

**Česká telekomunikační infrastruktura a.s.**  
Non-financial information 2017  
Separate report

# Contents

Business model ..... 3  
Environmental protection..... 4  
Respecting human rights and the fight against corruption ..... 6  
Social and employee-related matters ..... 8

Note:  
Česká telekomunikační infrastruktura a.s. is also hereinafter referred to as “**CETIN**” or the “**Company**”.

By compiling and publishing this Report, the Company is complying with the obligation laid down by Section 32g of Act No 563/1991 on accounting.

## Business model

CETIN Group comprises Česká telekomunikační infrastruktura a.s. and its subsidiaries CZECH TELECOM Germany GmbH, CZECH TELECOM Austria GmbH, CETIN Finance B.V. and CETIN služby s.r.o. (company registration number 06095577, incorporated on 11 May 2017). CETIN does not operate a branch or other part of business establishment abroad. A predominant share of Company's services in 2017 was provided through communications networks and related assets in the Czech Republic. The subsidiaries in Germany and Austria allow the Company to operate its point of presence abroad for provision of international transit services to foreign operators. The subsidiary CETIN Finance B.V., based in the Netherlands, was used to issue Eurobonds and secure funding for the Company. The subsidiary CETIN služby s.r.o. did not engage in business activities in 2017.

**The Company only provides wholesale telecommunication infrastructure services to other telecommunication operators. The Company does not provide services directly to end users.**

The Company divides its business activities into two segments – provision of national network services and international transit services. These two segments operate in different markets; the services are largely provided via different assets, and their business models, profitability and investment demands are fundamentally different.

The national network services primarily consist of mobile network services, mass fixed-line network services – network access service, xDSL, FTTH/FTT, IPTV and voice service, data services, data centres and other services. Their main customers are service providers in the Czech telecommunications market. These services yield gross margins at industry standard level, which the Company reinvests in the development of network infrastructure for the provision of these services.

The international transit services primarily consist of the transmission of international voice traffic for international operators from all over the world. Considerable revenues with a very low margin that require minimum operating and capital costs are characteristic of this type of services.

### Products and services

Mobile network services – the Company is the main provider of mobile network services for O2 Czech Republic a.s. It also operates the mobile network for T-Mobile Czech Republic a.s. in half the country through a shared network. The lease transmission station capacity is a secondary source of income.

Mass fixed-line network services – the Company primarily offers all operators in the Czech market under equal condition, services involving access to the fixed-line network for the vast majority of housing units in the country, together with related voice services, xDSL or fibre broadband Internet access (broadband, FBB), IPTV paid television, local-loop unbundling (VULA and LLU) and technology collocation.

Data services – the Company also provides operators with data services on leased lines for their corporate customers.

International transit services – the Company provides international operators from all over the world with the transmission of international traffic, primarily voice.

Other services – This category includes the lease of dark fibres, housing in data centres, national interconnection services, support services for roaming, forced network transfers, duct hire and other associated services.

# Environmental protection

CETIN is aware of the importance of maintaining a healthy and undamaged environment for the current generation and future generations. It has therefore incorporated a policy of limiting negative environmental impacts in its strategy and everyday activities.

## The risks, or products and services, which could have negative impacts

The Company determined its environmental aspects in accordance with international ISO 14001 standard, i.e. the elements of activities, products or services at the organisation which could impact on the environment, both for routine operation (real environmental aspects) and for emergency and extraordinary situations (potential environmental aspects).

### Significant real environmental aspects

- electricity consumption;
- purchased heat consumption;
- gas and liquid fuel consumption for the production of heat;
- fuel consumption;
- water consumption;
- emissions into the air from stationary sources;
- the production and collection of hazardous waste;
- the production and collection of waste;
- the production of waste water;
- the use of equipment with controlled substances and fluorinated greenhouse gases.

### Potential environmental aspects (risks)

- the escape of refrigerants (damaging the ozone layer and fluorinated greenhouse gases);
- the escape of natural gas;
- the leakage of fuels;
- the escape of harmful substances into water and soil;
- the escape of waste and emissions from fire;
- the escape of contaminated waste and emissions through floods.

