



# Croatian Telecom

Zagreb – 30 March 2023

Croatian Telecom Inc.

Radnička cesta 21, HR – Zagreb

Ordinary share: HT (ISIN: HRHT00RA0005)

LEI: 097900BFHJ0000029454

Listing: Zagreb Stock Exchange, Prime 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 10 May 2023 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.

### **Contact details**

#### **Croatian Telecom, Investor Relations**

Marina Bengez Sedmak

Tomislav Bajić, CFA

E-mail

Web site

00 385 1 491 1114

[ir@t.ht.hr](mailto:ir@t.ht.hr)

[www.t.ht.hr/eng/investors](http://www.t.ht.hr/eng/investors)

### **About Croatian Telecom**

Croatian Telecom (HT) is the leading provider of telecommunication services in Croatia, serving 0.7 million fixed lines, 2.3 million mobile subscribers and 0.6 million 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 28 March 2023 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 10 May 2023 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 2022, including the Annual Report on the Status and Business Operations of the Company and HT Group for the business year 2022 and the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2022;
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 2022;
5. Decision on approval of actions of the Members of the Supervisory Board of the Company for the business year 2022;
6. Decision on alignment of share capital with the introduction of euro as the official currency in the Republic of Croatia;
7. Decision on approval of the Report on remuneration to the Members of the Supervisory Board and to the Management Board Members in the business year 2022;
8. Decision on approval of the Remuneration policy for Members of the Management Board;
9. Decision on election of Members of the Supervisory Board;
10. 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 2022***

1. *It is determined that Croatian Telecom Inc. in the business year ending with 31 December 2022 realized net profit in the amount of EUR 92.218.462,33 (HRK 694.820.004,41)*

*Net profit amount stated herein shall be used accordingly:*

- *A part of net profit in the amount of EUR 86.631.479,00 EUR (HRK 652.724.878,53) shall be paid out as dividend to shareholders, in the amount of EUR 1,10 (HRK 8.29) per share.*
  - *A part of net profit in the amount of EUR 5.586.982,71 (HRK 42.095.121,23) shall be allocated to retained earnings.*
  - *A part of net profit in the amount of EUR 0,62 (HRK 4,67) shall be used to increase the share capital from Company's own capital, in order to express the share capital of the Company as a whole number in euro.*
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 May 15<sup>th</sup>, 2023 (record date). Date on which security of Croatian Telecom Inc. will be traded without dividend payment right is May 12<sup>th</sup>, 2023 (ex date). Dividend payment claim matures on May 22<sup>nd</sup>, 2023 (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 2022”.*

**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 2022”.*

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

**Decision on alignment of the share capital with the introduction of euro as the official currency in the Republic of Croatia**

1. *It is hereby determined that the share capital of the Company amounts to HRK 10,244,977,390.25 (in writing: ten billion two hundred and forty-four million nine hundred and seventy-seven thousand three hundred and ninety kuna and twenty-five lipa) and that it is divided into 78,775,842 shares without nominal value.*
2. *It is hereby determined that the share capital amount referred to under Item 1 hereof, recalculated into euro based on the fixed conversion rate between euro and kuna (7.53450), as regulated by the Law on the introduction of euro as the official currency in the Republic of Croatia (Official Herald No. 57/22, 88/22), amounts to EUR 1,359,742,171.38 (in writing: one billion three hundred and fifty-nine million seven hundred and forty-two thousand one hundred and seventy-one euro and thirty-eight cents).*
3. *In order to express the share capital of the Company in a whole number, share capital of the Company is increased from the amount of EUR 1,359,742,171.38 for the amount of EUR 0.62 to the amount of EUR 1,359,742,172 out of net profit realized in the year 2022. Share capital of the Company remains divided into 78,775,842 shares without nominal value.*
4. *Article 7 of the Articles of Association of Croatian Telecom Inc. is hereby amended accordingly and now reads as follows:  
“Share capital of the Company amounts to EUR 1,359,742,172 (in writing: one billion three hundred and fifty-nine million seven hundred and forty-two thousand one hundred and seventy-two euro).”*
5. *Due to the introduction of euro, in all provisions of Article 21 of the Articles of Association of Croatian Telecom Inc. in which the words “HRK 100 million” are stated, these words are being replaced with the words “EUR 13.27 million”, whereby this amount was reached by recalculation of the amount in kuna into euro, by applying the fixed conversion rate between euro and kuna and by rounding to the closest cent, in line with the rules for recalculation and rounding.*
6. *The Supervisory Board shall be authorized to specify the clean text of the Articles of Association in accordance with Items 4 and 5 hereof.*
7. *This Decision shall enter into force and apply as of the date of entry in the Court Register.”*

**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 2022 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 pass the following decision:

*“Mrs. Elvira Gonzalez Sevilla, MSc in Telecommunication Engineering, residing in Bad Godesberg, Federal Republic of Germany, is elected Member of the Supervisory Board of Croatian Telecom Inc. for the period of four (4) years”.*

