

02

Non-Financial Report



Ericsson Nikola Tesla Group - in brief

About the non-financial report

Digital transformation of the society gives the possibility to each individual and each industry to reach their full potential. Transformation implies the change of the way people organize their personal lives and do their everyday jobs and tasks. Furthermore, transformation means changes in the way of working, doing business and in the way we share information. The purpose of our existence is to innovate technology for good. Our experts work on the most complex projects in the ICT field so we can freely say that Ericsson Nikola Tesla is the leading regional provider of communication products and services in the operator segment, as well as a provider of ICT solutions related to health care, transport, state administration, utilities, and multimedia communication. Our goal is to develop, produce and offer to the market products and services of high quality with sustainable characteristics and with real costs. In a rapidly growing ICT industry environment we wish to be the preferred partner for the transformation of business for existing and new customers.

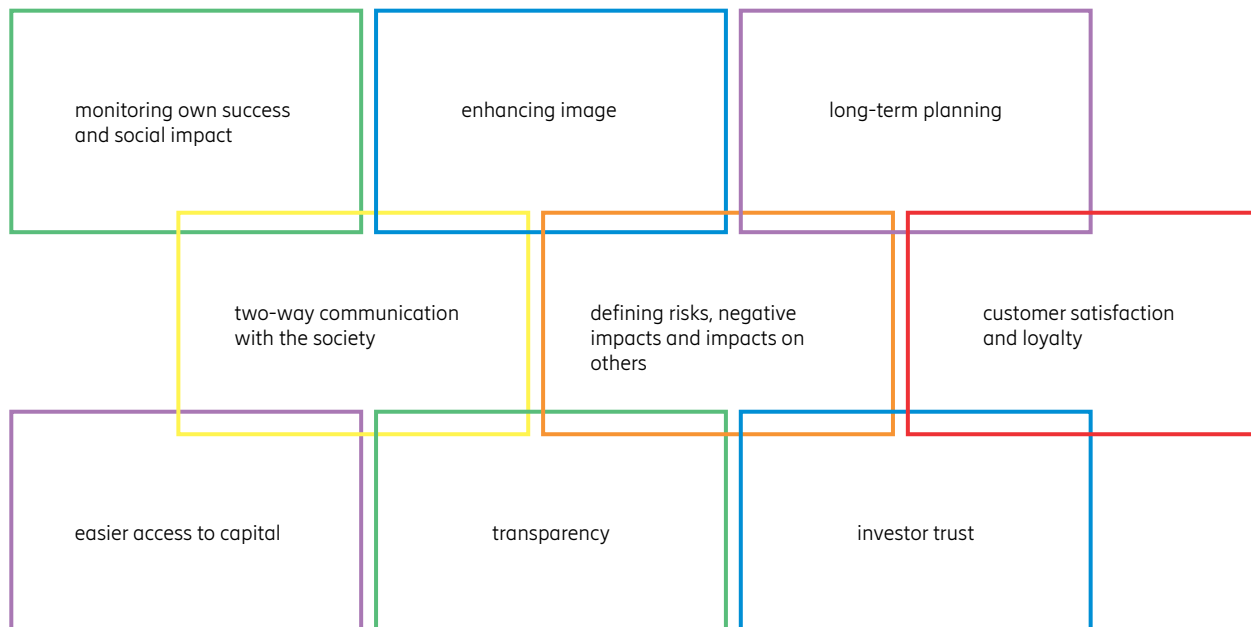
Ericsson Nikola Tesla Group has its headquarters in Zagreb, Croatia. Shares of Ericsson Nikola Tesla d.d. (ERNT-R-A) are traded on the Zagreb Stock Exchange, where the share is listed on the Regular Market.

This non-financial report concisely describes the activities of Ericsson Nikola Tesla Group's corporate social responsibility in 2017 and is available on the website of the mother company and Ericsson Nikola Tesla Group's affiliated companies together with additional information. This is Ericsson Nikola Tesla's 19th report, and since 2006 we have published integrated reports.

Sustainability and social responsibility are key in our business and strengthen our commitment to the implementation of the threefold line of responsibility: business, environmental and social responsibility. Our goal is to create positive impacts on our business and all our stakeholders, managing at the same time environmental, social and ethical risks in a quality manner. Our main priority is responsible and transparent business, taking into consideration the full perspective of overall business value chain.

Our experience tells us that such an approach brings new business possibilities, bigger effectiveness, reduces the risks, increases the value of brand and market position, strengthens the position of the Group as the employer of choice, as well as encourages long-term competitiveness.

The reporting contributes to



Report boundaries

If not stated otherwise, all the information and data relate to the activities undertaken from January 1 to December 31, 2017. The report encompasses the activities undertaken by Ericsson Nikola Tesla d.d., as the mother company and by all its affiliated companies. 2017 Annual Report provides information on the structure, the nature of ownership, legal form, affiliated companies, as well as on the changes in the size, structure and financial results. The previous report was published in April 2017 and it comprised the data for 2016. This non-financial report has not been subject to an external verification.

Technology for good

It is predicted that 90 percent of the world’s population will be covered by mobile broadband network by 2020. This fact represents an incredible opportunity for addressing global risks in the field of sustainable development. We use technology and solutions, advocate their use and transfer our experience with the aim of creating a positive impact for our stakeholders and our business, managing at the same time environmental, social and ethical risks. In the process of digital transformation of the society, Ericsson Nikola Tesla Group, as an associated member of Ericsson corporation, is the leading advocate of the Technology for good global concept. This is a concept that we work on every day on innovative technological solutions and addressing and improving various important areas, such as climate change,

health care, education, public administration, human rights, responsibility towards the community, which are also the main topics of this non-financial report.

Statements about the future

Certain topics that are explored in this report and that include statements relating to the future, are subject to risks and uncertainty. Those who read this content should be warned that such statements have no guarantee and future actions and developments may fundamentally differ from the described or implied ones. We expressly deny the responsibility to update the statements relating to the future after publishing the report.

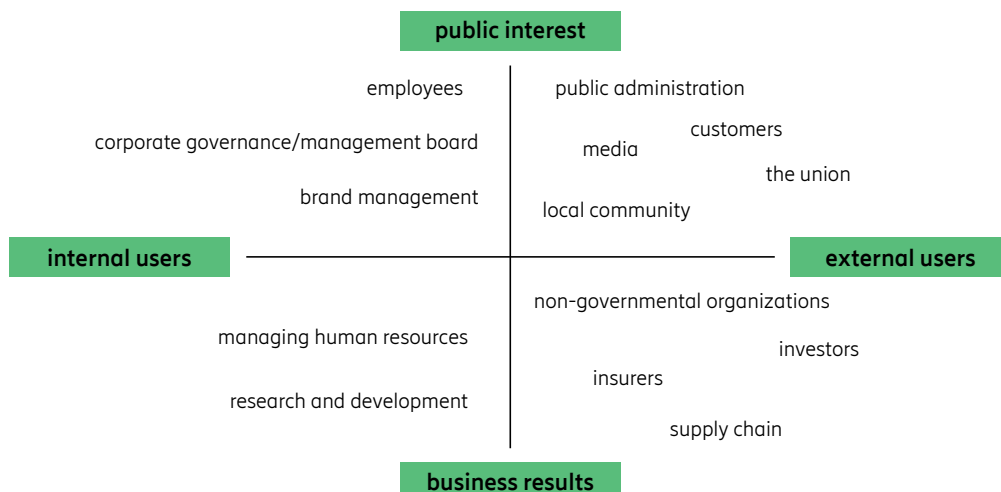
GRI Standard

This report is made in line with GRI Standards – Core option. The standard index can be found on the page 102 of this report.

UN Global Compact principles

Ericsson Nikola Tesla reports in line with UN Global Compact principles. The principle application index can be found on the page 101 of this report.

Reporting is our imperative



25 years of leadership in sustainable development

Nowadays, following a certain amount of time, it is completely clear that the Earth Summit, which was held in 1992 in Rio de Janeiro, is a historic turning point and an effective landmark for sustainable development. Representatives of over 170 countries were present there, and for the first time in history, sustainable development guidelines and necessary measures were set out in order

to prevent climate change. Following this, in Croatia as well was launched the initiative for founding the Croatian Business Council for Sustainable Development (HR PSOR), with the purpose of developing a modern Croatia where a responsible and successful business world in agreement and with the collaboration of all the stakeholders contributes to the achievement of positive

25 years of leadership in sustainability field

the most important events in Croatia and worldwide

Earth Summit, Rio de Janeiro – UN adopts the Convention on Climate Change with the aim of reducing greenhouse gas emissions

HR PSOR founded

UN Global Compact announced
--
Millennium Development Goals (MDGs) established

1992 ... 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

raising employees' awareness about the importance of sustainable development

founders and an equal member of HR PSOR

the first printed report published

ISO 9001

achievements in making men's and women's position in business environment equal (Ericsson European Equality Award)

the holder of "Recognized for Excellence" certificate
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ISO 13485

the process of Croatian health care system informatization initiated
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ISO 14001
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OHSAS 18001

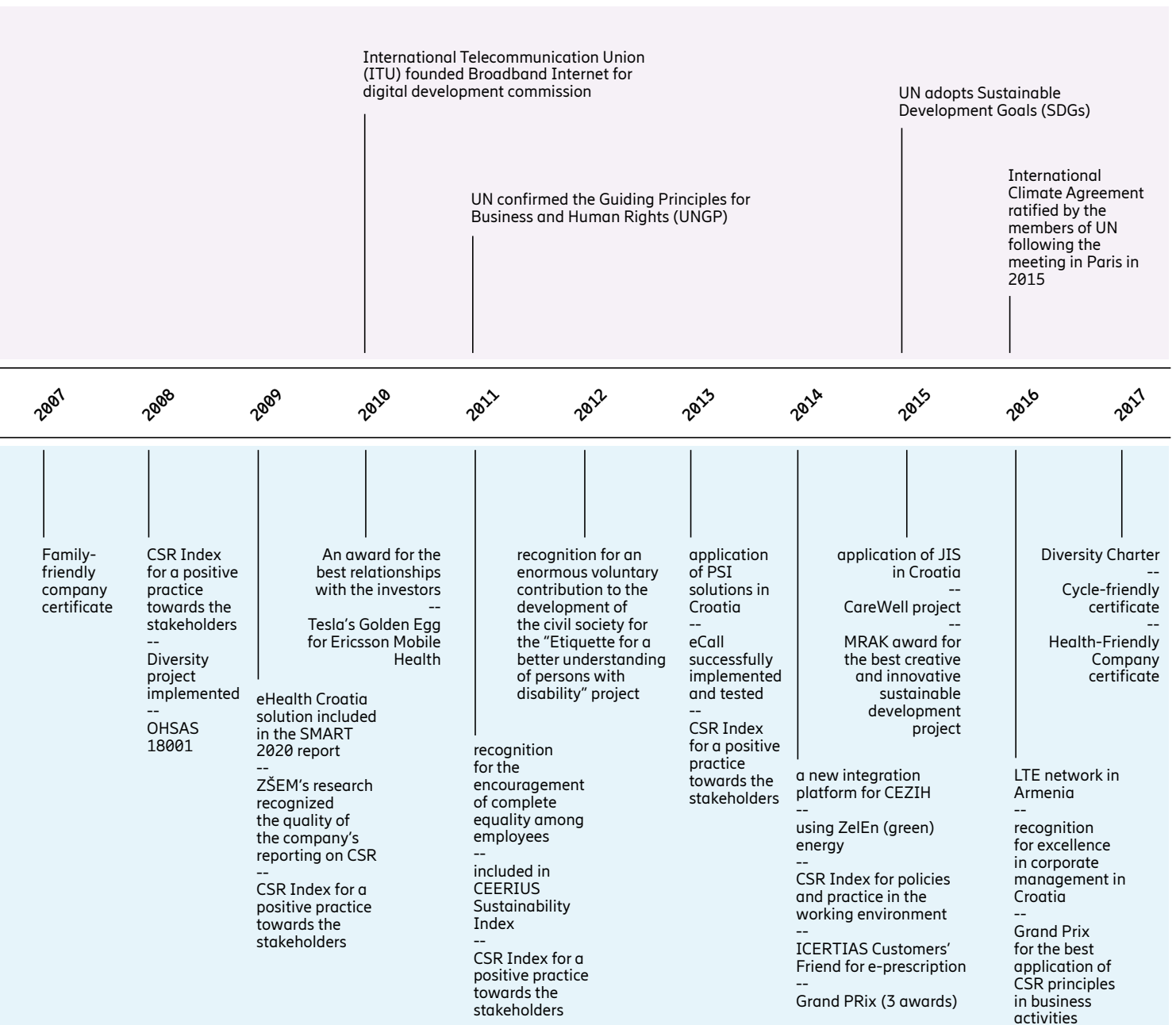
the first commercial UMTS network in Croatia
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applying the principles of corporate governance

the first integrated report published

the most important events in Ericsson Nikola Tesla Group

changes in the society, economy and the environment so that future generations can have equal possibilities to meet their needs. Ericsson Nikola Tesla Group is a co-founder and a long-time active member of HRPSOR. The Company has a clear image of the importance of sustainable development and in its business applies the highest business standards and follows the example

of Ericsson as a technology leader and a global creator of technological trends, with the aim of increasing the positive impact of technology on the sustainable development of the society. The timeline below provides an overview of our most important activities in the field of social responsibility and sustainable development over the past 25 years.



Statement by the President



Gordana Kovačević
President of Ericsson Nikola Tesla d.d.

We are witnessing revolutionary technological changes which unstoppably change our world. The pressure on raw materials stocks and energy sources is increasing, climate change is already high on the list of priorities of world leaders, and the need to preserve the ecosystem encourages a faster transition to circular economy. Nowadays, it is evident that ICT industry is the key driver of economic growth, innovativeness and equal opportunities for all, which additionally motivates us, and makes our work even more exciting.

At Ericsson Nikola Tesla Group, we believe that ICT has a great impact on achieving all the UN Sustainable Development Goals (SDG), and we are also encouraged by the fact that an increasing number of relevant factors in Croatia and abroad share the same opinion.

Today, changes are occurring faster than ever, and the available technology already offers unlimited possibilities

and business opportunities. Prerequisites for the soon implementation of 5G mobile technology, IoT, and Big Data analysis have been created. The number of connections in the world is growing at unprecedented speed, which brings new possibilities and benefits of development in all segments of the society. The effects of this important process are visible and available to an increasing number of people. We are talking about optimized and quality services in the field of health care, education, transport, state administration, smart cities, etc., and these are exactly the kind of solutions on whose creation and implementation our experts work.

Sustainable development of our business is based on partnership with customers, continuous work with employees, excellence in all activities and processes, and technology leadership. The market has recognized us as innovators, whose products, solutions and services have a positive impact on people's lives, business, and the environment. We strengthen our competitiveness by continuously improving business performance and managing changes in a quality way, primarily by investing in human resources development, innovation culture, and new integrated ways of working and managing. Such company culture is implemented throughout the entire organization and the principles of company values are applied in work and business performance by our employees, who respectfully treat their colleagues, customers and partners every day.

We cooperate with numerous customers in various markets, and wherever we do business, we are devoted to the development of mutual and long-term relationships with different groups of stakeholders.

In Croatia, we are the leaders in building a smart, sustainable economy, with a high rate of employment, productivity and social connectivity and inclusion, in line with the EU's strategic document - Europe 2020. Furthermore, we are proud that the latest study by the European Commission, analyzing the impact of various research and development projects regarding active and healthy ageing in the last 11 years, listed three projects, in the development of which our company significantly contributed, among the top 25 most influential projects: Carewell, eWALL, and UNIVERSAAL.

Our sustainability goals are highly set, and I am pleased with our achievements in the area of sustainability and social responsibility in 2017. Certainly, it can always get better, and therefore, in 2018 we will continue to work even more intensely in the field of corporate social responsibility. I am convinced that the integration of sustainability and responsible business into our business practice is key to our long-term business success. It is why I, as the Management Board of the company, will continue to encourage all the employees to personally contribute to sustainability and social responsibility goals as the strategic topics of our business.

Statement by the Director of Marketing and Communications (incl. CSR)



Snježana Bahtijari
Director of Marketing and Communications (incl. CSR)

Ericsson Nikola Tesla Group bases its business success on clearly elaborated business strategy, and corporate social responsibility principles have long been embedded in all the segments of our business and our relationship to all stakeholders.

Ericsson Nikola Tesla, as a leading ICT company, this year as well made a new step forward to make communication available to everyone, contributing in this way to the development of digital society on all the markets where it conducts its business. This primarily relates to the positive impact of our innovative solutions in the field of industry, state administration, transport and health care, which both significantly contribute to the growth and development of economy and the society and improve the quality of people's lives. Moreover, we have significantly improved the process of business chain standardization, which implies the period from the moment a product is conceptualized up to its ecological disposal. This is extremely important for the sustainable development of the society as it both reduces the negative impacts technology has on the environment and climate change as well as positively impacts the quality of people's lives, especially in big cities.

Nowadays, when knowledge means power and is a prerequisite for progress, our experts are included in the process of gaining and sharing knowledge of new technologies, business models, global standards and contemporary ways of working on a daily basis. In such

a manner we strengthen the impact knowledge has on the overall development of Croatia.

We aim to contribute to the development of our country, dominated by knowledge, democratic relations, a culture of entrepreneurship, innovations and openness to new ideas. We carefully plan the development and education of our employees. To employ young, creative and educated people, to ensure they have high quality jobs, to create a pleasant and healthy work environment, and to enable them to fulfil their career aspirations here in Croatia, these are just some of the successful priorities we work on. With the support provided by the company, our employees actively participate in socially responsible projects that are in line with the best global practice.

We are a very open company, which implies that we constantly, in a transparent manner, familiarize the public with our business activities, ways of working, and our most important projects. Many of our projects are recognized by the Ericsson corporation, whose associated member we are, so it comes as no surprise that our experts continuously exchange their experience regarding our good practice with their colleagues across the world.

We started publishing business reports nearly 20 years ago; along with our financial report, the social report has been a component of our reports for over 10 years, which has been excellently accepted by all our stakeholders and represents an example of our good practice.

We are proud that, for many years now, owing to its leadership role in the Croatian economy, the Group creates prerequisites for a better life, increased productivity and efficiency, as well as actively promotes the sustainable development of the society as a whole. Business excellence and innovation in everything that we do are not only the best contribution to the society of knowledge to which we as a country strive but also the most important part of our competitiveness on the global market. A leading position in the field of corporate social responsibility helps us to create our image, ensures a wider social acceptance, strengthens our competitiveness, and enables a faster business development of the Group in the long term.

We contribute to the achievement of global goals

United Nations Sustainable Development Goals (SDGs) call for global action by 2030 in three important areas: eradicating poverty, fighting climate change, and fighting injustice and inequality. We believe ICT is a key area for achieving all 17 goals. Even though there are big challenges in achieving such ambitious goals, these examples of the way our products, services and solutions are implemented with our customers across the world, along with business effects, show ICT's significant opportunity to accelerate the achievement of SDGs. Moreover, all our business activities, and our way of working contain elements that are important for the achievement of SDGs.



No poverty
Regular and transparent payment of all taxes and contributions to the state budget and local government, ensuring thereby the functioning and development of all activities which are important to the community, including taking care of the socially most vulnerable groups.



Zero hunger
Our employees volunteered to collect food for the needs of soup kitchen clients, and the company financed the supply of food for the most vulnerable groups in the society in Zagreb, Split and Vukovar.



Good health and well-being
Implementing new functionalities and improving the Central Healthcare Information System of the Republic of Croatia.



Quality education
Ericsson Nikola Tesla Summer Camp where students majoring not only in STEM but also in other fields work in a real business environment on real R&D projects.



Gender equality
We undertake activities in all segments of the society with the aim of eliminating prejudice and stereotypes, stimulating interest in STEM jobs, promoting at the same time the importance of balanced participation of women in the ICT sector.



Clean water and sanitation
Services have been developed that include collecting and analyzing microlocation data from the sensors in the water and enabling the users to make timely decisions of good quality.



Affordable and clean energy
In our business operations, we exclusively use ZelEn (green) energy from renewable energy sources.

THE GLOBAL GOALS

For Sustainable Development



Decent work and economic growth

We provide quality jobs and a stimulating work environment for our employees.



Industry, innovation and infrastructure

Implementation of the Schengen state border control system of the Republic of Croatia, which equipped 13 locations on the border with a state-of-the-art sensor equipment and connected them to a joint "green border" control system.



Reduced inequalities

A voice assistant for helping persons with visual and motor activity impairments was developed. It is an example of assistive technology for the blind, the partially sighted and persons with mobility impairment.



Sustainable cities and communities

Together with our partners, small Croatian enterprises, we implemented an ICT solution for smart parking to Split Parking utility company.



Responsible consumption and production

A considerable part of our services is delivered remotely, primarily in the segment of network design and optimization, network integration and software upgrade.



Climate action

We encourage our employees to use bikes as an ideal means for sustainable transport and we offer the corresponding infrastructure for that.



