



# Non-financial Report

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2018

O<sub>2</sub>

# OASIS OF COVERAGE IN THE HEART OF EUROPE

## Our non-financial performance indicators

Already for the second time we are reviewing what we have done over the past year in our Non-financial Report. Electronic communication is not visible to the eye. We cannot touch it, we cannot weigh it, it cannot be wrapped up or tasted. It may therefore seem that it is everywhere and comes out of nowhere and that it could always be better, faster and more accessible without anyone lifting a finger. But of course, this is not how it is.

Building and operating a fast and reliable internet service that is available truly everywhere requires huge investment, plenty of personnel, technology and electricity. If you ever wander around in the country, you will notice the mobile signal transmitters. These are only the smaller, visible part of the network. Yes, internet connectivity cannot be seen, but of course we all expect to have it. At O<sub>2</sub>, we strive to make this expectation a daily reality. For you, for everyone, for all of us.

Take one look at the coverage map and you will see that we are doing well. The ingrained feature of our national character—to over-criticise what is local and regard with exaggerated admiration everything that is foreign—often manifests itself. However, our country is rightly leading the way in many fields. And now, as a result of our

accomplishments in many areas, we are what the world aspires to.

Did you know that the Czech Republic is one of the leading countries in the world in mobile internet signal coverage and quality? And since a picture is more than a thousand words, you can see for yourself: on images from [OpenSignal](#), an independent company that specializes in wireless coverage and quality mapping, the Czech Republic is a green island in the heart of Europe.

Other countries, even OECD and G8 countries, have many red spots on their territory, which are areas of poor mobile services, and even white spots where you would not find any service at all. Here, you can often live-stream your mushroom picking in the deep forest, while the coverage is much more modest in



other countries. We are rightly proud that O<sub>2</sub> is making a significant contribution to this result.

### Coverage, speed and the Czech Republic are all on the rise

Telecommunications is one of the prime sectors of the modern economy. It is a key vehicle of digitalisation and underpins competitiveness in the whole society. Investing in telecommunications infrastructure is an important engine of the economy. Such investments generate gross domestic product (GDP) growth, as shown by a significant correlation with labour productivity growth and multiplying economic activity. This is also confirmed by a sector analysis [Telecommunications in the Czech Republic](#) by the CEVRO Institute. Data is the future of telecommunications.

The Czech Republic has long been among the best performers in internet speed connection from a mobile phone in Europe –6th in the EU and 15th worldwide (see illustration). This is also confirmed by Ookla’s regular [Speedtest Global Index results](#).

### Prices and the proportion of household expenditure are falling

Also, the prices of mobile services are falling significantly as one of a few commodities. Despite the growing use of telecommunications infrastructure, broader proposition and quality of mobile services, the proportion of household spending on telecommunications services in the

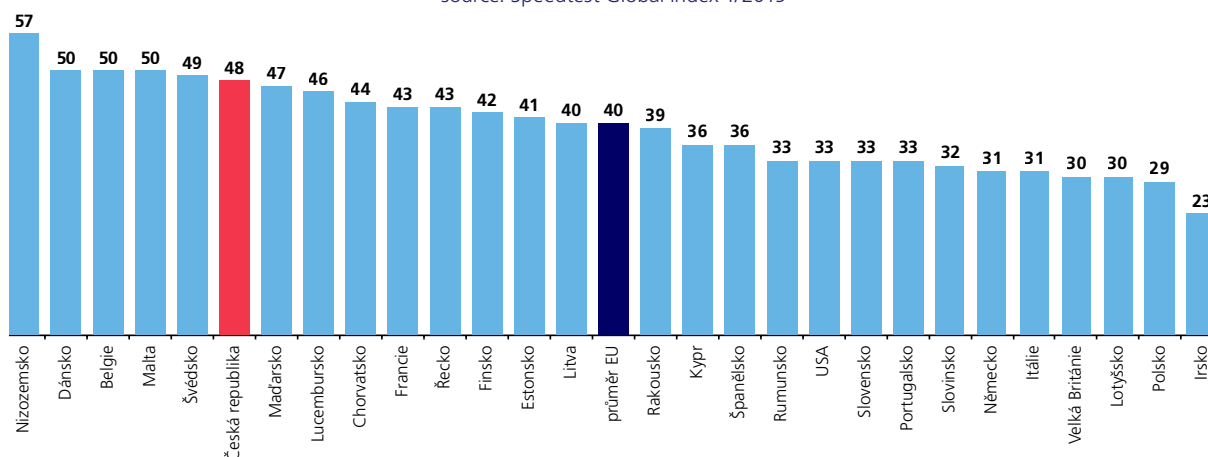
purchasing basket has been steadily decreasing. While in 2016 we could buy 39% more gasoline or 4.7% more kWh of electricity with the median wage, in terms of mobile voice services, it was a whopping 510% extra! In the past decade, the price for 1 GB of data has fallen by 88%. Such a price drop is unprecedented compared with other services and goods.

Like last year, we need to focus on the impact of our business in addition to the benefits it helps to generate. Network operation means electricity consumption. Network components are also made of different metal and plastic components and need to be cooled. The radiation must comply with public health standards, and the personal data of customers must be adequately protected. We feel responsible to our employees—we strive to provide them with the best possible conditions, and we are not blind to our influence on the whole of society. On the other hand, there are opportunities to make a positive impact through a responsible business strategy. All this requires a continuous effort in all areas.

We have selected information we consider relevant to the safe operation of our network. We conduct business with economy, responsibility and transparency. This report follows in this ethos: we want it to be clear, concise, and above all understandable to everyone. More detailed information about our CSR activities is available on our website [www.o2myslimena.cz](http://www.o2myslimena.cz).

