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Report on Integrity Enhancement Measures Implementation in the 2020 – 2023 Period

1. Introduction

This Report includes a detailed review of the integrity enhancement measures implementation in the 2020 – 2023 period. The purpose of this Report is to analyze the enhancement level and to evaluate the efficiency of the measures for BH Telecom integrity enhancement.

The Management adopted BH Telecom Integrity Plan 2.0 at the 74. meeting held on 18 Dec., 2019, being drawn up in line with the provisions of the Rules for Integrity Plan Preparation and Implementation in the Institutions of Bosnia and Herzegovina. The Integrity Plan, being adopted, included also the adopted integrity enhancement measures in the 2020 – 2023 period (four years).

We point out that the Integrity Plan is a preventive anti-corruption mechanism, which is not intended for solving single corruption cases but establishing the mechanisms for reduction of corruption risks and other irregularities in all fields of work.

The integrity enhancement measures are intended for the following:

- prevention and removal of circumstances for irregularities occurrence through strengthening of public responsibility,
- transparency,
- control and reduction of discretion authorities,
- simplification of complex and termination of unnecessary procedures.
- education,
- · information flow,
- · strengthening of professionalism and ethics,
- · establishment of efficient control system, and
- elimination of inefficient behavioral practices.

In the last four-year period, the Company implemented the adopted measures in order to enhance its integrity, transparency and ethical business operations. These measures were intended for various fields, including improvement of human resources management, internal controls increase, provision of consistent regulations implementation and advancement of open communications within the organization.

In this Report we will analyze implementation of above measures, identify the results we reached and the obstacles we faced. We will also evaluate the efficiency of the measures being implemented for integrity improvement and give recommendations for future steps in order to continue with strengthening our organizational integrity in the years to come.

This Report results from cooperation of all relevant participants in the organization (partly performed during the Corona19 virus pandemics) and it is prepared for the purpose of providing transparency of reached results and further guidelines for integrity enhancement. It will be used for informing the decision-makers, employees and other participants about the progress made while reaching integrity goals and about the need for further engagement in this important field.

2. Overview of Integrity Enhancement Measures Implementation

Below Table shows the overview of the integrity enhancement measures implementation in the 2020 – 2023 period for the Management to have an overall insight as follows:

No.	Risk	Risk managem ent measure i.e. for integrity enhance ment	Priority • high • mod erate • low	Activities for measure implementati on	Measure implemen ter and implemen tation deadline	Initiated actions OU/emplo yee	Measure implementation level
1	2	3	4	5	6	7	8
				Management	and Operation	on	
1	Decision- making to reach personal interest through discretion right of the manager (11) (source: risk evaluation)	To increase internal controls and internal audit monitorin g	moder ate	To analyze current internal controls and to propose process improvement measures	General Manager/ Head of Internal Audit Departme nt	Team for making document on BHT internal control types founded	Implemented: The Internal Controls Code adopted at the 6. meeting of BH Telecom Management held on 07 Oct., 2020, available at intranet page: Internal Documents - Codes
		ı	Managem	ent of Material	and Financi	al Resource	s
2	Improper use of BH Telecom resources (13) Misusage of material and financial resources (14) (source: risk evaluation)	Consisten t implemen tation of by-laws related to usage of material and financial resources (orders, charges, discharge s, lists, etc.)	moder ate	To analyze and establish more precise control mechanisms for by-laws usage, to increase performance control	Executive Managers	All Executive Directorat es	* Continuing activity of all OUs ID T&SD – letter No: 04-16-52378-3/20 of 26 June, 2020, report on measures implementation as the measures implementer per risks: No. 2, 6 and 10 from Table 'Risk Evaluation' (risks, surveys, by-laws). Statement on all measures over email (16 and 21 Dec., 2023) submitted by ID BD.
				Purchase Man	agement		