Life below water

A part of employees working in our company in Split volunteered to participate in a seabed cleaning action on the island of Prvić. 400 bags of waste were collected and disposed of. Educational workshops were held on how to raise environmental awareness among the local community.



Life on land

We participate in the LIFE Clim'Foot project "Climate Governance: Implementing public policies to calculate and reduce organizations' carbon footprint" to develop models for the calculation of carbon footprint that are adapted to Croatia.



Peace, justice and strong institutions

By implementing Joint Information System for Land Registry and Cadaster in all cadastral offices and land registry departments in the Republic of Croatia, prerequisites were made for the development of new e-services and strengthening of institutions as well as providing a better, more quality and safer service to the citizens.



Partnership for the goals

We actively participate and play one of the leading roles in national umbrella institutions that encourage corporate social responsibility - Croatian Business Council for Sustainable Development (HRPSOR), Croatian Employers' Association (CEA), Croatian Chamber of Economy (HGK), etc.

We have a positive impact and mitigate risks

Through our technology, knowledge and leadership, we create new added value in business, mitigating at the same time risks through a positive impact on the society.

Our Sustainability and Corporate Social Responsibility Strategy is a key part of our business strategy, and the Strategy is implemented both in the mother company as well as in the Group's affiliated companies. United Nations Sustainable Development Goals (SDGs) are a framework that we increasingly use to define and measure our impact. Our Sustainability and Corporate Social Responsibility Strategy implies the following:

- use the trust we created with our stakeholders as a business advantage
- establish leadership in energy efficiency
- establish circular economy in all elements of our business
- develop and deliver solutions that present a positive support to climate changes
- evaluate our impact in the Technology for good initiative.

Strategy implementation and harmonization

ICT may significantly contribute to the implementation of changes that are necessary for the implementation of UN Sustainable Development Goals and fulfilling the obligations foreseen by the Paris Agreement on Climate Change. As a responsible and relevant initiator of positive changes in the society, we use UN Sustainable Development Goals to set our own vision of the way in which we can contribute to positive changes in the society through our technology, knowledge and people's competences.

Doing business responsibly

Being a reliable partner is the focus of our Strategy. Determined rules and guidelines are applied in the entire Group, and all our employees actively work on their implementation every day. We form partnerships and do business with integrity and transparency on all our markets.

Energy, the environment and climate

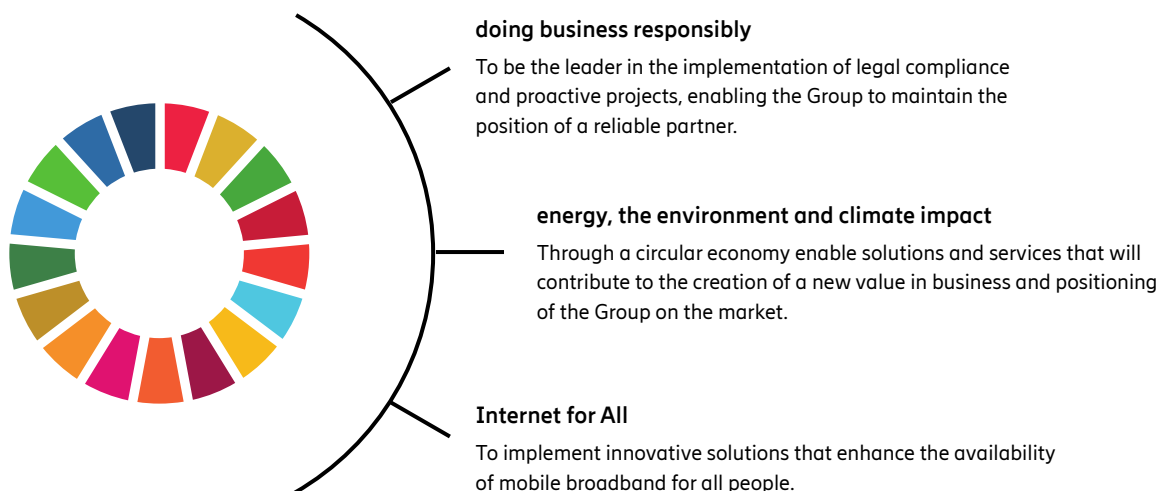
ICT has a transforming role in helping other economy sectors by harmonizing business growth with a rational use of resources, and it can greatly contribute to the reduction of carbon dioxide emissions, as well as to the preservation of clean air, drinking water and other natural resources.

Commitment to circular economy

In order to increase the positive impact, we are dedicated to circular economy, with a focus on three key areas:

1. Leadership in energy efficiency and environmental characteristics of products
2. Ecologically responsible use of materials, waste and water
3. Reduction of carbon footprint in our activities.

Foundations of our sustainability and strategy of social responsibility



Performance evaluation: Internet for All

Key part of our Strategy is to enable every person to use the Internet and mobile communications anywhere and anytime. Along with global connection, we apply our technology every day, we play the leading role and are innovative in the field of information and communications technology, which is the key area of our business activities.

Setting goals

Harmonization of our goals with UN Sustainable Development Goals is more important than ever before as it is an integral part of a deeper and faster transformation of the society. We use a framework and methodology for evaluating and describing the positive impact we have on the society, for setting further goals and monitoring progress.

Impact and risk assessment

In order to give our support to the sustainability of business and Social Responsibility Strategy, we measure yearly and long-term goals of positive impacts and risk management. Currently, there are two main parameters through which we measure our positive impact:

- the number of people on which our technology and business have had a positive impact
- reduction of greenhouse gas emissions in the society.

We measure the mitigation of risks in the following areas:

- responsible sourcing
- anti-corruption
- adhering to the rules of responsible sales
- occupational health and safety.

The way in which we fulfil our Strategy is described in three sections of the report: business, environmental and social responsibility.

Business integration

Sustainability and social responsibility are integrated into the implementation of our business strategy, the setting of goals and managing business risks. Sustainability and social responsibility policy, as well as our Code of Business Ethics and Code of Conduct are part of our management system and are applied in the entire Group.

Monitoring the performance

Every year we report from the perspective of achieving progress in key activities of the business chain and meeting the most important goals and achievements related with the most important material issues in our business.

We will continue to be the leader in sustainable development both in the society and on the markets where we operate, as well as to strengthen the impact of our technology in accelerating activities for meeting global sustainable development goals.

Corporate Social Responsibility - included in the organization's strategy, processes, structure and culture



mission + responsibility + people = sustainable business

Digital transformation goes on

ICT sector is an accelerator of the transformation of economy and almost every aspect of people's lives. Technologies such as 5G, Big Data and Internet of Things (IoT) offer great possibilities for the improvement of sustainable development and addressing global challenges. Such an enormous potential of technology must be balanced by activities that are directed at mitigating possible risks.

5G and IoT technology

Information and communications technologies, especially mobile broadband internet access, have shown to be the fastest on a global level and one of the most important technological discoveries in human history so far. In the future as well, we expect connectivity and mobility to continue even stronger, and innovative technologies, such as 5G, IoT, Big Data, advanced robotics, artificial intelligence, virtual and augmented reality, 3D printing etc., to bring new benefits to the global economy.

The latest research has shown that the users increasingly rely on IoT devices which use virtual reality, artificial intelligence and other latest technologies, forming in such a manner new business models and value chains. Deep and far-reaching changes that are initiated by the Industry 4.0 offer numerous possibilities that are important in addressing global challenges related to sustainable development and the acceleration of activities needed for meeting UN Sustainable Development Goals (SDGs). The benefits of innovative ICT solutions can already be seen in the increasing use of such solutions in the field of e-health, smart cities, solutions for the state administration etc. In the field of Industry & Society, IoT applications offer a great number of possibilities to automate production, monitor processes and objects in real time and operate machinery remotely, in order to increase efficiency and quality, while reducing risks at the same time.

Purposefulness of ICT technology

To make a potential gain in the future, the key will be to have a purposeful technological solution implemented. For example, it is not sufficient to just have smart cities; rather, these cities have to be sustainable as well. A smart and sustainable city is an innovative city that uses innovative technological solutions to provide basic services to the citizens, such as education, health care, transport, utilities, and other services that are important for the improvement of the quality of people's lives. Basically, a smart and sustainable city is every city that respects economic, social and ecological needs of its present and future inhabitants.

5G technology accelerates changes

The newest generation of mobile networks - 5G - will accelerate digital transformation and support the current

trend of developing IoT technology. Current intensive expansion of LTE technology is caused by the demand for a better user experience and faster networks and using 5G networks will be encouraged by an even increased need for improved possibilities of mobile broadband access, as well as for efficient and automated solutions for industry and society. 5G networks will accelerate digital transformation and the use of advanced intelligent IoT solutions. It is estimated that the number of 5G users will reach one billion by 2023, while global mobile data traffic is expected to grow eight times. This requires a more efficient technology, higher data rates and better spectrum utilization.

Evaluation of risks and challenges

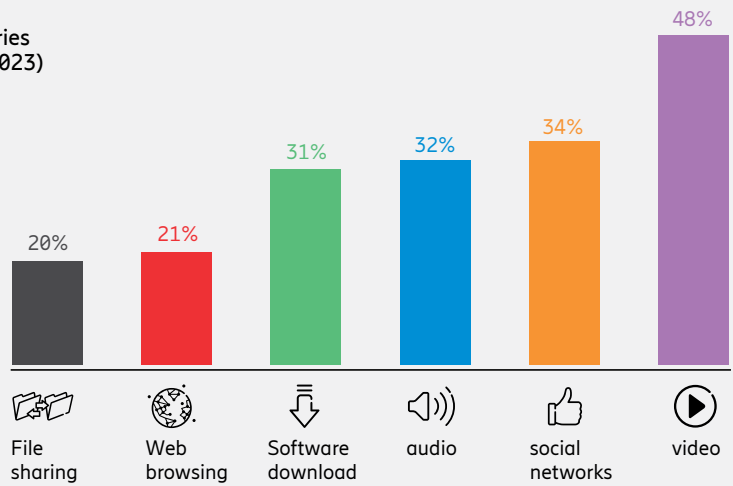
It is vital to recognize risks and social problems related to the use of new technologies on time. Privacy and security relating to the protection of personal data integrity as well as the analyses of large databases are our priority, and these are areas that we manage in a quality manner. We believe that the right to privacy is fundamental to build trust in a digital society and therefore, we strongly support and carry out a strong program of safety and privacy protection.

Mobile broadband access

According to Ericsson Mobility Report (November 2017) over 95 percent of world's population will be covered by mobile broadband network by 2023. ICT industry, especially mobile broadband Internet, represent the generator of economic, social and ecological development of the national development of every society. Ericsson Research and Imperial College from London published in 2017 a joint document, confirming that every country that implements mobile broadband Internet may count on a solid economic growth and development.

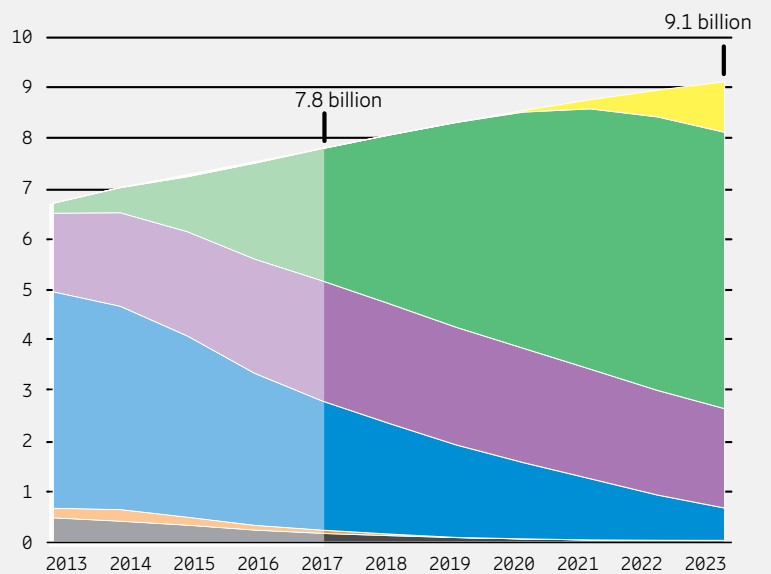
2023

Mobile data traffic per application categories
Cumulative annual growth rate (2017 – 2023)



Mobile users per technology (in billions)

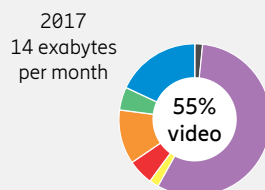
- 5G
- LTE
- WCDMA/HSPA
- GSM/EDGE
- TD-SCDMA
- CDMA



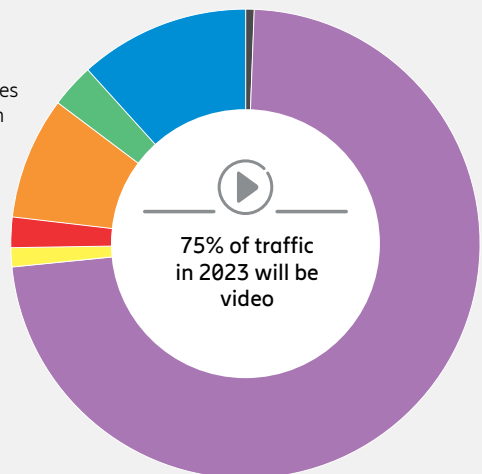
The number of 5G users will reach 1 billion by the end of 2023

Mobile data traffic per application category, per month (exabyte)

- video
- audio
- web browsing
- social networks
- software download
- other
- file sharing



2023
110 exabytes per month



We create new values together with stakeholders

The aim of our two-way communication with stakeholders is to create an effective dialog and build relationships that can contribute to the achievement of our joint goals.

By including our stakeholders and engaging in a dialog with them about topics that interest both parties, we build mutual trust and gain an insight into the topics that are key to our business, we encourage innovativeness and build relationships that improve our vision of the digital society.

Our stakeholders are divided into four main categories: customers, stakeholders, employees and the society. The society comprises suppliers, public administration, civil society, non-governmental organizations (NGO), industry partners, media, the academia and the public.

Being at all times in regular contact with our stakeholders, we are continuously involved in discussions and agree on numerous joint topics in various ways. The communication includes numerous activities undertaken by our employees, joint projects and initiatives, meetings with the customers, meetings with the investors, surveys, participation in the industry meetings, activities in decision-making bodies, as well as academic, research and development and scientific research. Moreover, we gain an insight into our stakeholders' opinions and in other ways, such as individual meetings, consultations, collaboration in the field of research with the academia, institutions, associations' members and others.

We use social media to expand our two-way communication. As an associated member of the Ericsson Corporation, we use Ericsson's Facebook page, and are

currently in the process of localization of our social media presence.

We include our stakeholders in a wide range of topics, including the management of supply chain, energy efficiency, assessment of human rights impact, impact of our technology on the quality of life, access to health care, education, state administration and discussions on other sustainable development goals. Our committed approach helps us to determine the stakeholders, topics and the way of inclusion with the aim of obtaining feedback, which is important for current and future development of ourselves, our customers, and the society as a whole.

Open dialog

We include different stakeholders, such as non-governmental organizations and the public administration bodies, in the consultation about human rights. We are aware that we can address the challenges and complex issues regarding human rights in a better and more quality manner if we identify the topics and start a constructive and inclusive dialogue in time.

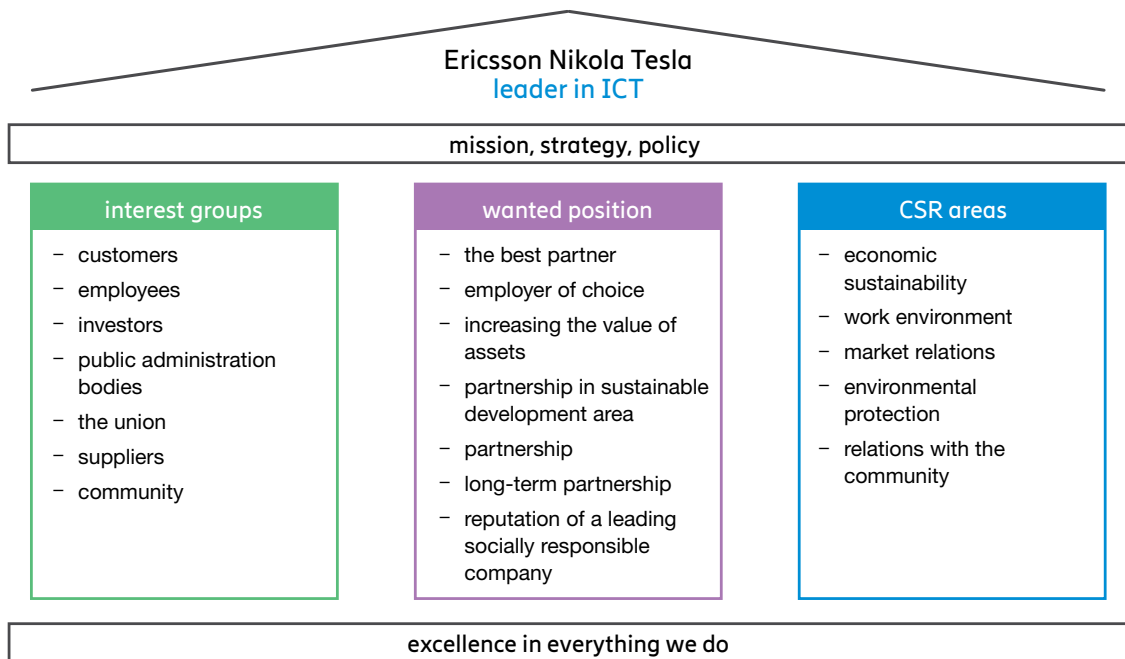
As an associated member of Ericsson Corporation, we respect all internationally proclaimed human rights, including the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Our approach to the inclusion of stakeholders

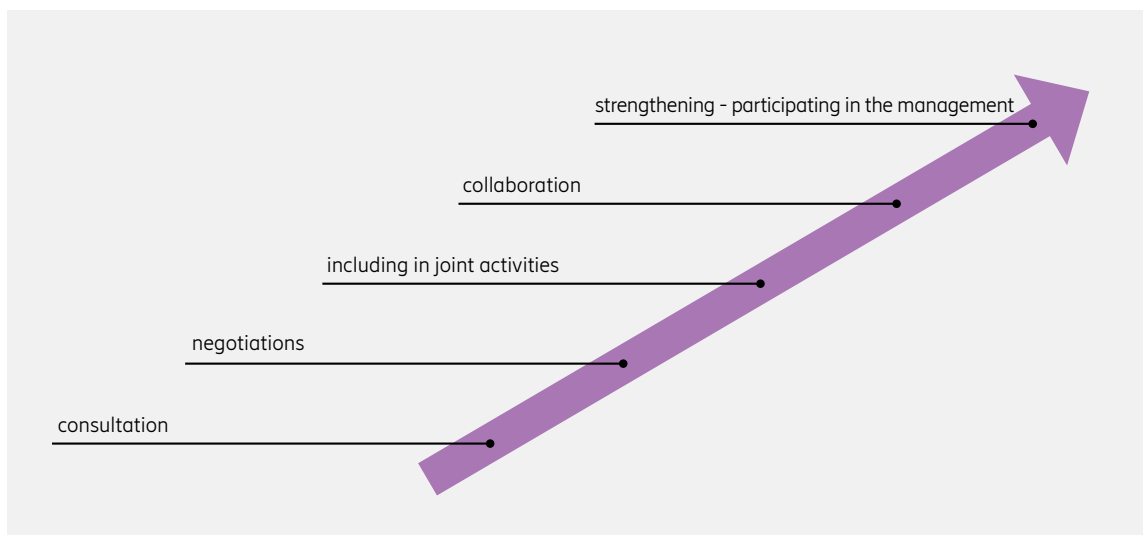


We include our stakeholders, carefully consider all topics important to them and based on the feedback of every step in the process we aim to create a positive impact and reduce the potential risk.

Ericsson Nikola Tesla - a socially responsible company



The inclusion of stakeholders in business activities



We are focused on material topics

To empower the strategy and simplify decision making we regularly study and follow the most significant topics from sustainability and social responsibility areas.

Materiality assessment is a central component of our Sustainability and Social Responsibility Strategy, set objectives, risk management and the non-financial reporting process. It is a wide range of economic, environmental and social impacts which are important for our business or have a significant impact on our key stakeholders' positions and decisions.

We use the matrix to define the material topics on a yearly basis, taking into account new technological and business trends, stakeholders' feedback and important inputs.

Setting the right priorities

When assessing materiality, we strive to focus on our most significant material topics. Some of the topics, such as privacy and security, will be of a long-term interest in business, while others may be relevant in the short and mid-term.

Employee survey

In 2017, a survey on the satisfaction of our employees was conducted. Based on the obtained results and the analysis conducted in 2018, corrective actions will be taken.

The customers and investors represent important stakeholder groups as well. We request and receive information from them through various surveys and dialog. We collaborate intensively with the Zagreb Stock Exchange, Croatian Employers' Association and Croatian Chamber of Economy.

