

ČEZ Group Sustainability-Linked Financing Framework



CEZ GROUP

10 March 2022

1. Introduction

I. ČEZ Group at a glance

According to the Czech Energy Regulatory Office and our internal data, ČEZ Group (thereafter 'ČEZ', 'the Group' or 'the Company') is the largest electricity generation and distribution company in the Czech Republic. Employing more than 30,000 employees, ČEZ Group is one of the largest economic entities in the Czech Republic and Central Europe. As of June 30, 2021, the consolidated ČEZ Group consisted of 194 companies performing different business activities. The core business is located in the Czech Republic, however the Group widely operates in Western, Central, and South-Eastern Europe, in particular in France, Germany, Italy, Poland, Romania, Slovakia and Turkey.

ČEZ Group's main business activity is the generation, distribution, trade, and sale of electricity and heat. ČEZ Group's activities also include commodity trading, trade and sale of natural gas, and, in particular, the provision of comprehensive energy services, which, together with electromobility, form ČEZ Group's fast-growing business sector.

The largest shareholder of the parent company ČEZ, a. s. is the Czech Republic with a nearly 70% stake in the company's stated capital. ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. ČEZ's market capitalization was CZK 432 bn as of January 31, 2022.

The mission is to provide safe and reliable energy to its customers and society at large. The long-term vision is to be a driver and incubator of innovations, a leader in the field of modern energy, and the everyday partner for solving energy needs of customers. Among others, **VISION 2030 - Clean Energy for Tomorrow**, ČEZ Group's accelerated strategy, shall lead to this goal. Next to that, ČEZ Group's business activities are governed by strict ethical standards that include responsible behaviour toward employees, society, and the environment. As part of its business activities, it adheres to the principles of sustainable development with an emphasis on the area of ESG, which is an integral part of its management. Donorship forms an integral part of corporate responsibility, and the ČEZ Foundation has been helping in all areas across the Czech Republic since 2002.

ČEZ Group emphasizes the implementation of global climate goals and the decarbonization of its portfolio in accordance with the Paris Agreement, and the environmental impact of its business in general. In the areas of environmental protection, social relations, and corporate governance, ČEZ Group has made specific commitments, including a commitment to reduce the CO₂ emissions intensity of electricity generation by more than 50% by 2030 and an overall ambition to rank among the top 20 percent of European energy companies in ESG rating by 2023.

II. Playing a leading role to the energy transition

ČEZ Group believes the energy sector needs to play a leading role in climate and environmental protection and as a leader in the traditional energy industry ČEZ is aware and accepting its duty to act. The Group strategy is based on three priorities: to actively respond to new challenges of the 21st Century (1), by offering a wide range of products and services focused on its customers' energy requirements (2), while strengthening its position in Europe via investments into prospective low carbon emissions energy assets (3).

The pivotal areas on this path are energy decentralization and emission-free sources, with a particular focus on renewables and development of modern technologies.

In the Czech Republic, the main business of the Group is to produce and distribute electricity and heat. The production portfolio consists of nuclear, hydro, photovoltaic, wind, gas and coal¹ sources. Furthermore, to its customers such as households, firms, and municipalities, ČEZ Group offers facilities for the production and storage of electricity and provides comprehensive ESCO energy services, for example, in conjunction with savings. Moreover, ČEZ Group also focuses on innovation, being a shareholder in a number of cleantech companies in modern power engineering, and its subsidiaries heavily invest in scientific projects and R&D.

On the field of renewables, ČEZ currently operates wind parks with a capacity of 142 MW², mainly in Germany and the Czech Republic. In the Czech Republic, ČEZ is the largest producer of electricity from renewable sources, which consists of hydro (1 961 MW, out of which 1 170 MW pumped-storage hydro), photovoltaic power plants (125 MW), and

¹ ČEZ Group's coal power plants are using mostly lignite from CEZ's own mine. External sales of coal on the total consolidated revenues are expected to decrease from 2% in 2020 to around 1% in 2025 and to close to 0% in 2030.

² Installed capacity as of 30th June 2021.

on-shore wind (8 MW). ČEZ is also engaged in wind energy projects in France and Germany and in JV co-owns hydroelectric power plants in Turkey.

ČEZ is also the leading regional company in the modern energy services sector (ESCO). In the ESCO sector, which focuses on the installation of modern energy sources, energy savings, energy digitization and automation, and other climate protection and carbon footprint measures, ČEZ owns more than 60 companies located in the Czech Republic, Germany, Austria, Italy, Slovakia, Poland and Romania. On the German market, ČEZ owns two large groups in this sector, Elevion Group and Koffler Energies. Recently, the Belectric company has joined ČEZ Group's portfolio of ESCO companies, fitting with its remarkable experience in photovoltaic power plants construction.

Through the Inven Capital fund, ČEZ invests in cleantech energy growth-stage start-ups. Inven Capital owns minority shareholdings in companies such as Sunfire, tado°, Zolar, Cloud & Heat Technologies, Vulog, Cosmo Tech, Driivz, Neuron Soundware, Forto, Eliq or Topite.cz. These companies focus primarily on innovations in green technologies, such as photovoltaics, green synthetic fuel production, electromobility, smart thermostats, and computer server heating. Other companies are dedicated to digitization, automation, and industry 4.0, and are active in security, critical infrastructure management using artificial intelligence, and predictive maintenance.

