

Independent limited assurance report on Remuneration Report for the year 2021

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 2021 ("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 2021 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 2021 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 2021 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 International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

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 2021 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 2021;
- 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 2021 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.



**Building a better
working world**

Restrictions on the use of our Report

Our report is intended solely for the Company's Management board and Supervisory board for the purpose of reporting on the Remuneration Report prepared by the Company for the year ended 31 December 2021 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.

Berislav Horvat
President of the Board and certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia
8 March 2022

Attachment: Remuneration report for 2021.



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 2021

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 in 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 Ms. Dolly Predovic and professor Gordan 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 (member of the Compensation and Nomination Committee and the Related Parties Transactions 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	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	From 25 April 2017 (member of the Compensation and Nomination Committee)
Tino Puch	Member	From 24 April 2018
Davor Majetić	Member	Until 14 May 2020 (member of the Related Parties Transactions Committee until 14 May 2020)
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 2021 is as follows:

The period of 2021 in which the remuneration was paid

			From	To	Gross 1 (in HRK)
Vesna	Mamić	Member	1 January	31 December	154,070
Dolly	Predovic	Member	1 January	31 December	220,706
Ivica	Mišetić	Deputy Chairman	1 January	31 December	231,106
Gordan	Gledec	Member	1 January	31 December	154,070
Total					759,953

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 five positions.

Management Board members serving during 2021:

Konstantinos Nempis	President of the Management Board (CEO)
Nataša Rapaić	Member of the Management Board and COOR
Ivan Bartulović	Member of the Management Board and CHRO
Daniel Darius Denis Daub	Member of the Management Board and CFO
Boris Drilo	Member of the Management Board and CTIO

The Management Board members' remuneration consists of a fixed annual remuneration and a performance-related variable component (Short-Term Incentive), as well as other fringe benefits, non-cash benefits and remuneration in kind, Spot bonus, Long-Term Incentive and Share Matching Plan, 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 2021 is shown in detail in the following table:

Gross 1 (in HRK)

Management Board member	Fix remuneration	%	Short-Term Incentive (STI)	%	Total	%
Konstantinos Nempis	2,258,890	62%	1,365,433	38%	3,624,323	100%
Nataša Rapaić	1,713,383	70%	740,649	30%	2,454,032	100%
Ivan Bartulović	1,080,325	72%	419,871	28%	1,500,196	100%
Daniel Darius Denis Daub	1,229,918	72%	469,333	28%	1,699,251	100%
Boris Drilo	1,370,715	72%	532,519	28%	1,903,234	100%

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 over an annual period. Collective target achievement is split between financial and non-financial targets and for the year 2020 were set, as follows:

- 1) Financial Targets (50% of total target set)
 - Revenue HT Group (weight: 40%)
 - EBITDA HT Group (weight: 40%)
 - FCF HT Group (weight: 20%)

- 2) Strategic Targets (50% of total target set)
 - External indirect costs after adjusted leases (weight: 33%)
 - User experience, improvement of TRIM index (weight: 33%)
 - Digitization and convergence (weight: 33%)
 - Digitization, share of channels in extension and migrations to APP (weight: 17%)
 - Convergence, B2C FMC + BCB FMCC (including total ICT) revenues (weight: 17%)

The Supervisory Board, after the evaluation had been performed, passed the decision on the target achievements of the collective targets set for 2020, which amounts to 112,7% and according to which the payment of STI was made in 2021.

During 2021 the following accruals were made for the Short-Term Incentive (STI) for 2021:

Gross 1 (in HRK)

Management Board member	Accruals for the Short-Term Incentive (STI) for 2021.
Konstantinos Nempis	1,500,000
Nataša Rapačić	731,250
Ivan Bartulović	461,250
Daniel Darius Denis Daub	534,617
Boris Drilo	585,000

A Spot bonus, as additional reward to acknowledge extraordinary individual performance, is paid out to the member of the Management Board Nataša Rapačić as a one-time payment in the amount of HRK 75,000.

