



Non-financial
Report

2017

Smart communication

Our non-financial performance indicators

Have you ever paused to think what is it that you owe your daily contact with your family and friends to? Watching videos, sharing photos, making a call – anytime and from practically anywhere, watching your favourite TV show or a film – again, anywhere you may be and whenever you feel like it? Do you know what makes it happen?

Smart Network

Already for over a quarter of a century we lead the Czech market of modern communication. For all this time our ambition has been to avail the boon of smart modern technology to all people. And the figures show that we are succeeding in what we have set out to do. The numbers are a proof that we help our communities and economy grow.

In 2017, Smart Network has made so many call minutes happen that it would take one person 22 thousand years to get through. If they were to finish this long phone call in this century, they would have needed to get on the phone at about the time when the oldest known ceramic statuette in the world, the Venus of Dolní Věstonice, was made. Our Smart Network managed to send close to 80 SMS per second. Imagine that an average text message takes up about 4 cm of screen space. If we were to string all these SMS together, they would go 2.5 times around the globe. In Slovakia in 2017 call minutes would be enough for a monologue lasting eight thousand years, and our network sent 15 SMS every second. In both countries our two networks – fixed and mobile – carried more than 800 billion megabytes of data in total, equivalent to ap-

proximately 1.1 billion CD-ROMs, 170 million DVDs or 32 million Blu-ray discs. Given the average data flow when watching video in HD quality via traditional streaming services, the same volume of data would make a film which is longer than 65,000 years. This is really pushing the limits of our human imagination.

But life is much more than numbers. Behind each success, there is a story, the work put in by our employees, the needs of our customers and the societal progress. It is a result of an amazing interplay of many technologies, technical teams and customer care. This efficient web of support is behind the state-of-the-art communication network that surrounds us. And this is also why people take modern communication as a natural phenomenon – something that just is and does not cost anything.

But it is not so: network needs electricity to work; network components are made of various metal and plastic parts; they need to be cooled; the radiation must meet specific public health requirements; and our customers' data must be properly protected. All this means continuous effort in all areas.

The network development and operation, and the services we provide, aid the development of our whole society – all of the Czech Republic and Slovakia where we have market presence. Without all the connections, messages sent and received, and data transmitted, our modern society that relies on instant data exchange and expediency would just not be possible.

Naturally, our actions come with some necessary costs and impacts. And this is what this

Non-Financial Report is all about – because non-financial performance also matters.

We selected data which we find relevant to the safe operation of our network. We do business with economy, responsibility and transparency in mind. And this Report reflects the same principles. We want it to be clear, to-the-point and, most importantly, understandable to all. Details of our Corporate Social Responsibility activities are available on the website www.o2myslimena.cz.



O₂ for the people



O₂ in the Nature



People of O₂



O₂ in the Community

Our business model

O2 for the people

Our business model aspires to benefit all individuals and the society as a whole. People have always been at the heart of everything we do. They are always there – at each step of our business processes, and at the beginning and the end of all our solutions. Our customers are people. Our employees are people. People sharing a natural space and living as a community.

We bring digital communication technology to the people for them to use: from consumers through small and medium businesses to large corporations and the government. We sell terminal equipment and accessories. We lease out data centres and offer tailor-made ICT solutions for business.

For more details on our business, including products and services, please read the section 4 Board of Directors' Review of Business of the [2017 Annual Report](#). The Annual Report also