III. Clean Energy of Tomorrow (VIZE 2030) Strategy

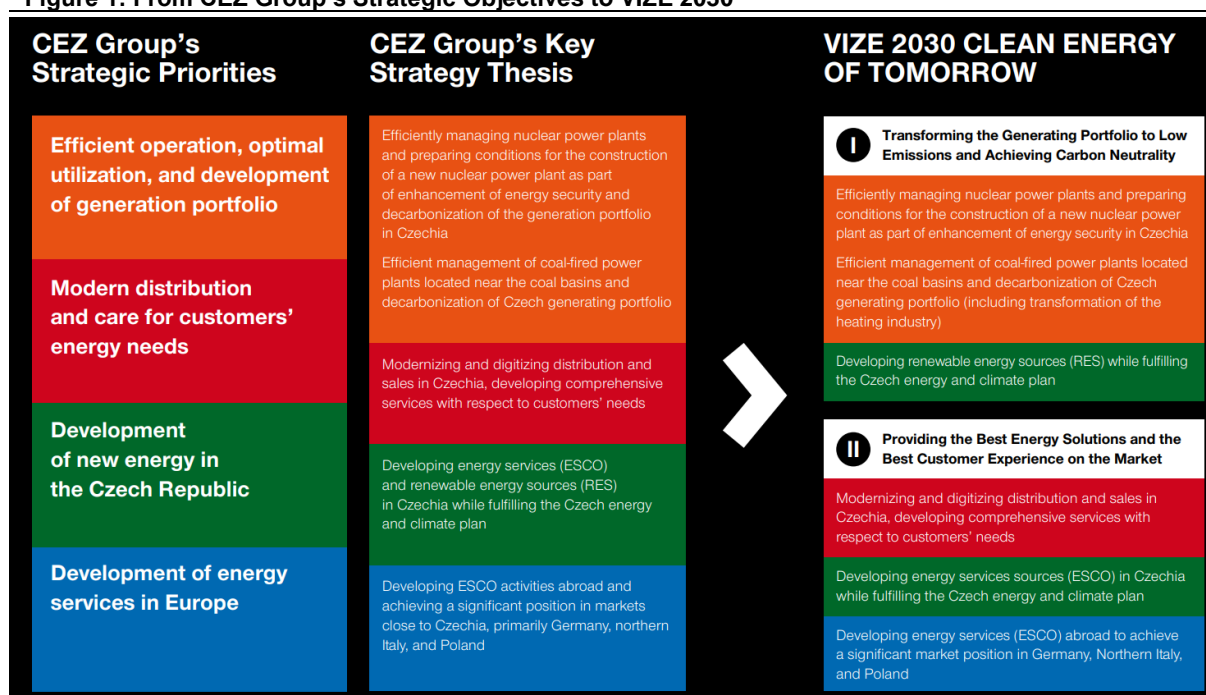
ČEZ Group's accelerated strategy, VISION 2030 - Clean Energy of Tomorrow, is based on **transforming its generation portfolio to a lower emission one, achieving carbon neutrality by 2050, and providing the most cost-effective energy solutions and the best customer experience in the market.**

In May 2021, as part of its accelerated strategy **VISION 2030 - Clean Energy of Tomorrow**, ČEZ Group defined strategic objectives for 2030 reflecting the EU's decarbonization vision and set specific ambitions in the area of social responsibility and sustainable development. The basic premise is to continuously adjust the structure of ČEZ Group to meet the demands of investors, creditors and employees, and to enable maximum increase in shareholder value.

The main strategic objectives and commitments defined under the individual strategic priorities:

- Pillar I: Transforming the generation portfolio to a low-emission one and achieve carbon neutrality by 2050
- Pillar II: Providing the most cost-effective energy solutions and best customer experience in the market
- Pillar III: Developing ČEZ Group in a responsible and sustainable manner in accordance with ESG principles.

Figure 1: From ČEZ Group's Strategic Objectives to VIZE 2030



Under the new strategy, the Group aims to accelerate sustainable and economic growth achieving 40% increase in EBITDA by 2030.

Pillar I: Transforming the Generation Portfolio to Low Emissions and achieving Carbon Neutrality

In 2015, ČEZ Group committed to generating electricity with a neutral carbon footprint by 2050. Together with other European energy groups, ČEZ registered its commitments to reduce greenhouse gas emissions under the Non-State Actor Zone for Climate Action (NAZCA), formed before the Paris Climate Conference in 2015. At the same time, ČEZ committed to reducing CO₂ emissions per MWh of electricity generated by ČEZ Group in the Czech Republic by 46% by 2020 compared to 2001. This commitment has been met for 2020 - a 54% reduction in the CO₂ emission intensity of electricity generation in the Czech Republic was achieved compared to 2001, and the production of emissions in the Czech Republic from electricity generation by more than 3.6 million tons was reduced, i.e., by more than 15% year-on-year. ČEZ has revised its decarbonization strategy and **intends to reduce CO₂ emissions in line with the Paris Agreement 'well below 2 degrees' by 2030, by decreasing carbon intensity from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh) in 2019 to 0.16 tCO₂e/MWh in 2030.**

ČEZ Group has signed a commitment letter to the Business Ambition for 1.5 ° C³ and has defined interim and long-term targets to reach net-zero by no later than 2050. Currently, ČEZ has set net-zero science-based interim emission reduction targets in line with well below 2 degrees. Targets have been submitted for approval to the SBTi.

