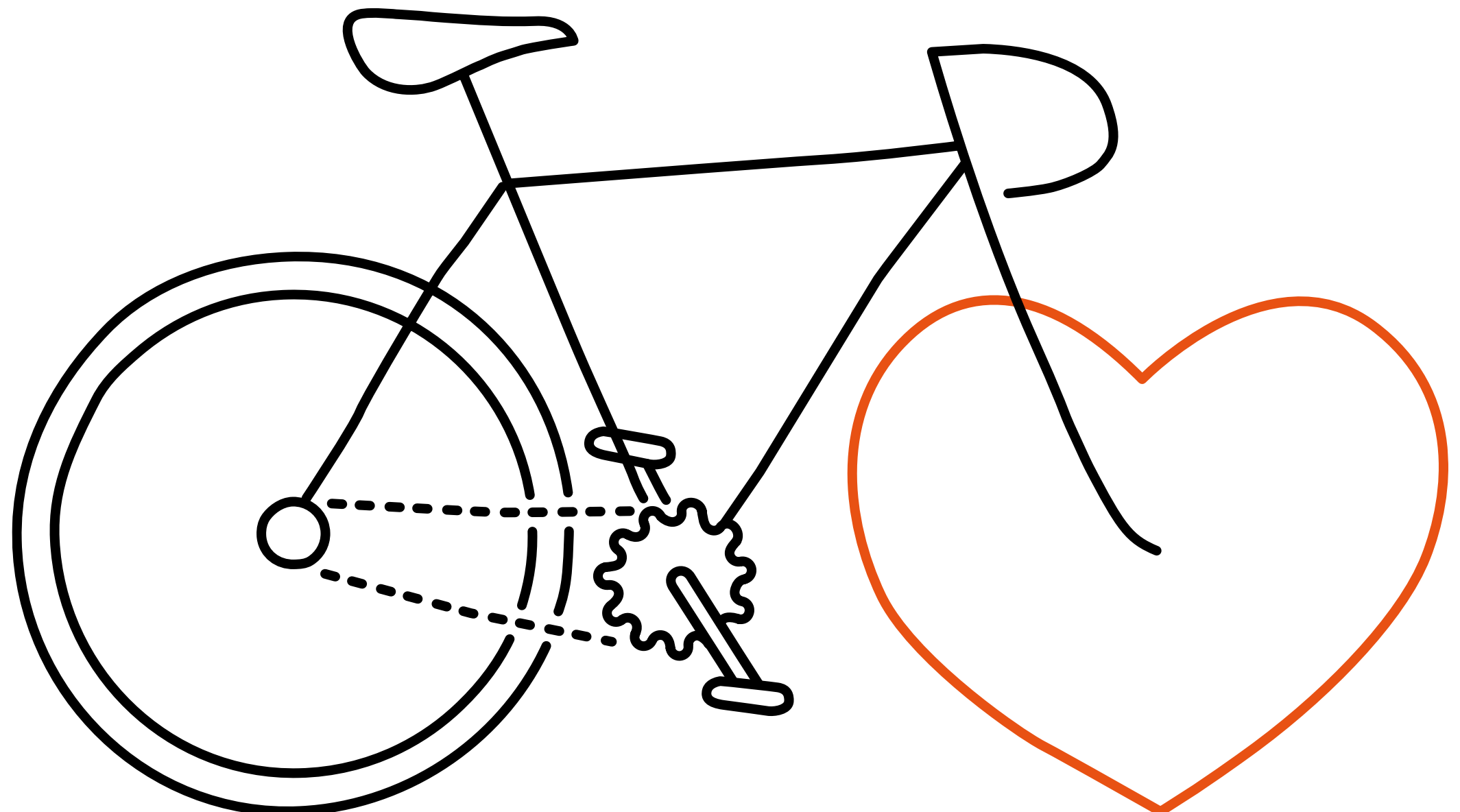


CEZ GROUP

SUSTAINABILITY REPORT 2016

ENERGY FOR THE FUTURE





"Life is like riding a bicycle.
To keep your balance,
you must keep moving."

Albert Einstein

WE ARE IMPLEMENTING
OUR SUSTAINABLE
DEVELOPMENT STRATEGY
WITH SPEED AND
OUR CHARACTERISTIC
ENERGY

And we do have results,
as you can see below.
Happy reading!

0

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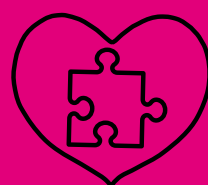
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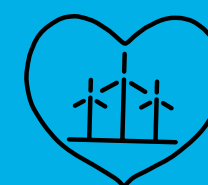
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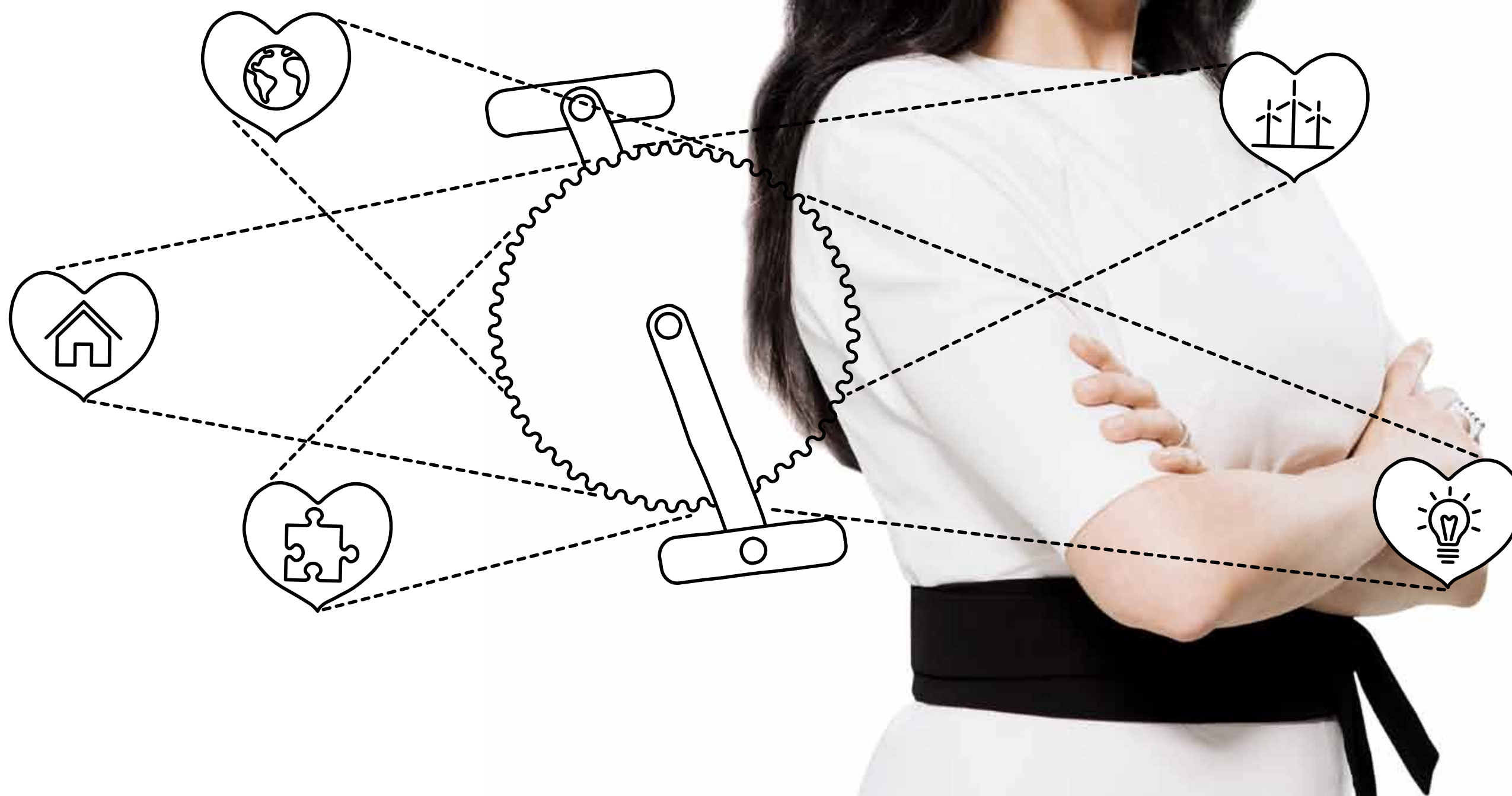
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GRI CONTENT INDEX AND ENVIRONMENTAL NONFINANCIAL DATA 2016

0

INTRODUCTION BY A MEMBER OF THE BOARD OF DIRECTORS





Dear readers,

The report you are opening sums up the progress, results of, and approach to responsible business and sustainable development at CEZ Group in 2016.

We are the safe operator of a wide range of energy facilities, including nuclear facilities; we respond to technological advancement and social development. However, the goals of our global operations go far beyond the simple pursuit of a healthy future for the company.

Responsible business practices and sustainable development are rooted deeply in the very substance of our company, as expressed by our mission—to provide safe, reliable, and positive energy to customers and society as a whole.


Responsible business practices and sustainability hold a firm position in our corporate vision—we strive to improve the quality of life in the country, across the whole society, with our operations. We endeavor to support public benefit goals as well as to work closely with municipalities and regions; we embrace the principles of sustainable development.

Today's shift in the perception of social responsibility and from philanthropy to long-term business sustainability was one of the reasons why we decided to formalize our approach and all related activities in order to ensure an adequate and necessary link between the aspects of sustainable development and our strategic business plans. We want the application of responsible conduct and behavior to be reflected in how we do business. We make sure our business processes are sustainable in order to contribute, as a company, to the overall prosperity and continuous development of the localities and regions we operate in. Every day, the management of ČEZ, a. s. takes responsibility for making our operations sustainable not only for us but also for society in the pan-European social context, inspiring other managers not only in CEZ Group.

In 2016, we therefore adopted a sustainable development strategy for CEZ Group, based on five pillars that we intend to build on a long-term basis using a number of targeted programs. The sustainable development strategy is closely tied to and elaborates CEZ Group's business strategy. We will evaluate the sustainable development strategy every year, focusing on high-quality methods for monitoring and quantifying impacts on our business activities in all fields.

A company is characterized by its people; literally every employee is a representative of corporate culture. Therefore, we continually strive to make all of our employees as informed as possible and to create the conditions and opportunities for their individual engagement. There are many colleagues that are interested in what is happening around them, that get engaged, and help, and they set an example for us all. You can learn more about our relations with employees and other individual and institutional stakeholders in the text of the report.

I believe that you will find our report inspirational and full of interesting information.

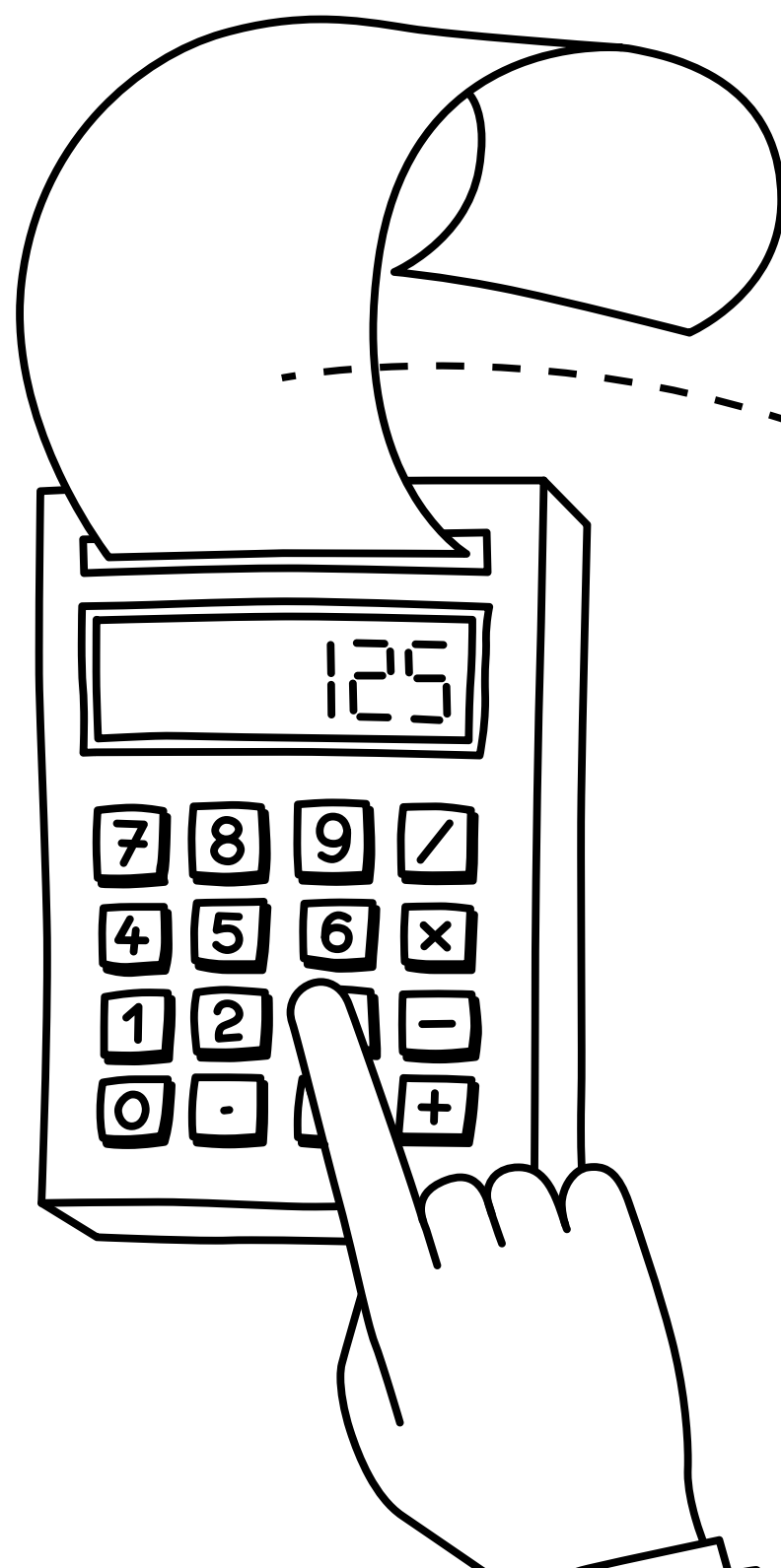


Michaela Chaloupková

Member of the Board of Directors,
Chief Administrative Officer,
CEZ Group Sustainability Leader

1

WE ARE A GROUP —CEZ GROUP



CEZ Group is an energy conglomerate with operations in a number of Central and Southeastern European countries and Turkey, headquartered in Czechia. The Group consists of 125 companies of various sizes. For a full list of companies that make up the group, visit <https://www.cez.cz/en/cez-group/cez-group.html>. To see the geographical scope of CEZ Group's operations outside Czechia, visit <https://www.cez.cz/cs/o-spolecnosti/skupina-cez/dcerine-spolecnosti-cez-v-zahranici.html>. The parent company ČEZ, a. s. ("ČEZ") has its registered office at Duhová 2/1444, Praha 4–Michle, postcode 140 53, Czechia.

The largest shareholder of ČEZ, a. s. is the Czech Republic with a nearly 70% stake in the company's share capital (as of December 31, 2016).

CEZ Group
consists of
125
companies of
various sizes

1.1 BUSINESS ACTIVITIES

Our core business is the generation, distribution, trade in, and sales of electricity and heat, trade in and sales of natural gas, and coal extraction. We undertake extensive renovation, modernization and development of our generation portfolio as well as modernization and development of distribution grids. We provide comprehensive products and services both in the residential customers segment and in the corporate segment. We also offer our customers a range of technological solutions in the field of energy services and energy savings. Our generation portfolio consists of nuclear, coal-fired, gas-fired, hydroelectric, photovoltaic, wind, biomass-fired, and biogas-fired facilities.

Traditional energy is currently an indispensable part of our generation portfolio but we take more and more investment opportunities in renewable energy sources and decentralized energy. Households are increasingly interested in active consumption management and their own energy generation; corporate customers take advantage of outsourcing and comprehensive energy facility management.

Our activities have indirect economic impacts and effects on several areas.

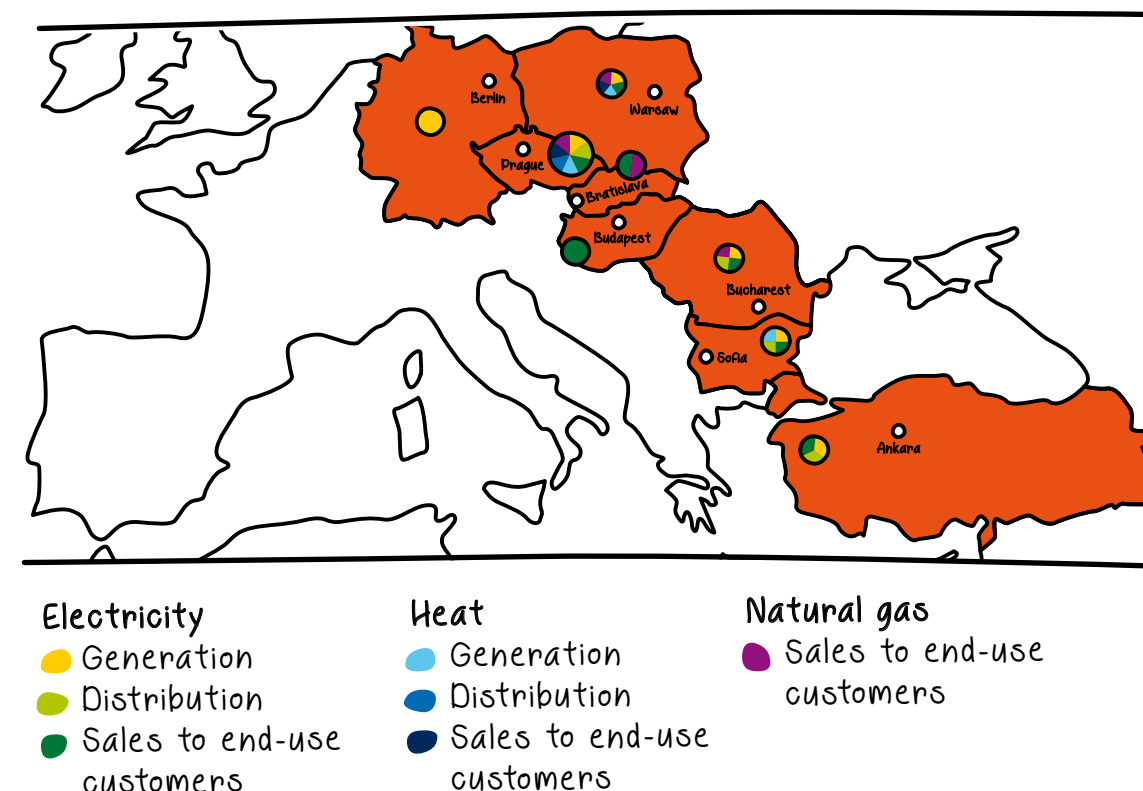
- Some people in the vicinity of our generating facilities are our employees; we also collaborate with local companies, which are reliable subcontractors. We communicate all significant changes concerning employment to the public employment service. We care about being perceived by the public as an important, good, and desired employer.
- We support regional tourism. CEZ Group has eleven information centers, which are an important source of information and leisure-time activities for the broad public. They offer professionally guided tours and visits to some facilities where people can learn a lot about the energy industry.

We invest considerable amounts in the vicinity of the places where we operate. We earmarked almost 60% of all direct financial donations of ČEZ, a. s. for municipal infrastructure development and regional development in 2016, worth more than CZK 40 million in total. Our subsidiaries make similar donations. Our efforts were joined by the ČEZ Foundation, which supported the installation of lights at 26 high-risk crosswalks in Czechia with CZK 2.7 million and built 58 Orange Playgrounds worth CZK 22.6 million in 2016.

We also pay attention to our operations abroad. Our companies focus their activities on social solidarity and the educational, environmental, sports, and cultural needs of local populations in the places where their generating facilities and nonproductive operations are located. They also create a significant number of jobs in the area. CEZ Group companies abroad also financially support the construction of local infrastructures.

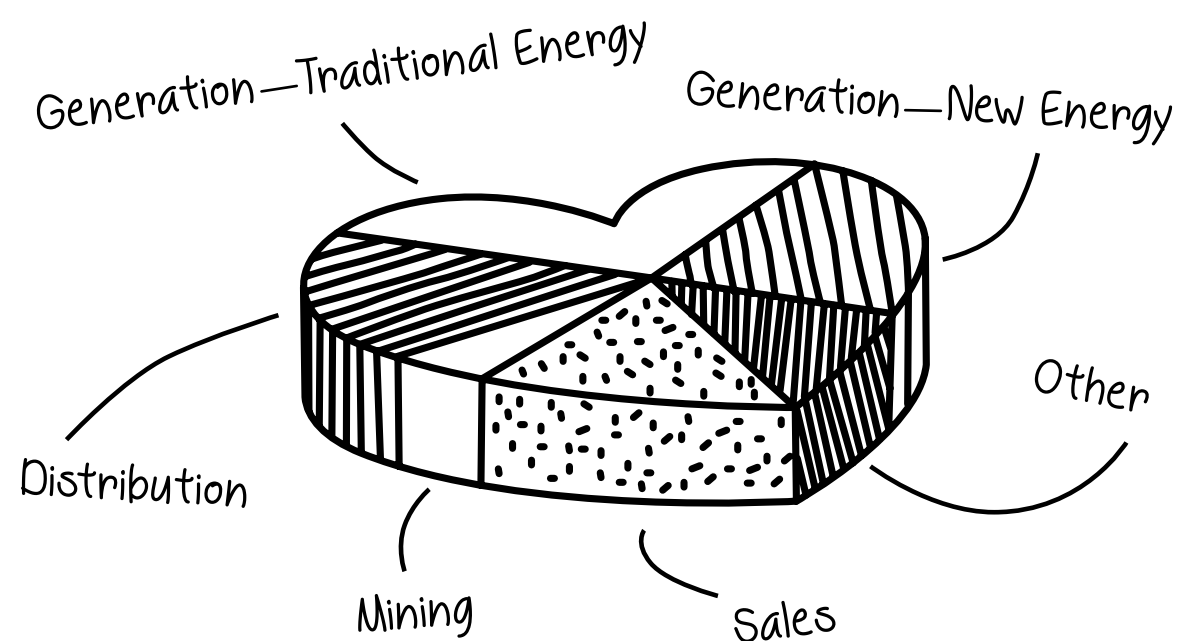
The above-mentioned activities are our voluntary commitment that we make to improve the quality of life wherever we operate.

Figure: Map of CEZ Groups Generating Facilities and Geographical Presence



1.2 FINANCIAL REPORTING STRUCTURE

We break down our business results into six segments:



To see which CEZ Group companies are included in which segment, refer to ČEZ's 2016 Annual Report (pgs. 60–61). Changes in our shareholdings, including those in foreign companies, are disclosed in the same report (pg. 145).

1.3 GROUP MANAGEMENT

CEZ Group's management system is based on requirements set down in binding national legislation and recommendations made by international organizations; the Board of Directors of ČEZ, a. s. fully accepts its responsibility for ensuring the safety and security of generating facilities and protecting individuals, the public, and the environment. With their everyday activities, our employees fulfill our common vision, defined strategy, policies, and goals. Under our established system of internal controls, we regularly review the entire management system, including the area of safety, which is subject to checks at three levels.

We put great emphasis on compliance with the legislation concerning our activities in all lines of business. We continually monitor the evolution and interpretation of legislation, keep track of its changes, and evaluate the impacts of such changes on the company, including its internal policies. We provide training to our employees and make them demonstrably familiarized with necessary changes and amendments. Environmental regulatory and supervisory authorities did not impose any significant fine or nonmonetary penalty on CEZ Group's nuclear, hydroelectric, and coal-fired power plants and heating plants in Czechia for noncompliance with environmental laws and regulations in 2016.

The fundamental elements of the management system are:

- Company process model
- Organizational structure
- System of management and operating documents

Safety and environmental management includes the utilization of certified systems.

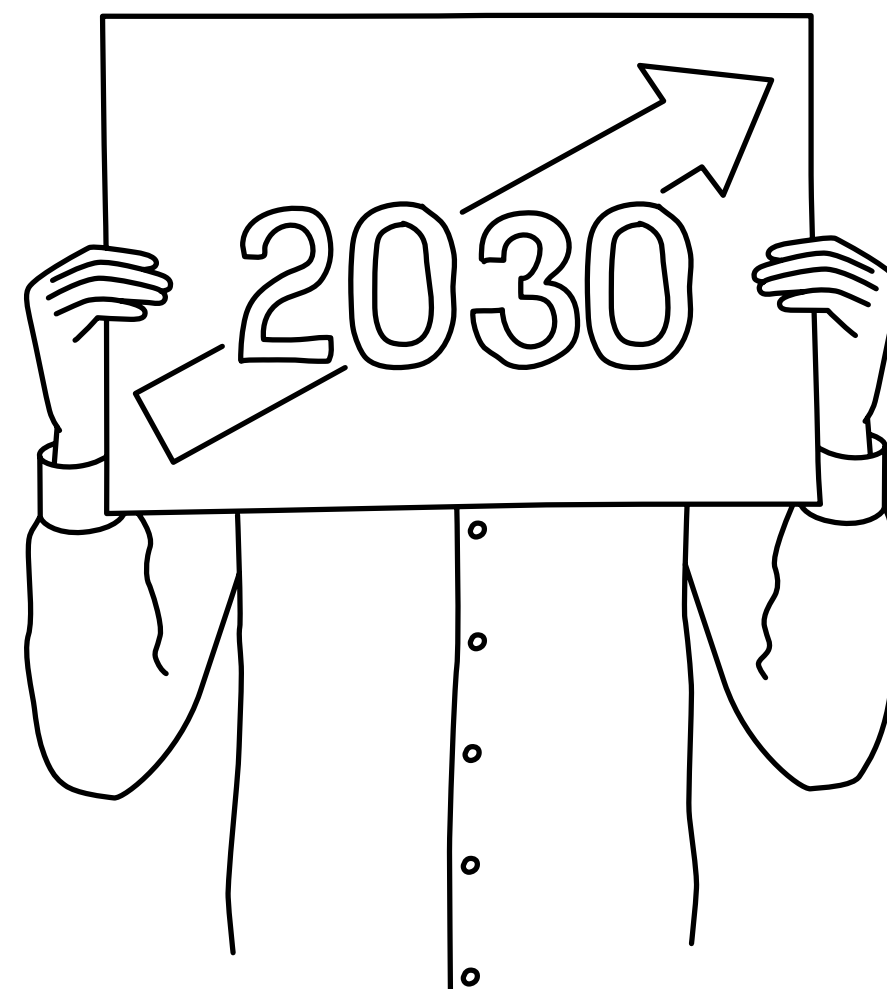
- We participate in the Safe Enterprise program; some of our companies use an occupational safety and health management system according to OHSAS 18001.
- These systems were successfully recertified in 2016 at all conventional power plants operated by ČEZ, a. s. and at ČEZ ENERGOSERVIS, Elektrárna Dětmarovice, ŠKODA PRAHA Invest, MARTIA, Energocentrum Vítkovice, and ČEZ Distribuční služby.
- In respect of the environment, we use an environmental management system (EMS) according to ISO 14001.
- We also have quality management systems according to ISO 9001; a recertification audit was successfully conducted at ČEZ ENERGOSERVIS and ČEZ Distribuce in 2016.
- We have been gradually introducing an energy management system (EnMS) according to ISO 50001 in CEZ Group since 2015. Most of our companies were certified already in 2015. In 2016, certification was achieved by ČEZ Energetické služby, ČEZ Distribuce, ČEZ Distribuční služby, and ČEZ Korporátní služby.

Governance bodies and their authorities and activities are described in detail in ČEZ's 2016 Annual Report. We also disclose significant changes to our organization and supply chain in the document.

1.4 STRATEGIC GOALS

The year 2016 was our first full year in which we fulfilled national strategy documents approved for the energy sector in 2015:

- Updated State Energy Policy (USEP)
- National Action Plan for Nuclear Energy (NAP NE)
- National Action Plan for Smart Grids (NAP SG)
- National Action Plan for Clean Mobility (NAP CM)



We respect the sustainability agenda adopted by the government for 2030—Czech Republic Strategic Framework 2030—and we seek opportunities for us to fulfill it with our activities. We apply two key principles of the Agenda 2030: quality of life and sustainability, which are encapsulated in six areas in Czechia. The Czech strategic framework is based on seventeen global goals (SDGs = Sustainable Development Goals). The contents of our sustainable development strategy are also gradually aligned with selected global topics (<https://www.cr2030.cz/>).

We are an active member of the Confederation of Industry of the Czech Republic, where we submitted our comments on the Business and Human Rights Action Plan.

1.4.1 CEZ Group's Mission & Strategic Priorities

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole; our vision is to bring innovation to resolve energy needs and help improve the quality of life.

Our corporate strategy is built on three priorities, which are based on development trends in the European energy market:

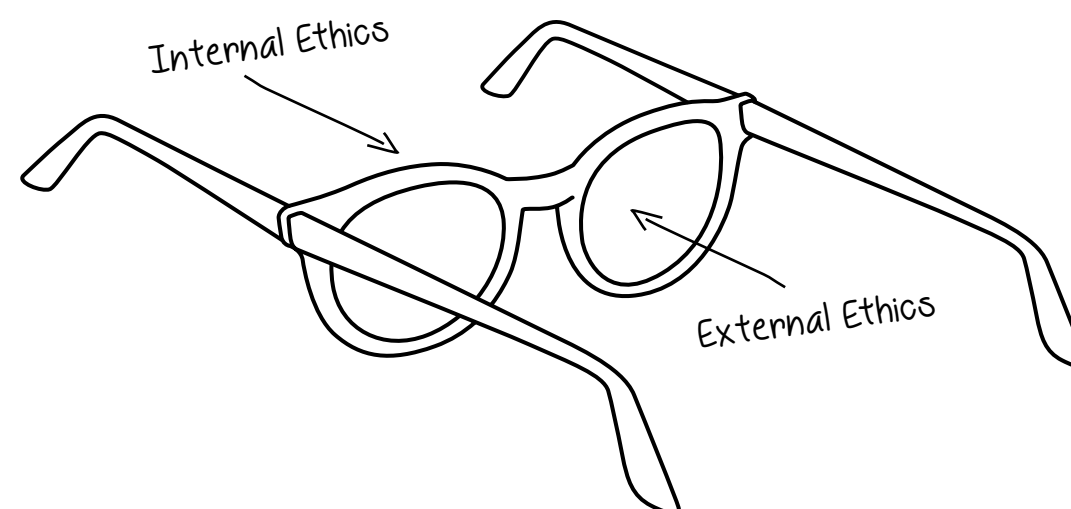
- Be among the best in the operation of conventional power facilities and proactively respond to the challenges of the 21st century.
- Offer customers a wide range of products and services addressing their energy needs.
- Strengthen and consolidate our position in Europe.

Our sustainable development strategy created in 2016 follows up on these priorities.

1.5 INTERNAL AND EXTERNAL ETHICS

We embrace the principles of sustainable development, support energy efficiency, promote new technologies, and create opportunities for our employees' professional growth. Our corporate culture emphasizes safety, continuous growth in internal efficiency, and support for innovation in order to increase CEZ Group's value.

The acceptance of sustainability principles is described in our Energy for the Future strategy. The three pillars of our corporate strategy form the foundation for five strategic sustainability priorities, which compose our sustainable development strategy named Energy for the Future. The priorities include specific programs, each with a clear objective, activities, responsibilities, and expected outcomes, and tie up with nonfinancial reporting according to international guidelines published by the Global Reporting Initiative (GRI). The sustainable development strategy was approved by the company's top management and presented at the ČEZ Management Meeting—the annual meeting of CEZ Group top managers—in October 2016.

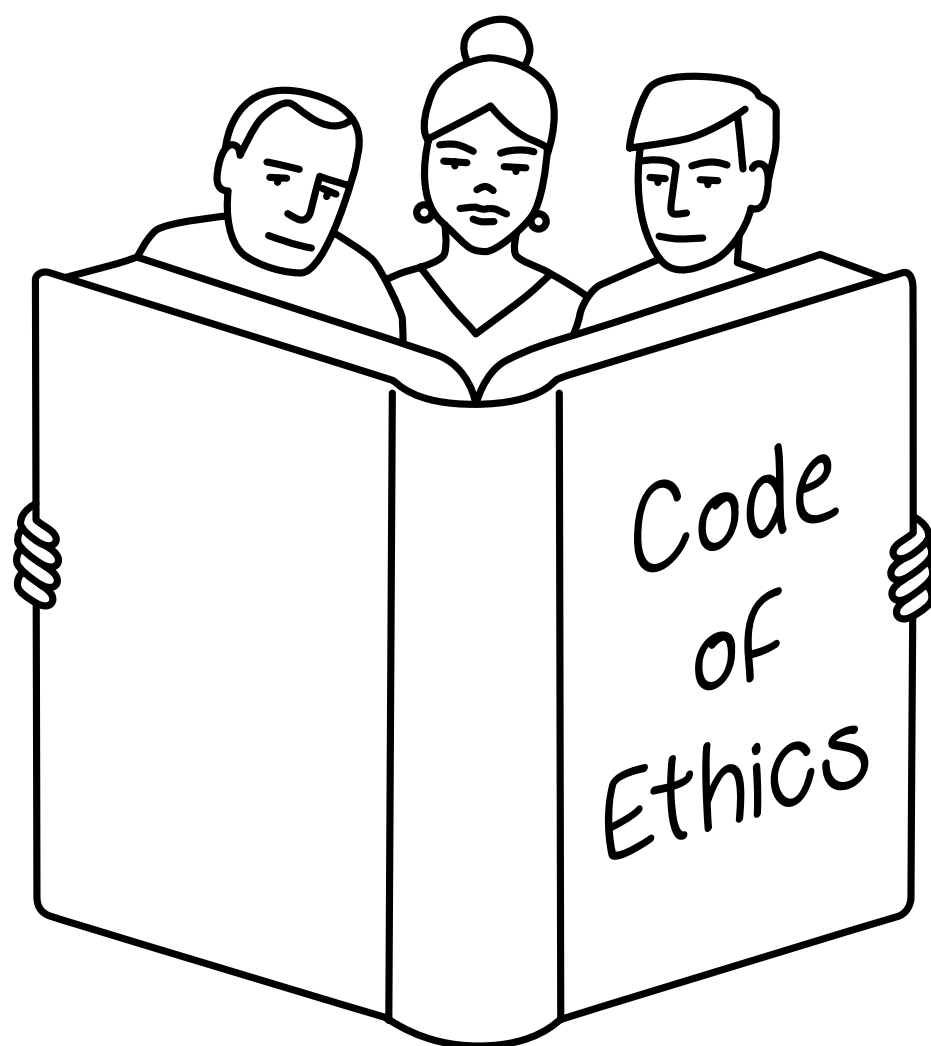


We Adhere to Ethical Principles

When doing business, we apply ethical standards that include responsible behavior

- To employees
- To the company
- To the environment

To enforce our ethical business standards, CEZ Group management has taken systemic measures to mitigate the risk of unethical or unlawful conduct, which constitute an integral part of CEZ Group's Compliance Program. The fundamental principle of CEZ Group's anti-corruption agenda is zero tolerance of any form of corruption, whether direct or through third parties. This matter is covered by internal documents.



