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# Introduction

## About the Task Force on Climate-related Financial Disclosure

To facilitate accurate appraisal of impacts of climate-related risks and opportunities, the G20's Financial Stability Board established an industry-led task force – the Task Force on Climate-related Financial Disclosures (TCFD) – in 2015.

The TCFD developed a framework for voluntary, consistent climate-related financial disclosures with the aim to help the financial sector understand material risks.

The TCFD structured its recommendations around four thematic areas that represent core elements of how organizations operate: Governance, Strategy, Risk Management, and Metrics and Targets.

**Figure 1: Core elements of recommended climate-related financial disclosures**



The four overarching recommendations are supported by recommended disclosures that create a framework to help investors and others understand how reporting organizations assess climate-related risks and opportunities. The TCFD also provides guidance to support all organizations in developing climate-related financial disclosures consistent with the recommendations and recommended disclosures.

CEZ Group's report is based on these recommendations and follows the structure of proposed standards. We aim to disclose Governance, Strategy, Risk Management, and Metrics and targets based on the TCFD recommendations. In line with best practice, CEZ Group uses scenario analysis and results of state-of-the-art climate modelling based on science and available scientific consensus about climate change. We review the latest scientific evidence and evaluate climate scenarios to build our strategic resilience in the short, medium, and long terms. To address any blind spots, we cooperate with an independent third-party consultancy. This cooperation ensures a robust assessment of both physical and transition risks.

## About CEZ Group

CEZ Group is an international utility, one of the largest economic entities in Czechia and Central Europe, employing more than 28,000 people. CEZ Group leads energy transformation of Central Europe through its strategic VISION 2030—Clean Energy of Tomorrow. In its activities, CEZ Group emphasizes the implementation of global climate goals, decarbonization, and the impact of business activities on the environment. The core value is generated from emission-free electricity generation, distribution, and sales.

The largest shareholder of the parent company ČEZ, a. s., is Czechia with a nearly 70% stake in the company's stated capital. ČEZ, a. s., shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. As of December 31, 2021, the market capitalization of ČEZ, a. s., was CZK 444 billion, and during its existence, ČEZ, a. s., paid CZK 343 billion in dividends to shareholders.

The main business activities of CEZ Group are generation, distribution, trade, and sale of electricity and heat. Other important activities include commodity trading, trading and sale of natural gas, mining, and provision of comprehensive modern energy services (ESCO). Together with electromobility, ESCO services belong to a dynamically growing business segment.

CEZ Group recognizes that climate change poses severe risks to business and society. We are committed to both climate change mitigation and adaptation. To operate sustainably, ethically, and transparently, we must address climate-related risks and opportunities within our strategy.

## TCFD and Climate-related Milestones

### 2004

- CEZ Group introduces CO<sub>2</sub> emissions reporting in the Annual Report.

### 2007

- CEZ Group publishes the first Corporate Social Responsibility Report with a chapter dedicated to climate change.

### 2015

- CEZ Group makes a commitment to generate electricity without CO<sub>2</sub> emissions by 2050.

### 2017

- CEZ Group integrates climate change assessment as part of the Environmental Impact Assessment (EIA) documentation for new large-scale projects.

### 2018

- CEZ Group generates more than a half of electricity from zero-emission sources.

### 2020

- Permanent phase-out of the Prunéřov I coal-fired power plant (440 MW).
- CEZ Group reports all GHG emissions from Scopes 1, 2 and 3 in the Sustainability Report.

### 2021

- CEZ Group adopts accelerated decarbonization strategy VISION 2030—Clean Energy of Tomorrow and makes ESG an integral part of everyday business.
- CEZ Group joins the Business Ambition for 1.5°C campaign.
- CEZ Group establishes a dedicated ESG Office run by the Chief Sustainability Officer in July.
- CEZ Group launches a system of ESG education for all Members of the Board and selected top management and links ESG key performance indicators to remuneration.
- CEZ Group assigns responsibility for climate-related risks at the Board and executive levels.
- CEZ Group becomes an official TCFD supporter in November.
- The coal site Energotrans III (500 MW) in Mělník closes its production.

### 2022

- CEZ Group issues first sustainability-linked bonds with commitment to reach GHG emission intensity target 0.26 tCO<sub>2</sub>e/MWh in 2025 and 0.16 tCO<sub>2</sub>e/MWh in 2030.
- SBTi validates our mid-term 2030 target in line with well below 2°C.
- The Sustainability Report includes a dedicated chapter for climate-related disclosures aligned with the TCFD.
- CEZ Group and the Ministry of the Environment sign a Memorandum on Cooperation in Climate Protection, the Energy Sector, and Certain Related Areas.
- CEZ Group commits to net-zero climate neutrality by 2040 and submits this target for SBTi validation.

### 2023

- CEZ Group publishes a detailed stand-alone TCFD Report.
- CEZ Group launches a climate-related risk management initiative to develop this agenda further.

# G: Governance

## Disclose the organization's governance around climate-related risks and opportunities.

### G-A The Board's Oversight of Climate-related Risks and Opportunities

Describe the board's oversight of climate-related risks and opportunities.

ČEZ, a. s., uses a two-tier system of governance: the Supervisory Board supervises the Board of Directors, who are responsible for the day-to-day management of the company.

The following chart describes the flow of information among the governance bodies.

**Figure 2: Flow of information among the governance bodies**



The Supervisory Board periodically reviews performance of the Board of Directors and approves remuneration based on evaluation of KPIs, including environmental and climate-related KPIs. Each Member of the Board of Directors has a specific key performance indicator (KPI) linked to ESG incorporated among the top 5 KPIs, which are assessed annually. The Supervisory Board also sets and evaluates performance indicators related to the variable remuneration of the Members of the Board of Directors. Thus, the Supervisory Board also fulfills its role of the Remuneration Committee.

The Board of Directors shares joint responsibility for sustainability matters and oversees the area of ESG including climate-related issues. The Board of Directors of ČEZ, a. s., approves CEZ Group's Sustainability Strategy as well as CEZ Group's Sustainability Report.

The ESG Strategic Steering Committee (SSC), which includes all the Members of the Board of Directors, determines CEZ Group's sustainability strategy and monitors the progress of ESG initiatives and working groups. The SSC also monitors the fulfillment of targets set in VISION 2030—Clean Energy of Tomorrow.

The CEO as the Chairman of the Board of Directors informs the Supervisory Board about ESG agenda, which includes climate-related risks, on a monthly basis. The Board of Directors and Board committees are informed specifically about climate-related risks at least quarterly, and the Board of Directors is informed periodically about the environmental profile of the generation portfolio.