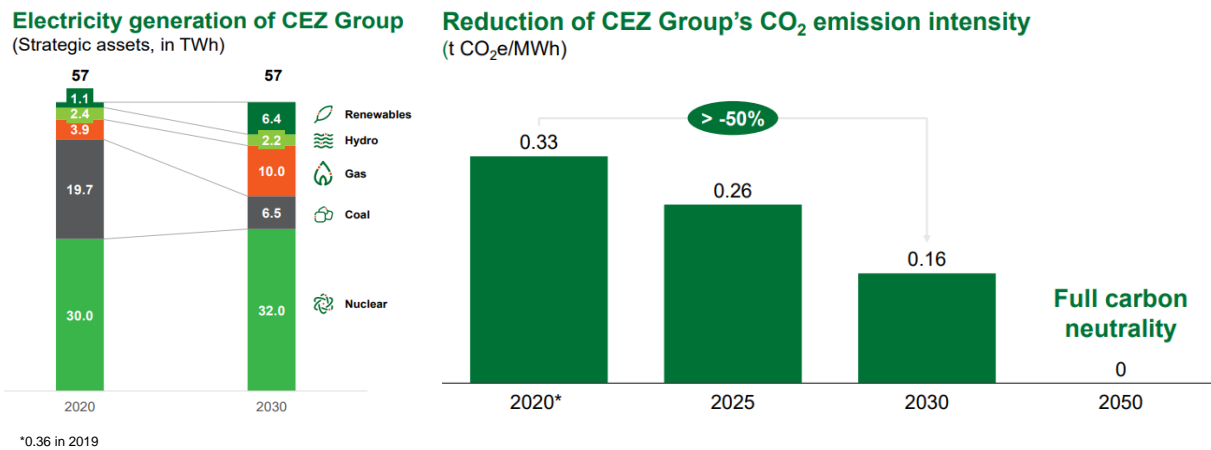
In order to reach carbon neutrality, ČEZ Group intends to take important steps to decarbonize its generating portfolio:

- **Coal phase-out:** ČEZ Group is committed to no new investments in coal plants and is gradually closing down coal plants and transitioning its current coal sites to new activities such as hydrogen and biomethane ready natural gas plants and biomass plants⁴. In particular, ČEZ Group plans to reduce the share of coal-fired electricity generation to 12.5% by 2030, corresponding to 2.2 GW installed capacity, and completely exit coal by 2038⁵, in line with the recommendation of the Czech Coal Commission. **Subject to current market conditions and investment pipeline on less polluting technologies, ČEZ estimates coal exit will materialize earlier than the date recommended by Czech Coal Commission.**
- **Increase Renewable Energy generation:** Developing renewable energy sources (RES) while fulfilling the Czech energy and climate plan. ČEZ Group intends to build additional renewable energy generation capacity of 1.5 GW by 2025, respectively 6 GW by 2030.
- **Safely increase zero-emission nuclear energy generation:** ČEZ Group intends to safely increase generation volume in existing plants above 32 TWh on average and achieve 60-year operating life. In addition, the construction of a new nuclear facility in Dukovany is considered, subject to governmental supporting scheme. ČEZ Group operates nuclear power plants in compliance with legislation and monitors the effect of nuclear operations on the environment and human health. The safety of nuclear installation is the absolute priority. Safety culture features are a defined standard and are enforced together with other commitments on all levels of management. The Temelín and Dukovany nuclear power plants follow the Internal Emergency Plan for Nuclear Power Plants, a licensing document approved by the State Office for Nuclear Safety (SÚJB). ČEZ Group manages radioactive waste (RAO) at nuclear power plants in compliance with Act No. 263/2016 Sb. Atomic Energy Act.

³ For clarification purposes, the commitment signed by ČEZ Group is called 'Business Ambition for 1.5 ° Commitment Letter' however the issuer has currently submitted Net-zero science-based reduction targets and not 1.5 ° science-based reduction targets.

⁴ ČEZ intends to use local biomass sourced by respecting Czech/EU criteria for sustainable biomass.

⁵ New Czech government appointed in December 2021 stated in its Policy Statement that it will create the conditions for energy transformation and development of coal regions to allow for a shift away from coal by 2033.

Figure 2: Carbon neutrality via transformation of the generating portfolio

Pillar II: Provide best energy solutions and highest quality customer experience in the market

ČEZ Group intends to modernize its distribution grid and to develop new best in class energy services sources (ESCO) for its clients in the Czech Republic, as well as in other regions such as Germany, Northern Italy, Austria and Poland.

- **Build Smart Digital Electricity Grid:** ČEZ Group will invest into smart grids and decentralisation for developing digital distribution grid including fiber optic networks. The 2030 digitalization targets such as 80% of consumption covered by smart meters, 80% of remotely measured transformer stations and 11,000 km of optic fiber networks (compared to 4,200 km today) have been set up. The purpose of these investments is to increase network reliability and to reach more efficient management and as a consequence, cost reduction.
- **Growing retail customer base while maintaining high customer satisfaction:** 100% of key customer processes will be digital by 2025. ČEZ Group aims to maintain the highest NPS (net promoter score) among largest electricity suppliers and to increase its customer base by broadening its product portfolio for households, facilitating their decarbonization and energy savings.
- **Incentivizing customers decarbonization:** Via investments in B2B, the ČEZ Group will enable efficient decarbonization and delivery of energy savings for its customers in industry, municipalities and public administration.
- In addition, **investments in electromobility infrastructure** will represent an additional area of growth for the ČEZ Group, which aims to operate at least 800 stations by 2024, quadrupling current charging capacity.

Pillar III: Developing ČEZ Group in a responsible and sustainable manner in accordance with ESG principles.

The comprehensive objective is defined to increase ČEZ's ESG rating to rank among the top 20 percent of European energy companies in ESG rating by 2023.

