

REMUNERATION POLICY OF MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD OF O2 CZECH REPUBLIC a.s.

The Company adopts this Policy for the Remuneration of Members of the Board of Directors and Supervisory Board of O2 Czech Republic a.s. (hereinafter referred to as “**Remuneration Policy**”) in connection with the provisions of Section 121(j) of Act No. 256/2004 Coll. on Act on Business Activities in the Capital Market (hereinafter referred to as “**ABACP**”). The contents of the Remuneration Policy are based on the Rules for the Remuneration of Members of the Board of Directors and Supervisory Board of O2 Czech Republic a.s. which are presently in force.

I.

PREMISES OF THE REMUNERATION POLICY

1. O2 Czech Republic a.s. (the “**Company**”) is one of the major joint-stock companies in the Czech Republic. The Company's shares are traded on the public capital market and its financial results are closely monitored by the public and the media.

The Company specializes in doing business in the electronic communications sector. This sector requires ongoing investment in network modernization and continuous adaptation to the evolving needs and expectations of customers. The business in the sector is characterized by longer-term contractual relationships with customers for the provision of services. As in other network industries, a critical mass of customers is important for business success. In addition to an extensive portfolio of services for the general public, the Company also offers specialized solutions for demanding corporate and public sector clients.

Long-term relationships with customers and their satisfaction, which translates in the rate of use of the Company's services, are essential for the Company. The quality of the customer base (especially customer credit record), a low percentage of service cancellations (“churn”), both for newly acquired customers (“acquisitions”) and existing ones; monthly revenue per customer (“ARPU”) and regularity (continuity) of income from services are of paramount importance for the long-term sustainability of the business operation. This also implies the need for predictability of cash flow as well as the need for responsible cost management with an emphasis on long-term view.

The Company must comply with both the regulation of the electronic communications sector and consumer protection rules, as well as with the rules and restrictions related to the fact that the Company's shares are listed on the public capital market. These rules, as well as the market environment in which the Company operates, often change. The management and direction of the Company's business therefore requires balancing of individual performance indicators, taking into account the ongoing process of change, with practical solutions for the Company's development and growth.

2. The complexity that the Board of Directors faces in implementing the business model on a daily basis, and which implies a high degree of responsibility and expertise, predetermines the structure and criteria for the evaluation and remuneration of the members of the Board of Directors.

Pursuant to Section 435(2) of Act No. 90/2012 Coll., On Business Corporations, the members of the Board of Directors are also responsible, according to the Articles of Association, for the business management of the Company, which includes not only activities related to attendance at the meetings of the Board of Directors and formal executive service, but also day-to-day management of those operations the Company which fall within the given member's responsibility. This is also reflected in the fact that members of the Board of Directors are generally in charge of the management of a specific division within the Company. It is therefore natural that the same or very similar remuneration mechanisms are applied to the members of the Board of Directors as to the top executives who are employees of the Company. Obtaining

quality executive talent capable of navigating a complex sector that is always changing is difficult and usually requires negotiating individual terms with potential candidates.

The Remuneration Policy summarizes the premises, rules and criteria which represent the framework of remuneration. Disclosure of specific amounts or quantifiable items in relation to remuneration is not included in the Remuneration Policy. It could harm the Company in the labour market as the Company's negotiating position would be known and given in advance.

In addition, specific remuneration criteria for a given period, including target values and weights, **form the trade secret of the Company**, since any third party, including competitors, could know in advance from their actual and specific list, setting target values and weights between them, what will be the Company's focus next year, when it plans important actions (or does not plan them) and to what the Company will attach a particular significance. Therefore, the Company cannot divulge this detailed information in the Remuneration Policy.

3. In addition, the Remuneration Policy regulates the rules, premises and criteria for the remuneration of the members of the Supervisory Board. The Company has implemented a dualistic system of internal structure in which the Board of Directors and the Supervisory Board are established. In case that the Board of Directors puts in charge of the day-to-day business management of the Company a CEO who is not a member of the Board of Directors, the remuneration rules applicable to members of the Board of Directors will apply accordingly.