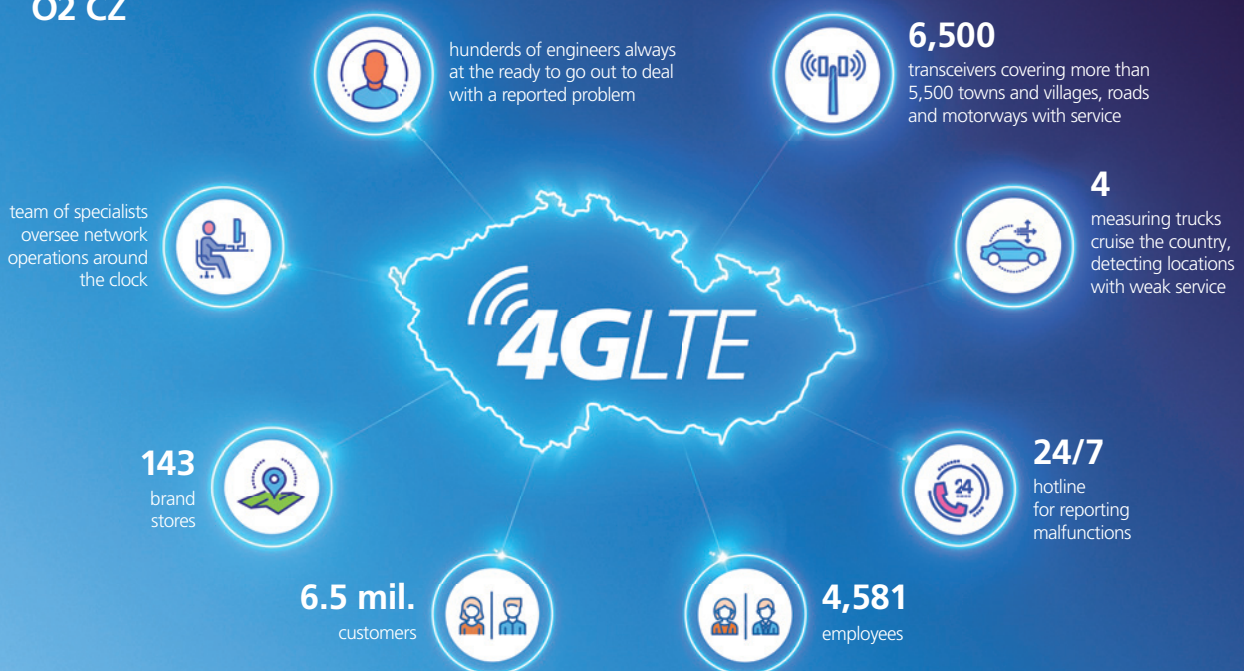
includes details of the financial and operating performance of the O2 Group.

We leave a different footprint on the outside world than, let's say, a steel mill, chemical factory or a farm would do.

However, the telecommunications business also leaves a footprint on the outside world, and we want to address it as part of our responsible approach to business. We cannot change the world overnight. But the fact that we monitor the indicators stimulates thinking that perhaps we could do things differently – and better.

Let's take a closer look at what is behind our Smart Network. In this Report, O2 CZ stands for O2 Czech Republic a.s. and O2 SK stands for O2 Slovakia, s.r.o. By O2 Group we mean O2 Czech Republic a.s. and its subsidiaries.

O2 CZ



The information is valid as at 31 December 2017. The source is the O2 Group 2017 Annual Report, section 4, pages 17-18.



694 employees



93.6% of the Slovak population can use the fast 4G LTE internet, which covers 2080 towns and villages



1.9 million customers



79 sales points

Our integrated management system is helping us achieve those results.

Integrated Management System

O2 is a large Company providing a wide range of services to a large number of customers. This requires a large number of systems, processes and employees. In order to be sure that we are doing well and are able to deliver services in line with the regulations and needs of our customers, we must have clear rules

and procedures in place, and adhere to them. The implementation of an Integrated Management System has made it possible for us to deliver on our commitments to customers and have the results that were discussed at the beginning.

- QMS quality management system according to ISO 9001 standard demonstrates our commitment to continuously increasing customer satisfaction and streamlining internal processes.
- The ICT management system for SMS within the scope of ISO 20000-1 confirms continuous improvement of quality, efficiency and cost reduction for management and service delivery and comprehensive business ICT solutions.
- The EMS Environmental Management System (EMS) according to ISO 14001 is a constant effort to reduce the impact of business on the environment.
- The EnMS Energy Management System, according to ISO 50001, monitors our efficient energy management.
- Occupational Health and Safety Management System according to OHSAS 18001 confirms that occupational safety and health is also ensured in accordance with international standards.
- ISMS Information Security Management System according to ISO 27001 confirms that information assets are protected, the information security risks are controlled, measures are taken with the required level of safeguards and are controlled.

