

04

Corporate
governance



Inspirational
leadership

Corporate governance

Corporate governance of the Telefónica O2 Czech Republic Group

In terms of organisation, Telefónica O2 is a part of Telefónica's European division (Telefónica Europe), which holds all companies that use the O2 commercial brand regardless of ownership relations within Telefónica Group. No significant changes occurred in the ownership structure of the Company; Telefónica S.A., holding a 69.41% stake, remains the majority owner.

Telefónica O2's ownership rights in its subsidiary companies, save for those incorporated in foreign jurisdictions, are exercised by the Board of Directors of Telefónica O2 acting in the capacity of the sole member. Persons with power of attorney given by the Board of Directors of the parent company exercise the ownership rights in foreign subsidiaries within the limits of the mandate approved by the Company's Board of Directors. Personnel changes in the subsidiary companies' statutory and supervisory bodies and in companies where Telefónica O2 holds an ownership interest (in positions occupied by the Company's representatives) are approved by the Board of Directors of the Company and, in accordance with the Articles of Association, they are also subject to prior approval by the Supervisory Board of the Company, whose decisions are made in consideration of the opinion given by the Nomination and Remuneration Committee.

Subsidiaries, associates and other ownership interests (as at 15 March 2011)

The only change with respect to subsidiary and associated companies in 2010 concerned Telefónica O2 Slovakia; the parent company Telefónica O2 decided in May to increase the registered capital of the subsidiary by way of a pecuniary contribution to EUR 240,000,000.

Corporate name	Registered capital	The share of Telefónica O2 Czech Republic, a.s.
Telefónica O2 Slovakia, s.r.o.	EUR 240,000,000	100.00%
Telefónica O2 Business Solutions, spol. s r.o.	CZK 10,000,000	100.00%
CZECH TELECOM Austria GmbH	EUR 35,000	100.00%
CZECH TELECOM Germany GmbH	EUR 25,000	100.00%
První certifikační autorita, a.s.	CZK 20,000,000	23.25%
AUGUSTUS, spol. s r.o.*	CZK 166,000	39.76%

* Telefónica O2 Czech Republic, a.s. does not control this company.

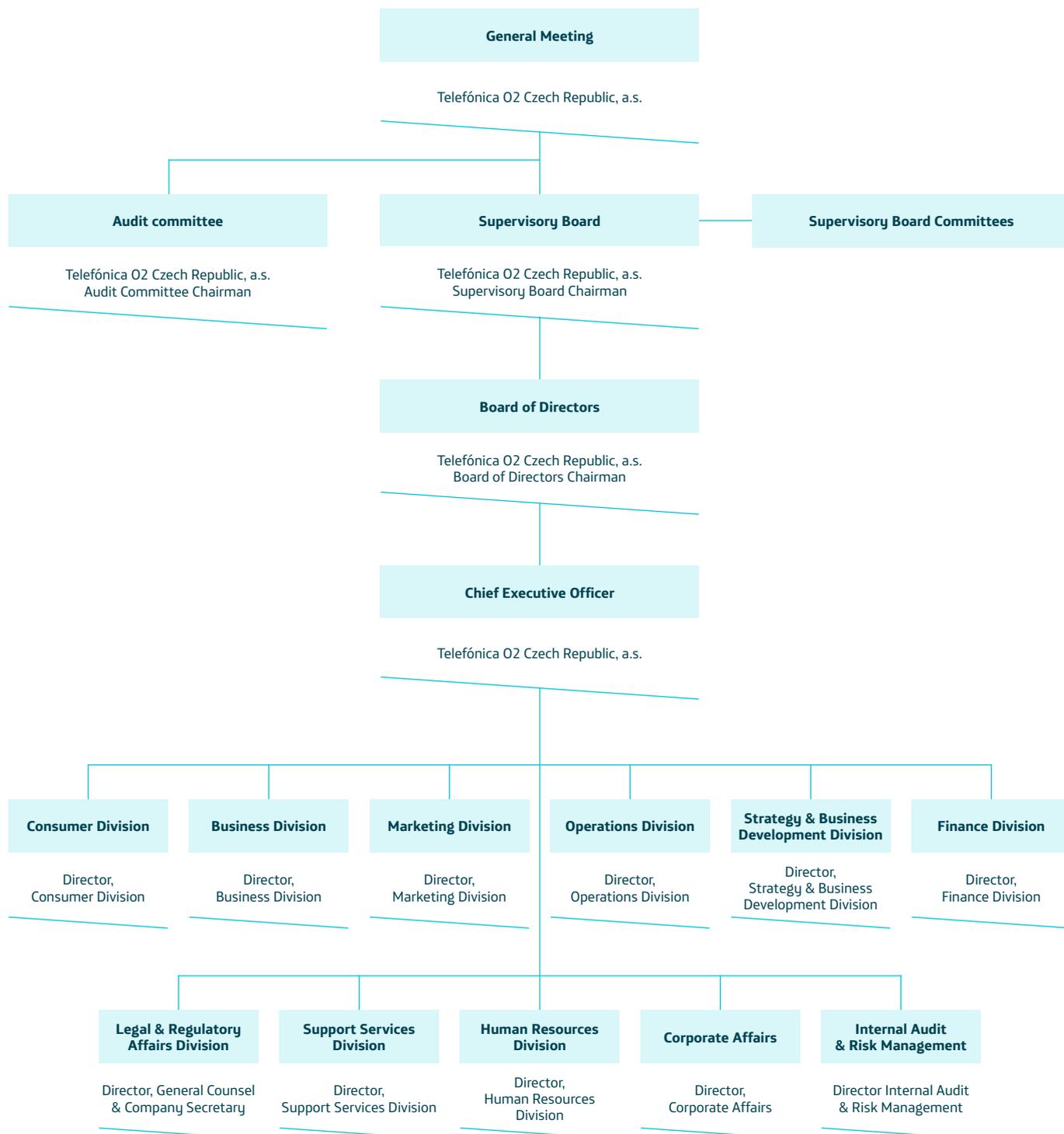
Effective from November 2010, Telefónica O2 owns a 14% stake in MOPET CZ a.s. (see sub-section Payment services further below).

The organisation of Telefónica O2

Telefónica O2 pursues continuous efficiency improvements and optimisation of its functions. The past period saw further optimisation of the organisational and governance architecture. The following changes occurred at the level of executive line organisational macrostructure during 2010:

- A central Marketing Division was created in May by way of consolidating marketing activities and authority previously assigned to various business units in the Company to one unit. At the same time, the scope of the Strategy and Business Development Division was expanded to newly include, among other things, the Wholesale Unit;
- In September, the Strategic Accounts Division was transferred under the line of management of the Business Division.

Executive macrostructure of O2 Czech Republic (as at 15 March 2011)



Governing bodies (as at 15 March 2011)

General Meeting

The General Meeting, which comprises the Company's shareholders, decides on fundamental business, organisational and operating matters. Its authority and powers are determined by the Commercial Code and the Company's Articles of Association. As a rule, the Board of Directors convenes the General Meeting once a year. Basic information on the General Meeting and its status and authority can be found in Articles 7–13 of the Company's Articles of Association.

Audit Committee

The Audit Committee has six members and is an independent governing body of the Company, with special powers in matters relating to the statutory audit, compilation and auditing of financial statements and the evaluation of effectiveness of the internal control system of the Company. Members of the Audit Committee are appointed and recalled by the General Meeting of the Company; only the members of the Supervisory Board or persons external to the Company may be members of the Audit Committee. The tenure of Audit Committee members is five years. As a rule, the Audit Committee meets as required, usually once in a quarter, but at least four times in the course of a calendar year. Basic information about the Audit Committee and its powers can be found in Articles 26a–26f of the Company's Articles of Association.

Supervisory Board

The Supervisory Board has fifteen members and supervises the discharge of the Board of Directors' powers and the running of the Company's business. Its composition, authority and powers are determined by the Commercial Code and the Company's Articles of Association. As a rule, the Supervisory Board meets as required, usually once in a quarter, but at least four times in the course of a calendar year. Two thirds of the Supervisory Board members are elected and recalled by the General Meeting; one third of the Supervisory Board members are elected and recalled by employees of the Company. Members of the Supervisory Board are elected for tenure of five years. Basic information about the Supervisory Board and its authority can be found in Articles 20–25 of the Company's the Articles of Association.

Board of Directors

The seven-member Board of Directors is a statutory body that manages the business of the Company and acts on its behalf. The Board of Directors decides on all corporate affairs which, by law or the Articles of Association, are not reserved for the General Meeting or the Supervisory Board. As a rule, the Board of Directors meets usually once every calendar month, but at least 12 times in the course of a calendar year. Members of the Board of Directors are elected and recalled by the Supervisory Board. The tenure of a member of the Board of Directors is 5 years. Basic information on the Board of Directors and its authority can be found in Articles 14–19 of the Company's Articles of Association.

Committees of the Supervisory Board

Under its powers, the Supervisory Board sets up committees as its advisory and initiative bodies.

Committees of the Supervisory Board are an inherent part of corporate governance. The Supervisory Board always institutes a Nomination and Remuneration Committee. Members of committees are elected and recalled by the Supervisory Board. The tenure of a member of a committee is 2.5 years. Committees established by the Supervisory Board can comprise only the members of the Supervisory Board. The scope of authority of the Supervisory Board's committees is set out in Article 26 of the Company's Articles of Association.

The Company has the following committees of the Supervisory Board:

- Nomination and Remuneration Committee;
- Ethics and Corporate Social Responsibility Committee.

Board of Directors (as at 15 March 2011)



Luis Antonio Malvido (*1964)

Chairman

Graduated in Industrial Engineering at the Instituto Tecnológico de Buenos Aires. Joined Telefónica in the late 1980s during the privatisation process as a member of a team for the valuation of the target company. Afterwards he worked in various positions in customer service, sales, business development and strategic planning in Telefónica. In June 1998 he was appointed Vice President and Chief Executive Director at Telefónica Móviles Argentina, Unifón, where he was responsible for the start-up of the company, its merger with another regional operator and for the establishment of a nation-wide mobile operator. From January 2005 he was President and Chief Executive Director of Telefónica Venezuela, Movistar and later he became a President of the Quality Committee in Latin America. From January 2008 he was Chief Executive Director at TeleSP, a Telefónica subsidiary in Brazil. In February 2010 he was appointed Chief Executive Officer and Chairman of the Board of Directors of Telefónica O2 Czech Republic, and simultaneously also member of the Board of Telefónica Europe.