Pursuant to the Articles of Association, the Supervisory Board performs its supervisory function by way of supervising the activities of the Board of Directors and the Company. The remuneration of the members of the Supervisory Board is therefore based on the Supervisory Board's position as a supervisory body which, by its nature, must be independent of other bodies of the Company and, in principle, of the Company's performance indicators. Due to the different role of the Supervisory Board in the Company, the principles of remuneration of the members of the Supervisory Board differ from those for the remuneration of the members of the Board of Directors. The remuneration of the members of the Supervisory Board is not dependent on the degree of achievement of the Company's and personal performance targets; such targets do not apply to members of the Supervisory Board. Their remuneration must depend on the degree of application with which the members of the Supervisory Board carry out their supervisory activities. In light of the above, a simple model is applied to the remuneration of the members of the Supervisory Board, which does not feature a number of institutes, which the law associates with the remuneration policy of members of company bodies. Therefore, not all categories that the law provides for are explicitly described in this Remuneration Policy. Logical redundancy of these categories is the reason for their exclusion from the Remuneration Policy.

4. The details of the remuneration model are set out in the following provisions of the Remuneration Policy, whose structure is based on the logic of regulation, the relationship between the bodies and their role in the Company, and the commercial strategy of the Company which the Remuneration Policy follows:

II.

Policy for the remuneration of members of the Board of Directors

1. **[Types of fixed and variable remuneration components]** Members of the Board of Directors may receive the following types of fixed and variable remuneration components under the terms of this Remuneration Policy, including all bonuses and other benefits:
 - a) Each member of the Board of Directors is entitled to a **basic remuneration** for their executive service. The basic remuneration is a fixed component. The amount is approved by the Supervisory Board and is the subject of the executive service agreement.
 - b) In order to motivate members of the Board of Directors to actively serve in pursuit of maximizing the Company's growth and to manage resources as efficiently as possible, the Supervisory Board may also grant them a bonus remuneration component (variable component). This component is derived from 50% of the annual basic remuneration of a member of the Board of Directors. The above calculation base is the same for the calculation of performance bonuses of the Company's executive management. The application of this methodology means that if

the performance targets set by the Supervisory Board are 100% fulfilled, a member of the Board of Directors may additionally achieve a bonus component equal to 50% of the annual basic remuneration. The bonus component is reduced accordingly if the targets are not achieved fully, while the bonus component of the member of the Board of Directors may exceed the calculation base if the performance exceeds the targets. However, the bonus component of remuneration is limited to 200% of the annual basic remuneration.

- c) In justified cases, the Supervisory Board may grant to members of the Board of Directors, in addition to the basic remuneration and bonus component of remuneration, a right to **stabilization remuneration** (variable component); in this case, the evaluation period is longer than one year. The purpose of the stabilization remuneration is to support the achievement of the Company's long-term goals and its sustainable development, and to declare to the member of the Board of Directors that the Company is interested in his/her service in the long term. The stabilization remuneration is capped at 200% of the annual basic remuneration multiplied by the number of years for which the stabilization remuneration is paid.
- d) In addition to these pecuniary benefits, the Company may also provide the members of the Board of Directors with the following benefits as fixed remuneration components:
 - **other (in-kind) benefits** which are primarily intended for the purpose of fulfilling the duties arising from the performance of their duties and in part may also be used for personal use. Typically, these are voice and data services as well as communication and computer technology. The specific scope is set out in the Rules for the Remuneration and Provision of Other Benefits to Members of the Board of Directors, which are approved by the Supervisory Board;
 - **liability insurance** for damage caused by breach of duties in the course of serving on the Board of Directors (directors and officers liability insurance). The specific scope is set forth in the Rules for the Remuneration and Provision of Other Benefits to Members of the Board of Directors, which are approved by the Supervisory Board. In this context, members of the Board of Directors may be entitled to a **compensatory remuneration** equal to the amount of mandatory (statutory) payments (e.g. taxes, public health insurance, etc.) that the member of the Board of Directors is obliged to pay or bear on due to the fact that the Company covers insurance of his/her liability for damage caused by a breach of duty in the performance of the office of a member of the Board of Directors ;
 - **benefits and perquisites** of a similar scope and amount to the Company's employees arising from the executive service agreement. The composition of the benefits and perquisites, as well as the rules for their allocation, are internally determined by work regulations and the Company's collective agreement. Typically, these include a meal allowance, benefit points for purchases of goods or services from selected retailers, healthcare services, etc. The up-to-date list of employee benefits can be found here: <https://kariera.o2.cz/benefit>).
- e) Pursuant to Article 33 of the Articles of Association, members of the Board of Directors may, on the basis of a decision of the General Meeting of the Company, be entitled to royalties as a variable remuneration component, provided that the Company generates profit for the accounting period and that other prerequisites set forth in the law and the Company's Articles of Association are met.