The international certificates have been issued by TÜV NORD Czech, s.r.o., a member of the multinational TÜV NORD GROUP, and are published on our website: <https://www.o2.cz/Company/certificates/>.

We regularly review the functioning of the system through both internal and external audits. These help us analyse the current situation and, if necessary, take action to improve.

Environment

O2 in Nature

We want to contribute to preserving a healthy and sustainable environment for present and future generations. We therefore constantly strive to reduce the negative impacts of our activities. In order to be able to manage and measure our best efforts, we have implemented and certified the environmental management system according to the ISO 14001 international standard and the ISO 50001 energy management system.

We monitor energy consumption and emissions

Although at first glance it may not be obvious, all modern services - including ours - have an impact on the environment. Network technology, data centres, servers, stores, call centres, and office buildings consume energy. Without it, there would be nothings. However, we strive to use the most modern facilities and monitor the trends in our energy consumption. Since 2015, we have left a number of facilities that no longer meet modern requirements, whether for the comfort and quality of our work or energy efficiency.

How did we do for the whole O2 Group in the Czech and Slovak Republics – in numbers? CO₂ emissions calculated from the volume of electricity (63,376 MWh)¹⁾ and heat (5,609 MWh)²⁾ purchased reached 32,102 tons of CO₂.³⁾

Some of our employees have company cars so that they can do their work efficiently. We track fuel consumption and emission levels of our car fleet. The nature of our fleet deployment so far does not allow us to switch to alternative fuels or electric power. The network of service stations or recharging stations for

electric vehicles is not yet well established in all regions; in the case of electric vehicles, their long charging time is also a limitation, which cannot be effectively managed on a journey. However, we closely follow the technical progress and expert discussions on which technologies are ultimately bad for the environment.

CO₂ emissions generated from the consumption of 1,039,985 litres of petroleum-based fuel⁴⁾ and natural gas for heat generation (1,188 MWh)⁵⁾ reached 2,017 tons of CO₂⁶⁾ in 2017.

We are passionate about waste recycling

The total volume of waste generated in 2017 was 350 tons.⁷⁾ Out of the bulk of our communal waste, we sorted out 121 tons⁸⁾ of recyclable waste (paper, plastics, etc.), which is 35% from the total of waste generated.

O2 CZ participates in the system of used product collection and packaging recycling, which was instrumental in reducing CO₂ emissions from greenhouse gasses by 86.52 tons of CO₂ equivalent. The same amount of emissions that 41 medium-sized passenger cars would generate over a year of operation.⁹⁾

1) Includes consumption of electric power in O2 CZ, O2 SK, O2 IT Services and O2 Family.

2) Includes consumption of heat in O2 CZ, O2 SK, O2 IT Services and O2 Family.

3) Emission factors used: electric power 0.486 t of carbon dioxide/MWh, heat 0.232 t of carbon dioxide/MWh.

4) Includes consumption of fuel in O2 CZ, O2 SK and consumption of fuel by O2 CZ Company cars used by subsidiaries.

5) Only O2 CZ purchases natural gas in significant volumes.

6) Emission factors used: petrol 0.00201 t of carbon dioxide/l, diesel 0.00266 t of carbon dioxide/l, natural gas 0.198 t of carbon dioxide/MWh. For cars, the manufacturer-specified data in grams of carbon dioxide/km and the number of km driven for business purposes.

7) Includes data for O2 CZ, O2 IT Services and O2 SK (O2 SK does not report mixed communal waste).

8) Includes data for O2 CZ, O2 IT Services and O2 SK.

9) Certificate from EKO-KOM, a.s. which operates a sustainable packaging system: expected emission savings in 2017.