*“Mr. Marc Stehle, B.A. in Business Economics, residing in Breitscheid, Federal Republic of Germany, is elected Member of the Supervisory Board of Croatian Telecom Inc. for another term of office for the period of four (4) years, after the expiry of his current term of office, i.e., as of 16<sup>th</sup> December 2023”.*

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

*“The company Deloitte d.o.o., Radnička cesta 80, 10000 Zagreb, is appointed as the auditor of the Company for the business year 2023”.*

## **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. He was elected as Chairman of the General Assembly of the Company in the previous three years, which were held without disturbances, efficiently and in accordance with the legal provisions. 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 2022, including the Annual Report on the Status and Business Operations of the Company and HT Group for the business year 2022 and the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2022**

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 2022 are adopted both by the Management Board and the Supervisory Board, and, therefore, the General Assembly does not pass a decision thereon. The said audited financial statements, together with the Auditors' Report, 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 2022 and the Supervisory Board's Report on the Performed Supervision of Business Operations Management of the Company in the business year 2022.

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

The Company continued to acquire and withdraw Company shares during the year 2022. Company shares were acquired within the Company Share Buyback Programme which was implemented based on the General Assembly Decision, which authorized the Management Board to acquire Company shares and to withdraw them without the share capital of the Company being decreased, in which case the remaining shares' participation in the share capital is increased, and to align the Articles of Association accordingly.

During 2022, the Company acquired at Zagreb Stock Exchange in total 979,444 Company shares, representing 1.24% of the Company's issued share capital. For this acquisition of Company shares in 2022, the Company paid out an equivalent value of HRK 180,426,025.09 and necessary reserves were formed.

In July 2022 the Management Board withdrew 1,271,667 acquired Company shares without nominal value, without the share capital of the Company being decreased, and the information on the new number of shares has been aligned in the Articles of Association of the Company. Thereby the total number of shares has decreased from 80,047,509 shares to 78,775,842 shares without nominal value, while the remaining shares' participation in the share capital is being increased.

The total number of Company shares held on December 31<sup>st</sup>, 2022, amounted to 19.952, in book value of HRK 3,556,931.12, representing 0.03% of the Company's issued share capital.

### **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 EUR 86,631,479.00 (HRK 652,724,878.53), or EUR 1.10 (HRK 8.29) per share, a part of net profit in the amount of EUR 5,586,982.71 (HRK 42,095,121.23) will be allocated to retained earnings and the remainder of net profit in the amount of EUR 0.62 (HRK 4.67) shall be used to increase the share capital from Company's own capital, in order to express the share capital of the Company as a whole number in euro.

The proposed dividend is within the range declared as a dividend policy and represents a 93.9 % pay-out of the distributable profits earned in the year 2022 and growth of 3.6% compared to the previous year.

HT Inc. announces target dividend for each year at the beginning of the year. Management Board currently expects a minimum dividend of EUR 0.80 per share for the year 2023. 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 2022**

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 2022. It is hereby proposed that the Assembly approves the manner of the work of the Management Board for the business year 2022.

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 2022**

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 2022. It is hereby proposed that the Assembly approves the manner of the work of the Supervisory Board for the business year 2022.

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 decision on alignment of share capital with the introduction of euro as the official currency in the Republic of Croatia**

Share capital of the Company in the amount of HRK 10,244,977,390.25, recalculated into euro based on the fixed conversion rate between euro and kuna, amounts to EUR 1,359,742,171.38.

In order to express the share capital of the Company in a whole number in euro, the Management Board and the Supervisory Board propose to the General Assembly to increase the share capital of the Company, for the amount of EUR 0.62 to the amount of EUR 1,359,742,172, out of net profit realized in the year 2022, and to align the Articles of Association accordingly.

It is also proposed to align Article 21 of the Articles of Association, which proscribes value thresholds for certain Management Board Decisions for which the prior approval of the Supervisory Board is required, in a way that in all provisions in which the words “HRK 100 million” are stated, these words are being replaced with the words “EUR 13.27 million”, whereby this amount was reached by recalculation of the amount in kuna into euro, by applying the fixed conversion rate between euro and kuna as determined by Law and by rounding to the closest cent, in line with the rules for recalculation and rounding.

#### **Ad 7) Explanation of the proposal of decision on approval of the Report on remuneration to the Members of the Supervisory Board and to the Management Board Members in the business year 2022**

In line with 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 Ernst & Young 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, the Supervisory Board is obliged to determine the Remuneration policy for Members of the Management Board and submit it to the General Assembly for approval, at least once in every four years, or more frequently, in case of significant changes.

The General Assembly adopted the Remuneration policy for Members of the Management Board in 2020 and amendments thereto in 2021.

Repeated Performance Incentive (RPI), one of variable components of the total remuneration for the members of the Management Board, was a four-year program covering the period of 1 January 2018 to 31 December 2021. RPI program ended on 31 December 2021, there were no bonus payments, and it was not proposed to restart in 2022.