Selected objective in the environmental area:

- The goal to reduce CO₂ emissions in line with the Paris Agreement "well below 2 Degrees" by 2030 (reduction from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh) in 2019 to 0.16 tCO₂e/MWh in 2030).

Selected objective in the area of social relations:

- We will continue to be decent corporate citizens, cultivating good relationships with communities.

Selected objective in the area of corporate governance:



- Achieve 30% female representation in management.

IV. Roadmap to leadership in ESG

ČEZ Group is a leader and trendsetter in sustainability in the Czech Republic. Commitment to corporate social responsibility (CSR) and sustainable development has been integral to our strategic framework since the establishment of the Group in 1992. Since then, ČEZ Group has donated over CZK 10 billion to our stakeholders and communities and ranks as the most generous donor in the Czech Republic. We issued our first Sustainability Report for 2007 – long before we were mandated to do so by law. In 2015, we committed to reaching carbon neutrality by 2050. In 2016, we announced a Sustainable Development Strategy – Energy for the Future, which rested on five pillars: (1) Ensuring sustainable operations; (2) Being a good partner; (3) Bringing useful solutions to customers; (4) Making energy transformation possible; and (5) Starting the engine of innovations. Each pillar had internally defined objectives and KPIs, which we regularly reported on. In May 2021, we accelerated our sustainable strategy and fully integrated it into the corporate strategy. The two are now intertwined and inseparable, clearly defining VIZE 2030 – Clean Energy of Tomorrow. Both interim and long-term targets of VIZE 2030 were publicly announced: they are specific, measurable, and aligned with the principles of ESG.

ČEZ Group is committed to strong governance and transparency. We adhere to national and international guidelines and standards (GRI), and we continue to adopt new ones (SASB, TCFD, WEF, EU Taxonomy). We have signed significant national and international documents (the New Deal for Europe: Towards a Sustainable Future in the World, Diversity Charter, UN Global Compact) and joined global platforms and initiatives (UN SDGs, SBTi commitments). We accentuate responsible and ethical business governance and corporate culture, establishing meaningful policies at the Group level, such as the **Code of Conduct**⁶, **Safety and Environmental Protection Policy**⁷, **Compliance Management System Policy**⁸, **Ethical Conduct Policy**⁹, and **Anti-corruption Policy**¹⁰. In addition, the Group has established a Community Relationship Policy, which governs the relationship of the Group with different stakeholders, including local communities. We have also implemented a Diversity and Inclusion Policy; we strongly believe in equal treatment and equal opportunities for all. Top-level decision-making in these matters is within the purview of the Board of Directors, which shares joint responsibility for sustainability and ESG. ČEZ Group also has a dedicated ESG Office run by the Chief Sustainability Officer, who is directly accountable to the CEO.

ČEZ understands ESG as a comprehensive approach to managing a company in a rapidly changing environment with an emphasis on creating long-term sustainable values important for the entire society. By setting up the targets below in E, S and G, we aim to become one of the ESG leaders and to be recognized as such by rating providers and investors. Regarding external recognition of our sustainability efforts, we aim to rank among the top 20 percent of European energy companies in ESG rating by 2023.

Area	Focus	Medium and long-term targets
Environmental 	Decarbonization	<ul style="list-style-type: none"> Reduce CO2 emissions in line with the Paris Agreement “well below 2 degrees” by 2030 Reduce the emission intensity from 0.38 tCO2e/MWh in 2019 to 0.26 tCO2e/MWh in 2025 and to 0.16 tCO2e/MWh in 2030 Reduce the share of coal-fired electricity generation from 39% in 2019 to 25% by 2025 and to 12.5% by 2030
	Waste, Emissions of Pollutants and Natural Sources	<ul style="list-style-type: none"> Reduce the quantity of NOX from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030 Reduce the quantity of SO2 from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030
	Renewables	<ul style="list-style-type: none"> Install 1.5 GW renewable energy sources by 2025 and 6 GW by 2030
Social 	Community	<ul style="list-style-type: none"> Continue to be decent corporate citizens, cultivating good relationships with communities
	Human Capital – Employer attractiveness	<ul style="list-style-type: none"> Maintain our position as the most attractive employer for future talents and current employees


⁶ [Code of conduct | CEZ Group](#)

⁷ [Environmental Protection and Safety Management | CEZ Group](#)

⁸ [Compliance management system | CEZ Group](#)

⁹ [Code of conduct | CEZ Group](#)

¹⁰ [Cez group's anti-bribery policy | CEZ Group](#)

	Human Capital – Requalification objectives	<ul style="list-style-type: none"> Provide all employees that will be affected by the phase-out of coal operation of ČEZ Group with other work, retraining, requalification, or compensation
	Customer satisfaction	<ul style="list-style-type: none"> Maintain the highest Net Promoter Score (NPS) of all electricity suppliers in the Czech Republic
	Digitalization	<ul style="list-style-type: none"> Ensure that all customer processes are available online by 2025
Governance 	Diversity and Equal Opportunity	<ul style="list-style-type: none"> Ensure that 30% of management roles will be performed by women. We will increase the share of women in management of non-technical segments to 30% by 2025¹¹
	Business Conduct	<ul style="list-style-type: none"> Increase the frequency of employee training concerning the Code of Conduct. We will train at least 95% of employees each year from 2022 on¹²

2. Sustainability-Linked Financing Framework

I. Rationale for establishing the Framework

ČEZ Group's corporate strategy is strongly connected and aligned with its sustainability ambitions. For this reason, the Company is giving itself the means to align its financing and corporate strategy via Sustainability-Linked instruments. ČEZ has set ambitious targets and intends to accelerate its roadmap to carbon neutrality. The Key Performance Indicator (KPI) in this Sustainability-Linked Financing Framework (the 'Framework') is linked to our decarbonization and neutrality objectives, which are part of our updated 2030 Sustainability Strategy¹³ and are coherent to our way of doing business.