The key topics in 2017 were anti-corruption, the right to privacy, and activities undertaken by the Company in order to contribute to the achieving of Sustainable Development Goals (SDGs). We value the role of every stakeholder and recognize feedback and continuous dialog about numerous questions concerning our business activities.

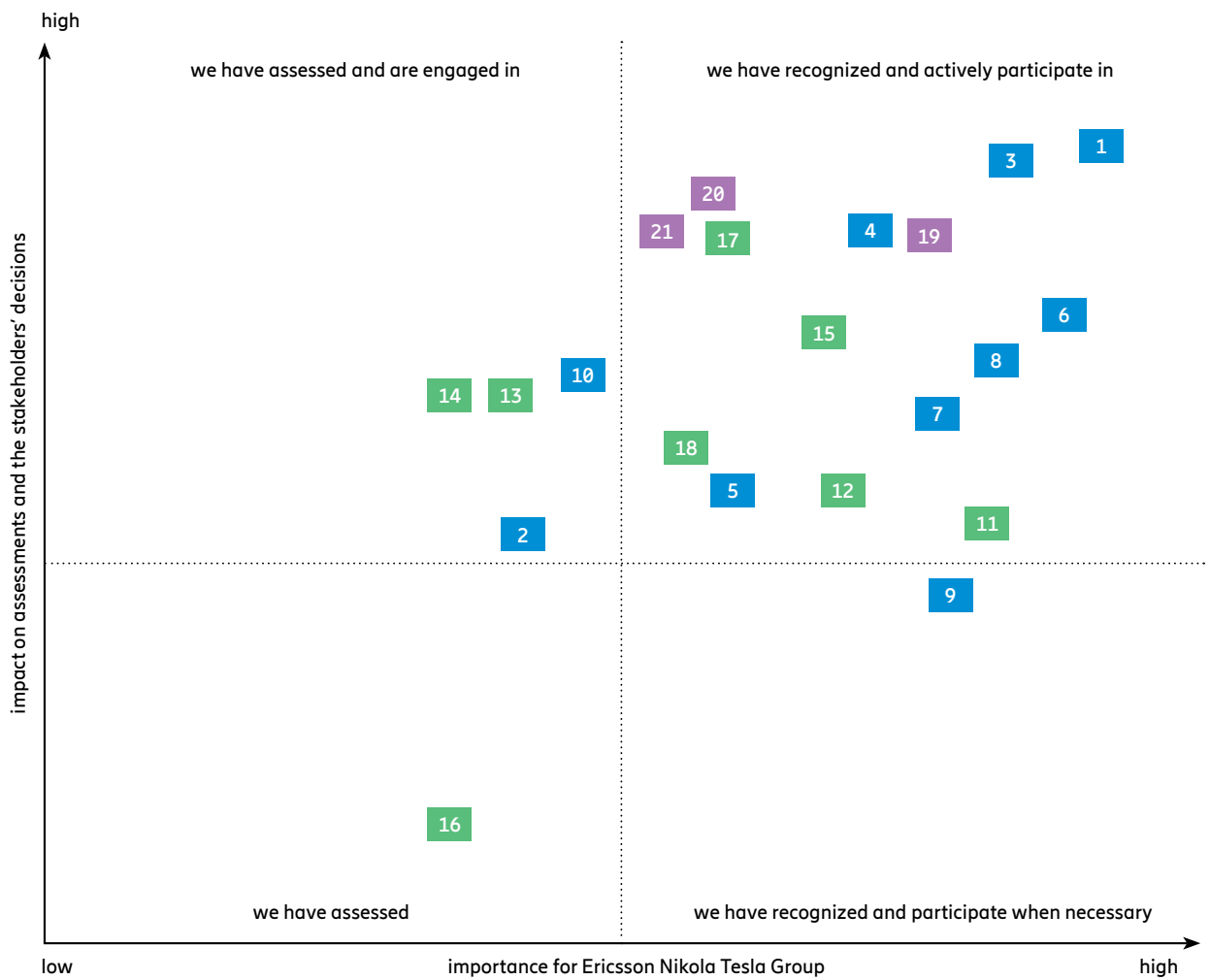
We assess the lifecycle of our products in order to identify and measure our impact on the environment as well as to define possibilities for increasing the positive impacts throughout the whole value chain. Every material topic as well as its limits, i.e. where in the value chain the impact appears, are described in this report.

Our approach

Our material topics matrix (p. 47) consists of the following quadrants:

- **we have recognized and actively participate in:** These are the topics which are identified as the most significant for the Group and our stakeholders, so we actively participate in them. Where appropriate, we look into and adapt and/or use new management procedures to ensure business sustainability and responsibility. We actively include stakeholders into these topics to discuss through dialog and mitigate possible risks as well as to optimize the positive socioeconomic and environmental impacts of mobility, broadband Internet access and cloud computing.
- **we have assessed and are engaged in:** These are the topics in which our stakeholders have a particular interest. We monitor these topics, report on our results in these areas and when necessary continue with the dialogue.
- **we have assessed/recognized and participate when necessary:** These are the areas which we work on with selected stakeholders when necessary, but we do not necessarily report on them. We have established procedures with which we seek to ensure that in relation to particular topics we operate in accordance with our stakeholders' expectations.

Material topics matrix



Material topics

business responsibility*

- 1 anti-corruption
- 2 radio waves and public health
- 3 right to privacy
- 4 freedom of speech
- 5 labor standards
- 6 responsible sourcing
- 7 diversity and inclusion
- 8 occupational health and safety
- 9 employee engagement
- 10 tax transparency

environmental responsibility*

- 11 energy consumption
- 12 ETK impact on the environment and climate change
- 13 product energy efficiency
- 14 efficiency in the use of materials
- 15 electronic waste management
- 16 water consumption
- 17 ICT contribution to low-carbon economy
- 18 supplier environmental responsibility

social responsibility*

- 19 partnerships for socioeconomic development
- 20 access to health via technology
- 21 responsibility towards the community

* the number next to the material topic is not in accordance with the importance of the topic

Business responsibility

Highlights

- zero tolerance for bribery and corruption
 - responsible supply ensures high standards in the supply chain
 - strict implementation of Trade Compliance
 - a high level of occupational safety
 - fundamental values - respect, professionalism and perseverance
 - we invest in our employees' knowledge and skills
 - diversity represents our competitive advantage
-



Doing business responsibly - every activity matters

Doing business responsibly is the foundation of Ericsson Nikola Tesla Group's strategy and corporate culture. Our goal is to be a responsible and relevant driver of positive changes in the society.

2017 highlights

- discussing topics from the area of responsible business on major meetings and including them in all the Group's activities
- update of Ericsson's Code of Business Ethics and the Code of Conduct
- reporting in line with UN principles
- strengthening the process of trade compliance
- establishment and operationalization of the Compliance Board as well as the process for monitoring business partners
- further development of tools for tackling corruption
- compliance with EU requirements in the field of personal data protection (GDPR)

We continuously work on improving and strengthening our business practice, with a focus on building and maintaining trust, transparency and integrity. This enables us to better manage risks and effectively react if necessary.

We are focused on:

- the assessment of risks and challenges
- introducing criteria for evaluating and mitigating consequences
- strengthening internal management and responsibilities
- ensuring that our employees are aware of the importance of responsible business.

Our employees are the key to our success. We are focused on attracting the best talents and encouraging a safe and healthy work environment where nobody is being discriminated and we are developing a company culture that encourages every employee to use their full potential.

Governance

Ericsson Nikola Tesla Group and all its employees, together with their colleagues from Ericsson, share a joint responsibility

and commitment to the highest level of integrity and ethics in doing business. Integrity and ethics are an integral part of the company's culture and an essential characteristic of our everyday Way of Working and doing business. Operating with a strong sense of honesty is crucial to maintain credibility and preserve the trust of customers, partners, employees, shareholders and all other stakeholders.

All stakeholders that have a contractual relation with the Group, as well as all employees, are required to adhere to the Code of Conduct and Code of Business Ethics in their daily operations.

Our management system is the foundation of our Way of Working. We responsibly approach our business activities on the highest levels in the company, starting with the Supervisory Board, Management Board, and all the members of Executive Management.

Our Compliance Board is responsible for the overall management of compliance in the Group. The Supervisory Board, the Management Board and the Executive Management are regularly notified on sustainability and corporate responsibility issues.

Our Way of Working

Ericsson Nikola Tesla Group's policies, directives and processes include responsible sourcing, occupational health and safety (OHS), environmental management, anti-corruption, human rights, trade compliance, e-waste, and other important topics. Code of Business Ethics, Code of Conduct, Trade Compliance Policy, Occupational Health and Safety Policy and Sustainability Policy are part of Ericsson Nikola Tesla Group's Management System. In such manner we ensure the integration of sustainability and corporate responsibility into every aspect of our business activities, wherever we do business.

External certification companies and Ericsson Nikola Tesla Group's team for operational excellence and quality regularly verify the way in which we implement the policies and directives, manage risks and achieve our goals.



Code of Business Ethics

All Group employees consider creating a transparent environment in managing business a top priority. With our Code of Business Ethics, we show our commitment to acting honestly

and truthfully in our business and in our communication with the market.

The company is managed in line with the principles outlined in this Code. These standards should be met by everyone, starting from the members of the Supervisory Board, Management Board and Executive Management up to every individual working for Ericsson Nikola Tesla Group.

The Code of Business Ethics reflects the Company's commitment to responsible business management, including:

- the commitments we have as responsible citizens
- respecting human rights in all segments of our business
- taking care of health and safety
- promoting sustainable development
- the support to the United Nations Global Initiative, as stated in the Code of Conduct.

The Code of Business Ethics comprises the rules for all individuals working in Ericsson Nikola Tesla and for Ericsson Nikola Tesla, including:

- the ensuring of absolute compliance with all valid laws, rules and regulations
- the promotion of complete, fair, accurate, timely and comprehensible publication of data in financial reports and other public statements
- appropriate resolving of potential conflict of interests
- protection and proper use of assets.

The Code emphasizes our zero tolerance for all types of corruption. All employees are obliged to read and sign the Code at the moment they become employees of the Company and occasionally during the time spent working in the Company. The Code was updated in 2017, in order to strengthen responsibility in many important areas, including anti-corruption. In 2017, 100 percent of Ericsson Nikola Tesla Group's employees signed the Code of Business Ethics.



Code of Conduct

Our Code of Conduct has been drawn up with the purpose of protecting human rights and promoting fair employment conditions, safety at work, responsible environmental management and high ethical standards. The Code of Conduct

applies to all the employees, contractors and suppliers.

Our suppliers and their subcontractors are also required to adhere to the Code of Conduct or similar standards as well as to confirm such adherence.

The Code is based on ten principles set out in the United Nations Global Compact on human rights, labor, environment and anti-corruption. Moreover, it emphasizes our intention to apply the United Nations Guiding Principles in business.

In 2017, the Code of Conduct was updated primarily to strengthen the responsibility related to anti-corruption, the use of banned and restricted substances and forced labor.

Compliance Officer

In order to intensify the monitoring of compliance on the Group level, especially when it comes to anti-corruption and the application of effective market competition, we have established a new function - Compliance Officer, who reports and participates in the work of Compliance Board.

Reporting non-compliance

Ericsson Nikola Tesla Group's employees may report a suspected breach of a law or the Code of Conduct to the Management Board of the Company.

A tool through which whistleblowers will be able to report non-compliance is being developed.

Education for employees and suppliers

In order to ensure a full application of the Code of Business Ethics and the Code of Conduct in all our business processes and activities, we have ensured various types of education for our employees and business partners:

- Code of Business Ethics

During the process of signing the Code of Business Ethics in 2017, an additional internal video about the Code of Business Ethics was published, providing a short summary of the importance of the role the Code has, including examples, business case studies and other material helping the employees in their daily work.

- Anti-corruption

By the end of 2017, more than 98 percent of the Group's employees completed an online anti-corruption course, whose purpose is to raise awareness of risks, dilemmas and corresponding actions. We also underwent additional anti-corruption trainings for key personnel in sales and other relevant positions with the purpose of raising awareness of risks, dilemmas and corresponding actions.

- Human rights

As of December 2015, we have been providing e-learning education courses about human rights and business for all employees.

- Compliance

Our compliance course is focused on anti-corruption, competition and trade compliance.

- Education for suppliers

We offer a free online course to all the suppliers and all other stakeholders. The course consists of four modules: Code of Conduct, anti-corruption, occupational health and safety and use of conflict minerals.

Corporate governance

Corporate governance describes the way in which the rights and responsibilities are shared between the management bodies in accordance with applicable laws, rules and internal procedures. Corporate governance also describes the way of reaching decisions and the structure through which the shareholders can directly or indirectly control the management of the company. Its long-term purpose is to continuously create economic value for shareholders.

Management Board and Supervisory Board of Ericsson Nikola Tesla d.d. encourage the respect of basic corporate governance principles by striving to ensure transparent business, protection of rights and equal treatment of all shareholders, as well as to strengthen the responsibility towards all stakeholders.

The company's experts continuously, timely and objectively inform the public about all important business activities and achieved results, thus strengthening the public perception of a company that fully implements the Code of Business Ethics.

Good governance of the Company strengthens the trust of all stakeholders, credibility towards customers, partners, employees, shareholders, and others, and represents a significant factor for attracting investments in the Company.

Regulation and compliance

Ericsson Nikola Tesla is a joint-stock company with shares listed on the regular market of the Zagreb Stock Exchange, and accordingly is subject to various laws and regulations impacting the management of the Company. The most significant regulations which affect us are:

- the Companies Act
- the Capital Market Act
- Zagreb Stock Exchange rules
- Croatian Corporate Governance Code
- applicable rulebooks of the Croatian Financial Services Supervisory Agency (HANFA)
- EU regulations.

Internal rules

In order to ensure compliance with legal and regulatory requirements and the high standards we have set for ourselves, we have adopted internal rules which consist of:

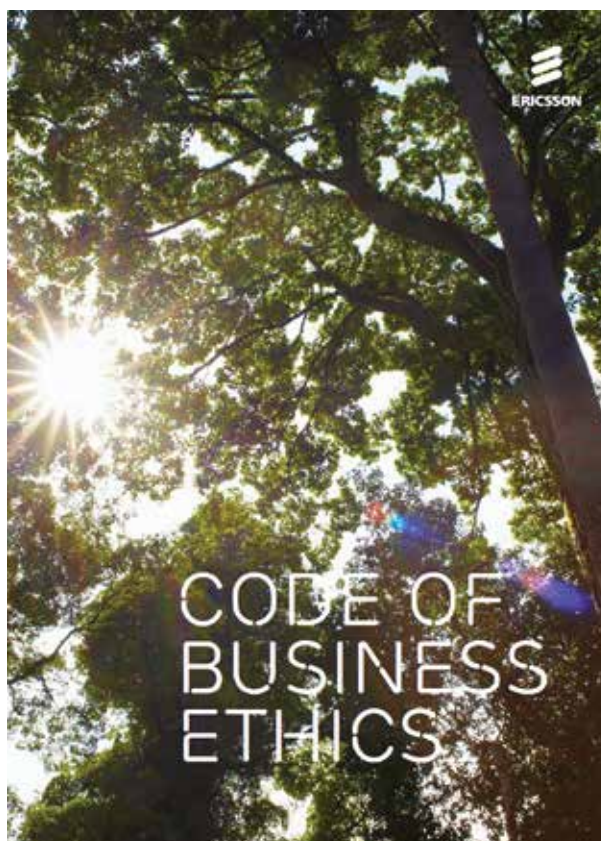
- Code of Business Ethics
- the Group's steering documents, which include the Group's rules and directives, instructions and business processes for risk approval, control and management
- the Code of Conduct related to development of products, manufacturing, supply and support of Ericsson products and services worldwide
- Corporate Governance Principles of Ericsson Nikola Tesla

- Articles of Association and Work procedures of the management bodies.

Code of Business Ethics

Our Code of Business Ethics summarizes basic Group policies and directives and contains rules which ensure business with a strong sense of integrity. This is of key importance for maintaining trust and credibility towards our customers, partners, employees, shareholders and all other stakeholders. Everyone who works for Ericsson Nikola Tesla has an individual responsibility to ensure that business activities are performed in accordance with the Code of Business Ethics.

In addition to the above, Ericsson Nikola Tesla is a signatory of the Code of Ethics in Business, initiated by the Croatian



Chamber of Economy. The mentioned Code defines the guidelines of ethical behavior of business entities in Croatia.

Management structure

The Annual General Meeting is a place where the shareholders exercise their legally established rights.

In addition to the members of the Supervisory Board, elected by the shareholders, the Supervisory Board consists of employees' representative, elected by the Company's employees. The Supervisory Board supervises business activities of the Company. The Management Board of the Company consists of one member which is appointed by the Supervisory Board. The Management Board is responsible for day-to-day management of the Company's business with the support of Executive Management of Ericsson Nikola Tesla. Annual General Meeting selects Ericsson Nikola Tesla's external auditors.

The person in charge of Operational Excellence and Quality regularly reports on its work to the Audit Committee of the Supervisory Board.

Annual General Meeting

Annual General Meeting decides on the election and recall of the Supervisory Board members, profit allocation, discharge from liability of the Management Board and the Supervisory Board, appointment of an independent auditor of annual financial statements, amendments to the Company's Article of Association as well as other issues explicitly defined in the Companies Act and the Company's Article of Association. Annual General Meeting also decides on setting aside prescribed reserves, based on which the Management Board is entitled to obtain own shares which are to be distributed to selected employees.

At the Annual General Meeting the decisions are reached by a simple majority, unless prescribed by law or the Articles

of Association that it needs a larger majority. For example, the Companies Act defines that the decisions reached at the Annual General Meeting related to changes of the Articles of Association and increase or reduction of the share capital are to be reached by the votes which represent at least three quarters of the share capital represented at the Annual General Meeting.

Ericsson Nikola Tesla's Annual General Meeting is held in Zagreb, at the Company's headquarters. The date, time and place the Annual General Meeting is to be held, together with the respective agenda, is published on Ericsson Nikola Tesla's web page at the latest one month before the Annual General Meeting is going to be held with the extension for the days defined for the application of participating.

The shareholders who cannot participate in person at the Annual General Meeting can exercise their right to vote by proxies. All documentation related to the Annual General Meeting is available in Croatian and English.

The shareholders attending the Annual General Meeting are entitled to ask questions which relate to the Group's business. Normally, majority of the Supervisory Board, Management Board and Executive Management members is present at the Annual General Meeting to answer such questions.

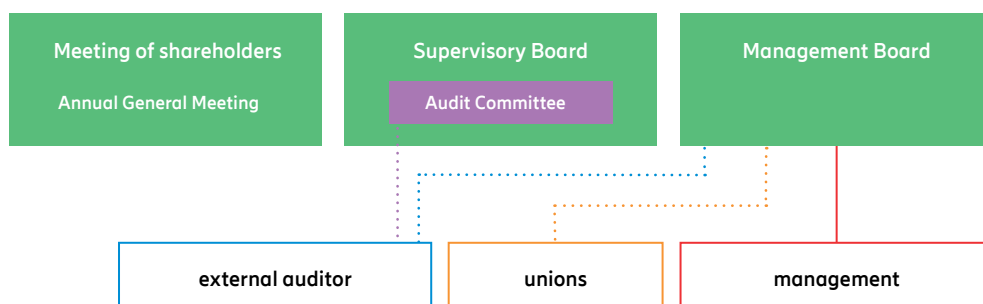
External auditor is present at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the joint stock company Ericsson Nikola Tesla was held on June 6, 2017. The share capital was represented in the amount of HRK 86,747,700.00, which accounts for 65.20 percent of the total Company's share capital. Snježana Bahtijari, Director of Marketing and Communications (incl. CSR), presided the Annual General Meeting.

In addition to the shareholders' representatives, Management Board and members of the Executive Management, the Annual General Meeting was attended by the members of the company's Supervisory Board: Roland Nordgren, the Chairman of the Company's Supervisory

Management structure



Board, and members Ignac Lovrek, Vidar Mohammar, Dubravko Radošević and Zvonimir Jelić.

- At the Annual General Meeting the decision was passed that the Company's shareholders shall be paid a regular dividend amounting to HRK 20 per share and an extraordinary dividend amounting to HRK 70 per share, i.e. a total of HRK 90 per share from 2015 retained earnings, reserves available for payment, and Company's net earnings realized in the financial year 2016. The dividend payment was effected on July 6, 2017 to Company's shareholders who had the Company shares registered on their securities account in the Central Depository & Clearing Company on June 12, 2017.
- A decision was adopted to allocate the Company's net income for the financial year 2016, amounting to HRK 109,566,640.01, for dividend payment in the amount lacking after the use of unallocated retained earnings, and that the rest is allocated into retained earnings.
- Supervisory Board report on performed supervision in 2016 was adopted.
- The Company's Managing Director, Gordana Kovačević, as well as the Chairman and the members of the Supervisory Board were discharged from liability for exercising their duties in the year 2016.