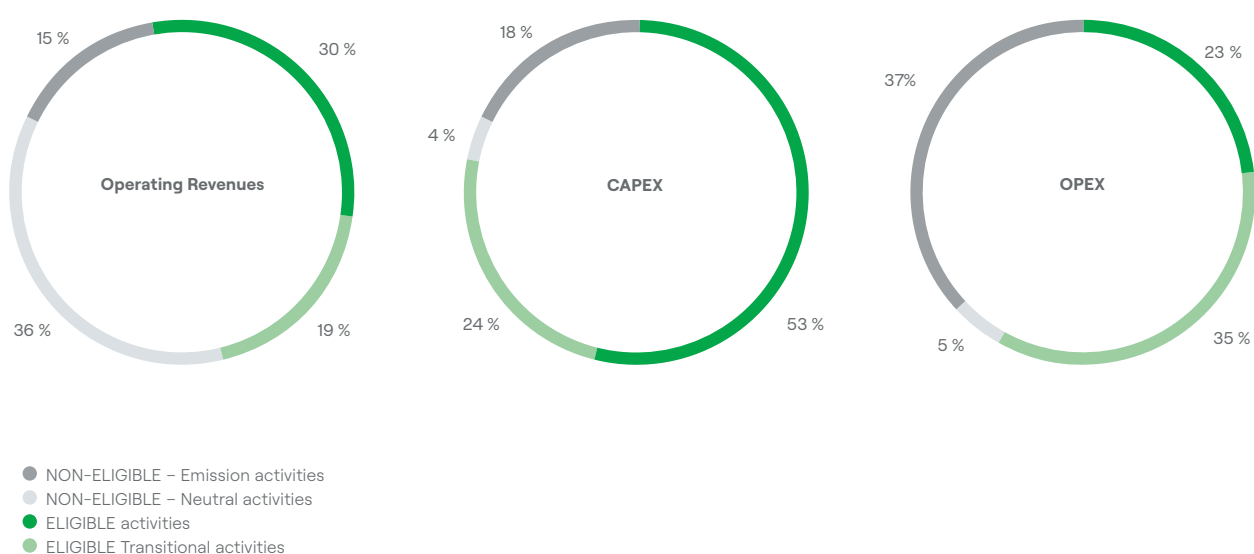
Climate risks are assessed during annual strategy reviews. In 2022, the Board of Directors adjusted the business strategy VISION 2030—Clean Energy of Tomorrow to meet climate neutrality in 2040. This decision was motivated by three drivers: (1) the annual review of VISION 2030—Clean Energy of Tomorrow, (2) the launch of the REPowerEU plan, and (3) the proposal of the European Commission to set stricter goals within the Fit for 55 package.

Annually, as part of the Environmental Management System review, the Board of Directors is informed about the environmental profile of the generation portfolio. We assess both environmental performance indicators and environmental targets achieved. CEZ Group tracks both absolute quantities and quantities relative to the volume of electricity and heat generated.

Monitoring and measurement records and environmental and climate impact records are also subject to review as part of internal and external audits and reported to the Audit Committee.

CEZ Group reports EU Taxonomy key performance indicators in line with Taxonomy Regulation 2020/852 and associated delegated acts. We report the eligibility of economic activities and major investments for climate change mitigation. We report Operating Revenues, Capex and Opex KPIs.

**Figure 3: Structure of CEZ Group activities in 2021 according to the EU Taxonomy**



## G-B Management's Role in Assessing and Managing Climate-related Risks and Opportunities

Describe management's role in assessing and managing climate-related risks and opportunities.

In July 2021, we established an ESG Office led by the Chief Sustainability Officer (CSO). The CSO reports directly to the CEO. They are both sustainability leaders in CEZ Group. ESG Office is responsible for everyday sustainability agenda, non-financial reporting, coordination of ESG initiatives, and management of ESG working groups. At the management level, daily implementation of the sustainability targets is also ensured.

CEZ Group developed a policy matrix to strengthen the managerial responsibility for ESG issues. The matrix illustrates both board-level oversight and executive managerial responsibility for each area. Responsibilities are linked to designated positions regardless of the individuals holding them. The policies and the matrix with specific initiatives and targets are currently under review. Climate-related issues fall mainly under the Environmental category.

**Figure 4: Policy Matrix – Board level oversight**

### Board Level Oversight

Sustainable Strategy Oversight	Pillar Oversight	Policy	Policy Oversight
CEO	<b>E</b> Chief of Renewable and Traditional Energy Division	Emissions & Waste	Chief of the Renewable and Traditional Energy Division, Chief of the Nuclear Energy Division
		Water Stress & Water Use	Chief of the Renewable and Traditional Energy Division, Chief of the Nuclear Energy Division
		Climate-Related Issues	Chief of the Renewable and Traditional Energy Division, Chief of the Nuclear Energy Division, CEO
		Climate-Related Issues: Suppliers	Chief of the Renewable and Traditional Energy Division, Chief of the Administration Division*
		Environmental Risks	Chief of the Finance Division
		Biodiversity	Chief of the Renewable and Traditional Energy Division
		Site Closure	Chief of the Sales and Strategy Division
	<b>S</b> Chief of the Administration Division	Renewable Energy	Chief of the Renewable and Traditional Energy Division
		Community Engagement	CEO
		Health & Safety	CEO
		Human Capital	Chief of the Administration Division
		Human Rights	Chief of the Administration Division
		Diversity	Chief of the Administration Division
	<b>G</b> CEO	Customer Engagement	Chief of the Sales and Strategy Division
		Purchasing Practices	Chief of the Administration Division*
		Public Engagement (lobbying)	CEO
		Remuneration, Clawback & Malus	Chief of the Administration Division
		Business Ethics	CEO
		Whistleblower	CEO
		Bribery and Anti-Corruption	CEO, Chief of the Administration Division*
		Anti-Corruption: Suppliers	Chief of the Administration Division*
		Anti-Money Laundering	Chief of the Finance Division
		Cybersecurity	CEO
		Business Travel	Chief of the Administration Division

\* The policy falls under the responsibility of the CEO of ČEZ, a. s.; the policy is supervised by the Director of the Administration Division.

**Figure 5: Policy Matrix – managerial oversight****Managerial Oversight**

POLICY	DIVISION	Manager	Coordination (ESG Office)	ESG Oversight
Emissions & Waste	Renewable and Traditional Energy	Head of Generation and Operation	ESG specialist for environmental	CSO
	Nuclear Energy	Head of Safety		
Water Stress & Water Use	Renewable and Traditional Energy	Head of Generation and Operation		
	Nuclear Energy	Head of Safety		
Climate-Related Issues	Renewable and Traditional Energy	Head of Generation and Operation		
	Nuclear Energy	Head of Safety		
Climate-Related Issues: Suppliers	Renewable and Traditional Energy	Head of Technical Management		
	CEO	Head of Procurement for Generation		
Environmental Risks	Finance	Head of Risk Management		
Biodiversity	Renewable and Traditional Energy	Chairman of the BoD of Severoceske doly, a.s.		
Site Closure	Sales and Strategy	Strategy Director		
Renewable Energy	Renewable and Traditional Energy	CEO of CEZ Obnovitelne zdroje, s r.o.		
Community Engagement	CEO	Head of Public Affairs	ESG specialist for social	
Health & Safety	CEO	Head of Management System		
Human Capital	Administration	Head of HR		
Human Rights	Administration	Head of HR		
Diversity	Administration	Manager of Diversity and Inclusion		
Customer Engagement	Sales and Strategy	CEO CEZ Prodej, a.s.		
Purchasing Practices	CEO	Head of Procurement		
Public Engagement (lobbying)	CEO	Head of Public Affairs	ESG specialist for governance	
Remuneration, Clawback & Malus	Administration	Head of HR		
Business Ethics	CEO	Head of Audit and Compliance		
Whistleblower	CEO	Head of Audit and Compliance		
Bribery and Anti-Corruption	CEO	Head of Procurement for Generation		
	CEO	Head of Procurement		
	CEO	Head of Audit and Compliance		
Anti-Corruption: Suppliers	CEO	Head of Procurement for Generation		
	CEO	Head of Procurement		
Anti-Money Laundering	Finance	Head of Accounting		
Cybersecurity	CEO	Head of CEZ Group Security		
Business Travel	Administration	Head of HR		

The agenda is coordinated, and progress is monitored by the ESG Office led by the CSO. The described management positions report to the ESG Office, which informs the ESG Strategic Steering Committee, which includes all the Board Members.