## Measures applied and care procedures

Ever since its foundation in 2015, CETIN has had in place an **environmental management system** according to international ISO 14001 standard as part of its integrated management system. The Company obtained a certificate for its newly-introduced **energy management system** in 2016 according to international ISO 50001 standard. The validity of both certificates was confirmed by an inspection audit conducted by independent certification company TUV NORD Czech in June 2017.

Targets leading to limiting negative impacts on the environment in 2017 mainly focused on reducing energy consumption, making fuel savings and replacing refrigerants in air-conditioning units, which will also lead to reducing the emission of greenhouse gases and harmful substances into the air and to financial savings. Several major projects were launched by the Company in recent years that will also bring significant energy savings. These mainly involve the replacement of telecommunication equipment with new generation devices and optimisation of the space used.

## Key performance indicators and the results of measures applied

CETIN undertakes to reduce the energy performance of products and provided services in its Energy Policy (available at <https://www.cetin.cz/energeticka-politika>). In respect of the high number of buildings (administration and technology buildings, mobile network base stations) which the Company uses throughout the Czech Republic, the use of energy is primarily monitored at premises with significant consumption, meaning in those places where electricity consumption associated with the technology used to create products and provide services is higher than 30,000 kWh per year. The

technology operated is as follows: fixed telecommunication network, mobile network and data centres. The fundamental energy targets at the Company for a period of **five years** were set out in the Energy Policy as follows: **electricity – reduction of 29 %, thermal energy – reduction of 15 %, natural gas – reduction of 15 %**. This reduction in consumption relates to the initial energy consumption level, reflecting the level of services and products provided as at 31.12.2016.

Total energy consumption (electricity, thermal energy, natural gas) for the year 2017 was **305,158 MWh**, which is an increase on 2016 of 0.14 %. The evaluation of energy targets for the year 2017 is as follows:

	<u>2017</u>
Electricity	increase of 0.5 %
Thermal energy	increase of 1.0 %
Natural gas	reduction of 24.5 %

**Savings were made in fixed and mobile networks** as a result of projects to replace technology with more modern and more efficient equipment; however, the roll-out of new equipment, delivering a fundamental increase of connection speed for hundreds of thousands of households in fixed networks, and the construction of a national new generation mobile network (LTE/4G) resulted in a net increase in electricity consumption. At **data centres**, the increase in electricity consumption was caused by an increase in the occupancy rate, driven by new customers.

The consumption of **fuels** in 2017 was as follows: the consumption of diesel for **back-up power sources** (generators) was 16.7 thousand litres, a year-on-year increase of 5 %. This consumption is based on the need to ensure national operation of fixed and mobile networks in the case of power failure (e.g. as a consequence of faults or inclement weather), where savings cannot be the primary priority. Total consumption of fuels for **means of transport** rose by 19 % year-on-year to 862 thousand litres. Average consumption in 2017 was 5.99 litres per 100 km (0.07 l higher than in 2016). These results reflect the increasing number of service vehicles and the higher kilometre distance travelled - 14.4 million km in 2017, 18 % more year-on-year. The cause of this is the increase in the volume of work driven by ongoing insourcing of operational units dedicated to the repair, maintenance and construction of telecommunication networks throughout the country.

#### **Protection of water and air**

The consumption of **water** in 2017 fell by 4.7 % to reach 54.3 thousand litres. **The waste water** produced by Company operations merely entail the standard pollution common in **offices and are therefore released into the waste-water disposal system in accordance with contracts** in place with companies which operate water supply and waste-water disposal systems. The Company operates approximately 150 listed stationary sources of air pollution – 5 boiler rooms and primarily a number of alternative power sources (generators) which keep the equipment in operation in cases of breakdown of the standard supply. Aggregate data on the operation of these and on emissions into the air are, according to the regulatory requirements, reported to government administration using an integrated system of mandatory environmental reporting (ISPOP).