- As proposed in the agenda, a decision was reached for amendment of the Company's object of business and amendment of Company's Articles of Association.
- A decision was reached on the election of Arun Bansal as a member of the Supervisory Board instead of the current member and president of the Supervisory Board Klas Ronald Nordgren.
- It was decided that PricewaterhouseCoopers d.o.o. is reappointed as the auditor for the Company's business performance in 2017.

Annual General Meeting in 2018

Ericsson Nikola Tesla Annual General Meeting shall be held on June 20, 2018 at 4 p.m. at the Company's headquarters, Krapinska 45, Zagreb. Additional information is available at Ericsson Nikola Tesla's web page.

Supervisory Board

The main task of the Supervisory Board is to supervise the Management Board in managing business. Ericsson Nikola Tesla's Supervisory Board consists of five members, appointed for a four-year term with the possibility of re-election. In its work the Supervisory Board shall apply high ethical standards and take into account the interests of the Company and its shareholders.

Ericsson Nikola Tesla d.d. Annual General Meeting



The Company's Management Board regularly informs the Supervisory Board on all important business events and course of business operations.

The Supervisory Board reports to the Annual General Meeting on the supervision of business operations, gives the opinion on the Management Board proposal on the profit allocation and proposes the appointment of the Company's Auditor.

In line with the decision of the Annual General Meeting, the members of the Supervisory Board receive a monthly remuneration amounting to half of the average monthly gross salary of the Company's employees. The representatives of the largest shareholder Ericsson do not receive the remuneration in accordance with the corporate policy. Additional information on the remuneration is available in Note 25.b. "Key management compensation".

Supervisory Board operation

Pursuant to provisions of the Companies Act and Ericsson Nikola Tesla d.d. Articles of Association, Ericsson Nikola Tesla d.d. Supervisory Board continuously monitored Company's business operations, making decisions and conclusions at four regular and two extraordinary meetings held during 2017.

In 2017, Supervisory Board members were:

Arun Bansal (Chairman since June 6, 2017)
 Klas Roland Nordgren (Chairman until June 6, 2017)
 Ignac Lovrek (Vice-Chairman)
 Vidar Mohammar (Member)
 Dubravko Radošević (Member)
 Zvonimir Jelić (Member and Employees' Representative).

The financial results, situation on domestic and export markets, and trends in ICT industry were discussed in detail at the meetings. Further topics of discussion were as follows: business plans and strategic projects, business risks, investments, innovation management, and issues regarding human resources and shareholders. In addition, the Supervisory Board continuously monitored the development of business and responsibilities of the R&D Center, Digital Services & Customer Operations Center, Network and Media Center and IT & Test Environment Unit.

The topics of the Supervisory Board extraordinary meetings were: dividend payment, approving annual financial reports for 2016, defining objectives for 2017.

Supervisory Board also analyzed and approved the Ericsson Nikola Tesla Group Business Strategy 2017-2022, and transformation programs aimed at further business development.

Audit Committee operation

The Audit Committee is a specialized subcommittee of the Supervisory Board. In 2017, members of the Audit Committee were: Ignac Lovrek (Chairman), Vidar

Mohammar (Member) and Vesna Vašiček (Member since February 21, 2017).

In 2017 the Audit Committee held four meetings during which the Committee discussed annual financial performance, annual financial statements, 2017 audit plan, audit findings, internal control and risk management system, and performed other tasks in line with the EU and Croatian audit legislation. The Audit Committee had regular meetings with external auditors to discuss the audit plan as well as auditors' observations related to annual financial statements. Furthermore, the Committee held regular meetings with members of the team for operational excellence and quality in order to discuss the internal audit's plan and reports as well as risk and safety management system.

At the beginning of the year, the Audit Committee adopted new operational rules as well as the policy for approving non-audit services, which are performed by an external auditor.

The Audit Committee regularly presented its conclusions and recommendations to members of the Supervisory Board.

Management Board

The role of the Management Board in the management of Company's business is defined by the Companies Act, Articles of Association and Ericsson Nikola Tesla's internal rule books. The Management Board is obliged to consciously perform its duties, taking into account the Company's and its shareholders' interests. Ericsson Nikola Tesla has a one-member Management Board, Managing Director appointed by the Supervisory Board for a five-year term, with the possibility of re-election. Gordana Kovačević has been the Managing Director since January 1, 2005, and currently, this is her third term of office.

The Management Board has the following non-transferrable rights and obligations:

- to develop, discuss and approve Company's strategy and business plan and to ensure its application
- to regularly inform the Supervisory Board on financial and business results, strategy and business plans as well as other issues which are important for the Company's business
- to ensure basis for business and for that purpose adopt appropriate acts and standard business procedures
- to organize consistent accounting and financial control in accordance with the applicable regulations and financial planning
- to define business organization, appoint and recall management to establish effective organizational structure as well as define principles for remuneration to management

- to monitor whether the work of the management is in accordance with the current laws, Articles of Association and Management Board's decisions as well as the business plan
- to evaluate first line managers and ensure succession and development plan
- to prepare in accordance with the Croatian Companies Act as well as other current regulations the report on business performance and to indicate deviations in the actual business development compared to previously defined plans and goals and to state the reasons for this
- to prepare the holding of the Annual General Meeting of the joint stock company and execute reached decisions.

The Management Board is obliged to take into account the best interest of the Company and may not, while making decisions, be driven by personal interests or use Company's business opportunities for itself. The Management Board is obliged to immediately inform the Supervisory Board on the conflict of interest.

The salary and other compensations of the Management Board are defined by the Supervisory Board and they depend on the Company's business results.

Executive Management

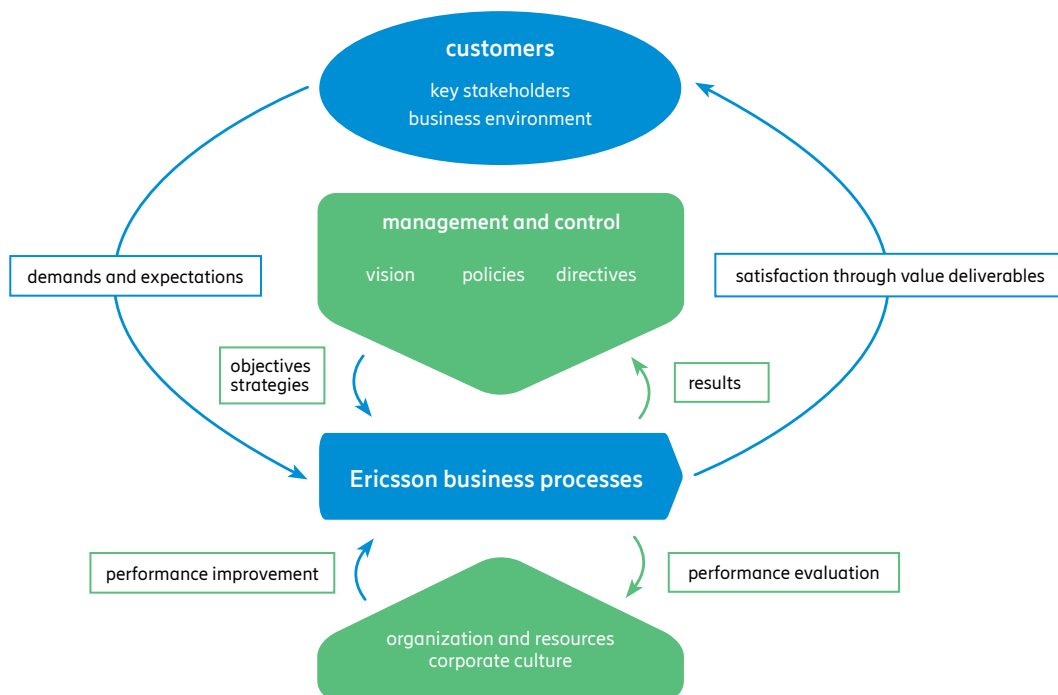
Ericsson Nikola Tesla's Executive Management consists of the Managing Director and directors of the main organizational units.

The Managing Director is responsible for management of the daily business and in her work is supported by other members of the Executive Management.

Executive Management:

- defines the Group's strategy and policy and establishes a strong corporate culture
- defines goals for operational units, allocates resources and monitors the work of individual units
- ensures operational excellence and creation of synergy through efficient organization of the Group.

Management system



Additional information on the members of the Executive Management and their remunerations can be found in the chapter under the title Profile of the parent company and its affiliated companies and Note 25.b. "Key management compensation".

Management system

The Group's management system encourages corporate culture and ensures management of the business:

- to meet the main stakeholders' (customers, shareholders and employees) goals
- within defined risk limits and with reliable internal control
- in accordance with relevant laws, Code of Corporate Governance and stock exchange rules.

Management system is a framework which consists of rules and requests for Group's business, defined by described processes and organization, policies, guidelines and instructions. Management system is based on ISO 9001:2015 (international standard that specifies requirements for quality management system), ISO 14001:2015 (international environmental management standard), OHSAS 18001:2007 (international occupational health and safety management standard) and ISO 27001:2013 (international information security management standard), but it is designed as a dynamic system which enables the Group to adapt the system to varying requirements and expectations, including the new legislation as well as customers' and other stakeholders' requests.

Members of the operational excellence and quality team perform internal control of processes and activities. The focus is on the improvement of the integrated management system, execution of the strategy, management of the business processes, reporting and performance management.

In implementing its strategy and achieving business goals, the Group is faced with unfavorable market conditions and various risks on a daily basis. The Company's Management System takes these risks into consideration and enables their timely identification, analysis and assessment, as well as taking appropriate preventive measures to eliminate or mitigate them. Risk management is incorporated into all business segments and all operative processes through the Management System, with the aim to ensure:

- responsibility
- efficiency
- uninterrupted business
- compliance with corporate governance, legal and other requirements.

Managers of all organizational units in the Group, together with the employees, actively participate in the risk management process.

Ericsson Nikola Tesla d.d. regularly certifies its Management System through independent certification authorities, and holds the following certificates:

- ISO 9001:2015 - Certificate for Quality Management System, including Marketing, Sales and Delivery of ICT Solutions, Products and Services (EY CertifyPoint, The Netherlands)
- ISO 9001:2015 - Certificate for Quality Management System, including Research and Development in ICT Software (SIQ, Slovenia)
- ISO 14001:2015 - Certificate for Environmental Management Systems, including Marketing, Sales and Delivery of ICT Solutions, Products and Services (EY CertifyPoint, The Netherlands)
- OHSAS 18001:2007 - Certificate for Occupational Health and Safety Management System, including Marketing, Sales and Delivery of ICT Solutions, Products and Services (EY CertifyPoint, The Netherlands)
- ISO 27001:2013 - Certificate for Information Security Management Systems, including Marketing, Sales, Development and Delivery of ICT Products, Solutions and Services (EY CertifyPoint, The Netherlands)

External auditors

External independent auditors, appointed by the Annual General Meeting, perform the annual audit of the financial statements and business reports to ensure independent, objective view on the way the financial report is prepared and presented. The independent auditor's report to the Annual General Meeting is an integral part of the Annual Report.

PricewaterhouseCoopers d.o.o. was chosen as the Company's auditor for the year 2017. A new audit company shall be appointed by 2019 at the latest.

We respect human rights

Ericsson Nikola Tesla Group has zero tolerance for the infringement of any human right. The Group has formally pledged to do so when it implemented the UN Guiding Principles on Business and Human Rights and the Code of Business Ethics in its business processes and operations.

In the Code of Business Ethics, it is clearly stated that it should be implemented by everyone working for the company, under the guidance of the company's management team or on its premises, whether they are an employee, a subcontractor or a private contractor. A special addition is the instruction about communication and conflicts of interest, which is aimed exclusively at the employees.

The very process of adopting the Code of Business Ethics is one of the ways in which the employees' awareness about the importance of implementing the Code is raised, and it serves as a reminder about basic policies and directives which everyone should adhere to. Therefore, every few years, a process of re-adopting the Code of Business Ethics is conducted, especially if changes were made to the Code in the meantime.

New opportunities, new challenges

In recent years, the world, just as the technology, has intensively changed, which has resulted in the appearance of

completely new challenges in the human rights domain, such as the problem of privacy and security in the digital society.

Ericsson Nikola Tesla shares Ericsson's commitment to the idea that the right to communication is a basic human right. As an ICT leader, which uses its advanced technological solutions to create a quality infrastructure for communication, we believe that it is important that every individual can enjoy his or her right to accessible and free communication. This right, on the other hand, may neither collide with a person's right to the protection of privacy and safety in the physical and virtual sense, nor may it be abused.

Nowadays, information and communications technology offers different platforms for the freedom of expression and association on an economic, social, culture and every other ground. Even though we encourage its use due to the numerous concrete benefits to the society, economy and individuals, we strongly oppose manipulations, illegal government control, hate speech, cyberbullying and other similar prohibited actions.

Preventing violence by educating the youth

Lately the society has often faced the problem of violent behavior among the young, accompanied by inappropriate activities on social media. As a socially responsible company, in our Open Doors Program organized for school and college students, through which on a yearly basis we get visits from nearly one thousand young people, we send clear messages about the role technology plays, which is to empower individuals and the society, rather than to endanger anyone on any grounds.





For a greater security of senior citizens

Within the action called Croatia Volunteers 2017, in collaboration with the Croatian Red Cross and the Red Cross City Society, networked society workshops were held for our senior citizens in May. At these workshops, our experts familiarized senior citizens with modern information and communications technologies. This was an opportunity to find out more about the basics of using tablets and learn more about the benefits of using technology on practical examples. Since senior citizens are not sufficiently informed about cybersecurity and are considered to be a vulnerable group in this regard, they were especially familiarized with potential risks in the domain. The participants were given free tablets, which they could keep to themselves, and every participant got a handbook containing basic instructions about the use of technology in everyday life.

In general, Croatia is one of the countries that are not identified as the countries with severe threats to human rights, such as child labor and modern slavery, but the situation in the field of infringing the so-called silent human rights is being monitored and corrective measures are being applied.

Except on a national level, according to the UNGP Reporting Framework, companies too have a monitoring and improving obligation because of their potential negative impact through business relations and collaborations. In this context, Ericsson has detected the following three areas: freedom of expression, the right to privacy and the right to work. Ericsson Nikola Tesla Group insists on these three areas as well.

Raising awareness as the first step

Even though by adopting the Code of Business Ethics all Ericsson Nikola Tesla's stakeholders are obliged to respect

human rights, the company additionally encourages all parties, particularly its employees, to follow the good practice first, and then the prescribed requirement. They have at their disposal a set of courses in the e-Learning academy, with the purpose of familiarizing the employees with events and trends in human rights, referential risks, as well as teaching them how the company acts in certain situations. The mentioned programs are two hours long, and it is recommended that every employee takes them.

With respect to the Code of Business Ethics, its adoption is obligatory for all employees. All employees, over 3000 of them, completed the one-hour course. Learning about the Code of Business Ethics is an integral part of the introductory seminar for the newly hired, and the existing employees are obliged to refresh their knowledge and adopt the changes every time when the company harmonizes with the revised Code. Moreover, all the concerned policies and directives are available on the company's intranet and Internet pages.

Our focus is on the right to privacy

Globalization supported by intensive technological development with a series of positive, unquestionably has negative, i.e. undesirable effects, including those related to compromising personal data on many levels. It was recognized by the European Union, and the EU Parliament, after years of discussion, in 2016 adopted the General Data Protection Regulation - GDPR which will be directly applied in all EU member states starting May 25 this year.

The Regulation unifies the laws related to data protection across the Europe and protects all EU citizens by revising the way various organization across the continent approach to data protection. The application of GDPR, i.e. prescribed protection of personal data of business partners, customers and employees, is therefore one of our main tasks.

Since the personal data set consists not only of a name and a surname, address, phone number, e-mail address, but also of IP and MAC address, web site cookies, as well as education data, professional qualification, salary, bank accounts and loans, which are all necessary for regular business operations of companies with their own web pages and employees' databases, it is difficult to imagine any larger modern-day business entity to which the mandatory application of GDPR does not refer.

So far, Ericsson Nikola Tesla has not had any complaints related to breach of privacy, since we tackled this complex

challenge from three fundamental aspects: business, legal and technological, i.e. ICT aspect, and therefore we primarily focused our activities on people, tools and processes.

We appointed a Data Protection Officer (DPO), and with a series of obligatory educational courses for employees we raised awareness of the situation on a very broad basis. We conducted a data and process analysis using the so-called DPIA (Data Privacy Impact Assessment) form, assessed the risk and made a proposal for the solution and carried out its implementation in more than 150 work processes, tools and solutions we offer to customer and business partners. After the implementation of those solutions and the control in accordance with GDPR requirements, we established a monitoring system, so the new way of personal data processing has become an obligatory part of the operational practice, i.e. of business processes at Ericsson Nikola Tesla.



Source: <http://gdprinstitute.eu/>

The principles of collecting and processing personal data

In every business activity, we bear in mind that all our customers, business associates and partners as well as our employees are primarily people with personal integrity. Therefore, by protecting their personal data, we actually protect their personal integrity. The basic principles we adhere to are:

1. precise identification of the purpose for which the personal data is collected, stored, used and/or processed
2. all individuals whose data is collected, stored and used, have the right, in accordance with the valid laws and GDPR, to choose and approve or refuse the corresponding consent
3. the purpose of data collection is always clearly indicated in the attached notification
4. only data for which the individual provided its express consent is used and stored
5. we try to ensure that the available data is accurate and up-to-date
6. we actively work on safeguard mechanisms for the protection of personal data privacy in order to protect them from unauthorized access and use
7. we create new and improve the existing processes in a way which ensures compliance with all privacy frameworks.

Sales process includes the respect for human rights

Our commitment to respecting human rights is fully expressed in sales processes. It is based on Sales Compliance policy and process, which regulate actions in all types of sales (directly or indirectly) and in all types of business connections. They protect the brand, stakeholders' interests and exhibit responsible behavior in all business segments.

All aspects covered

Sales Compliance process enables a good quality assessment, prevention and mitigation or neutralization of potential negative impacts in the field of human rights and brand reputation, preventing in such manner any harmful, inappropriate or unauthorized use of our products, solutions, etc.

The assessment is carried out according to the following criteria: product type (are these products, services or knowledge sensitive), their purpose, customer (from the aspect of ownership structure) and the country (is it one of the high-risk countries when it comes to limiting human rights, corruption, freedom of expression, the right to privacy, based on global analyses).

Lack of knowledge is not an excuse

In addition to adhering to Sales Compliance, the Company uses another important process for the protection against misuse. This is Trade Compliance, which is made of specific laws, rules and regulations, both on national and

international level. In addition to the obligation to apply all the legal regulations as a legal person in Croatia, we are also obliged to apply it as a part of a corporation which operates in an international business environment, especially when exporting and importing products and services to and from countries on which trade embargo has been imposed.

Ericsson Nikola Tesla Group's employees must be familiarized and are obliged to comply with all the applicable national and foreign laws, rules and regulations, such as export and import regulations, anti-boycott provisions, trade embargo and sanctions that are in force. The employees having questions regarding trade compliance have at their disposal local and corporate regulations as well as employees in charge of the processes and their implementation.

Activities

In 2017, Ericsson Nikola Tesla submitted 17 requests for the sales compliance verification procedure for our customers and partners. All 17 of them met all the default criteria.

Sales compliance risk methodology

country classification

- Sales Compliance core team classifies every country according to the level of risk: low; medium; high.

customer classification

- Customers are classified as: civil customers or government and defense customers.
- Civil customers are connected to the country risk classification.



technology risk

- Sales Compliance core team classifies products and services risk level as: low; medium; high.

purpose of use

- Sales Compliance Board will evaluate the customer purpose with the project and make a decision: approved, approved with conditions or rejected

Zero tolerance for corruption

Ericsson Nikola Tesla Group has zero tolerance for bribery and corruption. As part of our commitment to raising business standards and greater transparency and responsibility, Ericsson corporation, whose associated member we are, is the signatory of the World Economic Forum Partnering Against Corruption Initiative (PACI).

We have embedded zero tolerance for corruption as the leading principle and the way of working on the highest management levels of the Company and implemented it in the entire organization, along with a comprehensive set of rules and processes. Our Compliance Board is responsible for the overall management of compliance in the Group. We continuously improve our compliance program.

Corruption entails serious legal and reputation risks; it hinders business growth; it harms relationships with the employees, customers, shareholders, suppliers and the society as a whole, and it represents a significant obstacle to the economic and social development in the countries across the world. In 2017, we had zero reported cases of corruption.

Our approach

Even though we have made significant progress in the field of compliance and anti-corruption in recent years, we continue to strengthen rules and processes through which we set high expectations and ensure the ability of meeting strict anti-corruption regulations on all our markets. Code of Business Ethics and Code of Conduct are two main policies that describe our commitment to anti-corruption.

We continuously encourage our approach to anti-corruption at employee and Executive Management meetings. The person in charge of compliance also continuously carries out a corruption risk assessment.