We recycle electrical equipment

As part of the used product collection, which is a collective system, close to 50 tons¹⁰⁾ of electrical appliances and batteries were turned in for ecological disposal in 2017. Recycling of electrical equipment collected through O2 CZ saved 22.24 tons of CO₂ equivalent, which represents, for instance 139,000 km driven in a small petrol-engine car (up to 1.4 l).¹¹⁾

Of course, O2 collects old electrical equipment: in 2017 you brought in 1,264 mobile handsets and 12,160 kg of other telephone terminals. Moreover, when you turn in your old phone for recycling at any of our stores in the Czech Republic, you make a symbolic donation to Safety Line (Linka bezpečí). In 2017, O2 CZ made an extra CZK 50,000 contribution to the Safety Line on your behalf. Each crown helps, each mobile counts.

Paperless – saving the forests

This may be familiar: you signed a contract with a bank or an insurance company and in a few weeks you did not know where you put the papers. Original documents on paper are hard to file and hard to find. That is why

we introduced a paperless contract already in 2013 – a contract with a hand-written digital signature. A hand-written digital signature is like a normal signature but signed not on paper but onto an electronic document using a digital pen. Customers sign an electronic form at the O2 store – just as they are used to. They do not need to have certified electronic signatures and their original contract comes by e-mail. They can easily find the file in the e-mail archive and save it to their computer.

A similar process applies to electronic invoices – it is comfortable and sustainable. If anyone needs a paper copy, we send it by post to them for a fee.

A man in nature

Anything anybody does for the environment counts. This is why we, making use of our team of specialists and available technology, develop projects improving the environment in the cities and the health of the population. As examples could serve projects in the area of smart waste management, air quality, and projects to reduce noise pollution and carbon dioxide (CO₂) emissions.

10) Includes data for O2 CZ and O2 SK.

11) Certificate issued as part of the Green Business project by REMA Systém, a.s.



ODPAD A JEHO DOPAD

27. 2. – 10. 3.

Sbírka nepotřebného oblečení, bot a doplňků
Výstava věnovaná třídění a recyklaci odpadů
Sbírka starých telefonů v Guru servisu

1. 3. 2017 – Přijďte se dozvědět víc

8.30–10.00
Zero Waste domácnost

10.00–16.00
Projekt FOREWEAR

16.00–17.30
K čemu je doma důležitá tma?

Our employees regularly go through internal trainings and are involved in environmental projects that promote their sustainable behaviour. In 2017, we organized an internal awareness campaign about waste and its impact on the environment (Odpad a jeho dopad) aimed at promoting waste sorting and recycling with overlaps all the way to the so-called „zero waste“ household.

We also collect old clothes, so in 2017 we could introduce mobile covers made of recycled fabric. This sustainable and socially responsible product is sold in all our stores. And it is down to us to make sure that this and similar products do well.

We are working on the development of Future Shop, a new retail concept. At the end of 2017, we inaugurated our first locations in the new design which fuses smart technologies with nature for a brand-new customer experience. The new retail concept combines modern design with organic “landscape” design and materials, live plants and music that makes the space as cosy and comfortable as our home. With the new design, O2 will substitute some POS materials on paper with digital content, in a bid to be even kinder to the environment. O2 CZ is planning to redesign all of its retail locations in the future.

Employees

People in O2

As stated at the beginning, our achievements would not happen without our employees. O2 Group employs 4,581 people in the Czech Republic, which ranks us in the 30 largest employers in the country and demonstrates how our business influences the economic and social environment in our country. With O2 SK counted in, the total headcount is 5,275.

Although our strongly technology-biased industry would traditionally be a male domain, the figures below seem to disagree. Likewise, they show that we at O2 care about employment stability, as demonstrated by the average duration of an employment relationship. For such a dynamic industry, this is a number which reveals a great stability.

So, what is the representation of men and women and other indicators that we see as key? Diversity is an important component of sustainability and we perceive excessive personnel turnover as one of the major risks in the area of our human resources. That's why we value our employees' loyalty.



Always working our relationship with customers

We constantly strive to build the relationship with the customer and improve customer experience in direct interaction. In that, we rely on our brand store and call centre staff – they are our key asset. In 2016 and 2017 we

insourced people, mainly call centre staff, who had been working for O2 CZ as temporary workers through agencies. We also recruited new personnel, mainly for the brand stores. By the end of 2016, O2 CZ abandoned franchise stores in favour of its exclusive brand stores. The insourcing brought approximately

350 brand store staff and 603 call centre staff to the contingent of O2 CZ core employees. As a result, we cut the staff turnover in those two areas by almost a half.

