



POLICY ON AVOIDING CORRUPTION AND OTHER CONFLICTS OF INTEREST

SCOPE OF VALIDITY

Based on the Code of Conduct, this Policy provides guidance for avoiding corruption and other conflicts of interests in relationships with customers and business partners, with more specific policies completing this framework (e.g. Company's Policy on Accepting and Granting of Benefits).

This Policy shall apply to all workers and managing persons of the Company and all workers and managing persons in companies where the Company holds a majority share or majority voting rights, if the Management Boards of such companies adopt the Policy by their decisions. The principles of this Policy also apply to persons who are engaged under special contracts as external associates (consultants, students, workers employed through agencies, etc.), in a way that these principles are embedded in their or their companies' contracts with the Company.

COMPLIANCE TO BEHAVIORAL STANDARDS

The rules of this Policy intend to guard the Company and its stakeholders from legal risks. Therefore, the Company expects all its workers and managing persons to act in accordance with this Policy.

The legislature of the Republic of Croatia contains anti-corruption laws that describe corruptive behavior and regulate sanctioning of such behavior. By implementation of this Policy and further practical guidelines for its application (see chapter 9), the Company observes such requirements of the law and provides its workers and managing persons with transparent rules of conduct.

AVOIDING CONFLICTS OF INTEREST/TRANSPARENCY

Situations in which business and personal interests of employees overlap and can thus conflict with each other (conflict of interest) jeopardize the ability to achieve the common goal. The top priority is therefore to prevent conflicts of interest from arising in the first place whenever possible. All employees are therefore required to keep their personal interests separate from those of the Company.

If conflicts of interest are nevertheless unavoidable in individual situations, employees shall in their own interest disclose them to organizational unit responsible for compliance and their supervisors and document such cases to avoid legal disadvantages. Only through the transparent processes and behavior in business transaction can proper recognition and handling of conflicts of interest be achieved. In this regard, further practical guidelines on recognition and handling of conflicts of interest shall be issued by organizational unit responsible for compliance.

MODALITIES OF CORRUPTION OR CONFLICT OF INTEREST

Following rules contain effective principles to be applied in avoidance of corruption and other serious conflicts of interest. They represent a link between the principles of the Code of Conduct and the specifying policies.

ACCEPTING AND GRANTING OF BENEFITS

The acceptance and granting of benefits in connection with Company's business activities are subject to substantial restrictions in light of the applicable corruption-related statutory offenses. This affects not only the acceptance and granting of benefits in the public sector, but also in private sector business transactions.

If anti-corruption laws are violated, sanctions stipulated by law may be imposed on the Company, its workers, managing persons or business partners, and its reputation may suffer an incalculable loss. Irrespective of these facts, it is not in Company's interest to influence the business decisions or professional conduct of third parties to favor the Company. The Company wants to attract customers and business partners solely through the quality of its products and services.

DEFINITION: Active corruption describes a situation in which a person is prepared to offer, promise, grant or approve a personal advantage in exchange for an unfair advantage. Even the mere promising of an unfair advantage during the course of efforts to initiate business is punishable as active corruption. Active corruption may result in the same consequences for the perpetrator as passive corruption. The consequences for the Company may be even more serious

Even the appearance of any unlawful acceptance or granting of advantages is sufficient to substantially damage the reputation of the Company and its workers or managing persons. Therefore, any outer appearance of unfair influence or ability to be influenced in making business decisions or in professional actions in connection with the granting and acceptance of benefits must be avoided. Irrespective of any tax obligations that may result from the acceptance of benefits, the granting and acceptance of benefits must be thoroughly documented so that transparency is always maintained over the time, occasion, value, provider and recipient of a benefit. The granting and acceptance of benefits in secret is not permitted.

The granting of benefits to members of the public sector (holders of public offices, representatives of public institutions, public-service employees, managers in state-owned

companies, etc.) is absolutely forbidden. Members of the public sector are obligated to act only for the common good. They are not allowed to receive any benefits either directly or indirectly from the Company that could cast doubt on their independence. This applies without exception and regardless of whether members of the public sector are acting within the scope of a business relationship between the Company and a public authority or other public institution, or are acting in their official capacity toward the Company.

The granting of benefits is also subject to substantial legal restrictions in private-sector business transactions. Employees of the Company are not allowed to offer, promise or grant benefits to business partners in the private sector as a counter-service for the purpose of inducing a business decision that is favorable to the company or to perform a business activity. The granting of benefits to business partners is permitted only if the possibility that a business partner acts in Company's favor can be ruled out based on the specific value of the benefit, its occasion, or the time at which the benefit is granted.