All the Group's employees are regularly educated and pass the knowledge test regarding anti-corruption; following education programs and knowledge tests, newly employed persons certify with their signature that they agree to follow the Ericsson Anti-corruption Policy.

Anti-corruption is one of the important components of internal audits.

The Group aims to do business in a responsible and legal way, and it requires from its subcontractors and suppliers to do the same. We reduce corruption risks in a way that we continuously state our commitment to anti-corruption to our suppliers and other business partners through our Code of Conduct and education system.

Suppliers and business partners

We build long-term relationships with our suppliers and business partners, which imply dialog, knowledge sharing and application of modern-day working models. We require from the suppliers and their subcontractors to comply with high-quality standards, the Code of Conduct and the Code of Business Ethics. In 2017 we continued with introducing tools for anti-corruption, in order to carry out an in-depth analysis of suppliers and business partners. Every year, the Company's auditors, using a survey drawn up in line with standards, carry out an external assessment of major domestic suppliers' quality.

Our anti-corruption tools

- Code of Business Ethics
- Code of Conduct
- Compliance Line
- Anti-corruption program
- screening tools
- education
- raising awareness

Key elements of the anti-corruption program

- leadership and culture
- policies and processes
- compliance organization
- risk assessment
- education and communication
- awards and sanctions
- third-party management
- complaints and investigations
- monitoring and examination
- M&A due diligence.

2017 highlights

- 100 percent of employees signed the Code of Business Ethics
- anti-corruption is a prominent topic in the Group's Executive Management meetings
- employees take an anti-corruption online course with the purpose of raising awareness of risks, dilemmas and corresponding actions.

Responsible sourcing is our priority

The Group ensures that high standards are applied in all its business processes and in relation to all stakeholders. Responsible sourcing and meeting high standards in this area represent a major priority in our sustainable business chain.

Supplier Code of Conduct

The responsible sourcing program ensures high standards in the supply chain in relation to Ericsson Nikola Tesla Group's requirements in areas related to labor, the environment, human rights, fight against corruption, which are applied to all suppliers. In the program, an approach based on risk assessment is used to ensure efficient management of environmental and social impacts by conducting a risk assessment for suppliers, regular supplier audits, verifications, comparisons of performance and other activities which ensure compliance with the Code of Conduct and the Code of Business Ethics. The Code of Conduct itself is based on the United Nations Global Compact principles.

Good quality practice

During the sourcing process, we verify the suppliers as well as their fulfillment of obligations stated in the Supplier Code of Conduct. At the beginning of the cooperation, and afterwards if necessary, Ericsson Nikola Tesla provides a Self-Assessment Questionnaire to the suppliers which includes specific questions from the Supplier Code of Conduct application areas.

The next important activity within the responsible sourcing program is risk assessment. As proposed by the expert team, in 2017 a risk assessment process was conducted for 21 suppliers. Based on the assessment, a plan was prepared in accordance with which 10 suppliers were assessed on their sites. Owing to them, areas needing improvement were identified; these areas are communicated to the suppliers through the Report. The suppliers took corrective measures within the specified period of time and informed us thereof. The result of conducted assessments are 3 findings and 10 observations (which were resolved in a short period) and a significant number of good practices.

At the same time, a general rule is in effect which regulates that Ericsson Nikola Tesla Group during the entire business cooperation monitors the effectiveness of key suppliers through the criteria contained in the Supplier efficiency monitoring form which, among other things, comprises the application of Supplier Code of Conduct.

Being principled and informed

Ericsson Nikola Tesla conducts a series of other verifications of its suppliers by searching the relevant domestic and global databases (supplier's prudential information, list of sanctioned business entities etc.).

It must be noted that the requirements from the Supplier Code of Conduct are an integral part of all Ericsson Nikola Tesla's

General Purchase Agreements and by signing it, the suppliers fully accept them.

Ericsson requests from the suppliers and their subcontractors to comply with the Code of Conduct or equivalent standards, which may request higher standards than those prescribed by the applicable law. On request, the Supplier is obliged by providing information to Ericsson Nikola Tesla or its representative and/or by enabling access to its premises, to confirm that both the supplier and their subcontractors are compliant with the Code of Conduct.

Notification obligation

The Suppliers are responsible for ensuring that their employees and subcontractors are notified of the Code of Conduct and that they comply with it. The Suppliers must notify Ericsson Nikola Tesla if they detect there has been any violation of the Code of Conduct in their business. This Code of Conduct encompasses, when necessary, specific requirements for the suppliers related to occupational health and safety as well as environmental protection.

These requests are described in detail in the following documents: Ericsson General Supplier Occupational Health and Safety Standards, Ericsson Specific Supplier Occupational Health and Safety Standards and Supplier Environmental Requirements. Those requirements are contained in the instructions to which stated documents refer.

Ericsson Nikola Tesla Group continues its long-term practice of proactive impact on its suppliers by inviting them to take online courses related to the Ericsson Supplier Code of Conduct, anti-corruption and occupational health and safety. In 2017, more than seventy new suppliers and their employees accessed these online courses and informed us about that.

Reporting non-compliance

Employees, suppliers, customers and other partners, associated with Ericsson Nikola Tesla, can report suspected infringements of the law or the Code of Conduct to the local executive manager or in a manner in accordance with the locally established procedure.

In the interest of Ericsson Nikola Tesla employees' health, in the previous period, cooperation with the former supplier of drinking water in water dispensers was terminated, because the condition found during supplier verification at their site was not acceptable. In addition to business process, quality and environment aspects, additional verifications showed socially irresponsible behavior of this supplier in the form of accumulated tax debt and the cooperation was terminated.

Taking care of the employees' health and occupational safety

Ericsson Nikola Tesla systematically takes care of its employees' health and work conditions.

The most important activities in 2017 are listed below.

Implementation of Occupational Health and Safety Management System – OHSAS Standard 18001

As an associated member of Ericsson corporation, Ericsson Nikola Tesla holds the OHSAS 18001 Certificate. Our policy is that protecting our employees' health and their safety is our priority. Therefore, in 2017, we continued to conduct activities related to occupational health and safety. In line with the Occupational Health and Safety Act, we conducted an evacuation exercise at the location in Split. The results of the exercise have shown that it was well organized, and that the employees had a high level of training in case of emergency situations.

Annual OHS Legal Compliance

All entities in Ericsson Nikola Tesla Group were included in the process of verifying legal compliance and all of them are fully compliant with local OHS and environmental laws and regulations and there are no open issues.

The evaluation is carried out by reviewing the existing rules and measures in the company and by comparing them with the relevant legislation. Every applicable law and its amendments, if any, are reviewed in accordance with the instructions, Way of Working, safety regulations etc. OHS rulebook is a document which describes the application of OHS laws and regulations in Ericsson Nikola Tesla. The document is regularly updated after the publication of new laws and regulations, which are then applied in the occupational health and safety system of the entire Group.

Implementation of Occupational Health and Safety Management System

Just as in several previous years, a greater number of new employees was employed in 2017. They underwent training in occupational health and safety to be able to work in a safe way.

Five injuries occurred while commuting to/from work.

Group's OHS intranet pages are regularly updated with new content. In this way, all necessary OHS information is available to all employees at any time.

Occupational Health and Safety Committee meetings in Zagreb and Split are held regularly within legally prescribed deadlines four times a year. On August 1, 2017, Ericsson Nikola Tesla d.d., Ericsson Nikola Tesla Servisi d.o.o., Ericsson Services d.o.o. and Libratel d.o.o., in accordance with the Occupational Health and Safety Act,

signed a new Contract on the founding of a common OHS service.

Employees' OHS commissioner is an employee who is in accordance with the Occupational Health and Safety Act elected to represent employees' OHS interests. In Ericsson Nikola Tesla d.d., the employees elected 23 OHS commissioners. This represents approximately one percent of the total number of employees. One representative of the employees' commissioners participates in the work of the OHS committee as a member. This is the coordinator elected by the commissioners between themselves to represent them in the OHS committee.

Testing the work environment

In 2017, on the Group's premises began a regular periodic testing of work environment parameters. The testing was organized in cooperation with Institut za sigurnost d.d. from Zagreb.





Regular medical checkups

All the company's employees are entitled to a regular full medical checkup. Employees younger than 35 have full medical checkups once every three years; employees aged 35-50 are entitled to have their checkups once every 2 years; and employees older than 50 can have their checkups every year. The results of the checkups are regularly presented and analyzed in OHS committee sessions. For employees traveling to countries at risk, the checkups are performed when necessary. As required by law, eye examination for the employees' working with computers is performed continuously and in line with the rules.

Occupational physician

Occupational health and safety experts and occupational physician continue to cooperate on a high level as ever. The aim of the cooperation is the constant improvement of work conditions, which positively impacts the health and safety of our employees, thus contributing to a higher level of their satisfaction at work.

Recreational activities

On the company premises, various sports and recreational activities were organized in accordance with the programs

Health-friendly company

A high level of care the employees receive from the company was recognized by the Croatian Institute of Public Health. The Institute is carrying out a project called "Healthy Life". One of its elements is named Health and workplace and is co-financed by the European Social Fund. The aim of the project is to additionally encourage the employers to take care of their employees' health, as well as to give a recognition to good business practices by awarding them a "Health-Friendly Company" certificate. Following a successful evaluation and a great number of topical education programs, Ericsson Nikola Tesla became a proud holder of the Health-Friendly Company certificate.

adjusted to the needs of our employees. Among other activities, it is also possible to participate in the work of our tennis group, which has tennis courts built and regularly maintained by the company at its disposal.

Employee education and training

In 2017, a significant number of new employees was recruited. All the newly employed passed an introductory seminar and an OHS test, gaining theoretic knowledge and practical experience needed for them to work in a safe way. All students working on various projects in the company

also undergo trainings for them to be able to work in a safe way. For all new managers, employer's authorized persons, additional courses and tests on the intranet were organized. The goal of investing into employee training is to raise their awareness of the importance of implementing OHS instructions and rules, and the final goal is that our employees, and other persons included in the work processes, work in a safe way.

Health-Friendly Company

Associate professor Danijela Štimac Grbić, PhD,
head of the Health and workplace component of the "Healthy Life" project:

"By promoting health in the workplace, we invest in the community's productivity and development. Through activities of the "Health-Friendly Company", the main part of the 4th component of the National Healthy Life Program, we aim to motivate and encourage companies to invest and improve the employees' health. We are happy that Ericsson Nikola Tesla d.d. recognized the significance of promoting health and joined the project. After the initial evaluation, whereby a high level of care for the health of employees was identified, educational workshops were held for the company's employees, encompassing areas of promoting healthy nutrition and physical exercise, promoting nonsmoking and not consuming alcohol, as well as promoting mental health and psychosocial risks at the workplace. The public health care initiative which was particularly successful was the one focusing on Smoking and Drinking modules, i.e. Promoting nonsmoking and not consuming alcohol. In a fun and interactive way, the participants had the opportunity to become aware of the advantages of nonsmoking and not consuming alcohol, as well as to measure their blood pressure and body weight by anthropometric measurements with a brief consultation on proper nutrition, which resulted in a great response and satisfaction reflected in the performed evaluation."



It all starts with people

Our employees are key not only to the Company's success and future but also to the continuation of our leadership in the field of contemporary technologies and services.

Fundamental values

We are focused on attracting the best talents, giving support to their professional and career development, creating a work culture that includes and encourages diversities and enables producing high work performance.

Our fundamental values – respect, professionalism and perseverance – define our corporate culture and guide us in our everyday work and the way we do business. They guide us in our commitment to our customers and their success. In our everyday work we are aiming at trust, innovations and performance.

The strategy of managing people

We base our strength on the synergy of youth and experience of four generations working together. Our strategy of managing people has three main elements:

- **Culture:** great results, ensuring success on the market; inclusive environment, respecting diversity; our fundamental values that are the foundation of our culture: professionalism, respect and perseverance
- **Collaboration:** digital business; sharing knowledge with the aim of strengthening innovations; promotion of Ericsson brand
- **Possibilities:** build organization possibilities; top competences for the production and delivery of the best solutions; creating changes that stimulate growth.

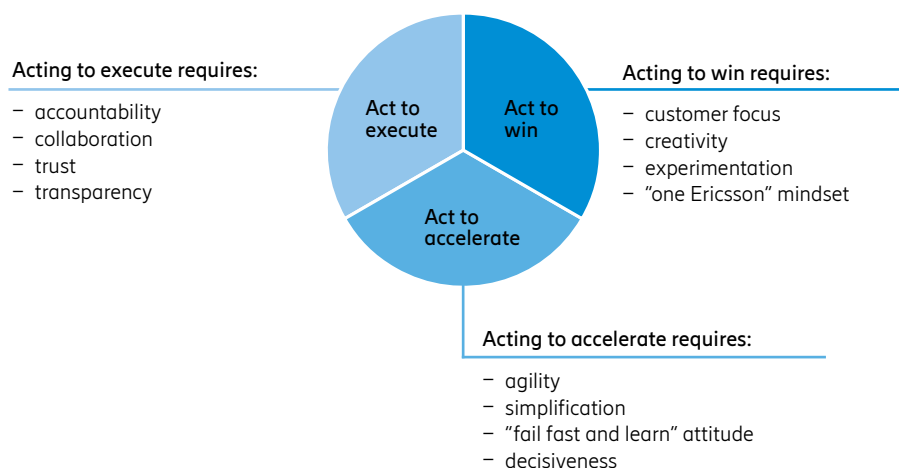
Company culture

Even though the fundamental values have remained unchanged, in 2017 a major initiative was undertaken on the corporation level; the aim of the initiative is to impact the further development of our company culture, in order to give the best support possible to the focused business strategy and a faster business development on all markets where the Group operates. The developed model represents our wanted position and instructions on how to behave and which habits should the employees have in order to define a unique Way of Working in the entire Ericsson corporation. In 2018, we will continue working on creating such company culture and vision, where every employee will be proud to be part of such team.

Organization changes

We continuously work on harmonizing our organization with market requirements and needs, with the purpose of ensuring and increasing competitiveness. In this light, our cost-efficiency program continued in 2017. Sharing information and consultation with the Union regarding all the important topics has been performed in line with the law and when foreseen by the Collective Agreement. All the Collective Agreement provisions are applied to all the Group's employees. The employees are regularly and timely informed about all important topics which are subject of the agreement with the Union.

Our cultural sweet spot



For the young employees and their families

We also carry out activities related to relieving stress by giving good opportunities to find a balance between work and personal life. It is well known that young families are facing a big problem related to finding a kindergarten and young parents struggle to reconcile work and family life. In order to give the parents time to dedicate themselves to their job and the development of new competences, with the help of the City Office for Education, Culture and Sport and "Bajka" kindergarten, the Company has agreed on and provided co-financing of a special program for accommodation of employees' children in a separate kindergarten class. This program goes beyond standard frameworks of the city's kindergartens with the aim of providing a more quality accommodation to the employees' children in the immediate vicinity of the Company. Cooperation and organization of educational classes in "Bajka" kindergarten is the first such form of public-private partnership in the pre-primary education field in Zagreb and at the country level.

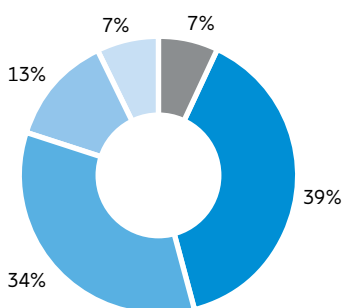
A strong sense of purpose

Sustainability and social responsibility as the key elements of Ericsson's brand are extremely important for current and future employees of the Group. Our employees share a strong sense of purpose, which is connected to the Company's commitment to sustainability and social responsibility, which means that Ericsson Nikola Tesla Group is a "company with a sense for people" where the employees, due to the leading role of the company in digital transformation, are enabled to have a personal impact on the positive changes in the society.

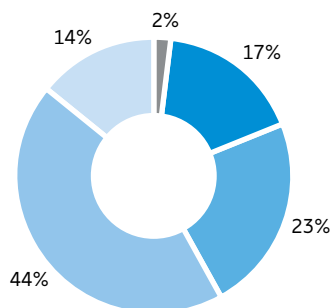
Mentoring new employees

In the last years, Group's business performance has been marked by a large number of newly employed young educated people without work experience. In order to introduce young employees into working processes as quickly as possible and in the best possible way, as well as to prepare them to be able to work on their own, over the years, we have trained a number of mentors who provide expert help and support to new employees. Good mentor relationship has its true value if it is based on emotional connection, trust and focus on gaining new knowledge and developing new competences. A well thought mentor's evaluation template enables the mentor to perform a high-quality assessment of the trainee during the trainee period, for example trainees' progress, development, necessary knowledge and skills as well as additional recommendations. Regularly, once a year, we conduct an employee satisfaction survey among newly hired employees. The aim is to hear their opinion on the organization and work conditions, as well as the work environment, the level of knowledge about strategic objectives and tasks, opportunities for education and career advancement options, mentoring, etc. The survey results are used to create corrective measures with the objective of improving this important process.

Employee structure by age (as at December 31, 2017)



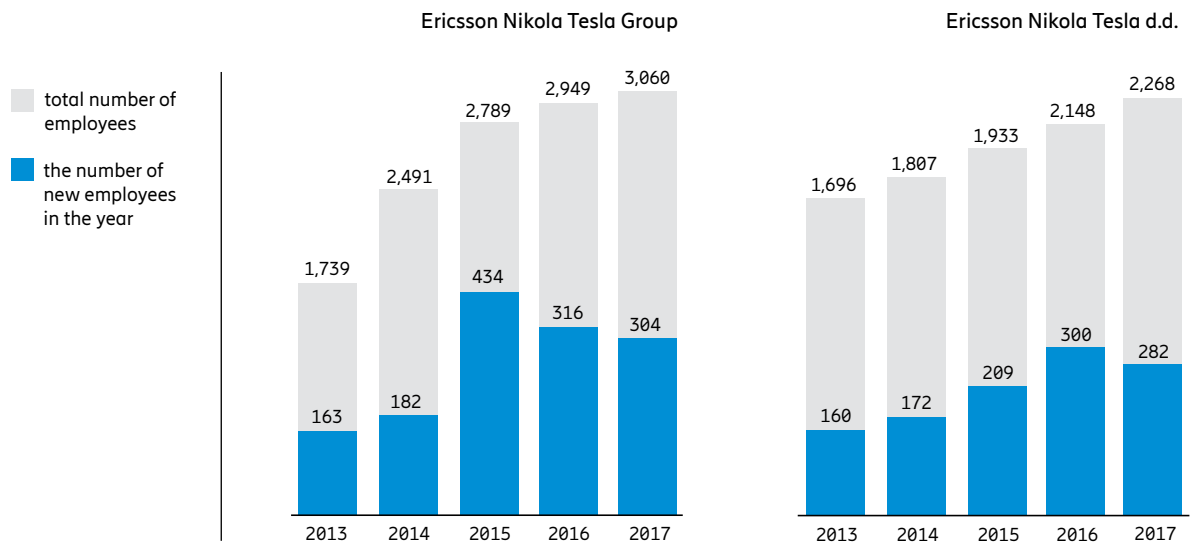
Ericsson Nikola Tesla d.d.



affiliated companies (EHR, TBA, Libratel, TXK, TBY)

- younger than 25
- 26 - 35 years old
- 36 - 45 years old
- 46 - 55 years old
- older than 55

Employee movement



Work environment

Ericsson Nikola Tesla Group continuously works on creating and enhancing a motivating work environment, namely by:

- ensuring attractive jobs and giving clear roles to each employee, in order to achieve common goals
- giving the possibility of lifelong learning and specialization, as well as career development
- ensuring equal conditions for work and development to all employees
- encouraging innovativeness in all work segments
- giving the possibility of working in global teams
- recognizing and visualizing individuals and teams who achieve the best results
- a reward system based on the principle of giving equal awards for equal work results achieved, consisting of the contracted salary, variable pay compensation, addition to the salary and benefits
- a modern workplace with all the tools necessary for work
- a motivating company culture
- flexible work hours
- taking care of the employees' health and providing a high level of occupational health care
- a high level of occupational safety
- organizing daycare in a kindergarten located in the immediate vicinity of the Company
- the possibility of recreation and socializing in sport and culture associations
- using the benefits of the Bonus club.

Employees engagement and satisfaction

Ericsson Nikola Tesla Group has a long tradition of conducting annual surveys about our employees' engagement and satisfaction at their workplace. In the future, we plan to abandon annual surveys and instead establish a two-way, continuous communication with the employees. We believe that such flexible approach will enable that relevant questions be raised to the adequate groups of employees and that corrective measures be taken soon after that. We are currently looking into new possibilities.

Ericsson Nikola Tesla closed voluntary pension fund

In collaboration with Raiffeisen pension insurance company, Ericsson Nikola Tesla d.d. has established a closed voluntary pension fund (ETK ZDMF). In such way, Ericsson Nikola Tesla d.d., as the sponsor of the Fund, has offered its employees, primarily the younger ones, a chance to benefit from a long-term saving in a closed pension fund. The Fund has been in place for 14 years now, has 607 members, whose net assets amount to more than MHRK 24 (as at December 31, 2017).