The Strategic Steering Committee is the highest level of ESG management. The rights and responsibilities of the SSC are set out in the ESG Strategic Steering Committee Chart. The SSC determines CEZ Group's sustainability strategy and monitors the progress of ESG initiatives and working groups. The SSC also monitors the fulfillment of targets set in VISION 2030—Clean Energy of Tomorrow.

The ESG Sponsor and the Chairperson of the SSC is the CEO and Chairperson of the Board of Directors. The ESG Executive Sponsor and the Vice-Chairperson of the SSC is the CSO. Other members of the SSC are the members of the Board of Directors, the Strategy Director, the Communication and Marketing Director, the Legal Affairs Director, and the Audit and Compliance Director.

The Executive Steering Committee (ESC) is the managerial and operational level of governance and coordination of the ESG agenda. The Chairperson of the ESC is the CSO. Its members are representatives of all Divisions and key departments in terms of ESG management.



ESG Initiatives are projects led by teams managed within one Division to implement ESG objectives approved by the SSC across CEZ Group. The ESG Initiatives are headed by managers appointed by the initiative sponsors.

ESG Working Groups are cross-divisional management teams that implement ESG objectives approved by the SSC across CEZ Group. The ESG Working Groups are headed by leaders appointed by the Chairperson of the ESC.

To ensure high quality oversight, all Members of the Board of Directors and Chief Sustainability Officer are required to gain certification in ESG. All have received certification from programs offered by prestigious institutions with great track record in executive education. These include Berkeley Law at University of California, University of Economics and Business in Prague, and Diligent Corporation.

**Figure 6: ESG management – centralized coordination—decentralized implementation**



# S: Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

## S-A Identification of Climate-related Risks and Opportunities

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

For climate-related strategy and risk management, CEZ Group uses time horizons of short term (current exposure till 2025), medium term (3-7 years till 2030) and long term (after 2030, with outlook to 2040 and 2050, depending on the lifetime of assets).

CEZ Group's risk management process covers market risks, credit risks, operational risks, business risks and sustainability risks. These overlap with the TCFD taxonomy of Transition and Physical Risks. Climate-related issues are covered in these assessments, and climate change risks can be included in more than one risk category. The negative effects of extreme temperatures and floods are part of the operational risks, while changes in average temperatures are also part of financial risks because they affect the future market prices of energy.

## Transition Risks

In line with TCFD recommendations, CEZ Group recognizes both Transition risks and Physical risks. In general, the energy sector has significant exposure linked to transition issues and is at risk from impacts of the policy, technology, and portfolio changes as a result of the shift to a low-carbon energy generation.

## Policy and Legal Risks

The impact of low carbon transition is complex and includes various potential risks, such as increased pricing of GHG emissions and enhanced emission-reporting obligations across different regulatory landscapes. As an energy company operating internationally, CEZ Group might be impacted by higher compliance costs, a potential increase in operating expenditures, and carbon pricing risk exposure.

## Technology Risks

Decarbonization and phase-out of non-renewable fossil fuel resources highlight the need for new energy solutions and technologies. The cost of transition to lower-emission technology is a very likely risk, and it might be emphasized by early retirement of existing technologies to mitigate climate impacts. The potential financial impacts include R&D expenditures in alternative technologies, capital investments in technology development, and impairments of existing assets.

### Market Risks

The energy sector faces risks linked to changing market and consumer expectations, such as the cost of low carbon transition, increased cost of inputs, and potential uncertainty in market signals. The financial impacts for CEZ Group might include increased production costs, change in revenue mix due to the expansion of renewable energy in the mix of energy supply, and re-pricing of assets.

### Reputation Risks

Reputation risks linked to transition include increased scrutiny from the financial sector, shifts in customer preferences, and increased stakeholder concerns. Transparent disclosures are crucial for the prevention of potential impacts, such as reduced capital availability, decreased employee attraction and retention, and supply chain interruptions.

### Physical Risks

#### Acute Risks

Acute physical risks could have a significant potential impact on CEZ Group. The exposure to climate hazards of increased frequency and severity might impact the production capacity and workforce health and safety. The exposure to extreme weather events might lead to reduced revenue from decreased production capacity, disruptions in the supply chain, and higher costs from negative impacts on workforce.

#### Chronic Risks

Physical risks affecting water supply create a potential exposure for the energy industry. Hydroelectric power generation and cooling for thermal and nuclear power generation rely on large quantities of water. CEZ Group has hydroelectric, thermal, and nuclear facilities in its generation portfolio. Therefore, we consider changes in precipitation, changes in weather patterns, and rising mean temperatures as potential chronic physical risks. The impacts might include increased operating, capital, and insurance costs.

### Material Climate-related Risk Matrix

We assessed potential impacts of the identified climate-related risks under the well below 2°C scenario on financial indicators and summarize the expert estimates in the material climate-related risk matrix.

**Figure 7: Material climate-related risk matrix**

Risks	Short term	Medium term	Long term
Policy and Legal Risks	medium	medium	low
Technology Risks	medium	medium	high
Market Risks	low	low/medium	medium
Reputation Risks	medium	medium	medium/high
Physical Risks	low/medium	medium	medium

### Strategic Response and Resilience

#### Material Transition Risks

CEZ Group's power plants are located in the EU and are a part of the EU emission trading scheme. CEZ Group participates in carbon allowance trading. Carbon pricing on the EU ETS market is an important driver of profitability of our generation portfolio. Carbon prices are very volatile, and we manage this risk by hedging our production up to six years ahead.

In the short- to medium-term, CEZ Group uses optimization of hedging of carbon allowances and electricity to mitigate risks in case lower generation was achieved than currently estimated. Currently, the emission factor of our generation portfolio is lower than the emission factor of the marginal plant in Europe. Therefore, potential negative impact of higher carbon costs is more than offset by an increase in electricity prices caused by an increase in the prices of carbon allowances. However, to maintain this positive relationship in the future, we need to match the pace of our decarbonization with the pace of decarbonization of our competitors.

In the medium- to long-term, both carbon pricing and EU regulatory ambitions in climate policy influence the valuation of assets and estimated lifetime of their operation.

Coal assets are under regulatory risk and CEZ Group actively manages this risk in valuation and impairment processes.

Nuclear assets and their valuation are influenced by the EU climate policy and the labelling under EU sustainable finance agenda. As of 2022, their categorization as a sustainable activity enables further development of technology, as aligned with climate neutral ambition. This decreases technology risks.

#### Material Physical Risks

CEZ Group's thermal power stations' output depends on the temperature of cooling water. Warmer cooling water would reduce overall efficiency of power plants by several percentage points.

In the long-term, CEZ Group considers the risk of rising mean temperatures as material, as it could impact power plant efficiency through warming and availability of cooling water. CEZ Group already uses alternative cooling systems (cooling towers) in several plants to avoid once-through cooling, which could be technology-at-risk under several climate scenarios. CEZ Group already manages those risks on asset and operational level, but we understand that the only robust long-term solution is mitigation of climate change. Therefore, we are committed to reaching climate neutrality by 2040 based on an emission intensity reduction plan.