Irrespective of the legal permissibility, benefits may not be promised, offered or granted to customers, business partners, and members of the public sector if the person granting the benefit knows that the recipient of the benefit is or would not be allowed to accept the benefit under any policies or regulations applicable to the recipient, based on the time, occasion or specific value of the benefit. In case of doubt – in particular when granting benefits to members of the public sector – organizational unit responsible for compliance must be consulted.

DEFINITION: Passive corruption exists if an employee or managing person of Company demands, receives promises or accepts an advantage for him/herself or a third party, in order to perform a certain task or to avoid performing his/her duties. Any form of passive corruption is based on a conflict of interest where the professional or official interest in proper decision-making is related to private interest in an unfair advantage, thereby jeopardizing the independence of the decision-making process..

The acceptance of benefits by employees of the Company in private-sector business transactions with customers and business partners is permitted only if the possibility of the benefit influencing or being able to influence business decisions or other business activities that an employee performs for the Company can be ruled out, based on the specific value of a benefit or the occasion and time of its receipt. Business decisions and business activities of the Company employees should be oriented exclusively toward the wellbeing and interests of the Company.

Company's workers and managing persons are not allowed to demand, receive promises or accept any monetary or non-monetary benefits in exchange for counter-service, be it performance of a task or avoidance of duties. This also applies if the worker/managing person enjoys the advantage only indirectly, as is the case, for example, if advantages are provided to a family member of the worker/managing person. Exceptions to this principle exist only if, when and as long as the provided advantages are insignificant, or such that they cannot influence a business decision.

Detailed provisions on the directives and prohibitions that apply to the Company in connection with the acceptance and granting of benefits can be found in the Policy on the Granting and Acceptance of Benefits.

DONATIONS AND SPONSORING

Within the scope of the applicable laws and the corporate purpose, the Company supports education, science, art, and culture as well as social affairs, sports and the environment by making donations. Donations include cash payments, non-cash benefits, and services that are provided free of charge. No donations are made to private individuals, to personal accounts, and to individuals or organizations if they could prove harmful to the reputation of the Company, regardless of whether such donations are lawful or not.

Donations made by the Company for charitable purposes are part of the Company's social responsibility. The donations shall always conform to the applicable laws.

In areas that focus on the Company's business interests or on the Company's acceptance of social responsibility, the Company also engages in sponsoring. The Company uses sponsoring as one of its tools in corporate communications. In addition to providing support, sponsoring also involves pursuing the Company's own goals of advertising or publicity on the basis of a contractual agreement. In contrast to donations, sponsoring means that a payment is made in exchange for a service. Sponsoring activities are permitted only if the sponsoring partner/event organizer provides reasonable and verifiable communication and marketing services.

For sponsorship, the same rules as for donations shall be applied, taking care that the counter service always shall be commensurate to the paid (contracted) amount.

Decisions on the granting of donations or the conclusion of sponsoring agreements, including the subsequent activities, must be verifiably and transparently documented at each stage. Donations or sponsoring services made in secret are always forbidden. Improper motives, namely personal preferences, may not be pursued when granting donations and providing sponsoring services. Sponsoring services shall be granted exclusively as part of the Company's public relations activities or for marketing purposes. Regardless of the recipient or the recipient's organization, donations and sponsoring services may not be offered, promised or granted for the purpose of influencing the decisions of business partners or members of the public sector. In addition, the provisions of subsection 5.1 on granting of benefits apply.

BENEFITS EXTENDED IN THE POLITICAL SPHERE

The Company does not donate or sponsor any political parties. This also applies to the working groups, youth organizations, and associations of political parties, but not to independent institutions not affiliated with any party and which use donations for their own purposes, such as independent political foundations.

Cash payments and donations in kind to members of Parliament and official officeholders are inadmissible, unless the relevant donations in kind are explicitly permitted by the code of conduct applicable to the respective person.

CONSULTANTS

Corruption may also occur where companies use third parties as consultants or intermediaries (such as joint venture partners, network partners, brokers or other agents) who unfairly influence public or private business activities.