Monitoring the significant changes in the competitive market and the labor market, in 2022 the Supervisory Board aligned the Policy by introducing the incentive program, “EU Game Changer”, for the long-term benefit of the Company, aimed at motivating top managers to improve customer centricity and increase the Company's profitability. The Supervisory Board submits to the General Assembly for approval the Policy containing these changes before the expiry of the proscribed four years period. The Supervisory Board 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 for attraction of top executives with long-term engagement, for the long-term benefit of the Company, and aligned with industry standards. The policy 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, with focus on maintaining a leading position on the market in terms of customer experience, technological and business productivity, and by taking care of the customers, employees, the environment and the community at the same time.

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 for election of Members of the Supervisory Board**

Mrs. Éva Somorjai-Tamássy resigned from her position of Supervisory Board Member, with effect as of 1 October 2022, and the term of office of the Member of the Supervisory Board, Mr. Marc Stehle, expires as at 16 December 2023.

Pursuant to Article 280, paragraph 3 of the Companies Act, the Supervisory Board proposes to the General Assembly the election of Mrs. Elvira Gonzalez Sevilla as the new Member of the Supervisory Board and the re-election of Mr. Marc Stehle as Member of the Supervisory Board.

Mrs. Gonzalez Sevilla is a manager with significant experience in complex international organizations in the business customers segment (Deutsche Telekom AG, Vodafone Business Group), which includes ensuring the development and offer of the right portfolio across fixed,

mobile and ICT services. She currently holds the function of Senior Vice President for B2B Growth within segment Europe, at Deutsche Telekom AG.

Mr. Stehle is a manager with many years of business experience in the area of Corporate Finance and Controlling, Accounting, Planning and Reporting and Investor Relations. He currently holds the function of Vice President for Financial Controlling Europe at Deutsche Telekom AG. Given his high-level expert competencies and experience and due to his past continuous and committed work in the Supervisory Board and in the Audit Committee, his re-election is proposed.

Mrs. Gonzalez Sevilla is a Member of the Board of Directors of Magyar Telekom Nyrt., Budapest, Hungary, and a Member of the Supervisory Board of T-Mobile Polska S.A., Warsaw, Poland.

Mr. Stehle is member of the Board of Directors Crnogorski Telekom A.D., Podgorica, Republic of Montenegro.

#### **Ad 10) 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 Deloitte d.o.o., Radnička cesta 80, 10 000 Zagreb, is appointed as the auditor of the Company for the business year 2023.

Deloitte d.o.o. is one of the leading professional services organization in the country providing services in audit, and related services through national and specialized expatriate professionals, and is also affiliate of Deloitte Central Europe Holdings Limited.

### **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 78,775,842 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 104,933 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 & Clearing Company. The Company accepts as a shareholder only such person who has HT's share registered on its securities' account at the Central Depository & Clearing Company.

#### **Share symbols**

Share ISIN:	HRHTOORA0005
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 10 May 2023 at 10:00 hours.
2. The participants are invited to come to the General Assembly on 10 May 2023 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 3 May 2023, 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 3 May 2023, 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](http://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 3 May 2023, 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 on the same day 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 9 April 2023. 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](http://www.t.ht.hr)), in case a shareholders 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 25 April 2023. 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](http://www.t.ht.hr)). 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](mailto:ir@t.ht.hr)) or by calling one of the telephone numbers listed as contacts below.

In Zagreb, 28 March 2023

Croatian Telecom Inc.

#### **Contact:**

##### Investor Relations:

Marina Bengez Sedmak + 385 1 4911080

Email: [Marina.Sedmak@t.ht.hr](mailto:Marina.Sedmak@t.ht.hr)

Tomislav Bajić, CFA + 385 1 4911 11

Email: [ir@t.ht.hr](mailto:ir@t.ht.hr)

Web: [www.t.ht.hr](http://www.t.ht.hr)





**Building a better  
working world**

Ernst & Young d.o.o.  
Radnička cesta 50, 10 000 Zagreb  
Hrvatska / Croatia  
MBS: 080435407  
OIB: 58960122779  
PDV br. / VAT no.: HR58960122779

Tel: +385 1 5800 800  
Fax: +385 1 5800 888  
www.ey.com/hr

Banka / Bank:  
Erste & Steiermärkische Bank d.d.  
Jadranski trg 3A, 51000 Rijeka  
Hrvatska / Croatia  
IBAN: HR3324020061100280716  
SWIFT: ESBCHR22

## **Independent limited assurance report on Remuneration Report for the year 2022**

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

We have been engaged by the Management board of Hrvatski Telekom d.d. ("the Company"), in order to perform, on the basis of the provisions of Article 272r, paragraph 3 of the Companies Act, an engagement expressing a limited assurance on the attached Remuneration Report for the year ended 31 December 2022 ("Remuneration Report") prepared by the Company's Management board and Supervisory board.