The year 2017 was in the spirit of further expansion of our sales network, improved availability of top-quality personalised customer service, and, in connection with that, better pay for our in-store personnel. By combining adjustments to their basic pay and increasing the bonus component, we have been able to increase the overall pay of our first-line personnel who play an important role in our ongoing effort to improve customer experience. Another group of employees we have been concentrating on last year were the network architects and developers at the core of our business.

Developing our future

We plan to continue also in 2018. We will focus on another customer-facing line of employees – our colleagues in the call centres. We will also continue to focus on improving the conditions for our people in IT who are at the heart of our business.

Constantly learning

Our employees have a wide range of opportunities to pursue their personal and professional development. They can choose from a variety of courses. We believe that in today's rapidly changing and dynamic times, constantly improving our knowledge and skills is the best way to succeed for each one of us.

In 2017, we opened a new interactive training centre for employees. With its digital and simulation features, the new centre helps us implement our new education strategy, which is built on the elements of digitization, motivation and optionality-based (non-adaptive) education and individualization of the whole learning process. Another key feature of this strategy is our new Learning Management System, which lets people learn online any-time, anywhere via a tablet or smartphone. We currently offer over 250 such online courses for various target groups of employees including (and primarily) front-line employees.

In 2017, we trained 288,430 training hours in O2 CZ; 3,509 employees, representing 86% of the total number of O2 CZ employees, attended at least one training session. The total number of participants in our training increased to 14,836. You can say it is like training the entire town of Říčany.

In 2017, O2 SK employees also attended various external and internal courses. At least some of the training courses were attended by 270 employees. In addition to conventional learning, O2 SK personnel benefit from internal coaching, with 4,046 hours coached at O2 SK in 2017.

Recognizing and rewarding

Our employees are recognized and rewarded for their achievements on the basis of various criteria. We strive to support not only those with the best performance, but also those who have made the greatest progress over a period of time or in a particular area.

Our employee remuneration system is grounded in the collective agreement negotiated with the trade union organization operating in O2 CZ. Remuneration rules are further specified in the Internal Remuneration Policy, which is also consulted and promulgated in agreement with the trade union. Employee remuneration is derived from the basic salary. In addition to the basic salary, employees (in accordance with

the rules and terms of their remuneration) are granted incentives – bonuses or commissions.

Employees are, of course, also motivated with a wide range of benefits. We constantly update our selection, to keep it relevant to our employees. Employees receive a certain number of benefit points for each year that they can use to claim the benefits of their choice. The number of benefit points is determined by the Company's Collective Agreement.

The full range of benefits that each of our employees can claim and enjoy comes in the form of a simple guide where all the benefits are presented in a way that facilitates understanding and selection.



Relaxation, meal vouchers and cheaper gas

- 18,000 benefit points to spend on sport, culture, language courses and other activities of own choice
- Meal vouchers worth CZK 105, of which we pay CZK 65
- Shell card for cheaper petrol and diesel



Learn something new

- Training courses and workshops in O₂ HUB – with Petr Ludwig, Tomáš Zykán or Petr Mára, to name but a few
- Talent development programmes for university, students, graduates, young talent and managers at the start of their career
- Mentoring from managers from within O2 and other companies



Meeting people at O2 events

- Teambuilding and sports&games events
- Health days with doctors and healthy lifestyle experts at the workplace
- Regular employee breakfasts with chief executives



Family and personal life

- We contribute up to CZK 8,000 for new mothers returning to work before one year of age of their child
- Homeworking



Unlimited calls, discounts on mobile phones and other services

- Unlimited mobile tariff - no limit on calls, texting and data
- Contribution towards a new mobile phone
- Discounts on O2 services for you and your family
- CZK 200 monthly allowance for e-books, audio books, magazines and apps in O₂ Active



Holidays and leisure

- Five weeks of paid leave and the option of five days of unpaid leave
- Extra unpaid leave above what the law grants upon the birth of a child, your own wedding and other major life events
- Three sick days for when you are not feeling well
- Home office

Motivating

We take our employees' opinions seriously. Two-way feedback is the foundation of our internal co-operation. We want work to be meaningful to our people; that's why every two years, we explore the motivation of the whole Company and we learn how the perceptions and needs of our employees are evolving.