Our Corporate Compliance Directive defining the area of corruption prevention applies to major companies. This is followed up with our Ethical Behavior Policy, and the binding regulations are complemented with our Code of Ethics, which can be found in Czech on our website at <https://www.cez.cz/edee/content/file/corporate-compliance/desatero-en.pdf>. To facilitate orientation in its fundamental principles, we summarized the Code of Ethics into the Code of Ethics Top Ten, which we present to newly hired employees as well as existing and current suppliers. Every prospective employee undergoes several rounds of interviews and a pre-employment screening process. This process verifies selected information reported by the employee/prospect for a specific job.

The values and ethical principles of CEZ Group companies in Romania, Poland, and Bulgaria have been identical to CEZ Group's values and ethical principles since 2016. We identified three cases of noncompliance at the foreign companies, which have 5,497 employees in total. Our employees faced appropriate consequences.

We did not identify any significant corruption risks at CEZ Group companies in 2016. The following partial risks identified at ČEZ, a. s. have been incorporated in precautionary measures:

- Possible sale/lease of assets with an employee's financial gain
- Bribing an official to speed up the consent procedure in capital construction
- Bribing an official to obtain a license or permit for a specific activity
- Bribing an employee to favor a supplier competing for a contract

We Do Not Tolerate Discrimination

We do not tolerate any acts of discrimination. We set down anti-discrimination measures, procedures, and instructions in our companies' work rules and collective agreements. The principles of nondiscrimination are included in the valid Ethical Behavior Policy as well as the above-mentioned Code of Ethics.

- We respect the uniqueness of every CEZ Group employee and strive to create a dignified work environment.
- We respect all applicable legal provisions on the protection of personal data and the prohibition of any discrimination in the employee selection and hiring process.
- We give every employee an equal opportunity for career advancement.
- We have taken measures that are suitable for both women and men and allow combining professional and private life, including care for children.
- We create jobs for young people as well as those over fifty years old.
- We actively support the employment of people with disabilities. We are willing to help employees with specific needs according to their requirements and wishes, for example in modifying their working place or working hours. CEZ Group headquarters buildings are barrier-free and we adjust and modify our other sites on the basis of current requirements.

No case of discrimination was registered at any CEZ Group companies in 2016, so no corrective action had to be taken.

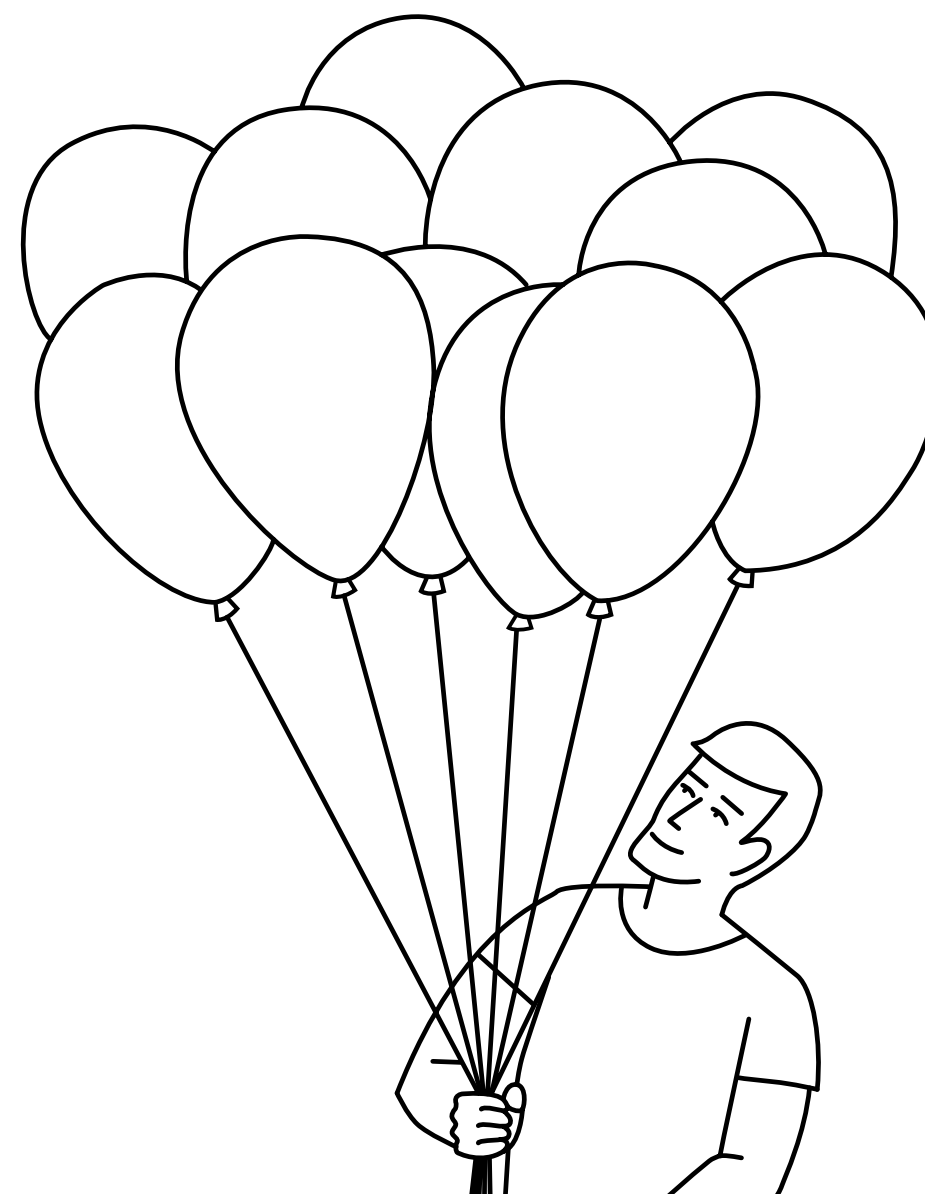
We do not register any operation or supplier where freedom of association and collective bargaining might be at risk

We Provide Employees With a Wide Range of Benefits

We provide benefits to employees regardless of employment type but the scope of benefits varies between companies. They include, for example:

- Five weeks of vacation
- 37.5-hour workweek
- Telecommuting and flexible working hours
- Part-time employment
- Contributions to life insurance and supplemental pension plans
- Life jubilee bonus
- Annual personal account for leisure-time activities
- Various kinds of loans and bargain offers, etc.

We provide more information on benefits in section 2.7.1, We Are a Responsible Employer.



Corporate volunteering organized by the company can also be seen as a benefit. It offers one day of paid leave for voluntary work for a public benefit organization. This is all included in the collective agreement of ČEZ, a. s. and selected participating subsidiaries. The ČEZ Foundation's Employee Grants project is another example of generosity to employees. An employee can recommend a non-profit organization that can get a contribution of up to CZK 30,000. It is conditional on the employee's volunteering for the organization and, as such, being its ambassador. Thanks to our employees in Czechia, we supported 418 activities of public benefit organizations with a total of CZK 12 million by 2016.

For details on the ČEZ Foundation and our cooperation with employees, refer to separate sections 2.7.6, We Support Partnership in Donation; 2.7.7, We Support the ČEZ Foundation; and 2.7.8, We Engage Our Employees.

How We Deal With Third Parties

Rules for dealing with third parties are as important as the conduct of our employees to us.

- We screen third parties using our system of internal controls, which helps us protect CEZ Group companies from reputation risk or criminal liability.
- We carry out internal inquiries—our program to collect information, reports, and suggestions ensures we act quickly and efficiently on potential dishonest behavior that can make a CEZ Group company criminally liable in certain circumstances.
- We check for any acts of corruption performed by our suppliers.

- We monitor third parties and their possible acquisitions of companies under our due diligence program.
- We have created and annually updated a Verified Suppliers Catalog.
- We have established an Ethics Hotline for employees, CEZ Group statutory governing bodies, CEZ Group business partners, and third parties to report improper, unethical, or unlawful conduct against CEZ Group's interests.
- We have introduced anti-corruption clauses into our contracts with suppliers. If any employee, business partner, or other entity collaborating with CEZ Group suspects improper, unethical, or unlawful conduct or conduct against CEZ Group's interests and Code of Ethics, they can contact the Ethics Hotline to report it.
- When negotiating contracts, we comply with the Public Procurement Act and the Guidelines for CEZ Group Employees' Behavior to Customers and Other Market Participants. This aims to prevent the CEZ Group companies involved from breaking competition law, especially by abuse of a dominant position, discrimination against a customer or other trader, or breach of unbundling rules set down in internal directives and the Energy Act.
- Our subsidiaries and affiliates abroad also adhere to the Code of Ethics and carry out internal audits.

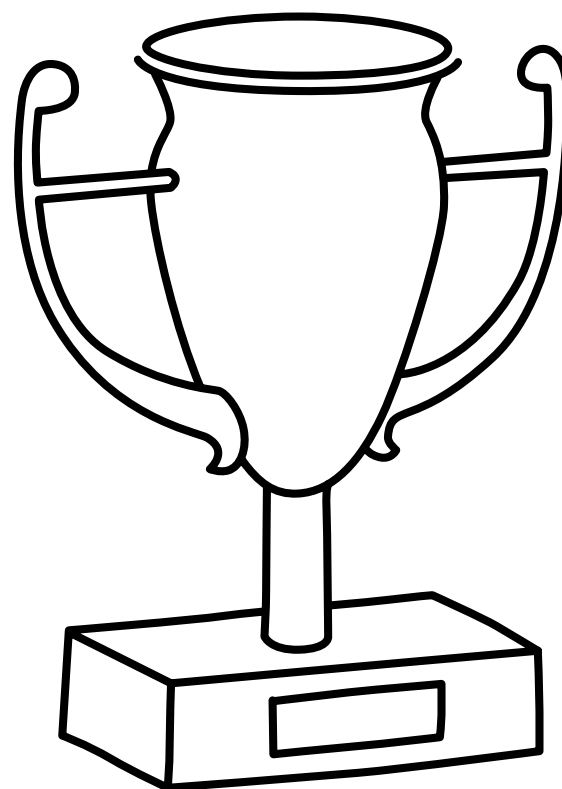
We did not identify any significant risks in relation to corruption and improper, unethical, or unlawful conduct at CEZ Group companies dealing with third parties in 2016.

We Won Awards

We value all awards that we won in 2016. They reflect the good work of our employees.

TOP Responsible Corporation

- Gold Annual Certificate in the strategic category of TOP Responsible Corporation 2016.
- Gold Certificate in the category of Socially Responsible Project—award for CEZ Group and the ČEZ Foundation for the EPP—Move to Help app.



Donors Forum Awards

- 2nd place in the Best Annual Report category—for the ČEZ Foundation's 2016 Annual Report

CZECH TOP 100

- 11th place in the Best Annual Report category—for the ČEZ Foundation's 2016 Annual Report; the best ranking among non-profit organizations.

Awards for the EPP—Move to Help Mobile App

- Absolute winner in the Czech Public Relations Awards.
- Mobile App of the Year 2016—awarded by the Marketing Inspirations expert panel.
- 1st place in the Donors Forum Awards 2016—integrated corporate campaign.
- 6th place in the Marketing Inspiration category—Křišťálová Lupa Awards.

IR Magazine Award for Best Investor Relations

- CEZ Group in the Central & Eastern Europe category for the second time.

Safe Enterprise Certification in 2016

- Certification of ČEZ, a. s.; ČEZ Distribuční služby; Elektrárna Dětmarovice; and Energocentrum Vítkovice.
- Award for conventional power plants owned by ČEZ, a. s., for the fifth time since 2004.

100 Admired Businesses in the Czech Republic 2016

- 4th place for ČEZ, a. s.

CZECH TOP 100 Corporate Communication Awards for 2016

- 1st place overall for the best annual report and 1st place for AR information value.
- 1st place for the best internal magazine, Proud.

WebTop100—Industry & Power Engineering Certificate 2016

- 1st place for ČEZ, a. s.

Internal Communication Institute

- 2nd place for ČEZ, a. s. for the Five CEZ Group Corporate Principles project in the Strategy category of the ICI GRAND PRIX 2016.

IEA16 INTERNET EFFECTIVENESS AWARDS

- 1st place in the Energy and Utilities category for our CEZ Intranet project.

Selected Awards for Foreign Companies

- Akenerji Elektrik Üretim A.S., Turkey: Bronze Award in the Vision Awards Competition, organized annually by the League of American Communications Professionals (LACP), for its Sustainability Report.
- Akenerji Elektrik Üretim A.S., Turkey: score increased from C to B for CDP water and climate change reports.

WE CARE ABOUT SOCIAL DIALOG

Responsibility toward society, the environment in which we do business, the public, and our employees—these are all values by which we are bound. Our activities and work operations reflect the principles of sustainable development, as approved by the management of ČEZ, a. s. and promoted by all CEZ Group entities.



2.1 CEZ GROUP SUSTAINABILITY REPORT

In 2015, the Supervisory Board of ČEZ, a. s. showed interest in an introductory seminar on GRI principles and then initiated the introduction of nonfinancial reporting in CEZ Group according to those principles. A nonfinancial report according to the aforementioned international guidelines is included in this CEZ Group Sustainability Report for 2016 (the “Report”).

The Story of This Report

The activities of a team analyzing the conditions for nonfinancial reporting and defining CEZ Group’s sustainable development strategy continued under the aegis of the CSR Leader and member of the Board of Directors during 2016. The main internal team consisted of 25 permanent internal members and used external advisory support. It discontinued its activities after it achieved its goal of defining CEZ Group’s sustainable development strategy, classifying topics for communication with stakeholders by materiality, and defining nonfinancial reporting.

To make the initial settings for nonfinancial reporting, the team also undertook projects to map out the frequency and types of communication with various types of stakeholders and evaluated analyzed material topics and questions that CEZ Group is expected to answer. The intent to set up nonfinancial reporting in accordance with the GRI G4 international guidelines and relevant sector supplements was presented and launched at an initial workshop held at the headquarters of ČEZ, a. s. Team meetings evaluated a range of existing economic, social, and environmental activities and key topics arising from processed feedback from stakeholders (as defined in a program named We Hold an Open Stakeholder Dialog).

All the inputs and consultations resulted in presenting CEZ Group’s sustainable development strategy, entitled Energy for the Future, to the management of ČEZ, a. s. in the fall of 2016.

The key topics were defined by scoring and evaluating their materiality for stakeholders as well as for CEZ Group alone.

An internal Sustainability Report for 2015 was drawn up for a number of selected CEZ Group companies in accordance with the GRI G4 guidelines in the first half of 2016.

Based on experience (from the pilot internal report for 2015) and after incorporating feedback, a management document/Guideline (CEZ Group Sustainability Report) was issued in 2017 as a group tool defining responsibilities, obligations, and authority held by the sponsor of the Report and the sponsors of Report data at individual companies.

Work on a comprehensive CEZ Group sustainability report for 2016 was started at the same time. This nonfinancial report already uses new indicators according to the GRI Standards, including in its scope all CEZ Group companies in Czechia and abroad. The report covers all organizational units, with figures reported to the same extent (n.b., control of and influence over decision-making and executive processes) as in an annual report and with textual information, including executive summaries, representing all companies. Nonfinancial information will be consolidated annually for the period of January 1–December 31.

The configuration, collection of data, and consolidation of a group report of nonfinancial information for the Report according to GRI Standards indicators were organized internally under the direct management of the CEZ Group Sustainability Leader and member of the Board of Directors in collaboration with other employees from the divisions of ČEZ, a. s.

No external audit of the nonfinancial report is required. The Report is verified internally.

2.2 TEAMWORK

The team for the preparation of the Report is based on two full-time employees that provide guidance and set up and carry out the process of collecting and consolidating nonfinancial data for CEZ Group. The sponsor of the Report works across all companies, collaborating with a reporting expert, the environmental expert sponsor, the foreign operations sponsor, and Report data sponsors at individual reporting companies (which have their internal teams of data providers). One person coordinates the collection of nonfinancial data from a team of selected data providers for reporting the parent company's data. A detailed procedure is set out in the approved Guideline.

Other participating employees are engaged in Report preparation activities during the course of work.

According to internal documents applying to the preparation of the CEZ Group Sustainability Report, responsibility for drawing it up is held by a sponsor, who defines the structure and scope of required data and other information to be reported. He or she is also responsible for cooperation with an external graphic design provider and for the resulting quality of the Report.



External Collaboration

CEZ Group employees take part in the activities of a number of professional and social organizations as representatives of their profession, sharing suitable information with their colleagues.

Membership of Selected Professional Associations

National Organizations

- Czech Energy Alliance
- Czech Alliance for Youth
- ALKA WILDLIFE
- APES (Association of Energy Services Providers)
- Association of Energy Auditors—Energy Specialists
- Association of Power Engineering Managers
- Association of Energy Specialists
- Association of Energy Services Providers
- Association of High-Voltage Testing Laboratories
- Association of Business Service Leaders in the Czech Republic
- ASVEP (Association for the Utilization of Coal Combustion Products)
- Association of Research Organizations
- Business for Society
- COGEN CZECH (Society for Combined Heat and Power Generation)
- Corporate Governance Institute
- CZ Biom (Czech Biomass Association)
- Czech Archives Association
- Czech Photovoltaic Association
- Czech Chamber of Architects
- Czech Chamber of Authorized Engineers and Technicians in the Manufacturing Business
- Czech Chamber of Authorized Engineers and Technicians in the Construction Business
- Czech Green Building Council
- Czech Society for Quality
- Czech Wind Energy Association
- Czech Nuclear Forum
- Czech Association for Technical Equipment

- Czech Association of Regulated Power Supply Companies
- Czech CIRED Committee
- Czech Association of Energy Sector Employers
- Ekoregion 5
- Třebíč Energy Region
- Energoregion 2020
- Donors Forum
- Chamber of Commerce of the Czech Republic
- HYTEP (Czech Hydrogen Technology Platform)
- Quality Charter of the Czech Republic
- Chamber of Certified Accountants
- Chamber of Trade and Industry for CIS Countries, a special chamber of commerce
- Regional Chamber of Commerce of the Zlín Region
- National Center for Energy Savings
- Civil Safety Committee
- Dukovany Nuclear Power Plant Civil Safety Committee
- “Quality in the Energy Industry” specialist section of the Quality Council
- Třebíč District Chamber of Commerce
- České Budějovice–Hluboká Region Destination Management Organization
- People Management Forum
- Professional Chamber of Fire Protection
- Quality Council of the Czech Republic
- ČSRES Association
- Association for the Development of the Moravia-Silesia Region
- Solar Association
- Association of Industrial Enterprises in Moravia and Silesia
- Confederation of Industry of the Czech Republic
- Union of Accountants
- Association of Energy Sector Employers
- Czech Association for District Heating
- UPP ČR (Association of In-House Lawyers of the Czech Republic)

International Organizations

- Czech-Armenian Joint Chamber of Commerce
- Czech-Slovak-Iranian Chamber of Commerce
- ECOBA (European Coal Combustion Products Association)
- EDSO European Distribution System Operators’ Association
- EEF (European Energy Forum)
- EERA AISBL (European Energy Research Alliance)
- EFET (European Federation of Energy Traders)
- ENEN (European Nuclear Education Network)
- EPC (European Policy Center)
- ETSON (European Technical Safety Organisation Network)
- EURELECTRIC
- European Energy Forum
- European Diversity Charter
- European Code of Conduct for Energy Performance Contracting (EPC) under the Transparence project (2015)
- F4E (Fusion for Energy)
- FORATOM
- FuseNet (The European Fusion Education Network)
- IAEA (International Atomic Energy Agency)
- IGD-TP (Implementing Geological Disposal Technology Platform)
- Industry Advisory Panel—Energy Charter
- Magritte Initiative
- International Emissions Trading Association
- JHR (Jules Horowitz Reactor) Consortium
- NUGENIA (Nuclear Generation II & III Association)
- Oslo2Rome
- The European Atomic Forum
- The European Federation of Energy Traders
- The World Association of Nuclear Operators

Organizations Abroad

- Towarzystwo Gospodarcze Polskie Elektrownie
- Konfederacja Lewiatan (membership of the board of trustees for the energy sector)
- DEK-TMK (Turkish National Committee of the World Energy Council)
- ELDER (Association of Distribution System Operators)
- ESHA (European Small Hydropower Association)
- ETD (Energy Traders Association)
- EÜD (Electricity Producers Association)
- Warsaw Stock Exchange Best Practices
- HESİAD (Hydroelectric Power Industry and Trade Association)
- Charity Campaigns of Bulgarian Red Cross (Easter for Everyone and Blood Donations)
- International Women Club
- International Energy and Climate Center (IICEC) of Sabancı University İstanbul
- OIK (Bohunice Civil Information Commission)
- PERYÖN (Turkish Human Resources Management Association)
- PETFORM (Oil Platform Association)
- RESSİAD (Wind and Hydropower Entrepreneurs Association)
- TESAB (Turkish Electricity Producer Association)
- TÜREB (Turkish Wind Energy Association)
- TÜSİAD (Turkish Industry and Trade Association)
- Polskie Towarzystwo Elektrociepłowni Zawodowych
- Worldwide Fund—Earth Hour
- YASED (International Investors Association)
- ZZES (Union of Employers of Power industry in Slovakia)

2.3

STAKEHOLDERS

Two-way communication with stakeholders is crucial to us for maintaining long-term good relations. Stakeholders, who influence our business, are important to us, so we attend to them carefully.

We identified major stakeholder groups in an internal workshop in 2015 and updated them to include additional stakeholders following discussion with selected units and companies throughout CEZ Group in the course of 2016.

The fact that we take cooperation with stakeholders seriously is reflected in separate subsection 2.7.2 of this Report, named We Hold an Open Stakeholder Dialog.

2.4 REPORT PREPARATION



Applying the principle of materiality, we defined the content of the CEZ Group Sustainability Report 2016 in accordance with our adopted sustainable development strategy, while making sure to respect indicators resulting from requirements in the GRI Standards.

We divided the Report into three main sections. The first one presents our company, the second one includes the story behind the creation of the Report and the contents of our sustainable development strategy, which are linked to answers to relevant textual GRI indicators, and the last, third one lists consolidated nonfinancial reporting results in a GRI content index.

CEZ Group's sustainable development strategy builds on CEZ Group's business strategy. Applying the principle of completeness, we collected data across all consolidated companies and included all legal entities belonging to CEZ Group in Czechia and abroad.

The main sections of the Report consist of our strategic priorities for sustainable development, which are fulfilled by programs with specific projects. With a plan for gradual improvement in reporting, this manner of reporting, as part of our sustainability management, is included as a program under the strategic priority "Be a Good Partner." According to GRI requirements, we paid attention to materiality, completeness of reporting for the defined entity, stakeholder inclusiveness, and the application of sustainability context in the content of the Report.

Reported data are collected, processed, consolidated, and archived in electronic form. The actual online configuration and execution of nonfinancial data collection is a process innovation in CEZ Group.

We prepared the Report in accordance with the GRI Standards, using the Core option; it is based on the GRI Standards guidelines but does not fully cover all the indicators yet. Therefore, new indicator monitoring is being introduced after analysis. The Report includes additional indicators significant to our line of business beyond the scope of the Core option. We also include, for example, information about donations, which we consider material.

Nonfinancial reporting was compiled and verified with respect to the principles for defining report quality, which include balance, comparability, accuracy, timeliness, clarity, and reliability.

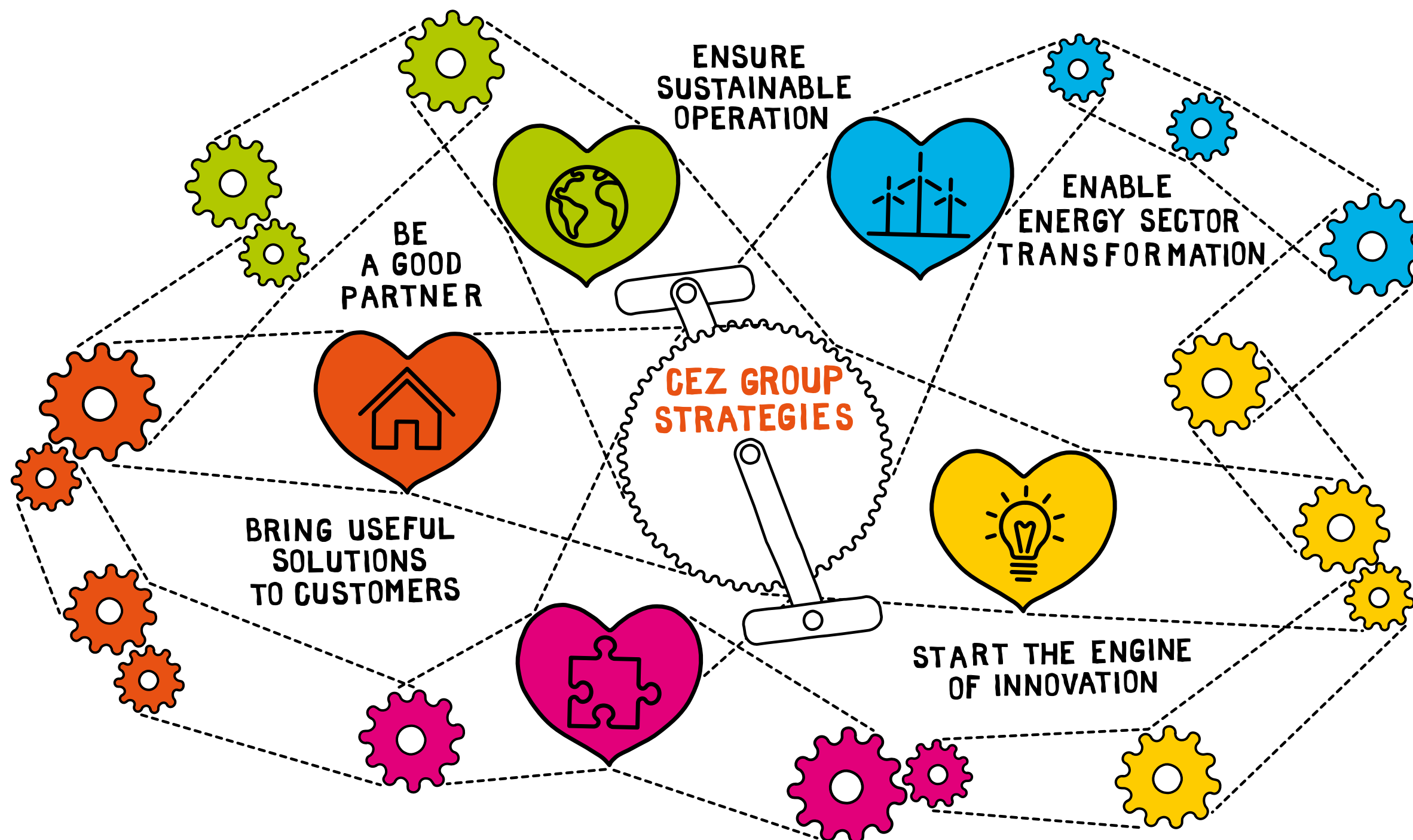
Plans for the 2017 report include proposals for methodological support for expanded monitoring of additional indicators throughout CEZ Group.

For this first public report according to the GRI Standards, we used our initial findings (from the preparations for the internal report for 2015) concerning fundamental material topics. They were based on identifying stakeholders' requirements, which we also evaluated in terms of materiality for our company.

The fundamental material topics are included in the titles of programs under our sustainable development strategy.

2.5 THE ENERGY FOR THE FUTURE STRATEGY

We embrace the principles of sustainable development—to apply them, we created and approved the aforementioned strategy named Energy for the Future in 2016. It consists of five priorities containing specific programs and projects. Their brief and actual results are the building blocks of the Report.



2.5.1 Definitions of Priorities and Programs

We designed our Energy for the Future strategy to include programs that the Group aims to implement and further develop. We thus interlink our business with sustainable development. And why did we choose the path of strategic priorities? They are key to our success in the long term and to conscious contribution to the prosperity of places that we operate in. We do not focus just on success in business—we strive to achieve a stable position in the noneconomic sphere, which will allow us to provide non-negligible values to our surroundings.

Our strategic priorities are:



ENSURE SUSTAINABLE OPERATION

Goal: Be a safe, healthy, and responsible corporation

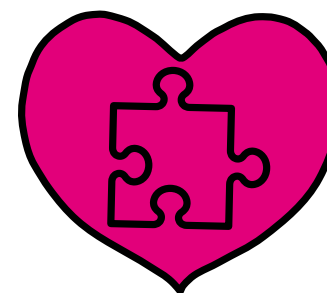
We manage our physical and human assets with a long-term perspective. We are environmentally friendly.



BE A GOOD PARTNER

Goal: Increase our positive impact on society

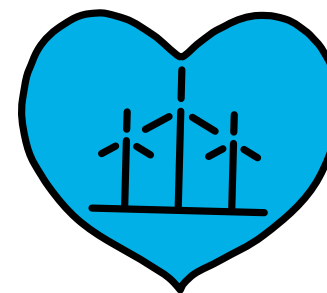
CEZ Group is considered a helpful, responsible, and ethical partner by all stakeholders.



BRING USEFUL SOLUTIONS TO CUSTOMERS

Goal: Our solutions will provide value to customers on a long-term basis

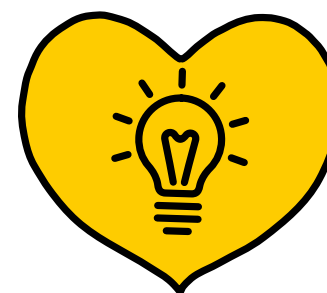
We are the most desired supplier of products and provider of services in the energy sector both in Czechia and abroad.



ENABLE ENERGY SECTOR TRANSFORMATION

Goal: Be the creator of a new energy system

CEZ Group actively contributes to the future shape of the energy sector in Europe. It has a clear vision/implementation plan and fulfills it with specific activities.



START THE ENGINE OF INNOVATION

Goal: Be a sought-after employer and partner in innovation

We at CEZ Group create a stimulating environment that promotes innovation and business development. We can get competent employees and enter into partnerships for healthy growth.

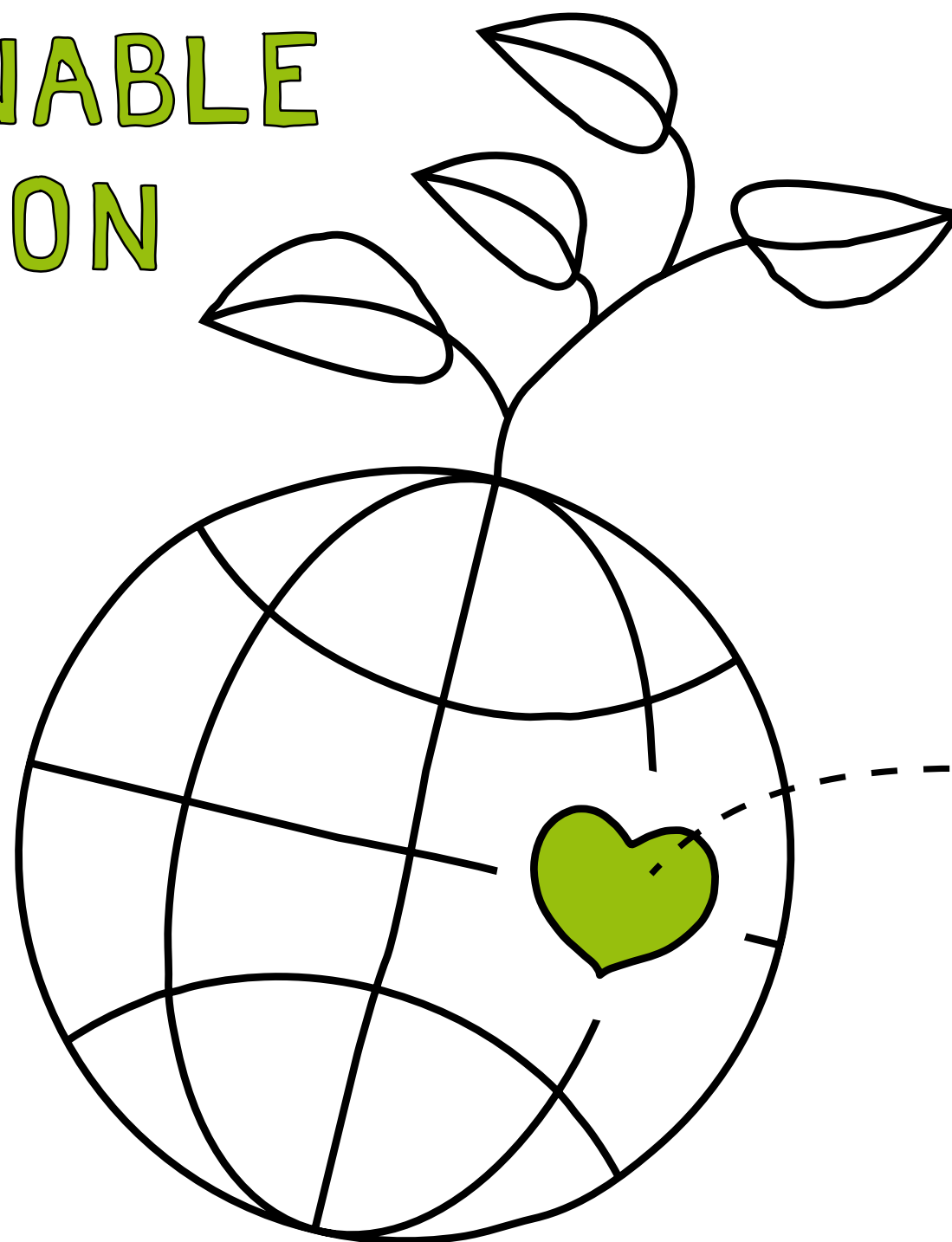


2.6

STRATEGIC PRIORITY NO.1

ENSURE SUSTAINABLE OPERATION

Our first strategic priority set out in the Energy for the Future strategy is to ensure sustainable operation. Our goal is to be a safe, healthy, and responsible corporation. We manage our physical and human assets with respect to a long-term perspective and we are environmentally friendly.



We are looking to the future.
We are environmentally friendly
to ensure sustainable operation.
We follow our heart.



2.6.1 We Reduce Our Environmental Impact

Our strategic decisions concerning environmental protection are driven by our belief that the environment is an irreplaceable treasure that we as a responsible steward want to hand over to future generations in better condition than we inherited it.

We introduced ISO 14 001 and ISO 50 001 management systems in CEZ Group's production companies and we implemented our Safety and Environmental Protection Policy. We published it on our website at: <https://www.cez.cz/cs/udrzitelny-rozvoj/zivotni-prostredi/politika-bezpecnosti-a-ochrany-zivotniho-prostredi.html>. Reducing environmental impacts is a key area we continually monitor and improve. We undertake a whole range of activities, from promoting public relations and relations with local and state authorities to reclamation of areas affected by mining to investments in environmental upgrades to generating facilities.



Fundamental Principles of the Safety and Environmental Protection Policy

1. We prioritize protection of human life and health over other interests.
2. We promote safety and environmental protection as an integral part of our management system.
3. We comply with the law and public commitments and take account of recognized practices.
4. We continuously develop our approach to safety and environmental protection.
5. We regularly assess risks, prevent them, eliminate them, or reduce their impact to an acceptable level.
6. We make sure that technologies continuously meet safety, environmental, economic, and technical requirements.
7. When selecting and assessing suppliers, we take into account their approach to safety and the environment.
8. We openly communicate safety topics and the impacts of our activities on society and the environment.
9. We ensure adequate numbers of qualified and motivated employees and suppliers.
10. We manage key knowledge.

Specialized CEZ Group employees in charge of environmental care pay active attention to all environmental compartments, especially air protection, waste and water management, incident prevention, and the protection of flora and fauna.

We affect the environment with our activities—therefore, we strive to help reduce the impacts of mining activities and electricity generation and distribution by altering the operations and investing in best available techniques (BATs).