#### **Waste and its collection**

CETIN records the production of waste in accordance with legal requirements. The Company produced 32 types of waste in 2017, 7 of which are hazardous. Hazardous waste is not primarily a result of the standard operating activities of the company, but is mainly produced during modernisation of outdated equipment and the disposal of obsolete devices. The Company produced 1,061 tons of waste in 2017, a year-on-year increase of 27 %. This increase is linked to the ongoing replacement of telecommunication equipment. There were 4 tons of hazardous waste (7 tons were handed over in 2016). This was mainly glass, plastics and wood containing hazardous substances and cables containing oils, tar and other hazardous substances. A total of 228 tons of mixed municipal waste was handed over in 2017, meaning a year-on-year decrease of 10.2 %.

The Company participates in the EKO-KOM collective system, established for joint compliance with the regulations of collection and use of packaging waste. As part of obligations related to separate collection of electrical and electronic equipment and batteries, the Company handed over 37.5 tons of electrical and electronic equipment and batteries for environmentally-friendly disposal in 2017, in

cooperation with the REMA System and REMA Battery collective system. This was 21 % more than in the previous year.

### **The use of equipment with controlled substances and fluorinated greenhouse gases**

The Company used HFC refrigerants in technological air-conditioning units in 2017, as well as HCFC (for example, R22), that are more of a threat to the ozone layer in case of escape. The Company's environmental objectives primarily focus on replacement of such technology with new, safer for the environment. **Leaks of refrigerants** from technological air-conditioning fell year-on-year to 321.4 kg in 2017, with HCFC (R22 refrigerant) accounting for 64.2 kg of this amount.

## Respecting human rights and the fight against corruption

### **The risks, or products and services, which could have negative impacts**

The risk of infringement of human rights in labour relations between employees arises during the business activity undertaken at CETIN. Due to the wholesale nature of the business model of the Company, which provides infrastructure services exclusively to retail providers, business activity at CETIN does not have any direct impacts on the human rights of customers or the public.

The risk of corruption during the Company's business activity arises during business dealings between company employees and suppliers, customers, government authorities and other external bodies.

### **Measures applied and care procedures**

The fight against corruption and the protection of human rights at CETIN, and throughout the whole PPF Group, is governed by the PPF Group Code of Ethics and by internal guidelines entitled Corporate Compliance Internal Investigation ("CCI"). CETIN adopted both regulations with effect on 1.6.2017.

### **Code of ethics**

The Code of Ethics describes the fundamental rules which govern CETIN's daily operation and sets out the framework within which all other internal regulations at CETIN must be interpreted. The Code is part of the Corporate Compliance programme, which primarily sets out the fundamental principles and rules of conduct for all employees at the Company and enables compliance checks and putting remedies in place when shortcomings are discovered or objectionable or illegal conduct identified.

Article 6 and other provisions of the Code of Ethics are dedicated to the protection of human rights in all CETIN and the PPF Group activities. The Code does not permit any form of discrimination of workers – this also applies to the allocation of work and due remuneration. Nor does it permit any form of harassment, intimidation, forced or illegal work. Workers at CETIN are also obliged to consider and respect to the maximum extent the individuality and privacy of their colleagues. It is forbidden to make any statements which are inappropriate, offensive or vulgar in relation to other workers or to harass, intimidate, demean or insult them in any way.

Article 5.3 of the Code of Ethics is devoted to corruption and the prevention of corrupt conduct. CETIN and the PPF Group entirely reject any form of bribery and of providing or receiving any unauthorised payments, payments having no legal grounds or any such performance. Workers are obliged to familiarise themselves with the relevant rules of legal regulations, the internal regulations at the PPF Group and the internal regulations of the commercial partner, if available to them, and of cultural and social customs before providing or receiving a gift or any other performance (for example, a payment for services). The Code of Ethics also determines the gifts which may be accepted and how to proceed in case of any attempt at corrupt conduct.

### **Corporate Compliance Internal Investigation**

The objective of the Corporate Compliance Internal Investigation guidelines is to regulate how workers, managers and the governing and inspection bodies of the CETIN Group (as part of the PPF Group)

should proceed in case of suspicion, investigation and discovery of action which is unethical or improper and/or action which is contrary to legal regulations or the internal regulations at CETIN, or the Code of Ethics at the PPF Group. The guidelines also determine the main principles, the means of prevention, the structures of responsibility and individual powers and define the activities carried out during the management of Corporate Compliance and the adoption of corrective measures, both individual or of a systematic character.

