



# NOTICE OF GENERAL MEETING

The Board of Directors of ČEZ, a. s., having its registered office at Praha 4, Duhová 2/1444, Postcode 140 53, Company Reg. No: 45274649, registered in the Commercial Register kept by the Municipal Court in Prague, Section B, file 1581, calls, at the request of a qualified shareholder—group of shareholders acting in concert, consisting of Ing. Michal Šnobl, who also represents the following other members of the Group, and J&T SECURITIES MANAGEMENT LIMITED, Tinsel Enterprises Limited, and HAMAFIN RESOURCES LIMITED, all having their registered offices in Nicosia, Republic of Cyprus (collectively the “Qualified Shareholder”), **an Ordinary General Meeting, which will be held at 11:00 a.m. on November 30, 2018, at Cubex Center Prague, Na Strži 2097/63, Praha 4, 140 00.**

## General Meeting agenda:

1. Change to the Articles of Association Concerning the Stock Option Plan for the Management of ČEZ, a. s.
2. Change to the Articles of Association Regarding the Business Policy (Strategy) of ČEZ, a. s.
3. Removal and Election of Supervisory Board Members

## Record Date for Attendance at the General Meeting and Explanation of Its Significance

The record date for attending the General Meeting is November 23, 2018 (the “Record Date”). The significance of the Record Date is that the right to attend a General Meeting and to exercise the rights of a shareholder, including voting, is vested in every person recorded as a shareholder in the statutory register of investment instruments (Central Securities Depository) on the Record Date, unless it is proven that the record does not correspond to facts. The extract from the register is to be obtained by the company.

## Attendance at the General Meeting

### 1. Registration and Representation of Shareholders at the General Meeting

Shareholders will check in at the General Meeting’s venue at 10:00 a.m. on the day the General Meeting is held.

Shareholders attend a General Meeting in person or by proxy. The personal data of individuals that may attend the General Meeting as shareholders or their proxies will be processed in connection with the General Meeting; details are provided on the company’s website at [www.cez.cz](http://www.cez.cz) under the “Investors” link, in the subsection concerning the 2018 General Meetings in the “General Meetings” section.

Any power of attorney must be available in written form and must indicate whether it was granted for representation at one or several General Meetings. A shareholder may grant a power of attorney by completing a form that the company will make available in hard copy at the company’s registered office and in e-copy on the company’s website on November 9, 2018. For more details, refer to Section 2.e of this Notice.

A shareholder may also notify the company of the granting or revocation of a power of attorney in electronic form at [valna.hromada@cez.cz](mailto:valna.hromada@cez.cz). Such notification must be signed with an advanced electronic signature based on a qualified certificate for electronic signature or a qualified electronic signature pursuant to Act No. 297/2016 Coll., on trust services for electronic transactions, as amended. Shareholders may also send a notification according to the first sentence of this paragraph to the company’s data box at: [yqkcds6](mailto:yqkcds6). A notification of the granting of a power of attorney must also contain, in particular, the name, date of birth, and home address of the principal and the agent, if they are natural persons; the business name, registration number, and registered office of the principal and the agent, if they are legal entities; whether the power of attorney is granted to the proxy for the company’s General Meeting held on November 30, 2018, or for multiple General Meetings; whether the agent may grant a substituted power of attorney; and the date of the granting of the power of attorney.

If an agent hands over an original power of attorney for representation at multiple General Meetings to the company, it is the agent's responsibility to have a sufficient number of original and/or certified copies to demonstrate the duration of their power of attorney at such additional General Meetings.

A notification of the revocation of a power of attorney must contain, in addition to the identification of the principal and the agent as above, a detailed specification of the revoked power of attorney (in particular, a sufficiently specific description of the authorization granted and the granting date of the power of attorney) and the effective date of the revocation of the power of attorney.

If a notification of the granting or revocation of a power of attorney does not allow the company to assess the compliance of the power of attorney or the revocation with legal requirements or unambiguous identification of the signatory (in particular, if it is not signed with an advanced electronic signature based on a qualified certificate for electronic signature or a qualified electronic signature pursuant to Act No. 297/2016 Coll., on trust services for electronic transactions, as amended, in e-mail communication), the company is entitled, but not obliged, to request additional information to prove the shareholder's representation or its revocation.

If a shareholder's notification of the granting of a power of attorney to represent the shareholder at the General Meeting meets all specified requirements, the company will not request that the power of attorney be handed over during shareholder registration.

