Policy on Controls and Procedures for the Implementation of Restrictive Measures

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GENERAL PROVISIONS

Subject and Purpose
This document regulates the policies, controls, and procedures for the implementation of restrictive measures within the HT Group, i.e., Hrvatski Telekom and its affiliated companies (hereinafter: the Company), in accordance with the provisions of the Act on Restrictive Measures (hereinafter: the Act) and other relevant regulations.
The purpose of this document is to ensure the Company's compliance with restrictive measures implemented in the Republic of Croatia on the basis of binding legal acts of the European Union, the United Nations, and other international organizations, as well as restrictive measures adopted by the Government of the Republic of Croatia.

Objective of the Application of Restrictive Measures
Restrictive measures are applied to natural and legal persons, states, territories and entities, organizations, and other subjects covered by restrictive measures, in order to protect democratic values, the rule of law, human rights, and the principles of international law, as well as to preserve international peace, prevent conflicts, and strengthen international security.

Terms and Definitions
For the purposes of this document, the following terms have the following meanings:

- *Restrictive measures* – means the measures referred to in Article 4, paragraph 2 of the Act, which include restrictions on the disposal of assets, prohibition of entry into the territory of the Republic of Croatia or transit through the territory of the Republic of Croatia, total or partial suspension of economic relations, total or partial restriction of trade, import, export, transit, provision of services, as well as postal traffic, transport, electronic and other communications, embargo on arms and military equipment, interruption of diplomatic relations, and other measures in accordance with international and European law.
- *Obliged entity for the implementation of restrictive measures* – the Company as a legal entity engaged in a registered activity and obliged to act in accordance with the provisions of the Act and regulations adopted on the basis of the Act.
- *Responsible person* – a person in charge of supervising and implementing the policies, controls, and procedures prescribed by this document.
- *Verification data* – data necessary to verify whether the Company does business with a natural or legal person, state, territory, entity, organization, or other subject covered by restrictive measures.
- *Client* – residential, business, wholesale user, or customer.

Gender Neutrality
Terms used in this document that have a gendered meaning apply equally to both masculine and feminine genders.

ORGANIZATIONAL FRAMEWORK AND RESPONSIBILITIES

Responsibility of the Company's Governing Bodies

The Management Board of the Company is responsible for establishing an effective system for the implementation of restrictive measures, including the adoption, implementation, and regular review of policies, controls, and procedures for the implementation of restrictive measures.

The Management Board adopts decisions on actions in the event of established violations of restrictive measures, as well as on reporting to competent authorities and taking other measures in accordance with the Act.

The Supervisory Board oversees the implementation of policies, controls, and procedures for the implementation of restrictive measures and receives regular reports on their implementation and effectiveness.

Appointment of the Responsible Person

The Management Board appoints a responsible person for the implementation of restrictive measures and their deputy.

The responsible person referred to in paragraph 1 of this Article must hold a managerial position, possess appropriate knowledge, expertise, and experience, and have adequate authority for the implementation of restrictive measures.

The responsible person is obliged to:

- coordinate the risk assessment and adoption of policies, controls, and procedures for the implementation of restrictive measures,
- supervise the implementation of policies, controls, and procedures,
- participate in decision-making relating to the establishment and maintenance of business relationships with a high risk of violating restrictive measures,
- regularly, at least once a year or as necessary, report to the Management Board on the implementation of restrictive measures,
- conduct annual employee training in the field of restrictive measures,
- act as a contact person for communication with competent authorities regarding restrictive measures.

RISK ASSESSMENT RELATED TO RESTRICTIVE MEASURES

Risk Assessment at the Company Level

The Company is obliged to conduct a risk assessment related to restrictive measures arising from its operations, including product and service risks, geographical risks, risks related to clients and business partners, and distribution channel risks.

The risk assessment referred to in paragraph 1 of this Article is conducted at least once a year, as well as in the event of:

- significant changes in the Company's business model,
- introduction of new products and services considering the nature of the service and the involved partners and suppliers,
- entry into new markets or geographical areas,
- significant changes in the regulatory framework related to restrictive measures.

Based on the risk assessment, the Company establishes measures to mitigate identified risks.

Risk Factors

In assessing risk, the Company takes into account at least the following factors:

- geographical risk factors, which include states, territories, and entities that are:

a) subject to restrictive measures by the United Nations, the European Union, or the Government of the Republic of Croatia

b) associated with states, territories, and entities under restrictive measures

c) identified as high-risk in terms of circumventing restrictive measures

- risk factors related to clients and business partners, which include:
  a) natural and legal persons under restrictive measures
  b) natural and legal persons associated with persons under restrictive measures
  c) natural and legal persons from states, territories, and entities listed in point 1 of this paragraph
- risk factors related to products and services, which include:
  a) products and services that may be used to circumvent restrictive measures
  b) dual-use products and services
  c) products and services expressly listed in restrictive measures regimes.