In 2017, 73% of employees took part in the survey. The high response rate shows that this regular probe into the thinking of our employees is a highly relevant barometer. The survey showed that employees appreciated communication with senior staff and highly rate cooperation among colleagues. This is key for the Company.

We have used the overall results of this survey to draw up a Company-wide Action Plan for 2017 and 2018. The Action Plan will focus on improving and developing the most important areas, as revealed by the survey, with the opinions of our people taken on board.

Protecting

Our internal policies address also anti-discrimination and include various measures. The Company's rules directly oblige the employer not to allow anything in any employment relationship that could be construed as direct or indirect discrimination. When selecting employees, concluding employment contracts, training and career development, we operate with clear criteria such as ability, skills, experience and performance.

The trade unions play an important role in the protection of employees and their rights. Firstly, employees negotiate company-wide remuneration terms and conditions (see above), benefits and working conditions (this year an amendment to the Company's Collective Agreement has been concluded, which extends its validity until 2020, while upholding all current terms), and at the same time employees can seek counsel of their trade union in labour law disputes.

Corporate culture

Our corporate culture and values are the basis of our growth and employee loyalty. They make up the unique character of our Company; a set of values, standards and policies governing our conduct with respect to employees, towards partners and customers. We are constantly striving to improve - because a positive, consistent, and effective corporate culture helps us build not only a stronger company but also the best interpersonal relationships in the workplace. So, we have put into action four principles that will help us achieve this goal:

1. Proactivity and constant search for improvement in everything we do
2. Efficiency and utility in our everyday work
3. Giving open feedback
4. A positive approach and rewarding success

In 2018, we will focus on promoting a corporate culture based on these principles.



I'm always thinking
how to do things better



I am efficient and prudent



I love giving feedback



I recognize success and
have a positive outlook

Community

O2 for the people

We enjoy helping in the Czech Republic and Slovakia

We are a telecommunication company operating in the Czech Republic, so it makes sense we focus on the local communities and areas that are related to our business. We have always strived to help primarily with what we do, i.e. to provide technology and services that help the community, and to improve the quality of life of various, especially disadvantaged, groups.

In 1997, we founded and now we operate a free of charge helpline for people with hearing and eyesight impairment (from 2015 in cooperation with the O2 Foundation), helping them communicate with the outside world through technology. We also support (through the O2 Foundation) the Safety Line, a national free crisis line for children and young people that has been in existence since in 1994.

We respond to current social issues and help with resolving them. We strive to contribute to the development of the society and prepare it for the future through not only our technology but also the education of the young generation, which we have been supporting over the long term through our programs. Quality education and a support network for the young generation is crucial for the successful future of the society as a whole. We realize that what we do can

pose risks. That is why we educate, inform and positively influence the public, especially young people, children and their parents, in the field of safe online conduct and the meaningful use of mobile devices and modern communication technologies.

In 2017, we continued to be the general partner of E-Bezpečí, an online safety project run by the Faculty of Education of the Palacky University, specifically by its Centre for the Prevention of Risks of Virtual Communication. We helped to get the following project activities off the ground in 2017:

- 105 educational events at primary and secondary schools;
- 2 festivals for children and their parents;
- 1 national survey of sexting and the risks of dating in the virtual space.

The events were attended by over 3,000 children, 300 parents, 200 teachers, and 60 senior citizens.

O2 in Slovakia is one of the companies that have the courage to express their opinion on all-community topics that are not directly related to business. The company perceives corporate responsibility as an inseparable part of its identity, and does not hesitate to stand up for the values of fairness and transparency and to promote them beyond the sphere of its business.