Diversity and inclusion

We at Ericsson Nikola Tesla Group see diversity as a part of our culture that needs to be continuously nurtured and improved in the entire organization as it brings added value and makes this distinct difference in our community. Experience has taught us that by connecting people with different characteristics and giving every person a chance to contribute to business results with their knowledge, skills, experience and perspectives, we can offer the best solutions to our customers and all other stakeholders in our business.

Our Way of Working

Our Way of Working implies the implementation of Diversity and inclusion policy in all segments of our business and other activities, and this policy is incorporated in all other company policies, such as employment policy, managing human resources, etc. Implementation of diversity and inclusion is encouraged and monitored by the highest management structures in the organization. We have developed and constantly invest in the company culture, where managers act so as to set an example and have an active role in putting together teams and creating a stimulating working environment, where every individual feels included, appreciated and is ready to give his/her best. Such company culture is implemented in the entire organization and it includes each and every one of our employees who every day in their work show respect for the colleagues they work with, customers, partners, and all other people they interact with. We have a big customer base, and wherever we do business, we are devoted to the development of mutual and long-term relationships with different groups of stakeholders.

No individual in the organization shall be discriminated based on race, color, sex, sexual orientation, gender, marital or parental status, pregnancy, religion, political opinion, nationality, ethnicity, social origin, social status, disability, age, union membership or any other characteristic protected by law.

Our strategic approach covers the achievement of five key objectives:

- creation of an inclusive work environment which is internally and externally recognized as the best practice example

The fact that in the management boards of leading Croatian companies there is only 17% of women - which is less than in 2016 when there was 20% of women in management boards - was shown in the Crobex Index of women, which measures their share in management boards of the most significant companies on the Zagreb Stock Exchange. Ericsson Nikola Tesla is one of the TOP 5 companies with the largest share of women performing top-management functions.

- enabling diversity representation on all levels and in the entire organization
- empowering Ericsson brand with the perception of the employer of choice (attracting the best talents)
- creation of a culture oriented on great results by attracting and retaining the best talents
- integration of diversity and inclusion into all processes and activities and towards all stakeholders.

We respect diversity

gender diversity



we advocate equal possibilities for women and men in being promoted and in performing leading functions.

age diversity



we encourage intergeneration understanding and complementing.

cultural diversity



we empower a multicultural environment where people feel included and can do their job in a successful way.

LGBT



we have ensured an inclusive work environment where every individual feels appreciated and welcome.

disabled people



we offer equal opportunities for advancement to all the employees, and the disabled feel equal to every other person and appreciated.

Ericsson Nikola Tesla Group encourages all its employees to point out any behavior which is not in accordance with our values and company culture.

An integrating organization

Our goal is to encourage a gender-integrated organization which recognizes and values the contribution made by persons with diverse personalities and characteristics. By 2020, we wish to achieve the objective of women making up 30% of the total number of employees. We are not yet where we wish to be, but we are pleased because we are going in the right direction. One of the biggest obstacles on our way to achieving gender balance is the fact that at the moment at the labor market there is not enough women interested in working in the ICT industry. Even though this is the profession of the future, nowadays in the European Union there are only 30 percent of women working in the ICT sector, and in Croatia the gap between men and women is even bigger. Men still predominantly choose STEM schools, while there are only 12 percent of female students. This must be changed. From an early age, parents and teachers should raise girls and boys in the same way. They should strive to develop children's interest in STEM (science, technology, engineering, and mathematics) in the earliest age, regardless of their sex.

Diversity as a competitive advantage

To Ericsson Nikola Tesla diversity is one of key segments of the company culture. Given that we are a company which does business within the global Ericsson group, diversity is part of our everyday life. Being aware of the benefits and advantages which acceptance of diversity brings, by joining the Diversity Charter Croatia project, we have contributed to the promotion of diversity in the wider community as well. This is a European Commission initiative, initiated in 16 Member States. President of the Company, Gordana Kovačević, MSc, as a woman with a considerable experience in leading a technology company in the industry that still employs a greater number of men, accepted the role of the project ambassador which was assigned to her by Croatian Business Council for Sustainable Development (HRPSOR), project leader for Croatia, wishing to share our successful experience with others who are yet to begin their diversity story.



Gordana Kovačević, president of Ericsson Nikola Tesla:

"I am especially pleased to be one of the diversity ambassadors and that Ericsson Nikola Tesla participates in the Diversity Charter Croatia project. I am certain that this project will give us an opportunity to share positive experience with other companies, public institutions and the Croatian public. At Ericsson Nikola Tesla we accept and encourage diversity. For years, we have continuously developed organization culture that promotes diversity as our female and male employees contribute to the success of our company with their diversity and innovativeness. We are part of Ericsson corporation, which has over 110 thousand of individual perspectives, personal experiences and unique beliefs; a corporation that does business in 180 countries, having 168 nationalities and 193 languages represented. Ericsson fosters the culture of respecting every individual for their skills and contribution, as well as aims to ensure equal treatment of everyone, regardless of their age, religion, nationality, ethnicity, physical fitness, sex and gender. At Ericsson Nikola Tesla we continuously develop a working environment where all our employees will feel appreciated and welcome, and where every individual will have the possibility of personal development until they reach their full capacity. Diversity of cultures, opinions and orientations inspire us and encourage our innovativeness, as well as contribute to our competitiveness on the global market. We will gladly share our experiences with all the participants in the Diversity Charter Croatia project."

Our approach to learning

We are aware that our employees represent a key value in our business because the employees are the ones who can meet our customers' expectations and help them transform their business in the most quality manner.

We emphasize that our employees arrange their competence and career development in partnership with their managers. Along with other learning forms and possibilities, the employees can on a daily basis use the advantages of web education via Ericsson Academy, which grants to all the employees in Ericsson corporation equal possibilities for personal growth and development offering a wide range of education throughout the year.

Strategy – focused on competence development

Technical and business knowledge as well as social skills and competences which our employees lack are detected in the established process which is a part of the annual planning (Individual Performance Management – IPM) when the business strategy and company's goals are aligned with the employees' knowledge, competences and skills. Our structured formal programs and training programs at work in key areas covering sales, services and product development build our employees' competence in the ICT area. Every employee has clearly defined development goals and their achievement is continuously monitored on a yearly basis. In 2017, we implemented over 95 percent of planned educations which were necessary for our employees to perform daily work and tasks in a quality manner. For the employees who left the company during the year, we did not organize an education program for the easier finding of a new job because it was not necessary. The largest part of those employees retired and the rest of them had no trouble finding a new job at another company.

Learning – anywhere, anytime

We invest in our experts' knowledge and skills to ensure they are aligned with current trends and that they can on an equal basis participate in the creation of future technological trends. The employees can choose between formal and informal education, such as various fora, exchange of video content etc. The Education Center of Ericsson Nikola Tesla d.d. operates as a flexible organization focused on providing a wide range of educational services for the needs of employees, customers and partners. The Education Center coordinates the work of internal trainers' network and cooperates with renowned educational institutions in Croatia and abroad.

Learning and knowledge exchange are processes which are conducted not only at the Group level, but also in the whole Ericsson corporation.

The Group is included in the Talent Management Program and Innovation Program. These are Ericsson corporation global programs where special attention is paid to experts with relevant knowledge and skills, as well as top intellectual potential. With desire to additionally strengthen young managers, newLDP program was launched. This is a comprehensive development program based on Ericsson leadership framework. newLDP is a one-year program which includes various learning methods (modular courses, coaching and mentoring, e-learning, learning by exchanging knowledge and experience, etc.) and places considerable emphasis on applying acquired knowledge and skills in the work environment.

Ericsson Play channel offers learning through video which is available on the mobile phone screen. Virtual learning forms not only save money and time but are also ecologically acceptable.

Ericsson Nikola Tesla Group - an organization that learns

percentage of employees
included in any education
program

91%

average number of hours spent
in education programs per
employee

43

total number
of hours spent
in education
programs

72,500

the number of
available courses

5,300

Facts and figures

Employee structure by age

employees	mother company		affiliated companies						total	share (in %)
	ETK	share (in %)	Libratel	TBA	EHR	TXK	TBY			
younger than 25	167	7%	-	-	13	-	-	13	2%	
26-35 years old	889	39%	5	5	126	1	1	138	17%	
36-45 years old	760	34%	5	4	172	-	3	184	23%	
46-55 years old	284	13%	4	5	334	-	3	346	44%	
older than 55	168	7%	11	2	98	-	-	111	14%	
total	2,268	100%	25	16	743	1	7	792	100%	
- male	1,645	73%	22	7	664	1	5	699	88%	
- female	623	27%	3	9	79	-	2	93	12%	
average age	38	-	48	43	45	32	44	45	-	
32 years old or younger than 32	770	34%	3	2	104	1	4	114	14%	
average employment duration	9	-	20	12	19	2	13	16	-	
up to two years of work experience	690	30%	2	-	183	1	1	187	24%	

Qualification structure

qualification	mother company		affiliated companies							Ericsson Nikola Tesla Group	
	ETK	share (in %)	Libratel	TBA	EHR	TXK	TBY	total	share (in %)	total	share (in %)
University degree	2,002	88.3%	3	13	217	1	7	241	30.4%	2,243	73.3%
College degree and univ. bacc.	171	7.5%	4	1	153	-	-	158	19.9%	329	10.8%
Secondary education	88	3.9%	11	2	307	-	-	320	40.4%	408	13.3%
Highly-skilled workers	3	0.1%	-	-	56	-	-	56	7.1%	59	1.9%
Skilled workers	2	0.1%	7	-	7	-	-	14	1.8%	16	0.5%
other	2	0.1%	-	-	3	-	-	3	0.4%	5	0.2%
total	2,268	100.0%	25	16	743	1	7	792	100.0%	3,060	100.0%
PhD	26	-	-	-	2	-	-	2	-	28	-
MSc	145	-	-	5	10	-	1	16	-	161	-
total	171	7.5%	-	5	12	-	1	18	2.3%	189	6.2%

Managers

	mother company		affiliated companies							Ericsson Nikola Tesla Group	
	ETK	share (in %)	Libratel	TBA	EHR	TXK	TBY	total	share (in %)	total	share (in %)
number of managers	157	100%	3	1	42	-	1	47	100%	204	100%
managers - male	122	78%	1	1	34	-	1	37	79%	159	78%
managers - female	35	22%	2	-	8	-	-	10	21%	45	22%
average manager age	45	-	54	54	47	-	44	49	-	47	-

Number of employees by the type of employment contract

employees	mother company	affiliated companies						Ericsson Nikola Tesla Group
	ETK	EHR	Libratel	TBA	TXK	TBY	total	
total	2,268	743	25	16	1	7	792	3,060
permanent employment contract	1,981	717	22	16	1	-	756	2,737
- male	1,433	639	20	7	1	-	667	2,100
- female	548	78	2	9	-	-	89	637
temporary employment contract	287	26	3	-	-	7	36	323
- male	212	26	2	-	-	5	33	245
- female	75	-	1	-	-	2	3	78
full-time employees	2,265	743	25	16	1	6	791	3,056
- male	1,645	664	22	7	1	5	699	2,344
- female	620	79	3	9	-	1	92	712
part-time employees	3	-	-	-	-	1	1	4
- male	-	-	-	-	-	-	-	-
- female	3	-	-	-	-	1	1	4

note: During the employment time, all employees, regardless of their contract type, have the same rights and benefits. All employees, regardless of their sex, receive equal pay and equal compensations for equal work.

Employees who left the organization during the reporting period

employees	mother company	affiliated companies						Ericsson Nikola Tesla Group
	ETK	EHR	Libratel	TBA	TXK	TBY	total	
younger than 25	12	-	-	-	-	-	-	12
- male	11	-	-	-	-	-	-	11
- female	1	-	-	-	-	-	-	1
26-35 years old	105	11	-	-	-	-	11	116
- male	90	11	-	-	-	-	11	101
- female	15	-	-	-	-	-	-	15
36-45 years old	26	8	-	-	-	-	8	34
- male	18	8	-	-	-	-	8	26
- female	8	-	-	-	-	-	-	8
46-55 years old	8	6	-	-	-	-	6	14
- male	7	6	-	-	-	-	6	13
- female	1	-	-	-	-	-	-	1
older than 56	26	9	-	-	-	-	9	35
- male	13	9	-	-	-	-	9	22
- female	13	-	-	-	-	-	-	13
total	177	34	-	-	-	-	34	211
- male	139	34	-	-	-	-	34	173
- female	38	-	-	-	-	-	-	38
employee turnover rate	8%	5%	-	-	-	-	4%	7%
total number of employees	2,268	743	25	16	1	7	792	3,060

Employees who took parental leave

	mother company	affiliated companies					affiliated companies - total	Ericsson Nikola Tesla Group
	ETK	EHR	Libratel	TBA	TXK	TBY		
employees entitled to parental leave by sex								
- male	126	29	-	-	-	-	29	155
- female	63	6	-	-	-	-	6	69
employees who exercised the right to parental leave by sex								
- male	7	1	-	-	-	-	1	8
- female	63	6	-	-	-	-	6	69
employees who returned to work after parental leave by sex								
- male	4	1	-	-	-	-	1	5
- female	19	3	-	-	-	-	3	22
number of employees who returned to work after parental leave and who remained employed 12 months after returning to work by sex								
- male	5	0	-	-	-	-	0	5
- female	21	0	-	-	-	-	0	21
return to work rate	100%	100%	-	-	-	-	100%	100%
retention rate	93%	-	-	-	-	-	-	-

Occupational injuries and worktime lost

	Ericsson Nikola Tesla d.d.								Ericsson Nikola Tesla Servisi			
	2016				2017				2016		2017	
	Zagreb		Split		Zagreb		Split					
	M	F	M	F	M	F	M	F	M	F	M	F
total number of injuries	6	4	-	-	3	-	1	1	10	-	6	-
- injuries at work	-	-	-	-	-	-	-	-	9	-	4	-
- injuries during commuting to/from work	6	4	-	-	3	-	1	1	1	-	2	-
severe injuries	1	1	-	-	1	-	1	-	2	-	-	-
minor injuries	5	3	-	-	2	-	-	1	8	-	6	-
total worktime lost	802	688	-	-	547	-	64	328	2912	-	926	-

note: M – male; F – female

Environmental responsibility

Highlights

- ICT industry accounts for only 2 percent of CO₂ emissions at global level
 - important contribution to stopping and shifting negative climate trends
 - we are transforming the industry and society and enabling development of low-carbon economy
 - we are significantly reducing carbon dioxide emissions in all other industries
 - we optimize and reduce energy consumption
-



ICT reduces climate change

Information and communications technology convergence has already enabled a powerful transformation of various sectors, opening a way for them to innovate.

So far, the change has been most evident in communications and media; however, significant development takes place in the field of education, transport, health care, state administration, tourism, etc. As technology development continues to accelerate, many other sectors will experience this change as well; whether by the participants' choice or due to circumstances. With the help of advanced ICT solutions, 5G technology and the Internet of Things (IoT) i.e. digital transformation and efficient business strategies, the companies, or even entire economy sectors, can turn their risks into new business possibilities. However, we should be aware of the fact that there is no single approach to all cases. Digital transformation is a change in behavior, culture and economy; it is a step towards a connected world, to which almost every form of human action should be adjusted. Therefore, in this time of rapid changes, the lack of action is actually becoming the biggest threat.

ICT solutions and products that are created as a result of the work performed by Ericsson Nikola Tesla's and Ericsson corporation's experts are not harmful to the environment, they save energy and improve business and the lives of people that use them. Owing to its business activities and its Way of Working, the company positively affects the environment

and significantly reduces carbon dioxide emissions, which are caused by activities of all other industries.

Transition to the fifth generation of mobile networks will bring measurable benefits to users, industry, and the environment. It is estimated that the number of 5G users will reach one billion by 2023, while global mobile data traffic is expected to surge by eight times. The second wave of 5G deployments, whose wider use in Europe is expected only after 2020, will, according to experts' forecasts, fundamentally change many users' communication possibilities and many processes.

We, therefore, use our solutions to transform the modern industry and the society and enable the development of a low-carbon economy. Technology leadership and an innovative approach to work enable us to use numerous and diverse applications in our business process, allowing us not only to be more effective but also to protect the environment. We believe that such a comprehensive approach is a prerequisite to economic competitiveness, as well as that it improves and accelerates business processes, while saving time, money, and natural resources. Therefore, we will further actively inform all the internal and external participants and stakeholders about our activities to protect the environment.

Smart parking in Split



Following a successfully implemented pilot project, Ericsson Nikola Tesla, as the consortium leader, together with Profico company has delivered an ICT solution for smart parking to Split Parking utility company. This is the first integral solution for smart parking in Croatia, which represents one of the steps on the path towards a smart city in the mobility field. The project also won the first place in the "Smart Mobility" category at the Smart Cities 2017 international conference, which was held in Zagreb. The solution enables the detection of parking spot occupancy, with all the details related to a given parking lot (location, zone, prices, working hours etc.). With the help of a mobile application, it enables the users to search for and find the nearest free parking spot, pay for parking and guide the user to the chosen parking spot. The system consists of wireless sensors detecting the occupancy, communication infrastructure, a software solution for analytics and the monitoring of the system, and a smartphone application. By using Smart parking, the citizens will be able to find a parking spot more easily, traffic jams will be reduced, and carbon dioxide emissions, caused by unnecessary driving and circling around the parking zone in search of a free parking spot, will be significantly reduced.

Products and services with a positive impact on the environment

ICT solutions, products and services that the Company offers are recognized as "green technologies" which have a positive impact on business, people's lives and the environment, including climate change.

Ericsson Nikola Tesla has developed and/or participates in the development and implementation of numerous solutions, such as Central Healthcare Information System of the Republic of Croatia (CEZIH), ePrescription, or Joint Information System for Land Registry and Cadaster. In this way, we offer a high-quality alternative to transportation, i.e. traveling to a certain location merely to perform a certain

service, thus reducing the amount of greenhouse gases, which would otherwise be emitted into the atmosphere. Let us remind ourselves that global research has shown that ICT industry accounts for only 2 percent of carbon dioxide emissions at global level, while its quality application in other industrial sectors may reduce these emissions by up to 20 percent.

Joint Information System for Land Registry and Cadaster



As of March 2017, all Croatian citizens can with the assistance of a notary public electronically submit a registration application in the land registry for any immovable property anywhere in Croatia without unnecessary traveling and waiting, and accordingly in just a few minutes get an insight into the current legal status of an immovable property, and decide on their, for most buyers, life investment.

Prior to this, the citizens who signed in Zagreb, for example, a contract for the purchase of immovable property somewhere on the coast or vice versa, had to travel to the competent land registry department while nowadays, all notaries public registered in the registry of the Croatian Notaries Chamber and authorized to submit an electronic registration application in the land registry can check online the status of the immovable property, whether there is any notice and with an automatic seal send the item to be processed.

This service is a part of the One-Stop-Shop project that, with the participation of the State Geodetic Administration and the Ministry of Justice, was developed by using the EU Instrument for Pre-Accession Assistance (IPA) with the aim to ensure electronic availability of all data from the land registry and cadaster, and, in the end, to achieve full compatibility of these databases.

By using the One-Stop-Shop of the Joint Information System for Land Registry and Cadaster (<https://oss.uredjenazemlja.hr>),

developed and maintained by the company's experts within the eCitizens system, it is possible to obtain via email, quickly and safe, a copy of the cadaster plan, transcript or excerpt from the proprietary certificate, excerpt from the Land records database, or the list of all the immovable properties of an individual owner.

The calculations based on the statistics show that with the full use of this system 8 millions of paper sheets are saved each year (on average, annually more than 10 millions of documents are issued) and carbon dioxide emission to the environment is reduced by more than 48 thousand tonnes. In 50 percent of cases, the citizens have to travel on average 20 km in one direction and 20 km in the opposite to reach the competent land registry department, while in the other 50 percent of the cases that distance amounts to around 200 km, which when back and forth is combined amounts to 400 km. If 80 percent of requests are resolved electronically after the implementation of OSS, then the total mileage is reduced from 400 million to 80 million, and the number of issued documents on paper from 10 million to approx. 2 million. If the average vehicle discharges into air 150 grams of carbon dioxide per kilometer, the annual savings in carbon dioxide emissions amounts to 48 283 tonnes.

We are building a low-carbon future

Ericsson Nikola Tesla experts hold the opinion that if we dedicate enough of attention and are responsible in our daily actions, we can give our measurable contribution to stopping and shifting negative trends that threaten with undesired climate changes such as the increase in average global temperature as well as sea and ocean level, destructive winds, floods or droughts. Therefore, a consistent implementation of public policies is put forward as a rational response to mentioned climate challenges: first for the purpose of calculation, and afterwards for the purpose of reducing carbon dioxide emission.