The Compliance programme includes an e-learning course entitled Compliance Programme, with a basic version for all standard employees and a considerably more extensive and demanding course for the management. Training must be repeated every 2 years.

Employees may report their suspicions of unethical conduct in person to the authorised worker at CETIN (CETIN Compliance Officer) or by e-mail to [etikalinka@ppf.cz](mailto:etikalinka@ppf.cz). Another possible channel through which the Company receives information regarding infringement of the Code of Ethics, or of other regulations, is a public web interface at <https://www.cetin.cz/odpovedny-pristup>. Any CETIN employee can also submit information using the Company's intranet.

The Company also binds all its contractual partners to act in accordance with the Code of Ethics. The following provision is an inseparable part of all newly-made or modified contracts:

"[CETIN] has adopted and adheres to an internal Corporate Compliance programme which is designed in such a way as to ensure that [CETIN] activities comply with rules of ethics, morality, valid legal regulations and international agreements, including measures whose objective it is to prevent and uncover any infringement of these (Corporate Compliance programme – <https://www.cetin.cz/corporate-compliance>).

[The Contractual Partner (and any natural or legal person that cooperates with it and that it uses to discharge the obligations arising from this contract, or in connection with its making and execution, i.e. employees, representatives or external colleagues) shall respect and adhere to the valid legal regulations, including international agreements, and fundamental moral and ethical principles. [The Contractual Partner] rejects any unlawful conduct and refrains from such conduct. [The Contractual Partner] shall primarily not commit, not approve and not permit direct or mediated action which would cause the situation in which [the Contractual Partner] or any of its employees, representatives or external colleagues would be in breach of any legal regulations to concern bribery or corruption. This obligation applies primarily, but not exclusively, to any unlawful influence, unauthorised payment/payment without legal grounds or performance of such a nature in relation to government officials, representatives of public authorities, families or close friends. Should [the Contractual Partner] act for [CETIN] or on its behalf, it shall make it clear that it adheres to the specified principles."

### **Key performance indicators and the results of measures applied**

Leading indicators of the success of asserting the Code of Ethics and the Compliance programme include the availability of all information about CCII and about the corresponding training for all employees and other workers, as well as the level of training among workers in this area. The Code of Ethics and the Compliance programme are permanently available to all staff at the Company intranet in the form of the relevant documents and e-learning course. The level of training of all staff in 2017 exceeded 99.5 %.

The main lagging indicator of the outcome of applied measures is the quantity and quality of recorded incidents, received through all communication channels specified above. No information was submitted in 2017, same as in prior years.

# Social and employee-related matters

## The risks, or products and services, which could have negative impacts

The Company's business activity, which requires a relatively high number of employees, leads to the risk of failure to adhere to the Labour Code and associated laws and standards, which could lead to threats to the health and legal rights of employees. Insufficient or poor communication between Company management and employees could have negative impacts on the quality of the working environment, motivation levels and employee satisfaction. Inappropriately set internal policies could lead to discrimination of employees based on sociodemographic features.

Due to the wholesale nature of the business model of the Company, which provides infrastructure services exclusively to retail providers, business activities at CETIN do not have any direct impacts on society and the community outside the group of its employees.

## Measures applied and care procedures

The main means of due care in relation to employee-related matters are the everyday work of the competent team at the Human Resources unit, cooperation with the trade union organisation, the collective agreement, the Work Regulations and the Company Code of Ethics.

A **trade union organisation** has long been active at the Company, functioning as an independent body supervising employment relationships and fulfilment of the obligations which the Company has towards its employees, and enjoys the trust of employees and Company management alike. Representatives of the trade union organisation discuss input from employees with Company management on a regular basis and in a constructive manner and Company management discusses potential changes in the Company with union representatives. Together they deal with potential impacts on employees. Employee-related issues are regularly discussed at the Social Committee, which is made up of representatives of the trade union, the board of directors and the supervisory board.