Jesús Pérez de Uriguen (*1970)

1st Vice Chairman

Graduated in Business Administration at University of Maryland at College Park in 1992, with specialisation in Finance and Accounting, where he got his degree of Bachelor of Science in Business and Management. In 1993, he earned his MBA degree at Instituto de Empresa in Madrid. Before joining Telefónica O2 Czech Republic, a.s. he worked in Bank of America, Arthur Andersen, Jazz Telecom, S.A., and Telefónica Móviles, S.A. Jesús collected extensive experience in the telecommunications and finance area at these companies – he was responsible for planning, management control, etc. Lastly, he worked in the position of CFO in Telefónica Centroamérica for nearly four years. He was member of the Board of Directors of the operations of Telefónica Móviles in Panamá, El Salvador, Nicaragua and Guatemala. Now he holds the position of Director, Finance Division and 1st Vice Chairman of the Board of Directors in Telefónica O2 Czech Republic.



Petr Slováček (*1959)

2nd Vice Chairman

Graduated from the Technical University, Prague, with a degree in telecommunications from the Faculty of Electro-technical Engineering. Also holds a postgraduate Master of Business Telecommunications (MBT) degree from the Technical University of Delft in the Netherlands. After graduation he joined the Telecommunications Research Institution, Prague, he joined SPT TELECOM (the legal predecessor of Telefónica O2 Czech Republic) in 1989, working in switching, technical development, network management projects and OSS. In June 2008 he was re-elected 2nd Vice Chairman of the Board of Directors of Telefónica O2 Czech Republic. He currently holds the position of Director, Operations Division.



Martin Bek (*1969)

Member

Studied foreign trade at University of Economics, Prague, and completed his studies at the European Business School, Paris, where he majored in Finance. He worked for ABC International, DRT International and later at Guérard Viala Prague as senior consultant and tax advisor. From 1996, he worked at ČESKÝ TELECOM (the legal predecessor of Telefónica O2 Czech Republic) as Director for Tax and Accounting, later as Executive Director for Planning and Controlling. In April 2004 he was appointed Statutory Representative of Eurotel Praha, spol. s r.o. (the legal predecessor of Telefónica O2 Czech Republic) and since September 2004 he has been Eurotel's Chief Operating Officer. Now he holds the position Director Support Services in Telefónica O2 Czech Republic. He is a member of the Board of Trustees of O2 Foundation (Nadace O2).



John Gerald McGuigan (*1960)

Member

Before joining O2, John was the Chief Executive of NHS24, a telephone triage service for Scotland and held this position for 2 years. He joined Telefónica O2 UK in 2007 and was General Manager for the consumer segment in three sites: Glasgow, Preston Brook and Bury. Since 2009 has been appointed Chief Executive Officer of Telefónica O2 Slovakia.



Jakub Chytil (*1961)

Member

Graduated from the Faculty of Law, Charles University, Prague, where he got his JUDr. degree. In 1991–1995, he was a junior associate and, later on, an attorney specialising in commercial and civil law, working with international law firms. In 1995–2000, he was a Legal Counsel for the Czech and Slovak Republic at Philip Morris ČR and Kraft Foods. In 2000–2003, he was the Senior Counsel in the Legal Department of Philip Morris International, Lausanne, Switzerland, where he was responsible for the legal affairs of Philip Morris International's subsidiaries in various countries. Since his arrival to ČESKÝ TELECOM (the legal predecessor of Telefónica O2 Czech Republic) in December 2003 he has been in the position of Director, Legal Affairs, and from 2010 he has been Director, Legal and Regulatory Affairs. From May 2006 he has been the Company Secretary and he is also a member of the Board of Trustees of O2 Foundation (Nadace O2).



František Schneider (*1967)

Member

He graduated in Artificial Intelligence at the University of West Bohemia, Pilsen, and went on to start his professional career in Vikomt CZ. From 1997 he worked in Dell Computer, where started as Director for Sales to Small and Medium Enterprises, Czech and Slovak markets. In 2001 he became Business Development Manager for Eastern Europe, Middle East and Africa, where he managed development projects aimed at effective capture of the corporate market. This job took him also to Israel, Turkey, Saudi Arabia, United Arab Emirates and Russia. In 2003 he went to Greece to manage the start-up of a new branch for which he also designed a medium-term business development plan. From May 2004 he was Managing Director for the Czech and Slovak markets. Under his leadership, the Prague branch tripled its annual revenues and twice won the accolades for the best Dell country office in the EMEA region. František joined Telefónica O2 Czech Republic, a.s. in April 2008 as Director, Corporate Sales, and presently holds the position of Director, Business Division.

Personnel composition of the Board of Directors of Telefónica O2 Czech Republic, a.s., as at 15 March 2011

Name	Function	Member since
Luis Antonio Malvido	Chairman of the Board of Directors	1 February 2010
Jesús Pérez de Uriguen	1st Vice Chairman of the Board of Directors	1 May 2008
Petr Slováček	2nd Vice Chairman of the Board of Directors	14 June 2008
Martin Bek	Member of the Board of Directors	27 April 2006 re-elected by the Supervisory Board on 18 February 2011 (with effect from 28 April 2011)
John Gerald McGuigan	Member of the Board of Directors	27 October 2009
Jakub Chytil	Member of the Board of Directors	27 April 2006 re-elected by the Supervisory Board on 18 February 2011 (with effect from 28 April 2011)
František Schneider	Member of the Board of Directors	4 November 2010

Information about the term of office of Board of Directors members is given in sub-section Governing bodies of Telefónica O2 Czech Republic.

All changes in the personnel composition in the Board of Directors in the first half of 2010 were described in the 2009 Annual Report and in the 2010 Half-year Report.

The following changes occurred in the personnel composition of the Board of Directors in the second half of 2010 and in the period from 1 January to 15 March 2011:

Jose Severino Perdomo Lorenzo	his duties as member of the Board of Directors were terminated after the Supervisory Board discussed his resignation on 10 September 2010
František Schneider	elected member of the Board of Directors by the Supervisory Board on 4 November 2010

Executive management (as at 15 March 2011)

The executive management of the Company comprises the following top managers:

Luis Antonio Malvido (*1964)

Chief Executive Officer

(résumé in section Board of Directors)

Martin Bek (*1969)

Director, Support Services Division

(résumé in section Board of Directors)

Jakub Chytil (*1961)

Director, Legal & Regulatory Affairs, Company Secretary

(résumé in section Board of Directors)

Jesús Pérez de Uriguen (*1970)

Director, Finance Division

(résumé in section Board of Directors)

František Schneider (*1967)

Director, Business Division

(résumé in section Board of Directors)

Petr Slováček (*1959)

Director, Operations Division

(résumé in section Board of Directors)



Jiří Dvorjančanský (*1970)

Director, Marketing Division

Jiří Dvorjančanský graduated from the Czech Technical University in Prague and also holds a D.E.A. degree from National Polytechnique Institut in Grenoble, France. He subsequently earned his MBA in the executive MBA programme at Thunderbird School of Global Management in Prague.

He joined Telefónica O2 Czech Republic from Deutsche Telekom Group where he worked for 11 years in various executive positions in the field of sales and marketing. He was also Executive Director, Marketing Division at T-Mobile Czech Republic; he was later promoted to the same top executive position in T-Mobile Germany. His international experience also includes membership in the Supervisory Board of T-Mobile UK and a standing membership in the International Marketing Board of T-Mobile Group. Jiří Dvorjančanský joined Deutsche Telekom from the position of Sales Director at COTY.



Tony Hanway (*1967)

Director, Consumer division

Holds an MSc in Human Resources Management / Training from Leicester University. Prior to joining O2 Ireland, worked for AOL Time Warner for eight years where he held a number of senior Board positions, namely Vice President of Customer Care at AOL UK and Managing Director of AOL Europe Operations Ltd. in Ireland. He has also worked in Sales and support roles for Gateway Computers Inc. and AIB Bank plc (UK). He joined O2 in 2005 as Customer Care Director. Under his leadership, O2 Ireland was awarded the Contact Centre of the Year and Best Retail Employer awards. He came to the Czech Republic from position of Consumer Sales Director. His role in Ireland involved managing O2 Ireland's retail, online, franchising, partner and telesales channels to drive revenues while providing a great customer experience.



Jiří Šuchman (*1964)

Director, Corporate Affairs

Graduated in Foreign Trade at the University of Economic in Prague. After gaining experience in foreign trade companies, since 1992 he has worked exclusively in the field of telecommunications. During that time he worked in various management positions in SPT Telecom, France Télécom, Aliatel and T-Mobile; from 1999 until 2008 he was responsible for regulatory and corporate affairs at T-Mobile. He joined Telefónica O2 Czech Republic in 2008 as Director, Public Affairs. On 1 February 2010 he was nominated Director, Corporate Affairs. He chairs the Board of Trustees of O2 Foundation.



Steven Tree (*1958)

Acting Director, Human Resources Division

With post graduate qualifications in Human Resources, Teaching and Marketing as well as an MBA from Warwick Business School, his career has involved a mixture of Human Resources and Management Consulting. In 1990 he joined WS Atkins, a global consulting business, as Personnel Manager and in 1992 he transferred into the Management Consulting division where he worked on international projects including several projects in the Czech Republic. He then moved to KPMG as a Human Capital Consultant and then on to Arthur Andersen (UK) shortly before it merged with Deloitte, where he was a Director. His specialist areas were Mergers and Acquisitions and the transformation of Human Resource management. In 2003 he moved to Heidrick & Struggles, the global leadership advisory and executive search firm where he was Vice President of HR for Europe and Asia. He joined Telefónica O2 Czech Republic in November 2010.

Report by the Company's Supervisory Board



In keeping with the Company's Articles of Association, the Supervisory Board of Telefónica O2 Czech Republic in 2010 supervised the discharge of the Board of Directors' powers and the running of the Company's business. Supervisory Board members have the power to inspect all documents and records concerning the Company's activities; check whether the accounting records are kept to reflect the reality; determine whether the business of the Company is done in compliance with the law, the Company's Articles of Association and instructions of the General Meeting.

The Supervisory Board continuously monitored the activities of Telefónica O2 Czech Republic and key decisions made by the Board of Directors and the management. Further, the Supervisory Board addressed the suggestions raised by its committees and its members individually. Board of Directors and the management provided the Supervisory Board with the documentation and information necessary for the discharge of its functions in accordance with the legislation and the Articles of Association. The Supervisory Board worked in close contact with the Audit Committee of Telefónica O2 Czech Republic regarding all principal matters falling to the authority of both the governing bodies.

At the meeting held on 18 February 2011, the Supervisory Board reviewed the audited annual financial statements for the year 2010 (unconsolidated and consolidated) prepared in accordance with the International Financial Reporting Standards. The Supervisory Board also reviewed the Board of Director's proposal for the distribution of profit for the year 2010 and of the retained earnings of the Company from previous years, and, as the case may be, any disposable funds of the Company, and the determination of royalties for the year 2010. In both instances, the Supervisory Board issued a recommendation to the General Meeting of the Company to approve the proposals.

In Prague, 18 February 2011

A handwritten signature in blue ink, enclosed in a blue oval. The signature is stylized and appears to be 'A. Durán'.