The inclusion of our decarbonization KPI into our financing strategy is further emphasizing our approach towards the low carbon energy transition and solidifies our commitment towards the sustainability strategy.

II. Structure of the Framework

ČEZ Group has established this Sustainability-Linked Financing Framework for the issuance of Sustainability-linked forms of indebtedness. This Framework is aligned with the **Sustainability-Linked Bond Principles (SLBP 2020)**¹⁴, as administered by the International Capital Market Association (ICMA), as well as the **Sustainability-Linked Loan Principles (SLLP 2021)**¹⁵, as administered by the Loan Market Association (LMA) as well as the **ICMA Climate Transition Finance Handbook 2020**¹⁶. Such principles represent voluntary guidelines setting best practices for financial instruments incorporating forward-looking, externally verified sustainability objectives and outcomes.

Sustainability-Linked Instruments as defined in this Framework may include but are not restricted to secured or unsecured bonds, convertible bonds, loans and commercial papers. The instruments can be of any seniority however they are expected to be issued ranking *pari passu* with any other conventional instrument of similar status and subordination.

ČEZ will use the proceeds of its Sustainability-Linked Instruments for general corporate purposes. Even if Sustainability-Linked Instruments proceeds are used for general corporate purposes and do not have a specific use of proceeds clause, **ČEZ will not direct such proceeds to coal extraction and coal power expansion or maintenance**. This is in line with ČEZ's overarching medium-term target to decommission coal and reduce the carbon intensity of its operations.

This Framework is in alignment with the five core principles of the SLBP 2020/SLLP 2021, which are:

1. Selection of Key Performance Indicators (KPI)
2. Calibration of Sustainability Performance Targets (SPT)
3. Characteristics of Sustainability-Linked Financing Instruments

¹¹ The figure was 27 % in 2020.

¹² The figure was 99 % for management and 96 % for employees every two years.

¹³ VISION 2030 Sustainability Strategy [Název Prezentace \(cez.cz\)](https://www.cez.cz)

¹⁴ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

¹⁵ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

¹⁶ The Climate Transition Finance Handbook 2020, available online.

4. Reporting
5. Verification

In addition, this Framework has implemented the four key elements of the Climate Transition Finance Handbook 2020:

1. Issuer's climate transition strategy and governance
2. Business model environmental materiality
3. Climate transition strategy to be 'science-based': including targets and pathways; and,
4. Implementation transparency

ČEZ will continue to monitor the sustainable finance market and may adapt this Framework in the future to the latest available standards or principles. In this regard, ČEZ will ensure that changes apply only if the quality of disclosure is enhanced.

3. Sustainability-Linked Instruments

I. Selection of Key Performance Indicators

The selection of sustainability objectives by ČEZ was conducted considering **relevance, core and materiality to ČEZ' business operations**. The selected KPI and SPTs included in this Framework are implemented within the Group's overall corporate strategy. For the purpose of this Framework, ČEZ has decided to focus on a main KPI, as deemed the most material and relevant for ČEZ's business and sustainability strategy.

KPI 1	Direct Greenhouse Gas Emissions Intensity (Carbon emission intensity of electricity and heat generated, Scope 1)
Definition	<p>Emission intensity of electricity and heat generation, direct GHG emissions – Scope 1, measured in tCO₂e/MWh.</p> <p>Emissions include CO₂ emissions from fossil fuels combustion, CH₄ and N₂O emissions from combustion of fossil fuels for electricity and heat generation, CO₂ emissions from transport, CH₄ emissions from coal mining and HFC, PFC and SF₆ emissions from leaks (complete Scope 1 emissions).</p> <p>CO₂ emissions from combustion of biomass is considered as carbon neutral. Such emissions are reported separately and are not included into the calculation in line with the requirement of The Greenhouse Gas Protocol.</p> <p>Methodology for GHG estimates is based on The Greenhouse Gas Protocol and 2006 IPCC Guidelines for National Greenhouse Gas Inventories. CO₂ emissions estimates are based on the direct measurement (continuous monitoring), if measurement is not possible than calculation based on the information about amount of fuel and its composition. The same approach is used for CO₂ emissions estimates from transport. For CH₄ and N₂O from fuel combustion emissions are based on amount of fuel used, known technology and emissions factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories. CH₄ emissions from surface coal mining take into account activities of mining and post-mining, emissions factors from 2006 IPCC Guidelines were used. HFC, PFC and SF₆ emissions (e.g. from refrigeration and air conditioning units, fire suppression units, use of electrical equipment) are based on direct information about annual leaks from these equipment based on service report according to Regulation (EU) No 517/2014 for the European Parliament and of the Council.</p> <p>Electricity and heat generation includes the generation in the range of complete production of electricity and heat for ČEZ Group, including renewables GWP factors from the IPCC Fourth Assessment Report and for the 100 year-time horizon¹⁷.</p>
Rationale	<p>The 2015 Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. ČEZ fully supports the commitment of the United Nations' Paris Agreement on climate change and sees the well below 2 degrees Celsius target as an</p>

