

The Science Based Targets initiative (SBTi) mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy. It is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi call to action is one of the We Mean Business Coalition commitments. The initiative defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

The SBTi focuses on the following four key topics:

Builds technical foundations

Conducts independent assessments



Scales-up adoption



Institutionalizes SBTs



Executive summary

This report presents the results and recommendations of the SBTi's independent validation for CEZ Group's GHG emission reduction targets. It provides an overview of the assessment of the company's submitted targets and emissions covered within the targets' boundaries, as well as some guidance on the next steps to implement the targets.

The SBTi has established a set of criteria that all targets must meet to be validated as science-based. The SBTi has assessed CEZ Group's submission against the SBTi's Criteria v4.2 and after careful review has approved the targets. A detailed overview of the criteria is provided in Appendix 2. The approved targets will be listed on the SBTi website as follows:

CEZ Group commits to reduce scope 1 and 2 GHG emissions 50% per MWh by 2030 from a 2019 base year.* CEZ Group also commits to reduce absolute scope 3 GHG emissions from use of sold products 30% within the same timeframe.

*The target boundary includes biogenic emissions and removals associated with the use of bioenergy.



well-below 2°C

The SBTi classifies targets against the long-term temperature pathways of well-below 2°C and 1.5°C. The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a well-below 2°C trajectory.*

*This assessment corresponds only to the scope 1 and scope 2 portion of the submitted targets, which may or may not cover the most relevant sources of value chain emissions within the company's organizational boundary. To communicate internally or externally about your target ambition level, please consult the messaging and guidance you receive from the SBTi communications team. The analysis that underpins this temperature assessment and classification of targets is presented in Chapter 6 of the SBTi's Target Validation Protocol. An approach to classify the ambition of scope 3 targets is still in development.





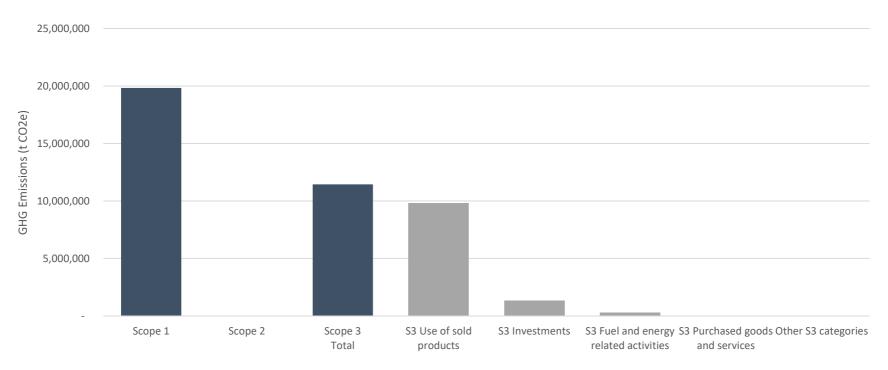






GHG inventory overview

CEZ Group submitted two annual GHG inventories for review by the SBTi. For the base year of 2019 total emissions are 31,281,434 t CO₂e, with scope 1+2 representing 63.3% and scope 3 representing 36.6% of total emissions. The GHG emissions inventory covers all relevant GHG emissions, from all relevant sources and subsidiaries. Biogenic emissions have been reported alongside the GHG inventory and are also covered by the proposed targets. In addition to the mandatory GHG emissions, emissions from optional sources have also been reported alongside the GHG inventory and have been reviewed as part of the validation process.



In addition to the base year GHG inventory, a more recent inventory for 2020 was also disclosed and reviewed as part of the target validation. This inventory shows that the scope 1+2 emissions have reduced by 17.7%, with scope 3 GHG emissions having reduced by 9.15% between 2019 and 2020. Please see Appendix 1, which provides a full breakdown of the entire submitted GHG inventory.









Overview of your science-based targets

CEZ Group has submitted two targets for review by the SBTi. As scope 3 account for less than 40% of total emissions, only scope 1+2 emissions are covered by targets. These targets have been assessed against the SBTi's quantitative and qualitative criteria, and have been validated in accordance with the SBTi validation protocol. For approval, a company's targets must comply with all applicable criteria.