Our task, based on the procedures performed and the evidence gathered, is to express a conclusion in the form of an independent report expressing a limited assurance on the examination of the Remuneration Report.

### ***Underlying Subject Matter and Applicable Criteria***

The limited assurance engagement relates to the following subject matter on which the following applicable criteria are applied:

- Remuneration Report prepared by the Company for the year ended 31 December 2022 contains data in accordance with the Article 272r, paragraphs 1 and 2 of the Companies Act.

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, paragraphs 1 and 2 of the Companies Act.

### ***Management board and Supervisory board Responsibilities***

The Company's Management board and Supervisory board are responsible for:

- preparing the Remuneration Report for the year 2022 in accordance with the disclosure requirements of Article 272r, paragraphs 1 and 2 of the Companies Act,
- identifying the individuals to be included in the Remuneration Report in accordance with Article 272r, paragraph 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 data disclosed in the Remuneration Report,
- measurement of remunerations for the year ended 31 December 2022 in accordance with the provisions of Article 272r, paragraphs 1 and 2 of the Companies Act, and
- publishing the Remuneration Report on the Company's website in accordance with the provisions of Article 272r, paragraph 4 of the Companies Act.

The Company's Management board and Supervisory board are responsible for the design, implementation and maintenance of the internal control system which reasonably ensures that the previously described data do not contain material errors, whether due to fraud or error. In addition, the Company's Management board and Supervisory board are responsible for ensuring that the documentation provided to us is complete and accurate.

### ***Our Responsibilities***

We conducted our assurance engagement in accordance with the requirements of Article 272r, paragraph 3 of the Companies Act, and in accordance with International Standards for Assurance Engagements (ISAE) 3000 (revised) - Engagements to perform assurance engagements other than audits or reviews of historical financial information. These regulations require that we comply with ethical standards and plan and perform our assurance engagement to form a conclusion based on the evidence gathered as to whether the report contains the information required in accordance with the relevant legal requirements.

We apply the International Standard on Quality Management (ISQM) 1, quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements, and accordingly maintain a comprehensive quality control system, including documented policies and procedures regarding ethical compliance requirements, professional standards, and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

In respect of the subject matter, we have performed the following procedures:

- inquired members of the Management board and Supervisory board and other persons within the Company, to gain understanding of remuneration policies and the process applied in preparing the Remuneration Report;
- received from the Company a list of all members of the Company's Management board and Supervisory board during 2022 and checked whether their remunerations are disclosed in the Remuneration Report;
- reconciled the remuneration data presented in the Remuneration Report with the Company's accounting records (general ledger and subledgers) for the year ended 31 December 2022;
- reviewed, on a sample basis, the relevant documentation of the Company (contracts and payments) related to the remuneration data presented in the Remuneration Report; and
- checked whether the Remuneration Report contains all the data required by the provisions of Article 272r, paragraphs 1 and 2 of the Companies Act.

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 the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that Remuneration Report for the year ended 2022 prepared by Hrvatski Telekom d.d. does not contain data, in all material respects, in accordance with the Article 272r, paragraphs 1 and 2 of the Companies Act.

***Restrictions on the use of our Report***

Our report is intended solely for the Management board and Supervisory board for the purpose of reporting to the General Assembly on the Remuneration Report prepared by the Company for the year ended 31 December 2022 in accordance with Article 272r of the Companies Act. Our report is not, nor does it represent, a legal opinion on compliance with Article 272r of the Companies Act.

In the case of additional information or data provided to us, or in the case of misleading oral or written statements or explanations, our findings, interpretations or conclusions in our independent limited assurance report may be incomplete or may result in the need for additional procedures not included in the scope of this engagement.

To the fullest extent permitted by law, we do not accept responsibility and do not agree to any obligations to any party other than the Company's Management board and Supervisory board, in connection with our work or this independent limited assurance report or the conclusions we have reached.



Ivana Krajinović  
Member of the Board and certified auditor

Ernst & Young d.o.o.  
Radnička cesta 50  
10000 Zagreb, Republic of Croatia  
22 March 2023

Attachment: Remuneration report for 2022.



Pursuant to Article 272r of the Companies Act and pursuant to Code of Corporate Governance of the Zagreb Stock Exchange Inc. and Croatian Financial Services Supervisory Agency (HANFA), 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 to the members of the Supervisory Board and Management Board in the business year 2022**

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 adopted by Supervisory Board on 27 February 2018 and approved in the Remuneration Policy for Members of the Management Board adopted by the General Assembly as of 20 July 2020., and its amendments at the General Assembly held on April 23, 2021.

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 and the Decision on remuneration of members of the Supervisory Board as of 20 July 2020.

The Remuneration Policy for Members of the Management Board and the Decision on remuneration of members of the Supervisory Board are published on the Company’s website.

### **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 two members are independent and they are Dolly Predovic, Ph.D. and professor Gordana Gledec, Ph.D.