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		Impact on decision-making in purchase procedures not complying with legal and internal regulations (15)				Executive Manager of ED EFA		Continuing activity of ID EFA as the holder of purchase requests implementation together with other OUs The II quarter 2022 – the new Rule Book on Purchases was adopted 2021 – preparation of the new Rule Book on Purchases initiated together with other OUs From January to June 2020, in addition to applying by-laws on
								purchase management, ID EFA also applied the measures defined by the Crisis Center during the
	3	Divulging important information on actual purchase procedures to the	To increase internal controls	moder ate	To analyze current internal control mechanisms for usage of by-laws, to increase performance control and to suggest improvement if needed		OU engaged in purchase procedure s	Covid19 pandemics. To provide a continuing application and application control of by-laws, communication between employees and managers increased as a part of employees worked from home, so computers, OWIS and VPN connection were provided accordingly.
		concerned parties in order to favor certain suppliers and other violations of transparency and equal treatment of						Current internal controls for implementation of by-laws were analyzed and implementation controls were increased. Preparation of proposal for enhancement of above activities is underway.
		all suppliers (16) (source: risk evaluation)						We perform activities to hinder personal benefits from associated persons and violation of by-laws on communication of employees with concerned parties through reinforcing internal controls, staff trainings and familiarizing with integrity plan.

							We performed activities necessary for introduction of systemic information approach to reduce inadequate information flow within business processes among the Managing Board, managers and employees. All these activities are and will be continuous.	
		T		Staff Mar	nagement			
4	There is no systemic human resources management (19) Presence of influence trading in human resources management (20) (source: risk evaluation)	Set up of up-to-date human resources managem ent	high	To make feasibility study for set up of up-to-date human resources management	Executive Manager of ED LAOHRM	Division for Human Resource s managem ent – in progress	Mainly implemented: Based on the Management conclusion No. XII made at the 48. meeting held on 2 Aug., 2019, analysis of current HRM and its enhancement proposals were accepted and HRM enhancement measures implementation plan was adopted (7 measures) for the 2019 - 2021 period. ** Out of 7 planned, 5 measures were implemented and implementation of 2 measures is underway (2. and 6.), expected to be in III and IV quarter of 2024.	
	Ethics and Personal Integrity Gift Acceptance							
5	Insufficiently defined norm promoting ethical behavior and ethical values (24)	To amend document s related to ethics, personal integrity and anti-	moder ate	To amend the Ethical Code and Rule Book on Anti-Corruption Activities	Executive Manager of ED LAOHRM	Office of the General Manager Ms. Almina Mujčić	Implemented: The Ethical Code No. 00.1-3-45012/19-7 of 28 Nov., 2019 was adopted, which includes integrity plan preparation risks.	

	Misusage of labor relations rights (25) Insufficiently defined gift meaning and value in bylaws (28) Gift acceptance including exchange of important information (29) (source: risk evaluation)	corruption activities		To plan and perform education in referred fields			The Ethical Code, in addition to mandatory elements being defined in the Law on Public Enterprises, new moral behavior principles were added, expected moral behavior principles were separated from unjustified moral behavior principles. Complaints against violation of the Ethical Code and the method for monitoring and reporting about implementation of this document were also added. The Management adopted the new Anti-Corruption Code at the 8. meeting held on 21 Oct., 2020. The Management adopted the new Employees Behavior, Dress and Communication Code on 21 April, 2020, defining also the rules for communications between all concerned parties (internal and external communication).				
				Conflict	of Interest						
6	Having personal benefits with related persons (26) Violation of by-laws on communicati ons between employees and concerned parties (27) (source: risk evaluation)	To intensify internal controls and consistent implemen tation of by-laws	moder ate	To analyze and to intensify senior management monitoring in order to eliminate conflicts of interest	Executive Managers of OUs	All Executive Directorat es	Continuous activity of all OUs				
	Efficient F	Proceeding u	ıpon Cor	ruption, Ethical	Efficient Proceeding upon Corruption, Ethically and Professionally Unacceptable Reporting						