Alfonso Alonso Durán
Chairman of the Supervisory Board

Supervisory Board (as at 15 March 2011)



Alfonso Alonso Durán (*1957)

Chairman

Holds a BA degree in Economics from the Universidad Autónoma Madrid, and an MBA from IESE Business School Barcelona. He started his professional career in 1974 with Banco de Bilbao as manager/controller. He joined Telefónica as economist and worked in several departments: internal audit, accounts, infrastructure, international communications, financial controlling and cost management in the Spanish fixed business unit. In 1999 he left Telefónica de España for Telefónica, S.A., as Deputy Director for Planning and Management Control. In 2003, he became General Manager for Strategy, Budget and Control. In 2008 took the position of Director of Operations in the corporation and became in the same year Director of Transformation in charge of Purchases, Technology, Information systems and Strategy and Innovation to transform in the scope of the operative integration of the business units of Telefónica.



María Eva Castillo Sanz (*1962)

1st Vice Chairman

Eva Castillo led the Global Wealth Management business of Bank of America Merrill Lynch in Europe, Middle East and Africa (EMEA) from 2006 to 2009, having held a number of other senior positions in Merrill Lynch from 1997, including as head of Global Markets and Investment Banking in Iberia and President of Merrill Lynch Spain and, before that, as Chief Operating Officer for Merrill Lynch EMEA Equity Markets. Previously she had worked for the International Equities division of Goldman Sachs in London between 1992 and 1997. Her career in the financial services industry began at the Spanish broker Beta Capital in Madrid, where she worked from 1988 until 1992. She has been a non-executive director of Telefonica SA since the beginning of 2008 and She is a non-executive director of Old Mutual plc since February 2011. She has Bachelor of Arts degrees in Business and Law from the Universidad Pontificia de Comillas - ICADE E3 in Madrid.



Lubomír Vinduška (*1956)

2nd Vice Chairman

Graduated in radio and communication from the Secondary School of Electrical Engineering. In 1974–1979 he worked as a TV repairman and later as an electrical technician at Okresní kovopodnik Praha-východ (Prague-East Regional Metal Works), then at TESLA Strašnice and Czechoslovak Radio. He has been with Telefónica O2 Czech Republic and its legal predecessors since 1979. He worked as an energy operations foreman, head of energy operations and head of territorial transport and mechanisation, Prague. At present he holds the position of Transport and Mechanisation Specialist. He is Deputy Chairman for Telecommunications of the Post, Telecommunications and Newspaper Services Employees, Trade Union Deputy Chairman of the Trade Union Steering Committee at Telefónica O2 Czech Republic, and Chairman of the Prague Trade Union Steering Committee. In 2005 and 2009 he completed courses in International Financial Reporting Standards and financial relations within a group of companies.



Eduardo Andres Julio Zaplana Hernández-Soro (*1956)

Member

Eduardo Zaplana has a degree in law and was the President of the regional Government of Valencia from 1995 to 2002. He has been a member of the Spanish Parliament and Senator, as well as the Spanish Minister for Labour and Social Affairs and government spokesman from 2002 to 2004. Among other official posts, he has also been President of the Commission for Regional Policy and Structural Funds, member of the Bureau and first Vice President at the Committee of the Regions (CoR). In April 2008, Telefónica appointed Eduardo Zaplana as the Company's representative for Europe. Telefónica has an office in Brussels and operations in the UK, Germany, Ireland, the Czech Republic and Slovakia. Mr. Zaplana is a member of the Board of Directors of Telefónica Europe plc from July 2008. Since December 2008, he has been the Deputy to the Technical Secretary General of the Presidency.



Antonio Botas Bañuelos (*1963)

Member

Antonio earned his Bachelor degree at Universidad Complutense in law and a Master degree in Economics and Business Administration (MBA) at IESE in Barcelona. He has twenty years of experience in management, operative and strategic marketing and co-ordination of large multinational teams, and he has worked in international markets, namely those in the Americas and Europe. He worked as Marketing Manager in Royal Insurance, which he joined after leaving Johnson & Johnson. He joined the Telefónica Group in 1995 and he worked for Telefónica Publicidad e Informacion, Doubleclick Iberoamérica, Terra and Terra Lycos in positions ranging from Chief Sales and Marketing Officer to Executive Vice President for New Business. From 2005 until August 2007 he worked as Chief Transformation and Convergence Officer in Telefónica O2 Czech Republic. Since September 2007 he holds the position of Managing Director Product Development & Brand Management at Telefónica O2 Germany GmbH & Co. OHG. He has been member of the Supervisory Board of Telefónica O2 Czech Republic since April 2008. Since 2010 he has been Director of International Coordination Global Marketing in Telefónica S.A.



Vladimír Dlouhý (*1953)

Member

Graduated from the University of Economics in Prague; in 1977–1978 he also studied at the Catholic University in Leuven, Belgium. In 1980-1982 he got his postgraduate decree in Probability and Mathematical Statistics from the Charles University in Prague, where he worked as research assistant at the Department of Econometrics after he completed his undergraduate studies at the University of Economics. In 1984 he was one of the founding members of the Forecasting Institute of the Czechoslovak Academy of Sciences, where he worked first as a researcher and finally as deputy director. In 1989–1992 he was Minister for Economy of the Czech and Slovak Federal Republic; from 1992 until June 1997 he was Minister of Industry and Trade of the Czech Republic. He was a member, and later deputy chairman of the Civic Democratic Alliance and member of the Czech parliament. In September 1997 he started a private consultancy. His clients include the U.S. investment bank Goldman Sachs or ABB ČR. Since 2000 he has been teaching at the Faculty of Social Sciences, Charles University in Prague, and since 2004 also at the University of Economics in Prague. He authored many research papers and is a member of the Trilateral Commission. He is fluent in English, Spanish, Russian and speaks also German and French.



Anselmo Enriquez Linares (*1964)

Member

Joined from Diageo where he was HR Director for the leading premium drinks company's Africa region, took up his position on 1 July 2008 as a new Group Human Resources Director and is responsible for the company's businesses in Europe outside of Spain, and also serves as a Member of the Board at Telefónica Europe plc. He has significant experience in management development at an international level thanks to his previous roles as HR Director for Africa and Iberia regions at Diageo. Prior to Diageo, he worked for a number of major companies in the financial services and consumer goods industries, including Barclays, Lloyds TSB and Grand Metropolitan. British born with Spanish parents, he is bilingual in English and Spanish. His global career experience has included responsibility for regions as diverse as Thailand, Latin America and North America. He currently resides in London.



Tomáš Fírbach (*1976)

Member

Graduated in Management and Economics in Transportation from the Czech Technical University, Department of Transportation. After his graduation in 1999 he worked in JSJ spol. s r.o. as information systems manager. In 2001 he joined Eurotel Praha, spol. s r.o. (the legal predecessor of Telefónica O2 Czech Republic) as network planning specialist. In 2004–2005 we worked in ČD Telekomunikace, a.s. (presently ČD Telematika, a.s.) as business consultant. He has been with Telefónica O2 Czech Republic, a.s. since 2005, working as Senior Product Manager for fixed line data services. In the last five years he was not a member of any other statutory or supervisory bodies except for the Supervisory Board of Telefónica O2 Czech Republic, a.s.



Petr Gazda (*1965)

Member

Graduated in Economics and Management (BA) from the Business College Ostrava. He has been with Telefónica O2 Czech Republic (and its legal predecessors) since 1991; he presently works as Network Operations Director for Regions; previously: 1991–2006 Eurotel Praha, spol. s r.o.; 1988–1991 ČESKÝ TELECOM, a.s.; 1986–1988 AŽD Praha, specialist; 1983–1984 AŽD Praha, electrical engineer. In the last five years he was not a member of any other statutory or supervisory bodies except for the Supervisory Board of Telefónica O2 Czech Republic, a.s.



Pavel Herščík (*1951)

Member

Graduated in communication technology from the Secondary Technology School of Electrotechnical Engineering. In 1972, he started working as a telephone test centre technician in Ředitelství telekomunikací Praha (Telecommunications Headquarters, Prague). For the next 20 years (1975–1995), he worked in the field of work procedure planning, evaluation and work efficiency measurement. From 1995 to 2005, he was Head of Information Management and went on to become Head of the Management, Organisation and Administration Department. At present, he is Senior Specialist in the area of management and administration of management documents. In 2005 and 2009 he completed courses in international accounting standards and intra-holding relationships. In 2007 he was certified under the National Certification Programme for Corporate Ethics and Culture. He is Chairman of the Trade Union Steering Committee of Telefónica O2 Czech Republic and member of the European Works Council of the European division of the Telefónica Group. He has not, for the last five years, been a member in another supervisory body of another company.



Guillermo José Fernández Vidal (*1946)

Member

Guillermo holds a degree in Industrial Engineering and Computer Science and in 1989 he joined Telefónica, first as a manager and later he was promoted to Commercial Director (1992–1995) and General Manager of Companies of Telefónica (1995–1999). In 1999 he was appointed Chief Executive Officer of Telefónica Data and President of Telefónica Data España. In the same year he was also a member of statutory bodies at Telefónica Móviles, Telefónica de España, Vía Digital and Portugal Telecom. In 2003 he was appointed General Manager for Subsidiaries. From 2004 to 2005 he was General Manager for Commercial Development and Affiliates at Telefónica, S.A. In 2005 he was appointed as Corporate General Manager of Telefónica, S.A. and member of the Board of Telefónica Móviles de España, Telefónica de España and TPI. He is presently advisor to Telefónica, S.A.



Luis Lada Díaz (*1949)

Member

Luis holds a degree in telecommunications engineering and joined the Telefónica Group in 1973 in the Research and Development Department, rising through the ranks to hold various managerial and executive positions within the group. In 1989 he was Deputy Director for Technology, Planning and International Services. Later he joined Amper Group, a manufacturer of telecommunications system and equipment, as Director of Planning and Control. He returned to the Telefónica Group in 1993 as Chief Controller for Subsidiaries and Participated Companies. In 1994 he was appointed Chief Executive Officer of Telefónica Móviles de España, S.A., and in September 2000 he went on to become President and Chief Executive of Telefónica Móviles, S.A. until 2004, when he was named Director for Development, Planning and Regulatory Affairs of Telefónica, S.A. In 2005 he was elected Executive Chairman of Telefónica de España, S.A.U. Until he left his executive positions in Telefónica in July 2006, he had served on the Boards of Directors of Telefónica, S.A., Telefónica Móviles, S.A., Telefónica Internacional, S.A. and other Telefónica Group's corporations, and currently is Professor "Ad Honorem" of the Politechnic University of Madrid, C.E.O. of Ribafuerte S.L., Member of the Royal Academy of Engineering, the Bankinter Foundation for Innovation and the Telefónica Latinoamérica and the Telefónica España Advisory Boards, and Member of the Boards of Directors of INDRA Sistemas S.A., Gamesa Corporación Tecnológica, S.A., Telefónica I+D, Telcel (Telefónica Venezuela) and Ydilo Advanced Voice Solutions, S.A.