Supervisory Board members serving 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 during 2020:

Jonathan Richard Talbot	Chairman	From 25 April 2017 (chairman of the Related Parties Transactions Committee and chairman of the Compensation and Nomination Committee)
Ivica Mišetić, Ph. D.	Deputy Chairman	Deputy Chairman from 8 May 2008; Member from 21 April 2008 until 24 April 2020 (member of the Audit Committee until 24 April 2020); Member from 20 July 2020 (member of the Compensation and Nomination Committee)
Vesna Mamić	Member, workers’ representative	From 1 January 2016
Dolly Predovic Ph.D.	Member	From 29 April 2014 (member of the Compensation and Nomination Committee until 20 July 2020; member of the Audit Committee and the Related Parties Transactions Committee from 20 July 2020)
Marc Stehle	Member	From 16 December 2015 (President of the Audit Committee)



Eirini Nikolaidi	Member	From 25 April 2016 until 24 April 2020; From 20 July 2020 (member of the Audit Committee)
Eva Somorjai-Tamassy	Member	Until 1 October 2022 (member of the Compensation and Nomination Committee)
Tino Puch	Member	Until 24 April 2022
Jonathan Abrahamson	Member	From 25 April 2022
Gordan Gledec Ph.D.	Member	From 20 July 2020 (member of the Related Parties Transactions Committee)

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.

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.

**The remuneration of individual Supervisory Board members paid in 2022 is as follows:**

**The period of 2022 in which the remuneration was paid**

			<b>From</b>	<b>To</b>	<b>Gross 1 (in HRK)</b>
<b>Vesna</b>	<b>Mamić</b>	Member	1 January	31 December	161.108
<b>Dolly</b>	<b>Predovic</b>	Member	1 January	31 December	230.788
<b>Ivica</b>	<b>Mišetić</b>	Deputy Chairman	1 January	31 December	241.662
<b>Gordan</b>	<b>Gledec</b>	Member	1 January	31 December	161.108
<b>Total</b>					<b>794.666</b>

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 there 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 seven positions.

Management Board members serving during 2022:

Konstantinos Nempis	President of the Management Board and Chief Executive Officer
Nataša Rapačić	Member of the Management Board and Chief Operating Officer (COO Residential)
Ivan Bartulović	Member of the Management Board and Chief Human Resources Officer (CHRO)
Daniel Darius Denis Daub	Member of the Management Board and CFO until August 1, 2022.
Matija Kovačević	Member of the Management Board and CFO from August 1, 2022.
Marijana Bačić	Member of the Management Board and Chief Business Officer (COO Business from September 1, 2022.
Boris Drilo	Member of the Management Board and Chief Technical and Information Officer (CTIO)
Siniša Đuranović	Management Board Member and Chief Corporate Affairs Officer (CCO), from December 8, 2022.

The Management Board members' remuneration consists of a fixed annual remuneration and a performance-related variable component that depends on performance (Short-Term Incentive – STI) and other fringe benefits, non-cash benefits, Spot bonus, remuneration in kind, Long-Term Incentives (LTI, RPI) and Share Matching Plan (SMP and Company's Shares Award plan - PDD), 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 2022 is shown in detail in the following table:

Gross 1 (in HRK)

Management Board member	Fix remuneration	%	Short-Term Incentive (STI)	%	Total	%
Konstantinos Nempis	2.410.836	63%	1.426.202	37%	3.837.038	100%
Nataša Rapaić	1.714.681	71%	695.274	29%	2.409.955	100%
Ivan Bartulović	1.140.723	70%	493.377	30%	1.634.100	100%
Daniel Darius Denis Daub	819.314	55%	667.793	45%	1.487.107	100%
Matija Kovačević	364.044	100%	-	0%	364.044	100%
Marijana Bačić	250.332	100%	-	0%	250.332	100%
Boris Drilo	1.371.266	69%	625.746	31%	1.997.012	100%
Siniša Đuranović*	-	-	-	-	-	-

\* Siniša Đuranović was appointed on December 8, 2022, therefore his first salary as member of the Management Board was paid in January 2023.

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

**Short-Term Incentive (STI)** rewards the achievement of collective targets of the Company over an annual period. Collective target achievement is split between financial and non-financial targets and for the year 2021 were set, as follows:

- 1) Financial Targets (50% of total target set)
  - Total Service Revenue
  - EBITDA AL Booked
  - oFCF AL Booked
- 2) Strategic Targets (50% of total target set)
  - External indirect costs after adjusted leases
  - Customer experience
  - Digital Transformation
  - Employee Satisfaction

The Supervisory Board, after the evaluation had been performed, passed the decision on the target achievements of the collective targets set for 2021, which amounts to 117,9% and according to which the payment of STI was made in 2022.