### Mobile internet speed in EU (Mb/s)

source: Speedtest Global index 1/2019



# Key information by topic



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- Integrated Management System



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- Energy consumption
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- Human rights
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People at O<sub>2</sub> (page 13)  
Employee issues

- Remuneration and benefits
- Education and development
- Motivation
- Protection
- Corporate culture

# BUSINESS MODEL

## O<sub>2</sub> for the people

Our business model is designed to deliver benefits to every individual and society as a whole. People are and always must be at the heart of what we do. This ethos connects us at every step of our business process and holds at the beginning and the end of each of our business solutions. People as our customers. People as our employees. People sharing the natural environment and living in the community.

### Our business

We offer solutions and enable digital communication technology for use by all people in the general public, small, medium and large-sized corporations and government. We sell terminal equipment and accessories. We lease data centres, implement tailor-made ICT solutions, wit O<sub>2</sub> TV, we are also the largest operator of internet TV broadcasting in the Czech Republic.

For more details about our business, including products and services, please read the Board of Directors' Review of Business in section 4 of the [2018 Annual Report](#). The Annual Report also presents the financial and operating indicators of the O<sub>2</sub> Group.

The impact of our business on the world is, of course, different from that of steelworks, chemical plants or farms. Still, the business of communication technologies has some influence, and we want to address it in a responsible manner. We cannot change the world overnight. But just the fact that we follow certain indicators makes us think whether we can do it differently or better.

Let's show you what's behind our Smart Network.

## Key operating indicators<sup>1</sup>

### O<sub>2</sub> CZ



<sup>1</sup> Data as of 31 December 2018

O<sub>2</sub> SK

In this report, O<sub>2</sub> CZ stands for O<sub>2</sub> Czech Republic a.s. and O<sub>2</sub> SK stands for O<sub>2</sub> Slovakia, s.r.o. Also in this report, O<sub>2</sub> means O<sub>2</sub> Czech Republic a.s. and all its subsidiaries.

Basic information about the company, including the organizational structure of the O<sub>2</sub> Group, can be found in section 2 of the [2018 Annual Report](#).

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## We can even connect you underground

### We cover the metro with a mobile service and broadband internet

In cooperation with other operators and the Prague Public Transit Co., we are gradually rolling out the network in the metro. You can already call or browse online on the C-line between the stations Muzeum and Roztyly, and we're working hard to cover other sections. We would like the work to go faster too, but installing network technology in metro tunnels during regular operation comes with limitations and costs:

- Work can only take place during the working week, 2.5 hours at night during downtime.
- Covering a tunnel between two stations takes 2 months in both directions and costs up to 10 million crowns.
- The total cost of covering the entire metro with the service is estimated at half a billion crowns.

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## In-house development and continuous innovation

### A step closer to 5G

In 2018, we got closer to 5G speed. We have invested in the 3.7GHz frequency to build a 5th generation network and launched a pilot operation of WTTx technology at this frequency. Its speed is comparable to optical fibre, i.e. in the order of hundreds of Mbps to Gbps. WTTx stands for Wireless to the "X" and refers to the ability to connect to broadband Internet without the need for cables. Wi-Fi, which accounts for almost 44% of all connections, is the most widespread application of wireless technology in the Czech Republic today. However, WTTx is clearly superior to Wi-Fi technology. In fact, Wi-Fi works in the unlicensed spectrum. Anyone can use this spectrum to broadcast, and even a simple microwave oven is enough to scramble it. By contrast, WTTx is licensed to ensure that the signal is not disturbed. The spectrum frequency is reserved, we can monitor it, measure the connection quality, increase the capacity and offer connectivity on par with cable in every way. There is no danger of interference with dozens of networks. As part of the pilot project, we

have made the technology available to 300,000 households.

The 3.7 GHz frequency is used to build 5th generation networks, whose standard is still being developed. From a technology perspective, they have two major advantages over 4G networks. The first is that the response time is reduced to milliseconds. This can be used, for example, for self-driving cars that need to communicate with each other in real time, and quick response is essential. However, this application is still only in the testing stage and is continually evolving. Indeed, more legal, ethical and traffic issues are associated with self-driving vehicles than those that are strictly technical. The second advantage you will immediately recognize is the download speed, which is comparable to optical networks, i.e. in the order of hundreds of Mbps to single units of Gbps.

We have other projects in the pipeline for 2019, such as connecting selected locations in the

Czech Republic with speeds comparable to 5G technology. Our goal in 2019 is to cover at least one district-sized city with an ultra-fast mobile signal.

### **AR Wi-Fi**

As a world first, we launched AR Wi-Fi in 2018. This allows customers with phones that support it to measure the reach of their home network through augmented reality. People often wonder why they have different signal strength in different parts of their home. But the Wi-Fi signal is invisible. Although it is possible to measure, a regular person without technical knowledge can hardly make sense of the measured values. This is why we have embarked on developing a new feature that makes it easy for the user to see how good a Wi-Fi signal is in different parts of the home. We are the first internet service provider in the world to create this feature and market it to customers. As in the case of O<sub>2</sub> Smart Box, we continue the tradition of developing our own applications and devices.

Our goal for 2019 is to develop our own technology that extends the range of O<sub>2</sub> Smart Box and Wi-Fi to cover large family houses, large apartments and commercial spaces with broadband internet service.

### **We are a Simple Online Company**

The continual improvements and innovations we bring to our customers also drive us to innovate inside the company. In October 2018, we completed the most important stage of the comprehensive transformation project Simple

Online Company, whose details we present in the Board of Directors' Review of Business in section 4 of the [2018 Annual Report](#).

The long history of our company and changes in ownership that led to the merger of companies resulted in the increased complexity, and by extension, inefficiency of hundreds of IT systems. This raised the cost associated with developing and maintaining systems, and increasing the complexity for customer service staff and subsequently customers themselves. This is why in 2014 our management decided to embark on a massive and ambitious project whose main goal was to build a unified interface that simplified customer service in all sales and service channels. It is one of the largest and most complex projects of its type that had ever taken place in the Czech Republic. We had to make sure that a huge volume of data from the old systems was migrated safely to the new ones and that the customers did not notice a thing.