In 2017, our Czech business joined forces with O2 SK to launch the campaign Our Freedom Is (Still) Not Granted which reminded people on November 17 that the values of freedom and democracy must be respected and not be taken for granted. On the National Day of Fight for Freedom and Democracy, we created a one-day symbolic barricade between the Czech Republic, Slovakia and the outside world. All O2 customers who wanted to visit a foreign website were redirected to a special microsite. On this website, they learned about the impor-

tance of this day for all Czechs and Slovaks. To reach the originally requested page, they had to click the „I want to continue freely“ button. O2 customers traveling abroad on 17 November also received an SMS notification that they have just wilfully crossed the border, which was a criminal offense under the previous regime. We received many awards for this initiative. Related communication campaign won the most prestigious awards competition for the public relations industry – SABRE Awards.

POZOR!
STÁTNÍ HRANICE! VSTUP ZAKÁZÁN!

Pokusili jste se navštívit zahraniční stránku.

Dnes na to stačí jeden klik, ale před rokem 1989 bylo složité podívat se za hranice. Svévolné opuštění republiky se trestalo odnětím svobody až na pět let. Pokud vás přímo při pokusu nezastihla pohraniční stráž.

Svoboda není samozřejmost.
Proto si i my 17. listopadu připomínáme výročí Sametové revoluce a jsme rádi, že vám v Česku i na Slovensku můžeme přinášet svobodnou komunikaci s celým světem.

[Více informací o 17. listopadu](#)

[Chci svobodně pokračovat](#)

O₂

We help to help in the Czech Republic and Slovakia

O2 Foundation

We were one of the first companies in the Czech Republic to start a corporate foundation, which celebrated its 20th anniversary in 2017. For O2 as well as for the O2 Foundation, people are at the heart of everything we do. The O2 Foundation has a tradition of supporting the development of children and young people. Its mission is to promote the benefits of communication technologies in different forms, and use technology to help people who would otherwise find it inaccessible (for example, helplines for people with hearing and sight impairment and senior citizens). The O2 Foundation is also a platform for our employees to take part in a variety of volunteer activities.

O2 and its corporate foundation believe that young people are the hope and the future of the Czech society. That is why we are pleased to support them in realizing their exciting and original ideas and projects, which also benefit the community, through the SmartUp grant programme. Our goal is to help them become responsible and active citizens who take interest in their surroundings and in improving it. In 2017, we distributed a total amount of CZK 2 677 000 to nearly 300 young people and their 78 projects.

The year 2017 was full of philanthropic activities, in which 424 employees actively participated through the foundation platform. Their help most often took the form of volunteering at charity teambuilding events, mentoring for the SmartUp programme, donating to financial collection and giving blood.

- 424 employees got actively involved
- 2,400 hours of volunteer work
- 563,652 Czech crowns raised for charity
- 73.8 litres of blood donated

For detailed information about the O2 Foundation activities please read the [Foundation's Annual Report](#) on its website.

Fair O2 Foundation

Slovak Fair O2 Foundation was started in 2014 with the mission to help projects that want to make Slovakia a better place for the people: better educated, more innovative and more open. The foundation supports projects in the following areas:

- promoting human rights and the values of freedom, democracy, humanity, fairness, transparency and the development of critical thinking;
- educating young people and promoting critical thinking;
- helping young people start a career;
- promoting innovation, creative ideas and young entrepreneurship.



Last year, Fair O2 Foundation supported 16 projects with the total amount of close to EUR 127,000, including the Socrates Institute, Night of the Scientists, Startup Awards, Student Entrepreneurship Award or Praxuj student work experience exchange.

For detailed information about the Fair O2 Foundation activities please read the [Foundation's Annual Report](#) on its website.

Helping is rewarded

O2 CZ participated in a poll organised by the independent platform Business for Society. In the competition TOP Responsible Company 2017 we won two Gold Certificates: one for Responsible Business Practices in the Corporations category, and another for Best Innovative Project Addressing Current Social Issues.



Our Business Principles

We are aware that our market presence has an impact on the world around us. This is also the reason why we make this Report. Our Business Principles is a fundamental document that summarizes the rules we follow in the course of our business. They form part of the work regulations and all employees are familiar with the Business Principles as part of the on boarding training. Our Business Principles are a foundation for the whole system of our internal policies.