Selected Activities in 2016

- Completing and optimizing DENOX systems—reducing atmospheric NO_x emissions using selective (SCR) and nonselective catalytic reduction (SNCR).
- SNCR technology at Mělník I Power Plant:
 - a) NO_x emission concentrations reduced by 23%
 - b) Total NO_x emissions reduced by 11%
- SCR technology at Dětmarovice Power Plant:
 - a) NO_x emission concentrations reduced by 48%
 - b) Total NO_x emissions reduced by 17%
- SNCR technology at Počerady Power Plant:
 - a) NO_x emission concentrations reduced by 44%
 - b) Total NO_x emissions reduced by 23%

Commissioning comprehensively renovated units of the Prunéřov II Power Plant:

- Improving total energy efficiency of generation
- Reducing specific pollutant emissions
- Meeting required BAT limits for SO₂ emission concentrations, which are less than 100 mg/m³ (limit: 130 mg/m³), in advance.

Skawina Power Plant, Poland:

- Commencing work on the delivery of efficient DENOX technology (selective catalytic reduction)

Akenerji Elektrik Üretim A.S. power plant, Turkey:

- Investments in renewable energy generation

2.6.2 Environmental Management System

Introducing and maintaining an EMS, based on continuous improvement, helps identify environmental risks and allows creating the conditions for their elimination. The system is subject to regular reviews, focused on verifying its suitability, adequacy, and efficiency. Resulting reports are then discussed by the board of directors of the relevant company. The reports include information on how the environmental management system works, especially on the results of EMS audits, legal compliance, achievement of environmental objectives, etc.

The EMS includes a continually updated register of legal requirements that the company implements in its management documents. Obligations arising from applicable legislation, issued permits, and management documents are reviewed annually by an EMS audit. In addition to the register of legal requirements, there are also registers of environmental aspects (RAS) for individual facilities. Internal EMS audits assess whether they are up-to-date and evaluate significance in respect of environmental impact. All facilities have their environmental objectives and programs, the fulfillment of which is assessed during the EMS reviews.



Selected Activities in 2016

- We had the EMS successfully recertified to a new standard, ČSN EN ISO 14001:2016, for CEZ Group's nuclear, coal-fired, and hydroelectric facilities in Czechia.
- We did not find any nonconformity during the recertification.
- We compiled an EMS review report, as every year, which contains the environmental profile of every facility, environmental objectives, programs to achieve them, and information on the fulfillment of the objectives.
- Distribuție Energie Oltenia S.A. and CEZ Vanzare S.A. in Romania had their EMSs recertified to the local SR EN ISO 14001:2005 standard without any nonconformities or comments during the audit.
- Sakarya Elektrik Dagitim A.S. in Turkey is implementing its ESAP project in order to comply with environmental and social requirements and secure invested funds.
- Akenerji Elektrik Üretim A.S. in Turkey implements an environmental management system according to ISO 14001:2015, which is also certified by independent audits.
- The following companies hold an EMS certificate:

Czechia

- ČEZ, a. s.; ČEZ Energetické produkty; ČEZ Energetické služby; ČEZ ENERGOSERVIS; Energotrans; Elektrárna Počerady; Elektrárna Dětmarovice; MARTIA; Energocentrum Vítkovice; ČEZ Distribuce (for electricity distribution)

Romania

- Distribuție Energie Oltenia S.A. and CEZ Vanzare S.A.

Turkey

- Akenerji Elektrik Üretim A.S.

2.6.3 We Manage Risks

Risk management is part of everyday management at CEZ Group companies. In sustainable development, we build on the management of business risks. Our goal is to minimize the number of emergencies and eliminate the risk of endangering or damaging the environment. We monitor risks and use them as a basis for creating action plans under the Environmental Management System according to ISO 14 001 and Energy Management System according to ISO 50 001.





Selected Activities in 2016

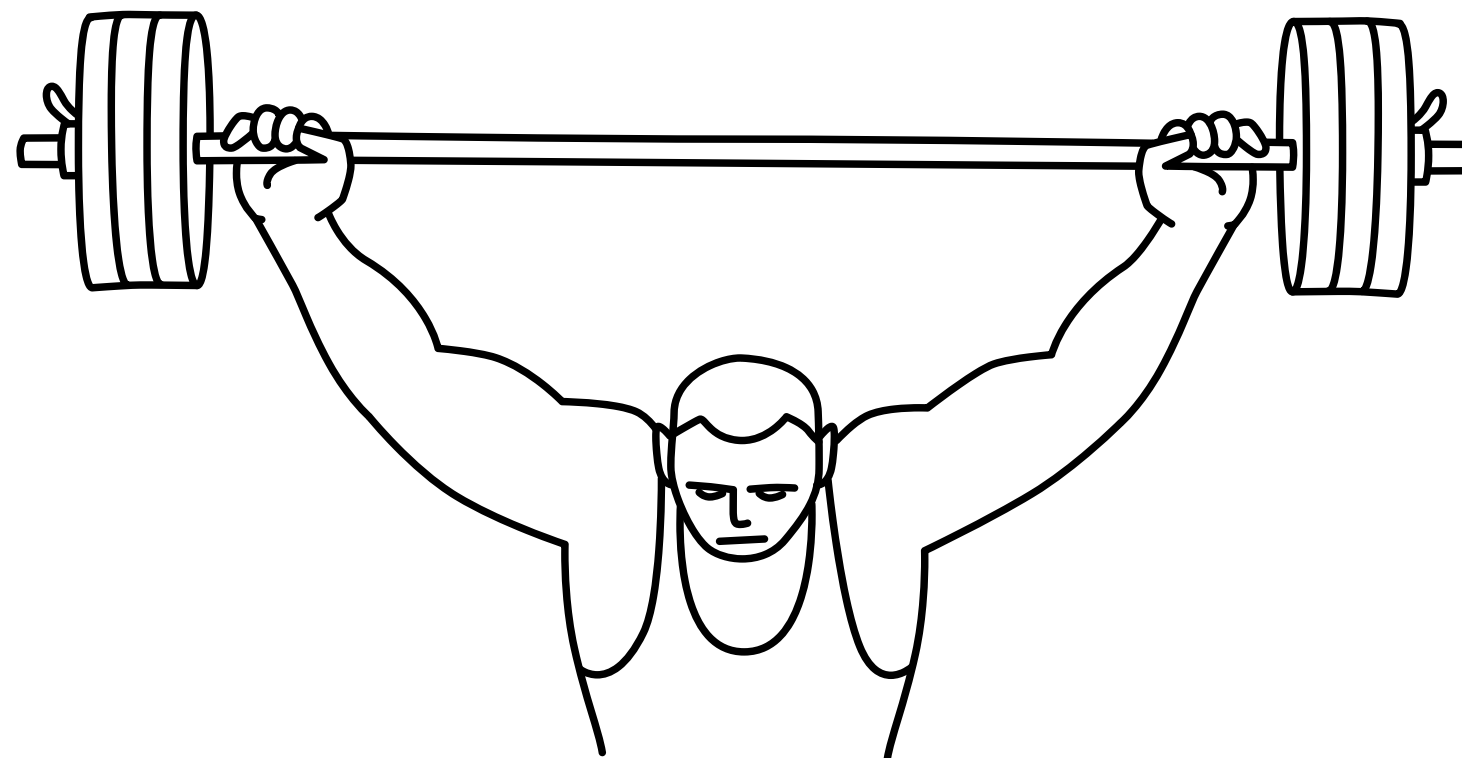
- We did not register any environmental incidents or other emergencies at any CEZ Group companies, including those abroad, in 2016.
- Distribuție Energie Oltenia S.A. in Romania concentrated on studying risks associated with the operation of energy assets (a substation and transformer station) in 2016. The main risk it identified was soil and groundwater contamination. Continual asset maintenance was improved to prevent and mitigate the risk.
- EU-funded programs such as LIFE offer an opportunity to improve environmental aspects in Romania. They allow some of Distribuție Energie Oltenia's facilities or their parts to be energy-independent or contribute to energy sustainability.
- Akenerji Elektrik Üretim S.A. in Turkey organizes lectures for local communities in the neighborhood of its hydroelectric power plants in order to instruct the communities on possible threats posed by hydroelectric power plants and on protection against them. It publishes brochures and posters on the web and distributes printed versions in the localities. For example, company representatives visited schools near the power plants in Adana, Adiyaman, and Bursa, meeting 107 teachers and 1,813 students.
- Akenerji Elektrik Üretim S.A. in Turkey organized several exercises regarding potential environmental incidents.

2.6.4 We Improve the Efficiency of Generating Facilities

Energy Management System

Energy efficiency and energy performance are the basic elements of energy balances and the management system used at generating facilities in our portfolio. We introduced a management system according to ISO 50 001—Energy Management System (EnMS)—at our production companies (coal-fired, nuclear, and hydroelectric power plants) in 2015. We use it to monitor especially those energy flows (heat, electricity, fuel amounts) that are crucial for determining the net total efficiency of a generating facility. We review energy consumption at every site annually, evaluating variables affecting energy indicators and significant areas of energy use and consumption, including consumers, which account for a substantial portion of internal energy consumption.

We issued our Energy Policy as a directive of the board of directors with effect from October 15, 2015. The commitments it contains are in line with requirements imposed by the standard, legislation, and commitments to improve energy performance. The Policy can be found on our website at <https://www.cez.cz/cs/o-spolecnosti/skupina-cez/o-skupine-cez/profil-skupiny-cez.html>.





Energy Policy

We undertake to:

- Continually improve the energy performance of our production plants and buildings with respect to operational (economic), technical, and environmental parameters
- Improve the energy efficiency of electricity and heat generation in the long term wherever possible and practicable
- Take action aimed to continually improve energy management, especially to monitor and evaluate energy consumption
- Obtain and provide available information and resources as necessary to achieve energy objectives and energy targets
- Comply with all legal and other requirements concerning the use and consumption of energy at CEZ Group
- Establish an efficient energy management system with defined responsibilities and powers for its maintenance and improvement
- Improve the level of energy management in line with the company's strategic objectives
- Promote the procurement of energy saving products and services and welcome suggestions for improving energy performance
- Promote the principles of efficient energy use and environmental protection among our contractual partners
- Provide training in energy management to all of our employees

Improving the efficiency of electricity and heat generation is required in order to

- Reduce the production of CO₂, which is our long-term endeavor
- Reduce the consumption of primary resources

In order to improve the energy efficiency of generating facilities, we focus on renovating selected coal-fired facilities on a long-term basis. It is also our goal to improve the efficiency of hydroelectric power plants and nuclear power plants, where we strive to find more efficient replacements for components of major equipment systems. We give priority to facilities that allow efficiency improvement during system deployment.

Selected Activities in 2016

- We put three renovated 250MW units into operation and shut down two 215MW units at the Prunéřov Power Plant.
- According to guarantee tests (Orgrez, March 2017), the electrical output efficiency of Prunéřov units is 40.12% for Unit C, 40.13% for Unit D, and 39.92% for Unit E, while the electrical output efficiency of the power plant prior to its comprehensive renovation was 32.04% in 2011.

CEZ Group companies generated more than half of their electricity (53%) from fossil/nonrenewable resources in 2016. The share of electricity generated at the two nuclear power plants (Dukovany and Temelín) dropped below 40% due to longer outages; renewable energy sources added 7% to the energy mix.

Although renewable energy sources play a much less vital role than conventional power plants in Czechia, they are highly important in terms of environmental friendliness. However, they will remain just supplementary for electricity generation in the near future. The reasons include Czechia's climatic and geographic conditions. For comparison, we generate solely renewable electricity in Romania, for example.

The highest share of renewable electricity generated by CEZ Group is generated at hydroelectric facilities—they account for 52% of its total renewable energy generation. The second most important “commodity” is wind, especially thanks to the operation of wind farms in Romania. Another item in the renewables portfolio is biomass with a 19% share. Most of the combusted biomass consists of wood chips and other plant products of forest and farm origin. We combust biomass to generate electricity at four CEZ Group facilities: Poříčí Power Plant, Hodonín Power Plant, Jindřichův Hradec EC, and Chorzów Power Plant in Poland. Renewable electricity generation is complemented by solar energy, which has a 3% share.



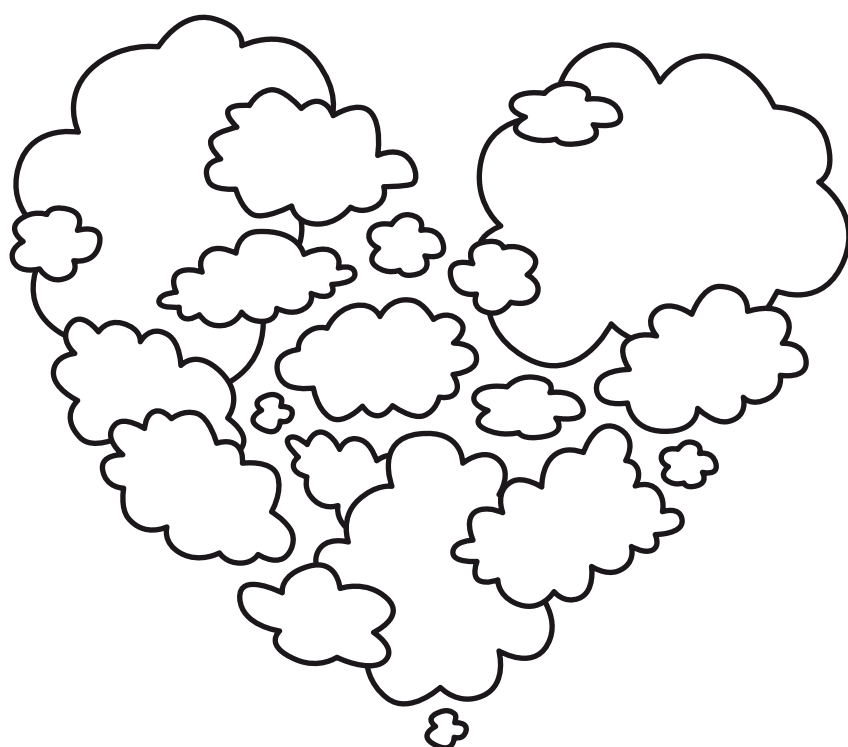
Legislative Conditions Are Fundamental

The operators of stationary combustion plants are required to operate them in compliance with national legislation applicable to air protection. This concerns, in particular, compliance with emission limits, emission ceilings, and other technical conditions. They are also required to pay air pollution fees, whose total amount is calculated from the amount of emissions produced in the past calendar year.

Most significant combustion plants in Czechia are part of the Smog Warning and Regulation System, operated by the Ministry of the Environment through its authorized agency, the Czech Hydrometeorological Institute. If air quality worsens in a particular area, it declares a regulatory regime, which requires compliance with specific operating conditions as set out in the permit in order to improve the quality of air.

Attitude to Emissions

We apply an environmental management system (EMS), which includes, among other things, monitoring emissions and evaluating risks relating to environmental impacts.



Pollutant Emissions

The combustion of both fossil fuels and biofuels is associated with the discharge of air pollutant emissions. The main pollutants are sulfur dioxide (SO_2), nitrogen oxides (NO_x), carbon monoxide (CO), and particulate matter (PM). We manage to reduce the amounts of these emissions by operating renewable energy sources, replacing fossil fuel with low-emission fuels, and making gradual environmental upgrades to coal-fired facilities. We reduced our emissions year-on-year:

- by 23.6% of dust
- by 33.2% of sulfur dioxide
- by 13% of nitrogen oxides

We use continual measurement to determine the amount of SO_2 , NO_x , CO, PM emissions from large combustion plants (LCPs). Minor combustion plants, with a heat input less than 50 MW, are measured at intervals. The measurement is carried out by a person having valid monitoring authorization, or the amount of emissions is determined from available emission factors.

Pollution

Beyond the scope of our legal obligations, we have provided accredited monitoring of the quality of air near the stationary combustion plants we operate since 1994. It measures pollution with NO_x , SO_2 , and most significantly particulate matter of different sizes (PM_{10} and $\text{PM}_{2.5}$). We performed monitoring at ten pollution measurement stations in the Ústí, Karlovy Vary, Central Bohemia, and Moravia-Silesia Regions in 2016. We deliver the data to the Czech Hydrometeorological Institute and they serve as a basis for monitoring and evaluating the quality of air in Czechia for us and third parties.



Using remote data transmission, operated by an independent accredited laboratory, we also monitor pollution in municipalities affected by the operations of CEZ Group's brown coal mines, where measurement stations are located to provide continual measurement of dust pollution, especially with PM₁₀ suspended particulate matter. Measurement results are provided to the affected municipalities and governmental agencies.

We Are Active in Reducing Greenhouse Gas Emissions

CEZ Group made a commitment to supply its customers with carbon neutral electricity by 2050. Together with other European energy groups, we registered our commitments to reduce greenhouse gas emissions under the Non-State Actor Zone for Climate Action (NAZCA), formed prior to the Paris Climate Conference in 2015. Published commitments are administered by a nonprofit organization, CDP (formerly Carbon Disclosure Project). The United Nations Framework Convention on Climate Change (UNFCCC) anticipates that NAZCA (or CDP) will report on the current status of commitment fulfillment and will therefore track progress on the basis of annually updated data. CEZ Group made a commitment to reduce its carbon footprint and reduce CO₂ emissions per MWh of electricity generated in Czechia by 46% before 2020 as compared to 2001.

We Made a Commitment to Significantly Reduce Our Generation Carbon Footprint

It is crucial for Europe to reach a global agreement on the reduction of greenhouse gas emissions so that the Old Continent is not fighting alone. Otherwise it would be highly problematic for Europe to stand up to global competition because its costly measures to reduce emissions would make its production more expensive than that of the rest of the world. Our long-term strategy is to achieve zero emissions in electricity generation by 2050. We have proclaimed this ambitious goal, which exceeds what the EU and most countries in the world have pledged, together with other major energy companies in Europe.

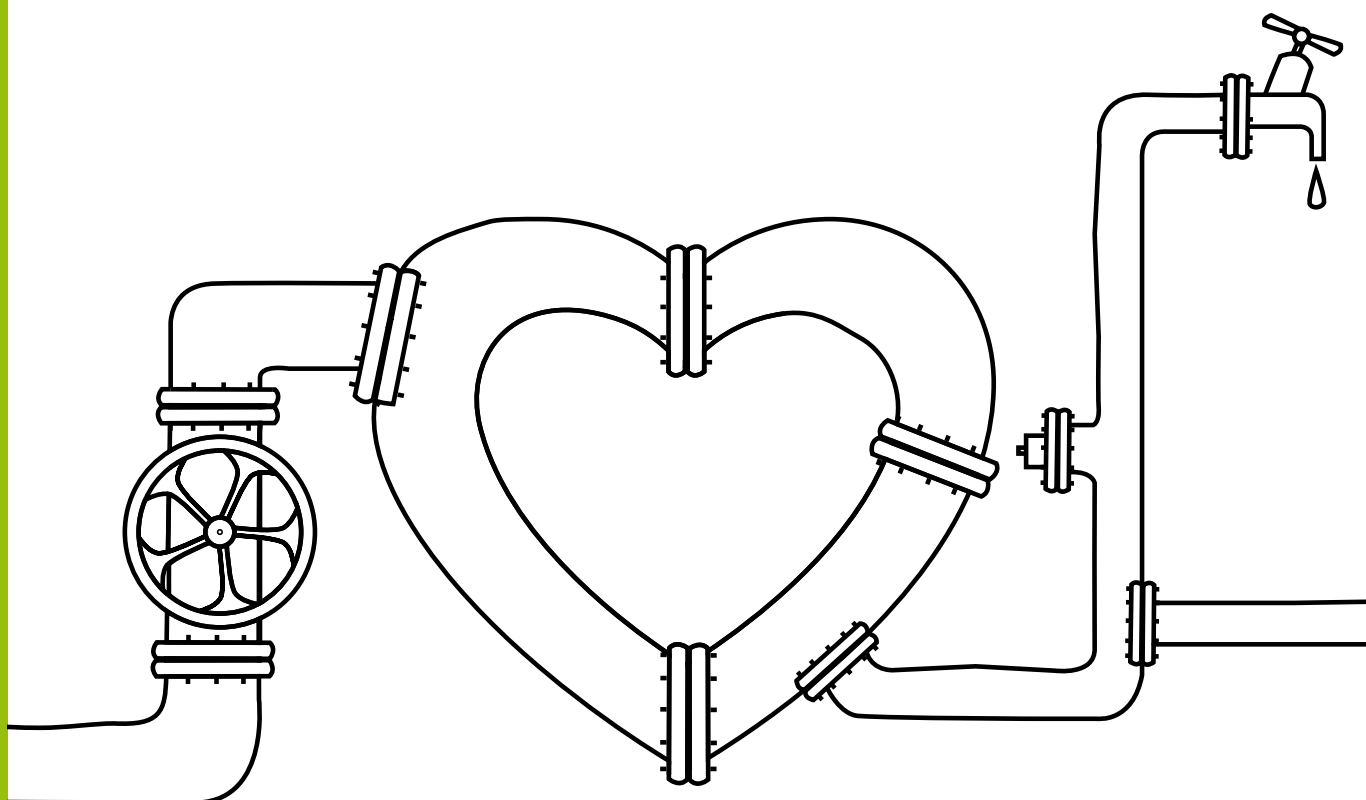
We have reduced CO₂ emissions by more than 38% since 2007.

Forced outages of nuclear units, focusing on measures to enhance unit safety, continued in 2016. Therefore, a portion of their production had to be substituted for with generation in facilities producing greater amounts of CO₂ emissions—gas-fired, CCGT, and coal-fired plants. At the same time, demand for electricity increased due to continued growth of the Czech and European economy. This resulted in a 4.1% year-on-year increase in CO₂ emissions (the emission intensity of electricity generation increased by 4.8%).



2.6.5 We Use Water Sustainably

In the field of water management, our companies focus—in connection with the operation of their plants—on thrifty water management, on the prevention and reduction of water pollution, and on compliance with surface and ground water protection measures.



Total Water Withdrawal by Source

Water is the second most important resource for our generating facilities, next to fuel, and is irreplaceable in cooling during electricity generation. Almost 82% of withdrawn surface water is used for once-through cooling. Potable water used by CEZ Group companies is mostly withdrawn from public water supply systems. Groundwater is used by power plants and heating plants in minimal amounts. An absolute majority of withdrawn groundwater is used to make potable water or pumped in order to lower groundwater level and discharged into surface water without use.

Water Sources Significantly Affected by Withdrawal of Water

In spite of relatively large quantities, surface water withdrawals do not significantly affect the water content of the watercourses concerned. Water used for once-through cooling is returned to the river immediately downstream of the point of withdrawal. The water body most affected by surface water withdrawal in Czechia is the Mohelno water reservoir, from which we withdraw about a quarter of the surface water flow volume for the Dukovany Power Plant's purposes. Withdrawals of surface water from other watercourses do not exceed 4% of their flow volumes at the point of surface water withdrawal.

CEZ Group's power plants and heating plants withdraw surface water in some areas that subsequently became protected areas. Specifically, they are the Nečranice Water Reservoir and Heřmanský stav–Odra–Poolší bird areas, the Želinský meandr and Ohře sites of Community importance, the Želinský meandr small-scale specially protected area, and the České středohoří protected landscape area. Only the Ohře site has a direct connection between the protected watercourse area and the presumed presence of an endangered animal. However, we have not identified any impact of surface water withdrawal on biodiversity in protected areas and on the presence of specially protected plant and animal species.

Volume of Water Recycled and Reused

As a responsible company, we strive to reduce our consumption of surface water, most importantly by recycling wastewater. In particular, we reuse wastewater from cooling tower blowdown, sand filter washing, gypsum washing, seepage and drainage water, etc. A completed upgrade to the treatment plant for water contaminated by coal dust at the Nástup Tušimice Mines allows using the treated water as service water at the mine site.



Wastewater Discharges

Wastewater discharges are subject to conditions set down in integrated permits issued by competent authorities or in compartment-specific decisions. CEZ Group's generating facilities carry out regular monitoring of discharged wastewater. The aim is to monitor quality and to respond promptly to any risk of quality deterioration. We only discharge wastewater to surface water courses; we do not discharge any wastewater to groundwater bodies.

The highest volume is represented by wastewater from the once-through cooling systems of steam turbines, which accounts for 92% of the total volume of all wastewater discharged from thermal power plants and heating plants. An absolute majority of wastewater (except wastewater from once-through steam turbine cooling) undergoes mechanical and chemical treatment prior to discharge to the receiving water body. Wastewater treatment plants allow controlling wastewater quality, reducing the risk of introducing pollutants into the surrounding environment. The quality of wastewater from once-through steam turbine cooling is altered in a single parameter, temperature, and the wastewater is discharged so that there is no change to the conditions crucial to the life and development of biotic populations.

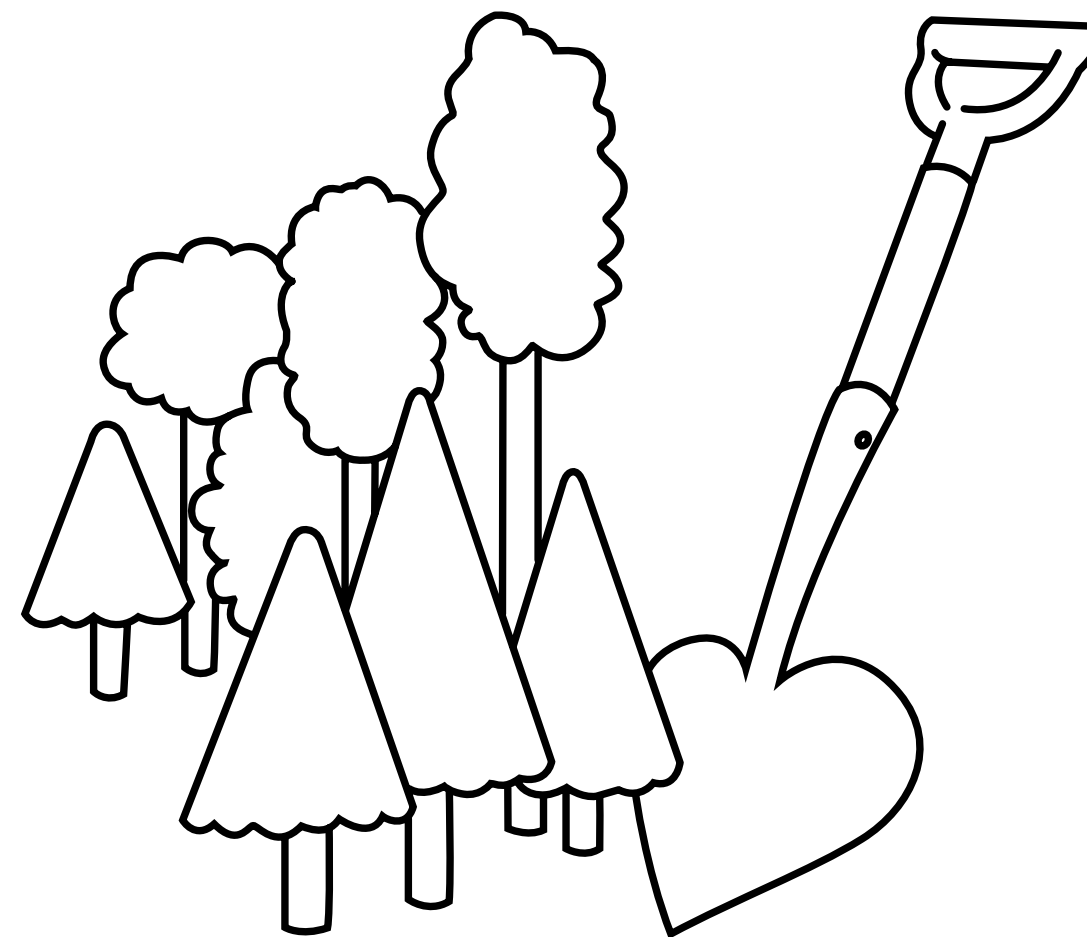
Impact of Wastewater Discharges on Watercourses

In 2014–2016, all of our generating facilities met the technical conditions for their operations in respect of water protection as imposed by their operating licenses issued by competent water authorities. We discharge wastewater in the Heřmanský stav–Odra–Poolší bird area and in a single site of Community importance, the Ohře River. No impact of wastewater discharges on biodiversity in the protected areas and no impact on the potential presence of specially protected plant and animal species have been demonstrated.

2.6.6 We Restore Land

Land restoration is of great importance to us and to our surroundings. We strive to restore land to its original condition or revitalize it so that it can further benefit society. We focus in particular on

- Restoring mined areas
- Restoring disposal ponds and landfills
- Screening towns and villages from active mining and dumping areas with, for example, noise reducing embankments, walls, and woodland belts
- Taking protective and compensatory measures
- Creating conditions supporting biodiversity





We restore affected areas on an ongoing basis in order to minimize and eliminate the effects of mining and dumping operations on the environment. Severočeské doly creates provisions for the elimination of effects of mining activities during and after mining. It creates not only the conceptual and technological but also the financial conditions necessary for creating a new landscape in the future—once the coal is extracted—and for the whole mining-affected area being in accord with sustainable development principles and the needs of an economically and culturally exploited region. The company prepares designs for individual projects in accordance with its Comprehensive Clean-Up and Restoration Plan and the approved Development, Preparation and Extraction Plan. The strategy of restoration plans is based on the objective of screening affected towns and villages from active mining and dumping areas using protective measures creating noise reducing embankments, walls, and woodland belts that mitigate the negative impacts of mining activities.

The restoration of waste dumps and exhausted open-cut mines provides an opportunity to turn the area into an area of high biodiversity value.

Selected Activities in 2016

- We established two experimental successional areas at the Radovesice waste dump, where we dump earth extracted from the nearby Bílina mines. We chose locations where functional ecosystems were starting to develop spontaneously under the specific conditions and where the protection of and research into some biological, geological, and paleontological phenomena are required. Both successional areas were registered as significant landscape features, similarly to another of the Bílina Mines' waste dumps, Pokrok, where a 3.6ha significant landscape feature has been registered since 2014.
- Other interesting biotopes are represented by exposed parent materials, salt marshes, sky ponds in depressions on untreated dump surfaces, small water bodies under the toes of dumps, and other valuable biotopes with mostly forest-steppe characteristics, often formed spontaneously. We strive to create and conserve such biotopes during land restoration.

- Land restoration continued also in the vicinity of CEZ Group conventional power plants in 2016. We used more than 6.6 million tons of coal combustion products certified for these purposes. Waste disposal ponds and areas that were restored using coal combustion products are places providing unique conditions for endangered plant and animal species.

We Support Biodiversity

Support for biodiversity, that is, the diversity of biological species and the diversity of habitats for such species, is an important tool for improving the environment. We monitor the impact of our activities, products, and services on biodiversity, carefully monitoring the numbers of endangered and protected animals and plants on and around the sites of our generating facilities. We monitor the individual environmental compartments in all high-risk areas.

We Respect Protected Areas, Animals, and Plants

We not only create the conditions for the prosperity of plant and animal species in the natural environment but also help animals that settle at industrial sites.

- An example is the gangways of flue gas stacks where we create favorable conditions for the peregrine falcon's nesting in collaboration with ornithologists. Since the first falcon nest box in Czechia was installed at a cooling tower walkway at the Tušimice Power Plant in 2011, 47 young falcons were reared on tall power plant structures, stacks, and cooling towers.
- Another example is the rehabilitated waste pond of the Tušimice Power Plant, whose large area is a convenient grazing range for a flock of more than a hundred sheep. There is also a population of the rare butterfly species *Hipparchia semele*.
- An extraordinary and also protected area is the Zbrod disposal site at the Hodonín Power Plant in the southeastern part of the country, which is part of an area protected under NATURA 2000. It is the Hodonín Oak Wood, a site of Community importance (pursuant to Council Directive 92/43/EEC).

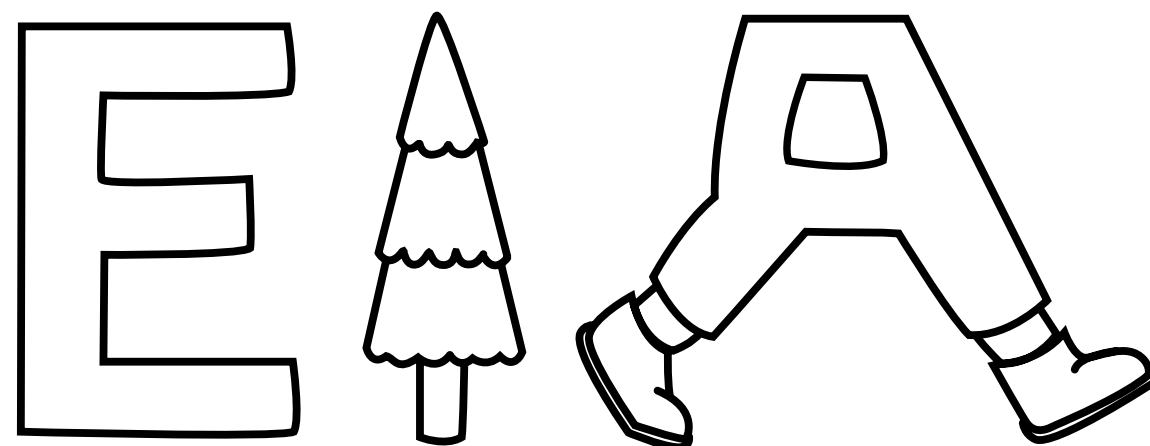


We Protect Birds

Avian protection from electrical accidents remains a pressing issue. Hundreds of protected birds get injured or killed on power poles and lines in Czechia every year. The accidents are mainly caused by the passage of electrical current during phase-to-ground contact due to the bird's wingspan when landing on or taking off from power poles, or by flying birds' collisions with conductors. While accidents caused by birds' collisions with power lines are hard to prevent, protection against phase-to-ground contact has existed for many years. The number of injuries in different localities is influenced by many factors. The primary ones are landforms, the quantity and nature of scattered vegetation together with forestation, the location of power lines in relation to birds' main migration routes and resting sites or nesting sites with food sources. Our environmental protection experts work closely with government experts and with ornithologists (Ministry of the Environment, Nature Conservation Agency of the Czech Republic, Czech Society for Ornithology, Fauna Protection of the Czech Republic). Our protection efforts focus especially on raptors such as the common buzzard, common kestrel, peregrine falcon, saker falcon, red kite, but also owls and white storks. We have installed avian protection devices to prevent bird injuries on several thousand medium-voltage poles. When building new medium-voltage lines, ČEZ Distribuce prefers support structures that prevent birds from landing near conductors that are dangerous due to possible phase-to-ground or phase-to-phase contact. They are the safest and most economical means of protection that do not require any additional protection devices to be installed. Avian electrocution protection places higher demands on grid operation and maintenance and requires non-negligible investments during grid construction and reconstruction. All that said, it becomes a major step toward improving human relations to the nature and consideration for other living creatures.

We Carry Out Environmental Impact Assessment (EIA) for New Construction Projects

When we plan new construction or activities that may have a significant impact on the environment, our project has to undergo environmental impact assessment (EIA). If there is a protected species of animals or plants in the area concerned by the future construction or activity or if the construction or activity may have a complex significant adverse effect on the environment, it must be assessed by expert studies. On the basis of the studies, environmental authorities lay down conditions under which the construction or activity may be undertaken. The developer must comply with the conditions during construction, eliminating the adverse effects on the site and its surroundings.