If an agent represents more than 10 shareholders under powers of attorney at the General Meeting, we recommend contacting the company at [valna.hromada@cez.cz](mailto:valna.hromada@cez.cz) in sufficient time regarding the specified procedure for presenting such authorization instruments to the company in order to ensure seamless shareholder registration on the date of the General Meeting.

A shareholder may also be represented at the General Meeting or for the exercise of other rights attached to shares by a person registered in a register of investment instruments or a register of dematerialized securities as an administrator and/or as a person authorized to exercise rights attached to a share. The authority of such an administrator or person to represent the shareholder at the General Meeting is evidenced by an extract from the statutory register, which is to be obtained by the company. This is without prejudice to the obligations of a shareholder, proxy, or agent during registration at the General Meeting pursuant to the following paragraph.

A shareholder that is an individual proves their identity on registration by presenting their identity card. A member of the statutory governance body of a shareholder that is a legal entity proves their identity on registration by presenting their identity card and submits an original or an authenticated copy of an extract from the commercial register or other document certifying the existence of the legal entity and the manner in which the statutory governance body acts on behalf of the legal entity. In addition, a shareholder's agent (other than an administrator and/or person authorized to exercise rights attached to a share registered in a register of investment instruments or a register of dematerialized securities) is required to submit a written power of attorney with an officially certified signature of the principal unless the company was duly notified of the authorization in advance in electronic form in accordance with the rules indicated above. A representative whose right to represent a shareholder is based on a fact other than authorization is required to present documents attesting such right.

Documents authenticated by foreign authorities by virtue of which a shareholder or their representative proves their identity are to be super-legalized or provided with a stamp of apostille (certification), unless an agreement on legal assistance exists between Czechia and the country where the document was authenticated. If the aforementioned documents or authentication certificates are executed in a foreign language, they must also bear a certified translation into Czech.

## **2. Rights of Shareholders Associated with Attendance at the General Meeting and the Manner of Exercising Such Rights**

Shareholders may exercise their rights at the General Meeting, that is, in particular, vote, request and receive (at the Meeting, before the Meeting and after the Meeting, if statutory conditions are met) explanations about matters relating to the company or entities controlled by the company if such an explanation is necessary for assessing the matters on the General Meeting agenda or for exercising shareholder rights at the General Meeting, and submit proposals and counterproposals under the conditions imposed by the law or the Articles of Association. Shareholders may exercise such rights in person or by proxy.

Shareholders bear their own expenses for attending and participating in the General Meeting.

Requests for explanations and protests are to be submitted to the chairperson of the General Meeting, generally in writing, by delivery to the information center. If a shareholder asks for an explanation verbally, they must formulate their statement so as to make it brief and understandable.

The company will provide the shareholder with an explanation unless no response need be given under the law. Explanations may be provided as a summary response to multiple questions with similar contents. The company will explain matters relating to the current General Meeting directly at that General Meeting. If that is not possible due to the complexity of the explanation, the company will provide the explanation to the shareholder within 15 days following the date of the General Meeting.

#### **a. Number of Shares and Voting Rights**

The company's registered capital is CZK 53,798,975,900 (that is: fifty-three billion seven hundred ninety-eight million nine hundred seventy-five thousand nine hundred Czech crowns) and is divided into 537,989,759 shares (that is: five hundred thirty-seven million nine hundred eighty-nine thousand seven hundred fifty-nine shares), each with a nominal value of CZK 100 (that is: one hundred Czech crowns). One vote is attached to each company share with a nominal value of CZK 100; the total number of votes attached to shares thus amounts to 537,989,759 (that is: five hundred thirty-seven million nine hundred eighty-nine thousand seven hundred fifty-nine). All the shares are issued as dematerialized bearer securities and have been admitted to trading on a European regulated market. Shareholders are not required to exercise the voting rights attached to all their shares in the same manner.

#### **b. Attendance and Voting at the General Meeting**

Attending shareholders are registered in an attendance list, specifying the business name or the name and the registered office of the legal entity or the name and the place of residence of the individual that is a shareholder, and/or a proxy of the same, the number and nominal value of shares entitling the holder to vote or, as the case may be, information that such a share does not entitle its holder to vote.

Voting at the General Meeting takes place after the General Meeting has been informed of all shareholder proposals and counterproposals duly and timely submitted for the item on the General Meeting agenda that is to be voted on; firstly, the Board of Directors' proposal is voted on; secondly, the Supervisory Board's proposal is voted on; thirdly, proposals and counterproposals submitted by shareholders are voted on in the order of submission. Debate and/or voting on other matters proceed in compliance with the Articles of Association and the Business Corporations Act. Once a submitted proposal is approved, no other proposals or counterproposals contradicting the approved proposal are voted on.