7	Failing to notify corruption and other illegal activities caused by insufficiently defined protection of whistler (30) Insufficient employees awareness level about illegal activities reporting (31)	To operate in line with the highest ethics and integrity standards – stated by the highest managem ent for "zero tolerance point for corruption and misusage"	high	To promote that unethical and corruptive behavior of employees is not allowed and acceptable in BH Telecom. To adopt zero tolerance standard, to post it on BH Telecom web page	General Manager	To make proposal for implemen tation of this measure upon agreemen t with the General Manager	The I part is implemented: The Integrity Plan is posted on BH Telecom web page (available to employees and external users) The II part is underway – systemic adjustment of statement/zero tolerance standard to the organization; Planned to be adopted within BH Telecom Integrity Plan 3.0 (February 2024)
	Lack of systemic manager's decision (32) (source: risk evaluation)	Set up of "ethical line"		To introduce "ethical line" as a tool		ED IT / Vahid Dupovac	Implemented: "Ethical Line" - the tool for reporting corruptive activities, available to all BH Telecom employees and external web page users: etička.linija@b htelecom.ba
			Dea	dlines for Docu	ıments Prep	aration	
8	To speed up the Management by-laws preparation up to proposal for adoption by relevant managing bodies (33) (source: by-laws analysis)	To standardi ze deadlines for by- laws preparatio n per types	moder ate	Preparation deadlines analysis and proposal	Executive Manager of ED LAOHRM	Legal Affairs Division	Implemented: It is the process in which the proposer of preparation i.e. amendment of by-laws defines preparation deadlines grounded on the decision on by-law preparation.
				Staff Education	about Integ	rity	
9	Insufficient employees education on both personal and corporate integrity (34) (source: risk evaluation - survey)	To plan and carry out ongoing trainings in integrity and ethical values	high	To plan, carry out, check and enhance activities within employees education about integrity	Executive Manager of ED LAOHRM	Human Resource s Managem ent Division	Implemented: Together with the FBiH Chamber of Commerce, training in ethics and integrity was prepared and posted on e- learning platform on 25 Dec., 2020, and the topics were: - Ethical Leadership – for the Managers and Ethics and Integrity – for

10	Insufficient information flow among the Management , managers and employees (35)	To introduce system approach to communic ation	moder	Analysis of current communicati on channels including proposal on systemic	General Manager/ Executive Managers	All Executive Directorat es	employees of BH Telecom By 03 March, 2021 the training was attended by 1.661 employees and 284 managerial workers, as is totally 1.945 employees who finished the training successfully. In 2022, 8 trainings in Process Communication Model (PCM) were organized in BH Telecom In 2022, BH Telecom purchased online education for (managerial and nonmanagerial) employees: Ethics and Motivation. Implementation – in 2023 (see more details below) Continuous activity of all OUs
	(source: risk evaluation -	auon		improvement			
-	survey)		 Re	sponsibility for	 - Integrity Vi	 olation	
11	Failing to report and be responsible for frauds, thefts and activities considered as integrity violation in BH Telecom (36) (source: risk evaluation - survey)	To define responsibi lity for integrity violation in by-laws	high	To analyze and amend by-laws related to integrity/ disciplinary procedure rule book	Executive Manager of ED LAOHRM	Human Resource s Managem ent Division	Implemented: Disciplinary responsibility for integrity, ethics and conflict of interest violation defined in the Rule Book on Disciplinary Procedure, Article 6. Severe violation, indent: 54) violation of the Ethical Code provisions: 55) violation of the Employees Business Communication Code provisions; 56) Taking part in

			conflict of interests; (58) violation of the Anti- Corruption Code provisions; You can find more details below.
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^{*} Continuous activity of all OUs – Implementation dates of the measures No. 2., 3., 6. and 10 are deleted because referred measures were implemented by all OUs continuously by the end of 2023 (validity period for the BH Telecom Integrity Plan 2.0).

"Plan for HRM enhancement measures implementation taken by the ED LAOHRM/HRM Division:

1. Measure 1. **IMPLEMENTED** – Restructuring of the position of the HRM Department and HR Department within the HRM and Organization Division;

This measure has been implemented with a series of changes in the past period, starting from personnel, process to organizational (formed new OUs within the Division), since the function of human resources management has gained momentum, which can be seen through the participation of HR in all major processes that take place in the Society. The internal organization of the Human Resources Management Division is currently structured and focused on achieving the goals and tasks of the entire Division, so that the previous positioning of the OU within the Division, which significantly affected the perception of other OUs, is now based on a flatter organization within which the activities of the Division are divided according to the competences of the OUs and all executors participate in their implementation within the Sector according to their competences, work load and possibilities.

2. Measure 2. **UNDERWAY** - Amendments to the Policy in the part where managers of all levels of management are authorized to manage human resources, in accordance with the adopted Policy, regulations, instructions and procedures governing the field of human resources management in the Company, so that this authorization is granted only to top management - the Company's Management, i.e. to the General Director, through ED LAOHRM;

Within the KPI's BSC matrix, the Policy-based KPIs are monitored. The degree of employees mobility increases every year, the efficiency of employees increases, the level of satisfaction increases, a career development system is established, the competence increases.