¹⁷ <https://www.ipcc.ch/assessment-report/ar4/>

	<p>essential prerequisite if more than nine billion people are to be able to live well within the resource limits of our planet in 2050. ČEZ pursues its vision to become a carbon-neutral company by 2050 by phasing-out coal and transitioning to lower carbon technologies. ČEZ plan to decrease the use of coal significantly till 2030 and increase renewables capacity (PVs, wind, biomass) and natural gas¹⁸. By pursuing this goal, ČEZ will make an active and committed contribution toward climate protection.</p> <p>ČEZ has decided to focus on carbon intensity as main KPI because the Company's exposure to risk related to carbon emissions from its operation is high, due to the nature of its operations and the source of energy used to power such operations. Since carbon intensity is a key area for ČEZ, the KPI has been chosen based on materiality and relevance to the Company and the relative sub-industry.</p> <p>At the end of 2020, Scope 1 emissions (excluding biomass) represent c. 57% of total ČEZ Group's emissions.</p> <p>The carbon emission intensity of electricity and heat generated target will be met via decommissioning of coal power generation capacity and increasing new carbon emission free installed capacity.</p>																																										
Perimeter	<p>The indicator covers ČEZ Group's activities under financial control of ČEZ Group as defined by The Greenhouse Gas Protocol.</p> <p>Scope 1 emissions linked to biomass power plants are not included in the scope of the KPI. ČEZ follows The Greenhouse Gas Protocol methodology as well as SBTi requirements.</p>																																										
Reporting periodicity and review	<p>Annually, KPI performance will be included in the Sustainability Report and/or a specific Sustainability-Linked Instruments Report. ČEZ will engage an external auditor to provide limited assurance on the KPI performance information (in case overall Sustainability Report has not been externally assured)</p>																																										
Historical data	<table border="1"> <thead> <tr> <th>Emission intensity: Electricity and heat generation</th> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Fossil fuel combustion – CO₂^{19,20}</td> <td>t CO₂</td> <td>27,895,376</td> <td>26,888,105</td> <td>26,086,565</td> <td>22,458,780</td> </tr> <tr> <td>Fossil fuel combustion – CH₄ and N₂O²¹</td> <td>t CO_{2e}</td> <td>656,642</td> <td>653,333</td> <td>591,151</td> <td>584,845</td> </tr> <tr> <td>Transport</td> <td>t CO₂</td> <td>64,108</td> <td>54,378</td> <td>61,640</td> <td>57,640</td> </tr> <tr> <td>CH₄ fugitive emissions from coal mining</td> <td>t CO_{2e}</td> <td>474,543</td> <td>457,536</td> <td>445,190</td> <td>335,522</td> </tr> <tr> <td>HFC, PFC and SF₆ emissions from leaks²⁰</td> <td>t CO_{2e}</td> <td>3,300*)</td> <td>3,008</td> <td>3,381</td> <td>3,296</td> </tr> <tr> <td>CO_{2e} per generated electricity and heat</td> <td>tCO_{2e}/MWh</td> <td>0.41</td> <td>0.40</td> <td>0.38</td> <td>0.34</td> </tr> </tbody> </table> <p>*) estimate</p>	Emission intensity: Electricity and heat generation		2017	2018	2019	2020	Fossil fuel combustion – CO ₂ ^{19,20}	t CO ₂	27,895,376	26,888,105	26,086,565	22,458,780	Fossil fuel combustion – CH ₄ and N ₂ O ²¹	t CO _{2e}	656,642	653,333	591,151	584,845	Transport	t CO ₂	64,108	54,378	61,640	57,640	CH ₄ fugitive emissions from coal mining	t CO _{2e}	474,543	457,536	445,190	335,522	HFC, PFC and SF ₆ emissions from leaks ²⁰	t CO _{2e}	3,300*)	3,008	3,381	3,296	CO _{2e} per generated electricity and heat	tCO _{2e} /MWh	0.41	0.40	0.38	0.34
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Contribution to SDG	<p>SDG 13: Climate Action. ČEZ Group's target to reduce carbon intensity contributes to this goal</p>																																										

¹⁸ <https://www.cez.cz/en/investors/inside-information/vision-2030-investment-story-july-2021-147286>

¹⁹ CO₂ emissions from fossil fuel combustion in large facilities are detected by continuous CO₂ measurements.

²⁰ Revised estimates since CEZ Group 2020 Sustainability Report, page 207 because of internal checks, [added values for missing years and facilities](#).

²¹ To calculate CH₄ and N₂O emissions from fossil fuel combustion, emission factors were used according to https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf, calculation revised to CEZ Group 2020 Sustainability Report [added values for missing years and facilities](#).