Voting is by ballot according to instructions given by the chairperson of the General Meeting. In their ballot, each shareholder makes their choice for a proposed resolution that is voted on by crossing out "FOR" or "AGAINST" and signing the ballot. If a shareholder wishes to abstain from voting, they do not submit their ballot. Unsigned ballots are invalid. Ballots that do not allow identifying the shareholder's choice are also invalid. If a shareholder submits an invalid ballot or a ballot other than the one that should have been used for voting on the given item, the shareholder is deemed to abstain from voting.

The General Meeting decides by a simple majority of attending shareholder votes, unless the law or the company's Articles of Association require a different majority.

#### **c. Right to Raise Proposals and Counterproposals**

Shareholders may present proposals and counterproposals on matters included in the General Meeting agenda. If a shareholder wishes to present a proposal or a counterproposal on a matter listed on the agenda, they must deliver the proposal or counterproposal to the company in writing no later than 10 days before the General Meeting is held; the foregoing does not apply to proposals to elect or remove particular individuals to/from the company's governance bodies. The Board of Directors will, in the manner prescribed for convening the General Meeting, communicate the text of the shareholder's counterproposal to the shareholders, together with its position, in compliance with the law and the Articles of Association. The foregoing does not apply if the communication were to take place less than two days before the General Meeting is held or if the expenses incurred were in gross disproportion to the significance and content of the counterproposal or if the text of the counterproposal contains more than 100 words. If the counterproposal contains more than 100 words, the Board of Directors will communicate the substance of the counterproposal together with its position to shareholders and publish the counterproposal on the company's website at [www.cez.cz](http://www.cez.cz) under the "Investors" link, in the subsection concerning the 2018 General Meetings in the "General Meetings" section.

#### **d. Right to Request That a Particular Matter Be Included in the General Meeting Agenda**

If so requested by a shareholder or shareholders of the company holding shares whose total nominal value is at least 1% of the company's registered capital, the Board of Directors will put a matter requested by them on the General Meeting agenda, provided that each matter is supplied with a draft resolution or a rationale and the Qualified Shareholder approves such addition to the General Meeting agenda. According to the text of the power of attorney delivered to the company, all matters concerning this General Meeting, and hence also the matter of approving a request for addition to the General Meeting agenda, are acted on by shareholder Ing. Michal Šnobl (the "Qualified Shareholder Representative"). In order to facilitate communication between a shareholder(s) according to the first sentence of this paragraph and the Qualified Shareholder regarding the Qualified Shareholder's approval of any additions to the agenda of this General Meeting, the company is ready to provide a shareholder(s) according to the first sentence of this paragraph, at the request of the shareholder(s), with information about the Qualified Shareholder Representative's mailing address that they wish to be used for all correspondence in connection with the request they submitted to convene this General Meeting. If such a request (including evidence of the Qualified Shareholder's approval) is delivered after the notice of the General Meeting is published, the Board of Directors will publish an addition to the agenda no later than 5 days prior to the Record Date for attendance at the General Meeting in the manner that the law and the Articles of Association prescribe for convening a General Meeting. A request to include a particular matter in the General Meeting agenda (including evidence of the Qualified Shareholder's approval) must be delivered to the company in sufficient time to allow its review by the Board of Directors as well as publication of the addition to the General Meeting agenda in the *Obchodní věstník* (the official Commercial Bulletin), pursuant to the last sentence of Article 9(4) of the company's Articles of Association; please note that the *Obchodní věstník* terms and conditions require that an order for any text to be published be made at least two business days before the date of publication, i.e., in this case, no later than November 14, 2018. Consequently, a request to include a particular matter in the General Meeting agenda must be delivered to the company in sufficient time before that date, depending on its contents, nature, and complexity, to allow adequate review by the Board of Directors. The Board of Directors is obliged to review any proposed matter, in particular, to make sure that the proposed matter, in respect of its contents, is in compliance with the law and that the General Meeting has the power to decide on the proposed matter.