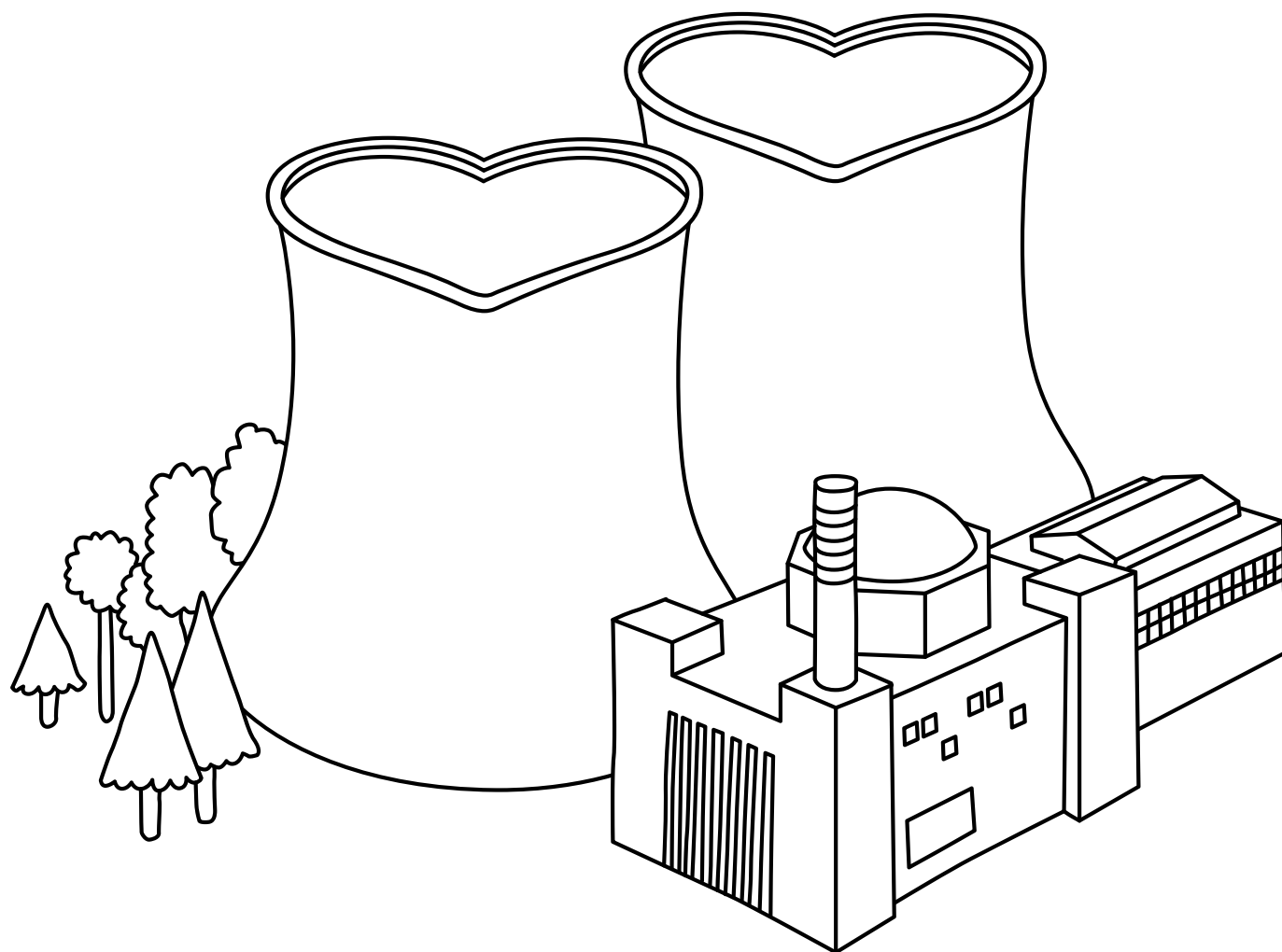




2.6.7 We Safely Operate Not Only Nuclear Facilities

We operate zero-emission nuclear facilities, which are the core of our generation portfolio. Our goal is to minimize impacts on the environment and human health not only today but also in the years to come so that we do not place an inappropriate burden on future generations.

- We monitor the effect of nuclear operations on the environment and human health.
- We dispose of radioactive waste safely, using state-of-the-art technologies in its treatment and processing.
- We develop our expertise in the disposal of radioactive waste.



Emergency Plans and Response Measures

Safety, which includes a fire protection system and emergency preparedness, comes first at CEZ Group. Emergency preparedness is part of our Safety and Environmental Protection Policy and internal documents. We introduced an emergency preparedness system at all of our generating facilities in compliance with applicable legislation, and we regularly test emergency preparedness in collaboration with other entities and public authorities.

Emergency plans and related action documents have been prepared and approved for all generating facilities in all locations we operate in. We annually review the emergency plans and provide exercises and training for the people involved.

ČEZ, a. s. Conventional Power Plants

In compliance with applicable legislation, each site has an electricity/heat producer emergency plan (depending on the type of operations), which describes the site's system of preparedness for emergencies and states of emergency in the Czech Republic. This is followed by an emergency preparedness plan, which serves for responding to possible emergencies and is adjusted to specific on-site conditions. All conventional power plants have such a plan and each of them has its own emergency response team. Individual facilities submit their emergency documents to the regional operations centers of the Fire Rescue Service (FRS).

Every power plant/heating plant carries out at least one emergency response exercise every year. They focus, for example, on fire, rescue of people, release of hazardous substances, breach of physical protection, and other topics. The exercises also test cooperation with external entities such as the FRS, the Czech Police, regional and municipal emergency medical services, and the public and local authorities concerned. Employee training is provided once in two years in the form of an e-learning course. Members of the Emergency Response Team receive regular in-class training every year.



**Number of Emergency Preparedness Exercises
at Conventional Power Plants**

2015	23
2016	23

A corporate fire brigade (CFB) has been established for conventional power plants. It has several fire stations located at selected conventional power plants. The CFB is part of an integrated rescue system (IRS). Fire protection of hydroelectric power plants is provided by local fire brigades from the area under the IRS. The CFB is an integral part of the system of emergency preparedness at both conventional and hydroelectric power plants. CFB units are regularly inspected by public authorities (regional FRS).

**Number of Operations under the Integrated Rescue System
at Conventional Power Plants**

2015	33
2016	32

Number of Fires at Conventional Power Plants

2015	4
2016	3

ČEZ, a. s. Nuclear Power Plants

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

Following the events at Fukushima in 2011, both nuclear power plants were subjected to stress tests, on the basis of which CEZ Group improved the safety and security of both Temelín and Dukovany.

The emergency preparedness system is tested with announced and unannounced exercises and drills every year. Participants include employees, suppliers, and other people present on the power plant site at the time of the exercise. Exercise scenarios vary—technology failure, radiation emergency, protection against an external threat, environmental emergency, accident during cask transport, etc.

**Number of Emergency Exercises at the Two Sites
(Temelín and Dukovany), Total**

2015	19
2016	19

During exercises, the emergency preparedness unit cooperates with public bodies (State Office for Nuclear Safety, Fire Rescue Service of the Czech Republic, regional authorities, municipal authorities, etc.) and international organizations (WANO – The World Association of Nuclear Operators). CEZ Group distributes potassium iodide tablets to residents of the emergency planning zone, plus a guide in the form of a calendar every two years.



Both nuclear power plants have their own corporate fire brigade (CFB), which is part of the integrated rescue system (IRS). It operates off-site, under the regional emergency plan, if necessary.

Number of Operations under the Integrated Rescue System (Temelín, Dukovany), Total

2015	10
2016	16

Fire prevention and employee responsibility keep the number of fires at a minimum.

Number of Fires at the Temelín and Dukovany Nuclear Power Plants

\\\\\\\\\\	2015	2016
Dukovany Nuclear Power Plant	0	0
Temelín Nuclear Power Plant	1	0

The CFBs at both nuclear power plants obtained new equipment during the stress tests. It included, for example, a hose truck, a tanker truck, an excavator, new powerful pumps, balloon lights, and mobile Diesel generator sets. The CFB units are regularly inspected by public authorities (SÚJB, regional FRS) and international organizations.

Abroad

Safety, which includes a fire protection system and emergency preparedness, also comes first at CEZ Group companies abroad. In most cases, it is part of the Safety and Environmental Protection Policy and internal documents. CEZ Group power plants have their own fire brigades; the management of each foreign company has a Rescue Plan, in compliance with the legislation applicable to occupational safety in the power industry in the country.

- In Bulgaria, Safety Plans in the energy sector are approved by the competent ministry; the Plan includes a detailed description of rescue operations in case of a threat or natural disaster such as fire, floods, or earthquake.
- Romanian companies also prepare and continually update emergency plans for each organizational level. The most important procedures in safety management include evacuation plans, the establishment of crisis management boards and crisis communication, first aid methods, fire prevention, etc. CEZ Group companies in Romania also put emphasis on road safety where CEZ Group employees are involved.
- In Poland, fire safety and related rescue systems are discussed in quarterly meetings between the safety committee and management representatives. The safety committee also gives the management recommendations for special training on fire safety and emergency plans and for prevention programs aimed to minimize risks.



2.6.8 We Introduce a Circular Economy

We are changing our approach to resources—we strive to reduce our dependency on natural resources, for example, by using as many secondary raw materials as possible for new production. We are introducing circular economy principles into our corporate culture, our strategy, and all CEZ Group companies' business processes.

- We consistently support the established hierarchy of waste management with priorities sorted from prevention, preparation for reuse, recycling, and energy recovery to waste disposal.
- We work to reflect our waste-to-energy strategy in specific projects.
- We promote new technologies, processes, services, and business models according to the best available techniques.
- When handing waste over to contractual partners, we make sure they apply the preferred method of use.



We consider waste a valuable raw material we can further process to protect the environment. We thus intend to harmonize our internal regulations with the European Commission's Circular Economy package presented in late 2015. It aims to set higher targets for municipal waste recycling, higher targets for packaging recycling, and a target for landfill reduction. We advocate circular economy principles and are ready to integrate them in our own corporate culture and strategy. That is why we are signatories to the Initiative launched in 2015 by the French-Czech Chamber of Commerce, its members, and cooperating companies to support efficient deployment of a circular economy in Czechia. Room for further improvement and advancement in modern waste management is created by a cooperation agreement we made in 2015 with EKO-KOM, aiming to have as much waste as possible sorted and recycled. We are a partner of the Achiever of the Year category of the Crystal Trash Can competition, in which EKO-KOM awards municipalities that are successful in managing municipal waste and informing residents on how individual types of waste should be managed.

How We Manage Waste

Waste management is governed by our Safety and Environmental Protection Policy and Environmental Management System (EMS) in line with the waste management hierarchy.

CEZ Group's waste management aims to

- Prevent waste generation as much as possible
- Utilize as much generated waste as possible
- Hand over waste that cannot be reused to authorized operators for disposal



Employees sort generated waste in order to separate reusable components. We collect waste in appropriate waste collection containers and optimize the number and location of the containers according to actual needs. In addition to reusable components of municipal waste—paper, plastics, glass, and biodegradable waste originating from grounds maintenance at power plants—we also hand over used oils, metal materials, and other reusable waste for recycling. The system includes the take-back of electrical and electronic equipment and batteries. A majority of waste consists of construction and demolition waste originating from the demolition of obsolete structures and sludges from wastewater treatment. Another major category comprises waste metals and waste of municipal nature.

Hazardous waste originates mostly from the maintenance and cleaning of plants, especially plant units working with all kinds of oil products. These are used products or their remnants, leaked and spilled substances, residues, contaminated materials, sludges, thinners and cleaners, contaminated sorbents, etc. The amount of hazardous waste generated in 2016 accounted for not quite 1% of all waste generated by CEZ Group. We handed over almost 96% of all generated waste for reuse.

Radioactive Waste Management

We manage radioactive waste at nuclear power plants in compliance with Act No. 263/2016 Sb., as amended (Atomic Energy Act).

Selected Activities in 2016

- The amount of hazardous waste generated in 2016 accounts for not quite 1% of all waste generated by CEZ Group.
- Almost 96% of all generated waste was handed over for reuse.

Plant Decommissioning at ČEZ, a. s.

Conventional and Hydroelectric Power Plants

Conditions for the shutdown and decommissioning of large combustion plants are set down in integrated permits. They require preparing a plant decommissioning plan and evaluating the level of soil and groundwater contamination, with obligatory clean-up if the contamination exceeds the level identified as initial contamination load in the Site Baseline Report. We strive to use energy facility sites on a long-term basis to prevent the need to appropriate more land. Following demolition, we use the sites of retired facilities to construct related technology or new generating units. During demolitions, we sort waste in order to allow reuse and to keep the amounts of hazardous waste to a minimum.

We close landfill sites in compliance with current legislation, providing after-care for thirty years. We create financial provisions for restoration during the operation of landfills.

Mining

Mining companies make financial arrangements for decommissioning and rehabilitation after mine exhaustion. The rehabilitation and clean-up provision is used in line with the master restoration plan approved by public authorities with the aim of restoring life in the area affected by mining, creating a functional landscape with restored biotopes according to sustainable development principles and the needs of an economically and culturally exploited region.



Nuclear Power Plants

Pursuant to the Atomic Energy Act (Act No. 263/2016 Sb.), CEZ Group is responsible for the future decommissioning of nuclear facilities and required to evenly create a provision for their decommissioning so that funds will be available in the future at the time and in the amount required. Pursuant to the Atomic Energy Act, the technical and economic aspects of decommissioning must be addressed throughout the nuclear facility's life cycle.

In addition to legal requirements, the creation of safe shutdown procedures and nuclear facility decommissioning plans must take into consideration the state policy for the management of radioactive waste and spent nuclear fuel. According to the policy, a deep geological repository is planned to be built and put into operation in Czechia after 2065.

According to current estimations, the process of nuclear power plant decommissioning should continue for approximately fifty years following the termination of electricity generation. It is currently estimated that the decommissioning of the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant will be finished in 2086 and 2091, respectively.

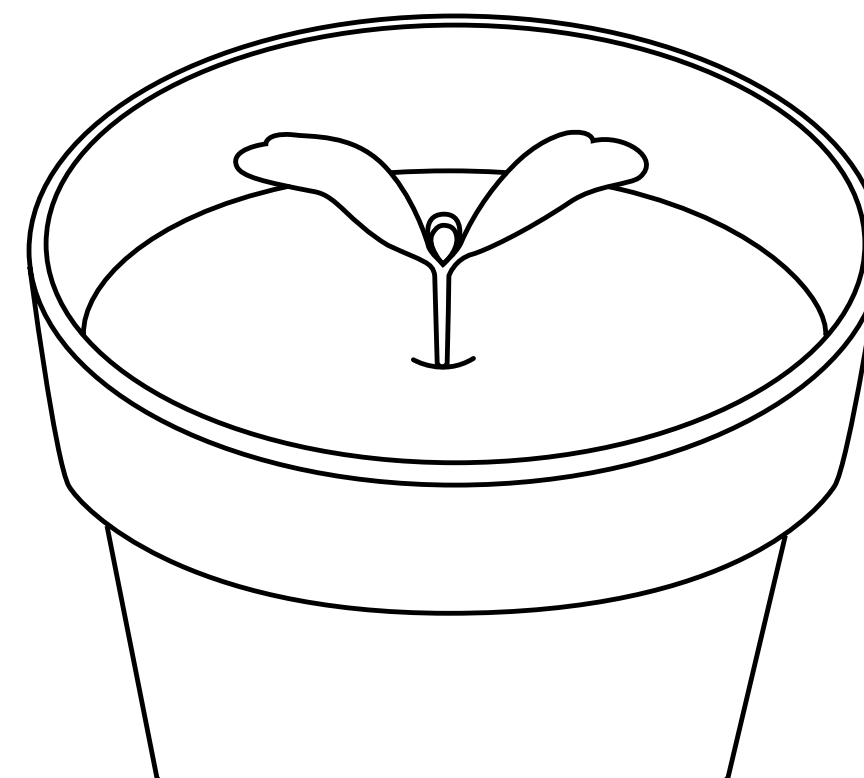
The provision is created on the basis of decommissioning cost estimates and the decommissioning funds collected to date. The current estimate of decommissioning cost for the Dukovany Nuclear Power Plant is CZK 22.4 billion and the decommissioning cost of the Temelín Nuclear Power Plant is estimated at CZK 18.4 billion. The latest cost estimates for the Dukovany Nuclear Power Plant and the Temelín Nuclear Power Plant were made and audited by SÚRAO in 2013 and 2014, respectively. Collected funds earmarked for nuclear power plant decommissioning and kept on a restricted account amount to CZK 12.982 billion as of December 31, 2016.

2.6.9 We Introduce Supplier Quality Standards

CEZ Group has introduced standards governing supplier relationships to reduce possible business risks. The documents are reflected in the tendering process, contract execution, and the provision of specific services.

We use SAP SRM for the procurement process performed by the central procurement unit for major CEZ Group companies in Czechia; some of our companies take care of procurement on their own. We work with internal and external suppliers that we engage to provide

- Materials, repair, and maintenance for conventional power plants (the conventional sector supplier chain)
- Materials, repair and maintenance, nuclear and coal fuel for nuclear power plants—such supplies must meet statutory requirements (the nuclear sector supplier chain, which includes 250 suppliers mostly from Czechia or Central and Eastern European countries)
- Limestone, lime, gas, and water for generating facilities
- Materials and services for the operation of power plant distribution systems
- Supplies for employee operations and comfort at CEZ Group companies
- Items whose procurement was governed by decree No. 309/2005 Sb. in 2016





External contractor/subcontractor employees receive a considerable amount of training, mostly focusing on safety. Safety in all our workplaces is of paramount importance to us. Conventional sector suppliers receive training once in two years. In the nuclear sector, OSH is part of CEZ Group's introductory training during the renewal of access to nuclear power plant sites. Supplier managers and work team leaders then receive periodical OSH training at yearly intervals. In the conventional energy sector, training in risks associated with job performance is required for all employees by law. Contractor personnel receive basic information on risks arising from power plant operations during supplier training provided by ČEZ, a. s. Any additional risks are described, for example, in a Work Order. Contractor/subcontractor personnel in the nuclear sector are trained in various aspects of safety depending on the generating site. A special category is comprised of psychological tests, which are a prerequisite for the performance of some jobs or entry to some specific zones.

We assess our suppliers' environmental impacts. Before signing a contract, suppliers present evidence of their implementation of an environmental enterprise management system (EMAS) or valid certificates. We monitor activities and environmental impacts throughout the duration of a contract. Suppliers for nuclear power plants receive the Register of Environmental Risks from us to allow them to get familiarized with possible risks and rules for specific job performance.

Working with high-quality suppliers is our priority—therefore, we also assess their social impacts. In particular, we focus on competency maintenance, work safety, and social peace. We assess their condition using audits and regular meetings with the aim of evaluating the level of cooperation and the degree of fulfillment of defined targets. Employees from our Supplier Competence and Evaluation unit conduct precontract customer audits on suppliers for nuclear power plants in accordance with EN ISO 19 011.

When the process is completed, the result of all our interactions with a supplier is the supplier's inclusion in the ČEZ, a. s. Business Partner Database or the ČEZ, a. s. List of Qualified Suppliers.

We manage suppliers, in particular, using shared documents, which cover training information, rules of conduct, and other information. Suppliers can find information on training in (not only) OSH at: <https://www.cez.cz/cs/o-spolecnosti/pro-dodavatele/pravidla-chovani/skoleni-pro-dodavatele.html>.

Our suppliers follow job categorization in compliance with applicable legislation. They carry out for example the following work for us in the jobs listed:

- Technical work—Equipment repair and maintenance, installation and maintenance work at power plants, electrical engineering work, excavation work, plant maintenance, fuel unloading and coaling.
- Blue-collar jobs—Electricians, metal workers, tool makers, insulation fitters, scaffolders, welders, pipe fitters, bricklayers, restoration workers.
- Engineering jobs—Planning engineers, technical and quality control personnel, external fitters.
- Administrative work—Administrative personnel and management ensuring a smooth course of operations, tour guides at information centers.
- Ancillary work and services—Suppliers of consumables, cafeteria operations, health care, cleaning, security, etc.



There were no significant changes to our suppliers in 2016 but we believe it is appropriate to provide the following additional information:

- Centrum výzkumu Řež—There were changes related to the completion of the construction stage of the SUSEN project, Phase I—scientific research departments were transferred to the Energy Sector Science and Research section.
- ČEZ ESCO—Significant changes consisted primarily in the acquisition and inclusion of new subsidiaries in the ČEZ ESCO structure.
- ČEZ Korporátní služby—There was a change to the model of car ownership, associated with a change in the manner of CEZ Group fleet financing.
- ČEZ Teplárenská—There were significant changes within the supplier chain, primarily in equipment maintenance and renovation contractors.
- Elektrárna Dětmarovice—OKD, its key supplier of fuel, became insolvent during the year.
- ENESA—One company was dropped from the supplier chain due to poor quality; two other companies did not supply anything because projects did not contain anything for their specialization.
- Inven Capital, investiční fond—The investment fund became a qualified investor fund supervised by the Czech National Bank on September 1, 2016.
- MARTIA—The company expanded with two new plants at Mělník and Dětmarovice and significantly expanded its activities at Pruněrov, Počerady, and Ledvice. By contrast, it terminated its operations at Tisová at the end of 2016. This resulted in an expanded supplier chain and an increased number of customers.

Supplier relationships and their assessment and auditing at CEZ Group foreign companies are in compliance with applicable legislation, contracts, and the organizations' internal processes. Our foreign subsidiaries prefer local suppliers—in their selection, they consider the criteria of the supplier's price, quality, delivery reliability and periods, OSH management systems, ISO standards, and environmental policy.

Selected Activities in 2016

- ČEZ, a. s. invoiced a total of 5,293 suppliers.
- A total of 95% of the suppliers are from Czechia, 0.83% from Slovakia, and 0.81% from Germany.
- Suppliers from Czechia provide 87% of the volume purchased; 7.8% was procured from Romanian suppliers and 1.9% from suppliers from the United Kingdom.

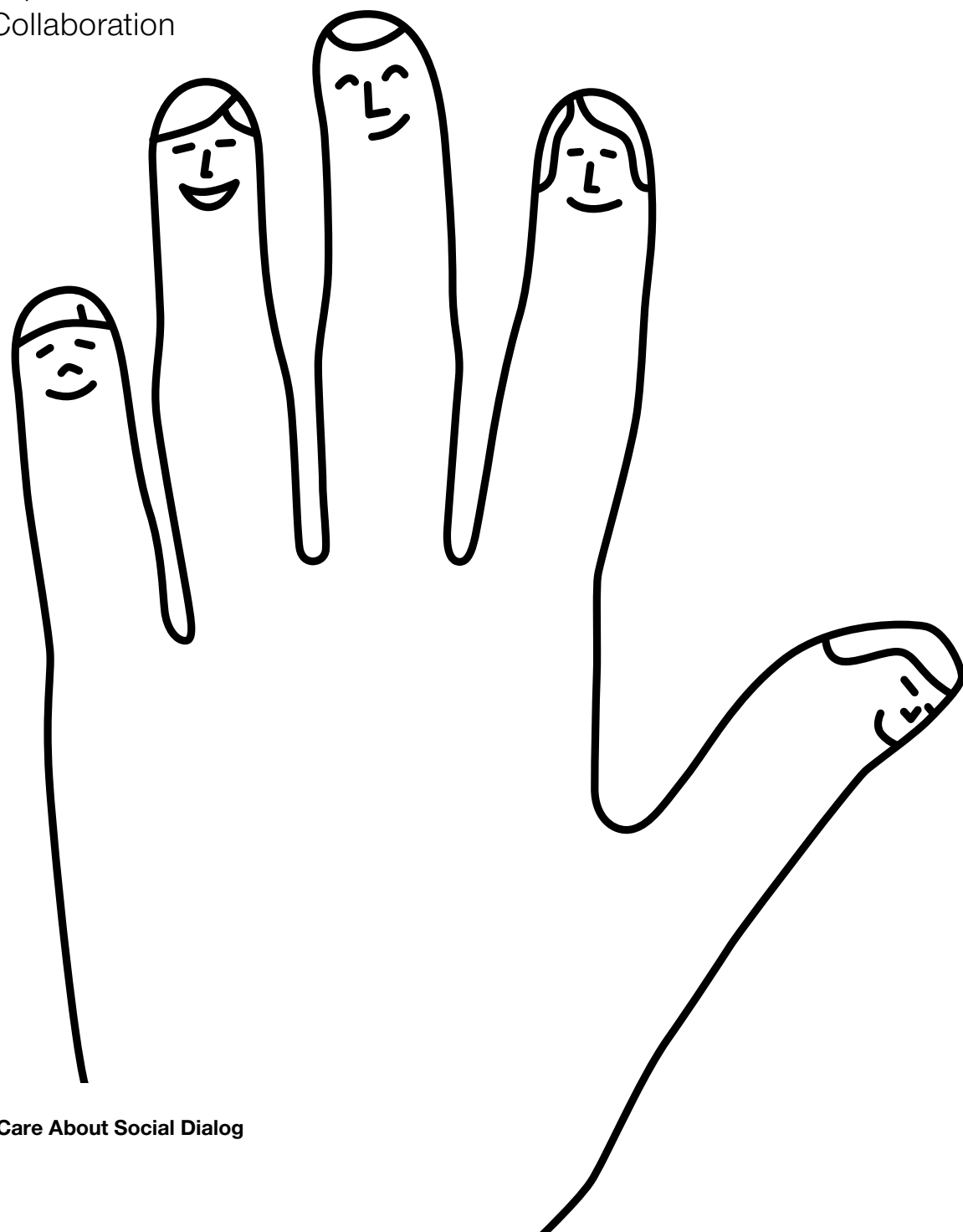


2.6.10 Five Corporate Culture Principles

The principles of CEZ Group's corporate culture set ethical rules of desirable conduct for the individual segments of our employees, serving as their guide for providing feedback on job performance and allowing them to avoid undesirable or wrongful conduct.

These include:

- Safety
- Performance
- Innovation
- Expertise
- Collaboration



We Care About Social Dialog

Selected Activities in 2016

- We revised our Work Behavior Manifestations standard, introducing our updated principles as mandatory requirements for work behavior.
- We updated our Management Growth Program participant cards to enable the inclusion of strategic management in the discussion of the work behavior of employees in key positions.
- We incorporated the updated principles into the annual employee performance appraisal.
- We familiarized appraisers with the updated principles and their application in the annual employee performance appraisal.
- The five principles of our corporate culture also apply to our subsidiaries abroad. In Romania, for example, they sent eight newsletters to 1,250 employees, including information on the compliance program, anti-corruption policy, conflict of interest policy, and other areas. The companies also familiarized their employees with mandatory codes and policies concerning ethics, corruption, and compliance.

2.6.11 We Develop, Share, and Transfer Knowledge and Experience

We promote a culture of knowledge and experience sharing to ensure the safety and efficient performance of our companies in the long term.

- Following an analysis of the current situation, we joined strategic initiatives.
- We cooperate internationally to obtain information about good practices (IAEA assist visit, WANO Corporate).
- We revised our process management and management documents to date.
- We expanded our portfolio of methods and tools for knowledge management.
- We systematically gather feedback and develop this area of HR.
- We created a unified knowledge portal as a new IT tool.
- We plan employee motivation.



Selected Activities in 2016

- We started a Personnel Knowledge and Experience project in the Generation division:
 - Analyzing and reviewing the existing conditions—internally/externally
 - Identifying priorities
 - Creating a new IT tool to support the identification of knowledge employees
 - Expanding the portfolio of tools, especially in the head-to-head area
- We launched streamed know-how sharing videos under the HR strategy of ČEZ Distribuce:
 - Determining the procedure and priorities
- For the first time ever, we took part in a case study competition in Romania, which offers an innovative approach to learning management. The participants obtain knowledge and experience similar to an MBA program.
- We started our Academy strategic program as a joint platform for the strategic development of 66 CEZ Group employees (managers and specialists) in Romania. The program will last for 18 months.
- At Sakarya Elektrik Dagitim A.S. in Turkey, we focused on newly hired employees, who received support for quick induction.
- Turkish company Sakarya Elektrik Dagitim A.S. continued with its training program for existing employees in cooperation with a university. 412 employees were included in the program in 2016.

2.6.12 We Handle Employee Generational Renewal Well

Our goal is to maintain sustainable operation in generation and distribution, so we have to handle the generational renewal of employees in these areas well. This means not only finding and hiring an appropriate number of new, qualified employees but also being able to manage their knowledge and experience.

- We support and popularize technical study programs in Czechia on a long-term basis, striving to enhance students' motivation to study in them.
- We organize a range of activities for students and teachers; we strive to be an attractive employer.
- We place emphasis on the sharing of key knowledge by experienced employees.
- We ensure efficient adaptation for new employees.
- We plan our future needs for qualified employees in generation and distribution.

We not only address the mandatory development of professional qualifications with training courses and induction training but we also allow participation in learning activities that enhance and develop professional skills and personality traits. Using intra-company and inter-company mentoring, we create a culture of collaboration and sharing within and among companies.

We help displaced employees find a new job and we enhance their competitiveness in the labor market. We offer retraining and out-placement to those affected by organizational changes. The employer's obligations during changes in the organization are included in a collective agreement. For example, we organize a Golden Age project in Bulgaria focusing on employees nearing their retirement age. The program aims to provide information on retirement entitlements and obligations, explain the necessary documents, and provide individual consulting.



Selected Activities in 2016

Support and popularization of technical education

- I Know Why project (<https://www.vimproc.cz/>).
- New learning portal website of ČEZ, a. s. (www.svetenergie.cz).
- Support for mathematical and physics olympiads (general partner).
- ČEZ Foundation Award for college and university students.
- Participation in education fairs (supporting partner schools).
- Participation in the Science and Technology Fair in Prague.
- Prokop Diviš Program (managed by ČEZ Distribuce).
- Orange Classrooms grant program (ČEZ Foundation).

Programs for pupils and students

- A system of partner schools (secondary and tertiary) and activities not only for their students (field trips, talks, lectures, and internships).
- Nuclear, Power Engineering, and Distribution Finals for secondary schools (7 times).
- Summer University for college and university students (2 times).
- Themed days for the nuclear power plant sector (a set of college/university lectures combined with a one-day specialized field trip).
- Offer of jobs for fresh graduates (without practice):
 - ČEZ Distribuce—jobs created specifically for fresh graduates
 - Distribution division of ČEZ, a. s.—jobs created specifically for fresh graduates
 - ČEZ Potentials—offer for talents among fresh graduates with a selection procedure
 - ČEZ Distribuční služby—Intern program for vocational school graduates.
- Power Engineers in Vysočina project in cooperation with the Vysočina Region and Třebíč Industrial School.
- Participation in job fairs.
- Offer of topics for student theses.
- CEZ Group's involvement in the Alliance for Youth (a memorandum signed) and its events (Big Step).

Hiring an appropriate number of employees

- Setting up a reference system to reward employees that recommend new colleagues.

Total

- CEZ Group hired 3,032 new employees. Major companies under centralized HR management hired 1,392 employees, more than twice the 2015 number.
- The number of newly hired fresh graduates increased more than five times in the above-mentioned companies.
- We re-opened our scholarship program and made agreements with ten students.
- We collaborated, under a contract, with schools included in our partner network. They are 49 secondary schools and 13 college/university faculties.

Abroad

- We offered 10 students internships at companies in Bulgaria under our scholarship program.
- In 2014–2016, we offered an internship to 241 participants, 54 of whom became our new colleagues.
- We opened the first two dual education classes in Bulgaria—admitting 13 students.
- A total of 60 people at our Bulgarian companies had an individual development plan.
- Distribuție Energie Oltenia S.A. (Distribuție Oltenia) in Romania cooperated with technical schools in Pitești and Craiova and regional school inspectorates to support education in technical programs.
- We made a cooperation agreement with colleges and universities in Romania—86 students worked as interns at Distribuție Energie Oltenia S.A.
- We launched the Professional Competition Project in Turkey—involving 200,000 students at 5 universities; successful contestants were rewarded and their projects became part of our research and development.

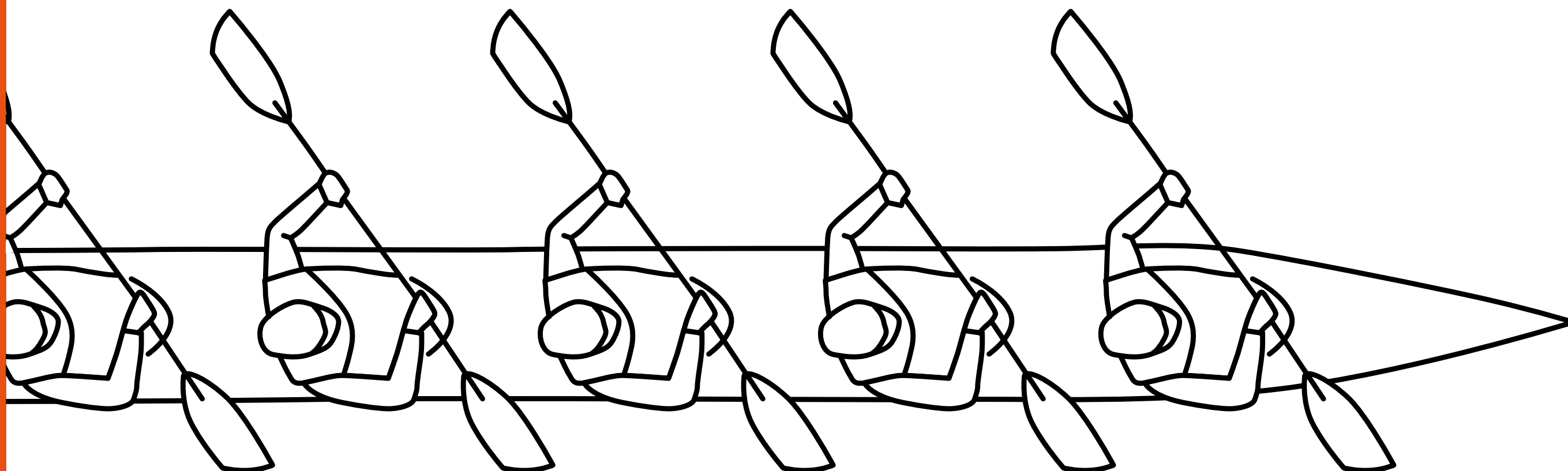
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2.7 STRATEGIC PRIORITY NO. 2

BE A GOOD PARTNER

Being a good partner is our long-term priority. We establish and maintain good relations not only with our employees, trade unions, and shareholders but also with local communities, public and local administration, and other external shareholders.