LIFE Clim'Foot project, in which institutions from France, Croatia, Greece, Hungary, and Italy participate, with the coordination of the French ADEME agency (*Agence de l'Environnement et de la Maitrise de l'énergie*), is focused on supporting and monitoring the effectiveness and efficiency of the policies and activities for reducing greenhouse gas emissions. The holder of the project in Croatia is Energy Institute Hrvoje Požar (EIHP), and Ericsson Nikola Tesla has joined the project as one of the few business entities that volunteered to calculate their carbon footprint by autumn of 2018, prepare a strategy for its reducing, thus supporting the

creation of a plan for replication and transferability to other business entities. The calculation is based on Bilan Carbone® model, which has been prepared by ADEME agency and is based on the application of Life-cycle assessment (LCA) approach, which has been used for many years by all the members of Ericsson corporation in their business. One of the main characteristics of this model is comprehensibility, which means that it includes also the activities through which we can every day do something to make our planet a better and more climate-friendly place to live.

First Cycle-Friendly Company in Croatia

In accordance with the abovementioned idea, Ericsson Nikola Tesla has become the first company in Croatia to be awarded the European "cycle-friendly" certificate, whereby it joined the new initiative by socially responsible companies in Europe, sharing a common goal of reducing the emissions of greenhouse gases into the atmosphere and having a positive impact on the health of their employees.

The Cyclists' Union is the coordinator of certification in Croatia, and on this occasion, they emphasized that by encouraging the employees, as well as visitors, to use their bikes as a means of transportation, Ericsson Nikola Tesla serves as a positive example of advocating and practising sustainable modes of transport, as well as of responsibility towards health, the environment, public space, and cost saving. Cyclists' Union says that nowadays, when reducing the impact of motorized transport on the environment and human health is crucial, examples of the first certified company and the Faculty of Electrical Engineering and Computing, University of Zagreb, as the first certified institution, show a positive shift towards direct and active action in this area.

Since "good wishes and positive approach" almost never are enough for the change, but something needs to be done, the company has so far, together with the corresponding traffic regulation and improvement of the internal transport, built and reconstructed in total seven bicycle parking lots within the campus and on its boundaries where during the season more than 300 of our employees park their bikes. The company has, as a preparation for the adoption of the Mobility Plan, conducted an extensive self-assessment and survey on its employees' transport habits as well. The application of that plan has already resulted in the build and construction of the newest as well as the most used covered parking lot at the south entrance of Ericsson Nikola Tesla. In this way the Mobility Plan additionally promotes and supports in a practical way healthy and sustainable means of transport and we will try in the future that it becomes even more so. These activities directly influence the entire transport system, improve quality of life of our employees and our "neighborhood" and reduce carbon dioxide emissions made by traffic.



Environmental impact of our activities

Our main product is knowledge; therefore, we use it in our daily activities to rationalize electricity, water and steam consumption, as they represent key resources in the production process, which is primarily characterized by intellectual work, but also a high energy consumption in our production site of the center for communication equipment and networks.

The Company has been systematically working on the optimization of the use of all types of energy products which we regularly inform the public about. We would like to specially highlight the significant savings of electricity, which owing to our experts' innovations, we are achieving in our test models, i.e. in the test environment, which is one of our main resources and our largest electricity consumer.

The Group manages the impact of its operations on the environment, including its work premises, business trips, and logistics-related activities, where services, and shipping and distribution of products are being optimized. By using solutions such as video conferences, e-learning system, e-meetings, etc., we have reduced the number of business trips and implemented smart solutions that save money and time, as well as reduce greenhouse gas emissions.

A considerable part of our services is delivered remotely, primarily in the segment of network design and optimization, network integration and software upgrade. Moreover, we use intelligent tools for collaboration, ensuring customer satisfaction with the service provided, regardless of the fact that they are provided remotely.

Quantitative indicators of consumption at Krapinska 45, Zagreb

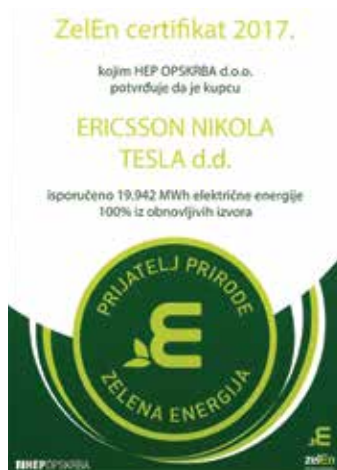
year	water (m ³)	steam (tonnes)	electricity (MWh)
2015	32,329	8,833	19,013
2016	33,904	9,137	19,098
2017	51,881	8,808	19,617

Annual report for Registry of packaging 2017 (in kg)

wood packing	paper	styrofoam	plastic sheeting	metal
60,510.15	41,649.73	828.67	3,336.34	8,775.76

Systematic work on the optimization and reduction of energy consumption

By using a central system for monitoring all energy consumption, prerequisites have been made for a better management and maintenance of energy installation systems, which has resulted in the optimization of energy consumption. Therefore, even though our capacity has been increased, i.e. 303 new jobs, during the last three years, we have maintained practically the same level of electricity consumption, and thanks to a mild winter we even reduced the consumption of steam for heating purposes, while the significant growth of water consumption was caused by, together with beforementioned losses, the installation of new sanitary facilities on new locations for newly employed experts.

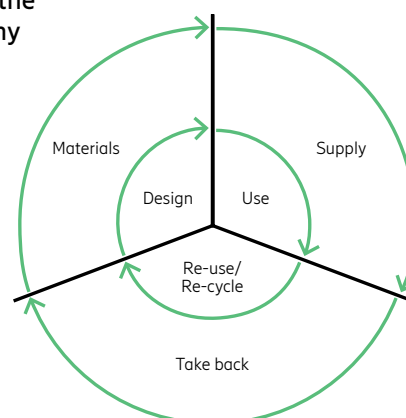


The use of a central system for monitoring energy consumption enables us to better manage and maintain energy systems. Moreover, in our business operations, we have been using for four years now exclusively ZelEn (green) energy from renewable energy sources. In this way, we contribute to the objective of meeting Horizon 2020 national goals, and we completely meet one of the Corporation's strategic goals, which is related to "green business" and sustainable development. The monitoring of the entire pipeline system for as fast detection as possible and repair works is at the improvement phase following the losses caused by the last year's multiple ruptures in the water system. The water hole which is used at the central location in Zagreb is part of the Sava river drainage basin, and only sanitary waste water and pretreated waste water from the restaurant drains off into it. This is confirmed by an Order by Hrvatske vode from 2014 in accordance to which we do not need a water permit any more, due to the fact that in the process of work operations in the Company we do not make process wastewater.

We are closing the cycle - we reduce waste

We manage waste in line with the Act on Sustainable Waste Management, Ordinance on Waste Management, and corresponding regulations for special waste categories, which means that we take comprehensive and systematic care of all types of waste produced on site, and manage all documentation required on waste origin and flow. The Company meets all its obligations stipulated by the Ordinance on the management of waste electrical and electronic appliances and equipment. We observe all the prescribed requirements regarding electronic waste disposal on our sites, and in line with Ericsson's Ecology Management and Product Take-Back directive and certain customers' demands, we take care of disposing their electric and electronic equipment.

We encourage the circular economy



Waste generated at Krapinska 45, Zagreb in 2017

Key code	Waste name	Amount (in kg)	Procedure
08 03 17*	Waste printing toner	960	R4
15 01 01	Paper and cardboard packaging	58,150	R3
15 01 02	Plastic packaging	16,340	R3
15 01 03	Wooden packaging	26,420	R1
15 01 07	Glass packaging	460	R3
16 02 13*	Electronic waste	8,080	R4
16 06 05	Batteries (small)	265	R4
17 06 04	Other insulation materials	200	R
17 08 02	Gypsum-based construction materials	870	R
17 09 04	Mixed construction waste	791	R
20 01 02	Glass	3,470	R3
20 01 21*	Fluorescent tubes	436	R3
20 03 06	Waste from sewage cleaning	9,200	D4
Total		125,642	

Along with municipal solid waste, our Company separated, collected and ecologically disposed / took to recycling last year 13 more types of waste: paper, glass, electronic, metal, plastic and wooden waste, batteries, fluorescent tubes, toners, construction waste, non-hazardous insulation material as well as septic tank sludge. In 2017 we produced around 125 tonnes of waste in total, which is 10 tonnes more than in 2016, primarily because of 12 more tonnes of collected paper and cardboard. Even though it is a fact that we are continuously striving to rationalize the consumption of paper by raising awareness of avoiding unnecessary printing of documents and of using and introducing new applications adapted to e-business, great effort is devoted to raising awareness of the importance of responsible relation towards the environment and we improve knowledge related to sustainability among our employees. We assume that the abovementioned increase in quantity of the collected waste with the code 15 01 01 is, inter alia, the consequence of that type of education and business practice and the attitude of our employees towards the environmental protection.



Education - part of the responsibility towards the environment

Through articles published on our intranet pages, as well as through various internal systematic processes in the company, we raise our employees' awareness and motivate them to exert a positive impact on the environment through their own actions.

Primarily through "Komunikacije" magazine, publications on the Internet, and by participating in various social activities, we transfer our knowledge and experience to our suppliers/contractors, business partners and the wider community.

We foster a quality collaboration with specialized companies and institutions, where through dialog, consultation, and opinion sharing, we contribute to the forming of positive changes.

We continuously conduct education programs, including e-trainings in the Ericsson Academy, guiding our employees to look at the topics in the field of environmental protection and rational energy management.

Relationship to the suppliers

We are aware that we can successfully control the impact on the environment only if we monitor the entire

supply chain. Therefore, we apply to all the suppliers Ericsson's Supplier Code of Conduct, which, along with the requirements in the field of basic human rights, work standards, and anti-corruption, contains basic principles of responsible environmental management. Supplier-related environmental requirements cover environmental management system, product design which is environment- and production-friendly, product information and transport. The suppliers are also familiarized with the list of hazardous and banned or restricted substances, and they are required to prove the absence of such substances in their products. Moreover, we continuously carry out assessments (audits) of our suppliers in line with the company's corresponding annual plans, evaluate the impact of our supply chain on the environment, contributing to the overall quality of all participants. In line with the findings, when it is necessary we educate and/or suggest improvements, and in exceptional cases undertake more extreme corrective measures, including changing the supplier.



Social responsibility

Highlights

- we initiate and shape positive changes in the society
 - we are responsible towards the local community
 - our socially responsible projects are in line with high standards and the best global practice
 - we give priority to projects where technology, our products and services, as well as the knowledge of our experts, play an essential role
-

ERICSSON



10 Cloverfield Lane

After getting in a car accident, a woman is held in a shelter with two men, who claim the outside world is affected by a widespread chemical attack.

2016 | PG-13 | 164 MIN

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PG | 2016



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PG | 2016

CLOUD

Social responsibility

Ericsson Nikola Tesla improves the economy through technology leadership and people's lives through innovative technological solutions. The impact on the economy is clear: by developing competitive products for global market or customers in a dozen national markets, we achieve the ultimate goal of corporate social responsibility, which is strengthening the national economy. We are aware that only such economy, relying on healthy economic entities, is capable to encourage all other stakeholders in the society to sustainable growth and development.

A positive impact of advanced technologies is equally visible in the society. Ericsson Nikola Tesla Group gives its maximum contribution to the society through CSR projects and practice related to investments in new knowledge, competencies, products and solutions, thus achieving prerequisites to strengthen the community. Thus, for example, through joint projects with the academia, we create new jobs, and enable a two-way transfer of knowledge and technologies. Through programs aimed at students, we encourage the adoption of competitive skills of young experts in STEM, and advocate a more quality life for citizens, especially for sensitive groups, like senior citizens, by providing solutions which assist in increasing their abilities.

In line with the above, we have focused our operations in three main directions:

- education
- partnerships for socioeconomic development
- helping the community



Education - we are narrowing the digital gap

In Croatian labor market, there is an obvious lack of high-quality STEM experts, as well as a negative impact this lack has on the use of the full potential of Croatia's economy. Our country is not an isolated case in this problem—the whole European Union is today faced with the same problem—some estimations say that there is a deficiency of 700 thousand ICT experts.

Therefore, lately there are numerous initiatives aimed at focusing the interest of young people, especially girls, towards science, technology, engineering and mathematics, as areas which provide future experts with good jobs in propulsive industries. In parallel, an awareness is being raised of the need to change the university quotas and the necessary modernization of education programs.

Let's Talk Program - for students looking for a good workplace or practice

The Group has not only been intensively hiring over the past years, but also offering various types of cooperation with the students of technical faculties, such as practice, part-time job, writing of diploma thesis, etc. An excellent opportunity for interested students to meet the representatives of teams offering jobs is the program entitled LET'S TALK. On Fridays throughout the year, a tour of the Company was organized for graduate students, following the testing of candidates. Interested students can send their open applications for cooperation, regardless of the time of the meeting.

Managers from Ericsson Nikola Tesla Research and Development Center, who have been intensively hiring over the past years, particularly in the Development Unit for Radio Access, have precisely through the Let's Talk program, hired and cooperated with more than 100 young experts. After excellent experiences for both sides within the last two years, the program was successfully continued.

Open Doors Program - the wind at your back towards STEM

Ericsson Nikola Tesla Group is aware of its responsibility and influence it has as the leading knowledge exporter with the largest ICT Research and Development Center in Croatia, to show by its own example what can be achieved with high-quality employees with necessary skills. One of the ways for promoting science, technology, engineering and mathematics among young generation is the Company's Open Doors Program, primarily aimed at students, and popularization of STEM in the wider community. We wish to show future students a wide range of possibilities of professional development if they continue their education in that direction, and we particularly try to additionally motivate them when they visit our company.

In 2017, almost 800 young people visited Ericsson Nikola Tesla. In addition to students from technical schools and high schools from all parts of Croatia, we hosted participants of international Erasmus Plus programs, participants in various workshops and associations of technical culture, even of primary school age. For most of them, this was a first visit to a large company and a real work environment.

The students' reason for visiting us was the fact we are perceived as an employer of choice, and this perception was only encouraged by presented technologies and ways of working, as well as the tour of the company. We are especially pleased that most of the teachers and young visitors after their visit got an idea on how to improve their own work, how to initiate interesting projects or engage members of their institutions in a creative breakthrough.



Incentive to Teaching Centers of the University of Split

Over one hundred collaborators, businessmen and business partners of the University of Split presented themselves to students during the Teaching Centers Day, held at the Faculty of Economics and Business in Split. Teaching Centers include institutions, institutes and companies that offer on-the-job trainings to students; this primarily concerns the practical part of their classes. By finding their student practice and connecting with the employers, students are offered other opportunities as well, since professional training in a teaching center may open the possibility of being employed at a later stage. The key idea of such networking is for the mentors from teaching centers to transfer their knowledge, experience and skills to students, thus helping them to connect theoretical knowledge to practice.

During the Teaching Centers Day, recognitions and awards were granted to the best. Ericsson Nikola Tesla was awarded for excellent cooperation. The recognitions were awarded to students who excelled in the application of theoretical

knowledge in practice. The awardees included the students from the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split, who attended Ericsson Nikola Tesla Summer Camp.

Better education for computer science teachers

Education and Teacher Training Agency and Oracle Hrvatska organized and successfully completed the first in a series of planned vocational trainings for primary school and high school teachers. As a long-term Oracle partner, we joined this valuable initiative and provided high-quality lecturers from among our experts.

A total of 34 primary school and high school teachers from Primorje-Gorski Kotar County and neighboring counties, and 15 primary school and high school teachers from Split-Dalmatia County and neighboring counties attended a course entitled Java Fundamentals (an introductory programming course for Java programming language). The model for carrying out the course was hybrid: live workshops and online lectures. The activities are to continue.

Workshop on the networked society for high-school students

In cooperation with the 1st Technical School Tesla from Zagreb, we held a networked society-themed workshop for the students of this school in April. With this type of workshops, we wanted to make our contribution to the connection of education and economy in Croatia, and one of our main goals is to encourage students to expand their knowledge in the direction in which modern information and communication technologies are developing. With the use of multimedia contents, illustrating basic ideas behind the networked society concept, these workshops encourage students to use their creativity, and through teamwork on the project which they choose, to gain the experience of creating new values.



Partnerships for socioeconomic development

Ericsson Nikola Tesla is in constant search for opportunities to use its knowledge and solutions to empower members of various social groups, thus improving the quality of their lives. A constructive path to recognize the values brought by the use of advanced technologies for potential users and their successful implementation is partnerships with stakeholders.

Pilot project with the "Zajednički put" foundation

A system of intelligent assistance in caring for the elderly, Smart Habits, was developed with the aim to provide additional safety, and enable carers or family members to check whether an elderly person living alone is all right. By using advanced algorithms for machine learning, and based on the data collected from devices, the system can detect the habit patterns of elderly people living alone and alert their family members if something unusual happens. The system is based on the use of simple devices that are a part of standard offer of almost every solution for Smart Home, such as sensors for motion, air conditioning, doors and windows, smart plugs, etc. The system does not use devices such as cameras or microphones that significantly invade users' privacy, but simple devices which are not visible, and are installed in the home of an elderly person.

Together with the "Zajednički put" foundation, a non-profit organization that carries out programs for quality, safe and active life of senior citizens, Ericsson Nikola Tesla experts have initiated a pilot project, in which elderly people - users of the foundation, tested the solution, and their observations and remarks served as a quality input for further system upgrades.

As the solution was especially innovative and beneficial, it was presented at the Mobile World Congress in Barcelona. Furthermore, the solution was also presented at the Nobel Prize Dialogue in South Korea, which was dedicated to issues of an aging population, and gathered world-leading scientists, Nobel Laureates.

Support to the development of alternative childcare services in Croatia and Macedonia

Another project which is significant for the society, in which the company promoted its positive practice, was the EU project "Promoting alternative childcare services". Within the project, a study workshop was held in Zagreb for the representatives of Croatian and Macedonian institutions. The cooperation between Ericsson Nikola Tesla and "Bajka" kindergarten, which resulted in a higher level of service that is more corresponding to the needs of working parents, was presented as an example of a quality public-private partnership in the field of childcare.



Development of a voice assistant to help persons with visual and motor activity impairments

Hrvoje Katić was employed at Ericsson Nikola Tesla at the beginning of 2017 as a technician for software development. Currently he is working by himself on the development of a voice assistant adapted to help persons with visual and motor activity impairments (EVA - Ericsson Voice Assistant).

"I have had vision impairments since I was born. I came up with the idea to develop a software which would help persons with visual and motor activity impairments while I was working in Zagreb Association for the Blind, where I was employed before coming to Ericsson Nikola Tesla. I am also familiar with the difficulties persons with motor activity impairment have, due to which they cannot manage smartphones on their own. There used to be no solution of this kind for Croatian-speaking area, so the development of voice assistant is an additional challenge."

Hrvoje not only develops software solutions but is also especially dedicated to educating persons with visual impairments. In numerous workshops in which he participated, Hrvoje taught the attendees about the advantages of using screen readers, as well as the practical use and accessibility services for the blind and visually impaired on Android operating system.

Helping the community

There are situations in which each one of us, whether as an individual, or as a part of the company, feels the need to do something more for those in need, victims of natural disasters, to help preserve the environment, or simply to make a positive impact on the community. For years, Ericsson Nikola Tesla has been fostering the practice of timely and concrete action in the event of disasters, such as floods, landslides, fires, etc., as well as numerous activities of smaller scope with an equally positive goal - better life for people.

In these actions, the Group has always had selfless support and great response from its employees.

Helping the ones in need

For several years, our company has been providing financial aid for the work of Soup Kitchen at Saint Joseph's Church in Zagreb. This charity institution gives away almost 50 000 hot meals per year to those in need, living in the neighborhood of Trešnjevka, as well as the entire city of Zagreb. The meals are financed by donations, including the company's donation, and the employees also provide their

contribution through their own humanitarian aid in the form of food and hygiene products. Furthermore, in Split we have helped the work of the "Most" association, and in Vukovar, we have supported "Duga" charity association, where numerous families and individuals of low-income receive help in Duga's social store.

Supporting a better and more pleasant work and stay of students and preschool children

The project of donating Ericsson Nikola Tesla's used office furniture is very encouraging for several reasons.

Encouraging a better socialization of the attendees of the Center for Education

The Company's Gallery supported a charity exhibition of the works made by the attendees of the High school - Center for Education, an institution attended by high school students with developmental disorder. The works exhibited were created within the school's creative group called "Dar-mar", where students learn additional skills and create very interesting and creative objects. The money raised from selling these exhibits is used to buy materials and to pay for a joint excursion. This kind of activities are a quality step forward in sensitizing the community of the need to better integrate this sensitive group into the society.





Assisting in landscaping the courtyard of "Bajka" kindergarten

A team of our employees, who have children attending the "Bajka" kindergarten, located in the vicinity of the Company, helped to landscape the kindergarten's courtyard. In this action more parents volunteered than requested, and except by taking a short break from their daily routine, their hard work has also brought benefits to children and kindergarten's staff.