After careful review, the two proposed targets were found to meet all criteria in terms of timeframe, emissions coverage, and ambition. The table below provides an overview of each approved target. Appendix 2 provides the complete assessment of how the targets were validated against all SBTi criteria.

Scope 1+2 Targets

Target ID	Scope Coverage	Туре	Base Year	Target Year	Ambition	Boundary Coverage	Method	Validation Result
INT1	Scope 1	Intensity	2019	2030	50.0%	100.0%	SDA	Approved

Scope 3 Targets

Target ID	Scope Coverage	Туре	Base Year	Target Year	Ambition	Boundary Coverage	Method	Validation Result
ABS1	Scope 3	Absolute	2019	2030	30.0%	85.7%	Absolute Contraction	Approved





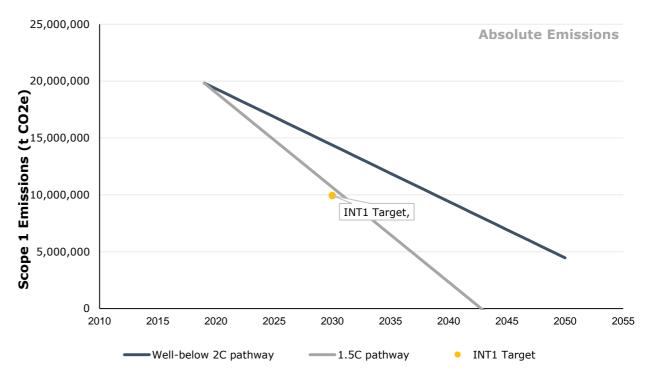




Scope 1 and 2 targets overview

To address CEZ Group's scope 1+2 emissions and biogenic CO2 emissions and removals, one target has been set. The proposed target intends emissions intensity reduce 50.0% by 2030 from a 2019 base year, and is modelled using the Sector Decarbonization annroach

The chart compares the target against the long term temperature pathways derived from the SDA model. The ambition of the proposed target exceeds the minimum ambition for the well-below 2°C pathway in the target year of 2030 and is therefore considered ambitious.



Note that the graph does not display biogenic CO2 emissions and/or removals.

Using a Sectoral Decarbonization Approach, the targets covering scope 1+2 emissions are classified as well-below 2°C aligned. The most ambitious designation available through the SBTi process is a 1.5°C aligned target. CEZ Group's scope 1+2 emissions intensity would have to be reduced by at least 75.74% by 2030 to achieve a 1.5°C target classification.





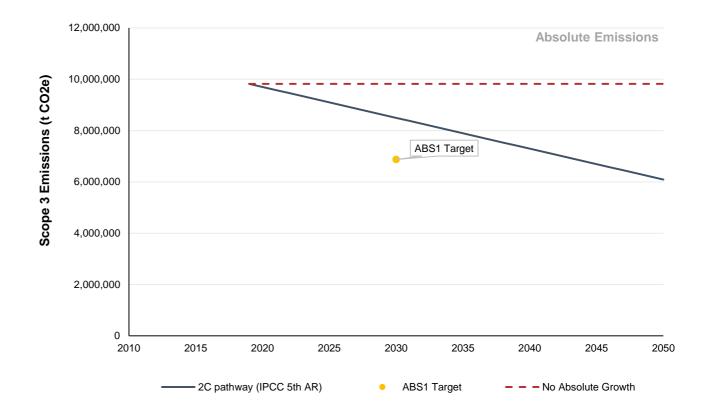




Scope 3 targets overview

To address CEZ Group's scope 3 emissions, one target addressing 85.7% of base year scope 3 GHG emissions has been set.

The target intends to reduce absolute emissions 30.0% by 2030 from a 2019 base year, and is modelled using the Absolute Contraction approach. The graph on the right compares the ambition of the scope 3 target against the minimum absolute emission reduction required to be considered in line with a 2°C pathway. The ambition of the target exceeds the minimum ambition for the 2°C pathway under the Absolute Contraction Approach in the target year of 2030, and is therefore considered ambitious.