With the transition to the Simple Online Company, IT is becoming a supporting force for business, and thanks to new systems and technologies, we can now react very flexibly to changes in the market and innovate without limits. At the same time, customers see the same user interface as our customer service and technical support staff. This leads to faster and clearer communication in the interest of better customer service and reduces the average customer service time, allowing our employees to handle more requests and improve the standard of customer care.

**Our Integrated Management System helps us achieve what we have set out to do.**

### **Integrated Management System**

O<sub>2</sub> CZ is a large company providing a wide range of services to many customers. This requires a lot of systems, processes and employees. To make sure we are doing well and can deliver services in line with the regulations and needs of our customers, we

must have clear rules and procedures in place and follow them. An Integrated Management System has made it possible for us to deliver on our commitments to customers and achieve the results we discussed at the beginning.

We hold the following six certificates.

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

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



# ENVIRONMENT

## O<sub>2</sub> and nature

We want to contribute to preserving a healthy and sustainable environment for present and future generations. We therefore continuously strive to reduce the negative impact of our activities. In order to manage and measure our best efforts, we have implemented and certified<sup>1</sup> an environmental management system according to the ISO 14001 international standard and 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—impact the environment. Network technology, data centres, servers, stores, call centres and office buildings all consume energy. Without it, there would be nothing. However, we strive to use the most modern facilities and monitor the trends in our energy consumption. Since 2015, we have vacated several facilities that no longer meet modern requirements, whether for the comfort and quality of our work or energy efficiency.

### How did the whole O<sub>2</sub> Group in the Czech and Slovak Republics perform?

CO<sub>2</sub> emissions calculated on the basis of purchased electricity (64,262 MWh, year-on-year increase of 1% because of the ongoing construction of O<sub>2</sub> SK's own network)<sup>2</sup> and heat (5061 MWh, 10% year-on-year decline because of vacating some locations)<sup>3</sup> reached 32,405 tonnes of CO<sub>2</sub> (year-on-year increase of 0.6%)<sup>4</sup>.

Some of our employees have company cars in order to do their work efficiently. We track the 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 (EVs) is not yet well established in all regions. In the case of EVs, their long charging time is also a limitation, which cannot be effectively managed on a journey. However, we are closely following the technical progress and expert discussions about technologies that are ultimately unsustainable for the environment. It turns out that not all is what it may seem at first sight.

CO<sub>2</sub> emissions related to the consumption of 1,070,764 litres of fuel<sup>5</sup> (+ 3% year on year) and natural gas for heat production (1096 MWh, - 8% year on year)<sup>6</sup> reached 2017 tonnes of CO<sub>2</sub><sup>7</sup> in 2018 (+ 13% year on year).

O<sub>2</sub> CZ sets goals for energy consumption. In 2018, the goal was to reduce electricity consumption by 2% year on year, which was achieved (down 4.5%).

### We recycle

With products sold (mobile phones, modems, set-top boxes etc.), we put into circulation 178 tonnes of packaging (158 tonnes of paper and 18 tonnes of plastics)<sup>8</sup>.

1) Includes O<sub>2</sub> CZ and O<sub>2</sub> ITS

2) Includes electricity consumption of O<sub>2</sub> CZ, O<sub>2</sub> SK, O<sub>2</sub> SK Business Services, O<sub>2</sub> IT Services and O<sub>2</sub> Family.

3) Includes heat consumption of O<sub>2</sub> CZ, O<sub>2</sub> SK, O<sub>2</sub> IT Services and O<sub>2</sub> Family.

4) Emission factors used: electricity 0.486 t carbon dioxide / MWh, heat 0.232 t carbon dioxide / MWh.

5) Includes fuel consumption of O<sub>2</sub> CZ, O<sub>2</sub> SK, O<sub>2</sub> TV, O<sub>2</sub> SK Business Services and fuel consumed by company vehicles in the O<sub>2</sub> CZ fleet used by subsidiary companies.

6) Only O<sub>2</sub> CZ buys natural gas in non-negligible volumes; includes natural gas purchased by O<sub>2</sub> IT Services.

7) Emission factors used: Petrol 0.00201 t carbon dioxide / l, diesel fuel 0.00266 t carbon dioxide / l, natural gas 0.198 t carbon dioxide / MWh. In the case of vehicles, the manufacturer-stated information in grams of carbon dioxide per km and the mileage driven are accounted for.

8) Includes data for O<sub>2</sub> CZ and O<sub>2</sub> SK; in addition to plastic and paper packaging, it also includes other materials (composites, wood).

The total volume of waste produced in 2018 was 326 tonnes<sup>9</sup>. From our municipal waste, we managed to sort 117 tonnes<sup>10</sup> of waste for further use (e.g. paper, plastic), which is 36% of the total waste produced.

O<sub>2</sub> CZ is involved in a system of joint return and recycling of packaging waste. We managed to reduce greenhouse gas production by 144.68 tonnes of CO<sub>2</sub> equivalent (up 67% year on year) – equivalent to what 68 medium-class passenger cars produce per year of operation<sup>11</sup>.

As a waste producer, O<sub>2</sub> CZ set a target for 2018 to increase the proportion of usable components of municipal waste obtained by sorting and classified collection to 50%, which we achieved (51%).

### We recycle electrical equipment

In the process of fulfilling the obligations of the collective return and classified collection system,

just under 43 tonnes<sup>12</sup> of electrical equipment and batteries were turned over for ecological disposal in 2018 (down 14% year on year). The recycling of material extracted from electrical waste collected by O<sub>2</sub> CZ saved 20.74 tonnes of CO<sub>2</sub> equivalent (year-on-year decline of 7%), which, for example, corresponds to 129,620 km driven by car with a small petrol engine (less than 1.4 l)<sup>13</sup>.

O<sub>2</sub> employees and customers can still take back their old electrical and electronic equipment and batteries to a workplace or store. In 2018, customers turned in 1612 mobile phones and 8940 kg of telephone equipment. When you bring back your appliance for recycling to one of our Czech stores, you also make a symbolic contribution to the charity Safety Line. In 2018, the charity received an extra CZK 53,000 from waste brought in above the regular donation from O<sub>2</sub> CZ. Every crown helps, every mobile phone counts.