During 2022 the following accruals were made for the Short-Term Incentive (STI) for 2022:

Gross 1 (in HRK)

Management Board member	Accruals for the Short-Term Incentive (STI) for 2022.
Konstantinos Nempis	1.657.590
Nataša Rapačić	734.614
Ivan Bartulović	497.277
Daniel Darius Denis Daub	311.860
Matija Kovačević	207.199
Marijana Bačić	143.156
Boris Drilo	587.691
Siniša Đuranović	38.614

**Long-Term Incentive (LTI) 2018** is a cash-based four-year program that covered the period from 1 January 2018 to 31 December 2021, and it was 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.

LTI 2018 ended on 31 December 2021, and the Supervisory Board determined the final target achievement of 139,6%.

Long-Term Incentive (LTI) 2018 paid to eligible Management Board members in 2022 is shown in the following table:

Gross 1 (in HRK)

Management Board member	Long-Term Incentive (LTI) 2018
Konstantinos Nempis	866.269
Nataša Rapačić	913.268
Daniel Darius Denis Daub	684.741
Boris Drilo	661.389
Saša Kramar*	295.729
Davor Tomašković*	585.535





*\*Davor Tomašković, President of the Management Board and CEO until 1 April 2019, was paid a pro-rated amount of LTI 2018 that corresponds to the period of duration of his participation in LTI 2018 in accordance with the Agreement on termination of the contract on rights and obligations of the President of the Management Board. With this payment, all obligations towards Davor Tomašković based on his membership in the Company's Management Board have been fulfilled.*

*\*Saša Kramar, Member of the Management Board and COO Business until 1 January 2020, was paid a pro-rated amount of LTI 2018 that corresponds to the period of duration of his participation in LTI 2018 in accordance with the Agreement on termination of the contract on rights and obligations of the Member of the Management Board*

During 2022 the following accruals were made for the Long-Term Incentive (LTI):

Gross 1 (in HRK)

Management Board member	Accruals for the Long-Term Incentive (LTI) 2019/2020/2021/2022
Konstantinos Nempis	2.041.418
Nataša Rapačić	684.800
Ivan Bartulović	687.356
Daniel Darius Denis Daub	772.512
Boris Drilo	578.579
Marijana Bačić	92.800
Matija Kovačević	109.303
Saša Kramar	78.058
Siniša Đuranović	31.663

**Fringe benefits** (company car usage, accommodation cost, education/trainings, pension fund, scholarship for children) paid to Management Board members in 2022 are shown in the following table:

Gross 1 (in HRK)

Management Board member	Fringe benefits
Konstantinos Nempis	1.220.844
Nataša Rapačić	42.523
Ivan Bartulović	48.865
Marijana Bačić	17.794
Matija Kovačević	27.483
Daniel Darius Denis Daub	327.858
Boris Drilo	44.082
Siniša Đuranović	3.942

**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. SMP 2018 covered the period from 1 July 2018 to 30 June 2022 and relates to the non-cash benefit arising from the inflow of the matching shares, with the corresponding personal investment in Deutsche Telekom AG shares having been made in 2018. 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.

Total number of Deutsche Telekom AG shares granted in 2022 as a part of the Share Matching Plan (SMP) 2018 is shown in the following table:

Management Board member	Share Matching Plan (SMP)	Full entitlement for the entire SMP 2018 duration			The part of the entitlement relating to HT*
		Matching DT AG shares (pieces)	Non-cash benefit per share (in EUR)	Non-cash benefit (in EUR)	Non-cash benefit (in EUR)
Konstantinos Nempis	2018	1.857	19,15	35.562	28.897
Daniel Darius Denis Daub	2018	1.061	19,15	20.318	20.318

During 2022 accruals were made for the following Share Matching Plans (SMP) 2019, 2020, 2021, 2022: Gross 1 (in HRK)

Management Board member	Accruals for the Share Matching Plan (SMP) 2019/2020/2021/2022
Konstantinos Nempis	563.686
Nataša Rapačić	53.088
Daniel Darius Denis Daub*	66.989
Matija Kovačević	17.766

\*Accrual obligation for the Share Matching Plan (SMP) for Daniel Darius Denis Daub stopped with leaving company

**Company's Shares Award Plan (PDD)** is a voluntary compensation tool under which a member of the Management Board has the option to choose HT shares instead of a pay-out of certain percentage of Short-Term incentive (STI) achieved for the previous year. PDD participants are entitled to a bonus shares according to the ratio 7 awarded shares : 1 bonus share, and all shares must be retained for an uninterrupted period of one year (lock-up period).