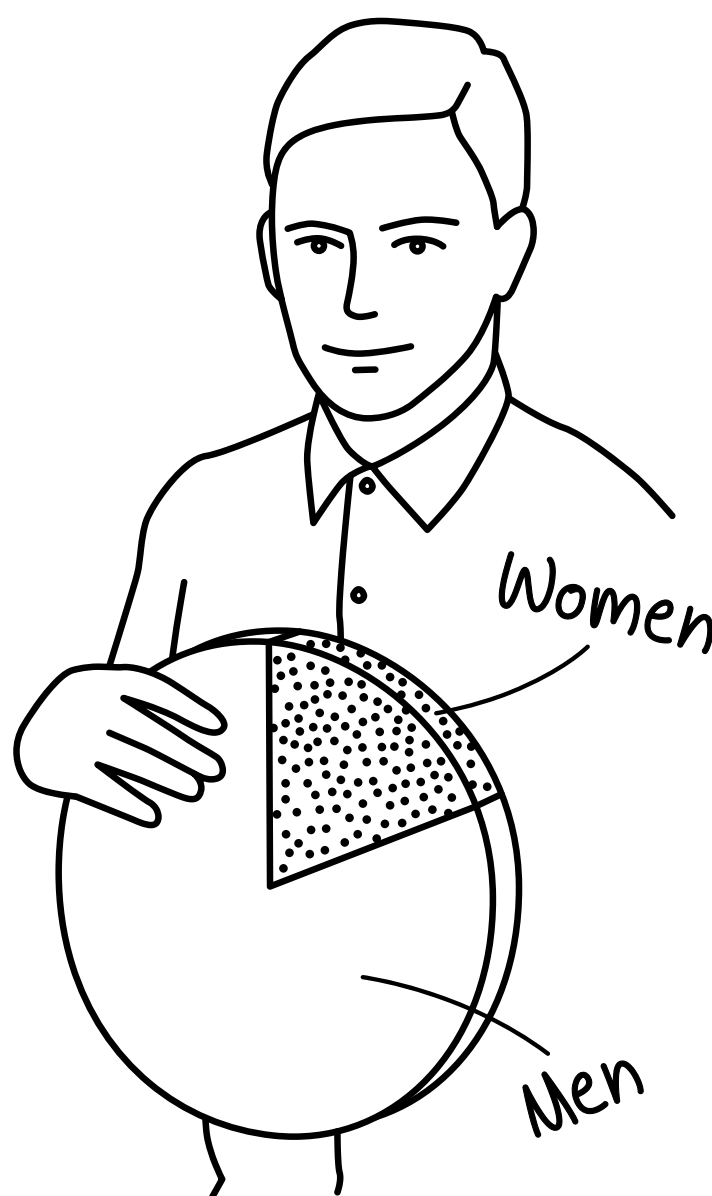
2.7.1 We Are a Responsible Employer

As of December 31, 2016, the consolidated companies of CEZ Group employed 26,895 people, i.e. 1,033 (4%) more than in 2015. We had 21,398 employees in Czechia and 5,497 employees abroad. For detailed information, see the GRI Content Index at the end of this report and on page 138 of the ČEZ 2016 Annual Report.

The largest employers are ČEZ, a. s. (5,079); Severočeské doly Group (4,888); ČEZ Distribuce (2,640); and, abroad, CEZ Razpredelenie Bulgaria AD (2,603).

A typical employee is a man aged 30–49 having secondary education. The total number of employees consists of 20.9% women and 79.1% men. The highest numbers of women work at ČEZ Zákaznické služby (639 out of 761 employees), Severočeské doly Group (675 out of 4,888 employees), and ČEZ Distribuce (669 out of 2,640 employees).

Our goal is to accommodate our employees' needs, support a balance between their personal and working life, allow qualified employees to return early from parental leave and take advantage of their experience, motivate retention, promote our image as a desired employer, and gain a competitive edge in finding new talents. We strive to create the right conditions for all of that.



- We are fair, we want to be a trusted employer, so we do not tolerate any breach of legal or internal regulations or unethical conduct. We care about CEZ Group's reputation.
- By means of our Code of Ethics, we express interest in creating a favorable work environment where our employees can develop their potential and achieve professional growth. We do not tolerate any form of discrimination or harassment. We communicate the ethical rules to all employees during training.
- We communicate transparently with employees—for example, by means of intranet sites, internal surveys, or online chats with management. Employees can submit their questions and comments to an Orange Mailbox on the intranet.
- We provide the same benefits to all employees regardless of the type of employment contract.
- We prepare and introduce new forms of employee benefit utilization.
- The CEZ GROUP SENIORS endowment fund supports the active life of former employees receiving retirement, disability, early retirement, or pre-retirement pensions.
- We openly communicate with employees and trade union representatives about all crucial employment-related matters.
 - There are 27 labor unions operating at ČEZ, a. s., representing 29% of employees. Selected major subsidiaries of CEZ Group in Czechia have a total of 42 local trade unions, organizing approximately 47% of the total workforce. Regular meetings are held between employer representatives and trade union representatives, discussing topics defined in the Labor Code or set down in collective agreements. Besides organizational changes, the meetings discuss the employer's economic position, remuneration system, appraisal, working time, employee education, changes in internal regulations, and other measures.



- Our obligations to employees are governed by collective agreements, which are made for individual CEZ Group companies, and the benefits provided in most cases exceed those required by law.
- In addition to trade unions, the CEZ Group European Works Council has operated in our Group since 2007, discussing supranational matters regarding employees. It has 23 members from companies in Czechia, Poland, Bulgaria, and Romania. The Council meets with CEZ Group top management representatives every six months.

Benefits for Our Employees

We provide employees with a number of benefits. These include:

- Personal account—to be used through Cafeteria
- Contribution to life insurance
- Contribution to supplemental pension plans
- Meal allowance
- Welfare assistance
- Loans
- Sickness contribution
- Severance pay and life jubilee bonus
- Differentiated benefits
- Offer of ICT products and services
- Favorably priced offer of goods and services
- Favorably priced offer of vehicles
- Offer of favorably priced insurance
- Offer of favorable financial products
- Five weeks of vacation
- 37.5-hour workweek
- Home office (telecommuting) option
- Flexible working hours
- Company car and mobile phone for business and personal use in selected job positions



Selected Activities in 2016

- We prepared the implementation of a new tool for using benefit allocation in personal accounts using Cafeteria.
- A new benefit for our employees is the establishment and operation of a corporate nursery school at the ČEZ, a. s. headquarters in Prague or the employer's contribution to payments for children in external nursery schools.
- Regional Health Days are popular internal health and prevention events that we organized in ten places in Czechia. The events have been organized since 2014 and aim to explain possible current health risks and how to prevent them.
- We started a new event named Mom, Dad, Where Do You Work?—children visiting their parents' workplace in Prague and Kladno. They could visit places they would normally not be allowed to. This gave employees an opportunity to show their families, and especially children, where and how they work.
- We organized a Together by Bike event. We asked employees to leave their cars at home at the time and do something for themselves and the environment. They helped selected projects by means of the EPP Move to Help mobile app—together they rode 18,376 km, burnt 731,235 kcal, and earned 287,983 points, which they contributed to five selected projects supported by the ČEZ Foundation.
- We organized an Induction Day at all our companies. For example, in Romania it was attended by 78 new employees to get to better know CEZ Group.
- We organized the fifth annual CEZ Spartakiada 2016, a sports event with more than 250 competitors in Bulgaria.



We Provide Training and Education to Our Employees

We consider our employees' education to be an investment in the future. We have introduced a system that allows us to meet statutory requirements for ensuring an appropriate level of employees' professional expertise, most importantly in respect of safety. This includes internal and external experts supervising the quality of education.

We work with our employees on the basis of long-term priorities based on CEZ Group's strategy. For example, we focus on managing employee generation changeover, from management education to support for new acquisitions and innovation. We use the latest approaches and tools from the fields of talent management, knowledge management, leadership, etc. We strive to keep pace with the world, so we regularly benchmark our performance against companies in similar lines of business, which enables us to use world-level expertise.

Training and education at ČEZ, a. s. and at companies provided with services by Human Resources are available to all employees—not only in the area of legal compliance but also in further professional and personal development. Employees' entitlement to participation in development activities is governed primarily by the need for further development identified by their superiors.

Selected Activities in 2016

- We increased the number of topics offered by Human Resources for training using internal resources. This trend significantly enhances the availability of development to our employees.
- Employees of CEZ Deutschland GmbH actively participated in specialist conferences and congresses.
- Our Hungarian, Bulgarian, and Romanian subsidiaries also offer and promote further education beyond the scope of mandatory training according to employees' individual needs or workplace criteria.

We Create the Conditions for a Work-Life Balance

We strive to accommodate our employees and their needs to support a balance between their personal and working life. For example, we allow qualified employees to return early from maternity and parental leave. This allows us to improve operational efficiency and save the cost of new employee recruitment and adaptation.

We motivate employees to stay with CEZ Group companies and promote the creation of a desired employer image—this gives us a competitive advantage in the labor market when seeking talented workers.

We Seek New Employees

We publish our vacancies on portals such as www.jobs.cz and www.prace.cz, on our own career website at www.kdejinde.cz, and on the corporate intranet. We also take advantage of opportunities offered by social media such as Facebook, LinkedIn, Instagram, or Twitter.

Job Fairs and Education Fairs

We actively participate in job fairs and education fairs, where we present CEZ Group as an attractive employer in the energy industry and the benefits of technical education for the young generation.

Collaboration with Schools

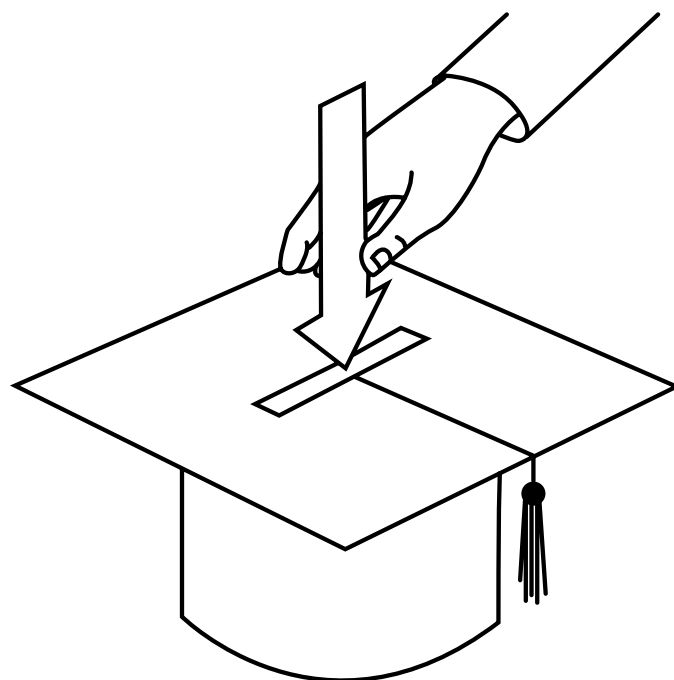
We work with secondary schools, colleges, and universities, organizing talks, lectures, and recruitment presentations and participating in open days. When considering studying at any of them, students can be certain that they will gain CEZ Group-guaranteed expertise there.

Finals, Universities, and Innovation Marathon

We organize programs for pupils and students such as the Summer University for college and university students at the Temelín and Dukovany nuclear power plants or Nuclear Finals for secondary school students in the same places. We also organize Power Engineering Finals focusing on coal-fired power plants and Distribution Finals for the field of electricity distribution. There are about 300 students participating in the programs every year.

The **Summer University** is a two-week internship at our two nuclear power plants (Temelín and Dukovany) for technical college and university students. They attend expert lectures by employees and external specialists, take tours of the power plant site, and get to see individual technologies. The Summer University is an opportunity for 30–40 students per site, a chance to get a scholarship and start their career with CEZ Group.

Nuclear Finals are three-day internships at the Dukovany and Temelín nuclear power plants for selected students from our partner secondary schools. They attend interesting lectures and talks and take a field trip to see the plant operations during the event. The program includes entertaining competitions, meetings with employees, and a final quiz with the proclamation of the King of Nuclear Finals.



Power Engineering Finals are three-day internships at coal-fired power plants in northern Bohemia for selected students from our partner secondary schools. The students get an opportunity to see electricity generation at a coal-fired power plant with their own eyes and meet experts in the field. The program includes lectures, talks, and field trips, as well as entertaining competitions, meetings with employees, and a final quiz with the proclamation of the King of Power Engineering Finals.

Distribution Finals are three-day internships focusing on electricity distribution for students from secondary schools partnering with CEZ Group. The students learn some theoretical information, complemented with field trips, for example, to ČEZ Distribuce's control center, a substation, or a specialized live-line operations department. They will learn about possible thermal imaging applications in power engineering, cable inspection methods, or practical use of personal protective equipment and tools. Selected interns will get an opportunity for further collaboration with us.

The **Innovation Marathon** is a competition for six teams of five college and university students or fresh graduates, full of challenges and new experience. It is a 24-hour nonstop program with experts from CEZ Group, focusing on innovative techniques and solutions for a real-world business problem.

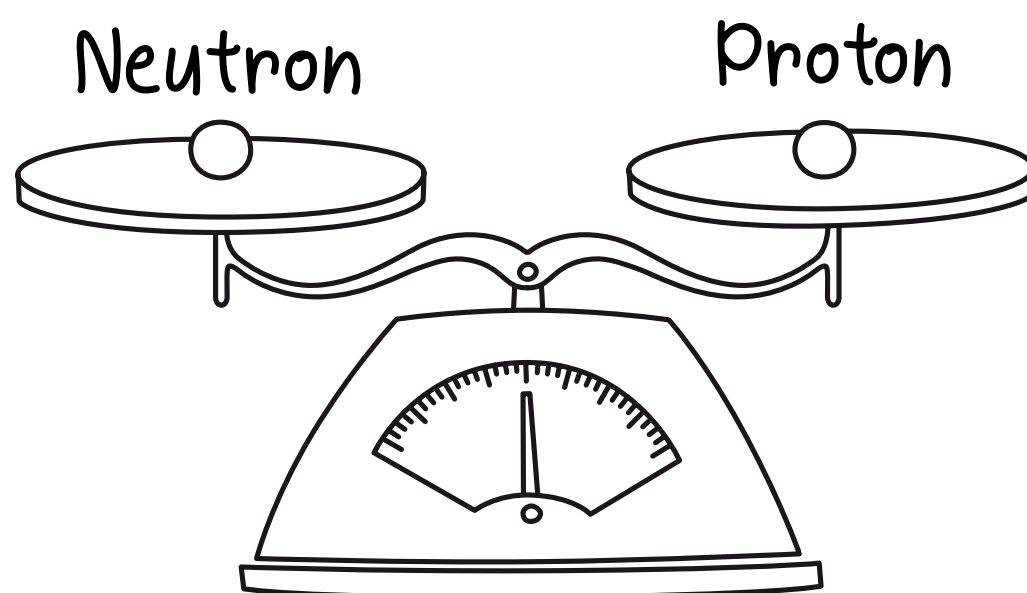
Intern Program

In the spring of 2015, we did our first roadshow aimed to recruit graduates of lower and upper secondary power engineering programs at eight schools. The objective was to fill vacancies in the Intern Program, which allowed sixteen fresh graduates to get a job. In a year or two, they will get the required practice necessary for qualified work on distribution system equipment. They are supervised by an experienced specialist all the time. Program participants will also get work equipment from us: reliable trucks, fire-retardant overalls, T-shirts, helmets, or anti-skid boots.



Olympiads and I Know Why Contest

We actively promote technical education, especially in mathematics and physics. We are the long-term general partner of mathematical and physics olympiads. We also organize our I Know Why contest at www.vimproc.cz, where senior primary school and secondary school students present videos of their physics experiments. Every year we choose the best videos that help better understand physical phenomena and laws.



Support of Technical Education

Thesis Topics

We regularly offer thesis topics to college and university students. Of course, this is not just about the students choosing from the offered topics. Our care for the students includes an appointed advisor, who consults with them throughout the writing period. We also provide consulting to students writing on their own topics.

ČEZ Potentials

We offer the ČEZ Potentials program to college and university graduates with up to two years of practice. We manage to fill 4–7 vacancies in various fields—from technical to economic to legal—every year. This program can also be an opportunity for graduates majoring in various fields to start their career with CEZ Group.

Expert Lectures and Teaching

We actively support CENEN, an academic association of educational institutions in the field of nuclear energy. Its goal is to define high-quality nuclear education and strive to maintain the defined level of teaching. For example, we supported classes using a VR-1 school reactor. We also take part in expert lectures on energy-related topics.

Support of a Power Engineering Study Program

We participate in the development and support of a Power Engineering study program at the Secondary Industrial School in Třebíč. We opened the four-year Power Engineering program together with representatives of the Vysočina Region in 2009; during the six years of its existence, it has become the industrial school's prestigious and elite program.

We Care for Our Employees' Safety

Our approach to employees' safety and health protection is in line with our Safety and Environmental Protection Policy, which is our fundamental document in the field. Occupational safety and health (OSH) form an integral part of all processes and management levels. It is a priority for the manner of management and organization of company activities. ČEZ, a. s. is a successfully recertified holder of the Safe Enterprise certificate.

For detailed information on safety at CEZ Group, refer to page 82 of the ČEZ 2016 Annual Report.



We Care for Our Employees' Health

CEZ Group categorizes jobs pursuant to Act No. 258/2000 Sb., on the protection of public health. It classifies jobs as Category 1 or 2 and prepares proposals for classification as Category 3, which it submits to the competent local public health protection authorities for a decision. The most common reasons for job classification as Category 3 are dust and noise levels. All employees can find the classification results in a SharePoint-based OSH application on the intranet. In addition, it can be found in a SAP database of job positions. Category 3 jobs in conventional power plants include mostly operating personnel in positions such as operating electricians, shift engineers, unit auxiliary equipment operators, desulfurization mill equipment operators, and steam generator and turbine generator auxiliary equipment operators, involving mainly noise hazards. They also include employees of the corporate fire brigade.

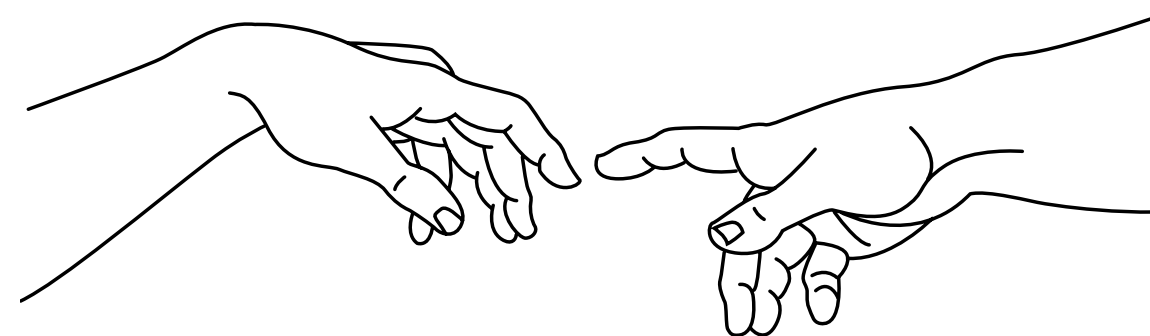
Only Category 1, 2, and 3 job positions are identified at the Temelín and Dukovany nuclear power plants pursuant to Decree No. 432/2003 Sb. For example, Category 3 jobs at the Temelín Nuclear Power Plant include the positions of secondary circuit operators, power island primary circuit operating engineers, operating and inspection electricians, and power island secondary circuit equipment operators. At Dukovany, they include the positions of operating and inspection electricians, reactor unit operators, or power island secondary circuit equipment operators. No occupational diseases were registered on the sites in 2016.

Jobs classified as Category 3 were performed by 363 employees at ČEZ, a. s. conventional power plants and 409 employees at ČEZ, a. s. nuclear power plants in 2016.

2.7.2 We Hold an Open Stakeholder Dialog

Our companies improve their relationships with key stakeholders by means of an open and transparent dialog. We minimize risks and take into consideration the needs of the places where we operate, thus improving the effectiveness of new investments.

Stakeholders can use our Ethics Hotline at +420 211 042 561 or compliance@cez.cz to report suspected unethical or unlawful conduct violating CEZ Group's Ethical Behavior Policy. They can also fill out a form on our website at: <https://www.cez.cz/edee/qf/cs/secureRamjet/eticka-linka/kategorie?formId=15e321d5aa4>. Additional questions and third-party comments can be sent to: energieprobudoucnost@cez.cz.



CEZ Group companies respect their employees' right to freedom of association, which is exercised most importantly through membership in trade unions. Collective bargaining and the long-term collective agreements we make ensure social peace. We did not register any case in which the right to freedom of association or collective bargaining might be at serious risk at any CEZ Group company in 2016.



List of Stakeholder Groups

- Public and regulatory authorities
- Local governments and local communities, the public
- Customers
- Employees, trade unions
- Suppliers
- Shareholders and investors
- Educational institutions and research facilities
- Professional unions and associations
- The media
- Nonprofit organizations

Selected Activities in 2016

- We collaborated with employees by means of various forms of communication—we maintained positive labor relations, we created comfortable working conditions and relationships, we allowed employees social engagement (intranet, newsletters, staff meetings, trade meetings, Orange Mailbox, familiarization with documents, training, appraisal, etc.).
- We negotiated the collective agreement with trade unions and provided them with the information needed to ensure safety and maintain social peace.
- We informed shareholders and investors about our activities by means of analyses, reports, press conferences, presentations, the ČEZ 2016 Annual Report, and in other forms.
- We provided the necessary information and mandatory reports to public and regulatory authorities.
- We followed a principle of regional support in relation to regional authorities and local communities and the general public (up-to-date websites, social media, published press releases, expert and communication representatives in regions).

- We handled customer inquiries and complaints, mostly concerning issued bills and the availability of services, in collaboration with the customers using personal, phone, and written communication; we attended to them at our information centers, on a customer care line established for questions about ČEZ Prodej's products and services, and on ČEZ Distribuce's contact line for the reporting of failures and technical requests; we issued press releases and published them together with other information on our website; we conducted additional customer satisfaction surveys, which we use to modify our services.
- We were in communication with suppliers concerning not only contracting and contract performance but we also cooperated with them in the field of information and technology, the environment, safety, and quality.
- We collaborated with educational institutions and research facilities; we also supported technical education.
- We discussed current topics with professional unions and associations, for example, during document commenting procedures or through presentations at conferences.
- We provided the media with information on the state of our generation and deliveries, safety, and our donation activities by means of press releases and interviews; we presented news on our website; we organized various events and open days to which we invited members of the media; etc.
- We collaborated in specific projects with nonprofit organizations and promoted mutual understanding between the profit and nonprofit sectors. We carried out qualitative feedback research in Czechia among 15 representatives of nonprofit organizations that we work with. It provided us with feedback on the CSR activities of CEZ Group and the ČEZ Foundation in the nonprofit sector. The representatives of the organizations appreciate the scope of support by CEZ Group, which they consider one of the most important partners. They rated highly positively the level of communication, especially with the ČEZ Foundation.
- In Bulgaria, we actively collaborate with organizations in the field of energy; we hold regular meetings with mayors and informal leaders of Romany communities; we participate in top forums, discussions, and conferences concerning education, energy, and the open market.



- In Romania, we take part in all meetings with regulatory and legal authorities; we have open discussions with six trade unions; we used the services of fifty trainers, who helped improve the managerial, coaching, language, professional, and communication skills of our employees. The training topics included, for example: improving managerial and coaching skills, updating knowledge of legislation changes in the field, enhancing language skills, improving IT competences, gaining knowledge for improvements to the safety and health management system, gaining knowledge of first aid according to applicable legislation.
- In Turkey, we use various dialog platforms to learn about sustainability expectations held by stakeholders, including employees, customers, creditors, investors, regulatory authorities, suppliers, local communities, local authorities, companies, and the media in these matters.

2.7.3 We Support Diversity and Equal Opportunity

Supporting diversity within CEZ Group, creating the conditions for equal opportunity, and higher employee flexibility are standard parts of our everyday activities. The parent company's approach to diversity is part of its declared Personnel Policy. We strive to accommodate our employees' needs and allow them to balance their working and personal life. We apply gender balance principles and support the employment of people with disabilities. We work actively with the specifics and needs of employees in different age groups. By promoting diversity and different views, CEZ Group management seeks to enhance mutual cooperation, innovativeness, competitiveness, and long-term prospects. We are a signatory to the Diversity Charter.



- We promote fair remuneration, transparent selection procedures, and gender-balanced recruitment. We support diversity and create equal opportunity in employment. We help organizations whose mission is to support people with disabilities.
- Wherever technically and operationally feasible, we create the conditions for employing people with disabilities within CEZ Group to help them live a full life.
- We offer flexible forms of employment and create the conditions for early return to full-time work, for example, after maternity or parental leave.
- We signed the Diversity 2013+ Memorandum and made a commitment to support equal opportunity in the labor market and actively apply the principles of gender balance.
- We are aware of the demographic changes occurring in our society; therefore, we address the matter of employment taking account of the specifics of various age groups among our employees.



Selected Activities in 2016

- No CEZ Group company allows any discrimination based on age, sexual orientation, race, nationality or ethnic origin, political affiliation, or physical or mental disability.
- We employ the most people with disabilities in Bulgaria. CEZ Bulgaria EAD employs 29 such people out of a total of 442 (6.9%); CEZ Razpredelenie Bulgaria AD has 119 employees with disabilities out of a total of 2,603 (4.5%).
- In Czechia, the most people with disabilities are employed by EVČ, namely 11 out of 98 (11%).
- Diversity and equal opportunity are explicitly regulated by CEZ Group's internal standards in Romania.
- The ethical principles of Akenerji Elektrik Üretim A.S. in Turkey include also, for example, a prohibition of child and forced labor or bullying.

For details about our corporate cooperation with employees, for example, refer to section 2.7.8 We Engage Our Employees.

2.7.4 We Benefit Society

We monitor the positive impacts of our operations on communities and society at large; we report outputs transparently and use them to aid our business. Our subsidiaries use the best practices in the field. This is mostly about communication in a broad portfolio of activities at national and regional level, concerning CEZ Group's positive effects in society and CEZ Group's measurable and soft benefits to society. The managements of our companies abroad organize meetings with local communities, make sponsorship donations to educational institutions, and provide financial support to environmentally oriented projects.

Selected Activities in 2016

- We kept supporting educational, cultural, sports, environmental protection, infrastructure development, and community life projects in our neighborhood through sponsorship, corporate donations, and ČEZ Foundation activities. We thus help improve the infrastructure and develop citizens' community life in the regions where we operate.
- Our employees also benefited society, helping by means of corporate volunteering, purchase of products at sheltered workshop bazaars, an employee collection, and employee grants.
- We conducted qualitative and quantitative research concerning current topics associated with the business culture, sustainable development, and corporate social responsibility. It provided us with feedback from stakeholders and the general public. We strive to maintain our status of a socially responsible corporation in Czechia. We factor the research results into the key areas of our business.
- ČEZ Distribuce started a process of client service changeover in late 2015, focusing on a more individualized and proactive approach to clients.
- In Bulgaria, we organized a campaign entitled Safe and Responsible Use of Electricity intended for our consumers and children. It aims to reduce electricity consumption and prevent grid failures—a large portion of electricity is used for heating in Bulgaria.
- We also continued with our Colorful Streets project in Bulgaria, under which children paint transformer boxes to protect and improve townscape elements.
- In Turkey, we distributed 1.5 million brochures for the general public on how to counteract energy losses, with the tangible result of real savings.

2.7.5 We Work with Local Communities

CEZ Group representatives regularly meet with representatives of local authorities, organizations, and companies. They give them current information about our activities, power plant operations, the state of the distribution system, planned activities, or the implementation of capital investment projects. They also discuss support for local projects in the form of donations or promotional sponsoring. We care for good long-term relationships with shareholders, the media, suppliers, our own employees, and academia. None of our companies has operations with significant actual or potential negative impacts on local communities.



- We have divided Czechia into seven regions and have a regional communications representative in each of them, who knows the needs and specifics of the local community. The representative is the contact person for those seeking a donation or promotional partnership under corporation donation or ČEZ Foundation activities. For further details about CEZ Group donations, refer to page 134 of the ČEZ 2016 Annual Report.
- We participate in both work-related and social community events, such as the opening concerts of regional festivals or Advent meetings of power plant and CEZ Group partners.
- The Civil Safety Committee at the Dukovany Nuclear Power Plant, comprised of representatives from neighboring municipalities, holds work meetings regularly, at least four times a year, and a workshop once a year (for more information, visit: www.obkjedu.cz).

- The topic we discuss the most with local communities from around the Temelín Nuclear Power Plant is noise in the close vicinity of this generating facility. Employees test site sirens once a month and steam atmospheric dump valve (ADV) systems at least twice a year (but usually more often). The ADV noise level is at limit values pursuant to Act No. 258/2000 Sb. but has been successfully reduced since 2015. The Dukovany plant faces a similar situation, with operational tests of safety valves carried out four times a year on average. We notify them to residents via municipal authorities.
- The operations of the Temelín Nuclear Power Plant have a small effect on weather in the immediate vicinity of the plant. Several independent studies confirmed a temperature increase of about 0.05°C within a five-kilometer radius. Increase in humidity is so low that it neither affects the amount of precipitation in the power plant's surroundings nor results in increased icing or fogging. However, it may contribute to the formation of cumuli, fluffy clouds, which sometimes occur above the cooling towers in calm weather. In the winter, with freezing temperatures and low-level stratus clouds, moisture supplied by the power plant can locally intensify light snowfall. The Czech Hydrometeorological Institute opened an observatory near Temelín, which conducts regular and detailed measurements of atmospheric conditions. It was established before the power plant was put into operation.
- We publish the Zpravodaj EDU newsletter for the general public in the twenty-kilometer protective zone of the Dukovany Nuclear Power Plant and the Temelínky newsletter for the thirteen-kilometer protective zone of the Temelín Nuclear Power Plant. We distribute free quarterly periodicals informing about current events at the power plants to the emergency planning zones, that is, all households, businesses, schools, authorities, and other institutions.
- The information centers of the Dukovany and Temelín nuclear power plants offer tours with visits to selected power plant premises; they also serve as meeting points for various occasions (themed events at Easter and Christmas, exhibitions, lectures, etc.). Both power plant information centers have their own Facebook profiles, providing current information about what is happening there. They can be found at: <https://www.facebook.com/search/top/?q=infocentrum%20je%20temel%C3%ADn> and <https://www.facebook.com/ICDukovany/>.



- Additional information for the public is available on the websites—
ČEZ, a. s.: www.cez.cz; ČEZ Distribuce: www.cezdistribuce.cz;
Dukovany Nuclear Power Plant: www.aktivnizona.cz; Temelín
Nuclear Power Plant: www.temelinky.cz.

Selected Activities in 2016

- In Bulgaria, a project roadshow with representatives of local authorities was organized in regions where CEZ Group operates. The meetings outlined CEZ Group's plans for distribution grid development, quantified funds to be invested in each region, and discussed specific projects related to the development of local communities.
- In Romania, CEZ Group introduced the Direct Line, a system of direct communication between sales and distribution companies and local authorities. It connects every mayor to competent CEZ Group representatives, who are able and authorized to provide quick information about the condition of the grid or the status of a contract and other information that could be of interest for collaboration between both parties.
- In Turkey, we meet our objective of employing 150 local people during any power plant construction. They are offered construction and security jobs.

Public Policy

We have a uniform approach to communication with public authorities. We keep track of developments in the Czech and international legislative and industry environments. We give expert opinions by means of our active membership in organizations in accordance with legal rules and our internal regulations for ethical conduct and compliance. We openly support renewable energy sources and energy market innovations in order to protect the environment.

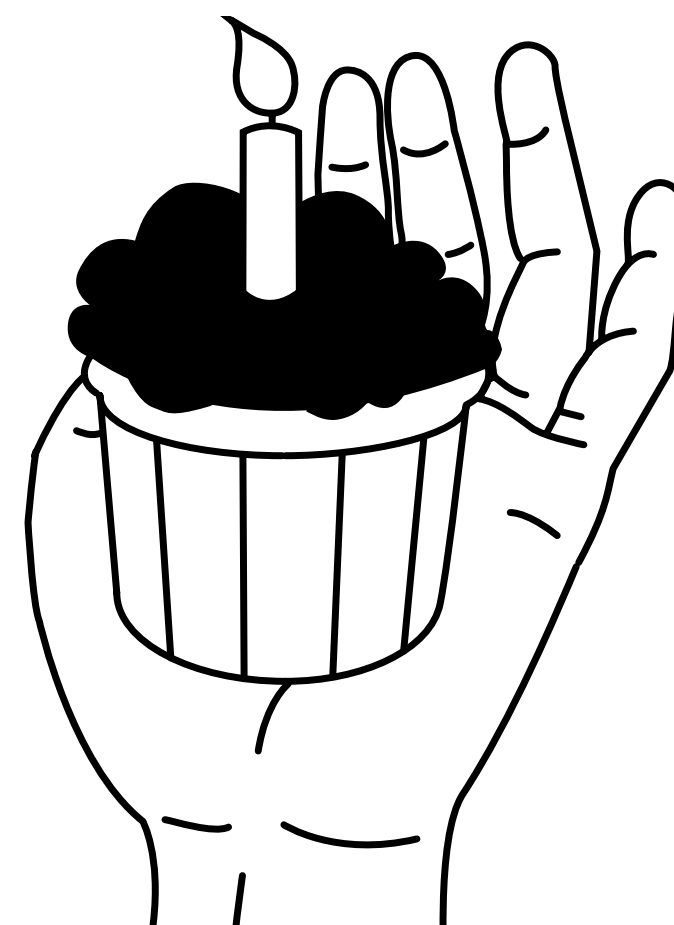
CEZ Group companies did not make any financial or in-kind political contributions, whether directly or indirectly, in Czechia or abroad.

Selected Activities in 2016

- We updated our newly established codes of ethics in a number of our companies.

2.7.6 We Support Partnership in Donation

In financial donations, promotional sponsorship, and many other activities, we follow our motto: We help where we operate. We make contributions to infrastructure improvement and the development of citizens' community life especially in the neighborhood of our generating facilities and distribution grids. Thus, we are a long-term supporter of education, culture, sports, and environmental protection. Our employees also make contributions and assist in donations in all locations—by means of the “Granting Wishes, Thinking about Others” employee collection, by purchasing sheltered workshop products, or through employee grants. CEZ Group together with the ČEZ Foundation also involve the public in deciding whom to support, through the EPP—Move to Help mobile app. CEZ Group companies' most important partner in donation activities is the ČEZ Foundation.





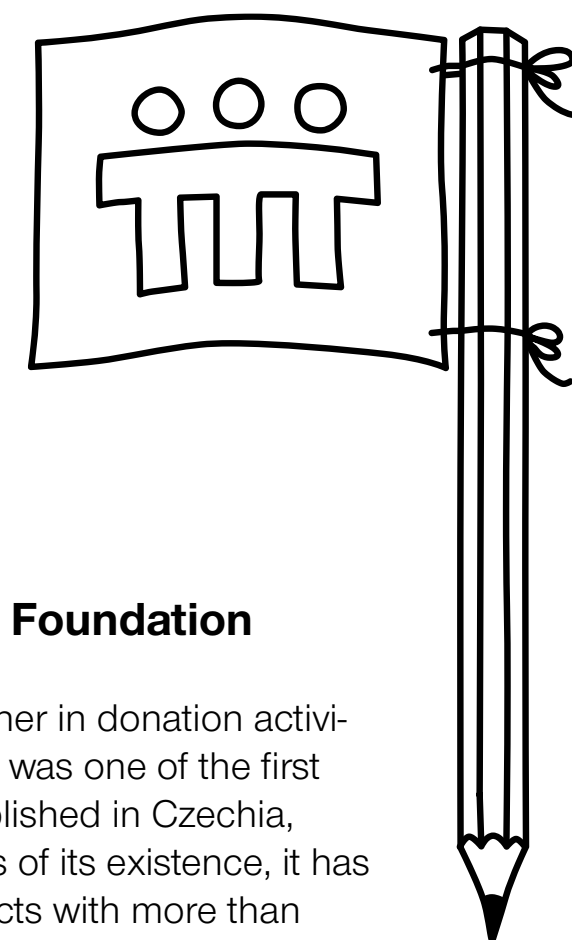
Selected Activities in 2016

- We published a list of projects supported by financial donations from CEZ Group companies on the Internet for the first time in 2015. For a file with a list of entities supported in 2015 and 2016, visit: www.cez.cz/dary.
- We launched online registration of applications for promotional partnership and financial donations to make the process more controllable and transparent. Applications cannot be submitted in any other way. Do you want money from ČEZ? Visit www.cez.cz/cs/udrzitelny-rozvoj/pomahame/moznosti-financi-podpory.html.
- We supported almost 400 projects of regional or national significance in the form of promotional partnership in 2015 and over 450 projects in 2016.
- In Poland, CEZ Polska organized a grant program named WYZWALAMY POZYTYWNAŁ ENERGIĘ. Its goal was to support beneficial environmental, sports, and educational activities taking place in Skawina and Chorzów and their vicinity.
- In Bulgaria, we focused on donations for SOS Children's Villages, Easter for Everybody under the aegis of the national ombudsman, Bulgarian-Czech partnership in cultural and charitable events, we gave financial and noncash donations, subsidies in the Get a CEZ Scholarship competition, etc.
- In Romania, we developed sustainable projects in collaboration with local authorities, community representatives, and specialized nongovernmental organizations. For example, we organized the fourth Oltenia Marathon, a sports event with direct involvement of 100 volunteers from among CEZ Group's employees in Romania. Entrance fees amounting to EUR 15,000, together with a donation from the company, were used to buy a radio-frequency surgical system for the pediatric ward of a regional hospital. We made a total donation of EUR 319,704 in 2016.