Maria Pilar López Álvarez (*1970)

Member

A graduate of Business Studies, she joined Telefónica after working for several years at JP Morgan in London and New York where she worked her way up to Vice President. Pilar joined the Telefónica Group 1999 in Telefónica de España's Strategic Planning Department. In May 2000 she was appointed Director of Management Control at Telefónica, S.A. Two years later she joined Telefónica Móviles S.A. to head up its Management Control function. In October 2006 she was promoted to Director of Strategy and Business Development at Telefónica de España. On 1st March 2007, she was appointed Chief Financial Officer of Telefónica O2 Europe plc (now Telefónica Europe plc).



Dušan Stareček (*1956)

Member

Qualified in Electronic and Electrical Technology at the Technical and Engineering Secondary School in Rožnov p. Radhoštěm. In 1975, he started work as a technician at Long-distance Cables Administration, Prague (the legal predecessor of ČESKÝ TELECOM). In 1992, he was promoted to the position of Head of External Maintenance in the Transmission Technology Unit (the legal predecessor of Telefónica O2 Czech Republic). At present, he works as Specialist for Operation and Maintenance of Digital Telecommunications Technology in Ostrava. He is a member of the Trade Union Steering Committee of Telefónica O2 Czech Republic, Chairman of KOV MORAVA and member of EWC (European Works Council) at Telefónica Europe plc. and Vice Chairman of the Ethics and Corporate Social Responsibility Committee of the Supervisory Board of Telefónica O2 Czech Republic.



Ángel Vilá Boix (*1964)

Member

Ángel Vilá is Managing Director in charge of Corporate Development and Affiliates at Telefónica, S.A. Mr. Vilá graduated in Industrial Engineering from Universitat Politècnica de Catalunya and holds a MBA from Columbia University (New York). Ángel Vilá is responsible for group wide Mergers & Acquisitions activity at Telefónica, having closed relevant corporate transactions such as O2 plc, Brasilcel and ČESKÝ TELECOM acquisitions, as well as Telefónica investments in Telecom Italia/ Telco SpA and China Unicom. Prior significant deals, among others, would include Telebras privatisation, the purchase of BellSouth and Motorola properties in LatinAmerica and the disposal of Meditel, Airwave, TPI and Antena 3 TV. Mr. Vilá also oversees the Affiliates group, including Atento, T. Gestiona and Telefónica de Contenidos. Prior to joining Telefónica, Mr. Vilá held various positions at Citibank NA, McKinsey & Company, Grupo Planeta and Ferrovial. Ángel Vilá is Vice Chairman of the Board of Directors of Telco SpA (Italy), Chairman of Telefónica de Contenidos S. A., member of the Board of Directors of Atento, Digital+ and Telefónica O2 Czech Republic, and member of the European Advisory Panel of Macquarie's MEIF Funds. He previously served on the Boards of Banco Bilbao Vizcaya Argentaria (BBVA), Endemol, CTC Chile and Terra Lycos, among others.

Personnel composition of the Supervisory Board of Telefónica O2 Czech Republic, a.s. as at 15 March 2011

Name	Function	Member since
Alfonso Alonso Durán	Chairman of the Supervisory Board	23 June 2005 Re-elected by the General Meeting on 7 May 2010 (effective from 24 June 2010)
María Eva Castillo Sanz	1st Vice Chairman of the Supervisory Board	7 May 2010
Lubomír Vinduška	2nd Vice Chairman of the Supervisory Board	29 June 2008
Eduardo Andres Julio Zaplana Hernández-Soro	Member of the Supervisory Board	3 April 2009
Antonio Botas Bañuelos	Member of the Supervisory Board	21 April 2008
Vladimír Dlouhý	Member of the Supervisory Board	18 February 2011
Anselmo Enriquez Linares	Member of the Supervisory Board	4 November 2010
Tomáš Fírbach	Member of the Supervisory Board	29 June 2008
Petr Gazda	Member of the Supervisory Board	29 June 2008
Pavel Herščík	Member of the Supervisory Board	29 June 2008
Guillermo José Fernández Vidal	Member of the Supervisory Board	23 June 2005 Re-elected by the General Meeting on 7 May 2010 (effective from 24 June 2010)
Luis Lada Díaz	Member of the Supervisory Board	23 June 2005 Re-elected by the General Meeting on 7 May 2010 (effective from 24 June 2010)
Maria Pilar López Álvarez	Member of the Supervisory Board	21 April 2008
Dušan Stareček	Member of the Supervisory Board	29 June 2008
Ángel Vilá Boix	Member of the Supervisory Board	23 June 2005 Re-elected by the General Meeting on 7 May 2010 (effective from 24 June 2010)

Information about the term of office of Supervisory Board members is given in sub-section Governing bodies.

All changes in the personnel composition in the Supervisory Board in the first half of 2010 were described in the 2009 Annual Report and in the 2010 Half-year Report.

The following changes occurred in the personnel composition of the Supervisory Board in the second half of 2010 and in the period from 1 January to 15 March 2011:

Enrique Used Aznar	his membership in the Supervisory Board expired upon his death on 20 September 2010
Anselmo Enriquez Linares	co-opted as member of the Supervisory Board on 4 November 2010 as a substitute member until the next General Meeting
Jaime Smith Basterra	resigned from membership in the Supervisory Board effective from 18 February 2011
Vladimír Dlouhý	co-opted as member of the Supervisory Board on 18 February 2011 as a substitute member until the next General Meeting

Audit Committee (as at 15 March 2011)

Alfonso Alonso Durán (*1957)

Chairman

(résumé in section Supervisory Board)

María Eva Castillo Sanz (*1962)

Vice chairman

(résumé in section Supervisory Board)

Pavel Herščík (*1951)

Member

(résumé in section Supervisory Board)

Maria Pilar López Álvarez (*1970)

Member

(résumé in section Supervisory Board)



Jaime Smith Basterra (*1965)

Member

Graduated in Economics and Business Administration (BA, Universidad Comercial Deusto, Spain) and holds an MA in Finance and Investments (Exeter University, UK). Before joining Telefónica, he worked in the financial sector for a Spanish brokerage firm, and for Banesto (BSCH Group) as Director for Global Equities in its fund management division. He joined the Telefónica Group in 1999 as Director for Financial Planning at Telefónica Internacional, and was promoted to Chief Financial Officer in December of the same year. In October 2000, he was appointed Controller of the Telefónica Group. From December 2002, he held the position of Chief Financial Officer of Telefónica de España. In June 2005, he was made Chief Executive Officer and Chairman of the Board of Directors of ČESKÝ TELECOM (now Telefónica O2 Czech Republic). In June 2007, he was promoted to Chief Executive Officer of Telefónica O2 Germany GmbH. Since June 2009, he was made Director of Subsidiaries and Industrial Alliances of Telefónica, S.A. From October 2010 he is Director of Telefonica Mobile Operations in Mexico, Central America and Venezuela. From 2006 to 2009 he was also a member of the Board of Directors of Telefónica Europe plc. and from 2008 to 2011 Chairman of the Supervisory Board of Telefónica O2 Czech Republic.

Personnel composition of the Audit Committee of Telefónica O2 Czech Republic, a.s. as at 15 March 2011

Name	Function	Member since
Alfonso Alonso Durán	Chairman of the Audit Committee	3 April 2009
María Eva Castillo Sanz	Vice Chairman of the Audit Committee	7 May 2010
Pavel Herščík	Member of the Audit Committee	3 April 2009
María Pilar López Álvarez	Member of the Audit Committee	3 April 2009
Jaime Smith Basterra	Member of the Audit Committee	3 April 2009
vacant	Member of the Audit Committee	Since 20 September 2010

Information about the duration of tenure of Audit Committee members can be found in section Governing bodies.

Changes in the personnel composition of the Audit Committee during the first half of 2010 were described in the 2009 Annual Report and in the 2010 Half-year Report.

The following changes occurred in the personnel composition of the Audit Committee in the second half of 2010 and in the period from 1 January until 15 March 2011:

Enrique Used Aznar	his membership in the Supervisory Board expired upon his death on 20 September 2010
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Rules for the remuneration of persons with executive powers in the issuer

The group of persons with executive powers in Telefónica O2 includes the following executives: members of the Board of Directors, the Chief Executive Officer and those members of the executive management of the Company (sub-section Executive management) who are not members of the Board of Directors (persons who make decisions in the issuer, which can affect the future development and the corporate strategy of the issuer, and who have access to insider information).

The remuneration of members of the Board of Directors and the Supervisory Board (including the members of Supervisory Board committees), as well as the granting of other benefits to members of the Supervisory Board, are governed by the rules for the remuneration and awarding of discretionary benefits which are approved by the Company's General Meeting. The approval of the Rules for Provision of Non-Claim Perquisites to Board of Directors Members is, as per the Company's Articles of Association (Article 20(3d)), in the competence of the Company's Supervisory Board. The adequacy of the system of remuneration (and other benefits) and any modifications thereto are reviewed and proposed by the Nomination and Remuneration Committee of the Supervisory Board (see sub-section Committees established by the governing bodies of the Company below).

The rules of remuneration provide specific amounts of remuneration for individual categories of members of the Board of Directors and of the Supervisory Board (including the Supervisory Board committees), i.e. the remuneration which a regular member, vice-chair and chair of the body are entitled to, as well as other conditions for the granting of the remuneration. Each member of the Board of Directors/Supervisory Board is entitled to the whole amount of remuneration on the condition that he/she makes a claim for it; if the member of the Board of Directors/Supervisory Board does not make a claim for the whole amount of remuneration, he/she will be remunerated only in the extent in which a claim was made.

In 2010, no changes occurred in the principles for remuneration of members of the Company's governing bodies as they were described in the 2009 Annual Report.

Basic information about the rules for the remuneration, including a list of discretionary benefits, for members of the Board of Directors and the Supervisory Board and of the members of the Supervisory Board committees is given below. The full text of the new Rules for the Remuneration of Members of the Governing Bodies of Telefónica O2 is published in the Czech and English languages on the Company's website.

The Board of Directors and Chief Executive Officer

a) Remuneration

The rules for the remuneration of members of the Company's Board of Directors, whose key principles are outlined above, stipulate a two-component monthly flat remuneration, which comprises the following:

- an amount covering mandatory payments (e.g. taxes, health insurance contributions, etc.) which the member of the Board of Directors is liable to pay due to the fact that they are covered by a liability insurance for any damage arising from the performance of a member of the Board of Directors, and mandatory payments arising from the provision of the amount as per this sentence. The amount depends on the amount of insurance premium attributable to the member of the Board of Directors; the overall amount is calculated using methods common in the business of insurance;
- an amount attributable to the individual categories of members of the Board of Directors for the number of meetings attended: (i) member of the Board of Directors: CZK 25,000; (ii) Vice Chair of the Board of Directors: the amount as in (i) plus CZK 10,000; Chair of the Board of Directors: the amount as in (ii) plus CZK 10,000.