## Opportunities

In terms of opportunities for the energy sector, CEZ Group's corporate strategy VISION 2030—Clean Energy of Tomorrow focuses on ambitious targets to support the transition of the energy sector to low emission energy generation. The opportunities include decarbonization of the generation portfolio, coal phase-out, development of renewable sources, the use of innovative technologies, and promotion of energy-saving solutions. We develop solutions for our own generation portfolio and for our customers: households, municipalities, corporates, and industry.

### Resource Efficiency

CEZ Group is aware of the growing importance of protection of finite natural resources throughout all its operations. The opportunities in resource efficiency include reduced water usage, recycling and circular economy, and efficient asset management, using digitalization, artificial intelligence, and big data. The financial impacts of these opportunities are reduced operating costs through efficiency gains, increased production resulting in increased revenues, and increased value of energy-efficient assets.

### Energy Sources

CEZ Group's generation portfolio includes renewable and emission-free sources, and we are planning to transform our portfolio to a low-emission one and achieve climate neutrality by 2040. Significant opportunities linked to low-carbon transition include the development of low-emission sources, the use of new technologies, participation in the carbon market, and shift toward decentralized energy generation. The development of a low-emission portfolio will reduce both exposure to GHG emissions and the risk of future fossil fuel price increases. Other potential impacts might include reduced operational costs, returns on investment in low-emission technology, reputational benefits, and increased capital availability, as more investors favor lower-emission producers.

### Products and Services

The opportunities linked to products and services are aligned with CEZ Group's corporate strategy VISION 2030, and include low emission products and services, development of new products and services through R&D and innovation, digitalization, and diversification of business activities. As a potential impact, the company might gain a better competitive position resulting in increased revenues through demand for lower emissions products and services. CEZ Group strives to be the leading decarbonization partner for all our customers.

## Markets

Market-related opportunities are linked to the products and services above, as they might facilitate access to new markets and use of public-sector incentives. The potential financial impacts might lead to increased diversification and increased revenues through access to new and emerging markets.

### Resilience

Participation in renewable energy, adoption of energy-efficiency measures, and development of cost-effective energy solutions for our customers are significant opportunities for CEZ Group. The strategic targets of VISION 2030 strengthen the resilience of the business and might lead to positive financial impacts. These include increased market valuation through resilience planning, increased reliability of supply chain, the ability to operate under various conditions, and increased revenue through new products and services related to ensuring resiliency.

European energy sector is undergoing a significant transformation towards sustainable solutions. The European Commission has been continuously increasing and accelerating ambitious targets for faster decarbonization, renewable energy development, and increasing energy efficiency while at the same time envisaging massive financial support from national governments. The current objectives and specific instruments are set out in the European Green Deal and fundamentally affect the business environment in the energy sector.

The current business concept of CEZ Group and the CEZ Group's strategy anticipate these trends. We aim to maximize the business opportunities associated with the modernization, digitalization, and decarbonization of the energy sector in the EU.

During transition and phase-out of large emission sources, CEZ Group sees a major opportunity in decentralized energy production. We already provide solutions for rooftop solar power plants, heat pumps, and cogeneration units located on site at each customer, and we expect further development of these business lines. Cogeneration units can produce both electricity and heat depending on the season: some units produce more heat in winter and mostly electricity in summer.

The implementation of the RED II Directive (Renewable Energy Directive) aiming at more ambitious renewable energy sources targets will create significant business opportunities while incentivizing low carbon investments. In VISION 2030—Clean Energy of Tomorrow, CEZ Group sets the target of building 6 GW of renewables by 2030, of which 1.5 GW by 2025.

## S-B Impact of Climate-related Risks and Opportunities

Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Impacts of climate-related risks on our business, financial planning, and strategy are considered during annual review of CEZ Group's five-year business plan, which is assessed under sensitivity analysis.

CEZ Group's current strategy was defined in 2019 based on an updated business concept. In May 2021, the strategy was accelerated as VISION 2030—Clean Energy of Tomorrow. CEZ Group defined strategic objectives for 2030 and 2050, considering the EU's decarbonization vision. At that time, we set specific ambitions in ESG to maximize both shareholder and stakeholder value.

### The Main Strategic Priorities of VISION 2030—Clean Energy of Tomorrow

1. Transform our generation portfolio to a low-emission one and achieve climate neutrality
2. Provide the most cost-effective energy solutions and the best customer experience in the market
3. Develop CEZ Group responsibly and sustainably following ESG principles

The main strategic objectives and commitments defined under the individual strategic priorities, including the ESG targets, are:

#### I. Transform our generation portfolio to a low-emission one and achieve climate neutrality

The comprehensive objective is to reduce emission intensity by more than 50% by 2030 in line with the well-below 2°C scenario and to achieve climate neutrality by 2040 in line with the 1.5°C scenario. The original goal to achieve climate neutrality by 2050 was moved forward by a decade. This decision was motivated by three drivers: (1) the annual review of VISION 2030—Clean Energy of Tomorrow, (2) the launch of the REPowerEU plan, and (3) the proposal of the European Commission to set stricter goals within the Fit for 55 package.

##### Traditional facilities:

- We will decarbonize the heating industry and convert our coal sites to new activities after shifting away from coal.
- We will build new gas-fired capacities that are hydrogen-ready.
- We will reduce the share of electricity generated from coal to 25% by 2025 and 12.5% by 2030.

##### Nuclear facilities:

- We will safely increase generation from existing nuclear sources to over 32 TWh and achieve a 60-year lifetime for nuclear units.
- We will build a new nuclear unit at Dukovany.
- We will prepare for the construction of small modular reactors (SMRs) with a total capacity of over 1,000 MW after 2040.

##### Renewables:

- We will build 6 GW of renewables by 2030, of which 1.5 GW by 2025.
- We will increase installed capacity for electricity storage by at least 300 MWe by 2030.

#### II. Provide the most cost-effective energy solutions and the best customer experience in the market

##### Distribution:

- We will invest in smart grids and decentralization to further develop a stable and digital distribution grid, including the development of fiber optic networks.

##### Sales—Retail:

- We will digitize 100% of key customer processes by 2025.
- We will maintain the highest Net Promoter Score (NPS) of the major electricity suppliers and grow our customer base by increasing service quality.
- We will offer a product portfolio that enables residential customers to achieve energy savings and reduce emissions.

##### Sales—ESCO:

- We will develop our role as a decarbonization leader—enabling effective emission reductions and delivering energy savings for our clients in industry, municipalities, and government in line with the EU target of achieving 39–40% energy savings.
- We will build the infrastructure for electromobility: we will quadruple the charging capacity, and we will operate at least 800 charging stations by 2025.

##### New segments:

- We will expand our activities into other areas of battery production, electromobility, and hydrogen generation.

#### III. Develop CEZ Group responsibly and sustainably following ESG principles

CEZ Group's comprehensive goal in responsible and sustainable development is to be among the top 20% in ESG rating by 2023. Sustainable development fully incorporates the assessment of impact of climate-related issues and includes both mitigation and adaptation to climate change.

## S-C The Resilience of CEZ Group's Strategy

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

CEZ Group's strategy is based on ESG pillars, which makes it both robust and resilient. We acknowledge that environmental and climate-related issues impact social factors. Strong and transparent governance is an important tool in managing the far-reaching effects of these dynamic changes. Therefore, we see the pillars as interconnected; they cannot be considered in isolation. This comprehensive approach to strategy enables us to effectively mitigate climate-related risks and take advantage of climate-related opportunities.