#### **e. Availability and Location of Documents**

From November 9, 2018, to the date of the General Meeting (inclusive), shareholders may:

- Inspect documents relating to the General Meeting agenda, unless the law implies otherwise, the General Meeting's draft resolutions, including shareholders' relevant proposals and counterproposals, the rationales for the General Meeting's draft resolutions, or, as the case may be, positions of the Board of Directors on individual items on the General Meeting agenda, with all the foregoing to be available in the company's registered office at Duhová 2/1444, Praha 4, Postcode 140 53, as well as in the building at Duhová 1/425, Praha 4, Postcode 140 00, on business days from 8:00 a.m. to 4:00 p.m.
- Obtain a printed power of attorney form to represent a shareholder at the General Meeting in the company's registered office at Duhová 2/1444, Praha 4, Postcode 140 53, as well as in the building at Duhová 1/425, Praha 4, Postcode 140 00, on business days from 8:00 a.m. to 4:00 p.m., or, as the case may be, request in person at the addresses given above or in writing at the company's registered office that a printed copy of the form be sent to them at their own expense and at their own risk
- Download the following documents in electronic format from the company's website at [www.cez.cz](http://www.cez.cz) under the "Investors" link, in the subsection concerning the 2018 General Meetings in the "General Meetings" section:
  - Power of attorney e-form, or have the e-form mailed by sending a request to that effect to: [valna.hromada@cez.cz](mailto:valna.hromada@cez.cz),
  - Documents regarding the General Meeting agenda, unless the law implies otherwise
  - General Meeting draft resolutions, including shareholders' relevant proposals and counterproposals, the rationales for the General Meeting draft resolutions, or, as the case may be, positions of the Board of Directors on individual items on the General Meeting agenda

- Familiarize themselves with the notice of the General Meeting (which includes, among other things, draft amendments to the Articles of Association) in the company's registered office at Duhová 2/1444, Praha 4, Postcode 140 53, or in the building at Duhová 1/425, Praha 4, Postcode 140 00, on business days from 8:00 a.m. to 4:00 p.m., as well as on the company's website at [www.cez.cz](http://www.cez.cz) under the "Investors" link, in the subsection concerning the 2018 General Meetings in the "General Meetings" section, in the Obchodní věstník, or in other sources of information

The e-mail address [valna.hromada@cez.cz](mailto:valna.hromada@cez.cz) is reserved solely for the purposes listed herein.

Information for shareholders will also be provided at the General Meeting venue's information center on the date of the General Meeting.

## **Qualified Shareholder's proposals for General Meeting resolutions and the rationales thereof and the Board of Directors' positions on the individual items on the General Meeting agenda:**

### **Item 1: Change to the Articles of Association Concerning the Stock Option Plan for the Management of ČEZ, a. s.**

#### **Draft resolution presented by the Qualified Shareholder (1):**

**The General Meeting of ČEZ, a. s., approves the following change to the company's Articles of Association:** Article 14(9)(k) of the Articles of Association shall be deleted.

#### **Draft resolution presented by the Qualified Shareholder (2):**

**The General Meeting of ČEZ, a. s., approves the following change to the company's Articles of Association:** After paragraph 12 of Article 14 of the Articles of Association, the following paragraph 13 shall be inserted: The Board of Directors must seek prior consent by the company's General Meeting on any decision to grant options on the company's shares where the law permits the Board of Directors to make such a decision.

#### **Rationale:**

In their request to convene the General Meeting, the Qualified Shareholder stated that they propose that the Articles of Association of ČEZ be changed so that any future consideration provided to ČEZ management is controlled by the General Meeting of ČEZ, leading to transparency in such future consideration provided. Additional information can be found in the Qualified Shareholder's request to convene the General Meeting (see Annex 1 to this Notice).

#### **Board of Directors' position:**

The Qualified Shareholder proposes that the General Meeting resolve to change the Articles of Association so that the Supervisory Board is divested of its power to grant prior consent to the Board of Directors' decision to grant options on the company's stock (the "stock options") where the law permits the Board of Directors to make such a decision, and proposes that the power be given to the company's General Meeting.

In compliance with the law and the company's Articles of Association, the Board of Directors may decide to grant the stock options to "selected managers," i.e., senior managers in the company and/or CEZ Group that meet internal criteria for receiving such form of remuneration. The Supervisory Board receives detailed information about the selected manager to whom the stock options are to be granted, i.e., about their position, including a description of their powers, responsibilities, etc., for the purposes of giving its prior consent to the Board of Directors' decision. The Supervisory Board, by its nature, is a governance body that can make decisions on the Board of Directors' proposals in this respect flexibly, having the necessary knowledge of all circumstances, and taking account of the company's interests. In the Board of Directors' opinion, this mechanism ensures an efficient design of remuneration for managers. In contrast, transferring these powers to the General Meeting would pose a risk of losing part of such efficiency.