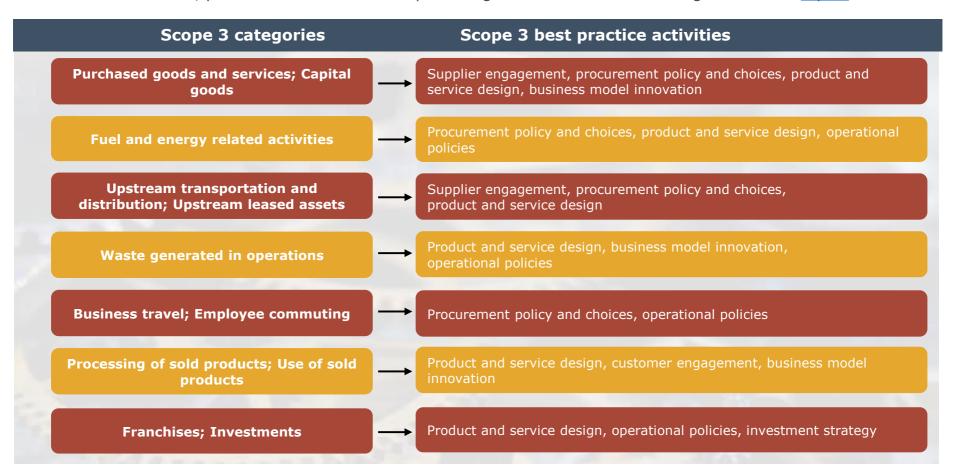


Scope 3 reduction levers

Despite the challenges of addressing indirect emissions, doing so not only has huge potential to prevent the worst impacts of climate change, but can also lead to substantial business benefits. Setting scope 3 targets enables companies to mitigate value chain risks, unlock new innovations and collaborations, and respond to mounting pressure from investors, customers, and civil society.

CEZ Group's GHG inventory highlighted that scope 3 emissions represented 36.6% of base year emissions. The table below highlights the activities that can be undertaken to best address the scope 3 emissions.

For further information, please see the SBTi's best practice guidance on S3 GHG management: report

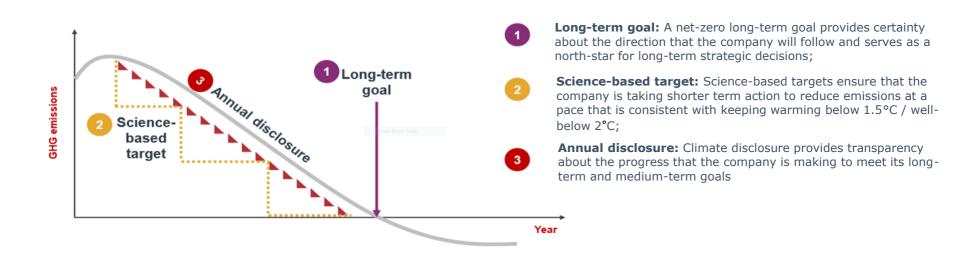


Science-based target recalculation and announcement

Congratulations on your approved science-based targets (SBTs). The IPCC special report on 1.5°C highlighted the necessity to reach net-zero emissions by mid-century. Your SBTs are a key element in setting out on this net-zero decarbonization trajectory while maximizing transparency and accountability throughout.

The next step is for CEZ Group to publicly announce these targets within six months of receiving this approval. Failure to publish within this timeline will require the targets to be resubmitted for validation. In line with SBTi Criteria, CEZ Group must review its target(s) against the latest criteria and guidance in five years, and if necessary, recalculate and revalidate for continued recognition by the SBTi.

As multi-decade planning is typically beyond the traditional corporate planning time horizon, setting SBTs is a critical activity to set companies on a net-zero decarbonization trajectory. Together with annual disclosure of GHG emissions and progress against the targets, SBTs ensure maximum transparency, accountability and corporate leadership to align with a long-term goal toward net-zero. The SBTi does not currently validate corporate net-zero targets, but is establishing a framework for net-zero target setting.