Our emission reduction targets are aligned with the current scientific knowledge. We joined the Business Ambition for 1.5°C campaign of the Science Based Targets initiative (SBTi) and committed to net-zero science-based emissions reduction targets as follows:

- Short- and mid-term targets (by 2030) are set in line with well below 2°C scenario. This target was approved and validated by SBTi in May 2022.
- Long-term targets are aligned with 1.5°C scenario. We reevaluated our commitment to reaching climate neutrality and moved the target date forward to 2040. This target has been submitted to SBTi and validation period is set for June and July 2023.

Our strategy is sufficiently robust even for other scenarios. We consider ourselves well-positioned to tackle transition risks on the market and increase our business by development of renewables and nuclear, providing sustainable ESCO solutions for our customers, and prolonging useful life of current generation facilities.

### Scenario Analysis

Overall assumptions for climate scenarios are aligned with state-of-the-art scientific modelling and practice. For climate modelling and exposure on locations, we use third-party solution using high-level scale and granularity enabled for global coverage following market practice. To verify the findings, we use cross-checking for selected sites with available data from national Climate Atlas developed by CzechGlobe – Global Change Research Institute of the Czech Academy of Sciences.

To create reference scenarios, we use comprehensive modelling and a variety of tools: the Intergovernmental Panel on Climate Change (IPCC) approach, the Reference Concentration Pathways (RCP), Shared Socioeconomic Pathways (SSP), and data models such as Coupled Model Intercomparison Project Phase 5 (CMIP 5). For scenario analysis for physical and transition risks, we use the following three reference scenarios:

- GREEN: High policy ambition – low climate impact scenario – well below 2°C (SSP1-RCP 2.6)
- POLICY: Current policy ambition – medium climate impact scenario – 2–3°C (SSP2-RCP 4.5)

- FOSSIL: Low policy ambition – high climate impact scenario – over 3°C and up to 5°C in 2100 (SSP5-RCP 8.5)

We use the following time horizons:

- Short term: current exposure until 2025
- Medium term: 3–7 years until 2030
- Long term: after 2030 with outlook to 2040 and 2050

### High-level Assessment of Alternative Scenarios (GREEN/FOSSIL)

In case of the GREEN scenario, CEZ Group valuation would be influenced by increased impairment of coal-related assets and early closure of those facilities. This would negatively impact valuation of assets, but it would not create long-term effects on profitability of CEZ Group, as coal-related EBITDA was already down to 14% in 2021. Moreover, the impact on EBITDA would be twofold: (1) downward pressure for coal-related assets in mining and generation segment (14%), and (2) upward pressure for non-emission generation sources (41%) by increased electricity demand (per scenario-consistent assumption). Other important segments would be positively influenced as well, such as increased importance of services for electricity distribution and stability and increased market for ESCO services. As the current share of non-emission generation is already favorable (over 60%), composite impact of increased green ambitions would not create unbearable financial risk and would not threaten CEZ Group's stability and market position. Physical risks would stay at the current level and not create substantial financial impact.

In case of the FOSSIL scenario, CEZ Group would feel decreased pressure of carbon pricing on generation segment and increased valuation of some current assets. Decreased incentives for the development of new sources by continued support of fossil fuels would be offset by an increased energy demand and economic growth, which would still support the development of new energy sources at an increased pace. ESCO services might be negatively impacted, as this scenario favors new energy sources to energy savings. Nevertheless, physical impact under this scenario would shift from low to moderate. Increased exposure and financial impacts would create pressure for increased future operating expenses and necessary adaptation measures. Current assets have sufficient risk-tolerance in short- to medium-term in line with their expected lifetime.

We continually review risk management processes. We use consistent climate scenario analysis and outputs from the TCFD reporting to improve internal risk assessment for individual locations. We have launched a new initiative for a more robust climate-risk management. It involves planned cooperation with top regional scientific institutions for climate modelling to improve our internal climate-related physical risks assessment of current assets as well as an ex-ante assessment for the development of new projects in line with the EU Taxonomy and Do No Significant Harm (DNSH) requirements for adaptation to climate change.

# RM: Risk Management

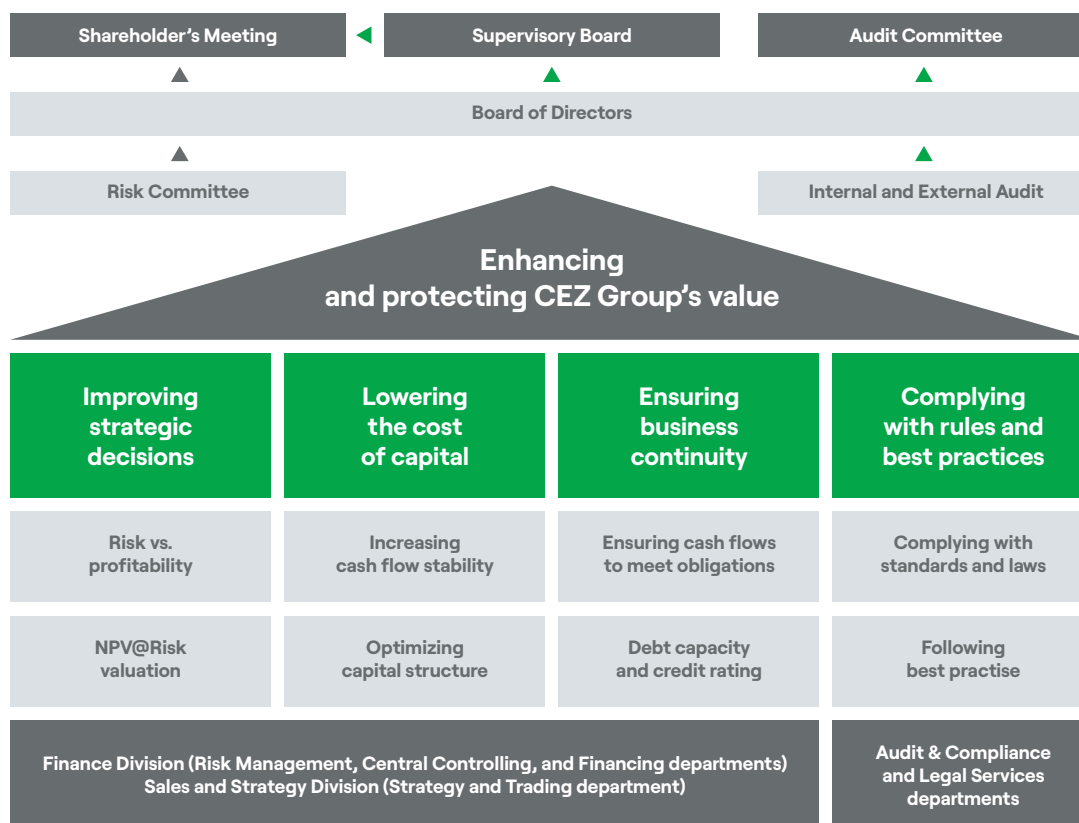
Disclose how the organization identifies, assesses, and manages climate-related risks.

## RM-A Processes for Identifying and Assessing Climate-related Risks

Describe the organization's processes for identifying and assessing climate-related risks.

The risk management system and the system of internal controls are developed continually at CEZ Group. The two areas are audited on an ongoing basis by the Internal Audit Department, which also makes sure that all processes follow best practices and internal and external regulations and standards. The principal risk management functions, objectives, and reporting at CEZ Group are illustrated by the following chart.

Figure 7: Risk management at CEZ Group



Since 2021, CEZ Group has been using the Unified Group Risk Management scheme. This scheme covers decentralized managed risk processes by introducing a single, centrally coordinated process for managing material risks using an appropriate software tool.