- In Slovakia, we spent EUR 58,700 on promotional partnerships and EUR 14,085 on financial donations.
- In Turkey, we and our employees are involved in a project for assistance with the purchase of wheelchairs for members of the Paraplegic Association. We make contributions to sports organizations' activities, education, culture, and arts in the regions where we do business.

Direct Financial Donations by CEZ Group

Year	Value of Direct Financial Donations by CEZ Group Companies, CZK Millions
2014	158
2015	150
2016	139



2.7.7 We Support the ČEZ Foundation

CEZ Group's most important partner in donation activities is the ČEZ Foundation, which was one of the first corporate foundations to be established in Czechia, in 2002. During the fourteen years of its existence, it has supported more than 7,600 projects with more than CZK 2 billion. For more detailed information, refer to the ČEZ Foundation 2016 Annual Report at: <http://www.nadacecez.cz/cs/o-nadaci/vyrocnizpravy.html>.



ČEZ Foundation's Core Activities

- The ČEZ Foundation was established in 2002 as one of the first corporate foundations in Czechia. It supports hundreds of projects responding to society's current needs every year.
- Inviting grant applications: Orange Stairs help integrate pupils and students with disabilities, Orange Playgrounds provide a safe place for sports and games to both children and adults, Orange Classrooms aid in the teaching of technical classes at primary and secondary schools, Support for Regions gives an opportunity to develop community life. The Orange Bike engages the public in helping those in need, well-lit Orange Crosswalks improve pedestrian safety, and Trees bring new greenery into towns and villages.
- Support of the EPP—Move to Help mobile app. The app encourages physical activity, educates, and allows supporting community projects.
- Everyday communication with endowment applicants and beneficiaries, administration and evaluation of grant procedures.
- Importantly, there have been many years of collaboration with CEZ Group employees. The Foundation has been a co-creator of "Granting Wishes, Thinking about Others," a charitable project of CEZ Group employees since 2009. In 2013—the first year of Employee Grants—107 employees received a contribution to the activities of nonprofit organizations they were volunteering for. For more detailed information, see section 2.7.8 We Engage Our Employees.

Selected Activities in 2016

- The Orange Bike had a total of 25 stops at cultural events in 2016, giving anybody the opportunity to pedal along. The pedaled kilometers were then converted into money; the total amount obtained for nonprofit organizations exceeded CZK 2.5 million.
- Support for sports has been aided by the EPP—Move to Help app since May 1, 2015, with residents from a local community getting together and engaging in sports to support a project in their region. The mobile app was downloaded by 230,299 users from May 1, 2015 to December 31, 2016, supporting 431 projects with a total of CZK 30,775,608.

Year	Number of Supported Projects	Financial Value of ČEZ Foundation Donations, CZK Millions
2014	714	162.8
2015	963	182.8
2016	1,003	197.075

Financial Contributions by Selected CEZ Group Companies to CEZ Foundation (CZK Millions)

	2016	2015	2014
ČEZ, a. s.	86.0	50	60
ČEZ Distribuce	75.0	75	66
ČEZ Distribuční služby	25.0	25	18.6
ČEZ ICT Services	1.0	0	0.2
ČEZ Prodej	21.6	21.6	21.6
ČEZ Zákaznické služby	3.2	3.2	3.2
Total	211.8	174.8	169.6



2.7.8 We Engage Our Employees

CEZ Group has been open to employee opinions and ways of collaboration in charitable activities for more than ten years. Employee engagement is always free, voluntary, and locally specific.

Hundreds, sometimes thousands of employees in Czechia help significantly where they operate, together with the company. They can choose an activity from our charitable projects to help together with their employer. They can put their shoulder to the wheel, devote their energy and ideas to corporate volunteering, contribute to specific individuals in the employee collection, buy a product from a sheltered workshop, or support an organization they are volunteering for as its ambassadors to get financial aid from the ČEZ Foundation.

Projects and Grants in Czechia

- Time for a Good Cause
- Granting Wishes, Thinking about Others
- Granting Wishes by Breakfast
- Sheltered workshop bazaars (throughout Czechia at Easter and Christmas)
- Employee Grants

Selected Activities in 2016

- There were 112 events organized under the Time for a Good Cause program, during which 722 of our employees helped 86 public benefit organizations.
- The Granting Wishes, Thinking about Others employee collection involved 23 individuals and 12 organizations based on our colleagues' nominations. We helped people with sensory impairment in Czechia, contributing an amount of CZK 1,139,294, which the ČEZ Foundation doubled to a final total of CZK 2,278,588.

- Planned breakfasts are prepared for us by people with disabilities; we indicate our support to their employment by buying their baked goods. The first event was held at the headquarters of ČEZ, a. s. in Duhová Street in Prague in March. During the first year, workshops in Prague, Plzeň, and Ostrava earned more than CZK 90,000 from the breakfasts.
- Easter sheltered workshop bazaars in six places had sales proceeds of CZK 258,734, Christmas bazaars in eighteen places earned CZK 383,434.
- Employee Grants were voted on by 8,009 colleagues, whose 17,404 votes contributed to decision-making by the board of trustees of the ČEZ Foundation. The board decided to support 103 projects worth more than CZK 3 million. We received 271 applications from nonprofit organizations.

	Participating Nonprofit Organizations	Total Number of Events	Total Number of Volunteers
2016	86	112	722
2015	90	104	715
2014	69	72	533

Time for a Good Cause Volunteering Project

We act in the spirit of our motto “We help where we operate,” so we divided the Time for a Good Cause corporate volunteering program into seven stages covering seven regions. We have a contact person in each of them to take care of communication with local nonprofit entities. Every employee can, with the approval of their superior, devote one workday in a calendar year to work for a public benefit organization, with their insurance covered and the organization being able to use financial support for refreshment and aids. In addition to Group-wide volunteering days, we allow employees custom, individual volunteering days as needed by the organizations, we take part in international Give & Gain volunteering days, and we have offered special family weekend volunteering days since 2015. The Time for a Good Cause project focuses on aid in social and environmental matters or the restoration of neglected cultural monuments.



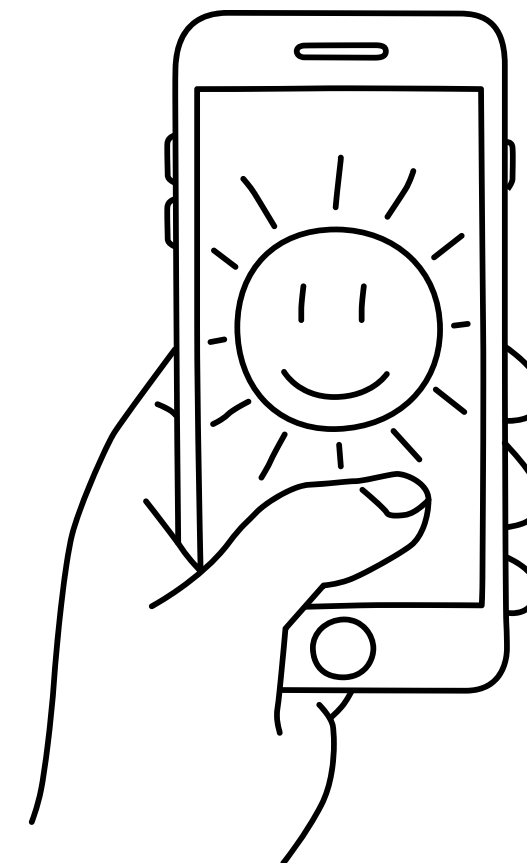
Our employees rate the volunteering days highly positively in their online feedback. They especially appreciate being able to get involved and help where needed but also the positive perception of nonprofit organizations and the organization of the events. The nonprofit organizations in turn appreciate our employees' enthusiasm, willingness, and interest in work.

Selected Activities in 2016

- Our companies abroad also became involved in the Time for a Good Cause project. For example, the Niciodata singur (Never Alone in English) volunteer project for elderly people living in a seniors center in Pitesti, Romania, had 35 CEZ Group employees doing 1,050 hours of volunteer work for 250 seniors.
- Another Romanian campaign under the project was the Christmas Charity—a collection of individual gifts for children from the St. Demetrios Foundation. It brought Christmas presents from CEZ Group volunteers to 18 families in need from seven districts in CEZ Group's operating area and 35 children from the St. Demetrios Foundation. The families received anonymous gifts: books, toiletries, household products, food. The children were given Christmas presents in response to the letters they had written to Moș Crăciun (Santa Claus).
- In Bulgaria, the volunteer CEZ Club and friends volunteered throughout the year—they organized volunteering days, held a charity bazaar, supported educational institutions, helped clean urban areas, or promoted blood donations.

2.7.9 We Communicate Through Social Media

The online media help us with the presentation of CEZ Group's current projects. Their main task is to inform both the professional and the general public about our corporate operations, activities, and objectives in a structured, comprehensible, adequate, and timely manner.



Selected Activities in 2016

Facebook

We have several profiles on the social network with the largest and most active user base in Czechia. The total number of users on all of CEZ Group's Facebook accounts is 76,180.

- CEZ Group—a general profile focusing primarily on customer service, <https://www.facebook.com/SkupinaCEZ/>.
- Pro-Nuclear—a professionally oriented profile, <https://www.facebook.com/projadro/>.
- Work at ČEZ—a profile intended for students and prospective employees, <https://www.facebook.com/PracevCEZ/>.
- ČEZ Roots for Electric Vehicles—a profile on e-mobility, <https://www.facebook.com/fandime.elektromobilum/>.
- EPP—Move to Help—a profile focusing on the EPP app and the ČEZ Foundation, <https://www.facebook.com/EPPpomahejpohybem/>.
- Temelín Nuclear Power Plant Information Center—<https://www.facebook.com/ICTemelin/>.
- Dukovany Nuclear Power Plant Information Center—<https://www.facebook.com/ICDukovany/>.



Twitter

We communicate on Twitter using three corporate channels. The number of users on CEZ Group's Twitter accounts grows 30% year-on-year.

- CEZ Group—a variety of topics with emphasis on renewables, <https://twitter.com/SkupinaCEZ>.
- CEZ Group—the same focus but in English for foreign visitors, https://twitter.com/cez_group.
- ČEZ Foundation—a profile communicating the corporate foundation's topics, <https://twitter.com/NadaceCEZ>.

Instagram

CEZ Group's profile on Instagram serves to reinforce the company's positive image—https://instagram.com/cez_group/. It has 576 followers. They can find there, for example, energy- and trade-related photos, infographics, power plant exteriors and interiors, interesting snapshots, or information about current topics, the ČEZ Foundation, and charitable projects.

LinkedIn

Industry professionals and fresh graduates seeking a job visit LinkedIn, where they can find vacancies and information about CEZ Group as an employer, electricity producer, energy expert, and responsible company. We are followed by 7,874 users on this social network—see <https://www.linkedin.com/company/CEZ>.

Abroad

- Our companies in Bulgaria have three Facebook profiles—<https://www.facebook.com/ceztrade.bg/>, CEZ—Where Else <https://www.facebook.com/kadedrugade/>, Get a CEZ Scholarship <https://www.facebook.com/%D0%A1%D1%82%D0%B0%D0%BD%D0%B8-%D1%81%D1%82%D0%B8%D0%BF%D0%B5%D0%BD%D0%B4%D0%B8%D0%B0%D0%BD%D1%82-%D0%BD%D0%B0-%D0%A7%D0%95%D0%97-22319994120-5504/>.

- We communicate in Romania using local accounts on Facebook (<https://www.facebook.com/cezromania/>), YouTube (<https://www.youtube.com/user/romaniacez>), and LinkedIn (<https://www.linkedin.com/company/889805/>). There is also a Twitter profile opened in 2017, https://twitter.com/CEZ_Romania.
- Facebook is also a popular social network in Slovakia, the profile has 2,056 fans, <https://www.facebook.com/CEZslovensko/>.
- In Turkey, we have a Facebook profile and three Twitter accounts focusing primarily on renewables.

2.7.10 We Report Nonfinancial Indicators

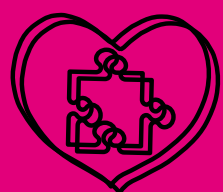
The annual CEZ Group Sustainability Report includes an output of nonfinancial indicator monitoring and reporting. We thus comply with the CEZ Group Sustainable Development Strategy, GRI Standards, and our legal obligations. We have a mandatory obligation to report nonfinancial information pursuant to Act No. 462/2016 Sb., in compliance with which we focus on reporting environmental information, social and employment topics, respect to human rights, and combating bribery and corruption.

CEZ Group's nonfinancial data were collected and consolidated after the establishment of structure, processes, and documentation.

We present the whole story behind the creation of the Report in sections 2.1 to 2.4.

Selected Activities in 2016

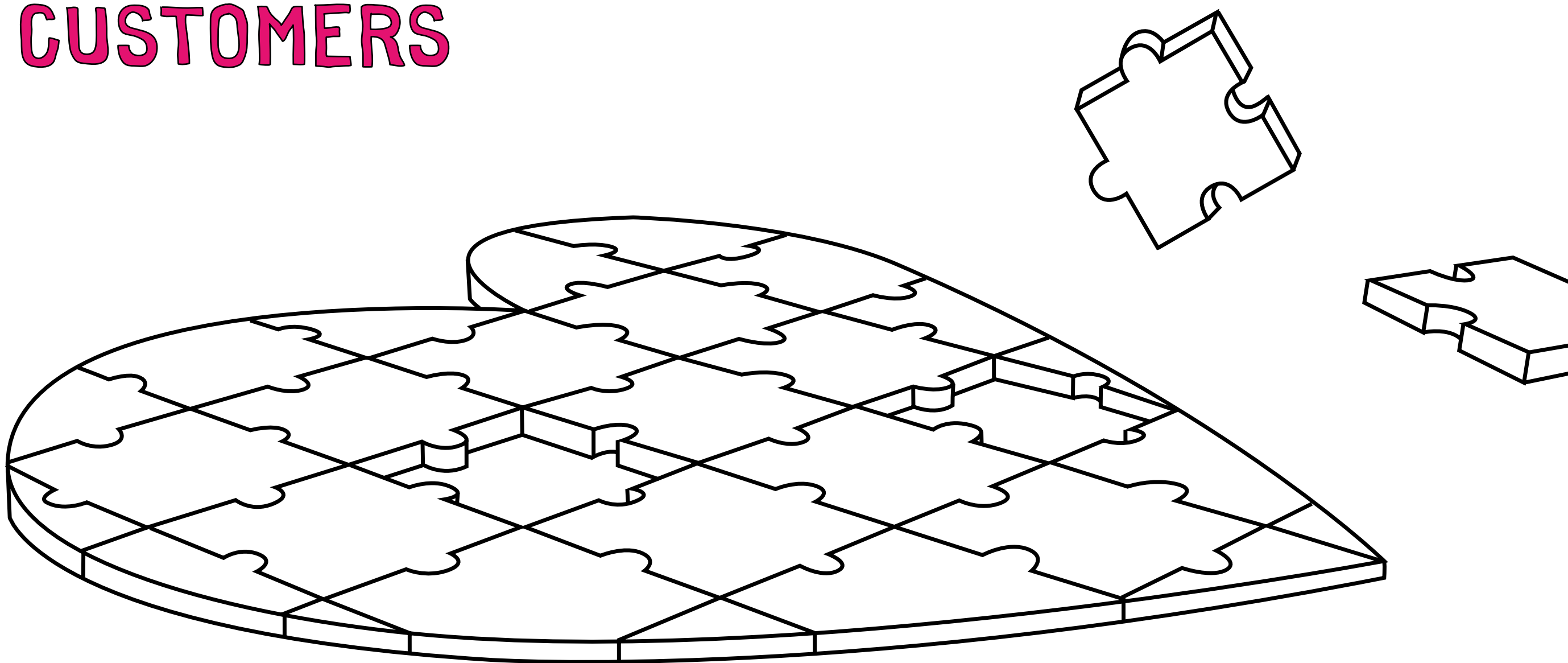
- The work team for the creation of the CEZ Group Sustainable Development Strategy analyzed the Group's activities, stakeholders' expectations, and relations to the existing corporate strategy. This was the basis for creating a strategy entitled Energy for the Future, which was announced in October 2016. It consists of five strategic priorities with almost forty live programs.
- We compiled an internal CEZ Group Sustainability Report for 2015 in accordance with selected international GRI G4 Guidelines. The data were consolidated for ČEZ, a. s. and selected major subsidiaries.

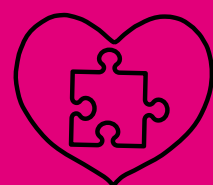


2.8 STRATEGIC PRIORITY NO.3 BRING USEFUL SOLUTIONS TO CUSTOMERS

We improve services for our customers and bring them solutions matching the latest trends in the industry.

We regularly conduct customer satisfaction surveys according to global standards. We query about thirty thousand customers every year to adjust our services in accordance with their replies. Today, we are among eleven top-rated suppliers in Czechia.



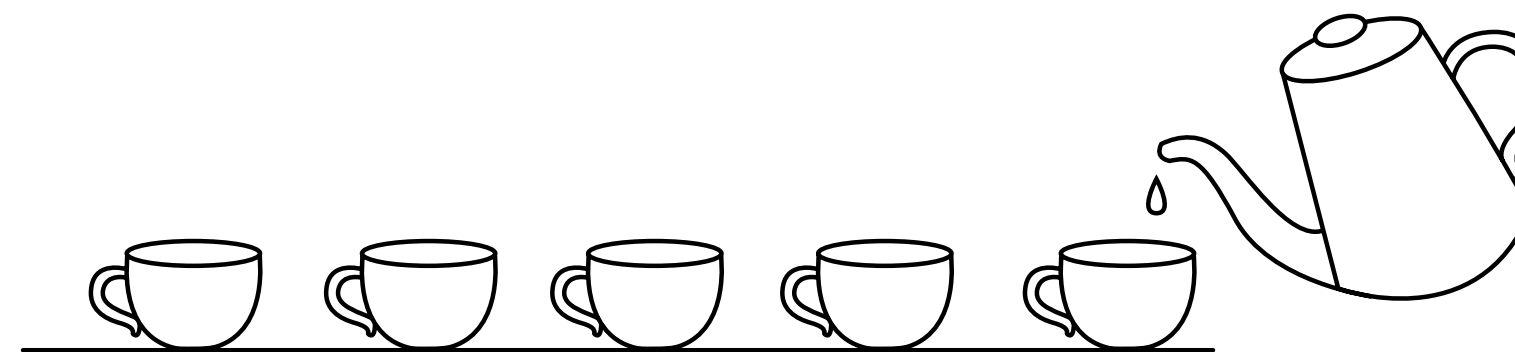


2.8.1 We Sell Responsibly

We adjusted our products and services to make them positively transparent to our customers. We continually communicate about everything in order to provide the necessary information and allow the customer to make knowledgeable decisions. We thus constantly strive to improve customer experience.

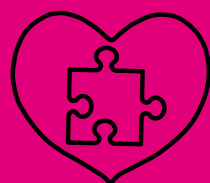
Project documents used by our companies, including those abroad, incorporate customer safety and health in compliance with generally applicable and specific legislation. Continual checks of individual workplaces monitor and assess technological processes, instructions, certifications, and other documents. We do not have any products or services that would require improving their impact on customer health and safety at the moment.

We respect customers' right to privacy. We have defined the scope of personal data and specified the purpose, conditions, and time limits for their processing, options for personal data sharing throughout CEZ Group, conditions for restricting consent to the processing of personal data, and the manner of their protection. These fundamental principles serve to secure mutual contractual relations and the proper performance of made contracts and will allow us to conduct information campaigns and customer programs. The principle of personal data handling meets the requirements of applicable legislation, in particular Act No. 101/2000 Sb., on personal data protection, and Act No. 480/2004 Sb., on some information society services. No significant breach of customer privacy rules or abuse or loss of customer personal data was registered in any CEZ Group companies in 2016.



Selected Activities in 2016

- We prepared a simplified portfolio of products. Our offer of tariffs should be clear and comprehensible to most customers. It is not our goal to convince customers to enter into long-term contracts, for example, for gas, to get a lower price.
- We prepared a free phone line at 800 810 820. Starting from Q3 2017, it enables customers to contact us every day (including weekends and public holidays) from 7 a.m. to 8 p.m. and discuss with us their queries concerning our products and services. Callers from abroad can dial +420 371 100 100. ČEZ Distribuce's free line at 800 850 860 can be used to report failures and handle technical requests.
- We consistently increase the number of our free online and mobile applications.
- Our Customer Care Centers are being altered to provide barrier-free access to customers with physical impairment.
- We endeavor to also introduce online services in our companies abroad, such as online forms on websites.
- Akenerji Elektrik Üretim A.S. in Turkey introduced a "virtual power plant"—an application that gives consumers the right to use generating capacity in certain periods without being affected by the cost of facility construction, differences, maintenance, and crisis. Our customers that get the right of use resulting from a selection procedure, in a way, lease the efficiency of modern technology and facility flexibility.
- Akenerji Elektrik Üretim A.S. introduced new Dispatch Services, providing investors with a wide range of services from sector consulting to legislation monitoring and from daily and monthly operations in the electricity market to hedging and hedge accounting.



2.8.2 We Offer Products and Services Beyond Commodities

Our companies ČEZ Prodej and ČEZ ESCO offer complementary noncommodity products and services in addition to electricity and gas. Our goal is to offer customers advanced complementary services and solutions for savings or various situations in life together with or additionally to commodities and consulting on the use of suitable technologies.

We have offered ČEZ WITHOUT WORRIES since 2014 as a complementary service based on payment protection insurance in case of incapacity for work and a resulting job loss, long-term disablement, or hospitalization due to injury.

ČEZ ASSISTANT, another complementary service, is designed for all residential customers of ČEZ Prodej that wish to get guaranteed professional help with appliance repair, the remedy of a household accident directly related to electricity and gas supplies, or locked-out door opening. The amount of coverage is up to CZK 5,000. A nonstop Customer Care Line can be contacted at 800 810 820 starting from 2017.

Selected Activities in 2016

- ČEZ ASSISTANT PLUS—An add-on program increasing the scope of ČEZ ASSISTANT services and coverage. The amount of coverage is up to CZK 10,000 and can cover replacement parts used for repair or glaziers' work.
- ČEZ CARD—2% of noncash payments with an international MasterCard credit card for family members is returned together with accumulated bonuses in an annual electricity or gas bill. Information about the current balance can be obtained from any ATM in Czechia by choosing the "Balance Inquiry" menu item or from ČEZ Finanční služby's customer care line at 389 010 400. The card also offers a credit limit assessed by ESSOX. Inquiries about the credit limit can also be made by phone at 389 010 400.

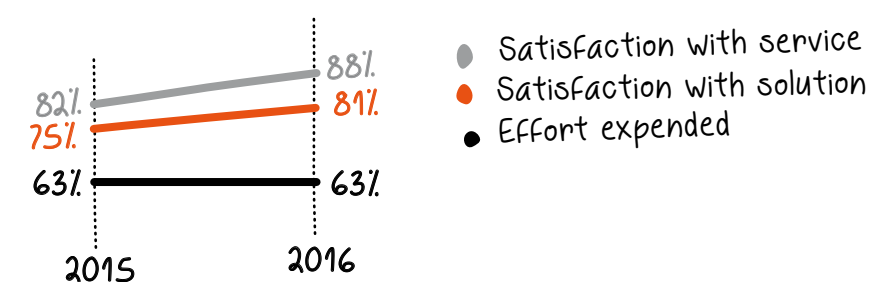
2.8.3 Customer Experience

We concentrate on customer satisfaction with the process of handling their requests, on satisfaction with service, and on the amount of effort a customer needs to expend to get their request resolved. Outputs serve as a basis for corrective action.

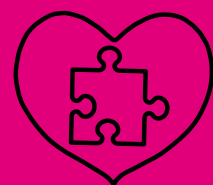
Selected Activities in 2016

Measurement Outputs in 2015–2016

Share of absolutely satisfied customers



- We launched continuous CX measurement in the Group in January 2015
- We ask thousands of customers about their satisfaction every year
- We achieved year-on-year improvement in customer satisfaction with our employees and with how their requests were handled
- We managed to take several measures to improve customer experience based on suggestions from the survey—for example, a plain-number phone line, safety testing engineer contact information, ...
- We also monitor and analyze customer satisfaction in our companies abroad. For example, we discovered in Romania in 2016 that 30% of our clients believe that CEZ Group employees are true professionals in consulting and 70% of them are satisfied with getting correct information when choosing the best contracts possible.
- A survey in Turkey showed us that the level of customer satisfaction with the services of Sakarya Elektrik Dagitim A.S. was 76.70% in 2016.



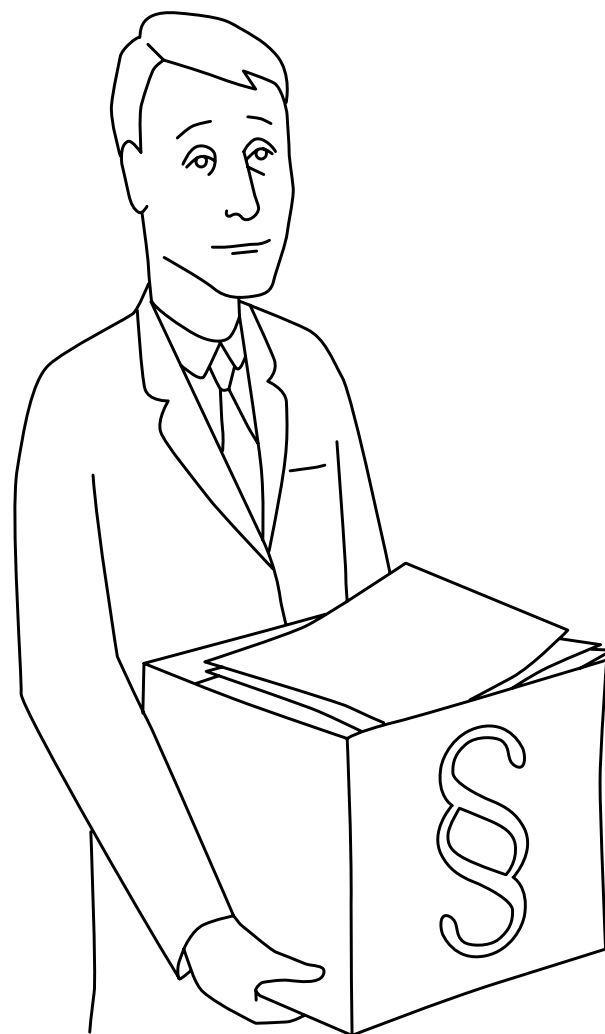
2.8.4 Ombudsman

Our customers can contact the ČEZ Ombudsman whenever they feel that their complaint or claim was not assessed and handled correctly by a ČEZ Group company or if they believe a company's conduct is unlawful or immoral.

The ČEZ Ombudsman prevents legal disputes between customers and CEZ Group companies and endeavors to improve client satisfaction.

What Does the ČEZ Ombudsman Do?

- They act on submissions made by customers that are not satisfied with how their previous complaint or claim was handled.
- They act on customers' suggestions concerning improvement in services provided by CEZ Group companies.
- They identify areas for systemic measures to improve customer services and submit implementation proposals to relevant CEZ Group companies.



Selected Activities in 2016

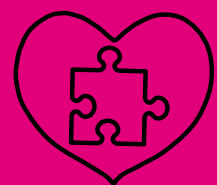
There was a significant increase in the number of submissions. This was caused by outages of the customer care system of ČEZ Prodej and ČEZ Distribuce during migration to new customer care systems in late September and early October 2016. Some customer requests took several weeks to handle, well beyond the standard time limit, and were handled in a nonstandard way. This was an extraordinary situation, which resulted in an increased number of submissions to the ČEZ Ombudsman.

For detailed statistics and information about the ČEZ Ombudsman's activities in 2016, refer to the annual report published on the web at www.cez.cz/ombudsman.

Abroad

Complaints made by CEZ Group customers have also been handled by the Energy Ombudsman in Bulgaria since 2013. He acted on 511 cases in 2016.

The position of a European ombudsman is defined in compliance with Directive 2009/72/EC of the European Parliament and of the Council of July 13, 2009, concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC. The energy ombudsman is independent and neutral in relation to both energy companies and clients, always taking both parties' views into consideration. The main principles of the energy ombudsman's activities are: lawfulness, independence, fairness, and discretion based on conviction, justice, transparency, publicity, humanity, and tolerance.



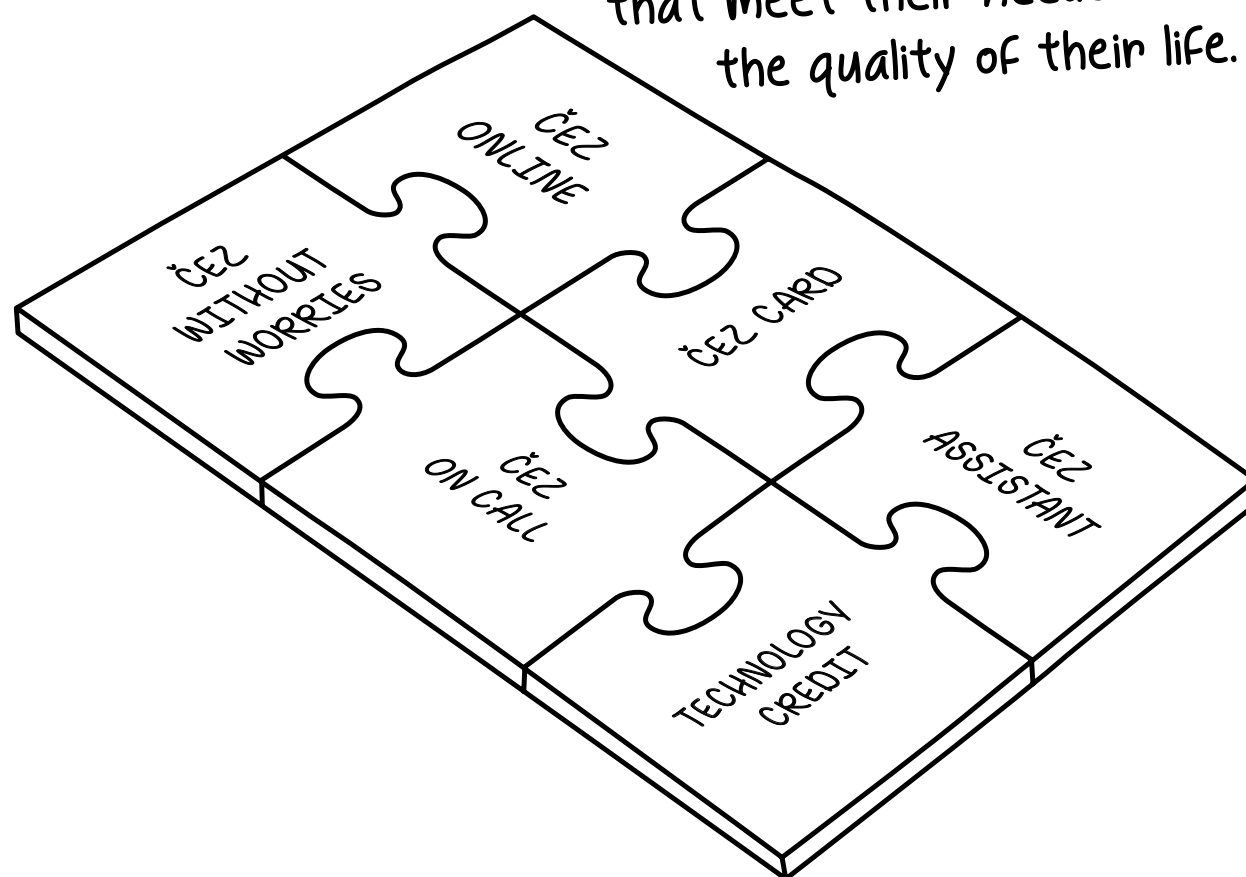
2.8.5 We Assist Vulnerable Customers

We understand the needs of vulnerable and underprivileged customers and offer them products and services that meet their needs and improve the quality of their life. We do so in response to demand by low-income individuals, the elderly, the unemployed, single mothers, and other disadvantaged groups. The form of communication with such groups is important to us—we have found out that their needs are truly diverse, and we adjust our interactions with them accordingly.



We understand the needs
of vulnerable/underprivileged
customers.

We offer products and services
that meet their needs and improve
the quality of their life.



Selected Activities in 2016

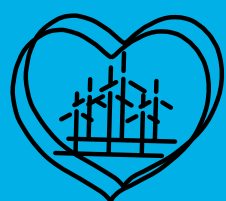
We launched several solutions that make vulnerable customers feel more secure. For example, we offer ČEZ without Worries to insure customers' ability to pay advances in case of sickness or incapacity for work. The monthly premium is just CZK 139.

Our innovations are based on customer segmentation that we carried out in the past two years. We have special arrangements for each of the seven groups to relieve them in their difficult situation. For example, we focus on the following areas:

- Debt repayment
- Prepaid services
- New tariffs
- Cofinancing solutions aimed to reduce energy and heat consumption

Abroad

- Distributie Energie Oltenia S.A. owns and regularly updates a database of centralized vulnerable clients. It gives priority to places where vulnerable customers are registered when handling random grid failures and provides alternative sources of energy on request, such as backup power supply units for medical facilities requiring uninterrupted power supply. The company registered 17 vulnerable customers and provided a backup power system in two cases in 2016.
- Sakarya Elektrik Dagitim A.S. in Turkey registers vulnerable customers—it received a list of them from provincial medical service managers. The company's call center contacted the customers and informed them about their options in case of need or emergency.