This measure also implies adjustment with the Human Resources Development Strategy in BH Telecom JSC Sarajevo, whose proposal has been made, but whose adoption has been prolonged in order to harmonize with the Development Strategy of BH Telecom JSC Sarajevo, being in the process of development. Upon completion of activities related to adoption of the abovementioned acts of the Company, the revision of the Policy will follow, which will be more significant in relation to the manner provided for in the task.

Deadline: Q IV 2024

3. Measure 3. **IMPLEMENTED** - Amendments to the Instructions on the procedure of employment relationship establishment and the procedure of employees reassignment in BH Telecom JSC Sarajevo so that human resources management will be positioned exclusively in ED LAOHRM while the management will continue to remain at the level of OU. Amendments to the Instructions on the employment procedure and the procedure of employees reassignment in BH Telecom JSC Sarajevo will define the coordination of ED LAOHRM with other OUs in human resources management, but without disabling ED LAOHRM from performing its HRM function (conducting the procedure of employees admission as well as the procedure of employees redeployment within the Company will be carried out by ED LAOHRM);

^{**} Explanation of activities performed within the measure No. 4.

- 4. Measure 4. **IMPLEMENTED** To enhance the process of education in the Company through better exploitation of the e-learning system, increase in internal education through introduction of BH Telecom Academy, systematization of contracted trainings through contracts about systems and equipment procurement;
- 5. Measure 5. **IMPLEMENTED** To introduce a new and enhance the existing system of rewarding the employees for the purpose of increasing their motivation (introducing bonuses primarily for employees being in the direct contact with users, improve and make a more transparent stimulation system). The activity is already being implemented within the bonus program for postpaid sales. Activities are planned to expand introduction of bonus programs to other services offered by the Company in the market as well as to other categories of employees, so it is a continuous process that will take place in the planned period;
- 6. Measure 6. **UNDERWAY** To improve the Rulebook on Disciplinary Procedure for determining the disciplinary responsibility of responsible persons in BH Telecom JSC Sarajevo in order to speed up and simplify the procedure (deletion of certain procedural actions requests for initiating disciplinary proceedings), to make it more cost-efficient for the Company and the responsible person (introduction of the institute of pleading guilty before initiating disciplinary proceedings that avoid the process), to supplement and innovate violations of work obligations and to improve the disciplinary procedure through introduction of centralization of decision-making on disciplinary proceedings initiation and decision-making on disciplinary proceedings completion (disciplinary proceedings are initiated by the General Manager through ED LAOHRM and he submits the decision for implementation in OU: RD/TC);

The Rulebook on Disciplinary Procedure for determination of disciplinary responsibility of responsible persons in BH Telecom JSC Sarajevo has been drafted and revised, but due to adoption of the new BH Telecom Statute and harmonization of the Rulebook on Disciplinary Procedure with the provisions of the same, it is necessary to undertake additional activities that may include possible amendments to the Statute of the Company.

Deadline: Q 3 2024

7. Measure 7. **IMPLEMENTED** - To establish a commission for monitoring sick leave of employees at the level of the General Directorate, RDs and TCs, which would report to persons having the special authorizations and responsibilities about sick leave in OUs at the semi-annual level and propose relevant measures. This measure was implemented as a part of the adopted measures implementation grounded on the report on the current state analysis and the needs of human resources dealing with sales with proposed measures."

Above Table shows that the measures implementation level is as follows:

- 77,00 % implemented,
- 23,00 % on-going.

Remaining four measures are a continuing obligation of all OUs to provide the integrity enhancement in BH Telecom in terms of the following:

- 1. management of material and financial resources,
- 2. purchase management,
- 3. conflict of interests and
- 4. information flow.