Target temperature alignment

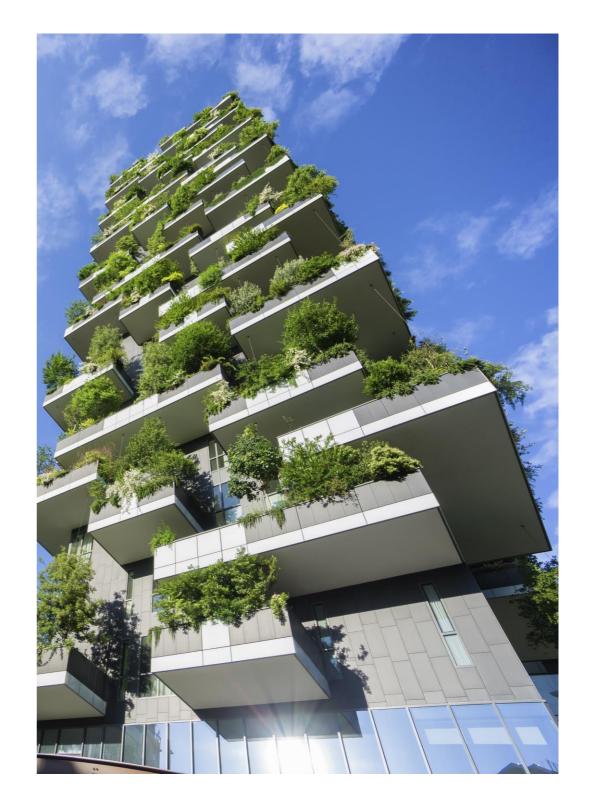
The SBTi assesses submitted targets against three temperature pathways: 2°C, well-below 2°C, and 1.5°C alignment. The most ambitious designation available through the SBTi process is a 1.5°C aligned target. Your company can choose to voluntarily update the ambition of your target if not already in line with 1.5°C.

Voluntary target update process

You are eligible to voluntarily increase the ambition level of your approved targets to align scope 1 and 2 ambition with a 1.5°C pathway for free if you meet the following conditions:

- 1) Base year and target year of the updated target remains unchanged;
- 2) Assumptions used to model the original target remain valid (e.g., significance thresholds, boundary, growth projections, etc.)

The SBTi temperature classification corresponds only to the scope 1 and scope 2 portion of your targets, which may or may not cover the most relevant sources of value chain emissions within your organizational boundary. To communicate internally or externally about your target ambition level, please consult the messaging and quidance you receive from the SBTi communications team.



Join the hundreds of leading businesses committed to unite behind the science and align with a 1.5°C future.

2021 is a critical year for increasing national ambition, to keep 1.5°C within reach. Hundreds more companies must align ambition to 1.5°C and advocate for ambitious NDCs and long-term 1.5°C aligned climate policies.





How can companies join?

The first step is to sign the business ambition for 1.5°C campaign letter.

Companies may commit to one of two options:

Option 1 – Setting science-based emissions reduction targets across all relevant scopes, in line with 1.5°C emissions scenarios

Option 2 – Setting a long-term target to reach net-zero value chain emissions by no later than 2050, alongside science-based targets across all relevant scopes.