The Chief Executive Officer is also entitled by virtue of his/her function to additional remuneration which comprises the following components:

- basic gross salary;
- performance-related bonus;
- compensation of the balance between the health insurance benefits and 100% of the average daily wage.

The performance-related bonus is granted to the Chief Executive Officer conditional on delivering on the targets set for the CEO for the calendar year in question. These targets are directly correlated to the annual budget and business plan approved by the Board of Directors. The targets represent the key performance indicators of both financial and non-financial nature (e.g. delivering the projected operating profit, achieving the revenue targets, attaining a higher level of customer satisfaction). The performance against these targets is evaluated by the Board of Directors and discussed by the Nomination and Remuneration Committee of the Company's Supervisory Board; the audited financial results and, in the case of customer experience, independent (external) surveys form the basis for consideration. The performance-related bonus may, in aggregate for the calendar year, reach 80% of the total annual income if the targets are achieved to a standard level. Other non-pecuniary benefits are connected with the relocation of the executive from his/her home country to the Czech Republic (accommodation in Prague, flights for visiting the family, contributions towards school fees at the international school in Prague, international health insurance). In the event of temporary work incapacity, the Company will compensate to the Chief Executive Officer, for each day of the work capacity, the balance between the health insurance benefits and the 100% of the average daily salary.

The remuneration due to persons who are members of the Board of Directors by virtue of performing an executive (management) function in Telefónica O2 comprises two components: a gross basic salary and a performance-related bonus awarded in relation to delivery on specific annual targets. The methods of target setting, performance evaluation and control are governed by the same rules and procedures as in the case of the Chief Executive Officer. The performance-related bonus may, in aggregate for the calendar year, reach 50% or 40% of the total annual income if the targets are achieved to a standard level. The overall performance of the persons in their management positions is assessed by the Chief Executive Officer.

b) Compensation for the commitment to a non-competition covenant

A member of the Board of Directors may, in their agreement for discharge of the office of a member, commit to the so-called non-competition covenant, i.e. a pledge not to do business, after the termination of the office, either individually or for the benefit of another person, in the field of telecommunications in the Czech Republic (nor in the field of advisory or consulting services related to the telecommunications industry), unless such business is done in another member of the Group. The agreement for discharge of the office of a member (including the non-competition covenant) must be approved by the Supervisory Board of the Company.

The compensation for the commitment to the non-competition covenant is based on the following principles:

- the non-competition covenant is accepted for a period of six months as of the termination of office;
- the Company is obliged to provide to the member of the Board of Directors in question, for committing to the non-competition covenant, compensation amounting to six times the average flat remuneration as laid down in the Rules for the Remuneration of Members of the Board of Directors, in an amount attributable to one member of the Board of Directors, in the month preceding the month in which the member of the Board of Directors terminated their position in the Board of Directors; the fact that any member of the Board of Directors has or has not made a claim to their remuneration is not considered in the calculation of the average flat remuneration.

Upon terminating his/her employment, the Chief Executive Officer is bound by the non-competition covenant covering the whole Telefónica Group.

c) In-kind benefits**Damage liability insurance**

The Company, as the policy holder, contracted an insurance policy covering against damage caused in relation to the performance of designated functions; the insured persons (i.e. persons whose functions are covered by the policy) may include members of the Board of Directors. The total insurance premium paid by the Company is evenly divided amongst the insured persons and the amount calculated per insured person constitutes their income.

Endowment insurance

No endowment insurance has been contracted for members of the Board of Directors in relation to their duties as members.

Car

Members of the Board of Directors are not provided with cars for private use in connection with their duties as members. The Chief Executive Officer is provided with a car both for work and private use. Other executive members of the Company's Board of Directors are, by virtue of their management position, entitled to the same benefit.

The Supervisory Board

a) Remuneration

The rules for the remuneration of members of the Company's Supervisory Board, whose key principles are outlined above, implement a two-component monthly flat remuneration, which comprises the following:

- an amount covering mandatory payments (e.g. taxes, health insurance contributions, etc.) which the member of the Supervisory Board is liable to pay due to the fact that they are covered by a liability insurance for any damage arising from the performance of a member of the Supervisory Board, and mandatory payments arising from the provision of the amount as per this sentence. This amount depends on the amount of insurance premium attributable to the member of the Supervisory Board in question; the overall amount is calculated using methods common in the business of insurance;
- an amount attributable to the individual categories of Supervisory Board members for the number of meetings attended: (i) member of the Supervisory Board: CZK 40,000; (ii) Vice Chair of the Supervisory Board: the amount as in (i) plus CZK 10,000; Chair of the Supervisory Board: the amount as in (ii) plus CZK 10,000.

If a member of the Supervisory Board is at the same time member of any of the committees established by the Supervisory Board, they are entitled to remuneration for working in the committee, which is construed as a bonus per meeting of the committee, as follows: (i) member of the committee: CZK 10,000; (ii) vice-chair of the committee: the amount as in (i) plus CZK 12,000; (iii) chair of the committee: the amount as in (ii) plus CZK 15,000.

b) Compensation for the commitment to a non-competition covenant

A member of the Supervisory Board may, in their agreement for discharge of the office of a member, commit to the so-called non-competition covenant, i.e. a pledge not to do business, after the termination of the office, either individually or for the benefit of another person, in the field of telecommunications in the Czech Republic (nor in the field of advisory or consulting services related to the telecommunications industry), unless such business is done in another member of the Group. The agreement for discharge of the office of a member (including the non-competition covenant) must be approved by the General Meeting.

The compensation for the commitment to the non-competition covenant is based on the following principles:

- the non-competition covenant is accepted for a period of six months as of the termination of office;
- the Company is obliged to provide to the member of the Supervisory Board in question, for committing to the non-competition covenant, compensation amounting to six times the average flat remuneration as laid down in the Rules for the Remuneration of Members of the Supervisory Board, in an amount attributable to one member of the Supervisory Board, in the month preceding the month in which the member of the Supervisory Board terminated their position in the Supervisory Board; the fact that any member of the Supervisory Board has or has not made a claim to their remuneration is not considered in the calculation of the average flat remuneration.

c) In-kind benefits**Damage liability insurance**

The Company, as the policy holder, contracted an insurance policy covering against damage caused in relation to the performance of designated functions; the insured persons (i.e. persons whose functions are covered by the policy) may include members of the Supervisory Board. The total insurance premium paid by the Company is evenly divided amongst the insured persons and the amount calculated per insured person constitutes their income.

Endowment insurance – this discretionary benefit was deleted by decision of the General Meeting of 3 April 2009 from the Rules for Provision of Non-Claim Perquisites to Supervisory Board Members as part of the amendment to this policy.

Car

The Supervisory Board Chair and Vice Chair are, according the Rules approved by the General Meeting, entitled to a higher middle class car for work and private use. This benefit has not been claimed since mid-2005.

Other benefits

The company also granted the following benefits to members of the Board of Directors (including the Chief Executive Officer) and to members of the Supervisory Board:

- voice and data services and products of the Company for business and private use (excluding doing business in one's own name);
- communication and IT equipment (mobile telephone, desktop PC or notebook, PDA or similar equipment, including accessories) for business and private use (excluding doing business in one's own name);
- VISA payment card (in the case of the Supervisory Board and the Audit Committee, only the Chairman and Vice Chairmen were eligible; the benefit has not been claimed in 2010);
- healthcare.

The above benefits were granted to persons in the position of member of the Board of Directors by virtue of having an executive (management) position in the Telefónica O2 Czech Republic Group, for the compliance with the duties arising from their functions. In the case of Supervisory Board members, awarding of in-kind benefits is governed by the rules for the award of discretionary benefits to members of the relevant governing body.

Other information relating to persons with executive powers

Information about all pecuniary and in-kind incomes accepted in the accounting period by persons with executive powers (with the exception of persons who make decisions in the issuer, which can affect the future development and the corporate strategy of the issuer, and who have access to insider information) from Telefónica O2 and entities controlled by it

(in CZK)	Pecuniary income	Of which royalties	In-kind income
Board of Directors – total	57,333,307	0	41,201,761
— of which by virtue of membership in the issuer's Board of Directors	447,713	0	1,559,760
Supervisory Board – total	6,718,190	0	3,847,901
— of which by virtue in the issuer's Supervisory Board	5,588,384	0	3,365,528

The information about pecuniary and in-kind incomes of the Board of Directors collectively includes also incomes from the subsidiary Telefónica O2 Slovakia, s.r.o. In 2010, members of the Supervisory Board received no pecuniary or in-kind income from entities controlled by Telefónica O2.

For the sake of reporting continuity with regard to data published in annual reports of Telefónica O2 in the past years, we chose to go beyond the scope of the statutory disclosure requirement and include below also information about all pecuniary income received in the accounting period by members of the executive management of the Company.

(in CZK)	Pecuniary income	Of which royalties	In-kind income
Executive management ¹	26 442 095	0	6 604 747

¹ The category Executive Management of the Company includes income of persons listed in the sub-section Executive Management; the income of these persons who are at the same time members of the Board of Directors is shown in the table above, line Board of Directors – total

Information on the number of shares issued by Telefónica O2 and held by statutory bodies or their members, persons with executive powers, including persons related to these persons, information on option and similar agreements, information on individual transactions concluded by the said persons in the accounting period

	Number of shares
Board of Directors	2,401
Supervisory Board	100
Audit Committee ¹	0
Other persons with executive powers – Executive management ²	0
Persons related to persons with executive powers	100

¹ Shares held by members of the Audit Committee who are also members of the Supervisory Board, are accounted for in the Supervisory Board total category.

² The Executive management category includes the shares held by executives in the positions of the Executive Management of Telefónica O2 (see sub-section Executive management). The shares held by those members of the Board of Directors who, at the same time, qualify as Executive Management are accounted for in the Board of Directors total category.

No conflict of interest was found in relation to members of the Board of Directors, Supervisory Board and executive management; no member has been, in the last five years, lawfully sentenced for fraud, nor been – as a statutory or supervisory body - a party to insolvency proceedings, nor been subject to receivership or liquidation, nor charged or sanctioned by statutory or regulatory bodies.

Information on work contracts and similar contracts concluded between members of the Board of Directors, the Supervisory Board and the Audit Committee with the issuer

In 2010, all members of the Board of Directors and of the Supervisory Board, with the exception of the substitute member of the Supervisory Board, Anselmo Enriquez Linares, who was co-opted by the Supervisory Board on 4 November 2010, were bound by a valid agreement for discharge of the office of a member, which stipulates the eligibility for compensation for members who had committed to the non-competition covenant after the termination of their office.