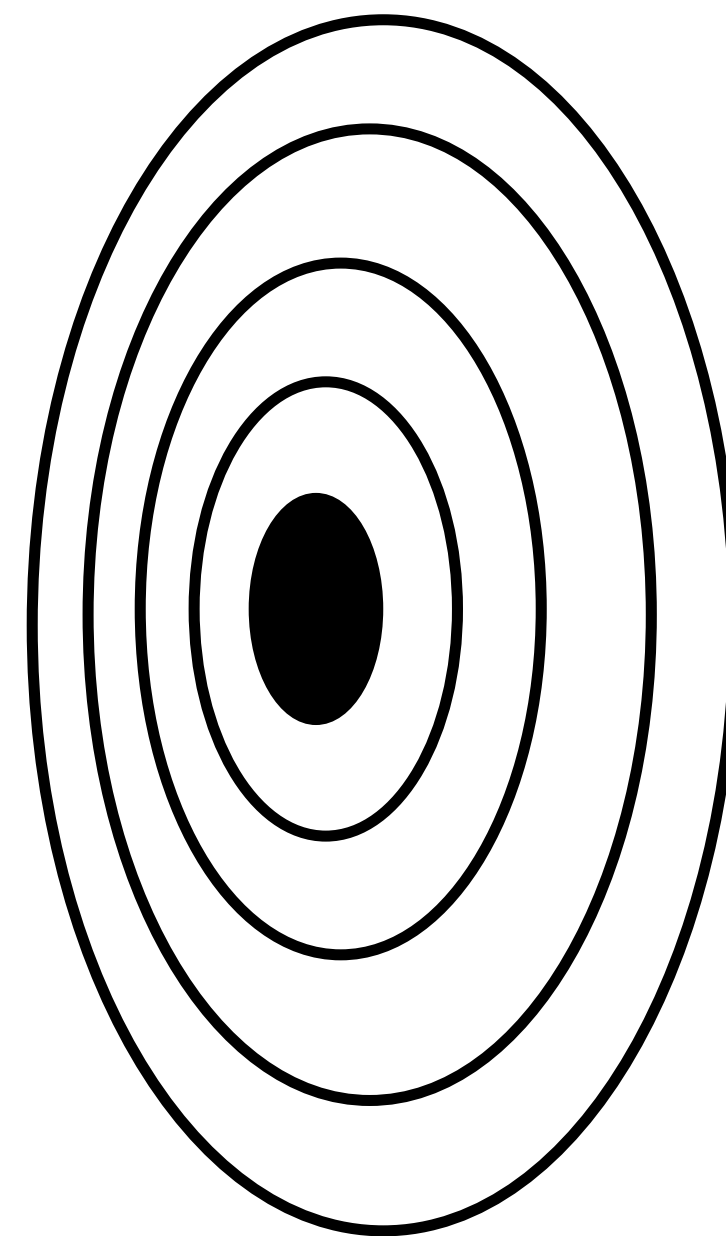
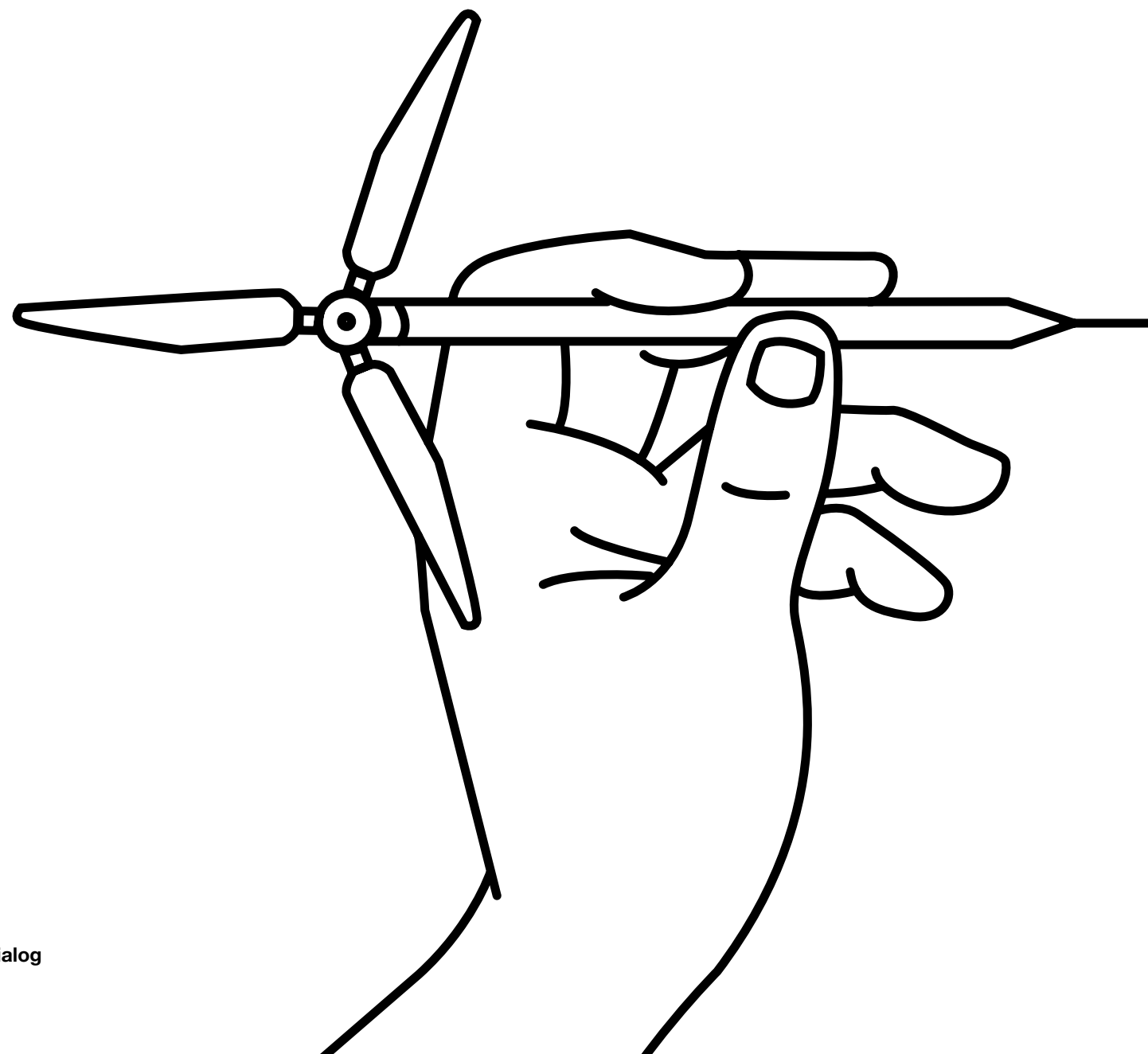


2.9

STRATEGIC PRIORITY NO. 4

ENABLE ENERGY SECTOR TRANSFORMATION

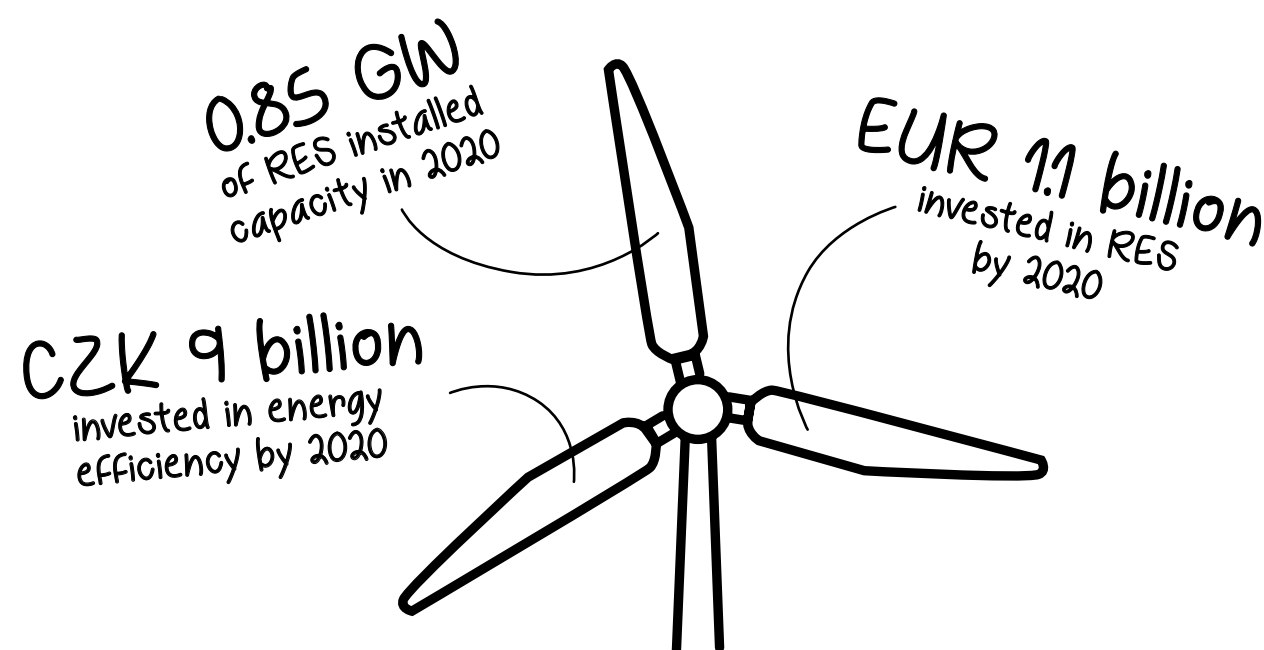
We are concerned with both the theory and the practice of energy sector transformation, including the improvement of energy efficiency and use of renewable energy. We want to offer customers high-quality services according to new trends.





2.9.1 We Are a Leader of Energy Sector Transformation

We are aware of our strong position in the market, so we want to be the leader of energy sector transformation in Czechia. We are actively involved in international forums focusing on energy sector transformation. We take part in dialog with legislative and regulatory authorities, consumer groups, industry groups, and independent experts. We are part of European- or national-level platforms in the countries of interest to CEZ Group. We are also concerned with related topics such as market structure, regulation and legislation, design of services and products, or consumer behavior.



2.9.2 We Develop Clean Technologies

We aim to develop clean technologies for electricity generation and transportation. To be able to achieve that, we planned several steps that we implement over time:

- Winding down the construction of new generating facilities producing emissions
- Upgrading and retrofitting existing emissions-producing facilities
- Investing in the development of clean technologies
- Energy saving products

We encourage the development of e-mobility by building charging infrastructures and offering electric vehicles and the development of decentralized and renewable energy sources by offering, installing, and maintaining photovoltaic systems and combined heat and power generation units.

Selected Activities in 2016

- We built a charging infrastructure for ten electric buses in Třinec. We thus decreased dust nuisance in the town, proved that zero emissions and low noise levels are achievable, and provided citizens with a higher level of traveling comfort.
- We put 27 fast charging stations into operation throughout Czechia. We thus enabled a low-emission mode of transport, fast AC and DC charging (380VAC/63 standard charging and 650VDC/120 fast charging), recharging 80% of battery capacity during 20 to 30 minutes, and SW connection (payment platforms, energy management solutions).
- ČEZ ESCO provided turnkey energy solutions. It supplied photovoltaics to households and businesses, complete with a battery system (delivery, installation, financing, maintenance), and developed services in the field of energy projects and structures and energy audits.
- We acquired 39 operated onshore wind turbines with a total capacity of 98 MW in Germany.
- We launched two charging stations in Craiova and Pitesti, Romania, for free-of-charge recharging of electric or hybrid vehicles used by our customers or employees.
- CEZ Group's fleet in Romania includes two electric vehicles that are available to employees. During twenty months of everyday use, 130 drivers/employees covered 5,200 km, which means about 300 green km/month, mostly in urban areas.
- We joined the Zero CO₂ program in Hungary and neutralized our carbon footprint in the country by supporting wind power generation in Mosonmagyaróvár.



2.9.3 We Are a Partner of the NCES

The National Center for Energy Savings (NCES) offers solutions for efficient energy management in all segments of society. We are one of the founders of the initiative and strive to contribute to the inflow of investments in modernization and technological advancement in Czechia, to the modernization of municipal and industrial infrastructures, and to the reduction of environmental burdens.

By way of the NCES, we are:

- Spokespersons for municipalities
- Representatives of members of the Union of Municipalities of the Czech Republic and the Chamber of Commerce of the Czech Republic
- Energy advisors for association members
- Consolidators of innovative energy solutions
- Facilitators of interconnections between municipalities' needs
- A platform for networking and education
- Organizers of events under the aegis of an independent entity
- Executors of formed partnerships

Selected Activities in 2016

- The National Center for Energy Savings communicated with public authorities in the context of defining rules for the achievement of 2020 targets.
- The NCES continually facilitates the implementation of energy saving projects in regions and creates the opportunities for new economic operators.

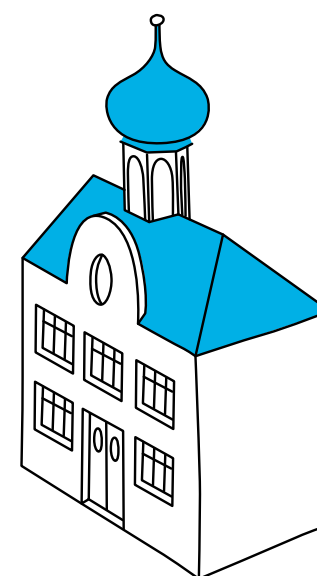
2.9.4 We Seek Technologies That Help

The satisfaction of our customers is our motivation for seeking new technologies that will not only meet the stringent requirements of current markets but also help us to be the leader of energy sector transformation. We gradually implement projects with a positive impact on society—for example, on towns, villages, schools, and other entities. These include heating systems, smart buildings, smart lighting systems, etc.

Selected Activities in 2016

By way of example, we would like to mention our project for Energy Management Modernization at the Prague Congress Center using EPC-based energy services. We started it in 2015 but its implementation will take ten years. It involves three buildings with investments of CZK 126 million and guaranteed annual savings of CZK 21 million.

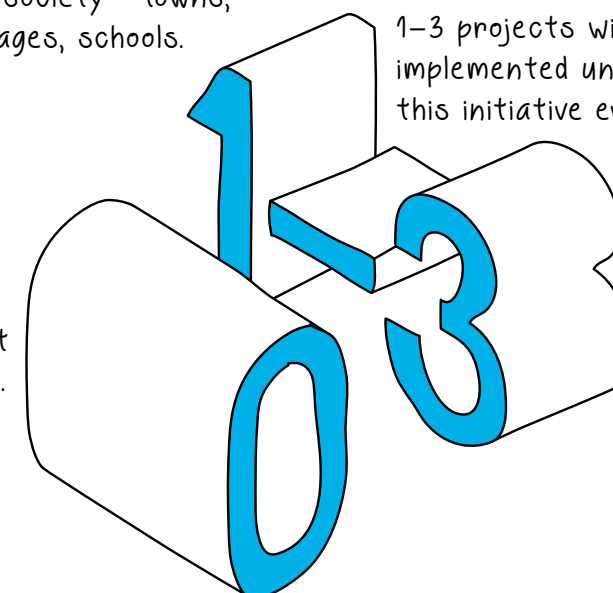
- The modernization will include the construction of an energy control center connected to the booking system, which will prepare the climate for individual events according to a building occupation plan.
- A heat recovery system will utilize waste heat to significantly reduce heat consumption.
- Fitted CO₂ sensors will monitor the quality of air.
- There will be cooling and air-conditioning systems and a cogeneration unit installed.
- The overall modernization will allow saving energy for interior lighting.



We implement projects with a positive impact on society—towns, villages, schools.

1–3 projects will be implemented under this initiative every year.

The net present value of the projects can be zero or slightly negative. However, the projects must have promotional potential.



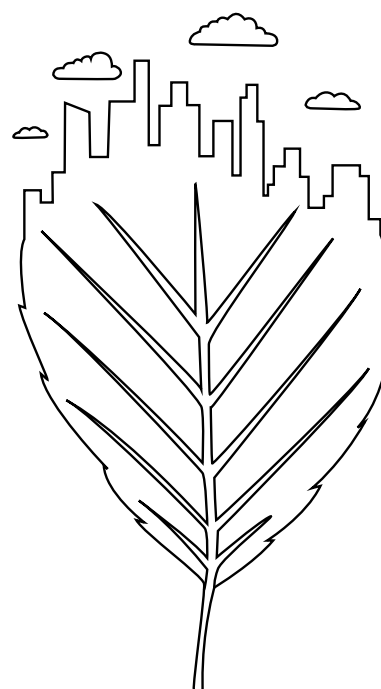


2.9.5 We Make Cities “Smart”

The Smart City concept permeates many areas of modern life—one of them being the energy sector. As CEZ Group’s contribution to sustainable development, we endeavor to offer new energy solutions and clean transportation in the form of smart technologies. This results in energy savings and improved energy efficiency. Newly saved funds can be invested in better services for citizens, in the environment, and in improving the quality of life in cities.

Where does this manifest itself?

- In energy savings in city buildings.
- In energy savings in apartment and panel buildings.
- In a higher quality of the interior environment in buildings.
- In efficient use of decentralized generating facilities.
- In efficient waste management in cities.
- In energy savings for public and interior lighting.



We are preparing additional activities for smart solutions—for example, bus transportation operations, energy measures in municipal buildings, or energy management as part of energy saving projects.

Selected Activities in 2016

We implemented a Smart City pilot project in the region of Vrchlabí. The Vrchlabí Smart Region continued with close cooperation with town officials and engaged residents in its activities through open discussions and portals with measured data in 2016. The year 2016 was the last year of the implementation of this project, which was part of Grid4EU, the largest European project for Smart Grids.

What happened in the Vrchlabí Smart Region project?

- Intelligent measurement and remote reading at 5,000 service points.
- Multi-utility measurement (electricity, gas, water, heat).
- Operation of electric vehicles and the charging infrastructure.
- Cogeneration units supplying electricity to a medium voltage grid and heat to a district heating system center, with a total capacity of 4 MW.
- Operation of a heating network and heat supply system.
- Low-voltage grid automation.
- Medium-voltage grid automation.
- Island operation to ensure supply of electricity and heat.

2.9.6 We Are Close to Europe—Brussels Office

Our office established in Brussels, Belgium, helps us gather quality and timely information about developments in European Union institutions and their possible impacts on the company and the transformation of the energy sector. We in turn are able to participate in the preparation of positions and officially advance our interests in the European Union as well as interest groups and associations headquartered in Brussels.

Selected Activities in 2016

- We monitored the building of the Energy Union project and its individual pillars (for example, revision of the emission allowance trading system or preparation of a new design for the EU electricity market).
- We prepared CEZ Group’s position papers and their advancement in organizations and individual EU institutions (European Commission, European Parliament, Council of the European Union) as well as national bodies.
- We organized and attended conferences and other events in Brussels (Eurelectric, Foratom, European Energy Forum, Energy Charter, BUSINESSEUROPE, IETA, etc.).
- We regularly communicated with Czech and foreign members of the European Parliament, diplomats, and other key partners.

2

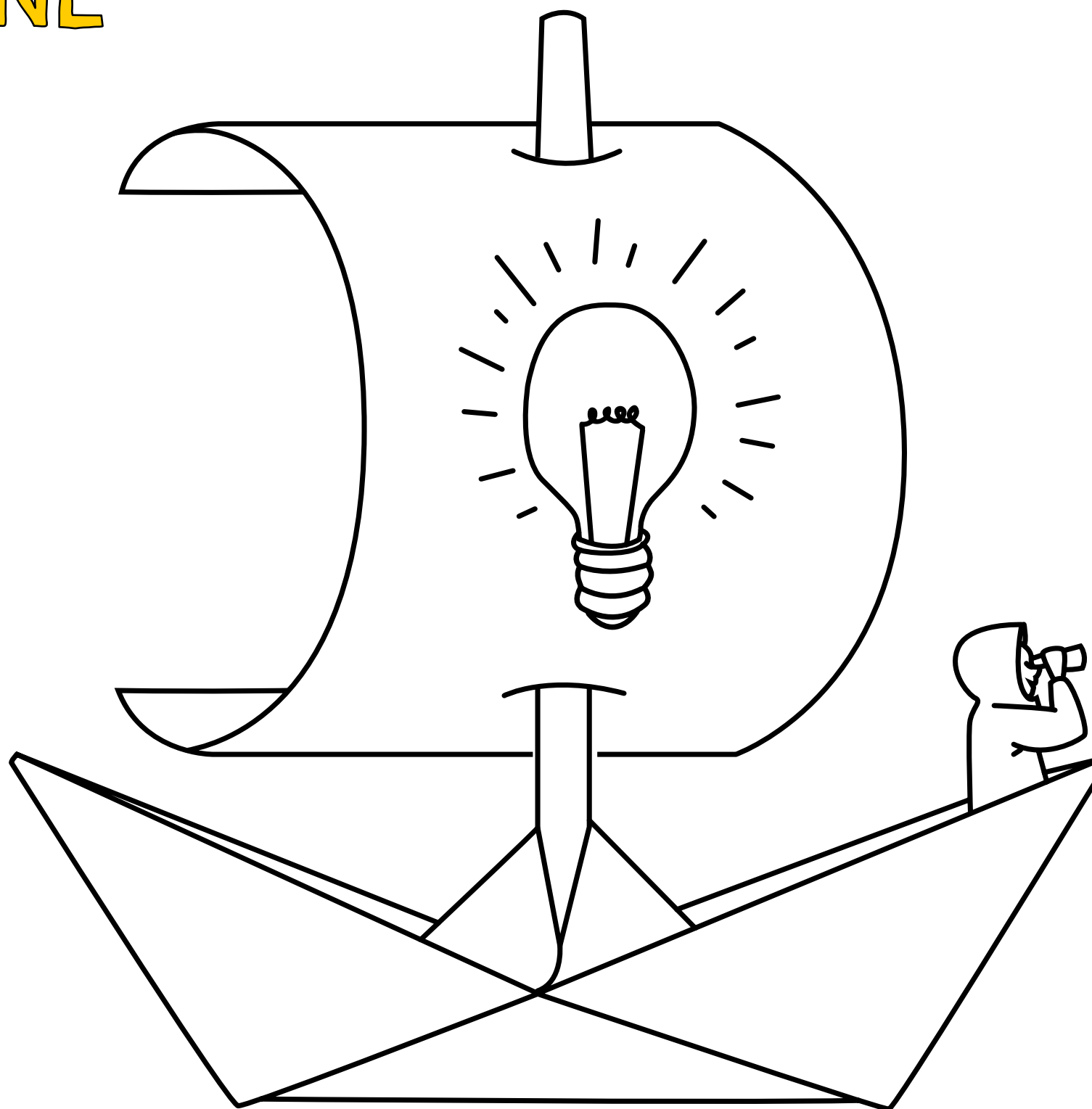


2.10

STRATEGIC PRIORITY NO. 5

START THE ENGINE OF INNOVATION

Companies that can start the engine of innovation in their services and products gain a competitive edge in the market. We want to introduce innovation processes and services for our customers to bring them better and cheaper solutions. We endeavor to be perceived as a leader in this field by the public.



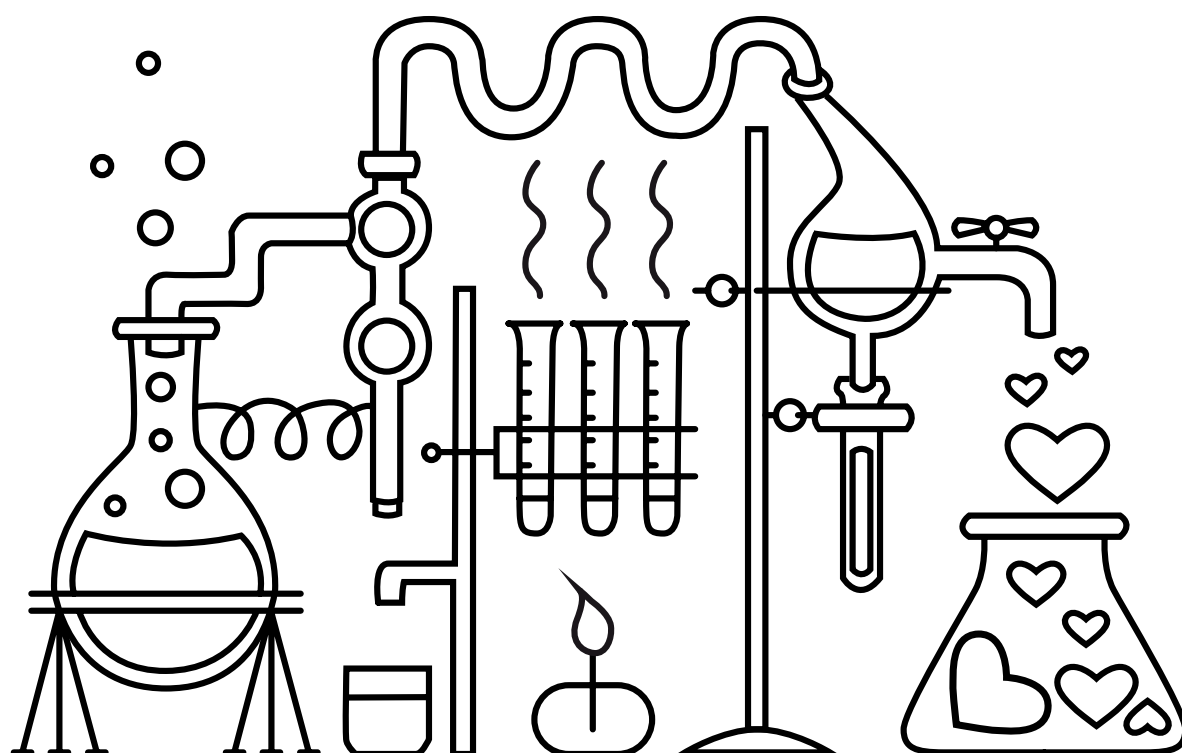


2.10.1 We Support Research and Development

The goal of research and development is to have up-to-date information about new technologies and find new technical solutions. Research and development at CEZ Group focus on existing assets as well as the development of future opportunities that we call new energy.

We focus in particular on nuclear energy, materials engineering, and the use of low-emission energy sources, such as the development of hydrogen technologies. Our ÚJV Group includes two subsidiaries having the status of a research organization. These are Centrum výzkumu Řež (Řež Research Center) and Výzkumný a zkušební ústav Plzeň (Plzeň Research and Testing Institute).

We take an active part in subsidy and grant projects and government programs presided over by national institutions such as the Technology Agency of the Czech Republic and the Ministry of Industry and Trade.



In the field of science and research, we

- Coordinate activities within CEZ Group
- Implement specific projects financed by ČEZ, a. s.
- Implement projects cofinanced from Czech public funds (Technology Agency of the Czech Republic, ministries) and projects cofinanced from EU public funds (Horizon 2020)
- Take part in joint project financing entities, such as the Electric Power Research Institute (EPRI)
- Participate in European technology platforms, such as the Sustainable Nuclear Energy Technology Platform (SNETP)
- Lead the Czech Sustainable Energy technology platform (TPUE)
- Systematize information about technology trends, new technologies, and innovations
- Coordinate collaboration with research and engineering organization and colleges and universities

Selected Activities in 2016

- VVER fuel segment high burn-up accumulation experiment.
- Supporting the development of a severe accident visualizer for nuclear power plant staff training.
- Developing a methodology for measuring new characteristic values of nuclear power plant seals.
- Research to enable safe operation of steam pipelines with macro-cracks and pivot-suspended steam pipelines.
- Research into the structural stability of Super 304H steel.
- Pilot installation of a vortex turbine in Želina.
- Research into the use of geothermal energy.
- Center for Reliable Energy Research and Experimental Development.
- Waste-to-energy.
- Tomis Team S.A. in Romania developed and implemented a method for the identification of deviations in wind turbine generator fluctuations.
- This Romanian company established a new internal unit (Remote Monitoring Center) to improve WTG monitoring and operation.



2.10.2 Inven Capital Investment Fund

Inven Capital is CEZ Group's venture capital fund. Its strategy is to seek opportunities for investing in smaller mature innovative and growing clean-tech companies in Europe. It also pursues activities in decentralized energy and renewable energy sources. We want to build a stable portfolio of assets at different stages of their life cycle and provide related services in European countries. We acquired shares in four companies (sonnen, tado, sunfire, and ETF) through Inven Capital.

Selected Activities in 2016

- We started cooperating with German group Aquila Capital in the development of renewable energy sources with emphasis on wind farms.
- The Inven Capital team continued screening and seeking new opportunities in energy savings, distributed energy, and big data processing for the energy sector. They plan to make about two to three investments every year.

2.10.3 /E/mobility—Energy to Move Forward

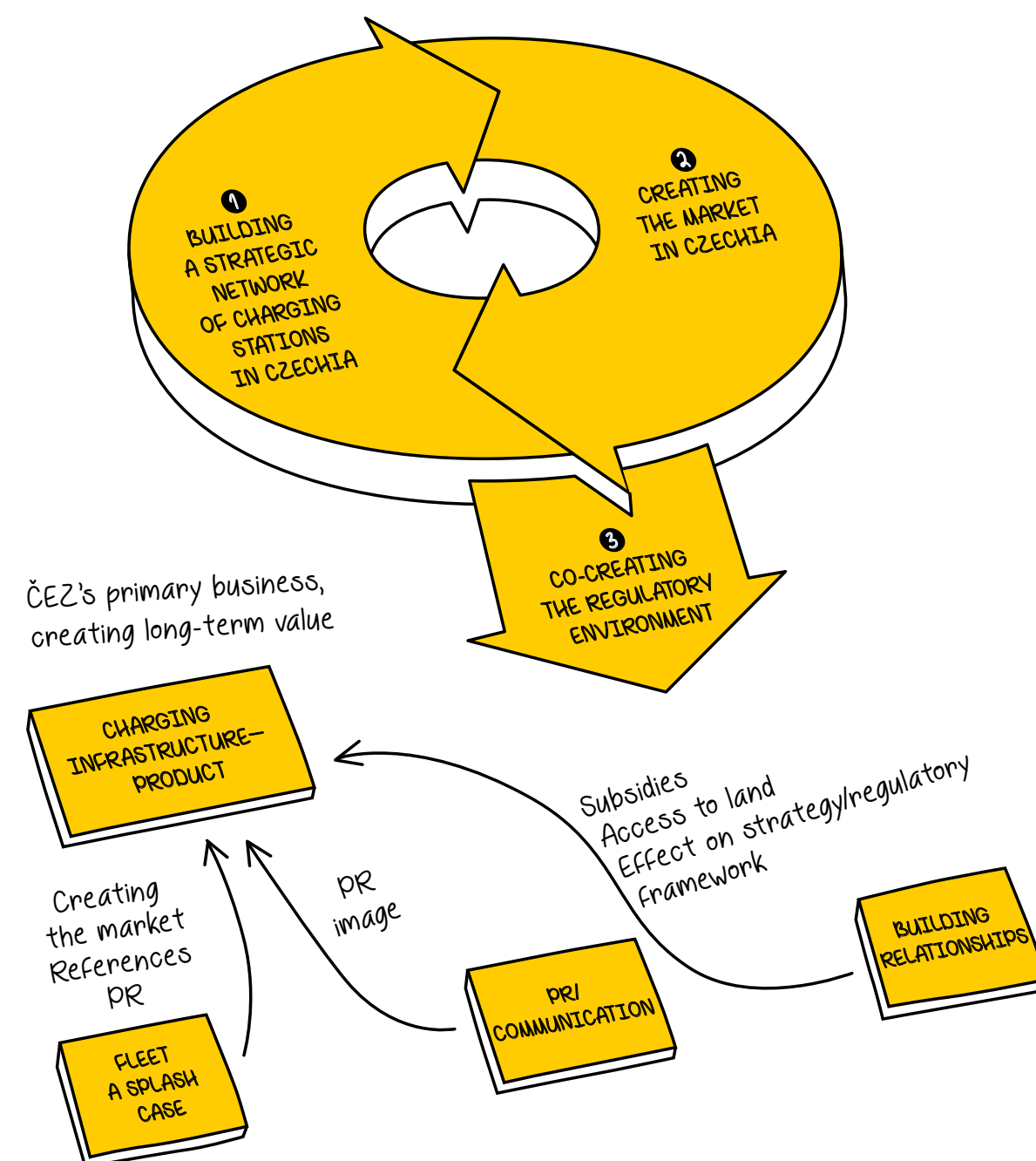
Our strategic development projects include ČEZ Electromobility, by which we attempt to seize opportunities in the existing market. The fulcrum of the projects is the construction and operation of a network of public charging stations, including a backbone network of fast charging stations. We cooperate with a number of vehicle manufacturers as well as regions, municipalities, and other organizations.

Why electric mobility?

We believe that electric mobility presents an interesting development opportunity.

Where do we see ČEZ's role?

We concentrate on the construction and long-term operation of a network of public charging stations; other activities may pile up.



2



Selected Activities in 2016

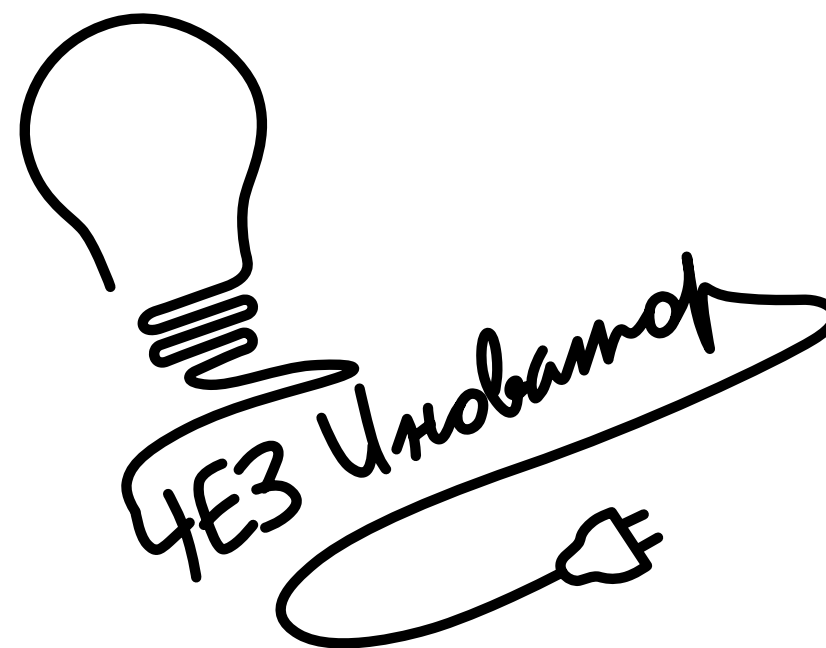
- At the end of the year, the number of operated public charging stations for electric vehicle drivers in Czechia was 69, including 25 fast charging stations; two stations were in operation in Romania.
- We continued with the development of dozens of sites in order to intensify construction.
- We received a subsidy for the construction of public charging stations under the EU's Connecting Europe Facility (CEF).
- We started work under the EV Fast Charging Backbone Network Central Europe project—we will build 42 fast charging stations on main roads and one pilot site that will combine three fast charging stations with renewable electricity accumulation and generation. We will complete the project in late 2018.
- We also promote electric mobility abroad—for example, we introduced the Electronic Mobility Day concept in Romania, which aims to educate the general public on environmentally friendly mobility solutions and development all over the world.

2.10.4 We Build Partnerships for Innovation

Innovation is something we know well. We have long endeavored to establish an innovation ecosystem not only within but also outside CEZ Group. To this end, we establish cooperation with academia, smaller business partners, and business incubators. We also rely on students, whom we engage in our teams.

Selected Activities in 2016

- RockStart, a Dutch accelerator, organized the first round of its Smart Energy program—and we became its partner for the next three years. The program was successfully completed by all selected startups, which presented their progress at the Demo Day in July 2016.
- We successfully implemented Zařizuju.cz, a pilot project for leasing major appliances based on an innovation opportunity identified by Bundles, a Dutch startup participating in the Smart Energy program. We presented the pilot project to ČEZ Prodej.
- Thanks to our participation in the RockStart program, we expanded our collaboration with entities in Western Europe—this gives us better opportunities for following “new energy” trends.
- We also worked with the Czech startup scene: we became a partner of the Czech ICT Incubator at Silicon Valley project, participating in the nomination and final selection of startups. It is a three-round contest for 20 Czech startups.
- We started the CEZ Innovator project in Bulgaria, designed for our employees and students. Our colleagues submitted 13 innovation projects to the competition; the winning project will be implemented, as was the previous year's winner. We also organized the first annual CEZ Innovator competition for students.