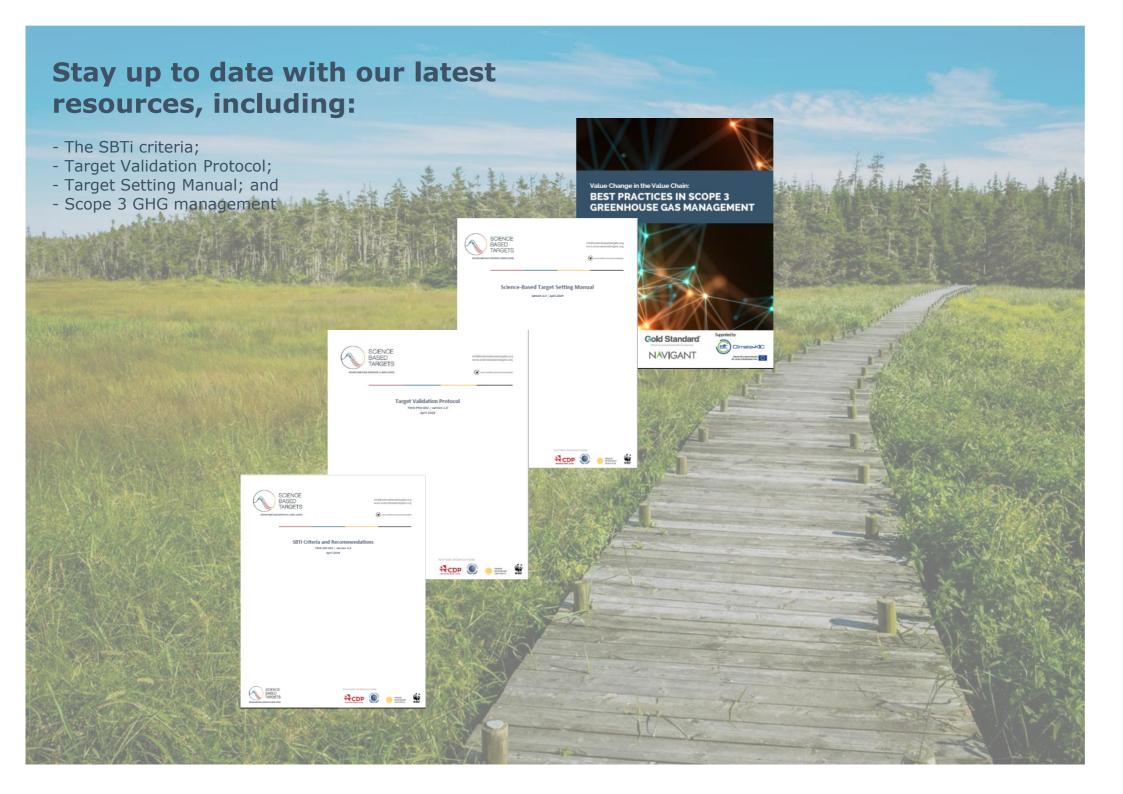
- <u>Learn more</u>
- Read the campaign FAQs
- View the business leaders taking action

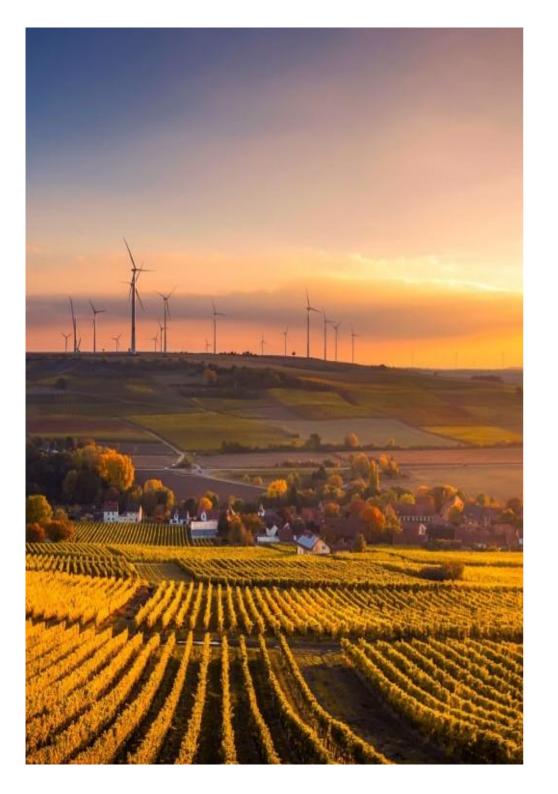
ALIGN YOUR EMISSION REDUCTION GOALS WITH THE

1.5°C PATHWAY

#OurOnlyFuture







Connect

Join us at our upcoming SBTi events <u>here</u>

Connect with us on our social media platforms:





Learn

- Review the latest updates from us with the SBTi blog
- Read our latest resources

Publish

Let our communications team know when you would like your target to be made public on our website.* Browse our communications pack for assets and tips to announce your target.