2. [Criteria for awarding variable remuneration components to members of the Board of Directors]:

- a) The specific criteria, including the target values to be achieved and the weights between them, are always determined by the **Supervisory Board** on the basis of this Remuneration Policy.
- b) When determining the criteria for awarding variable remuneration components, the Supervisory Board takes into account the complexity of the Company's activities, the need to balance various external influences and often conflicting expectations of different stakeholders (customers, shareholders, employees, regulators, the public, etc.). that can change substantially over time.

This ensures that the target values correspond to the current needs of the Company. The criteria set by the Supervisory Board for individual members of the Board of Directors are based on the following key areas for the Company:

- **Financial criteria:** in particular operating profitability, cash flow management, cost management;

- **Business and customer experience criteria:** especially customer additions (gross adds), percentage of outgoing customers (churn), number and quality of customer interactions.
- c) When setting individual criteria, the **Supervisory Board takes into account the fact that the members of the Board of Directors are entrusted with the management of a specific division of the Company** in addition to the function of a member of the Board of Directors. In the case of the Chairman of the Board of Directors, this involves influencing the internal operations of the Company as a whole. For this reason, the criteria for awarding variable remuneration components to each member of the Board of Directors must be set individually.
3. **[Remuneration of members of the Board of Directors and the business strategy]** The Remuneration Policy for members of the Board of Directors supports the Company's business strategy, its long-term interests and sustainability in the following ways:
- a) The Supervisory Board **sets the criteria for the members of the Board of Directors to be in balance with each other**, that is, when setting the objectives of the members of the Board of Directors, it takes into account the more diverse priorities of the Company to ensure that the Board of Directors contributes to the Company's stable, long-term and balanced business strategy.
 - b) The Company's targets are always set by the Chief Executive Officer at the beginning of the accounting period. The Board of Directors of the Company acknowledges the targets by way of a resolution. The remuneration of members of the Board of Directors (as well as the Company's employees) is related to the degree of achievements of the Company's targets, which is determined as a weighted sum of achievements of individual objectives of the Company. The specific targets are based on the targets listed in point 2 above. The Board of Directors approves the extent to which the Company's targets have been met for the past financial year. This value also affects the granting of bonus components to the Company's employees and is the same for both employees and members of the Board of Directors.
 - c) In assessing the extent to which the members of the Board of Directors meet their targets, the Supervisory Board of the Company examines both the contribution of the given member to the overall achievement of the Company's targets and the degree of achievement of the member's personal performance targets.
4. **[Key performance indicators of an issuer]** The key performance indicators of the Company (and, where applicable, the criteria relating to corporate social responsibility) and the manner and extent of their performance are as follows:
- **Revenues;**
 - **Earnings before interest, tax and depreciation and amortization (EBITDA);**
 - **Net profit;**
 - **Capital expenditures (CAPEX);**
 - **Free cash flow generation;**
 - **CAPEX to revenues ratio;**
 - **Net debt to EBITDA ratio.**