Telefónica O2's Declaration of Compliance with the Code of Good Corporate Governance based on OECD Principles (2004)

Telefónica O2 made a commitment to the principles of Good Corporate Governance already in its 2001 Annual Report; it has been making regular statements in its annual reports, concerning the progress of implementation of the principles of Good Corporate Governance in its practices. The Company has been meeting all the main criteria and observing the principles and recommendations of the Czech Code of Good Corporate Governance based on OECD Principles, which was published in 2004 (the Code). The Code is available at the website of the Ministry of Finance of the Czech Republic (www.mfcr.cz). An exception to this rule are the principles of Good Corporate Governance that are not in direct control of the Company's governing bodies and are dependent on the decisions of its owners (in particular the criterion concerning the number of independent members of the Supervisory Board). The Board of Directors regularly oversees the good practice of Corporate Governance in subsidiaries controlled by Telefónica O2.

Organisation of Corporate Governance

The Corporate Governance model of Telefónica O2 has not incurred any significant changes in 2010 compared to the previous year. The model, as per the Articles of Association, is based on interaction between the executive Board of Directors, made up exclusively of executive managers of the Telefónica O2 Group, and the Supervisory Board. The Supervisory Board has powers to control key decision-making processes (using the mechanism of "prior standpoints" of the Supervisory Board to selected issues) and monitor other important aspects of the Company's operation. The powers of the Supervisory Board and their discharge make a full and active use of advisory and initiative roles of the Supervisory Board's committees. The controlling, supervisory and review function in the model of Corporate Governance in Telefónica O2 has been strengthened by the independent position of the Audit Committee. An integral part of the model is the combination of the Chief Executive Officer's function with the function of Chairman of the Board of Directors, which the Company finds efficient and acceptable given the strong role of the Supervisory Board and the active involvement of its committees. Members of the Board of Directors are individually bound by the agreement for discharge of the office of a member and additionally they have work contracts for the work they have been hired to do, which is different from serving on the governing body.

An Ordinary General Meeting of the Company was held on 7 May 2010. The agenda of the Company's supreme governing body comprised standard items relating to the operations of the joint-stock company, and a proposal for the amendment to the Company's Articles of Association in order to accommodate recent changes in the legislation. A detailed overview of the conclusions of the Ordinary General Meeting is available on the Company's website and was also published in the 2010 Half-year Report. Information about the dividends, the record and disbursement dates for the dividend payment is given in section 9 of this Annual Report. An Extraordinary General Meeting of the Company was held on 10 September 2010, which resolved to transform all common shares of the Company from bearer shares in the nominal value of CZK 100 to common registered shares. The Extraordinary General Meeting also approved an amendment to the Company's Articles of Association which related to the change in the form of shares and the extension of the Company's subject of business. The last material decision taken by the Extraordinary

General Meeting was the granting of consent with the entering into an agreement to contribute a part of the enterprise into a wholly owned subsidiary company. Additional information and an overview of conclusions of the Extraordinary General Meeting are available on the Company's website.

The decision making procedure at the General Meeting is outlined in the Company's Articles of Association (Articles 10 and 11); the Articles of Association are available on the Company's website (see also sub-section Transparency and open information policy) and also form a part of the Rules of Procedure of the General Meeting, the key principles of which are highlighted in sub-section Shareholder relations; the sub-section Governing bodies details information on the scope of authority of the supreme governing body of the Company.

The Board of Directors held twenty meetings in 2010, thus complying with the duty to hold a minimum of twelve meetings each year. Any personnel changes in the Board of Directors in the period January-March 2010 were detailed in the 2009 Annual Report. In September 2010, the Supervisory Board discussed the resignation tendered by the Board of Directors member Jose Perdomo Lorenzo, who went on to an executive position in the parent company Telefónica, S.A. In November 2010, the Supervisory Board elected František Schneider, Director, Business Division, to fill the vacancy. At its meeting in February 2011, the Supervisory Board consented with the re-election of Martin Bek and Jakub Chytil, whose tenure in the Board of Directors was to expire in April 2011. The full list of members of the Board of Directors, including their professional résumés, and the personnel changes in the Board of Directors are given in section Board of Directors.

The decision making procedure at meetings of the Board of Directors is laid down in the Company's Articles of Association (Articles 16-18); the activities of the Board of Directors observe the Rules of Procedure. Both documents are available on the Company's website (see also sub-section Transparency and open information policy).

The Supervisory Board held six meetings in 2010, which was in accordance with the Company's Articles of Association that command a minimum of four meetings during the course of a calendar year. Also this year, the Supervisory Board met regularly once in a quarter (February, April, July, November); additional (extraordinary) Supervisory Board meetings were called as needed (in May and in September prior to the General Meeting). Any personnel changes in the Supervisory Board in the first half of 2010 are detailed in the 2010 Half-year Report; they included the resignation tendered by Anselmo Enriquez Linares, which was discussed by the Supervisory Board at its extraordinary meeting held prior to the General Meeting in May 2010, and the related decision of the shareholders to elect María Eva Castillo Sanz, an Independent member of the Board of Telefónica, S.A., to fill the vacancy after Mr. Linares. At the General Meeting, the shareholders also confirmed the election of Alfonso Alonso Durán, Ángel Vilá Boix, Luis Lada Díaz and Guillermo José Fernández Vidal, whose tenures were to expire in June 2010, into the Supervisory Board. In September 2010, due to the death of Enrique Used Aznar, another unfilled position was created in the Supervisory Board, to which the Supervisory Board co-opted Anselmo Enriquez Linares in November 2010. In the same period, the chairmanship of the Supervisory Board also changed; Jaime Smith Basterra was replaced as Chairman of the Supervisory Board by Alfonso Alonso Durán, with María Eva Castillo Sanz elected as 1st Vice-Chairman of the governing body. In February 2011, the Supervisory Board accepted Jaime Smith Basterra's request for release from the duties of a member of the Supervisory Board and, in a related decision, appointed Vladimír Dlouhý as substitute member of the governing body. The full list of personnel changes in the Supervisory Board in the given period, including its current personnel composition as at 15 March 2011 and professional résumés of all members of this body, is given in section Supervisory Board. The requirement of independence (introduced by the Commission Recommendation 2005/162/EC as regards the regime for the remuneration of listed companies, Annex II), meet two members, María Eva Castillo and Vladimír Dlouhý.

The decision making procedure at meetings of the Supervisory Board is laid down in the Company's Articles of Association (Articles 22-24); the activities of the Supervisory Board observe the Rules of Procedure. Both documents are available on the Company's website (see also sub-section Transparency and open information policy).

The Audit Committee (AC) of the Company held four meetings in 2010, which was in accordance with the Company's Articles of Association for a minimum number of meetings during the course of a calendar year. The practice to call AC meetings on the same date as the regular meetings of the Supervisory Board has proven convenient as it lays foundations for the development of a close information exchange between these two bodies, especially in those areas in which their authority overlaps. The system allows the members of the Supervisory Board to use outcomes and conclusions from the AC meetings as a resource for the discussion of matters on the agenda of the Supervisory Board. The original personnel composition of the AC from 2009 (see the Company's 2009 Annual Report, sub-section Organisation of Corporate Governance) incurred changes, both by the decision of the Ordinary General Meeting held in May 2010, which recalled Ángel Vilá Boix from this body and elected María Eva Castillo Sanz in his stead, and the death of the AC member Enrique Used Aznar in September 2010 (the open position left by him remained vacant). At the July meeting of the AC, María Eva Castillo Sanz was elected Vice-Chairman of the committee. Section Supervisory Board. gives a full account of all personnel changes in the Audit Committee in the given period, including its present personnel composition as at 15 March 2011 and the professional résumés of all members of this body. The requirements of independence of the audited entity and a minimum experience of three years in the practice of accounting or statutory audit stipulated in the Act on Auditors (Act No. 93/2009 Coll., implementing the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing the Council Directive 84/253/EEC) have been met by María Eva Castillo Sanz, member of the AC.

The rules for the remuneration of AC members, as well as the rules governing the granting of discretionary benefits to members of governing bodies, which were approved by the Ordinary General Meeting of the Company held in 2009, remained unchanged in 2010. Both documents are available on the Company's website (see also sub-section Transparency and open information policy). A detailed description of these rules is given in the Company's 2009 Annual Report (sub-section Organisation of Corporate Governance). In 2010, AC members collected pecuniary income of CZK 2,041,898 and in-kind income equivalent to CZK 1,523,487 from the Company, of which CZK 321,000 was the pecuniary income for their membership in the AC and no in-kind income. The committee members did not receive any pecuniary or in-kind income from entities controlled by Telefónica O2 in 2010. In 2010, all AC members were bound to the Company by an agreement for the discharge of office of a member, which contained a non-competition covenant which applies also for the period after the office is terminated. A detailed description of the non-competition covenant from the agreement on the discharge of office of an AC member is given in the Company's 2009 Annual Report (sub-section Organisation of Corporate Governance).

The decision making procedure at meetings of the Audit Committee is laid down in the Company's Articles of Association (Articles 26c-26e); the activities of the Audit Committee observe the Rules of Procedure. Both documents are available on the Company's website (see also sub-section Transparency and open information policy).

As part of performing **internal controls in the area of financial reporting**, the Company has implemented the key requirements of the Sarbanes-Oxley Act (SOX), which it is bound to respect – principally as a result of the fact that the shares of the parent Telefónica, S.A. are listed on the US capital markets. Twice a year the Company performs an evaluation of its internal controls in the area of financial reporting in the scope of the regulatory framework introduced by SOX Section 404, including an evaluation of the controlling mechanism in the area of the Company's information systems that could have a potential impact on the financial

statements. The audits verify the standard of the description, configuration and form of walkthrough tests and compliance tests of transactions, as well as the effectiveness of controlling mechanisms in the area of financial reporting. The audit results are discussed with the external auditor of the Company. The audits performed in 2010 concluded that the internal controls, as applied, were of a standard which meets the SOX requirements. The quarterly declaration of the management (Chief Executive Officer and Director, Finance Division) attesting to the veracity of the information contained in the financial statements, implementation and application of effective controls, and other matters required by SOX Section 302 (including the information about any changes in the Company's accounting policy, one-off/extraordinary or material items having an impact on the Company's results for the quarter in question, and the overview of material reserves created by the Company in order to cover for its contingent risks and liabilities – e.g. from litigation) form an integral part of the SOX compliance procedures in the general area of Corporate Governance. The above documents are presented internally to the Board of Directors and to the Audit Committee for review and discussion.

In 2010, the **internal audit and risk management function** in the Company continued to be developed; the organisation of these functions (which are consolidated into one organisation unit), the line management of the Chief Executive Officer and the functional subordination of Internal Audit (in accordance with the International Standards for the Professional Practice of Internal Auditing) to the Audit Committee and the Board of Directors remained as before.