9) Includes O<sub>2</sub> CZ, O<sub>2</sub> IT Services and O<sub>2</sub> Family.

10) Includes O<sub>2</sub> CZ, O<sub>2</sub> IT Services and O<sub>2</sub> Family.

11) Certificate from the authorized waste management company EKO-KOM, a.s. – estimated emission savings in 2018.

12) Includes O<sub>2</sub> CZ and O<sub>2</sub> SK.

13) Certificate given as part of the Green Company project by REMA Systém, a.s.



### ÚSPORA EMISÍ ZA ROK 2018

O2 Czech Republic a.s.

IČO: 60193336

EKO-KOM ID: F00027677

Svou účastí v systému sdruženého plnění povinnosti zpětného odběru a využití odpadů z obalů, který zajišťuje autorizovaná obalová společnost EKO-KOM, a.s., jste přispěli ke zlepšení životního prostředí a snížení „uhlíkové stopy“.


**Váš předpokládaný podíl na celkovém snížení produkce skleníkových plynů činí 144,68 tun CO<sub>2</sub> ekv.**

**a tak bylo uspořeno 3 362,77 GJ energie.**

To odpovídá emisím CO<sub>2</sub>, které vyprodukuje 68 osobních automobilů střední třídy za rok svého provozu.

Vámi uspořena energie představuje 7 dnů spotřeby elektrické energie na veřejné osvětlení v hlavním městě Praze.

V Praze dne 28. února 2019

  
Ing. Zbyněk Kozel  
generální ředitel EKO-KOM, a.s.



### Společnost

O2 Czech Republic a.s.

IČ: 60193336

splnila v projektu Zelená firma® cíl směrnice Evropského parlamentu a Rady č. 2012/19/EU o OEEZ a za rok 2018 odevzdala k ekologické likvidaci 31 311 kg vysloužilých elektrozařízení a baterií.

Recyklací materiálu obsaženého ve Vámi odevzdaných elektrozařízeních se ušetřilo 20 739,2 kg CO<sub>2</sub> ekv., to odpovídá například najetým 129 620 km malým benzinovým autem (do obsahu 1,4 l motoru).

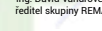
Certifikát vystavil provozovatel projektu:













## Paperless—leave paper in the forest! Printing is a luxury and exacts a high price on everyone and the environment

Increasingly alarming news about climate change and deforestation is forcing us to think about how to reduce the number of printed documents and motivate customers to think sustainably and rationally with us. Fortunately, the legal framework in the telecommunications sector is in favour of the environment. The Act on Electronic Communications allows an electronic form of billing. Of course, the customer receives it free of charge. It's comfortable and eco-friendly.

If someone still needs a paper copy, we will send it to them. However, a paper invoice sent by regular mail will be charged. People are already paying for single use plastic carrier bags. A printed invoice is actually something similar: a disposable luxury. Businesses and government offices process an electronically signed invoice more efficiently, and even the consumer can find an electronic invoice more easily in their emails than in a pile of bills and papers. This is also how we motivate our customers to be kind to the environment. We have always led the way, and we will continue to do so going forward.

In 2013, we had already come up with the concept of a paperless contract signed digitally. A handwritten digital signature is like a regular handwritten signature—not on paper but into an electronic document using a digital pen. Customers sign an electronic form at O<sub>2</sub> as they are used to. You do not have to obtain qualified electronic signatures, and the original contract comes to you by e-mail. You can easily find the file in the email archive and save it to your computer. Everything works the same way as with a paper signature, even forensic handwriting examinations that our great-grandparents were used to. Linking the traditional form of signatures with modern technology offers maximum convenience to the user.

We also communicate with shareholders. At General Meetings, shareholders can download the annual report onto their mobile device with a QR code. Again, this saves paper. Finally, the annual report is produced in electronic form.

Please do not print it unless you really have to. Take advantage of the digital document.

## A case that protects the planet as well as your phone

We are continuing our collaboration with [FOREWEAR](#). Since we became excited about the idea of using old clothes in a meaningful way, we organised a clothing collection from the employees. Clothing that is still in good condition can help people in need, for example, through the charity shop Koloběh in Prague. FOREWEAR sorted the rest of the garments and recycled them using a special method into a nonwoven fabric. We designed the printed motif of a seamstress, and a sheltered workshop in Chotěboř produced mobile covers



in two different sizes and colours from the fabric. The covers are sold in our stores and the [e-shop](#). In 2018, 340 of these sustainable mobile cases were sold.

## Our stores are closer to nature

As part of the development of Future Shop, a new concept for our stores, recently opened stores carry the markings of the new design. It combines smart technology with nature to deliver a new customer experience. The new retail concept combines modern style with the

landscape and natural materials, live plants and music to create a cosy, home-like atmosphere. The redesign accentuates sustainability by making sure certain marketing materials are no longer printed—they exist exclusively in digital form. By the end of the year, 80 stores had been overhauled. At the time of this report, we celebrated the 100th store opening, and we are now approaching our goal of redesigning our entire retail network by 2020.

### We give household waste a lease of life

We regularly educate our employees through internal training and environmental sustainability projects. In 2018, we organized an internal campaign called “Give household waste a lease of life”, which aimed to promote waste sorting and recycling with an emphasis on bio-waste.



Since cultivation and composting bring joy and benefit to the city, we hosted workshops on the so-called closed cycle of food for our employees. The spring timing of the campaign fits, and employees can create their own box or green balcony or patio decoration. There they could learn how to use organic waste (such as fruit and vegetable peelings) at home, and, guided by experienced lecturers, they made their own vermicomposter for home composting with earthworms.

### We are fair to nature and drink coffee from a mug

We also decided to support initiatives to reduce the use of disposable hot beverage cups. At first glance, they look like paper, but they have a plastic coating and are therefore non-



recyclable. It is estimated that 30 billion cups are used annually in the UK, USA and Germany alone. Disposable cups have become the second largest form of plastic pollution in the oceans.