The Company considers these indicators to be key as they contribute to its business strategy, long-term interests and sustainability. The reasons why the Company considers them to be key can be briefly summarized as follows:

- EBITDA shows the operating performance of the Company and is a criterion whose level of compliance indicates how the Company has succeeded in establishing or maintaining long-term customer relationships, satisfying customer requirements, and how customer-driven it is. the Company is able to effectively recover its receivables.
- Free cash flow indicator measures the amount of cash and cash equivalents the Company generates after paying all the items necessary to ensure its operation.
- CAPEX to revenues ratio is an indicator of how much the Company invests in its future development and reflects the Company's future sustainability and the extent to which the Company invests in its long-term interests.
- Net debt to EBITDA measures the Company's ability to pay its debts; it approximately reflects how long the Company is able to repay all of its debts using its normal operating cash flow.

This criterion shows how well the Company has managed to balance the Company's interest in generating profits and the need to invest in upgrading networks and improving customer service.

The achievement of the key performance indicators of the Company is determined by comparing the values set as the Company's targets at the beginning of the accounting period with the values actually achieved in the accounting period taken from the Company's accounts.

The Company has not established any non-financial performance indicator to which the remuneration of members of the Board of Directors could be meaningfully related. It could not be established that any non-financial indicator whose achievement would be within the control of the Company could influence the Company's financial performance.

5. **[Delay of the right to variable remuneration component]** Rules for delaying the right of a member of the Board of Directors to variable remuneration component:

The variable remuneration component is paid after a period of time between the approval of the target evaluation and the pay date. However, right of a member of the Board of Directors to variable remuneration component arises as of the moment when the variable remuneration component is granted.

6. **[Repayment of variable remuneration]** The Company does not reserve the right to retrospectively review the variable remuneration of a member of the Board of Directors and subsequently request reimbursement of the variable remuneration or any part thereof, except where payment of the variable remuneration has been made on the basis of proven fraudulent actions of the members of the Board of Directors, specifically as a result of falsified performance and equity information. In such a case, the Company reserves the right to claim damages, which would include such unduly paid variable remuneration components. However, the Company believes that the auditing of financial statements by an independent auditor as well as other control mechanisms in place eliminate such a risk.

7. **[Term of service of a member]**

- The term of executive service of members of the Board of Directors is determined by the Articles of Association (Article 15 (2)).
- The reasons for termination of executive service are set forth in the law.
- Subject to the terms of their executive service agreement, a member of the Board of Directors may be obliged to comply with the prohibition of competition after the termination of their executive service for a maximum of 12 months. In such a case, the executive service agreement provides for compensation in the form of an amount for each month of compliance with the non-competitive covenant after the termination of the service. The amount is equal to the average monthly earnings of the member of the Board of Directors as of the date of termination of their executive service. A contractual penalty is agreed for case of a breach of such the non-competitive covenant.
- Upon termination of their service, the Chairman of the Board of Directors may be entitled to severance pay up to six times the average monthly earnings of the Chairman of the Board of Directors as of the date of the termination, provided such an agreement exists between the Company and the Chairman of the Board of Directors.

8. **[Remuneration in the form of shares and pension benefits]** The Company does not provide share options to members of its bodies, nor does it provide them with pension benefits.

9. **[Relation of the Remuneration Policy to employee remuneration]** In developing the Remuneration Policy, the Company considered the pay and working conditions of the Company's employees as follows:

- To members of the Board of Directors, the Company grants the same benefits and perquisites as to its employees. In the determination of the basic component of remuneration, the rules generally in place that are used to determine the salaries of employees are taken into account.

