ht.hr

4.2 WHISTLEBLOWING PORTAL „TELL ME!“

Employees or external persons who witness or doubt that a transgression occurred should in the first step, if possible, consult their superiors. At the same time, they can report those incidents/irregularities via whistleblower portal “Tell Me!”. All such reports will be treated as confidential, and even anonymous reports are possible, if required.

Whistleblower portal is available on the intranet page:

<http://intranet.t.ht.hr/Uskladjenost-poslovanja/Stranice/Reci-mi.aspx>

Nobody will suffer any negative consequences for whistleblowing, if his/her purpose was not only to damage the dignity of other persons.

5 FINAL PROVISIONS

This Guideline will be published in Company’s Herald and will enter into force eight days after its publication.

Organizational unit responsible for compliance is in charge of reassessment and actualization of this Guideline.

No:

JOP 70593318

ATTACHMENT 1

REQUEST FOR APPROVAL OF MEMBERSHIP IN SUPERVISORY BOARD/MANAGEMENT BOARD/BOARD OF DIRECTORS OF A COMPANY

Name and family name KP number

Workplace

Function for which the approval is requested

Company

Appointment proposer

Detailed explanation of the request

By submitting this request, I state that there is no conflict of interest between the function for which I seek approval and my function in Croatian Telecom Inc. and that I will immediately inform organizational unit responsible for compliance if this situation changes, In that sense, I grant approval to organizational unit responsible for compliance to execute adequate checks prior to the approval.

In _____, _____
Place Date Signature of the applicant

APPROVALS

	DATE	SIGNATURE
Director	_____	_____
Organizational unit responsible for compliance	_____	_____
MB Member for Human Resources	_____	_____

ATTACHMENT 2

DECLARATION of conflict of interests

In _____, on _____

DECLARATION of conflict of interests

Under which I, _____ (full name), from _____ (city),
_____ (street and number), personal identification number (OIB)
_____, state the following:

1. Are you in any type of familiar relationship with any of the employees of the HT Group, including Hrvatski Telekom d.d. (hereinafter: HT), Combis d.o.o., Iskon Internet d.d., i.e. a blood relative in the direct line up to any degree or in the indirect line up to the fourth degree, or a spouse, non-marital partner or relative by marriage in a marriage or non-marital partnership up to the second degree inclusive, regardless of whether the marriage or non-marital partnership has been dissolved or not, a guardian, adopter or adoptee, i.e. are you in any other personal relationship with an employee of the HT Group?

YES NO

If yes, please indicate the full name and job position of the employee to whom you are related by blood or otherwise personally, including the type of familiar or other relationship:

2. Are you in an employment or other similar contractual relationship (e.g. contract for work) with another employer?

YES NO

If yes, please indicate the name of another employer or legal entity with which you have an employment or other similar relationship and the legal basis of your relationship (employment contract, contract for work, copyright contract, etc.):

3. Are you an owner, co-owner, person with authority to act, member of the supervisory board or another body of any other legal entity (e.g. association, institution), or trade owner?

YES NO

If yes, please indicate the name of the legal entity and the capacity/office that you hold in it:

4. If the preceding question is answered affirmatively, please specify whether the indicated legal entity is in any type of contractual relationship with the member companies of the HT Group, i.e. a business partner or supplier of the HT Group or a market competitor of the HT Group?

YES NO

5. Are you a state official, this term meaning any employee of state administration and local and regional self-government units, any person representing state-owned entities or agencies or any legal entity under the direct, majority influence of the state, i.e. majority state-owned legal entities, i.e. representatives of political parties, party officials and public international entities and organisations the members of which are also state officials (e.g. World Bank), and consultants holding state posts?

YES NO

If yes, please indicate the name of the legal entity and the capacity/office that you hold in it:

By affixing my signature to this Declaration, with regard to my family members, including relatives by blood in the direct line up to any degree or in the indirect line up to the fourth degree, or my spouse, non-marital partner or relatives by marriage in the marriage or non-marital relationship up to the second degree, regardless of whether the marriage has been dissolved or not, my guardians, adopters or adoptees, i.e. persons to whom I am otherwise personally related, I hereby declare, to the best of my knowledge, the following:

6. Are they in an employment or other similar contractual relationship with an employer that is also a business partner or supplier of the HT Group or a market competitor of the HT Group?

YES NO

If yes, please indicate the full name of the person, the type of familiar or personal relationship, and the employer or legal entity with which they are in an employment or business relationship: (e.g. Pero Perić, brother, employed with XY d.o.o.)

7. Are they in any type of contractual relationship (with the exception of user contracts) with the members of the HT Group?

YES NO

If yes, please indicate the full name of the person, the type of familiar or personal relationship, and the type of contractual relationship:
(e.g. Pero Perić, best man, student service contract)

8. Are they owners, co-owners, persons with authority to act, members of supervisory boards or other bodies of legal entities, or trade owners who are also business partners or suppliers or market competitors of the HT Group?

YES NO

If yes, please indicate the full name of the person, the type of familiar or personal relationship, their capacity/office and the name of the legal entity where they hold this capacity/office:
(e.g. Pero Perić, brother-in-law, owner of the XY d.o.o. agency or member of the Management Board of XY d.o.o.)

9. Are they state officials, this term meaning any employee of state administration and local and regional self-government units, any person representing state-owned entities or agencies or any legal entity under the direct, majority influence of the state, i.e. majority state-owned legal entities, i.e. representatives of political parties, party officials and public international entities and organisations the members of which are also state officials (e.g. World Bank), and consultants holding state posts?

YES NO

If yes, please indicate the full name of the person, the type of familiar or personal relationship, their capacity/office and the name of the legal entity where they hold this capacity/office:
(e.g. Pero Perić, brother-in-law, owner of the XY d.o.o. agency or member of the Management Board of XY d.o.o.)

10. Are you in a potential or actual conflict of interest not covered by the previous questions?

YES NO

If the answer is YES, please specify the situation that would constitute a potential or actual conflict of interest:

I hereby declare under criminal and material liability and confirm by affixing my signature that the data provided in this Declaration are correct and complete.

(handwritten signature)

This Declaration is provided for the purpose of preventing potential conflicts of interest. Conflict of interest is any situation in which private interests of a worker or persons related to the worker are contrary to the business interests of the Company and which can affect appropriate performance of obligations and duties of the worker concerned towards the Company, that is any situation that may cause damage to the Company on account of a potential conflict of interest. All the data contained in this Declaration have the status of a trade secret, and HT undertakes to preserve their secrecy in accordance with the positive regulations and internal acts of the Company.

Should, in the course of employment and upon the signing of this Declaration, circumstances described in this Declaration arise which expose the worker to a potential conflict of interest, the worker is required to immediately fill in a new Declaration and deliver it to HT (Radnička cesta 21, HR Management Department).