Therefore, the anti-corruption rules stated in this Policy shall also be applied to business transactions performed for the Company by third parties such as consultants or intermediaries. In order to ensure that the Company use only reputable and qualified consultants and intermediaries, Company's responsible units shall apply due diligence, in accordance with currently valid legal provisions, in selecting consultants and intermediaries. Following procedures may be deemed suitable to ensure due diligence: transparent selection process, research as part of prequalification process for selection, maintenance and renewal of qualification indicator lists, clear, precise and truthful contractual specification of the services to be provided by consultants or intermediaries, permanent reviews and assessments of the consultants and intermediaries, clear evidence and documents on the performance of the consultants and intermediaries.

In using consultants and intermediaries, it is important to generally ensure that the consultants and intermediaries subject their business activities to the same principles of conduct as the Company itself (for example, in agreeing on an integrity and non-disclosure clause).

ANTI-COMPETITIVE AGREEMENTS

Employees of the Company shall not enter into anti-competitive agreements or misuse its dominant position on the market.

When employees award contracts, they must regularly check whether impermissible influencing facts have played a role in the decision. Reasonable action must be taken against violations of bidders or applicants. Exclusion from competition must occur in the event of serious violations such as the offer, promise or granting of benefits with the goal of exerting unfair influence or entering into restrictive agreements.

BAN ON INSIDER TRADING

In order to safeguard investor confidence in the functioning of the capital market, the exchange of insider-information is heavily regulated. Everyone with knowledge of insider-information is therefore subject to special restrictions that prohibit them from trading and making related recommendations or suggestions to trade. Additional restrictions prohibit them from unauthorized dissemination of information.

RESPONSIBILITIES AND ORGANIZATIONAL DUTIES

RESPONSIBILITIES

The Management Board of the Company is responsible for all measures concerning the prevention and identification of corruption and other conflicts of interests in all business areas as defined in this Policy. These measures are primarily executed via organizational unit responsible for compliance as key reference point for all issues related for conflicts of interest and corruption, but also via other units with expertise in these matters (legal, finance, security, audit, etc.).

All organizational units of the Company are obligated to comply with all applicable, valid legal provisions in force without limitation, as well as to comply with the internal regulations that apply to them. Competent (responsible for compliance, legal affairs and other) organizational units must be consulted in the case of uncertainties and doubt as to the applicability, validity and effectiveness of legal requirements.

Organizational units of the Company must in particular observe and meet the general and special requirements with the due care of a diligent and conscientious businessman/executive.

ORGANIZATIONAL DUTIES

In its responsibility to facilitate compliance function in the Company, the Management Board of the Company assigned a set of tasks to organizational unit responsible for compliance. In regard to corruption and conflicts of interests, this particularly means:

- Accountability for Compliance process;
- Establishment and implementation the Compliance Program that shall comprise of set of rules that are to be strictly adhered to in order to achieve the ultimate goal of maintaining “clean business”;
- Initiation of proactive awareness campaigns to prevent illegal, unethical or improper conduct;
- Coordination and insurance that employees undergo appropriate anti-corruption trainings;
- Management of advisory (Ask Me!) and tip-off channels (Tell Me!);
- Analysing and evaluating fraudulent scenarios and fraud reports and deciding on fraud cases;
- Providing final interpretations of internal regulations in case of conflict of opinions of the respective organizational units within the Company;
- Identification of areas of potential high compliance vulnerability and risk, development and implementation of corrective actions.

MEASURES FOR AVOIDING CORRUPTION AND OTHER CONFLICTS OF INTEREST

BASIC PRINCIPLE

The following rules on avoiding corruption and other conflicts of interest imply common methods of risk avoidance. Special measures with effect to the employees have to comply with the legal and internal rules, in particular with privacy law and employee participation.

RISK ANALYSIS

An important basis of an effective and efficient defense against corruption and other conflicts of interests is a systematical collection and analysis of the existing risks and investigated or on otherwise detected offences.

In order to identify organizational, HR, and situational risk potential, different units, coordinated by organizational unit responsible for compliance, will carry out a risk assessment (i.e., an investigation into the risks existing in an area) at regular intervals. The aim is to check which controls exist for the detection and prevention of corruption and other conflicts of interest or which measures are suitable and recommended for the reduction or removal of identified risks in the organization.

PREVENTION

Information

At the time they are hired or at the time they change jobs within the Company, employees are to be made aware of the risks of corruption and other conflicts of interest as defined in this Policy and instructed on the action to be taken against such violations according to legal rules.

If involved in activities in organizational units with an increased risk of corruption and other conflicts of interest, employees should be reminded of this and given more in-depth training for their specific work responsibilities at regular intervals.