This initiative links several positive components, from social to environmental. It is known that Ericsson Nikola Tesla is among top companies when it comes to intensive employment, and this trend is expected in the years ahead, while the Company's business premises are defined and limited. Therefore, the Company has approached to implementing measures for a more efficient managing of space, which implies also to replace furniture in working premises. The furniture which was donated has been used to improve the work and life premises in as many as 22, mostly educational, institutions in Croatia. A donation of more than 1000 pieces of furniture equipped primary and secondary schools, kindergartens, and the Center for Education of students with special needs. The students, teachers and the rest of the staff are very happy with this improvement of their premises.

Eco-action for clean sea

Our employees organize and actively participate in eco-actions which aim at preserving our country's natural resources. Therefore, our employees in Split, gathered in the association of underwater activities "Rostrum" in cooperation with the local diving club, organized an action of cleaning the sea bed of the island of Prvić. This action gathered more than 50 divers from all over Croatia, who were greeted by 20 hosts, and more than 400 bags of waste were collected, as well as a large amount of bulk waste such as tires, wallpapers, plastic cans, etc. Except through the cleaning action, the colleagues gathered in this association want to contribute to raise the ecological awareness of the citizens through their educational activities.

Access to health via technology

Health care across the world is faced with numerous challenges, among which rapidly growing costs of the health care system and an ageing population are especially highlighted. As the development of medicine and modern information and communications technology are nowadays intertwined in multiple ways and health care digitalization has so far offered some satisfactory solutions related to the sustainability of the entire system, it imposes itself as an essential factor in the consideration of the future.

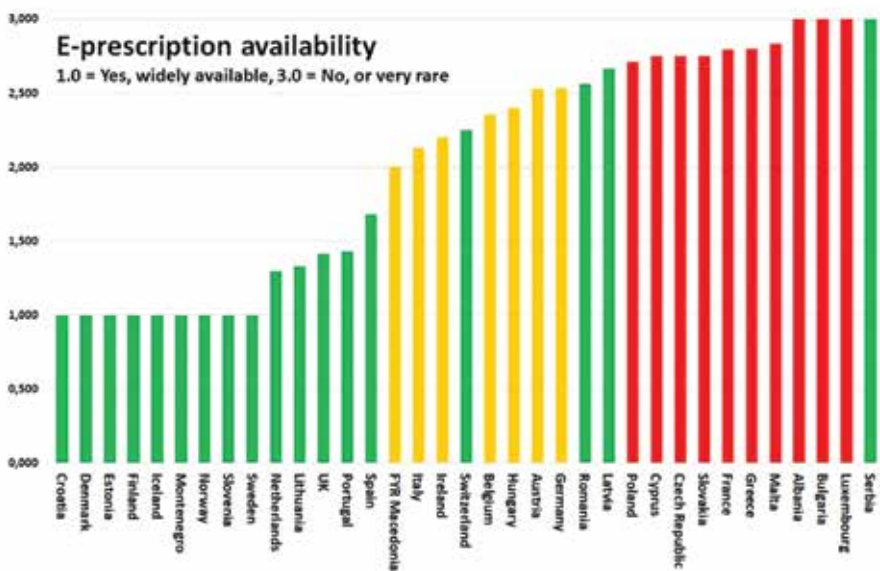
Ericsson Nikola Tesla is among pioneers in the health care informatization in Europe, and the fact that over the last two decades all state administrations in Croatia supported the introduction of IT systems into health care has significantly contributed to that. After the introduction of the Central Healthcare Information System, which has for many years been upgraded with new services such as ePrescription, eHealth Record, Health Portal for patients, etc., nowadays it is virtually impossible to imagine that health care functions without these modern possibilities. Communication between doctors and patients has been greatly accelerated, and it is significantly easier to get a piece of health advice or a prescription, so patients can often solve their problem without even visiting the doctor.

eHealth Record connects parts of the health care system that were by now isolated, offering in this way numerous advantages for the users, primarily availability of relevant information about the patient in the moment when it is most needed. This solution has enabled the creation of a unique repository of data about patients, which can offer authorized doctors a quick and efficient insight into the current health condition of the patient.

By using the Health Portal, which actively includes patients into the health care system and is available through e-Citizens system, patients can check the medicines they were prescribed and given and their medical reports as well as additionally manage access rights on their own and see the details on who accessed certain parts of the eHealth Record and when.

The modern health care system is required to provide even faster transfer speeds and low latency connections, and 5G should meet all these requirements. Therefore, when it comes to further improvements in e-Health, Ericsson Nikola Tesla experts are focused on mobile solutions, solutions that enable remote access by using advanced communications technologies and applications for providing support to patients. Every element of the system that can get an added value by connecting to the Internet will make this system better and more efficient, so our innovative developments are located within this framework. ICT has undoubtedly contributed to the processing, analysis and availability of data in the field of health care, and Ericsson Nikola Tesla within its research and development programs consistently considers and creates new ways of improving the system, believing that they will be implemented in the near future.

 Health Consumer Powerhouse Euro Health Consumer Index 2017



According to the official data by the Euro Health Consumer Index, Croatia, together with four other countries, has been the most successful in Europe when it comes to the implementation of ePrescription. The company is especially proud of the ePrescription development and implementation as this is a service used by virtually every Croatian citizen.



The company's contribution to health care conferences

By participating in numerous conferences about health care, the company's experts confirm the company's focus on dialog, education and professional requirements, while solutions such as ePrescription or CEZIH clearly demonstrate our ability to meet these requirements, just as it is the case in the mentioned examples, from a technological and programming point of view. The discussions in which our experts participated on the same footing as the other participants, focused on issues that have not been solved yet, and in addition to technological and medical aspects, they covered various legal and legislative as well as organizational aspects in the field of health care.

Seeing as good appraisals always carry the most weight when they are given by an "outsider", let us mention the words of Jesus del Valle, an expert from pharmaceutical giant Bayer. During the "The Future is Now" conference, while talking about ePrescription, del Valle pointed out that countries larger than Croatia, such as Germany, have much to learn from Croatia's projects related to digital medicine.

Objectives, achievements and indicators

Highlights

- our achievements and positive practice towards the stakeholders are recognized in the society
 - we inform the public about our business regularly, timely and honestly
 - we have a two-way partnership communication with all important stakeholders
-



Collaborate with us

This report and additional content may be found at www.ericsson.hr/en/.

If you wish to find out more, give your comments or opinions, communicate with us:

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Awards and recognitions

2017



Mostar Fair awarded Ericsson Nikola Tesla a Recognition for the most successful appearance at the 20th International Economy Fair – Mostar 2017.



For the third time in a row, *Lider* business weekly, in collaboration with Bisnode, named Gordana Kovačević, president of Ericsson Nikola Tesla, the most powerful woman in Croatian business.

Croatian Society for Information and Communication Technology, Electronics and Microelectronics (MIPRO) awarded Ericsson Nikola Tesla a MIPRO Charter for significant contribution in carrying out MIPRO's mission.



Within the Diversity Charter Croatia project, president of the company Gordana Kovačević was named one of the ambassadors of this project, which was initiated by the European Commission in 2010, with the aim of promoting and encouraging the implementation of principles of diversity, non-discrimination and human rights protection.

At the Ericsson Innovation Awards competition, a team of FESB students achieved an excellent result, entering the top 1 percent of teams against tough international competition of over 900 teams. The students worked under the mentorship of Ericsson Nikola Tesla experts.



Croatian Society for Information and Communication Technology, Electronics and Microelectronics (MIPRO) awarded president of Ericsson Nikola Tesla Gordana Kovačević a MIPRO Charter for significant contribution in carrying out MIPRO's mission.



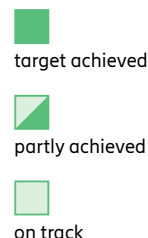
Ericsson Nikola Tesla is the first company in Croatia to be awarded the European "cycle-friendly" certificate.



Following a successful evaluation of the work environment and the conducted education program for the employees, Croatian Institute of Public Health awarded Ericsson Nikola Tesla d.d. the "Health-Friendly Company" certificate.

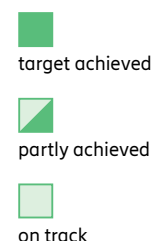
Objectives and achievements






In accordance with our wanted position to be a relevant and responsible driver of positive change, our goals and achievements reflect our effort to both mitigate risks and increase positive impacts.



Positive impact objectives					
status	long-term objective by 2022	2017 objective	2017 achievement	2018 objective	SDG
	Increase the female representation up to 30% (Leadership Team, line managers and the total workforce)	See long-term objectives	Achieved: 100% Management Board, Leadership Team (LT) 25%, line managers 22%, total workforce 23%	See long-term objectives	5
	Ericsson commits to 35% of energy saving in Ericsson Radio System (ERS) versus legacy portfolio baseline (RBS 6000) in the period 2016-2022.	See long-term objectives	Achieved 34% of energy saving from delivered Ericsson Radio System (ERS) versus legacy portfolio (RBS 6000).	See long-term objectives	13
	Ericsson will strive to ensure that by 2022 the 5G product portfolio shall be ten times more energy efficient (per transferred data) than current 4G (baseline 2017).	See long-term objectives	Successful inclusion of energy performance in standardization. 5G standard approved in Lisbon end of 2017 by 3GPP (3G Partnership Project). Development aspects identified and implementation on track.	See long-term objectives	13
	Reduce CO ₂ emissions by offering and implementing new solutions in the portfolio.	Introducing at least one new solution that reduces CO ₂ emissions.	CO ₂ emissions reduced by implementing the joint "green border" control system and introducing Smart Parking in Split.	Reduce CO ₂ emissions by introducing at least one new relevant solution.	9

Risk mitigation objectives					
status	long-term objective by 2022	2017 objective	2017 achievement	2018 objective	SDG
	Educate 100% of employees on anti-corruption through e-learning application.	Continue to deploy anti-corruption training of employees and achieve a 95-percent attendance, in line with our zero-tolerance policy.	Over 98% of employees completed anti-corruption training at the end of 2017	See long-term objectives	16
	Educate 100% of employees on Ericsson corporation's business ethics.	Provide education about business ethics to all employees.	100% of employees signed Ericsson corporations' Code of Business Ethics.	See long-term objectives	16



Risk mitigation objectives					
status	long-term objective by 2022	2017 objective	2017 achievement	2018 objective	SDG
	Include responsible business topics in the Group's main meetings/ activities throughout the year.	Include responsible business topics in the Group's main meetings/activities throughout the year.	Responsible business (with a special focus on anti-corruption) was on the agenda in the Group's main meetings and activities.	See long-term objectives	16
	Secure Business Units adherence to Sales Compliance process.	A 100-percent adherence of all the cases subject to Sales Compliance.	Business done 100% in line with the Sales Compliance process.	A 100-percent adherence of all the cases subject to Sales Compliance.	10
	The percentage of successful implementation of corrective measures related to audit findings, monitored on a monthly basis (two months following the audit) over a one-year period.	On track 60% / committed 80% / stretched 100%	Achieved 62.5	On track 60% / committed 70% / stretched 84%	12
	In the OHS field reduce the number of severe occupational injuries and monitor the elimination of risks of severe occupational injuries in line with our long-term vision - 0 major incidents.	Carry out on-site inspections regarding work orders for managed services for high-risk activities. Verify compliance with OHS legislation.	On-site inspections carried out regarding work orders including high-risk activities. All the Group entities are completely in line with OHS legislation.	Educate 100% of the total number of employer's representatives that are obliged to undergo training this year via an internally developed e-znr (e-OHS) application.	3
	Encourage the reduction of climate impact through the reduction of CO ₂ emissions in business-related activities.	Increase the use of bicycles as means of transport for sustainable commuting to/ from work and improve the corresponding infrastructure.	100 new bicycle parking spots were provided.	Reduce climate impact by reducing energy consumption per employee by 10% by comparison with 2016.	13

Statement on the application of the Code of Corporate Governance

Ericsson Nikola Tesla d.d. was among the first companies in Croatia to adopt its own Code of Corporate Governance (in April 2005), based on the legislation of the Republic of Croatia and the recommendations published in OECD Corporate Governance Working Papers. The mentioned documents clearly describe and define the rights and obligations of the Management Board, Supervisory Board and shareholders (<https://www.ericsson.hr/en/corporate-governance>).

The Company also applies the Code of Corporate Governance of the Zagreb Stock Exchange (Zagrebačka burza d.d.), and meets the obligations derived therefrom, with the exception of provisions whose application is not practical at the moment.

Statement on the application of the Code of Corporate Governance is published on the Company's web page (www.ericsson.hr), as well as on ZSE's (www.zse.hr) and the Croatian Financial Services Supervisory Agency's (HANFA) web page (www.hanfa.hr).

Deviations from the Zagreb Stock Exchange Code of Corporate Governance are as follows:

– 2.6. Usage of modern communication technology

The shareholders and their proxies shall be allowed to vote at the Annual General Meeting using modern communication technology. However, for the time being, it is not possible to remotely participate at the Annual General Meeting using the means of modern communication technology.

– 4.2. Composition of the Supervisory Board

The majority of Supervisory Board members are not independent members. Out of the total of five members, two members are elected on the proposal of the largest shareholder, one member is the representative of employees, and the remaining two members are independent.

– 4.7. Remunerations/compensations to Supervisory Board members

Members of the Supervisory Board receive a monthly remuneration amounting to the half of the average monthly gross salary of the Company employees. The representatives of the largest shareholder Ericsson do not receive the remuneration in accordance with the corporate policy.

The information on compensations and other remunerations from the Company or Company related persons to the members of the Supervisory Board are not published individually for each member, but in the total amount in the Annual Report.

– 4.12. Committees (Boards)

The Supervisory Board does not have an established appointment committee and remuneration committee.

Other members of the Supervisory Board gave their consent to the Chairman of the Supervisory Board to

determine the way of remuneration of the Company's Management Board and to take care of the appointment of new members and monitor the work of the Supervisory Board and Management Board of the Company.

– 6.3. Remuneration

Remuneration of the Management Board is regulated by an individual employment contract, agreed between the Management Board and the Supervisory Board. The remuneration for the work of the Supervisory Board is determined by the decision of the Annual General Meeting.

The statement on the remuneration policy for the Management and Supervisory Board was not published.

– 6.3.3. Publication

The information regarding salaries and other ways of remuneration of the Company's Executive Management is published in the Annual Report, in total for all members.

The ten principles of the UN Global Compact

UN Global Compact is a United Nation's initiative for the introduction of corporate social responsibility. It was launched in 2000 and nowadays is the biggest initiative of such type, which represents a unique example of collaboration between business world and the international community.

Ericsson Nikola Tesla Group is committed to promoting and supporting UN Global Compact ten principles.

principle		page
Human rights		
1.	Businesses should support and respect the protection of internationally proclaimed human rights.	50, 58, 61, 63
2.	Make sure that they are not complicit in human rights abuses.	50, 58, 61, 63
Labor		
3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	58, 63
4.	Eliminate all forms of forced and compulsory labor.	50, 59, 61, 63
5.	Abolish child labor.	50, 59, 61, 63
6.	Eliminate discrimination in respect of employment and occupation.	50, 59, 61, 63
Environment		
7.	Businesses should support a precautionary approach to environmental challenges.	78-81
8.	Undertake initiatives to promote greater environmental responsibility.	80
9.	Encourage the development and diffusion of environmentally friendly technologies.	78, 79
Anti-corruption		
10.	Businesses should work against corruption in all its forms, including extortion and bribery.	61, 62, 63

GRI index

note: N/A not applicable ; online - on the web page

GRI	Topic-specific disclosures	Reference
General Disclosures (GRI 102)		
102-1	Name of the organization	8
102-2	Activities, brands, products, and services	14-15
102-3	Location of headquarters	10-11
102-4	Location of operations	10-11
102-5	Ownership and legal form	10-11
102-6	Markets served	16
102-7	Scale of the organization	10-11
102-8	Information on employees and other workers	63, 70, 73
102-9	Supply chain	63
102-10	Significant changes to the organization and its supply chain	63
102-11	Precautionary Principle of approach	63
102-12	External initiatives	22
102-13	Membership of associations	22
Strategy		
102-14	Statement from senior decision-maker	36-37
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	50-51
102-17	Mechanisms for advice and concerns about ethics	51, 61
Governance		
102-18	Governance structure	109-110
Stakeholder engagement		
102-40	List of stakeholder groups	44
102-41	Collective bargaining agreements	67
102-42	Identifying and selecting stakeholders	44-45
102-43	Approach to stakeholder engagement	45
102-44	Key topics and concerns raised	46
Reporting practice		
102-45	Entities included in the consolidated financial statements	10-11
102-46	Defining report content and topic Boundaries	32-33
102-47	List of material topics	47
102-48	Restatements of information	33
102-49	Changes in reporting	33
102-50	Reporting period	32
102-51	Date of most recent report	33
102-52	Reporting cycle	32
102-53	Contact point for questions regarding the report	96
102-54	Claims of reporting in accordance with GRI Standards	33
102-55	GRI content index	102
102-56	External assurance	33
Economic		
Economic performance (GRI 201)		
201-1	Direct economic value generated and distributed	23-26
201-2	Financial implications and other risks and opportunities due to climate change	N/A
201-3	Defined benefit plan obligations and other retirement plans 69, 132, 138	69, 132, 138
201-4	Financial assistance received from government	133, 139, 140

note: N/A not applicable ; online - on the web page

GRI	Topic-specific disclosures	Reference
Market Presence (GRI 202)		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	74
202-2	Proportion of senior management hired from the local community	109-110
Indirect Economic Impacts (GRI 203)		
203-1	Infrastructure investment and services supported	90-93
203-2	Significant indirect economic impacts	86
Procurement Practices (GRI 204)		
204-1	Proportion on spending on local suppliers	151
Anti-corruption		
205-1	Operations assessed for risks related to corruption	62, 63
205-2	Communication and training about anti-corruption policies and procedures	51, 62
205-3	Confirmed incidents of corruption and actions taken	62
Anti-competitive Behavior (GRI 206)		
206	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A
Environment		
Materials (GRI 301)		
301-1	Materials used by weight or volume	N/A
301-2	Recycled input materials used	82
301-3	Reclaimed products and their packaging materials	81
Energy (GRI 302)		
302-1	Energy consumption within the organization	81
302-2	Energy consumption outside of the organization	N/A
302-3	Energy intensity	N/A
302-4	Reduction of energy consumption	81
302-5	Reductions in energy requirements of products and services	80
Water (GRI 303)		
303-1	Water withdrawal by source	81
303-2	Water sources significantly affected by withdrawal of water	N/A
303-3	Water recycled and reused	N/A
Biodiversity (GRI 304)		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
304-2	Significant impacts of activities, products, and services on biodiversity	80
304-3	Habitats protected or restored	N/A
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
Emissions (GRI 305)		
305-1	Direct (Scope 1) GHG emissions	online
305-2	Energy indirect (Scope 2) GHG emissions	online
305-3	Other indirect (Scope 3) GHG emissions	online
305-4	GHG emissions intensity	79
305-5	Reduction of GHG emissions	79
305-6	Emissions of ozone-depleting substances (ODS)	N/A
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	N/A
Effluents and Waste		
306-1	Water discharge by quality and destination	81

note: N/A not applicable ; online - on the web page

GRI	Topic-specific disclosures	Reference
306-2	Waste by type and disposal method	82
306-3	Significant spills	81
306-4	Transport of hazardous waste	N/A
306-5	Water bodies affected by water discharges and/or runoff	N/A
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	57
Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	83
308-2	Negative environmental impacts in the supply chain and actions taken	83
Social		
Employment (GRI 401)		
401-1	New employee hires and employee turnover	74
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	74
401-3	Parental leave	75
Labor/Management Relations (GRI 402)		
402-1	Minimum notice periods regarding operational changes	67
Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	64
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	75
403-3	Workers with high incidence or high risk of diseases related to their occupation	65
403-4	Health and safety topics covered in formal agreements with trade unions	64
Training and Education (GRI 404)		
404-1	Average hours of training per year per employee	72
404-2	Programs for upgrading employee skills and transition assistance programs	72
404-3	Percentage of employees receiving regular performance and career development reviews	72
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	70-71
405-2	Ratio of basic salary and remuneration of women to men	74
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	N/A
Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	58
Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	59
Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	59
Security Practices		
410-1	Security personnel trained in human rights policies or procedures	63
Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	N/A
Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	58, 61, 63

note: N/A not applicable ; online - on the web page

GRI	Topic-specific disclosures	Reference
412-2	Employee training on human rights policies or procedures	58
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	61
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	86-92
Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	63
414-2	Negative social impacts in the supply chain and actions taken	63
Public Policy		
415-1	Political contributions	N/A
Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	79
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Marketing and Labeling		
417-1	Requirements for product and service information and labeling	N/A
417-2	Incidents of non-compliance concerning product and service information and labeling	N/A
417-3	Incidents of non-compliance concerning marketing communications	N/A
Customer Privacy		
418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	60
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	N/A