- The amount of remuneration of the members of the Board of Directors follows the remuneration of the Company's executive management and reflects the level of accountability of the Company's statutory body, which significantly exceeds that of the Company's employees.
- The rate of achievement of the Company's targets for the past accounting period is approved by the Board of Directors. This value then determines both the payment of the variable remuneration component to the members of the Board of Directors and the payment of bonus components of the Company's employees. This ensures that the Board of Directors behaves responsibly when approving the extent to which targets are met. These steps of the Board of Directors are subject to the supervisory powers of the Supervisory Board.

III.

Policy for the remuneration of members of the Supervisory Board

1. **[Remuneration of members of the Supervisory Board and the business strategy]** The Remuneration Policy for members the Supervisory Board supports the Company's business strategy, its long-term interests and sustainability in the following ways:
 - a) The Rules for the Remuneration of Members of the Supervisory Board are approved by the General Meeting of the Company. The current version of the Rules for Members of the Supervisory Board was approved by the Annual General Meeting in 2018, following a proposal from a qualified shareholder of the Company.
 - b) The remuneration payable to the members of the Supervisory Board is fixed and consists of two components: a component depending on the membership of the Supervisory Board itself and functions held within the Supervisory Board (member, vice-chairman, chairman), which reflects the independence of Supervisory Board members, and the number of meetings attended by a member of the Supervisory Board, which should motivate them to participate in meetings and thereby actively control the implementation of the Company's business strategy.
 - c) One of the members of the Supervisory Board is directly elected by employees; consequently, their incentive to meet the Company's targets is also linked to the remuneration rules of the Company's employees, i.e. as part of their pay.
2. **[Types of fixed and variable remuneration components]** Members of the Supervisory Board may receive the following types of fixed and variable remuneration components under the terms of this Remuneration Policy, including all bonuses and other benefits:
 - a) Members of the Supervisory Board are remunerated for their service in the form of a monthly lump sum. The amount of the lump sum depends on whether they are a member of the Supervisory Board or the Chairman of the Supervisory Board.
 - b) Furthermore, each member shall be remunerated for each Supervisory Board meeting attended.
 - c) Other in-kind benefits are provided to the members of the Supervisory Board upon request. These are voice and data services, communication and computer technology, as well as liability insurance for damage caused by breach of duties in the course of serving on the Supervisory Board (directors and officers liability insurance). In this context, members of the Supervisory Board may be entitled to a compensatory remuneration equal to the amount of mandatory (statutory) payments (e.g. taxes, public health insurance, etc.) that the member of the Supervisory Board is obliged to pay or bear on due to the fact that the Company covers insurance of his/her liability for damage caused by a breach of duty in the performance of the office of a member of the Supervisory Board.
 - d) Pursuant to Article 33 of the Articles of Association, members of the Supervisory Board may, on the basis of a decision of the General Meeting of the Company, be entitled to royalties as a variable remuneration component, provided that the Company generates profit for the accounting period and that other prerequisites set forth in the law and the Company's Articles of Association are met.
3. **[Criteria for awarding variable remuneration components to members of the Supervisory Board]:**
The criterion for awarding the variable remuneration components to members of the Supervisory Board is attendance of Supervisory Board meetings.

4. **[Delay of the right to variable remuneration component]** Rules for delaying the right of a member of the Supervisory Board entitlement to variable remuneration component:
The payment date of the variable remuneration component is the same as that of the monthly lump sum payment. Rules for delaying the right of a member of the Supervisory Board to variable remuneration component have not been set.
5. **[Repayment of variable remuneration]** The Company does not reserve the right to demand the repayment of the variable remuneration component which had been paid to a member of the Supervisory Board, or any part thereof, without prejudice to the right to damages in the event of a breach of duties of service by the member.
6. **[Term of service]**
 - The term of service of Supervisory Board members is set forth in the Articles of Association (Article 21 (15)).
 - The reasons for termination of executive service are set forth in the law.
 - Members of the Supervisory Board are not entitled to severance pay on termination of their duties.
7. **[Remuneration in the form of shares and pension benefits]** The Company does not provide share options to members of its bodies, nor does it provide them with pension benefits.

IV.