*All targets must be made public within six months of receiving this report

View our package <u>here</u>

Feedback or questions?

Contact: info@sciencebasedtargets.org

Appendix 1. GHG Inventory

	Baseline Year		Most Recent Year	
	2019		2020	
Emission Category	Emissions (t CO2e)	Share of total emissions	Emissions (t CO2e)	Share of total emissions
Scope 1	19,827,278	63.4%	16,303,612	61.0%
Scope 2	0	0.0%	0	0.0%
Scope 1+2	19,827,278		16,303,612	
Scope 3	11,454,156	36.6%	10,405,518	39.0%
1. Purchased goods and services	41,112	0.4%	33,316	0.3%
2. Capital goods	NA	NA	NA	NA
3. Fuel and energy related activities	261,277	2.3%	385,066	3.7%
4. Upstream transportation & distribution	NA	NA	NA	NA
5. Waste generated in operations	NA	NA	NA	NA
6. Business travel	NA	NA	NA	NA
7. Employee commuting	NA	NA	NA	NA
8. Upstream leased assets	NA	NA	NA	NA
9. Downstream transportation & distribution	NA	NA	NA	NA
10. Processing of sold products	NA	NA	NA	NA
11. Use of sold products	9,820,244	85.7%	8,981,904	86.3%
12. End-of-life treatment of sold products	NA	NA	NA	NA
13. Downstream leased assets	NA	NA	NA	NA
14. Franchises	NA	NA	NA	NA
15. Investments	1,331,523	11.6%	1,005,232	9.7%
Scope 1+2+3	31,281,434		26,709,130	
Other emissions: optional or out of scope	Emissions (tCO2e)	Notes	Emissions (tCO2e)	Notes
Direct CO2 emissions from bioenergy (S1)	866,891		905,314	
Direct CO2 removals from bioenergy (S1)	NA		NA	
Optional emissions, e.g., indirect use-phase	NA		NA	

Appendix 2. SBTi Criteria Overview

Appendix 2 presents an overview of SBTi's assessment of CEZ Group's targets against the SBTi target validation criteria, as well as additional recommendations, key questions resolved, or updates made to the submission that occured during the validation process.

GHG Inventory		Scope 1+2 Targets	Scope 1+2 Targets		Scope 3 Targets		Reporting	
Scopes	✓	Target Boundary	✓	Required Target	✓	Sector Guidance	✓	
Significance	✓	Target Timeframe	✓	Target Boundary	✓	Annual Reporting	✓	
GHG Inventory	✓	Target Ambition	✓	Target Timeframe	✓	Recalculation	✓	
Bioenergy	✓	Methods	✓	Target Ambition	✓			
		Scope 2 Approaches	✓	Methods	✓			

Additional recommendations and notes

CEZ Group has no scope 2 emissions under the location based accounting approach. This is due to the company producing all electricity that they consume and not consuming any electricity from the grid, and having no relevant emissions from heating, cooling or steam.

GHG Emissions Inventory and Target Boundary Criteria

Criteria	Result of the Assessment	Compliance
C1. Scopes	The target(s) cover all scope 1 and 2 emissions in the company's GHG inventory, developed in line with the GHG Protocol Corporate Standard, and therefore complies with Criterion 1.	Compliant
C2. Significance thresholds	Targets for scope 1 and 2 emissions cover 100.0% of the company's scope 1 and 2 emissions. The target submission therefore complies with Criterion 2.	Compliant
C3. Greenhouse gases	The GHG inventory and scope 1 and 2 target covers all relevant GHGs and therefore complies with Criterion 3.	Compliant
C4. Bioenergy accounting	The company reported direct carbon emissions from combustion of biofuels and/or biomass, and the relevant emissions are included in the scope 1 and 2 target boundary. The target submission therefore complies with Criterion 4.	Compliant
C5. Subsidiaries	The company included all relevant subsidiary emissions in GHG inventory and target boundary and therefore complies with Criterion 5.	Compliant