II. Calibration of Sustainability Performance Targets (SPTs)

SPT 1	Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1) from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh) in 2019 to 0.26 tCO₂e/MWh by 31 December 2025 (represents a 30.8% reduction)
SPT 2	Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1) from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh) in 2019 to 0.16 tCO₂e/MWh by 31 December 2030 (represents a 57.4% reduction)
Benchmark	In line with 'Well below two-degrees scenario'
Target year(s)	2025, 2030
Target Observation Date(s)	<ul style="list-style-type: none"> • 31 December 2025 • 31 December 2030
Baseline year	2019
Baseline figure	0.38 tCO ₂ e/MWh
Means to achieve the SPT	<p>The ČEZ Group intends to reduce its emissions intensity by more than 50% by 2030. The measures to be established will allow the Group to achieve carbon neutrality by 2050. The emission intensity can be influenced by the way generating facilities are deployed, favoring lower-emission and renewable energy sources. In 2020, with an overall reduction in electricity generation compared to 2019, we have reduced coal generation by 14.8%, while nuclear generation has remained almost the same (only 0.7% reduction), as has natural gas generation (2.3% reduction), and renewable generation has increased by more than 7%.</p> <p>We revised our progressive target towards carbon neutrality, which initially was to reduce CO₂ emissions by 30% by 2030 compared to 2018 and to reduce emissions intensity to at least 0.30 t/MWh. Such target has been replaced with a more ambitious one which aims to 57.4% carbon intensity reduction by 2030 (2019 baseline).</p> <p>Carbon intensity reduction will be achieved via the following actions:</p> <p>a) Coal decommissioning</p> <ul style="list-style-type: none"> • Decarbonize the generation portfolio via gradual coal-fired plants phase out. The Group has set out medium and long-term commitments on coal decommissioning: reduce share of coal-fired electricity generation to 25% by 2025 and to 12.5% by 2030. Coal capacity was reduced by 1,719 MW in 2020, further 500 MW reduction in 2021 • Transformation of coal locations into new lower carbon activities such as biomass and hydrogen ready gas plants • Implementation of greening and optimization of remaining coal-fired generation activities (e.g. in Trmice or Tušimice) in accordance with the National Transition Plan • Steam to hot water conversion projects delivering energy savings and reducing emissions. For example, the project completion in Teplice result in annual energy savings of 6,534 GJ and CO₂ emission avoidance of 697.5t CO₂e per annum <p>b) Safe increase in Nuclear Energy generation volumes</p> <ul style="list-style-type: none"> • Safely increase nuclear energy generation volume in existing plants above 32 TWh on average and achieve 60-year operating life • ČEZ's nuclear power plants are operated in compliance with applicable nuclear energy legislation, fulfilling the conditions of all valid licenses • Further information on nuclear energy utilization and safety is provided in the appendix of this document <p>c) Increase in Renewable Energy generation volumes</p> <ul style="list-style-type: none"> • The emission intensity can be influenced by the way generating facilities are deployed, favoring low-emission and renewable energy sources. In 2020, we have increased renewable energy generation by more than 7%. Currently ČEZ Group operates wind farms with a total installed capacity of 142 MW. In the coming years, the ČEZ Group intends to take the following steps to increase a sustainable transformation of its generation portfolio

	<ul style="list-style-type: none"> • Increase capacity of renewable energy technologies, mainly in the Czech Republic. We are preparing to build large-scale renewable energy plants, with a capacity of up to 1,500 MW by 2025 and 6,000 MW by 2030. We are relying primarily on solar power plants, which we want to build mainly on the premises of our plants and on brownfield sites • Introducing higher interest in electricity generation from renewable sources directly at points of consumption, building self-managing smart distribution networks, supporting digitalization and automation of energy solutions, reducing energy waste and, conversely, promoting its efficient use • New energy storage technologies are part of our commercial offerings of decentralized renewable energy generation. ČEZ Solární and TENAUR subsidiaries have installed more than 1,800 photovoltaic power plants (PV) during their operation, and most of the customers have used a subsidy from the New Green Savings Program. Our customers can also purchase a PV plant together with a battery system storing electricity generated during the day from our other subsidiary, ČEZ Prodej. ČEZ Prodej installed 660 rooftop photovoltaics and 514 heat pumps in 2020 • Increase installed capacity of electricity accumulation to at least 300 MWe by 2030
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III. Characteristics of Sustainability-Linked Instruments

Sustainability-Linked Instruments issued under this Framework are linked to ČEZ' sustainability performance, meaning their financial performance is dependent on the evolution of the KPI applicable to each Sustainability-Linked Instruments in accordance with its terms and conditions ("Terms & Conditions"). In case that the KPI does not achieve the respective SPT(s), a so-called Trigger Event will occur, which will result in an impact on the financial performance of the instrument.

The implications on the financial performance of the Sustainability-Linked Instruments in case of a Trigger Event can occur in the following variations:

- The KPI-Step-Up Margin applicable to the rate of interest for the following interest periods
- One-time KPI-Premium Payment to investors on the redemption date

The relevant KPI, SPT(s), Step-Up Margin amounts or the Premium Payment amounts applicable are subject to the Terms & Conditions of the respective Sustainability-Linked Instrument.

In case of any failure in achieving the SPT(s), ČEZ will make the information publicly available at the latest 180 days after the target observation date.

If for any reason, the performance level against the SPT cannot be calculated or observed, the increased coupon margin (as defined in the Terms and Conditions of the instruments) will be applicable. If for any reason, CEZ does not publish details of its performance against the relevant SPT(s), the increased coupon margin will be applicable.

No more than one step-up margin shall be applied over the life of a given Sustainability-Linked instrument.

For clarification reasons, if ČEZ has achieved the SPT(s) for the KPI applicable under the Terms & Conditions of a Sustainability-Linked Instrument, the financial characteristics of the Sustainability-Linked Instruments will not change.

Recalculation Option

We reserve ourselves the right to conduct amendments to the KPI-SPT Reference Base, in case of any M&A activities or changes to the calculation methodology for the KPI, which lead to a change of at least 5% decrease of the respective KPI performance or change and the nature of the KPI. The adjustment mechanism allows for a revision of the KPI-SPT Reference Base by the ratio of the change in relative KPI ČEZ records as a result of the acquisition, merger, divestment, significant changes in data due to better data accessibility and/or changes in the calculation methodology. The purpose of this mechanism is to (i) ensure that a development of the ČEZ Group through M&A activity is not preventing ČEZ from achieving its set sustainability performance target.