POLICIES FOR THE IMPLEMENTATION OF RESTRICTIVE MEASURES

Risk Management Related to Restrictive Measures

Risk management related to restrictive measures includes:

- the Company's approach to risk management related to restrictive measures,
- risk assessment methodology,
- measures to mitigate identified risks,
- procedures for continuous monitoring and updating of risk assessments.

Risk management related to restrictive measures specifically determines the approach to:

- business with states, territories, and entities under restrictive measures,
- business with clients and business partners from high-risk areas,
- provision of electronic communications and ICT services that may be subject to restrictive measures.

Conducting Due Diligence

Conducting due diligence includes:

- procedures for identifying and verifying clients, suppliers, and business partners,
- the scope and depth of due diligence depending on the assessed risk,
- procedures for determining the beneficial owner of a legal entity and verifying whether they are subject to restrictive measures (depending on the assessed risk),
- procedures for checking natural and legal persons against sanction lists,
- procedures for continuous monitoring of business relationships.

The due diligence referred to in paragraph 1 of this Article is conducted prior to establishing a business relationship, periodically during the business relationship, and when there are changes in circumstances affecting the risk associated with restrictive measures.

Depending on circumstances and implementation possibilities, an automated system will be implemented to regularly compare data with relevant databases and prepare reports on matches.

Monitoring and Updating Information on Restrictive Measures

Monitoring and updating information on restrictive measures includes:

- sources of information on restrictive measures used by the Company,
- frequency of updating information on restrictive measures,
- responsibilities for monitoring and updating information,
- procedures for implementing new restrictive measures.

The Company regularly monitors information on restrictive measures published by competent authorities, including:

- the Ministry of Foreign and European Affairs of the Republic of Croatia,
- the Ministry of Finance,
- the Croatian National Bank,
- HAKOM,
- the European Union,
- the United Nations.

CONTROLS FOR THE IMPLEMENTATION OF RESTRICTIVE MEASURES

Internal Control System

The Company establishes an effective internal control system for the implementation of restrictive measures, which includes:

- controls before establishing a business relationship,
- continuous controls during the business relationship,
- controls in the event of significant changes in restrictive measures regimes,
- controls over specific high-risk activities.

The internal control system referred to in paragraph 1 of this Article includes:

- appropriate automated controls integrated into the Company's information systems,
- manual controls carried out by Company employees,
- management controls carried out by managers.

Controls Prior to Establishing a Business Relationship

Before establishing a business relationship with a client, supplier, or business partner, the Company conducts controls that include:

- checking whether the person is on sanction lists,
- checking whether the beneficial owner is on sanction lists (depending on the assessed risk),
- checking for connections with states, territories, or entities under restrictive measures,
- checking the nature of products and services in the context of restrictive measures.

If it is determined that a person is subject to restrictive measures or is connected to a person subject to restrictive measures, the Company shall not establish a business relationship and shall take measures prescribed by the Act.

Continuous Controls

During the business relationship, the Company conducts continuous controls, including:

- annual checks of a sample of clients, suppliers, and business partners against sanction lists (depending on the assessed risk),
- monitoring transactions and activities that may indicate connections with restrictive measures,
- updating data on clients, suppliers, and business partners.

The frequency of controls referred to in paragraph 1 of this Article is determined depending on the assessed risk.

Controls in the Event of Changes in Restrictive Measures Regimes

In the event of significant changes in restrictive measures regimes, the Company shall, within an appropriate period, conduct controls that include:

- identifying clients, suppliers, and business partners who may be affected by new restrictive measures,
- assessing the impact of new restrictive measures on the Company's operations,
- taking appropriate measures in accordance with the Act.

The controls referred to in paragraph 1 of this Article are conducted within one month from the publication of changes in restrictive measures regimes.

Requests for approval of exemptions from the application of individual restrictive measures (so-called sanctions licenses) in Croatia are submitted using the official form (Annex 1 to these Policy) to the email address of the competent state authority.

In case of ambiguities or need for further clarification, it is necessary to contact the competent authorities by email.

PROCEDURES RELATED TO RESTRICTIVE MEASURES

Procedures for Verifying Clients, Suppliers, and Business Partners

The Company establishes procedures for verifying clients, suppliers, and business partners, which include:

- collecting identification data,
- verifying collected data in the Database on Restrictive Measures and other available sources,
- determining the beneficial owner and checking whether they are subject to restrictive measures,
- determining connections with persons subject to restrictive measures.