Referring to fully implemented BH Telecom integrity enhancement measures herewith we state the following:

- Establishment of the Internal Controls Code in BH Telecom is particularly emphasized, which
 defines the concept, responsibility, objective and task of the internal controls system from the
 aspect of integrity in BH Telecom JSC Sarajevo, and the type of internal controls in terms of
 performance, control environment, risk determination and supervision of established internal
 controls implementation, for the purpose of preventing and eliminating irregularities caused by
 all forms of corruption and unethical behavior.
- Drafting the new Code of Ethics of the Society, in addition to the mandatory elements because
 they are prescribed by the Law on Public Enterprises, the new principles of moral behavior
 have been added, the principles of moral behavior that are expected in the Society are
 separated from the behaviors that are not justified. It was added a part about filing complaints
 on violations of the Code of Ethics, as well as the method for monitoring and reporting to the
 management bodies in the Company on compliance with this act. The Code is available on BH
 Telecom web site.
- In the cases of non-compliance/violation of integrity, ethics and conflict of interest, appropriate amendments to the Rules of Disciplinary Procedure have been made in terms of defining disciplinary responsibility (serious violation) for the following:
 - non-compliance with the provisions of the Company's Code of Ethics:
 - non-compliance with the provisions of the Code of Business Communication of the Company's employees;
 - participation in conflict of interest;
 - violation of the provisions of the Code of Anti-Corruption in BH Telecom JSC Sarajevo.

3. Code of Ethics Violations/Performed Disciplinary Proceedings

Caused by unfulfillment of the provisions of the Company's Code of Ethics, being defined in Article 6. (1) 54) of the Rulebook on Disciplinary Proceedings as the severe violation of professional commitments:

- totally 5 disciplinary proceedings were initiated in 2021,
- totally 3 disciplinary proceedings were initiated in 2022,
- totally 12 disciplinary proceedings were initiated in 2023.
- Out of 5 proceedings held in 2021, 3 resulted in ordering disciplinary action which included a written warning and 2 resulted in termination of employment contract.
- Out of 3 proceedings held in 2022, 2 written warnings and 1 termination of employment contract were ordered, pointing out that 2 disciplinary actions were conducted for one employee (firstly he received a written warning and then a notice about his employment contract termination).
- Out of 12 proceedings held in 2023, 10 cases resulted in ordering disciplinary action which included a written warning and 2 cases resulted in termination of employment contract.

We point out the fact that the disciplinary proceedings, initiated due to reasonable doubt that the employee severely violated his professional commitments, violations of the Code of Ethics in accordance with Article 6. (1) 54) of the Rulebook on Disciplinary Proceedings are relatively often.

There were 5 disciplinary proceedings initiated due to above stated violation and, after their completion, the employees were stated responsible for violation of their professional commitments in all 5 cases; written warning was ordered in 4 cases and termination of employment contract was ordered in one case.

4. Education in Ethics and Integrity

- Resulting from cooperation between the FBiH Chamber of Commerce and ED LAOHRM, education of our employees, having a username, was prepared in the field of ethics and integrity and posted on the e-learning Platform on 25 Dec., 2020, having the following subjects:
 - Ethical Leadership for the managers and
 - Ethics and Integrity at the Work Place for the employees.

The training was completed by:

- 1.661 non-managerial employees and 284 managerial employees, being totally 1.945 employees who completed their education successfully in 2021.
- The 8 Process Communication Model (PCM) educations were organized in BH Telecom JSC Sarajevo (in)directly referring to integrity, in 2022. These educations included 85 managerial employees, resulting in their skills and competences improvement in the field of employees and teams management and procurement of online educations for (managerial and non-managerial) employees: Ethics and Motivation. These educations are mandatory for all employees of the Company and they make the part of the onboarding packages for all new employees, but due to technical issues we had on LMS Platform intended for these educations release, we have not still implemented them.
- In 2023, the following educations were posted on LMS Platform: Ethics and Integrity at the Work Place, Ethical Leadership and Ethical Organizational Structure, and two new educations were posted in 2023, being available to all employees:
 - Ethics and Loyalty for non-managerial employees and
 - Ethics and Loyalty for managerial employees.

Namely, the training in Ethics and Loyalty for managerial employees was mandatory for all managerial employees last year, while the trainings in Ethical Leadership and Ethical Organizational Structure, together with Managerial Skills and Team Management, intended for new managerial employees were also mandatory. Referred education was completed by 387 managerial employees.

 We have to emphasize that we established the 'Ethical Line', the communication channel for corruptive activities reporting, being available to all BH Telecom employees and external users at the web page: etička.linija@bhtelecom.ba.