Internal Audit represents an important instrument of Corporate Governance and it provides the Company's governing and executive bodies with independent and professional assessment of the Company's internal control system and the situation and trends in the given area compared to current best practice, the rules and regulations in force, and work orders and instructions issued. In 2010, Internal Audit & Risk Management carried out 42 audits and controls (including the regular audit of internal controls required by SOX 404) as per the annual plan of Internal Audit or as mandated by the governing bodies and the Chief Executive Officer. In addition to performing audits and controls in Telefónica O2, the Internal Audit unit also acts as internal auditor of Telefónica O2 Slovakia and other subsidiary companies in the group of Telefónica O2 Czech Republic. The audit conclusions were used by the management to formulate actions to redress the issues identified.

Internal Audit monitors the implementation of such actions and reports to the governing bodies and the executive management. The activities of Internal Audit and its main processes are laid down in the Internal Audit Charter of Telefónica O2, which also stipulates the principle of independence of the Internal Audit function and the principle of objectiveness of internal auditors. The work of Internal Audit is monitored on a regular basis by the Audit Committee which discusses audit reports and other reporting presented by Internal Audit. The Statute of Internal Audit stipulates the Audit Committee's participation in the preparation and approval of the annual plan of internal audits; the Audit Committee also approves the annual budget of Internal Audit and its annual performance evaluation. The director of Internal Audit & Risk Management has full access to the Audit Committee and is present for the discussion of audit reports and other outputs of Internal Audit & Risk Management at meetings of the governing bodies of the Company.

In 2010, the Company continued in the development of its risk management function and in its harmonisation with the methodology and practice in the global Telefónica Group, which creates more space for the sharing of experience and knowledge in the area of mitigation of specific risks with the parent company and other members of the Group. The risk management system covers all areas of operations of Telefónica O2, including its subsidiary Telefónica O2 Slovakia, and provides for the identification, assessment, mitigation of their impacts and further monitoring of their development. The Board of Directors and the Supervisory Board receive regular monthly reports containing information about key risks and their development over time. The Audit Committee is concerned with the risk management primarily from the point of assessing its effectiveness and adequacy (whether the key risks of the Company are adequately identified and

managed); to this end, the committee receives regular reports from the Risk Management Unit of Telefónica O2 Czech Republic Group, and information about the methods used, the processes of risk management, etc. Members of the said bodies have equal and full access to the risk management reports and the risk register of Telefónica O2 and its subsidiary Telefónica O2 Slovakia. More information about risk management is given in sub-section Risk management of the Annual Report.

An electronic platform, the so-called CG Portal, is operated and continually developed in Telefónica O2 Czech Republic. It supports the exercise of powers of all governing bodies and provides for efficient administration of Corporate Governance in Telefónica O2 Czech Republic Group. The portal is available on the Company's intranet and also remotely to users with the access privileges. This tool performs several functions; the key ones include the function for convening meetings (including the distribution of resource documents), dissemination of the latest information and regular reporting to members of governing bodies and committees between meetings. Last but not least, the CG Portal serves as a digital archive for all documents in the area of corporate governance. The portal is bi-lingual (in Czech and English), and the majority of documents in the field of corporate governance is systematically published in both languages.. The instrument confers equal access to archived and current documents and information to all members (executive and non-executive) of the relevant governing bodies, irrespective of any local or time limitations. In addition to the minutes of meetings, the system also stores internal audit reports and risk reports, information about the Telefónica O2 Czech Republic Group and its subsidiaries, etc. The portal is currently used also as a platform for supporting and administrating other activities in the general sphere of corporate governance. It is mainly the agenda of the Business Principles (including the operation of a confidential whistle-blowing channel for reporting of suspected ethical malpractices). The results achieved in this area in 2010 are recapitulated in sub-section Business Principles.

For the sake of expedient and effective acquaintance with the Company, new members of the Board of Directors, Audit Committee, the Supervisory Board and its committees have, already upon assuming their function, a special set of comprehensive and structured Corporate Governance information and documents available to them, as well as having access to all other current and archived documents which they may require for the due discharge of their function. The information is disseminated via the CG Portal.

Telefónica O2 has a position of Company Secretary is at the executive level in the new Corporate Governance Model of Telefónica O2 formally combined with that of General Counsel (Director, Legal & Regulatory Affairs).

Shareholder relations

A strict compliance with all the statutory rights of shareholders, commitment to the principle of equal treatment of all shareholders of a similar standing, while respecting the specific statutory rights of minority shareholders belong among the key guiding principles of Corporate Governance of Telefónica O2. The majority shareholder of Telefónica O2, which is Telefónica, S.A. (see sub-section Company policy towards stakeholders), exercises its rights in Telefónica O2 through its voting rights at the Company's General Meetings.

The Company is scrupulous about the timely and full information to all shareholders about the developments in the Company, its financial results and business plans; in doing so, the Company has always strived and managed to exceed the scope of minimum statutory disclosure. The Company uses its website as the main platform for communication (section About Us). The Company publishes regular press releases with the quarterly financial results and announces all significant events and developments.

When organising General Meetings, the Company proceeds in a way that guarantees the compliance with all the statutory conditions and with the Company's Articles of Association, whilst observing to the maximum extent possible the requirements of the Code which concern the rights of shareholders and their fair treatment. The Company publishes the date of the General Meeting sufficiently in advance on its website; the date, time and location of the General Meeting are chosen on the merit of ready access and availability. The Rules of Procedure of the General Meeting are approved at each meeting of the governing body. The text of the Rules of Procedure has not changed in several years; during this time, the shareholders have not made any motions to amend the Rules of Procedure. The Rules of Procedure allow shareholders to participate effectively in decision-making on fundamental changes in the Company and to ask questions and seek information on matters included on the agenda of the General Meeting. The Rules of Procedure of the General Meeting contains the following main provisions:

- Shareholders can exercise their rights at the General Meeting either in person or by proxy; they can vote on the proposed items on the agenda, receive, in accordance with the Commercial Code, explanations in matters relating to the Company, or any undertakings controlled by it, as the case may be, provided the explanation is necessary for understanding the matter addressed by the General Meeting, and they also have the right in accordance with the Commercial Code to raise proposals and counterproposals. Shareholders may lodge a protest against a decision of the General Meeting and demand that it be recorded in the Minutes of the General Meeting.
- As a rule, any requests for explanation, proposals, counterproposals and protests are made by shareholders usually in writing, and filed with the information centre. Upon making the motion it must be specified whether it is a request for explanation, proposal, counterproposal or a protest. Any requests for explanation, proposals, counterproposals and protests submitted in writing must be legibly undersigned by the shareholder in question or their proxy.
- In keeping with the Commercial Code and the Company's Articles of Association, the Board of Directors is obliged to provide an explanation upon request, in matters concerning the agenda of the General Meeting.
- At the General Meeting, a proposal by convener of the General Meeting is subjected to a vote first; if it is not passed, other proposals and counterproposals relating to the point in question are voted on, in the order in which they were submitted. As soon as a motion is passed, other counterproposals are not subjected to a vote. The Chairperson of the General Meeting is obliged to ensure that, prior to voting at the General Meeting, the shareholders are informed of all proposals and counterproposals made by shareholders in relation to the item of the agenda of the General Meeting which is put to a vote.

During both General Meetings of the Company held in 2010, the shareholders had all the necessary documents in print form, in two languages (Czech and English). All the documents for the General Meeting and other relevant documents (e.g. the Company's Articles of Association) were available to the shareholders also at the information centre which the Company operates for its shareholders at every General Meeting. Each point on the agenda was voted on separately, after the discussion on that point had been concluded. In addition to members of the Board of Directors, the Audit Committee and of the Supervisory Board (its committees), the representatives of the Statutory Auditor were also available to take questions from shareholders throughout the General Meeting. A public notary was present for the whole duration of the General Meeting.

All motions (questions, requests for explanation, counterproposals and proposals) made by shareholders during the Ordinary General Meeting of 7 May 2010 (twenty three in total) and during the Extraordinary General Meeting of 10 September 2010 (one in total) were adequately addressed by the members of the Board of Directors and subsequently they were, together with the answers, recorded in the Minutes of the General Meeting. Shareholders did not raise any questions to the Audit Committee or Supervisory Board members, the chairpersons of the Supervisory Board committees and to representatives of the Statutory Auditor.

Transparency and open information policy

Telefónica O2 scrupulously and diligently complies with all national and community laws and the principles of the Code. In line with its mandatory duties and voluntary commitments, Telefónica O2 continually and pro-actively provides shareholders and investors with all vital information on its business, financial standing, ownership structure and governance issues. Furthermore, the Company is very scrupulous in seeing that all price-sensitive information and facts are disclosed in a full and timely manner. The Company also publishes various information beyond the scope of the disclosure duties on its website, and intends to continue its open information policy toward shareholders. The Company strives to provide the shareholders and investors with everything they may need for making qualified decisions regarding the ownership of the Company stock, and in voting at General Meetings. To this end, the Company uses various information channels and instruments, which, in 2010 included print media (Commercial Bulletin, the business daily *Hospodářské noviny*, annual and half-year reports, etc.), but more importantly the means of electronic communications, especially the Company website. The website (particularly the section About Us) provides investors and shareholders with all corporate documents and various information about the Company in the Czech and English languages. The Company regards the electronic platform for disseminating information as key, especially since many of its shareholders are foreign legal and natural persons; the website facilitates access to information about the Company, especially for the international institutional investors and for small shareholders. This in turn improves their opportunities for their active, effective and valid participation in the decisions relating to the matters of the Company.

The policy of transparency dictates about the remuneration of members of the Board of Directors and the Supervisory Board of the Company (and of the Supervisory Board committees). This matter is addressed in detail in section Rules for the remuneration of persons with executive powers in the issuer, which describes and explains the principles of the system for the remuneration of members of the Board of Directors and the Supervisory Board, and iterates other emoluments provided by the Company to these persons (a similar information concerning the members of the Audit Committee is disclosed in sub-section Organisation of Corporate Governance). The subsequent section (Other information relating to persons with executive powers) gives an account of benefits claimed in the past period (in the case of AC members, the information is given in sub-section Organisation of Corporate Governance). The Company's website contains the current and previous versions of documents in this area (Rules for the Remuneration of Members of the Board of Directors, Rules for the Remuneration of Members of the Supervisory Board, Rules for the Remuneration of Members of the Audit Committee, Rules for Provision of Non-Claim Perquisites to Supervisory Board Members, Rules for Provision of Non-Claim Perquisites to Audit Committee Members).