In order to reduce use at our company, we arranged with the employee cafeteria operators at Prague headquarters and the regional centres in Ústí nad Labem, Pardubice and Ostrava to bring our own mugs. We promoted this action with an internal mini-campaign informing employees about the fact that disposable cups cannot be recycled. The campaign included a competition for employees to collect stamps for drinks they consumed from their own mugs. It takes decades for a coffee cup to decompose. Currently, we have prevented 1600 cups from being dumped. Just to give you an idea of the quantity: a chain made of this number of cups would cover the length of Wenceslas Square.

# EMPLOYEE ISSUES

## People in O<sub>2</sub>

As we mentioned at the beginning, none of these achievements would be possible without our employees. The O<sub>2</sub> Group employs a total of 4439 employees in the Czech Republic<sup>15</sup>. This number ranks us among the top 20 employers in the Czech Republic and is further proof of how our business influences the economic and social environment of our country. Together with O<sub>2</sub> SK, the number of employees reaches 5,132.

Although our strongly technology-biased industry would logically be a male domain, the figures below seem to disagree. Likewise, they show that we care about employment stability at O<sub>2</sub>, demonstrated by the average length of an employment relationship. For such a dynamic industry, this is a number that reveals enormous stability, and we are still improving

on this indicator. The numbers in the diagram below show the representation of men and women and other indicators that we see as key. Diversity is an important component of sustainability, and we see excessive staff turnover as a major risk in the area of our human resources. This is why we value employee loyalty.



### Continually learning

Our employees have a wide range of opportunities to pursue their personal and professional development. They can select from a variety of courses. We believe that in today's rapidly changing and dynamic times, continually improving our knowledge

and skills is the best way for each of us to succeed.

In 2018, we trained 249,752 hours at O<sub>2</sub> CZ. 3279 employees, which represents 74% of the total number of employees at O<sub>2</sub> CZ in 2018, attended at least one training session.

<sup>15</sup>) Data as at 2018 year-end includes permanent (non-agency) employees of O<sub>2</sub> CZ, O<sub>2</sub> IT Services and O<sub>2</sub> Family

The total number of participants in our training programmes reached 12,689, equivalent to the whole town of Čelákovice.

In 2018, O<sub>2</sub> SK employees were able to attend various external and internal training courses. 267 employees attended at least some form of training. In addition to conventional training, O<sub>2</sub> SK employees can also receive coaching as part of their internal training. The total number of participants trained at O<sub>2</sub> SK was 310.

### We are a Simple Online Company

The transition to the new system has also made a big difference to our employees. Especially those who are our “front line” and in constant contact with our customers. All of us benefit from fewer internal systems, and our consultants enjoy the ease and efficiency of serving our customers with the help of intuitive systems. This simplifies the process of training, and the adaptability of new employees is easier and quicker. Fewer systems also mean significantly fewer stressful situations and errors. The benefits to our employees align with the basic principles of SOC: purpose, efficiency and simplicity.

The new environment allows very quick digitization of many areas. Education is one of them. We have migrated a lot of courses and

training programmes to our virtual university. The number of e-learning courses we offered to our employees in 2018 grew to 912.

### We are “Teams”

We are one team and happy when our employees are happy. This is why we are always striving to improve something for them, such as introducing new hacks. One of these is the new Microsoft Teams communication tool, which saves our people a lot of time and stress associated with searching through a stack of emails. Now we can send text and files simply, quickly and efficiently. For the younger generation, the tool is natural and intuitive, and the older ones among us have already become used to it!

And what are the biggest benefits? We communicate anywhere, anytime, online and simply. Instant messaging instead of a stack of tangled email threads. We work together on one shared document online – the „finalfinal” version will no longer cause any confusion! We can set up teams where we have information, files and communications in one place where everyone knows everything.

### Rewarding and recognizing

Our employees are recognized and rewarded for their achievements according to different 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 at O<sub>2</sub> CZ. Remuneration rules are further specified in the Internal Remuneration Policy, which is also consulted and promoted 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 by a wide range of benefits. We continually

update our selection to keep it relevant to our employees. Each year, employees receive a certain number of benefit points 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 each of our employees can claim and enjoy is explained in a simple [guide](#). All the benefits are presented in a way that is easy to understand and make a choice.

### **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. This is why every two years, we explore the motivation of the entire Company and learn how the perceptions and needs of our employees are evolving.

The last survey was conducted in 2017, with 73% of employees taking part, which is above average. The high response rate shows that regular employee surveys are an important tool. The survey showed that employees appreciate communication with their superiors and highly value their cooperation. This is key to our company. In 2018, we focused on improving and developing areas that emerged from the survey as needing further work. We were also preparing a new survey for 2019.

### **Protecting**

Our internal policies also address 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 protecting employees and their rights. First, employees negotiate company-wide remuneration terms and conditions (see above), benefits and working conditions (an amendment to the Company's Collective Agreement was concluded in 2017, which extends its validity to 2020 while upholding all current terms). At the same time, employees can seek counsel with their trade union about labour law disputes.

### **Looking for opportunities**

Because of the size of our company, employee numbers and growing average wage, we are aware of the risk arising from Section 81 (1) of the Employment Act concerning the obligation to employ persons with disabilities (PWD). At a time of extremely low unemployment, PWD applicants also represent a new and yet unexplored range of potential employees. In addition to these benefits, greater engagement in this area improves the image of O<sub>2</sub> in the eyes of customers, employees and job seekers, for whom how and what a business is doing in this area is becoming increasingly important.