We incorporate double materiality: The Risk Management Department monitors (1) the impact of climate-related physical risks (i.e., floods, fires, earthquakes, landslides, lightning strikes, storms, and tornados) on our facilities; and (2) the effects of our business on the environment and the climate. The effects are categorized as follows:

- Critical: material and irreversible impact on the environment and climate
- High: material impact with a long-term return to the original state
- Medium: impact with a mid-term return to the original state
- Low: immaterial impact with a low-cost short-term return to the original state

CEZ Group also closely follows developments in climate policy and regulation both at the EU and the national level. We continually monitor the evolution and interpretation of legislation, and we evaluate the impacts on the company, including its internal policies.

## RM-B Processes for Managing Climate-related Risks

**Describe the organization's processes for managing climate-related risks.**

The aim of the risk management system is to protect the value of CEZ Group while taking on an acceptable level of risk. Centralized risk management is based on the perception of risk as measurable uncertainty (potential deviation between actual and planned developments), expressed in CZK at a chosen uniform confidence level enabling various types of risk to be compared and priorities to be set accordingly.

Centralized risk management relies on tools and models for managing and quantifying risks in one-year and medium-term time frames. The Board Directors of ČEZ, a. s., approves both the CEZ Group's Budget and the Profit at Risk, an overall risk limit expressing the CEZ Group's inclination to risk for a given year. The limit is allocated to individual risks and organizational units on an ongoing basis. Rules, responsibilities, and structure of limits for managing partial risks are discussed by the Risk Committee (an advisory body to the member of the Board of Directors responsible for risk management—Chief Financial Officer), which monitors the overall impact of risks on CEZ Group. During the creation of an internal 5-year business plan the same process is applied and the risks are identified, while existing risks are regularly updated. Since 2021, the Committee also monitors overviews regarding new uniform enterprise risk management scheme. CEZ Group's risk management process covers market risks, credit risks, operational risks, and business risks. Sustainability risks and climate-related physical risks are included in several subcategories. Negative impacts of extreme temperatures, droughts and floods are part of the operational risks as they influence both the estimated and current production. Chronic changes in average temperatures are part of financial risks as they affect the future energy market prices. Climate change and variability and change in wind patterns further influence estimates and plans under volumetric risk, associated with wind power electricity generation. Risks are monitored, assessed, and periodically reviewed.



## Transition Risk Management

### Policy and Legal Risk Management

For CEZ Group, compliance with the EU climate policy ambition and sustainable finance requirements might present climate-related risks. According to a sensitivity analysis, a potential negative impact is a possible increase of operating expenses due to the increased cost of operation of fossil fueled assets related to carbon pricing instruments.

CEZ Group already has a substantial share of non-emission sources in its generation portfolio, and the share will increase as new renewable sources are developed. At the Group level, our production capacities enable us to counterbalance the negative effect of carbon pricing on coal sources. Long-term pricing risk is projected to decrease around 2035 at a fast rate following the successful implementation of VISION 2030—Clean Energy of Tomorrow.

From the policy and legal perspectives, coal assets are at a higher risk of direct regulatory interference (e.g., ordered phase-out) and might be linked to a possible reputational risk. These risks are actively managed and mitigated: future coal phase-out and replacement of current coal locations by renewable or low carbon assets are already included in CEZ Group's strategy VISION 2030—Clean Energy of Tomorrow.

### Technology Risk Management

For CEZ Group, technology risk is linked to the transition toward low carbon technologies, and its potential impact is considered moderate. CEZ Group's generation portfolio currently includes fossil fueled sources, but no new coal assets are financed and developed. Capital costs are linked to modernization and maintenance of existing fossil fuel technologies, and coal phase-out is expected by 2033 in accordance with the Czech Government's Programme Statement and national energy safety and security.

CEZ Group considers natural gas as transitional technology and plans to prepare large-scale projects in line with the EU Taxonomy. New projects will serve as replacements of the current coal assets in the generation portfolio and will employ hydrogen-ready technologies.

To manage and mitigate technology risk, CEZ Group invests significantly into technologies considered neutral or environmentally positive according to the EU Taxonomy, such as renewables, smart grids, and nuclear energy. CEZ Group's strategy VISION 2030—Clean Energy of Tomorrow focuses predominantly on eligible activities and aims for a high level of alignment with the EU Taxonomy.

## Market Risk Management

Changes in prices and volumes of electricity represent the largest risk and opportunity for CEZ Group. In the central European market, the wholesale price of electricity is determined as the balance between supply and demand. The short-term factors affecting electricity prices and volumes include on-shore and off-shore wind conditions, temperature, carbon allowance prices, fuel prices, economic development, and the import/export situation. These define potential risks related to the market. Market risks are assessed as part of CEZ Group's company-wide risk assessment process.

### Reputation Risk Management

CEZ Group operates in the energy generation and utilities industry and has a share of fossil fueled facilities in its portfolio, which makes the Group potentially exposed to medium level reputation risk and negative stakeholder feedback.

To manage and mitigate reputation risk, CEZ Group actively discloses corporate ESG data and increases both the quality and the scope of non-financial reporting. The Group is regularly assessed by select corporate rating providers and communicates with internal and external stakeholders openly and transparently.

CEZ Group also strives to be a leader in climate-related activities in Czechia, becoming the first TCFD supporter in 2021 and obtaining SBTi validation in 2022.

## Physical Risk Management

Both acute and chronic physical risks are assessed as part of CEZ Group's company-wide risk assessment process.

For the purpose of the TCFD Report, CEZ Group assessed its portfolio of TOP100 assets representing 98% of Scope 1 and 2 GHG emissions against multiple climate hazards across three reference climate scenarios:

- GREEN: High policy ambition – low climate impact scenario – well below 2°C (SSP1-RCP 2.6)
- POLICY: Current policy ambition – medium climate impact scenario – 2–3°C (SSP2-RCP 4.5)
- FOSSIL: Low policy ambition – high climate impact scenario – over 3°C and up to 5°C in 2100 (SSP5-RCP 8.5)

For risk assessment, CEZ Group used a third-party solution using global modelling (CMIP 5) and databases with global coverage in line with market practice. For selected priority locations, exposure risk cross-assessment was conducted using the national Climate Atlas, developed by CzechGlobe – Global Change Research Institute of the Czech Academy of Sciences, with high-resolution and improved data granularity for Czechia.

To assess physical risk exposure, scoring on a 1-100 scale is used, with low risk <35; moderate risk <65; and high risk >66. The assessed climate hazards include water stress, flood, heatwave, coldwave, hurricane, wildfire, and sea level rise.

**Figure 8: Climate hazard impact on CEZ Group**  
(assessment by S&P Global, 2022)

Climate Hazard	Aggregated Impact on CEZ Group		
	Low climate impact	Medium climate impact	High climate impact
Composite risk	52/100	53/100	49/100
Composite risk w/out coldwave	30	32	29
Water stress	29	29	26
Flood	3	3	4
Heatwave	14	21	27
Coldwave	54	52	36
Hurricane	1	1	1
Wildfire	3	3	4
Sea level rise	1	1	1

Based on the assessments of exposure and risk materiality, CEZ Group locations and facilities are impacted by low to moderate composite physical risk with a stable outlook. Three material risks were identified: water stress, heatwave, and coldwave.