2.10.5 Innovative People Want to Work for CEZ Group

The topic of innovation is also important to us because we strive to recruit new employees that can think differently, out of the box—we want to reinforce and modernize our projects and services, adding a new dimension to our corporate brand so that people can associate it with a company engaged in innovations. By doing so, we increase our employer attractiveness for business-oriented, creatively thinking people that will help us keep abreast of the market and develop our customer relationships. Therefore, we collaborate with a number of schools outside technical fields, such as business schools or schools focusing on the environment and ecology. We take part in research projects and expert and technological forums. We organize competitions for the public with focus on innovation in the energy sector.

Selected Activities in 2016

- We got involved in the Alliance for Youth (signing a memorandum) and helped them execute their events (Big Step). The first year was attended by 21 students.
- We took part in the Career DAYS fair in Prague, where we presented ourselves as an innovative organization.
- We took advantage of the TechnicDays project to present the innovative approach of the commercial portion of CEZ Group to customers and new products and services.

2.10.6 Innovation Marathon

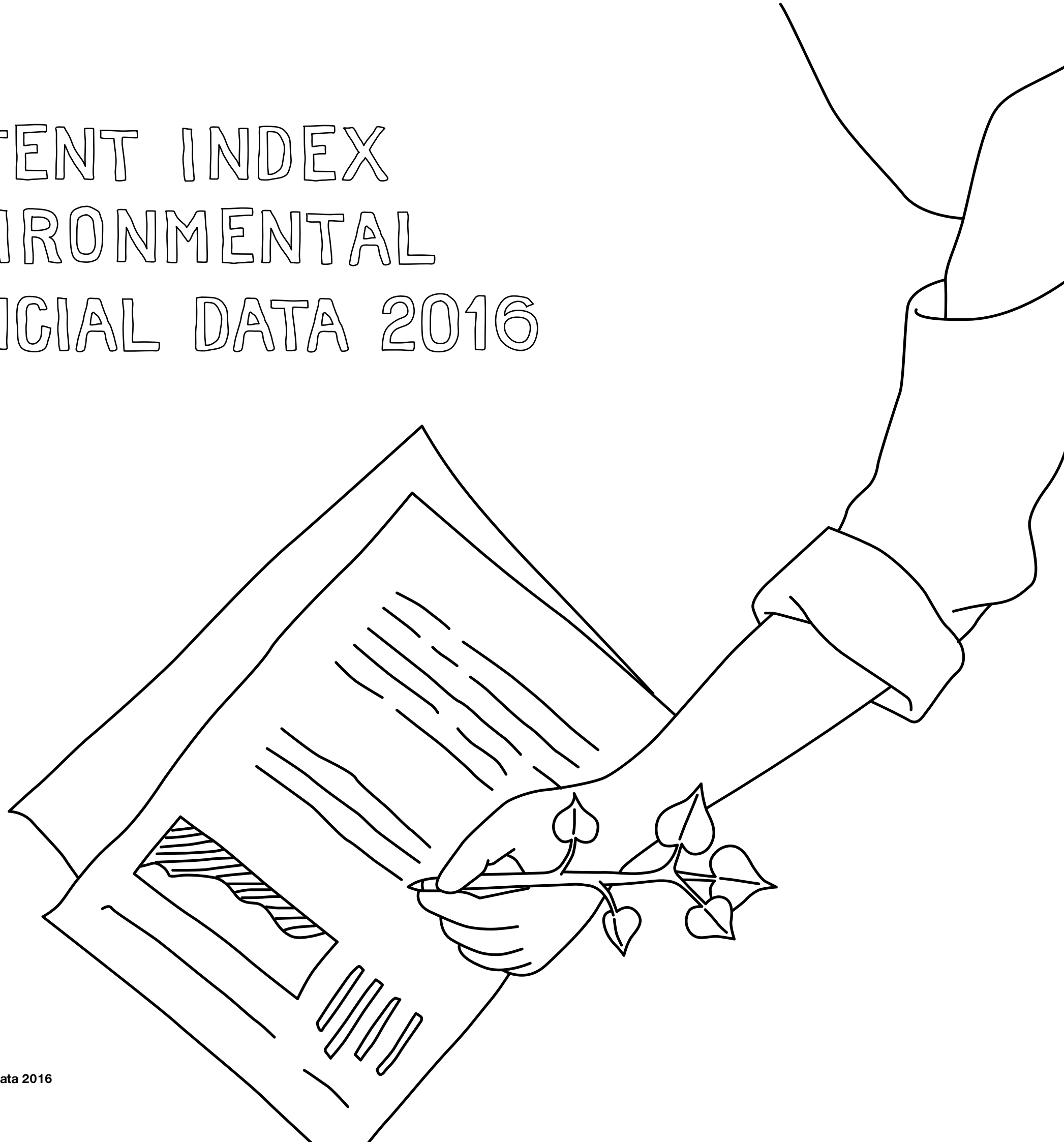
The ČEZ Innovation Marathon is a 24-hour, innovation-oriented competition for college and university students and fresh graduates. Six five-member teams compete in it, working on a real-world topic.

Selected Activities in 2016

- We organized the second annual ČEZ Innovation Marathon, attended by 30 students.
- This year's "commercial" topic was sponsored by ČEZ Prodej.
- The event put forward suggestions on how to improve the acquisition of retail customers in the segment of under-30-year-olds—some of the solutions confirmed the direction we took in our communication with them.
- We contacted and established cooperation with representatives of 46 college and university faculties in all fields.
- There were 60 attending students during the two years, five of whom took a job at CEZ Group.
- About 93% of participants considered ČEZ, a. s. a more interesting place for work after the event.
- Our employees' awareness of the event increased significantly as top management representatives took an active part in it.

3

GRI CONTENT INDEX AND ENVIRONMENTAL NONFINANCIAL DATA 2016



Data presented in the tables below represent CEZ Group.

GRI CONTENT INDEX 2016

Company Profile and Report Profile

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
Strategy			
GRI 102	102-14	Introductory statement	Sec. 0
	102-15	Company strategy (impacts/risks/opportunities)	AR pg. 57
Company profile			
	102-1	Name of the company	Sec. 1.1
	102-2	Activities, brands, products, and services	Sec. 1.1
	102-3	Location of headquarters	Sec. 1
	102-4	Location of operations	Sec. 1
	102-5	Ownership and legal form	Sec. 1
	102-6	Markets served	Sec. 1.1
	102-7	Scale of the company	Sec. 1, Sec. 2.7.1, AR pg. 11
	102-12	External initiatives	Sec. 2.2
	102-13	Membership of associations	Sec. 2.2
	102-18	Governance structure	Sec. 1.2

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
Stakeholder engagement			
GRI 102	102-40	List of stakeholder groups	Sec. 2.7.2
	102-42	Identifying and selecting stakeholders	Sec. 2.7.2
	102-43	Approach to stakeholder engagement	Sec. 2.7.2 & Sec. 2.1
	102-44	Key topics and concerns raised	Sec. 2.1
Report profile			
GRI 102	102-45	Entities included in the consolidated financial statements	Sec. 1.2
	102-46	Defining report content and topic boundaries	Sec. 2.4
	102-47	List of material topics	Sec. 2.4
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	Sec. 2.1
	102-51	Date of most recent report	Sec. 2.1
	102-52	Reporting cycle	Sec. 2.1
	102-53	Contact point for questions regarding the report	Sec. 2.7.2, Imprint
	102-54	Claims of reporting in accordance with the GRI Standards	Sec. 2.4
	102-55	GRI content index	Here, Sec. 3
	102-56	External assurance	Sec. 2.1

Economic and Operational Topics

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 203	Management approach 203-1	Indirect economic impacts and effects	Sec. 1.1
		Development and impact of infrastructure investments and services supported	Sec. 1.1
		What is the extent of development of significant infrastructure investments and services supported?	Sec. 1.1
		What are the current or expected impacts on communities and local economies?	Sec. 1.1
	203-2	Are these investments and services commercial or pro bono engagements?	Sec. 1.1
		Significant indirect economic impacts	Sec. 1.1
		Provide examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.	Sec. 1.1
		What is the significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas?	Sec. 1.1
		Research and development	Sec. 2.10.1 & AR pg. 130
		Plant decommissioning	Sec. 2.6.8
		Emergency plans and response measures	Sec. 2.6.7
Electric Utilities guidance			
Electric Utilities guidance			
Electric Utilities guidance			

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 102	102-11	Precautionary principle	Sec. 1.5
GRI 205	Management approach	Anti-corruption	Sec. 1.5 & risk management in AR pg. 77
	205-1	Operations assessed for risks related to corruption	Sec. 1.5
	205-3	Confirmed incidents of corruption and actions taken	
		What is the number of confirmed incidents of corruption?	3
		Describe the nature of confirmed incidents.	Employee misconduct in Bulgaria and Turkey
		What is the number of confirmed incidents in which employees were dismissed or disciplined for corruption?	3—in relation to the above
		What is the number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption?	0
		Report public legal cases regarding corruption brought against the company or its employees during the reporting period and describe the outcomes of such cases.	None. For a list of all legal cases, refer to AR pg. 147.
GRI 102	102-9	Supply chain	Sec. 2.6.9
	102-10	Significant changes to the organization and its supply chain	Sec. 1.2, Sec. 2.6.9 & AR pg. 145
GRI 308	Management approach	Supplier environmental assessment	Sec. 2.6.9
	308-1	New suppliers that were screened using environmental criteria	Sec. 2.6.9
	308-2	Negative environmental impacts in the supply chain	Sec. 2.6.9
		What is the number of suppliers identified as having significant actual and potential negative environmental or ecological impacts?	14
		Report significant actual and potential negative environmental or ecological impacts identified in the supply chain.	14× Identified bad quality of a product/service delivered by suppliers.

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 414	Management approach	Supplier social assessment	Sec. 2.6.9
	414-1	New suppliers that were screened using social criteria	Sec. 2.6.9
	414-2	Negative social impacts identified in the supply chain and actions taken	
		What is the number of suppliers identified as having significant actual and potential negative social impacts?	1
		Report significant actual and potential negative social impacts identified in the supply chain.	1—Turkey—A subcontractor did not pay wages to its employees on time.
Electric Utilities guidance	G4-EU17, G4-EU18—Modified	Contractor and subcontractor employees—job categories and OSH training	Sec. 2.6.9
		List categories of jobs performed by contractor and subcontractor employees.	Sec. 2.6.9
		How and how often are contractor and subcontractor employees trained in OSH by CEZ Group?	Sec. 2.6.9
		What is the share (%) of contractor and subcontractor employees that are trained in OSH?	Sec. 2.6.9
		Do employees receive any other specific safety training in respect of their place of work?	Sec. 2.6.9

Social Topics

GRI STANDARD	Indicator Number	Disclosure	Category	Result* Figure/Text	Result* %
GRI 401	Management approach	Employment		Sec. 2.7.1	
GRI 102	102-8	Information on employees and other workers			
		What is the total number of employees by gender and employment contract—temporary?	Women	691	2.6
			Men	1,359	5.1
		What is the total number of employees by gender and employment contract—permanent?	Women	4,919	18.3
			Men	19,926	74.0
		What is the total number of employees by region and employment contract—temporary?	in Czechia	1,974	7.3
			Abroad	75	0.3
		What is the total number of employees by region and employment contract—permanent?	in Czechia	19,424	72.2
			Abroad	5,422	20.2
		What is the total number of employees by gender and employment type—full-time?	Women	5,486	20.4
			Men	21,153	78.6
		What is the total number of employees by gender and employment type—part-time?	Women	124	0.5
			Men	132	0.5
		Identify any significant variations from the numbers reported in Disclosure 102-8 in the previous reporting period.		0	
		Explain how the data have been compiled.		Consolidation of nonfinancial reporting and selected data from the 2016 AR	
		What is the total number of employees—by gender?	Women	5,610	20.9
			Men	21,285	79.1

* Note: Percentages are of the CEZ Group employee headcount.

GRI STANDARD	Indicator Number	Disclosure	Category	Result* Figure/Text	Result* %
GRI 405	Management approach	Diversity of governance bodies and employees		Sec. 2.7.3	
	405-1	What is the number of employees within the company's governance bodies—by gender?	Women	38	9.7
			Men	352	90.3
		What is the number of employees within the company's governance bodies—by age?	18–29 years	0	0
			30–49 years	256	65.6
			50 years or more	134	34.4
		What is the number of the company's employees—by gender?	Women	5,610	20.9
			Men	21,285	79.1
		What is the number of the company's employees—by age?	18–29 years	2,682	10.0
			30–49 years	14,245	53.0
			50 years or more	9,968	37.0
		What is the total number of employees by level of education?	Primary	854	3.2
			Upper secondary	18,225	67.8
			Tertiary	7,816	29.0
GRI 401	401-1	New employee hires			
		What was the number of new employee hires during the reporting period—by age?	18–29 years	1,110	4.1
			30–49 years	1,494	5.6
			50 years or more	428	1.6
		What was the number of new employee hires during the reporting period—by gender?	Women	921	3.4
			Men	2,111	7.8
		What was the number of new employee hires during the reporting period—by region?	Czechia	2,540	9.5
			Abroad	492	1.8

* Note: Percentages are of the CEZ Group employee headcount.

GRI STANDARD	Indicator Number	Disclosure	Category	Result* Figure/Text	Result* %
GRI 401	401-1	Employee turnover			
		What was the number of employee turnover during the reporting period—by age?	18–29 years	403	1.5
			30–49 years	1,084	4.0
			50 years or more	1,023	3.8
		What was the number of employee turnover during the reporting period—by gender?	Women	520	1.9
			Men	1,990	7.4
		What was the number of employee turnover during the reporting period—by region?	Czechia	2,072	7.7
			Abroad	438	1.6
		What is the total rate of employee turnover during the reporting period—by region? (%)	Czechia		7.7
			Abroad		1.6
	401-2	Benefits commonly provided to full-time employees		Sec. 2.7.1	
	401-3	Maternity/parental leave			
		How many employees are entitled to maternity/parental leave—by gender?	Women	Pursuant to Czech law, all employees are entitled to parental leave. We comply with local law abroad.	
			Men		
		How many employees are taking maternity/parental leave—by gender?	Women	445	1.7
			Men	19	0.1
		How many employees returned to work after maternity/parental leave ended—by gender?	Women	194	0.7
			Men	11	0
		How many employees returned to work after maternity/parental leave ended that were still employed 12 months after their return to work—by gender?		We will report this for 2017, after 12 months since the beginning of monitoring.	

* Note: Percentages are of the CEZ Group employee headcount.

GRI STANDARD	Indicator Number	Disclosure	Category	Result* Figure/Text	Result* %
GRI 102	102-16	Values, principles, standards, and codes of behavior		Sec. 1.5	
GRI 402	Management approach	Labor/management relations		Sec. 2.7.1 & AR pg. 140	
	402-1	Minimum notice periods regarding operational changes			
		What is the minimum notice period provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them?		2 weeks by law Sec. 2.7.1	
		For companies with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.		Selected periods are specified in collective agreements.	
GRI 403	Management approach	Occupational safety and health		Sec. 2.7.1 & AR pg. 82	
	403-1	Workers' representation in formal joint OSH commissions or committees			
		Describe the level at which each formal joint management-worker OSH committee typically operates within the organization.		Sec. 2.7.1 & AR pg. 82	
		What is the percentage of workers whose work, or workplace, is controlled by the company that are represented by formal OSH committees?		Sec. 2.7.1 & AR pg. 82	
	403-2	Types of injury, rates of injury, fatalities			
		Report types of employee injuries, including their numbers.		Number of injuries: 163; a wide range of injuries: sprained ankles, bruised ribs, cuts, fractures due to tripping, lesions and flesh wounds, dislocated joints, strained muscles, and others	
		What is the employee injury rate?		0.60%	
		What was the number of work-related employee fatalities?		1	
		Report types of injuries including their numbers for contractor/subcontractor employees.		Number of injuries: 50; types of injury: lesions and flesh wounds, bone, fractures, dislocated joints, sprained joints, strains	

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text	Result %
		What was the number of work-related fatalities for contractor/subcontractor employees?		1	
GRI 403	403-3	Workers (employees or contractor personnel) with high incidence or high risk of diseases related to their occupation		Sec. 2.7.1	
		Are there workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases?		Sec. 2.7.1	
	403-4	OSH topics covered in formal agreements			
		Do formal agreements with trade unions cover OSH?		Yes. Specified in collective agreements.	
GRI 404	Management approach	Training and education		Sec. 2.7.1; 2.6.12	
GRI 404	404-2	Programs for upgrading employee skills and transition assistance programs		Sec. 2.6.12	
		Report the type and scope of programs implemented and assistance provided to upgrade employee skills and qualifications.		Sec. 2.6.12	
		What transition assistance programs do you provide to facilitate continued employability and the management of career endings resulting from retirement or termination of employment?		Sec. 2.6.12	
	404-3	Percentage of employees receiving compulsory training			
		What is the percentage of total employees that received a regular performance and career development review during the reporting period—by gender?	Women	100%	
			Men	100%	
		What is the percentage of total employees that received a regular performance and career development review during the reporting period—by category?	Managers	100%	
			Rank-and-file employees	100%	
GRI 406	Management approach	Nondiscrimination		Sec. 1.5	
	406-1	Incidents of discrimination and corrective actions taken		Sec. 1.5	
		How many incidents of discrimination did you identify during the reporting period?		3	
		Describe the status of the incidents and actions taken.		The above incidents were resolved as unsubstantiated.	

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text	Result %
		Report the percentage of total employees covered by collective agreements.		100%	
GRI 407	Management approach	Freedom of association and collective bargaining		Sec. 2.7.1	
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.		Sec. 1.5.	
		Report operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk/ significantly restricted.		Sec. 1.5.	
		Describe measures taken by the company in the reporting period intended to support rights to exercise freedom of association and collective bargaining.		Sec. 1.5.	
GRI 413	Management approach	Local communities		Sec. 2.7.5; AR pg. 143 Donorship	
	413-1	Operations with local community engagement		Sec. 2.7.5	
	413-2	Operations with significant actual and potential negative impacts on local communities		Sec. 2.7.5	
Electric Utilities guidance	G4-EU22	Number of people physically or economically displaced and compensation, broken down by type of project		0	
Minings and Metal guidance	G4-MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples		AR pg. 147	
GRI 415	Management approach	Public policy		Sec. 2.7.5	
	415-1	Political contributions			
		If political contributions were made, report the recipients. What was the total monetary value of financial and in-kind contributions made directly and indirectly by the company by country and recipient/beneficiary?		We do not make any	

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text	Result %
		How was the monetary value of in-kind contributions estimated and who were the recipients?		We do not make any	
GRI 416	Management approach	Customer safety and health		Sec. 2.8.1	
	416-1	Assessment of the health and safety impacts of product and service categories			
		What is the percentage of product and service categories for which health and safety impacts are assessed for improvement?		Sec. 2.8.1	
		How is the assessment made?		Sec. 2.8.1	
	416-2	Incidents of noncompliance concerning the health and safety impacts of products and services			
		What is the number of identified incidents of noncompliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, categorized as follows? I. Incidents of noncompliance with regulations resulting in a fine or penalty II. Incidents of noncompliance with regulations resulting in a warning III. Incidents of noncompliance with voluntary codes		0	
		Report the number of individuals affected by injuries and fatalities involving company assets.		4	
		Report the annual number of health and safety related legal cases (resolved and pending, including diseases and judgments affecting members of the public, and the potential risks associated with these cases).		0	
GRI 418	Management approach	Customer privacy		Sec. 2.8.1	
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			
		How many substantiated complaints did you receive concerning breaches of customer privacy, categorized as follows?			
		I. Complaints received from outside parties and substantiated by the company		0	
		II. Complaints from regulatory bodies		1	

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text	Result %
		Total number of identified leaks, thefts, or losses of customer data		0	
GRI 419 GRI 307	Combination of two management approaches	Regulatory and legal compliance		Sec. 1.3	
	419-1	Noncompliance with laws and regulations in the social and economic area			
		Report significant fines and nonmonetary sanctions for noncompliance with laws and/or regulations in the social and economic area in terms of:			
		Significant fines		List of legal cases: AR pg. 147. Examples beyond the scope of the AR: ČEZ Obnovitelné zdroje— A fine was imposed in relation to an inspection conducted by the State Energy Inspection pursuant to Act No. 526/1990 Sb., on prices. The company is taking steps to have the fine rescinded. Romania—two fine-related disputes with the National Supervisory Authority for Personal Data Processing concerning fines imposed in 2015.	
		I. Total number of nonmonetary sanctions		0	
		II. Cases brought through dispute resolution mechanisms		0	

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text	Result %
GRI 419 GRI 307	307-1	Noncompliance with environmental laws and regulations Report significant fines and nonmonetary sanctions for noncompliance with environmental laws and/or regulations in terms of:			
		I. Total monetary value of significant fines		Chorzów power plant in Poland—a sanction of approx. EUR 15,000 imposed for exceeding the emission standard for nitrogen oxides.	
		II. Total number of nonmonetary sanctions		1—see above	
		III. Cases brought through dispute resolution mechanisms		0	

Distribution

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
Electric Utilities guidance		Reliability and availability of supplies	AR pg. 104, 115, 118, 121
Electric Utilities guidance	G4-EU10	Planned capacity against projected electricity demand	AR pg. 104

Environmental Topics

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text	Result %
GRI 300	Management approach	Environmental Protection	Sec. 2.6.1	
GRI 302	Management approach	ENERGY	Sec. 2.6.2 & data in Sec. 3	TAB page 93
	302-1	Energy consumption within the organization		
	302-3	Energy intensity		
GRI 303 GRI 306	Management approach	WATER AND WASTEWATER	Sec. 2.6.5 & data in Sec. 3	TAB
	303-1	Water withdrawal by source		page 94
	303-3	Water recycled		page 94
	306-1	Wastewater discharges		page 95
	306-3	Significant spills		page 95
GRI 304	Management approach	BIODIVERSITY	Sec. 2.6.6 & data in Sec. 3	TAB
	304-1	Operational sites in protected areas		page 96
	304-2	Demonstrable impacts on biodiversity		page 97
	304-3	Habitats protected or restored		page 98
GRI 305	Management approach	EMISSIONS	Sec. 2.6.4 & data in Sec. 3	TAB page 99
	305-1	Direct CO ₂ emissions		
	305-3	Indirect emissions—transportation CO ₂ emissions		
	305-4	CO ₂ emissions intensity		
	305-6	Emissions of ozone-depleting substances (ODS)		
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		
GRI 306	Management approach	WASTE	Sec. 2.6.8 & data in Sec. 3	TAB page 100
	306-2	Total waste generated		
Electric Utilities guidance	G4-EU1	Installed capacity	TAB	page 101
	G4-EU2	Net energy output	TAB	page 101
	G4-EU5	Allocation of CO₂ emissions allowances	TAB	page 102

GRI 302—Energy

302-1 Energy consumption within the organization

Fuel consumption from nonrenewable sources (MJ)

	2014	2015	2016
CEZ Group	623,793,397	591,090,410	578,318,052

Fuel consumption from renewable sources (MJ)

	2014	2015	2016
CEZ Group	7,677,973	9,325,493	10,437,870

Total consumption (MJ)

	2014	2015	2016
Electricity	18,877,767	18,754,407	19,348,698
Heating	14,474,123	14,327,324	15,816,341
Cooling	0	0	0
Steam	0	0	0

Total sales (MJ)

	2014	2015	2016
Electricity	186,778,800	178,165,092	181,210,637
Heating	21,276,000	22,256,000	24,022,000
Cooling	0	0	0
Steam	0	0	0

Total energy consumption within the organization (MJ)

	2014	2015	2016
Nonrenewable fuels	623,793,397	591,090,410	578,318,052
+			
Renewable fuels	7,677,973	9,325,493	10,437,870
+			
Energy procured	0	0	0
+			
Energy generated from “nonfuel sources”	8,660	8,547	8,789
-			
Energy sold	208,054,800	200,421,092	205,232,637
=			
Total energy consumption within the company	423,425,229	400,003,357	383,532,074

302-3 Energy intensity

Energy intensity ratio—consumption of energy in fuel per energy unit supplied (MJen/MJfuel)

	2014	2015	2016
Energy consumption within the organization (fuel)	631,471,369	600,415,903	588,755,921
Energy supplied (electricity + heating)	208,054,800	200,421,092	205,232,637
Energy intensity ratio	3.035	2.996	2.869

GRI 303—Water

303-1 Water withdrawal by source

	Unit	2014	2015	2016
Volume of water withdrawn—surface water	m ³ /year	763,119,967	782,384,759	808,062,821
Of which, cooling water	m ³ /year	603,683,573	629,099,461	662,151,423
Volume of water withdrawn—groundwater	m ³ /year	419,113	414,580	521,835
Volume of drinking water withdrawn from public water utilities	m ³ /year	4,982,196	5,180,910	5,183,101
Volume of service and cooling water withdrawn from industrial water works	m ³ /year	93,300	63,430	49,794
Volume of waste water withdrawn for reuse from another organization	m ³ /year	0	0	0
Volume of rainwater used	m ³ /year	1,139,617	1,242,891	1,422,621

303-3 Water recycled

	Unit	2014	2015	2016
Volume of water recycled *	m ³ /year	14,386,614	25,399,027	17,311,017

* For example, use of rainwater, wastewater from chemical water treatment, water from gypsum washing, continuous and periodical blowdown, return water from slag washing, etc.

GRI 306—Effluents

306-1 Total water discharge, excluding separately reported rainwater and domestic sewage

	Unit	2014	2015	2016	Comment
Total volume of water discharges	m ³ /year	661,202,676	684,941,693	719,197,658	Once-through cooling water for turbines included
Of which, volume of once-through cooling water discharged	m ³ /year	603,683,573	629,099,461	662,151,423	
Of which, volume of treated water	m ³ /year	25,106,500	27,635,960	26,835,490	
Of which, volume of water without treatment	m ³ /year	33,895,764	31,588,006	34,133,845	Once-through cooling water for turbines not included
Of which, volume of water discharged to surface water	m ³ /year	54,764,824	55,732,816	57,432,674	Once-through cooling water for turbines not included
Of which, volume of water discharged to public sewers (incl. removal by trucks)	m ³ /year	1,358,172	1,333,480	1,204,762	
Of which, volume of discharged water reused by another organization	m ³ /year	1,804,233	1,247,044	1,410,605	
Quality of discharged water					
Suspended solids (SS)	t/year	719	662	656	
Chemical oxygen demand (COD)	t/year	1,851	1,497	1,729	

306-3 Significant spills

	Unit	2014	2015	2016	Comment
Location of spill					Spills occurred mostly on paved roads in several locations; maximum spill to soil 40 L
Material of spill		0	0	0	
Volume of spill	m ³	0.1	0.022	0.035	

* For example, use of rainwater, wastewater from chemical water treatment, water from gypsum washing, continuous and periodical blowdown, return water from slag washing, etc.

GRI 304—Biodiversity

304-1 Operational sites in or adjacent to protected areas and areas of high biodiversity value

	Unit	Actual 2016 data
Geographic location	Bio-corridor construction on the Zbrod disposal site of the Hodonín Power Plant (EHO)	48°50'51"N, 17°07'12"E
Position in relation to the protected area or high biodiversity value area		On site
Size of operational site		0.266 km²
Biodiversity value		Terrestrial ecosystem
Biodiversity value—listing of protected status		Site of Community importance pursuant to Directive 92/43/EEC

304-2 Demonstrable impacts on biodiversity

	Unit	Actual 2016 data	Comment
Report the nature of significant direct and indirect impacts on biodiversity			
Construction or use of manufacturing plants, mines, and transport infrastructure	Severočeské doly a.s.	Severočeské doly a.s. completed the restoration of 123 ha of land in 2016 and started new land restoration on 32 ha. Additional 36 ha and 39 ha of land appropriated at the Bílina Mines and the Nástup Tušimice Mines, respectively.	Biological monitoring of the zone in front of the face is conducted before quarrying operations advance. Its purpose is to map the occurrence of specially protected species of aquatic animals, among other things. They are then relocated to water reservoirs or small pools newly built on restored land.
Pollution from point and nonpoint sources		–	
Introduction of invasive species		0	
Reduction of species		0	
Habitat conversion		–	
Changes in ecological processes outside the natural range of variation, such as salinity or changes in groundwater level		No	
Report the nature of significant direct and indirect positive and negative impacts on biodiversity.			
Species affected		–	
Extent of areas impacted		–	
Duration of impacts		–	
Reversibility of the impacts		–	

304-3 Habitats protected or restored

	Unit	Actual 2016 data	Comment
Report the size and location of all habitat areas protected or restored, and whether the success of the restoration measure was approved by independent external professionals.	Habitat restoration—Bio-corridor—Zbrod disposal site of the Hodonín Power Plant (EHO)	0.266 km²	Under way
	Restoration of habitats as part of land restoration by SD	5,503 ha	Approved by competent national authority
Do partnerships exist with third parties to protect or restore habitat areas?	Protection and restoration is part of standard cooperation with competent authorities.		
What is the status of each area in the reporting period?	Severočeské doly a.s.	Restoration of 5,503 ha completed, including 2,459 ha restored to agricultural land, 2,316 ha restored to forests, and 179 ha of water bodies.	

GRI 305—Emissions

305-1 Direct CO₂ emissions

CEZ Group emissions from electricity and heat generation (t of CO₂)	2014	2015	2016
Emissions from fossil fuels	28,142,790	28,677,888	30,362,173
Emissions from biomass	824,251	1,009,754	1,116,838

305-3 Indirect emissions—transportation CO₂ emissions

Amount of CO₂ emissions (t)	2014	2015	2016
Cars	40,014	35,375	51,706
Trucks	18,899	10,194	11,145
Trains	2,602	2,911	3,269
Buses	83	239	117
Other (machinery)	22,035	22,226	21,332

305-4 CO₂ emissions intensity

Emissions intensity of CEZ Group electricity generation (t of CO₂/MWh)	2014	2015	2016
Emissions intensity	0.420	0.450	0.469

305-6 Emissions of ozone-depleting substances (ODS)

Type of fluorinated greenhouse gas	2014	2015	2016
HFC leaks from cooling and air-conditioning equipment (kg)	149.35	0	82.1
PFC leaks from cooling and air-conditioning equipment (kg)	468.72	25.4	88.99
SF ₆ (sulfur hexafluoride) (kg)	326.7	3.5	167.58

305-7 Other emissions

		2014	2015	2016
PM	t	2,486	2,099	1,604
SO ₂	t	54,573	42,487	28,352
NO _x	t	39,798	32,624	28,415
Egen	MWh	60,012,452	57,067,291	57,846,217
PM	kg/Egen _{MWh}	0.041	0.037	0.028
SO ₂	kg/Egen _{MWh}	0.909	0.745	0.490
NO _x	kg/Egen _{MWh}	0.663	0.572	0.491

GRI 306—Waste

306-2 Total weight of waste by type and disposal method

		Unit	2014	2015	2016	
Total weight of nonhazardous waste		t/year	382,579	415,573	450,059	
Total weight of hazardous waste		t/year	4,380	2,768	3,240	
Total weight of radioactive waste		t/year	1,078	988	899	
Weight of waste reused	Reuse	t/year	346,586	385,589	413,311	
Weight of waste recycled	Recycling	t/year	11,525	10,911	11,141	
Weight of waste composted	Composting	t/year	395	1,171	943	
Weight of waste recovered, including energy recovery	Recovery, including energy recovery	t/year	37	224	1,309	
Weight of waste landfilled	Landfill	t/year	26,055	17,275	24,565	
Weight of removed radioactive waste in spent fuel storage	On-site storage	t/year	1,078	988	899	
Weight of waste handed over to authorized operator (end use unknown)	Handover to authorized operator (end use unknown)	t/year	2,362	3,172	2,030	
Batteries and accumulators handed over for take-back (not included in reported waste)	Product take-back (see Note)	kg/year	8,329	3,587	3,389	
Discarded equipment handed over for take-back (not included in reported waste)	Product take-back (see Note)	kg/year	70,099	63,858	72,092	
Discharge and fluorescent lamps handed over for take-back (not included in reported waste)	Product take-back (see Note)	kg/year	6,054	5,225	10,729	
Oils handed over for take-back (not included in reported waste)	Product take-back (see Note)	kg/year	185,846	86,172	0	
Tires handed over for take-back (not included in reported waste)	Product take-back (see Note)	kg/year	496	500	7,992	
Transboundary movement of hazardous waste according to Basel Convention		t/year	0	0	0	
Of which, hazardous waste exported		t/year	0	0	0	
Of which, hazardous waste imported		t/year	0	0	0	
Note: Under the waste management hierarchy and in compliance with the applicable EU directive, used products were reused (recycled) in a product take-back system. This is not considered waste but the prevention of waste.		Total weight of products handed over for take-back	kg/year	270,824	159,342	94,202

G4-EU1 Installed Capacity in MW

	2014	2015	2016
CEZ Group	16,037.52	15,920.22	15,620.32
Coal-fired, gas-fired, and CCGT power and heating plants, total	9,024.00	8,905.00	8,605.10
Nuclear power plants	4,290.00	4,290.00	4,290.00
Hydroelectric power plants, total	1,984.67	1,984.67	1,984.67
Impoundment and run-of-river	814.67	814.67	814.67
Up to 10 MW (inclusive)	90.79	90.79	90.79
Over 10 MW	723.88	723.88	723.88
Pumped-storage	1,170.00	1,170.00	1,170.00
Other power plants with renewable energy sources	738.85	740.55	740.55

G4-EU2 Net Energy Output

	2014	2015	2016
CEZ Group total	1,000 MWh	1,000 MWh	1,000 MWh
Energy delivered by CEZ Group facilities	56,754.223	54,299.761	54,656.155
Energy generation by source	63,123.790	60,916.797	61,132.048
Generation from coal	28,533.686	29,090.322	30,689.307
Biomass	645.545	791.498	879.218
Natural gas	159.890	542.357	1,813.347
Nuclear	30,324.398	26,840.280	24,103.649
Hydro	2,151.833	2,213.806	2,346.875
Impoundment/run-of-river	1,100.337	937.858	1,144.999
Hydro up to 10 MW	260.467	216.052	267.403
Hydro over 10 MW	839.871	721.806	877.596
Pumped-storage	1,051.496	1,275.948	1,201.876
Solar	130.912	140.811	131.818
Wind	1,175.548	1,295.172	1,165.603
Biogas	1.977	2.551	2.232
Consumed, including pumped storage	(6,369.567)	(6,617.036)	(6,475.893)

G4-EU5 Allocation of CO₂ emissions allowances

Allocation of emissions allowances to CEZ Group in 2014–2016

(EUA)	2014	2015	2016
Free allowances (for heating)	1,485,721	1,252,094	1,049,015
Allowances in exchange for investments (for electricity)	15,898,059	13,293,017	12,727,589
Total	17,383,780	14,545,111	13,776,604

Balance of CO₂ emissions (t) and CEZ Group allowances

(EUA)	2014	2015	2016
Allocated allowances	17,383,780	14,545,111	13,776,604
Emissions	28,142,790	28,677,888	30,362,173
Difference—additionally purchased allowances	10,759,010	14,132,777	16,585,569

CEZ Group allocation by method

(%)	2014	2015	2016
Free allowances (for heating)	5	4	3
Allowances in exchange for investments (for electricity)	56	46	42
Allowances additionally purchased in the market	38	49	55

You can contact us with questions and comments concerning this report via e-mail at: energieprobudoucnost@cez.cz.