Note: There was no corruption reporting over 'Ethical Line' in 2021, 2022 and 2023.

5. Information Flow/Internal Communications

Efficient information flow, as the measure for BH Telecom integrity enhancement, is an important part intended for maintenance of integrity within our organization. Introduction of measures supporting transparency and open communication has a large number of benefits such as:

- faster failure detection,
- conflict of interest prevention,
- responsibility improvement,
- trust reinforcing,
- lower corruption risk.

For the purpose of communications, we have used DMS Platform for forwarding and creating official mails/documents, e-mail, as well as MS Teams Platform intended for our employees communications and scheduling meetings.

For the purpose of internal communications about important issues and socialization of our employees, we created **PeopleLab Sharepoint Platform**, where 69 new information were announced last year.

The number of our employees visits to this Platform has been constantly growing. There were 66.568 views of this Platform in the one-year period. To increase visibility, we created a special Informer's issue - People Lab - in cooperation with ED BD in September 2023, which is announced every first Monday in a month, in addition to standard Informer announced every Friday and intended for topics in the field of HR and culture. There were 3010 users who approached this Platform last year, which is the same as the number of our employees having the domain user, so we can say that all Company's employees had an opportunity to get familiarized with People Lab.

In 2023, the news from the following categories were announced:

- employees well-being and health the news about the Company's participation in different sports and recreational competitions,
- success made by our employees and members to their families in order to promote our employees and their integration with others through inspirational stories,
- humanitarian actions,
- HR news.
- My Academy as the separate sub-brand on this Platform,
- pupils and students visits to the Company,
- the news in the field of technology

In order to promote socialization and engagement on this Platform, we organized activities in the field of gamification, such as giving tickets for Sarajevo Film Festival in exchange for engagement.

The activities performed on the Platform are monitored and administered day-to-day following the house rules for the purpose of communications in line with applicable codes.

Finally, enhancement of information flow has a paramount importance for integrity maintenance in the organization. Introduction of above mentioned activities supporting transparency and open communication creates environment in which the ethical principles are obeyed and responsible management is promoted.

This review points out that enhancement of information flow results in enhancement of BH Telecom integrity through faster failure detection, conflict of interest prevention, responsibility improvement, trust reinforcing and lower corruption risk.

6. Report on Current Financial Management and Control System Evaluation in 2021/2022

In addition to above stated, it is important to mention the recommendations about the Company's integrity adopted by the Management (21. meeting held on 31 Jan., 2023) within the Report on Current Financial Management and Control System Evaluation in 2023, in which also adopted were the recommendations related to enhancement of BH Telecom integrity and ethics to be implemented in 2024, as follows:

- to organize continuous education and to raise awareness in the field of integrity, ethical values and employees loyalty,
 - to inform employees of their obligation to report any eventual conflict of interest,
- to establish the advisory communication channel for ethical behavior and promotion over internal share portal,

• to raise information level on the disciplinary proceedings being completed (aimed at general prevention and proactive education in this field).

7. Integrity Enhancement Continuity

We are also obliged to observe the continuity of BH Telecom integrity evolution in the way that the Team for Integrity Plan Preparation/DRSU implemented the Conclusion No. VIII/157-23 made by the Management about preparation of the BH Telecom Integrity Plan 3.0, being unanimously adopted at the 25. meeting held on 21 Feb., 2024.

8. Conclusion

We analyzed implementation of the integrity enhancement measures in our organization in the 2020 – 2023 period and identified the key findings and conclusions in this Report.

The key findings point to significant improvement in reaching goals defined for the integrity enhancement. Implementing various measures, we noticed that the work process efficiency is higher, human resources management is stronger and transparency and trust within our organization are higher. In spite of that, we identified also certain shortages referring to the number of the Code of Ethics violations, inactivity and resistance to changes which need to be overcome.

We underline importance of the continuing engagement in integrity enhancement in future. Maintenance of the organizational integrity requires an on-going dedication and harmonization with new challenges and changes in the environment. Accordingly, it is crucially important to go on with implementation of measures which proved to be successful and to search for the new strategies and approaches in order to enable further integrity enhancement in the organization.

We can provide a long-term success and sustainability of the organization only through common endeavor of all participants and resolute dedication to integrity.

Truly yours,

a.i. Executive Manager

Damir Ćauš