Therefore, in 2018, we decided to develop a strategy that would help us better identify people who may already be one of our employees but are hiding their disability for a number of reasons, and to focus on this group in our recruitment efforts. We have actively communicated the benefits these employees are entitled to. This step promoted confidence and openness to PWD and confirmed our support as an employer. We have also reviewed the database of open jobs so that we can correctly identify suitable positions for PWD. We have established cooperation with organizations that focus on employing PWD and are actively working with them in recruitment. In 2018, selected Human Resources employees underwent special training to introduce them to the specifics of employing PWDs. We also offer a

similar type of disability-related training to teams that will receive a PWD member. This contributes to quicker adaptation and better collaboration and prevents early termination of PWDs, who are in a much more precarious position with respect to their job because of potential misunderstandings in the new team.

**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 and are a set of values, standards and policies governing our conduct with respect to employees, partners and customers. We are continuously 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. We have therefore put into action four principles that will help us achieve this goal:

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

In 2018, we actively worked with these principles, which were also integrated into the regular feedback and employee satisfaction system.



Continuously thinking how to do things better



Behaving economically



Giving feedback actively



Rewarding success and acting positively



# POSITIVE IMPACT

## O<sub>2</sub> and the community

### **We enjoy helping in the Czech Republic and Slovakia**

We are a telecommunications company operating in the Czech Republic, so it makes sense if we focus on local communities and areas 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 operate a helpline for people with hearing and eyesight impairment (from 2015 in cooperation with the O<sub>2</sub> Foundation), helping them communicate with the world through technology. We also support (through the O<sub>2</sub> Foundation) the Safety Line, a national free crisis line for children and young people operating since 1994.

### **Live streaming from incubators**

In 2018, we started cooperating on the “New-born TV” project with the Motol Teaching Hospital. A special camera system allows the parents of new-born babies watch their children on video directly from incubators. This requires a high data capacity, and we provide it to the hospital for free.

A total of 15 incubators are equipped with small sensors in the neonatal department at the Motol Teaching Hospital. Sound-free video transmission is good quality even in conditions of low light, which is important because dim light is maintained at the hospital ward at all times. Each of the incubators has a separate channel in the system for privacy reasons. The recording is not saved, and access is protected by a unique password, which is generated separately for each mother. Newborn babies with congenital developmental defects from other regions of Bohemia and

Moravia are often hospitalized at the Motol Teaching Hospital. Some parents cannot commute to their child for a number of reasons, and therefore very much appreciate that they can see their child every day, which also improves their bond to the baby. Thanks to the live feed, parents and other relatives can watch the baby on a computer, mobile or tablet at agreed broadcast times.

### **We save lives**

We developed O<sub>2</sub> SOS, an application that helps save lives, especially in the case of heart attacks. The app automatically calls trained volunteers nearest to the patient so that they can give first aid before an ambulance or a helicopter can reach them. The availability and quality of emergency medical services in the Czech Republic is among the best in Europe. However, in these situations, every minute counts. A trained volunteer closest to the patient and called by the O<sub>2</sub> SOS mobile application can significantly improve the chances of survival. Getting the app out to more people can contribute to an increase in the number of patients who survive a heart attack.

The Emergency Medical Service of the Hradec Králové Region, where paramedics have been using it for almost two years, has contributed significantly to the development of the application. During this time, the app has helped in more than two hundred medical interventions, with nearly three hundred volunteer paramedics active on this mobile application. In 2018, we made the app available free of charge in five other regions: Central Bohemia, South Bohemia, Liberec, Pilsen and Karlovy Vary, and its implementation is also already underway in the Moravian-Silesian Region.

Watch this video to see how O<sub>2</sub> SOS works in practice: <https://youtu.be/R0XkDGaRhJk>



Telecommunications are increasingly penetrating the health sector. We are pleased that because of the O<sub>2</sub> SOS app and “New-born TV”, we have found other opportunities where our technology can help. Compared to the amazing work of paramedics, doctors and medical staff, our involvement is just a small thing, but we are happy to lend our technology to support their excellent work.

### **We are aware of risks and help to solve them**

We respond to current social issues and help to solve them. We strive to contribute to developing society and making it future-proof. We help not only with our technology, we also educate and support young people through our programmes. High-quality education and support for the younger generation is essential for society’s future success. We realize that what we do comes with some risks. This is why we educate, inform and positively influence the public, especially young people, children and their parents, about safe behaviour online and the healthy use of mobile devices and modern communication technologies.

In 2018, we continued the general partnership with [E-Bezpečí](#), an online safety project run by the Faculty of Education at Palacky University, specifically by its Centre for the Prevention of Risks in Virtual Communication. We helped get the following project activities off the ground in 2018:

- 201 educational events at primary and secondary schools
- 2 festivals for children and their parents
- 1 national survey of being [parents and parenting in the digital age](#).

The events were attended by over 7000 children, 500 parents, 400 teachers, 90 senior citizens and 30 police officers.

### **We respond to current needs**

We strive to contribute to developing society and making it future-proof. It is not only about technology but above all about how the new generation uses it. We take a keen interest in the state and development of the Czech education system and are actively involved in discussing the future of our children and young generation. We want to contribute to a debate across society and help find the right path towards an educated and competitive society.

This is why we brought stakeholders to the table and became partners and initiators of the main theme of the expert panel Educate Czech Republic, organized by the Business for Society alliance in the Responsible Czech Republic series. Discussions were held at the professional level about what Czech companies can do to improve education in the Czech Republic so that the level of education of the population rises and that our country remains competitive in the future. We engaged in a discussion with a group of experts that included representatives of our company as a major employer, academia, political representatives and representatives of interest groups in education.

As a prominent Czech corporation, we feel the obligation to engage in a systematic discussion of what we can do and how to develop education in relation to the general goal of maintaining and increasing the competitiveness and sustainability of our economy. We want to identify areas where we can cooperate with the public sector, school authorities and a wide range of institutions dedicated to developing and promoting education in the Czech Republic. This debate with stakeholders has significantly informed our next steps and helped form the O<sub>2</sub> Smart School programme, which we present below.

## In Slovakia, we stand for values of fairness and courage

O<sub>2</sub> is one of the companies in Slovakia that has the courage to express its opinion on social topics not directly related to its business. O<sub>2</sub> SK sees its 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 its sphere of activity.