Water stress is assessed as a moderate material risk only at several CEZ Group locations with technologies dependent on a water resource for electricity generation (hydropower) or cooling technologies (nuclear and thermal power). In total, the impacted locations at moderate risk include three hydropower locations in Czechia, Dukovany nuclear power plant, and four thermal power plants in Czechia and Poland. These assets under moderate risk exposure are linked to approximately 38% of current installed generation capacity. Water stress risk is actively managed under operational risk management.

Heatwave risk has a significant impact on assets in Turkey, which is due to their proximity to and dependency on local water sources. The most vulnerable assets with high-risk scores are all current assets in the region. CEZ Group gradually divests from this region, and no further adaptation measures and investments are planned, as the assets are not under direct management. No other assets reached moderate or high heatwave risk.

The coldwave climate hazard assessment indicates a significant impact, but exposure to coldwave risk is considered non-material for CEZ Group production facilities, except for distribution grids, which are at risk due to climate exposure. This risk is properly assessed and incorporated into mandatory emergency plans together with other natural risks (e.g., flooding). The low risk assessment is based on a cross-assessment of exposure with location operational data, national meteorologic data, National Climate Change Adaptation Action plan, and the IPCC Climate Change Report 2022. The adjusted impact is listed as Composite risk without coldwave in Figure 8.

## RM-C Integration into CEZ Group's Overall Risk Management

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

CEZ Group recognizes that climate-related risks are complex and overarching. They can trigger other types of risks (reputational, operational, financial) and jeopardize stakeholder relationships. We understand the importance of climate-related risk assessment and the adaptation to transition risks. Therefore, the management and mitigation of climate-related risks is included in ESG agenda and incorporated into CEZ Group's strategy VISION 2030—Clean Energy of Tomorrow. We monitor regulations related to climate at the national and the EU level, and we also monitor non-governmental organizations and initiatives, as they tend to be ahead of regulation. This allows us to predict trends, minimize transition risks, and adapt to new disclosure requirements, which include climate-related issues.

Strategic, regulatory, and legislative business risks are assessed on an ongoing basis and considered when updating acquisition and investment strategies in order to reflect changes in CEZ Group's debt and financial capacities. CEZ Group's significant business and strategic risks are recorded, monitored, and managed under the Unified Group Significant Risk Management Scheme.

# MT: Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

## MT-A Assessment Metrics for Climate-related Risks and Opportunities

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

### Key Risk Metrics

CEZ Group uses internationally recognized standards to report data for all areas of ESG. We report according to Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), World Economic Forum (WEF), and Sustainable Development Goals (SDGs). Selected key metrics used to measure and manage climate-related risks and opportunities are summarized in the table below with a reference to relevant pages of CEZ Group 2021 Sustainability Report. Both historical and current data are also available online in the interactive Data Library. For more details, go to Data Library | Sustainability in CEZ Group.

**Figure 9: Key climate-related risk metrics**

Climate-related Risk Metrics	Relevant page of the 2021 Sustainability Report
GHG Emissions: Scope 1	p. 20
GHG Emissions: Scope 2	p. 20
GHG Emissions: Scope 3	p. 21
Emission Intensity	p. 21
Emissions of Pollutants	p. 24
Waste Management	p. 25
Water Management	p. 28
Biodiversity: Land Reclamation	p. 30
Energy Intensity	p. 38
Additional Metrics and Historical Trends	pp. 83-97

### Opportunity Metrics

CEZ Group discloses climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy. This information has been disclosed since 2022 as the EU Taxonomy KPI report fulfilling the requirements stipulated in Article 8 of Taxonomy Regulation and Delegated Acts. The complete report is available in Chapter 3.6 of the CEZ Group 2021 Sustainability Report (pp. 39-42).

### Remuneration Policy

Climate-related performance metrics are incorporated into the Remuneration Policy. Each Member of the Board of ČEZ, a. s., has a unified ESG task with a weight of at least 15% since 2022. This task requires reaching a target level of international ESG rating, fulfilling our public commitments, implementing ESG initiatives, and taking measures in line with the accelerated strategy of VISION 2030—Clean Energy of Tomorrow, which is predominantly climate related. The fulfilment of the KPIs is assessed by the Supervisory Board.

## Methodology

### GHG Emissions

CEZ Group reports its GHG emissions using the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard and 2006 IPCC Guidelines for National Greenhouse Gas Inventories. CEZ Group's inventory for reporting is given by financial control: this includes all companies in which ČEZ, a. s., has a financial interest of more than 50% or controls the company. In the methodology, emissions are defined in three scopes: Scope 1, Scope 2, and Scope 3. We report Scope 1 and 2 emissions fully. In Scope 3, we report only categories relevant to CEZ Group.

We measure our CO<sub>2</sub> emissions directly in production (continuous monitoring). Alternatively, we calculate emissions using emission factors from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. We use Global Warming Potential (GWP) values from the IPCC Fourth Assessment Report for the 100-year-time horizon. All GHGs covered by Kyoto Protocol are included (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, and SF<sub>6</sub>). Since the beginning of the EU Emissions Trading System (EU ETS) in 2007, we have independently verified a substantial part of Scope 1 emissions. In 2021, all GHG emissions in Scope 1 and 2 from operations in Czechia have been verified by an independent verification body.

Scope 1 emissions come from the burning fossil fuels to generate electricity and heat (CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O), fuels for vehicles we own or operate (CO<sub>2</sub>), fugitive coal mining emissions (CH<sub>4</sub>), biomass burning (CH<sub>4</sub> and N<sub>2</sub>O), and minor leaks from cooling, air conditioning equipment, and high-voltage switches (HFC, PFC, and SF<sub>6</sub>). Scope 1 emissions are currently the most significant in the utility sector. Nevertheless, their importance will decrease with the transition to low emission energy sources.

To minimize double counting of emissions between Scopes 1 and 2, CEZ Group treats the grid consumption as if it were supplied by its own facilities, which is in line with the GHG Protocol. Reported Scope 2 emissions relate to losses in the distribution network. We report emissions according to the location-based methodology. Scope 2 emissions decreased year-on-year due to the divestment of operations abroad. The GHG Protocol divides Scope 3 emissions into 15 categories that cover indirect emissions in the value chain from upstream and downstream activities. Relevant categories for CEZ Group are Category 1: purchased goods and services, Category 3: energy and fuel-related activities not included in Scope 1 and 2, and Category 11: use of sold products. We are currently evaluating the relevance of other Scope 3 categories. Our current estimates show that other categories count for less than 5% of the total Scope 3 emissions.

## MT-B Greenhouse Gas Emissions Disclosures

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

### GHG Emissions and Related Risks

Since the beginning of the EU Emissions Trading System (EU ETS) in 2007, we have independently verified a substantial part of Scope 1 emissions. Since 2021, all GHG emissions in Scope 1 and 2 have been verified by an independent verification body. For more details regarding the scope and the parameters of verification, see the CEZ Group Sustainability Reports.

To increase transparency and allow for trend analysis of GHG emissions and associated metrics, CEZ Group launched an interactive Data Library on its sustainability webpage. The Data Library offers hundreds of indicators in all areas of ESG and includes historical periods. For more details, go to Data Library | Sustainability in CEZ Group.