The main outcome of the work of the trade union organisation at CETIN is the **collective agreement**, in which separate paragraphs deal with the following: Care for employees, social policy and social fund (paragraph III), Remuneration (paragraph IV.) and Occupational health and safety (paragraph V.). Based on the collective agreement, the Company also provides, for example, a whole range of additional payments in amounts which are above-standard when compared with the Labour Code. The collective agreement also establishes the right of employees to flexible benefits in the form of a cafeteria system, luncheon vouchers, etc.

Preventing discrimination at the Company is mainly dealt with in Company Work Regulations, where the point 3.3.1.1 reads:

*Do not permit any discrimination in labour relations against Employees on the grounds of race, skin colour, sex, sexual orientation, language, faith and religion, political or other disposition, membership of or activity in political parties or political movements, trade union organisations and other associations, nationality, ethnic or social background, wealth, family, medical condition, age, marital and family status or family obligation. Any conduct on the part of the Employer which does not discriminate directly but in its consequences, is also forbidden.*

In addition to the activities of the trade union organisation, the **Code of Ethics** of the PPF Group also helps ensuring the adherence to work regulations. This demands that all employees respect the laws in force and internal regulations at the Company, such as the collective agreement, the Organisation Regulations and the Work Regulations. The CETIN Corporate Compliance Internal Investigation internal guidelines follow on from the Code of Ethics. Among other, this allows employees, and third parties, to file an anonymous charge in the case that they suspect failure to adhere to the principles set out in the Code of Ethics.

One of the means of ensuring open and direct communication between Company management and employees are personal meetings of the members of management and employees, held occasionally at different places in the Czech Republic, usually in those where a larger number of CETIN employees have their regular workplace. Every employee can ask questions at such meetings without fear of

possible recriminations by management. A member of the Board of Directors and a member of senior management always attend on behalf of Company management.

Another form of communication with employees is the anonymous employee survey that was conducted in 2017 and that was prepared for CETIN and thereafter evaluated by the Internal Audit Department at the PPF Group. The employee survey resulted in valuable suggestions in areas such as improving employee relationships, corporate culture and the brand of the employer and Company management undertook to work on these areas and regularly inform employees of the measures taken and the results of these.

### Key performance indicators and the results of measures applied

The aim of all the measures mentioned above, and the checking of these, is to ensure a safe, healthy and socially-responsible work environment and to create good, close relations between Company management and employees and among the employees based on mutual respect and adherence to the set rules. As we can see from the results achieved, the Company has been successful in achieving this objective.

The leading indicators of success are primarily indicators which show due care for employee protection, motivating employees and improving their professional qualifications, the efforts made by Company management to ensure dialogue and open communication with employees and promoting the Company Code of Ethics.

For example, CETIN spent almost **CZK 1.3 million** in 2017 on additional payments for the upkeep of protective clothing and work equipment, a drinking regime and difficult work conditions, which is a year-on-year increase of 30 %. This increase was caused mainly by the higher number of employees in operations where protective equipment and work equipment are required.

The Company continually increases the budget for employee training.

It consistently applies an equal approach to employment, remuneration and career growth of its employees irrespective of gender, race or faith. 19% of Company employees are women, who have a 13% representation in management positions. The average age of an employee is 45.

The main lagging indicators of the results of the measures put in place are the long-term low level of **employee turnover, 4.8 % per annum**, which is around a third of the average on the commercial company market in the Czech Republic, and the **average length of employment**, which is **14 years**.

Another significant result is the long-term **social cohesion** that prevails at the Company. This cohesion is indicated by the number of labour conflicts or collective protests. In 2017, as in previous years, not a single letter of reprimand<sup>1</sup> was issued by the Company for breach of work obligations, nor was an employment relationship terminated<sup>2</sup> with an employee for gross breach of regulations. There were also no labour disputes, collective protests or strikes by employees.

---

<sup>1</sup> According to Section 52(g) of the Labour Code

<sup>2</sup> According to Section 55(1)(a) of the Labour Code