In 2018, O<sub>2</sub> launched the “Good Thing” platform in Slovakia. Elementary schools were given the opportunity to organize one of Matej Tóth’s O<sub>2</sub> Sports Academies at their grounds. The aim of these academies is to promote the general physical fitness of children. O<sub>2</sub> also organized a secondary school roadshow aiming to motivate young people through ambassadors such as Laci Strike, Tomi Kid Kovács or Strapó to go their own way and follow their dreams.

O<sub>2</sub> has released a special samizdat edition of Soda magazine, highlighting the importance of press and media freedom. This edition was released on the Freedom of Press Day on 3 May. O<sub>2</sub> has long emphasized the importance of freedom in its various forms, and is fighting against the dangerous phenomenon of fake news and hoaxes on the Internet. On the occasion of the 50th anniversary of the occupation of Czechoslovakia in August 1968, we commemorated events that had a significant impact on our country’s freedom. We also dedicated a special weekend edition of Soda magazine to these events and supported the Ask Your Parents remembrance project and Cvernovka Foundation.

In 2018, O<sub>2</sub> Slovakia in the White Crow partnership, which recognizes courageous individuals advocating positive change in their communities. This is how O<sub>2</sub> promotes fairness and heroism in everyday life.

## Faces of freedom in the Czech Republic and Slovakia

Also in 2018, we remembered that Freedom is not commonplace, and we launched the Faces of Freedom campaign on the occasion of the 17th of November 1989 anniversary. We wanted to express our gratitude not only to the people publicly associated with the November events but especially the people from the crowds which, 29 years ago, found the courage to protest on the streets and join the fight for freedom and democracy.

On the anniversary of the Velvet Revolution, we went live with the website [www.tvaresvobody.cz](http://www.tvaresvobody.cz), where you can read the stories from other people and also contribute your own. We have presented dozens of stories in the Czech Republic that have reached thousands of people on social media. At the invitation of O<sub>2</sub> in Slovakia, 30 companies, organizations and media responded to our call and publicly thanked the heroes.

The Faces of Freedom project is a follow-up to Our Freedom Is (Still) Not Granted, in which O<sub>2</sub> erected a temporary online Iron Curtain in 2017. In 2019, we return to the original motto of the campaign—that freedom should not be



taken for granted—as seen in various examples of recent history. We want to celebrate and commemorate the 30th anniversary of the Velvet Revolution throughout the year.

### **Freedom means responsibility**

A very important part of freedom is not only freedom of speech but also the general digital literacy of everyone today. O<sub>2</sub> Smart Network makes life easier for millions of Czechs. Mobile services and internet connectivity give people free access to the information of the whole of society. O<sub>2</sub> understands that this freedom also means responsibility. Telecommunications companies are never the creators of message content, they are simply carriers. But that does not mean we should not be taking action to preserve our freedoms. We can do what we do because we do business in a free society. Since we are flooded with incoming information, we need to be able to check the objectiveness of messages or claims and need to know how to do it. O<sub>2</sub> knows that modern communication technologies contribute to the rapid dissemination of information but can also serve to spread disinformation. It is

also dangerous to share reductionist views through inappropriate formats. This includes, for example, speaking about complex social issues in the space of only a few characters permitted on twitter, expressing oneself only in mere slogans, tabloid headlines, and hashtags leading to empty content where the need to justify or substantiate claims disappears because there is no room for it. These “shortcuts” can also artificially distort content and increase the tabloidization of public space, that is, when it no longer matters whether the information is based on fact or well-argued and only depends on how fast it can be shared with a clickbait hashtag and spiked with uncompromising attitudes. Therefore, we need to know how to work with information and technology in a responsible manner. This is why we opted for digital literacy and educating the young generation as our priorities.

# We help the Czech Republic and Slovakia help themselves

## O<sub>2</sub> Foundation

The O<sub>2</sub> 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 impairments and senior citizens). The O<sub>2</sub> Foundation is also a platform for our employees to take part in a variety of volunteer activities.

We and our foundation see young people as the hope and future of the whole Czech society. This is why the O<sub>2</sub> Foundation has always pursued the same goal—to support and foster the development of children and young people in the Czech Republic with respect to their current needs. Up to 2018, we supported them in the implementing interesting and original community-focused ideas and projects through the SmartUp Endowment Programme, helping young people grow into responsible and active citizens who take an interest in their community and strive to improve it.

## O<sub>2</sub> Smart School

Following the long-term activities of O<sub>2</sub> in educating people on the topic of safe behaviour on the Internet and in reflection



on the conclusions of public discussion on the need to change the Czech education system, we re-evaluated the foundation's main programme in the following year. We refocused by promoting the digital literacy of Czech society, especially children. We launched the pilot stage of the new O<sub>2</sub> Smart School programme at seven schools across the Czech Republic. We offered individual methodological and financial support for educating children, teachers and parents in the safe use of technology and prepared the comprehensive educational portal [www.o2chytraskola.cz](http://www.o2chytraskola.cz) –all in methodological cooperation with the Faculty of Education at Palacký University in Olomouc. We trained



691 pupils and 219 teachers in the pilot run of the programme and established important partnerships with key stakeholders—we have received support and patronage from the Ministry of Education, Youth and Sports and formed a tight partnership with other organizations such as MUNI, EDUin and People in Need.

Throughout 2018, we gained experience, received valuable feedback and intensively worked on designing the public format of the O<sub>2</sub> Smart School programme. Our goal is to announce it in spring 2019 along with

a general grant scheme for elementary schools in the Czech Republic and to present the [www.o2chytraskola.cz](http://www.o2chytraskola.cz) portal to the professional and general public. The portal offers free information for teachers and parents and guidance on how to develop digital literacy and positive experiences with modern technology.

Last year, the foundation's other activities also concentrated on digital literacy. In cooperation with Elpida, we organized a series of public debates and conducted research in the media literacy of senior citizens in the Czech Republic. We supported the distribution of 1000 copies of the "Best Fake News Book" published by student association *Zvol si info*. Together with Safety Line, we implemented an awareness-raising campaign to inform parents and children about safe behaviour on the internet through the mouth of mummy-vlogger Hustá Lída.