The internal units responsible for education and training, as well as staff development, will include relevant anti-corruption topics in their programs.

Selection and Deployment of Staff

The reliability and personal integrity of employees is an important factor in the reduction of risks due to corruption and other conflicts of interest in all areas of the Company. The processes for filling positions should therefore be designed to enable a reliable assessment of the skills and personal suitability of the job applicant. Supervisors are responsible for checking the continuity of the skills and personal suitability of their employees at regular intervals or with good reason. The effective rules of employee participation remain unaffected.

In areas in which, according to the outcome of the completed risk assessment, the personal and functional unreliability, and the duration over time of the employee's performance of the same tasks represent the increased risk factors, when filling positions careful attention should be paid to the suitability of applicants from a functional and personal perspective. In these areas, in compliance with the effective legal rules and rules of employee participation and considering the personal interest of the employees, a periodic job change for employees should also be considered as a possible tool for reducing the risks of corruption or other conflicts of interest. A job change is tantamount to a change of task layout which ensures that the responsibility of the employee in their new task area spans another group of people. The co-determination rights of the work councils (e. g. at dismissals with the option of altered conditions of employment) are to be observed.

Organizational Control Mechanisms

All business processes and business decisions must be transparent and documented in every phase. The documentation accompanying the transaction must give a full and precise account of the individual steps in transaction processing. Notwithstanding legal duties of retention, documentation of significant transactions must be archived in a suitable form.

Organizational measures, in particular regulations on responsibility, should be taken so as to minimize risks. Above all, this includes regulations according to which several people have to contribute to the decisions (double-checking principle). This may occur by dividing up decision-making authorities or by extending control options.

The control measures may include:

- establishing areas of risk by risk assessment
- monitoring business transactions by sampling
- unannounced, comprehensive business audits
- inspection of documents and business transactions, etc.

Where it is necessary or appropriate, workers and managing persons will be notified of the performance of internal control, prior to the implementation of any measure.

ASCERTAINMENT OF THE FACTS/RULES OF PROCEDURE

If there is concrete reason to suspect acts of corruption or other conflicts of interest as defined in this Policy, the circumstances shall be checked regardless of the suspect's reputation and his position within the Company. These checks shall determine both incriminating and exonerating circumstances.

If there is founded suspicion or concrete evidence of corruption or other conflicts of interest, it must be immediately reported as it is described in chapter 8.2.

INFORMATION ON IDENTIFIED VIOLATIONS

The management bodies shall notify, at regular intervals, the responsible supervisory bodies of any identified cases of corruption and other conflicts of interest as defined in this Policy, as well as the HR, legal and organizational follow-up measures taken in this regard.

Any public announcements of identified cases will be made only through organizational unit responsible for corporate communications after assessment and agreement of the organizational unit responsible for legal affairs.

Notifying the corporate bodies, the employees and the possible persons concerned must not jeopardize the internal ascertainment of facts and the investigations of the criminal prosecution authorities. When passing on this information, steps must be taken to avoid adversely affecting the legitimate interests of the persons concerned.

QUALITY MANAGEMENT

Organizational unit responsible for compliance is in charge of review and update of this policy and related guidelines and processes in line with quality assessment done either internally or externally (i.e. through regular CMS certification process).

CASES OF DOUBT, CONSULTATION AND REPORTING

“ASK ME!” CONSULTATION DESK

In cases of doubt, workers and managing persons can personally consult organizational unit responsible for c. For legal issues relating to other regulations and laws, organizational unit responsible for compliance shall obtain the opinion of the organizational unit responsible for legal affairs or any other organizational unit bearing expertise in the matter.

The “Ask Me!” Consultation Desk is available at the following intranet page:

Pitaj me! (ht.hr)

or at the following e-mail address: compliance@t.ht.hr

“TELL ME!” TIP-OFF PORTAL

Workers and managing persons or third person who identify or suspect violations of laws or internal rules of the Company should first consult their immediate superiors. At the same time, they may report any incidents to the Company, using the “Tell me!” Tip-off Portal provided for this purpose. Each report and all information associated with it will be treated as confidential and, if specifically requested, may be anonymous.

You may contact the Tip-off Portal on the intranet via

Reci mi! (ht.hr)

Nobody shall bear any negative consequences after having reported a suspicion of misconduct, unless the report was improperly made in order to damage the reputation of others.