Scope 1+2 Timeframe Criteria

Criteria	Result of the Assessment	Compliance
C6. Base and target years	The target year of 2030 is between 5 and 15 years from the submission date. The target submission therefore complies with Criterion 6.	Compliant
C7. Progress to date	The required reduction between the most recent year that a GHG inventory is available and the scope 1 and 2 target year is sufficiently ambitious. The target submission therefore complies with Criterion 7.	Compliant

Scope 1+2 Ambition Criteria

C8. Level of ambition	The proposed reduction in scope 1 and 2 emissions is aligned with a rate of decarbonization consistent to keep global temperature increase to well-below 2°C compared to pre-industrial temperatures. The target submission therefore complies with Criterion 8.	Compliant
C9. Absolute vs. intensity	The proposed scope 1 and 2 intensity target is aligned with the minimum reductions within the Sectoral Decarbonization Approach, thus Criterion 9 is met.	Compliant
C10. Method validity	The target has been assessed against the Sectoral Decarbonization Approach endorsed by the SBTi and therefore complies with Criterion 10.	Compliant

Scope 1+2 Ambition Criteria Continued

Criteria	Result of the Assessment	Compliance
C11. Combined scope targets	No combined scope 1+2+3 targets have been submitted, thus Criterion 11 is not applicable.	N/A
C12. Offsets	The submitted targets do not include offsets, and therefore comply with Criterion 12.	Compliant
C13. Avoided emissions	The submitted targets do not include avoided emissions, and therefore comply with Criterion 13.	Compliant
C14. Approaches	A location-based approach is used to account for scope 2 emissions and to track performance. The target submission therefore complies with Criterion 14.	Compliant
C15. Renewable electricity	No dedicated renewable electricity targets have been submitted, thus Criterion 15 is not applicable.	N/A

Scope 3 Target Criteria

Criteria	Result of the Assessment	Compliance
C16. Scope 3 screening	A complete screening has been carried out with scope 3 GHG emissions accounting for 36.6% of the total emissions, and a scope 3 target has been set. The target submission therefore complies with Criterion 16.	Compliant
C17. Requirement to have a scope 3 target	The company is involved in the distribution of natural gas or other fossil fuel products, and has set a target over scope 3 category 11. The target submission therefore complies with Criterion 17.	Compliant
C18. Boundary	The proposed scope 3 target(s) cover 87.5% of scope 3 emissions and therefore comply with Criterion 18.	Compliant
C19. Timeframe	The target year of 2030 is between 5 and 15 years from the submission date. The target submission therefore complies with Criterion 19.	Compliant
C20. Ambition	The target addressing 85.7% of base year scope 3 emissions meets the minimum ambition requirements of the Absolute Contraction approach, and is therefore considered ambitious. The target submission therefore complies with Criterion 20.	Compliant
C20.1. Supplier or Customer Engagement	No supplier or customer engagement target was submitted for validation, thus Criterion 20.1 is not applicable.	N/A

Scope 3 Target Criteria

Criteria	Result of the Assessment	Compliance
C20.2. Fossil fuel sale, transmission and distribution	The company is involved in the fossil fuel value chain and has covered these emissions under the boundary of the scope 3 target, which is consistent with the ambition requirements of a well-below 2°C temperature pathway. The target submission therefore complies with Criterion 20.2.	Compliant
C21. Requirements from sector-specific guidance	All relevant sector guidance has been followed and therefore the submission complies with Criterion 21.	Compliant

Reporting, Recalculation, and Target Validity Criteria

C22. Frequency	The company has committed to publicly reporting its company-wide GHG emissions as well as progress against its targets and therefore complies with Criterion 22.	Compliant
C23. Mandatory target recalculation	In five years, CEZ Group must review the approved target(s) and, if necessary, recalculate and revalidate for continued science-based recognition.	Compliant
C24. Target validity	CEZ Group must publicly announce these targets by November 2022 or must revalidate its targets for continued science-based recognition.	Compliant