O<sub>2</sub> employees have also traditionally demonstrated their passion for a good cause. For the first time, we have made it possible for our employees to register as bone marrow donors in the "Give Blood with O<sub>2</sub>" initiative. This was met with enthusiasm. Through company foundations, employees contributed over CZK 343,000 to a good cause and donated 1254 hours of their time as volunteers.

- 287 actively involved employees
- 1254 hours of volunteer work
- CZK 343,233 raised by employees for charitable purposes
- 97 litres of blood given

Detailed information about the foundation's activities is available in the Annual Report in the [O<sub>2</sub> Foundation](#) section.

### **Fair O<sub>2</sub> Foundation**

The Fair O<sub>2</sub> Foundation was started in 2014 with the mission to help projects that want to make Slovakia a better place for people – better education, more innovation and more

openness. 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, the Fair O<sub>2</sub> Foundation supported as many as 18 ambitious projects with nearly EUR 128,000, including the Joy School with Daniel Hevier, Socrates Institute, Science Night, iKids, DofE, Investigative Journalism Fund, Ask Your Parents and the Pontis Foundation's project Generation 3.0. From employee grants, the foundation also distributed EUR 30,000 to projects involving O<sub>2</sub> employees. These projects focused primarily on community improvements. Detailed information about the foundation's activities is available in the Annual Report in the [Fair O<sub>2</sub> Foundation](#) section.

### Helping is rewarded

O<sub>2</sub> CZ participated in a survey organized by the independent Business for Society



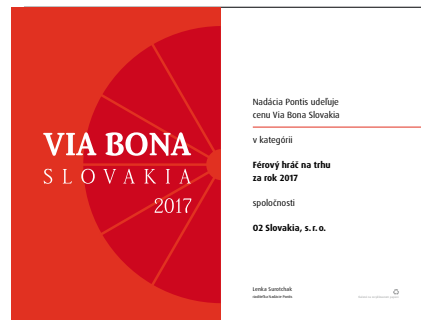
platform. For the second year running in the TOP Responsible Company 2018 survey, we were awarded the Golden Certificate for the Top Responsible Large Company 2018. We became absolute winners in the Top Responsible Company category Project of the Year with our O<sub>2</sub> SOS app. Our socially

responsible activities have also helped us reach the semi-finals of the SDGs Awards.

In 2018, O<sub>2</sub> won the Via Bona Slovakia Prize in the Fair Player category for its social responsibility efforts. The award is given



primarily for the courage to draw attention to socially sensitive issues and overall fair business practices.



# Social Issues

## O<sub>2</sub> responsibility

### **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 produce 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 their in-service training. Our Business Principles are the foundation for the whole system of our internal policies.

Our Business Principles govern our company's relationship to our customers, employees, shareholders, suppliers and rest of the 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. Each project and daily activity at our company must be in line with these principles. Most of these principles are based in legislation.

For situations when our employees feel they may have witnessed conduct in conflict with our Business Principles, need guidance in difficult circumstances or feel vulnerable for any reason, we have put in place an internal electronic procedure for reporting these 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 some issues have been resolved in our geographic and cultural sphere, it shows that in today's globalized world, they can still affect us all.

### **Respecting human rights**

We are committed to monitoring the upholding of human rights primarily because of the use

of 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 for the ongoing war. Mining can also exploit forced and child labour.

We are not the direct producers or processors of these minerals, nor are our suppliers. We are not exposed to the risks of human rights violations that we would be responsible for under international laws. Still, when we select our suppliers, we insist that they follow these standards.

### **Fighting corruption**

O<sub>2</sub> 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. O<sub>2</sub> 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. O<sub>2</sub> has an internal procedure for employees to report suspicions of misconduct or violations of our business principles, anonymously and with strict confidentiality. Of course, it is possible to report using other means, even in person. O<sub>2</sub> emphasizes its internal rules for approving contracts, resolving potential conflicts of interest and monitoring the mechanisms that it considers practical tools for preventing misconduct.



## Protecting personal information and privacy

Delivering telecommunications services inevitably requires processing a lot of personal information about our customers. Already when we conclude a contract, we have to diligently identify the customer in order 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 operational and localization data. The mobile network needs to know where the customer will connect a call or deliver a message. Operational data is also used to raise and check invoices. Finally, operational data is generated and stored routinely, for example, by banks (which account we paid money into, where money is coming from), libraries (when we borrowed and returned a book), gyms (which classes we signed up for) or garages (why we brought the car in, what the mileage and condition was).

The law that regulates personal data processing and operational and localization data is extensive, complex and often hard to understand. At O<sub>2</sub>, we want our customers to understand why we process certain information and items and to know their rights.

O<sub>2</sub> has ISO-compliant processes and security measures in place to prevent privacy breaches. We take local and global attacks on privacy very seriously. We learn from the mistakes of others and are continually improving our security standards.

This is also why we did not register any incidents of privacy breach in 2018.

We have the same high expectations of our suppliers. Suppliers processing personal information must know the processes and systems for handling personal data. Risk analyses and direct contact in handling security incidents are a matter of course.

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## CONCLUSION

In compiling this report, we acted in accordance with the law and focused on areas important in the telecommunications sector. In order to determine significance, we used the Sustainable Accounting Standards Board (SASB) as for guidance in our sector based on international standards. Our knowledge of and position in the Czech market and our long-term local presence have helped us determine the relevance of different issues for Czech society.

We will continue to monitor these areas and compare key, non-financial indicators over time

in future reporting periods. If they are no longer relevant, we will replace them with other, suitable indicators.

This report is available on our website and supplements the Annual Report for the year 2018. It presents key, non-financial performance indicators as required by part eight, sections 32f-32i of Act No. 563/1991 Coll., on accounting, which substitutes the European Parliament and Council Directive 2014/95 / EU.



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