Approval, review and amendment of the Remuneration Policy

1. **[Basic principles for reviewing and implementing of the Policy]** The decision-making process followed in defining, reviewing and implementing the Remuneration Policy, including measures to prevent and resolve conflicts of interest, and, where appropriate, the role of the Remuneration Committee or other committees:
 - In formulation of the Remuneration Policy and its review, the procedure for the Board of Directors of the Company is analogous to Article 20 (3) (c) and (d) of the Company's Articles of Association, according to which the remuneration of the members of the Board of Directors falls within the authority of the Supervisory Board (and the Director of the Human Resources Division).
 - In formulation of the Remuneration Policy and its review, the procedure for the Supervisory Board of the Company is analogous to Article 8(1)(n) of the Company's Articles of Association, according to which the remuneration of members of the Supervisory Board falls within the authority of the General Meeting.
 - Any amendments to the Remuneration Policy take into account the results of voting on the Remuneration Policy at the last General Meeting of the Company.
 - Implementation of the remuneration policy is the responsibility of the Board of Directors.
 - Conflicts of interest are prevented by the mechanisms described above when defining and reviewing the Remuneration Policy.
 - The Company has not established any remuneration committees.
2. **[Derogation from the Remuneration Policy]** The Company may derogate from the Remuneration Policy only in exceptional cases and for the necessary period of time if warranted by the interest of the Company and the sustainability of its operations.

The General Meeting may decide to derogate from the Remuneration Policy in relation to the remuneration of the members of the Supervisory Board on the basis of a proposal from a person authorized to submit proposals to the General Meeting. The proposal must specify in detail the reasons for the derogation and for what period of time the derogation would be effective. This is without prejudice to the procedures for amendments to the Remuneration Policy as such.

The Supervisory Board may decide to derogate from the Remuneration Policy in relation to the remuneration of members of the Board of Directors in the event of unexpected changes in the market environment. The Supervisory Board has the right to decide without undue delay after it

becomes cognizant of the need to deviate from the remuneration rules of the members of the Board of Directors set forth in this Remuneration Policy. In its decision, the Supervisory Board must state why the derogation is necessary, what criteria the derogation relates to, what the nature of the derogation is and for what period of time the derogation would be effective. The Supervisory Board may derogate from the remuneration rules of the members of the Board of Directors set out in Article II of this Remuneration Policy on the condition that it takes into account the premises set out in Article I of this Remuneration Policy, which outline the framework of the Remuneration Policy.

3. **[Description of and reasons for amendments to the Remuneration Policy]** The description of and reasons for any substantial amendments and the way in which the outcome of shareholders' vote at the General Meeting and their views on the Remuneration Policy and the Remuneration Report since the last vote on the Remuneration Policy at the General Meeting have been taken into account:
 - This Remuneration Policy takes precedence. Therefore, for logical reasons, the statutory provision of Section 121I (3) of the ABACM does not apply.

V. Joint provisions

1. More detailed and practical issues regarding remuneration of members of the Board of Directors and Supervisory Board are addressed in the following documents:
 - a) Rules for the Remuneration and Granting of Other Benefits to Members of the Board of Directors, as approved by the Supervisory Board on 24 September 2015,
 - b) Rules for the Remuneration of Members of the Supervisory Board, as approved at the Annual General Meeting on 4 June 2018, effective from 1 July 2018,
 - c) The Rules for Granting Supplementary Benefits to the Members of the Supervisory Board as approved at the Annual General Meeting on 4 June 2018 (hereinafter collectively referred to as the "Rules"),unless such more detailed and practical questions are addressed in the executive service agreements with individual members.
2. In the event of a conflict between the Remuneration Policy and the Rules, the Remuneration Policy takes precedence.
3. The Remuneration Policy was submitted for approval to the per rollam General Meeting of the Company announced on 29 April 2020 and becomes effective on the date of approval by the per rollam General Meeting of the Company, i.e. on 17 June 2020.