Management Board member	Company`s Share Award Plan (PDD)	Full entitlement for the entire PDD 2022 duration				
		Matching HT shares (pieces)	Non-cash benefit per share	Non-cash benefit	Capital income tax (20%)	Supertax
			(in HRK)	(in HRK)	(in HRK)	(in HRK)
Konstantinos Nempis	2022	1.623	191,84	311.389	81.515	14.673
Nataša Rapačić	2022	792	191,84	151.953	39.778	7.160
Ivan Bartulović	2022	251	191,84	48.157	12.607	2.269
Boris Drilo	2022	317	191,84	60.820	15.921	2.866
Marijana Bačić*	2022	181	191,84	34.727	9.091	1.636
Matija Kovačević*	2022	116	191,84	22.256	5.826	1.049
Siniša Đuranović*	2022	492	191,84	94.395	-	23.599

\*Marijana Bačić, Matija Kovačević and Siniša Đuranović choose HT shares in 2022. based on their previous role

**Repeated Performance Incentive (RPI)** is a four-year program that covers the period of 1 January 2018 to 31 December 2021 with the target achievement of a minimum two consecutive years as the decisive factor for the eligibility for a bonus payment. RPI program ended on 31 December 2021, and is not proposed to restart in 2022. Instead of RPI program, the “EU Game Changer” was introduced in 2022. based on the decision of the Supervisory Board, with the goal to motivate top managers to improve customer orientation and increase the company's profitability. It is an additional benefit that can be awarded as a reward component if the level of achievement of goals according to performance parameters in the area of customer satisfaction and increased profitability is exceeded.

During 2022 accruals were made for the EU Game Changer as follows:

Gross 1 (in HRK)

Management Board member	Accruals for EU Game Changer
Konstantinos Nempis	376.725
Nataša Rapačić	301.380
Ivan Bartulović	301.380
Daniel Darius Denis Daub*	175.805
Boris Drilo	301.380
Marijana Bačić**	-
Matija Kovačević**	-
Siniša Đuranović**	-



\*Accrual obligation for the Game Changer for Daniel Darius Denis Daub stopped with leaving company  
 \*\*Marijana Bačić, Matija Kovačević and Siniša Đuranović was nominated based on their previous role

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.

<b>Average remuneration per employee</b>	<b>2022.</b>	<b>2021.</b>	<b>2020.</b>	<b>2019.</b>	<b>2018.</b>
<b>Bruto 1 (u kn)</b>					

Annual remuneration	187.226	184.139	183.277	175.110	171.102
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<b>Croatian Telecom Inc.</b>	<b>2022.</b>	<b>2021.</b>	<b>2020.</b>	<b>2019.</b>	<b>2018.</b>
<b>Gross 1 (in HRK)</b>					

Revenue	6.140.526.061	5.888.385.234	5.663.616.185	5.893.460.026	6.028.401.549
Net profit	694.820.004	666.130.178	703.800.152	717.064.453	990.660.719

<b>Average remuneration paid to:</b>	<b>2022.</b>	<b>2021.</b>	<b>2020.</b>	<b>2019.*</b>	<b>2018.*</b>
<b>Gross 1 (in HRK)</b>					

Supervisory Board members	198.667	189.988	179.773	172.957	179.063
Management Board members*	3.176.360	3.212.715	3.207.930	3.151.345	2.483.903

\* One-off payments (early Termination Payment and other compensation related to termination) have been excluded in 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.

No additional remuneration was paid for members who are members of 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.

This Report has been submitted pursuant to Article 247a of the Companies Act for the General Assembly to be held in the year 2023.

Zagreb, 22 March 2023



Jonathan Richard Talbot,  
Chairman of the Supervisory Board



Konstantinos Nempis,  
President of the Management Board (CEO)



**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 on 10 May 2023 approval of the following**

## **Remuneration Policy for Members of the Management Board**

### **Introduction**

Maintaining a leading position on the market in terms of customer experience, technological and business productivity, the Company's strategic focus on complete digital transformation, technological leadership, customer centricity, employees, the environment, and the community, requires constant transformation and organizational innovation, for which it is necessary to have effective bodies and top executives with long-term engagement. In a situation where the changes in the competitive market and the labour market are so significant, it is considered justified to renew the Remuneration Policy previously adopted by the Company's General Assembly in 2020 and 2021, in order to better emphasize the culture that promotes the Company's business strategy, long-term interests and sustainability through short-term and long-term incentive systems that also require flexibility and adaptation to new market and social circumstances for the long-term benefit of the Company and all its stakeholders.

### **Principles, methodology**

Since HT is part of the Deutsche Telekom Group (hereinafter "the Group") and included in the consolidated financial statements of Deutsche Telekom through full consolidation, this Policy is based on the Group Policy model – Performance Management for Executives in Groups MG1 to MG3 and the Global Compensation Guideline for Executives in Management Groups MG1 to MG3.

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.

The Policy is based on a standardized system of job evaluation at the global 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.

The Policy uses performance evaluation methods for variable reward components known or accepted in the market with a system of target setting and performance measurement criteria.



## Elements of remuneration

The total remuneration for the members of the Management Board (managers) consists of fixed components (fixed annual salary) and variable components, that can be granted depending on performance, and fringe benefits. Variable components can be short-term (STI - Short-Term Incentive, Spot bonus) and long-term (LTI - Long-Term Incentive plan, "EU Game changer" incentive program, share matching plans).