In case of changes to the Framework the KPI and SPT(s) set out in this Framework and in the respective Terms & Conditions will remain applicable throughout the tenor of any Sustainability-Linked Instrument issued under this Framework in the form prevailing at the time of issuance of the respective Sustainability-Linked Instrument, regardless

of any subsequent changes to ČEZ' sustainability strategy or changes and future updates of the Framework, independent of whether they are driven by changes in the relevant principles or ČEZ' corporate decisions.

In case ČEZ decides to update its Sustainable Performance Target to align it with well below 1.5°C science-based reduction targets within 12 months from the issuance date of the inaugural Sustainability-Linked Instrument, the SPT(s) may be updated to reflect the Issuer's increasingly ambitious approach to carbon emission reduction. Detailed information will be made available in the respective Terms & Conditions of the Instruments.

IV. Reporting

ČEZ will provide adequate information to investors and other market participants regarding the implementation and progress on its sustainability objectives in its annually published Annual Report, Sustainability Report and/or any specific Sustainability-Linked Instrument Report. The disclosure will be made available on ČEZ' investor relations website.

The reporting will include the following information:

- The performance of the KPI, as per the relevant reporting period and when applicable, as per the Target Observation Date including the calculation methodology and baselines where relevant
- Any update in ČEZ's sustainability strategy or any recent announcements, strategic decisions and means mobilized that might impact the achievement of the SPT(s)
- Qualitatively or quantitatively explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI
- When relevant, any re-assessments of KPI and/or restatement of the SPT(s) and/or pro-forma adjustments of KPI scope information on the products range/mix as evolution drivers of the KPIs
- At its discretion, any examples of specific projects that have been implemented for the achievement of the performance against the SPT(s)

V. Verification

ČEZ has appointed an external verifier to provide an independent Second Party Opinion ("SPO") to evaluate this Framework and its alignment with the SLBP 2020 and SLLP 2021. The SPO will be made publicly available on ČEZ' corporate website and will also be available on the website of the SPO provide.

The KPI and its progress will be disclosed in the reporting document published by ČEZ on an annual basis, for instance the Group Annual Report. ČEZ will engage an external auditor to provide at least a limited assurance regarding KPI performance information.

4. Appendix:

Nuclear Energy Utilisation in the Czech Republic

The Czech nuclear law is made of two main legal acts and several decrees. The Czech Nuclear Act 1997 contains rules for civil liability and mandatory insurance of a nuclear plant operator. The Czech Nuclear Act 2016 deals with all other rules governing nuclear energy utilization, such as the rules on nuclear power plant licensing regime, disposal of nuclear waste, competence of the Czech State Office for Nuclear Safety ("SONS") and the Czech Repository Authority, decommissioning costs escrow account, fees payable by nuclear power plants operators, security and protection against radiation.

Safety of Operated Nuclear Power Plants

ČEZ's nuclear power plants are operated in compliance with applicable nuclear energy legislation, fulfilling the conditions of all valid licenses.

The nuclear power plants Dukovany and Temelín are among the most open and also the most inspected nuclear facilities in the world. So far, they have undergone dozens of international missions and inspections. For example, both of these plants have been the first in the world to undergo an international cyber security audit. Among the most important are the inspections by the International Atomic Energy Agency, OSART and the World Association of Nuclear Operators, WANO Peer Review. They aim to verify the functioning internal and external safety review system. They are based on the collection of facts concerning the power plant's performance, followed by their implementation into Areas for Improvement (AFI) and Good Practices. The Temelin and Dukovany plants are regularly recertified as a "Safe Enterprise".

Both nuclear power plants follow the Internal Emergency Plan for Nuclear Power Plants, a licensing document approved by the SONS. The related External Emergency Plan for the Emergency Planning Zone is prepared by the regional Fire Rescue Service in cooperation with the power plant and other organizations. Both nuclear power plants have their Emergency Control Center, which includes the power plant's Emergency Response Team Headquarters and Technical Assistance Center. Their purpose is to provide a nonstop technical emergency service in case an emergency has to be dealt with.

Under Czech law, SONS is responsible for supervising safe operation of nuclear power plants. SONS supervises regulatory compliance and the operation of nuclear facilities, the quality of selected activities, maintenance and personnel training. SONS representatives (local inspectors) are permanently on site at both Dukovany and Temelín nuclear power plants to monitor their performance and compliance with safety standards and operating procedures, and to make sure that any modifications are being performed in an appropriate manner. The safe operation of Dukovany and Temelín nuclear power plants is governed by documented requirements, approved by SONS.

Since their commissioning, Dukovany and Temelín nuclear power plants have been continuously monitoring the levels of radiation in the immediate vicinity of the plants under the supervision of SONS. To date, the results of the monitoring in the ventilation outlets and in the drains of the plants have indicated that radiation levels remain considerably below regulatory limits.

WANO

ČEZ is a member of the World Association of Nuclear Operators ("WANO") and, like other members of this organization, regularly participates in peer reviews of its nuclear power plants. These peer reviews are carried out regularly by international teams of experts from various professional organizations.

Final disposal of spent nuclear fuel

The Czech Republic guarantees the safe disposal of nuclear waste. Pursuant to requirements of the Czech Nuclear Act 2016, the Czech Repository Authority carries out activities associated with disposal of nuclear waste, including responsibility for all final disposal facilities and deposition of nuclear waste transferred to the Czech Repository Authority. The Czech Repository Authority's mission is to provide for the safe disposal of radioactive waste in accordance with the requirements of nuclear safety and human and environmental

protection, to manage radioactive waste repositories, coordinate preparation for the construction of a deep geological repository and verify that the waste to be disposed of meets the strict standards set by SONS.

5. Disclaimer

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