**Figure 10: Scope 1, Scope 2, and Scope 3 emissions**

Scope 1 Emissions	Unit	2019	2020	2021
Fuels from facility operations	t CO <sub>2</sub>	26,070,966	22,458,780	18,702,178
Emissions from non-generation diesel generators*	t CO <sub>2</sub> e	N/A	1,014	224
CH <sub>4</sub> source emissions*	t CO <sub>2</sub> e	N/A	61,7531)	67,880
N <sub>2</sub> O source emissions*	t CO <sub>2</sub> e	N/A	522,3841)	136,150
Fugitive CH <sub>4</sub> emissions from coal mining*	t CO <sub>2</sub> e	N/A	335,522	30,463
Fugitive CH <sub>4</sub> emissions from landfill*	t CO <sub>2</sub> e	N/A	1	1
C/F-HC, SF6, apart from facility operations	t CO <sub>2</sub> e	3,136	3,295	3,000
Emissions from transport	t CO <sub>2</sub> e	61,640	57,640	54,613
Total	t CO <sub>2</sub> e	26,135,742	23,440,389	18,994,509
Biomass from facility operations	t CO <sub>2</sub> e	1,343,775	1,534,381	1,293,425

\* Indicator monitored since 2020.

<sup>1)</sup> 2020 data were recalculated and corrected.

Scope 2 Emissions	Unit	2019	2020	2021
Total	t CO <sub>2</sub> e	356,198	333,409	142,698

Scope 3 Emissions	Unit	2019	2020	2021
Category 1 – Purchased goods and services	t CO <sub>2</sub>	41,112	33,316	40,428
Category 3 – Energy and fuel-related activities	t CO <sub>2</sub> e	2,633,947	2,479,467	1,529,566
Category 11 – Use of sold products	t CO <sub>2</sub> e	15,647,657	14,864,921	9,674,011
Total	t CO <sub>2</sub> e	18,322,716	17,377,703	11,244,005

## MT-C Targets and Performance

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

### Targets

VISION 2030—Clean Energy of Tomorrow defines CEZ Group's strategic targets for 2025 and 2030. The most important climate-related objectives are summarized below.

#### Carbon emissions targets

- Reduction of CO<sub>2</sub> emissions in line with the Paris Agreement well below 2°C by 2030
- Reduction of CO<sub>2</sub> emission intensity from 0.38 tCO<sub>2</sub>/MWh in 2019 to 0.26 tCO<sub>2</sub>/MWh in 2025 and to 0.16 tCO<sub>2</sub>/MWh in 2030
- Reduction of the share of coal-fired electricity generation from 39% in 2019 to 25% by 2025 and to 12.5% by 2030
- Reaching climate neutrality by 2040 in line with well below 1.5°C
- Reduction of the share of coal-fired electricity generation from 39% in 2019 to 25% by 2025 and to 12.5% by 2030

#### Toxic emissions targets

- Reduction of NO<sub>x</sub> from 23 kt in 2019 to 13 kt in 2025 and 7 kt in 2030
- Reduction of SO<sub>2</sub> from 21 kt in 2019 to 6.5 kt in 2025 and 3 kt in 2030

#### Nuclear facility targets

- Safe increase of generation from existing nuclear sources to over 32 TWh
- Achievement of a 60-year lifetime for nuclear units
- Preparation for the construction of small modular reactors (SMRs) with a total capacity of over 1,000 MW after 2040

#### New renewable capacity targets

- Building 6 GW of renewables by 2030, of which 1.5 GW by 2025
- Increased installed capacity for electricity storage by at least 300 MWe by 2030

#### Development targets

- Investments in smart grids and decentralization to further develop a reliable and digital distribution grid, including the development of fiber optic networks
- Electromobility infrastructure: quadrupling charging capacity and operating at least 800 stations by 2025

## Performance Against Targets

The table below summarizes CEZ Group's performance against targets.

**Figure 11: Performance against targets**

Metrics	Units	Performance			Targets		
		2019	2020	2021	2025	2030	2040
Emission intensity	gCO <sub>2</sub> e/kWh	0.38	0.34	0.29	0.26	0.16	0
SO <sub>2</sub>	kt	21	14.3	7.8	6.5	3	0
NO <sub>x</sub>	kt	23	19.4	14.3	13	7	0
Share of coal-fired electricity generation	%	39.3	35.5	32.1	25	12.5	0
Distribution grid							
CAPEX (Czechia)	billion CZK	10.9	12.4	13.4	15-16	16-17	N/A
E-mobility: Charging capacity	Number (charging stations)	188	275	385	800	N/A	N/A
ESCO business segment Revenue	billion CZK	21.8	22.5	24.8	46	78	N/A

CEZ Group's trajectory is well on track to achieve the targets set in VISION 2030—Clean Energy of Tomorrow. However, due to the war in Ukraine, energy market volatility, and energy crisis in Europe and Czechia, a temporary one-to-two-year deviation from projected trajectory is possible. Nevertheless, CEZ Group remains fully committed to existing 2025 and 2030 targets.

# Appendix – Reference Scenarios (SSP and RCP)

Scenario analysis for CEZ Group is based on the following reference scenarios and scientific assumptions linked to referencing SSP<sup>1</sup> and RCP<sup>2</sup>. We are using a mix of assumptions and modelled trends at the global level (e.g., temperature, climate risks) or at the OECD level (growth, policy, technologies). In the TCFD report, we describe only simplified qualitative versions of main assumptions. Quantified assumptions and scientific-modelled results are publicly available on SSP database version 2.0 (IIASA).

Factor	Reference scenario		
Climate Scenario	SSP1-RCP2.6	SSP2-RCP4.5	SSP5-RCP8.5
Temperature 2100	Not likely to reach 2°C	More likely than not to exceed 2°C	As likely as not to exceed 4°C in 2100
Emissions	Halved by 2050	Halved by 2080	Continues to rise by current rates
Impact Axis	Policy change impact – Climate change impact		
Economic growth	Average economic growth at 2% p.a.	Average economic growth at 2% p.a.	Average economic growth at 4% p.a.
Climate Policy	High ambition	Medium ambition	Low ambition
Carbon price	Substantial increase. At least 100 USD in 2030	Gradual increase. At least 67 USD in 2030	No carbon pricing or low price in abandoned EU ETS (11 USD)
Energy and electricity demand	Substantial decrease, energy savings are prioritized. Electricity demand stays approx. on current level.	Increase in time. Substantial increase in demand for electricity in several sectors	Both energy and electricity demand increase substantially in line with economic growth
Generation capacity	Electricity generation capacity increases	Electricity generation capacity increases substantially	Electricity generation capacity increases substantially
Technologies	Strict coal phaseout (2030), nuclear energy phaseout after 2050, gas peaks at 2040. Substantial development of RES. Need for CCS/CCU	Coal phaseout up to 2040. Nuclear energy follows lifetime of current assets (2060) and develops new mainly as replacement. Gas peaks at 2070. Development of RES (mainly WIND)	No coal phaseout. Increased use of gas. Nuclear only follows lifetime of current assets, no new assets build. RES development mainly after 2050.
Physical risk	low	medium	high
	Constrained impacts. Smaller risk of tipping points	Several impacts are materialized. Some tipping points could be reached	Impacts are higher and probably further exacerbated by impact loops and tipping points

<sup>1</sup> Shared socioeconomic pathways – SSP1 Sustainability (“Taking Green Road”), SSP2 (“Middle of the Road”), SSP5 Fossil-fueled Development (“Taking the Highway”)

<sup>2</sup> Representative Concentration Pathways – RCP2.6 Very stringent pathway (below 2°C), RCP4.5 Intermediate scenario (2–3°C), RCP8.5 Baseline scenario (unlikely, but following current trend 2005–2020, above 4°C)