Long-Term Incentive (LTI) 2017 is a cash-based four-year program that covered the period from 1 January 2017 to 31 December 2020, 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 2017 ended on 31 December 2020, and the Supervisory Board determined the final target achievement of 117,2%.

Long-Term Incentive (LTI) 2017 paid to eligible Management Board members in 2021 is shown in the following table:

Gross 1 (in HRK)

Management Board member	Long-Term Incentive (LTI) 2017
Konstantinos Nempis	465,448
Nataša Rapačić	771,373
Daniel Darius Denis Daub	415,127
Saša Kramar*	418,770
Davor Tomašković*	927,785

**Davor Tomašković, President of the Management Board and CEO until 1 April 2019, was paid a pro-rated amount of LTI 2016 that corresponds to the period of duration of his participation in LTI 2016 in accordance with the Agreement on termination of the contract on rights and obligations of the President of the Management Board.*

**Saša Kramar, Member of the Management Board and COO Business until 1 January 2020, was paid a pro-rated amount of LTI 2017 that corresponds to the period of duration of his participation in LTI 2017 in accordance with the Agreement on termination of the contract on rights and obligations of the Member of the Management Board*

During 2021 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) 2018/2019/2020/2021
Konstantinos Nempis	1,981,893
Nataša Rapačić	1,049,923
Ivan Bartulović	335,541
Daniel Darius Denis Daub	883,788
Boris Drilo	800,613
Saša Kramar	126,987
Davor Tomašković	174,899

Fringe benefits (company car usage, accommodation cost, education/trainings, pension fund, scholarship for children) paid to Management Board members in 2020 are shown in the following table:

Gross 1 (in HRK)

Management Board member	Fringe benefits
Konstantinos Nempis	1,181,374
Nataša Rapačić	58,261

Ivan Bartulović	38,452
Daniel Darius Denis Daub	561,607
Boris Drilo	44,335

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 2017 covered the period from 1 July 2017 to 30 June 2021 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 2016. 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 2021 as a part of the Share Matching Plan (SMP) 2017 is shown in the following table:

Management Board member	Share Matching Plan (SMP)	Full entitlement for the entire SMP 2017 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	2017	1,417	17,758	25,163	14,153
Daniel Darius Denis Daub	2017	877	17,842	15,647	14,345

During 2021 accruals were made for the following Share Matching Plans (SMP) 2018, 2019, 2020, 2021: Gross 1 (in HRK)

Management Board member	Accruals for the Share Matching Plan (SMP) 2018/2019/2020/2021
Konstantinos Nempis	427,485
Nataša Rapačić	40,297
Daniel Darius Denis Daub	69,442

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 2021 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	2021	1,570	190	298,300	78,134	14,064
Nataša Rapačić	2021	766	190	145,540	38,121	6,861
Ivan Bartulović	2021	484	190	91,960	24,087	4,335
Daniel Darius Denis Daub	2021	540	190	102,600	26,874	4,837
Boris Drilo	2021	613	190	116,470	30,507	5,491

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. No RPI bonus pay-out was made in 2021.

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

Average remuneration per employee	2021	2020	2019	2018	2017
Gross 1 (in HRK)					
Annual remuneration	184,139	183,277	175,110	171,102	176,866
Croatian Telecom Inc.	2021	2020.	2019.	2018.	2017
(in HRK)					
Revenue	5,888,385,234	5,663,616,185	5,893,460,026	6,028,401,549	6,073,361,765
Net profit	666,130,178	703,800,152	717,064,453	990,660,719	908,796,891
Average remuneration paid to:	2021	2020	2019*	2018*	2017
Gross 1 (in HRK)					
Supervisory Board members	189,988	179,773	172,957	179,063	179,152
Management Board members*	3,121,715	3,207,930	3,151,345	2,483,903	2,112,158

* 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 2022.

Zagreb, 8 March 2022

A handwritten signature in blue ink that reads "Jonathan Talbot".

Jonathan Richard Talbot,
Chairman of the Supervisory Board

A handwritten signature in blue ink that reads "Konstantinos Nempis".
Konstantinos Nempis,
President of the Management Board (CEO)