### Annual target salary

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

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 the fixed basic annual salary, the annual target salary also includes a variable component - Short-Term Incentive (STI) that depends on performance. 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 (strategic) targets of the Company. The Short-Term Incentive (STI) has the highest weight in the total compensation package compared to other elements.

The Supervisory Board sets annual targets based on the adopted Business Plan of the Company and the current strategic focus of the Company. 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 plan (LTI)

Long-term Incentive plan (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 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.

LTI is a four-year cash program linked to the achievement of specific success parameters of the Group that are expressed in terms of financial targets and targets related to sustainability, as strategic targets at the Group level:



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

The strategic targets determined by the Long-Term Incentive plan (LTI), i.e. employee satisfaction and customer satisfaction, are also HT's strategic targets and their achievement is one of the most important factors for HT's leading position on the market.

Payment is always made after the expiration of the program and the assessment of the level of success of the targets on a scale of 0 - 150%, and the base amount for participation is 30% of the annual target salary for the members of the Management Board and up to 40% of the annual target salary for the President of the Management Board.

LTI has a lower weighting in relation to the total remuneration for managers. Managers have the right to participate in LTI only if they have achieved their goals from the Short-Term Incentive (STI) in the amount of at least 100%.

### **Incentive program “EU Game Changer”**

The “EU Game Changer” is a four-year program aimed at motivating top managers to improve customer centricity and increase the Company's profitability. It is an additional incentive that rewards repeatable, exceptional performance, which is measured by the over-achievement of indicators for measuring the success of achieving profitability and customer satisfaction determined by the Supervisory Board every year for the duration of the program depending on the trends of the applicable performance indicators and their benchmarks. The payment amount depends on the position, target achievement and the number of years of continuous over-performance.

The details are governed by the general terms and conditions of the relevant plan. The decision to issue the “EU Game Changer” program is exclusively within the competence of the Supervisory Board of the Company.

### **Share Matching Plan (SMP)**

Share Matching Plan (SMP) is a four-year voluntary remuneration instrument on the basis of which the managers 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 Deutsche Telekom AG share ("personal investment"). After four years of prohibition of trading in shares (lock-up period), the manager is awarded bonus shares. The number of bonus shares is proportional to the number of shares purchased by the manager. SMP is mandatory for the President of the Management Board and voluntary for the members of the Management Board.

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

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

### **Company's Shares Award Plan (PDD)**

Company's Shares Award Plan (PDD) is a voluntary compensation tool under which managers have the option to choose HT shares instead of a pay-out of certain percentage of Short-Term incentive (STI) achieved for the previous year. PDD participants are entitled to bonus shares according to the ratio 7 awarded shares: 1 bonus share, and all shares must be retained for an uninterrupted period of one year (lock-up period).





The decision to initiate a PDD in a certain year is made by the Supervisory Board, and the details are determined by the terms and conditions of the relevant plan.

## **Fringe benefits**

In addition to the above-mentioned components, remuneration may also include other additional benefits such as non-monetary benefits (benefit in kind) and services provided by the Company e.g. company car usage, education, life insurance and accident insurance, etc.

## **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 determines the rights and obligations of a member of the Management Board, including the provisions on remuneration, and the obligations based on his 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 up 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 performance, 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).

The ratio of fixed basic annual salary and short-term incentive (STI) within one annual target salary is:

- a) 60:40 for the President of the Management Board;
- b) 70:30 for other members of the Management Board.

An individual contract of a member of the Management Board may include additional benefits: company car usage, 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 individual situation of the Management Board member.

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

In case of changes in circumstances and conditions in the Company that would significantly affect the ability to fulfil mutually agreed rights and obligations, the Supervisory Board has the right to adjust the agreed terms and parameters of remuneration in order to take the effects of extraordinary circumstances into account in an appropriate manner.



### **Monitoring of the implementation of the Policy, policy changes and deviation**

The Compensation and Nomination Committee periodically examines whether the rewards are in accordance with the Policy or whether the Remuneration Policy is implemented, and regularly reports to the Supervisory Board about it.

The Supervisory Board submits the Remuneration Policy to the General Assembly for approval at least once every four years.

The Supervisory Board may temporarily deviate from the Remuneration Policy if the long-term welfare of the Company necessarily requires it, i.e. in order to ensure the long-term welfare of the Company, and in this regard reserves the right to amend this Policy in the relevant period. Such a deviation may include a deviation from the application, i.e. a change or adjustment of an element of compensation or its components or conditions governing the remuneration element, the introduction of a new element required by a change in market circumstances, changes to any element required by a change in regulations, and similar circumstances. The decision of the Supervisory Board must state how long the temporary deviation from the Policy will last, and the decision must be explained. If the Supervisory Board considers that the Remuneration Policy should be deviated from for a period longer than a year, and it is a matter of a significant change to the Policy, the Supervisory Board will submit a proposal for changes to the next General Assembly for approval even before the end of the period for which the Policy was adopted.

Jonatan Richard Talbot

Chairman of the Supervisory Board