The Board of Directors also notes that because the two proposals made by the Qualified Shareholder in respect of this item are materially interconnected but presented as two separate resolutions in the Qualified Shareholder's request to convene the General Meeting, an undesirable situation in the granting of relevant consents may occur if one of the proposals is passed and the other is not.

## **Item 2: Change to the Articles of Association Regarding the Business Policy (Strategy) of ČEZ, a. s.**

### **Draft resolution presented by the Qualified Shareholder (1):**

**The General Meeting of ČEZ, a. s., approves the following change to the company's Articles of Association:** Article 14(7)(c)(c.1) of the Articles of Association shall read as follows: c.1 draft company business policy and draft amendments thereto, at least once every 2 years,

### **Draft resolution presented by the Qualified Shareholder (2):**

**The General Meeting of ČEZ, a. s., approves the following change to the company's Articles of Association:** Article 8(1)(p) of the Articles of Association shall read as follows: (p) decisions on the company's business policy and changes thereto and approval of a draft business policy and draft amendments thereto presented by the Board of Directors,

### **Rationale:**

In their request to convene the General Meeting, the Qualified Shareholder stated that they propose that the company's Articles of Association be changed so that decisions on its policy and strategic investments and divestments are really made by the company's supreme governance body again. Additional information can be found in the Qualified Shareholder's request to convene the General Meeting (see Annex 1 to this Notice).

### **Board of Directors' position:**

In their first proposal, the Qualified Shareholder proposes that the General Meeting resolve to change the Articles of Association so that the company's Board of Directors is obliged to present to the General Meeting the company's "Business Policy" and/or draft amendments thereto at least every two years. As yet, no such time interval for presenting such drafts by the Board of Directors has been set down in the Articles of Association. The Board of Directors agrees with introducing a time interval for regular presentation of the Business Policy to the General Meeting but finds it more appropriate to regulate the matter differently, as presented (in case the Qualified Shareholder's proposal is not passed) and justified below.

In relation to the Qualified Shareholder's other proposal, the Board of Directors believes that the current wording of Article 8(1)(p) of the Articles of Association ("The exclusive powers of the General Meeting include: [...] (p) Making decisions on the company's business policy and changes thereto") is sufficiently specific in that the General Meeting is empowered to make decisions on any proposals concerning the Business Policy and changes thereto, whether such proposals are made by the Board of Directors or company shareholders. Therefore, the change to the Articles of Association is unnecessary in this respect and the proposed wording does not amend the contents of the provision in any way; rather, it may be confusing as it describes the General Meeting's unchanged powers in an unnecessarily more complex manner.

### **Board of Directors' counterproposal concerning the draft resolution presented by the Qualified Shareholder (1):**

**The General Meeting of ČEZ, a. s., approves the following change to the company's Articles of Association:** Article 14(7)(c)(c.1) of the Articles of Association shall read as follows: c.1 draft company business policy and draft amendments thereto, at least once every 4 years,

### **Rationale:**

The company's and CEZ Group's Business Policy provides a fundamental framework for the business activities of CEZ Group (including the parent company), defines its medium- and long-term corporate vision and mission, and sets a strategic course for the individual components of its activities. The Board of Directors is convinced that the energy sector in which CEZ Group operates requires defining the company's and CEZ Group's business policy and strategic directions in a longer time frame than two years.

Therefore, the Board of Directors proposes that the Board of Directors be obliged to present to the General Meeting a draft updated business policy at least every 4 years rather than at least every 2 years as proposed by the Qualified Shareholder.

At the same time, the counterproposal allows for changing the business policy on the proposal of the Board of Directors sooner, with regard to the current conditions in the market and in the company or a change in the company's governance bodies.

### **Item 3: Removal and Election of Supervisory Board Members**

The Qualified Shareholder does not specify persons that should be removed or elected members of the Supervisory Board in their proposal.

#### **Rationale:**

In their request to convene the General Meeting, the Qualified Shareholder stated that with regard to the strategy changes and amendments to ČEZ's Articles of Association they proposed, the Qualified Shareholder proposes that the composition of the company's Supervisory Board be changed so that the company's minority shareholders are represented in the Supervisory Board. Additional information can be found in the Qualified Shareholder's request to convene the General Meeting (see Annex 1 to this Notice).

#### **Board of Directors' comment:**

The Board of Directors takes note of the rationale for the Qualified Shareholder's proposal to include this matter in the General Meeting agenda.

#### **Annex to the Notice:**

1. Qualified Shareholder's request to convene the General Meeting

**Board of Directors of ČEZ, a. s.**