Our Business Principles govern our Company's relationship with our customers, employees, shareholders, suppliers and the outside world. This Report follows the same structure. The Business Principles act as a practical guide to our daily work and we are committed to respecting and following these rules. Every project and day-to-day activity of our Company must be in line with these principles. Most of these principles are based in the legislation.

For cases where our employees feel that they have witnessed any conduct that may be in conflict with our Business Principles, they need guidance in a difficult situation or feel vulnerable for any reason, we have put in place an internal electronic application for reporting such concerns.

The full version of the document is public and available on our website (as of the date of this Report, it can be found [HERE](#)).

Even though it may seem that some issues have been "resolved" in our geographic and cultural sphere, it shows that, in today's globalized world, they can still affect all of us.

Respecting human rights

We are committed to monitoring the upholding of human rights primarily because of the use of so-called conflict minerals such as tin, tungsten, tantalum and gold in mobile phones and other electronics. These minerals often come from conflict zones in developing countries, where mining can be a source of funds the ongoing war. Mining can also imply forced and child labour.

We are not the direct producers and our direct suppliers are not the processors of these minerals. We are not exposed to the risks of human rights violations that we would be responsible for under international laws. Still, when choosing our suppliers, we insist that they follow these standards.

Fighting corruption

O2 is a responsible company and expects the same of its employees. As part of their mandatory training, employees are made aware of the importance of anti-corruption rules and the possible implications of illegal conduct.

O2 has established rules for receiving and delivering gifts. If an employee accepts a gift or presents it to someone in the course of business, they are required to register the gift in the context of transparency. In certain situations, internal policies expressly forbid accepting and donating gifts - especially if it is to influence someone's decision or if it could be interpreted as such. We attribute equal importance to the rules governing conflict of interest. O2 has an internal application that allows employees to report suspicions of misconduct or violations of our business principles, even anonymously under strict confidentiality.

Of course, it is possible to report using other means, even in person. O2 places emphasis on internal rules for approving contracts, resolution of potential conflicts of interest and control mechanisms, which are considered to be practical tools to prevent misconduct.

Protecting personal information and privacy

Delivery of telecommunications services inevitably requires the processing of many items of personal data about our customers. Already when we sign a contract, we have to diligently identify the customer to eliminate the risk of fraud and identity theft. We want customers to see these procedures fundamentally as a way for us to protect them. The use of telecommunications services implies the creation of operating and localization data. The mobile network needs to know where the customer is to connect a call or deliver a message. Operating data is also used for raising an invoice and for invoice checking.

And finally, operating data is generated and stored routinely – by the bank (which account we paid money into, where money is coming from), the library (when we borrowed and returned a book), the gym (which classes we signed up for) or the garage (why we brought the car in, what was the mileage and the condition).

The legislation which regulates the processing of personal, operating and localization data is extensive, complex and often hard to understand. We at O2 want our customers to understand why we process certain information, and to know their rights.

O2 has ISO-compliant processes and security measures in place to prevent privacy breaches. We take local as well as global attacks on privacy very seriously. We learn from the mistakes of others and we constantly improve our security standards.

This is also why we did not register any privacy breach incidents in 2017.

We have the same high expectations of our suppliers. Suppliers also processing personal data must know their processes and systems which handle personal data. Risk analysis and a direct contact for handling security incidents are a matter of course.

Conclusion

In compiling the Report, we have acted in accordance with the intention of the law and have focused on areas that are important to the telecommunications sector. To determine significance, we used the Sustainable Accounting Standards Board (SASB) as a sector-based guidance based on an international standard. Our knowledge of the Czech market environment, and our position within it, as well as our long-term local presence have helped us determine the relevance of various issues for the Czech society.

We will continue to monitor these areas and compare the development of these key non-

-financial indicators over time in the other reporting periods. In case they will reveal no longer relevant, we will replace them with other appropriate indicators.

This Report is available on our website and supplements the Annual Report for the year 2017. It presents key non-financial performance indicators as required by Part Eight, Sections 32f-32i of Act No. 563/1991 Coll., On accounting which transposes the European Parliament and Council Directive 2014/95 / EU.



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