The procedures referred to in paragraph 1 of this Article are adapted to the risk level associated with the client, supplier, or business partner.

Procedures in Case of Suspected Violation of Restrictive Measures

If there is a suspicion that a client, supplier, or business partner is violating restrictive measures, the Company shall carry out the following procedures:

- collect additional information and documentation,
- conduct enhanced due diligence,
- report to the responsible person referred to in Article 6 of this document.

The responsible person analyses the collected information and documentation and decides on further measures, including:

- termination of the business relationship,
- restriction of asset disposal,
- reporting to competent authorities.

When establishing a business relationship, partners, contractors, and subcontractors will be required to provide appropriate statements of compliance with regulations governing restrictive measures.

When establishing a business relationship, clients will be required to provide appropriate statements of compliance with regulations governing restrictive measures (such as: Customer End-User Statement, not to sell goods to a third party subject to restrictive measures – Customer End-User Certificate, and to comply with all regulations on restrictive measures – Letter of Assurance) – example in Annex 2 to these Policy).

Reporting Procedures

The Company establishes reporting procedures, including:

- internal reporting on issues related to restrictive measures,
- reporting to competent authorities in accordance with the Act.

Internal reporting referred to in paragraph 1, point 1 of this Article includes:

- notifying the responsible person of suspicions of violations of restrictive measures, based on employee training on the implementation of restrictive measures,
- annual reporting to the Management Board on risk assessment and the implementation of restrictive measures.

Reporting to competent authorities referred to in paragraph 1, point 2 of this Article is carried out in accordance with Article 11 of the Act, which prescribes the obligation to report on the assets of persons subject to restrictive measures and on attempts to violate restrictive measures.

Suspicious transactions must be reported to the competent authorities using the appropriate electronic form, with attached evidence and a translation into English if the documents are from outside Croatia.

Data Retention Procedures

Data on the implementation of restrictive measures shall be kept for at least five (5) years from the end of the business relationship or individual transaction, and longer if required by special regulations.

EDUCATION AND TRAINING

Education and Training Program

The Company establishes an education and training program on the implementation of restrictive measures for all employees involved in the implementation of restrictive measures.
The program referred to in paragraph 1 of this Article includes:

- familiarization with relevant regulations,
- familiarization with the Company's policies, controls, and procedures,
- identification of risks related to restrictive measures,
- procedures in case of suspected violation of restrictive measures.

The education and training program for employees involved in the implementation of restrictive measures is conducted:

- upon employment,
- regularly, at least once a year,
- in the event of significant changes in regulations or the Company's internal acts.

Annex 1

REQUEST
for authorisation to derogate from a specific restrictive measure

1. Applicant

2. Restrictive measure for which derogation is requested

3. Reason for requesting derogation

4. Legal basis for requesting approval for derogation

5. Reasons why the applicant believes that approval should be granted for the requested derogation

6. Documentation supporting the reasons for requesting derogation attached

7. Any ongoing court proceedings related to the subject

8. Any previous requests for approval for derogation

Prepared in:_____, on:_____

Signature of the applicant

_____

Annex 2

Sanctions Compliance Clause

1. Each Contracting Party represents and warrants that it is not subject to sanctions imposed by the European Union, the United Nations or the Republic of Croatia, nor is it in an ownership or control relationship with entities listed on the sanctions lists of these competent authorities.

2. The Contracting Parties undertake not to use the goods, services, or technology subject to this Agreement, directly or indirectly, for purposes that contravene sanctions regimes, nor to sell, resell, assign, process, export, re-export, or otherwise transfer them to third parties subject to sanctions or located in embargoed countries, including but not limited to military use, surveillance systems, weapons of mass destruction programs, or human rights violations.

3. The Contracting Parties declare that the end user of the goods/services is known, not subject to sanctions, and that the use will be in accordance with the legitimate and declared purpose. They undertake to provide requested information regarding the end use and end user upon request of competent authorities.

4. In the case of dual-use goods, services, or technology, the Contracting Parties confirm that they hold the necessary permits from competent authorities (if required) and undertake to retain and provide relevant technical documentation upon request of competent institutions.

5. Each Contracting Party guarantees the implementation of internal controls and procedures to prevent the use of the subject matter of the Agreement for purposes violating sanctions regulations and undertakes to notify the other Party without delay (and no later than within 48 hours) of any changes that may affect the legality of use, distribution, or transfer of goods/services, including changes to the end user, ownership structure, purpose, or other relevant factors.

6. In case of breach of this clause, the other Party shall have the right to terminate the Agreement immediately and seek compensation for damages and reimbursement of all costs, including those related to regulatory proceedings.