In line with its Business Principles, Telefónica O2 practices zero tolerance of conflicts of interest. The procedures for the consideration and decisions in the governing bodies are aligned in a way that prevents members of the governing bodies from voting on matters which could compromise their impartiality (affiliated transactions). Potential conflicts of interests stemming from membership in the governing bodies of other companies, involvement in commercial transactions and other defined situations are subject to a regular review by the Ethics and Corporate Social Responsibility Committee (see sub-section Committees established by the governing bodies of the Company below).

The Company is scrupulous about the prevention of insider trading for unlawful personal enrichment in trading in the Company's shares; in this respect, it is compliant with the applicable community and Czech laws, as well as with the rules adopted by the UK Financial Services Authority. The Company has adopted a strict internal policy, which sets the limits for the disposal of shares issued by the Company or by undertakings that it controls. Telefónica O2 keeps a regularly updated list of persons who would qualify as insiders in possession of such information.

Committees established by the governing bodies of the Company

The Supervisory Board committees have been an integral part of the Company's system of Corporate Governance since 1996 and continue to play a major role in discharging the powers of the Supervisory Board. In the definition of the remit and role of the committees, the Company observes the Code and the Commission Recommendation 2005/162/EC on the role of the Supervisory Board committees of listed companies, which was amended by Recommendation 2009/38/EC from April 2009. Basic information about the committees established by the Supervisory Board is given in section Governing bodies.

The decision making procedure at meetings of the committees of the Supervisory Board is laid down in the Company's Articles of Association (Article 26); the activities of the committees observe the Rules of Procedure. All documents are available on the Company's website (see also sub-section Transparency and open information policy).

The Nomination and Remuneration Committee (NRC) has five members and is, as per the Company's Articles of Association, a mandatory committee of the Supervisory Board. The committee reviews in particular all matters relating to personnel changes in the Board of Directors, the Audit Committee, the Supervisory Board and the Supervisory Board committees. The committee also gives a standpoint on any nomination proposals for vacancies in the governing bodies of members of the Telefónica O2 Czech Republic Group. The NRC's remit extends to reviewing the remuneration and other benefits granted to members of the Board of Directors, the Audit Committee and the Supervisory Board. The committee continually monitors and assesses the performance of members of the Board of Directors, the Audit Committee the Supervisory Board and its committees; in this respect, the NRC also it also assesses the need for and promotes further education of members of the governing bodies, in particular in professional disciplines and languages. The committee held three meetings in 2010. As at the end of the year, the committee had the following members: Jaime Smith Basterra, Chairman; Alfonso Alonso Durán, Vice-Chairman; Luis Lada Díaz, Guillermo José Fernández Vidal and María Eva Castillo Sanz, members. Jaime Smith Basterra left the NRC as a consequence of his resignation from the membership in the Supervisory Board in February 2011, and Anselmo Enriquez Linares was elected in his stead.

The Ethics and Corporate Social Responsibility Committee (ECSRC) is a voluntary committee of the Supervisory Board with six members, whilst observing the rule that a half of the ECSRC's members are always Supervisory Board members elected by the employees, and the other half Supervisory Board members elected by the General Meeting. Every year, the committee addresses the issue of a potential conflict of interest; members of the Board of Directors, the Audit Committee, the Supervisory Board, Company's executive management and members of the governing bodies in subsidiary companies are examined in this respect. The ECSRC regularly monitors compliance with the Company's Business Principles, and the functioning of the confidential help facilities, and it is regularly informed about the activities undertaken as part of the Compliance Programme for the prevention of the risks of unethical conduct. Another primary area of interest for the ECSRC is the promotion of Corporate Social Responsibility. The committee held two meetings in 2010. The personnel composition of ECSRC did not change during 2010. As at the end of 2010, the ECSRC had the following members: Pavel Herštlík, Chairman; Dušan Stareček, Vice Chairman; Jaime Smith Basterra, Tomáš Fírbach, Luis Lada Díaz and Guillermo José Fernández Vidal, members. María Eva Castillo Sanz was elected to the committee in February 2011 to fill a vacancy left after the resignation of Jaime Smith Basterra from the Supervisory Board.

Company policy towards stakeholders

Telefónica O2 values Corporate Social Responsibility (CSR) as an integral part of its operations and business. Given the scope and volume of the Company's CSR initiatives, the Annual Report now contains a separate section (6) dedicated to Corporate Social Responsibility.

Information relating to matters according to Section 118(5) of the Act No. 256/2004 Coll., the Capital Market Undertakings Act (CMUA), and information which is a part of a summary report compiled according to the requirement of Section 118(8) of the CMUA

The figures and information relating to matters under Sections 118(5a)-118(5l) of the Act No. 256/2004 Coll., the Capital Market Undertakings Act (CMUA):

- a) Information about the issuer's equity capital structure, including shares not admitted for trading on the regulate market in a European Union Member State, including any potential qualification of different types of shares or similar securities representing a share in the issuer, and the share in the share capital of each type of share or similar security representing a share in the issuer

The equity structure of Telefónica O2 as at 31 December 2010 was as follows:

	(in CZK million)
Share capital	32,209
Share premium	24,374
Fund for share-related payments	34
Funds	6,450
Retained earnings	14,542
Total	77,609

The Company's share capital as at 31 December 2010 was CZK 32,208,990,000 and was fully paid up.

The share capital is made up of the following shares:

- A. Type: ordinary
 Form: registered
 Kind: booked
 Number of shares: 322,089,890 shares
 Nominal value: CZK 100
 Total volume of issue: CZK 32,208,989,000
 ISIN: CZ0009093209
- B. Type: ordinary
 Form: registered
 Kind: booked
 Number of shares: 1 share
 Nominal value: CZK 1,000
 Total volume of issue: CZK 1,000
 ISIN: CZ0008467115

As of the effective date of the agreement on the transfer of shares between Telefónica S.A. (Telefónica) and the National Property Fund of the Czech Republic, the registered share (ISIN CZ0008467115) has lost the special rights which were attached to it pursuant to the provisions of Article IV (2) of Act No. 210/1993 Coll., amending Act No.92/1991 Coll., on the conditions of transfer of state property to other entities, as amended.

By decision of the Extraordinary General Meeting of 10 September 2010, the form of all ordinary shares in the nominal value of CZK 100 (ISIN CZ0009093209) issued as bearer shares was changed to registered shares. The change of the form of shares was entered in the Commercial Register on 13 September 2010.

The rights and obligations related to the registered share which represents a share in Telefónica O2 are set out in Article 5 of the Articles of Association of the Company.

The bearer shares in the nominal value of CZK 100 were listed for trading on the following markets:

Market	Note
Prague Stock Exchange (Burza cenných papírů Praha, a.s.)	On the main market
RM-SYSTÉM, Czech Stock Exchange (RM-SYSTÉM, česká burza cenných papírů a.s.)	
London Stock Exchange	In the form of Global Depository Receipts (GDR). The depository for the GDR is The Bank of New York Mellon, ADR Division, 101 Barclay Street, West New York, NY 10286, USA; the custodian is Komerční banka, a.s., Na Příkopě 33/906, 114 07 Prague 1.

A full wording of the Terms and Conditions of the Share Issue – the document which is the source of this summary – is available at the registered address of the security issuer.

The registered share in the nominal value of CZK 1,000 was not listed for trading on any regulated market in a European Union Member State.

b) Information about transferability of securities

Only the statutory requirements need to be met for a transfer of shares and Global Depository Receipts. The Company's Articles of Association impose no further restrictions on the transferability of the shares and there are no other restrictions for reasons that would be on the part of the Company.

c) Information about significant direct and indirect shares in the voting rights of the issuer

Key shareholders of Telefónica O2 as at 31 December 2010:

Shareholder	Address	% of share capital
1 Telefónica, S.A.	Gran Vía 28, 28013 Madrid, the Kingdom of Spain	69.41%
2 Investment funds and individual shareholders	–	30.59%

As at 31 December 2010, the share of Telefónica, S.A., in the voting rights of Telefónica O2 Czech Republic, a.s., according to the provision of Section 122 of the Capital Market Undertakings Act was 69.41%.

- d) Information about the holding of shares with special rights, including the description of these rights

The Company has not issued any securities with special rights, only ordinary shares as per point (a) above.

- e) Information about restrictions of voting rights

Voting rights are attached to all shares issued by the Company and may be restricted or excluded only in instances set out in the law. The Company is not aware of any such statutory restriction or exclusion of voting rights. The Company's Articles of Association do not stipulate any restriction of voting rights; there are no other restrictions for reasons that would be on the part of the Company.

- f) Information about agreements between shareholders or owners of securities representing a share in the issuer, which could restrict the transferability of shares or similar securities representing a share in the issuer, or of voting rights, if such information is known to the issuer

The Company has no knowledge of any agreements between shareholders which could restrict the transferability of shares or voting rights.

- g) Information about special rules for the election and recall of the statutory body, amendment to the articles of association or similar document of the issuer

Members of the Board of Directors are elected and recalled by the General Meeting of the Company. The eligibility conditions for election to the Board of Directors are laid down in the law; the Articles of Association do not contain any restriction beyond the statutory scope; there are no other restrictions for reasons that would be on the part of the Company.

Two thirds of members of the Supervisory Board are elected and recalled by the General Meeting of the Company; one third is elected and recalled by the Company's employees. The eligibility conditions for election to the Supervisory Board are laid down in the law; the Articles of Association contain only a single condition beyond the statutory scope – that the Chief Executive Officer may not be elected as member of the Supervisory Board. There are no other restrictions for reasons that would be on the part of the Company.

- h) Information about special powers of members of the statutory body, in particular about their authorisation as per Sections 161a and 210 of the Commercial Code

Members of the Board of Directors hold no special powers; some acts by the Board of Directors require, as per Article 14(4) of the Company's Articles of Association, a previous consent by the Supervisory Board.

- i) Information about important contracts, which the issuer is a party to and which will come into effect, change or expire upon a change in the issuer's control as a result of a take-over bid, and about the effects thereof, with the exception such contracts whose disclosure would bear a serious harm for the issuer, which, however, does not reduce other duties of disclosure of such information under this law or under other laws

The Company has not entered into any contracts that will come into effect, change or expire upon a change in the issuer's control as a result of a take-over bid.

- j) Information about contracts between the issuer and the members of the statutory body or employees, by which the issuer is bound in the event of the termination of their office or employment in connection with a take-over bid

No contracts were concluded between the Company and the members of its Board of Directors or its employees, by which the Company would be bound in the event of the termination of their office or employment in connection with a take-over bid.

- k) Information about any programmes based on which the employees and members of the statutory body of the company can acquire shares, share options or other rights at preferential terms, and about how the rights associated with these securities are exercised

No programmes exist for members of the Board of Directors or employees of the Company based on which they could acquire shares, share options or other rights at preferential terms.

- l) Information about payments remitted to the state for mining licences, provided the core business of the issuer is in the mining sector

With regard to the fact that the Company has no business in the mining sector, this declaration is not applicable.