

CEZ GROUP SUSTAINABILITY REPORT 2017



ENERGY FOR THE FUTURE

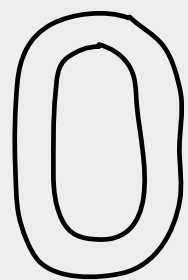
Every year in ČEZ's life is full of challenges, events, projects...
And the year 2017 was no exception.

Our task is to draw on the energy that is all around us, and then relay it to communities, local administrations, our employees, and our partners.

Thank you for your interest in this report.

Your attention is a reward for our work. Working in the rhythm of our projects is close to our heart for us.





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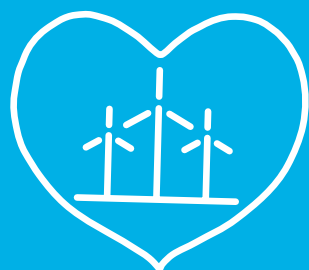
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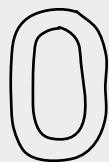
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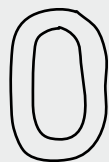
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INTRODUCTION BY A MEMBER OF THE BOARD OF DIRECTORS



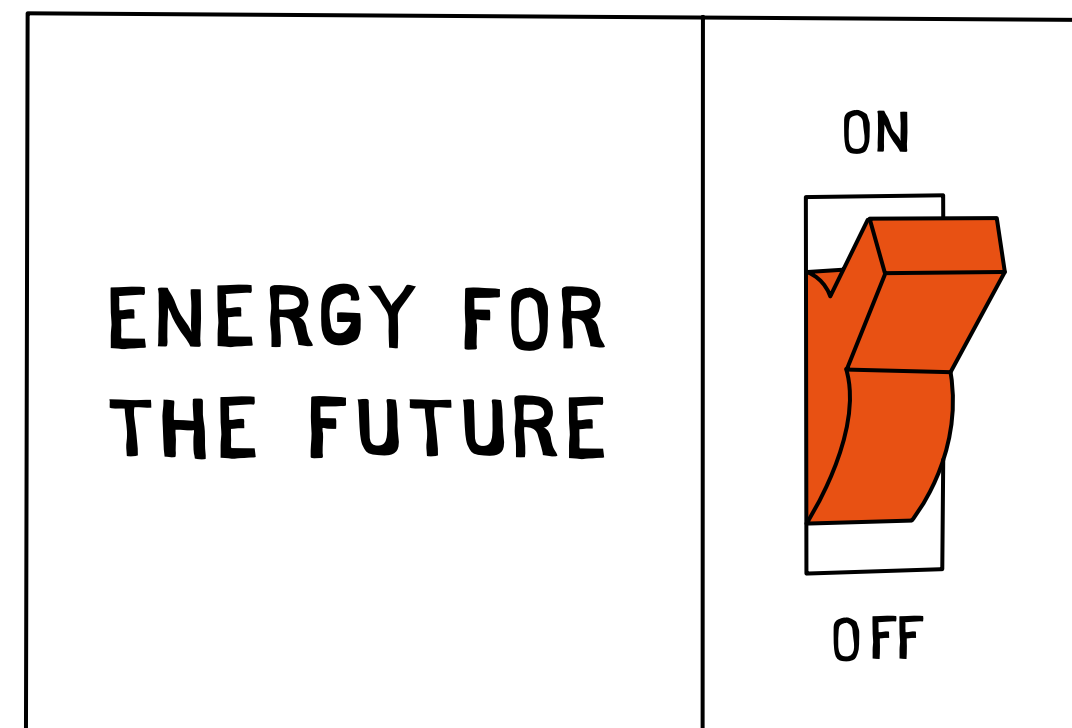


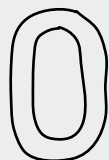
Dear Readers,

You are reading the second CEZ Group Sustainability Report, covering the year 2017. It will present to you our plans for operations in Czechia and abroad through nonfinancial information, with focus on our responsible businesses practices. We know that the importance and size of CEZ Group arouse a number of expectations: of our shareholders, business partners, employees, and the public. After all, the energy industry is an industry that considerably affects the entire economy of Czechia and the EU, its surroundings and the environment, as well as our future. The management of the parent company ČEZ, a. s., and other CEZ Group companies understand their responsibility for the quality of relationships with employees, customers, investors, trade unions, the media, the professional and lay public, local administrations, and suppliers.

We have made a big step ahead in this area over the past few years. We prepared a sustainable development strategy named “Energy for the Future,” formulating five strategic priorities for sustainable development within the whole CEZ Group already in 2016. They are a manifestation of our responsible behavior, fully reflecting and being closely tied to CEZ Group’s business strategy. The first section of the report concerns CEZ Group’s business activities, management methods, and objectives; we also recap our approach to internal and external ethics, including values, principles, and standards, there.

In the second, main section, of the report, we detail our strategic priorities for sustainable development, namely: Ensure Sustainable Operation, Be a Good Partner, Bring Useful Solutions to Customers, Enable Energy Sector Transformation, and Start the Engine of Innovation. You can read about our activities, interesting and successful projects, as well as the challenges we face when undertaking them. For example, we have a track history of successful projects in decentralized energy, covering smart energy houses, the smart city concept, and zero-emission electric mobility. The ÚJV Řež Group inaugurated its newest laboratory complex, built under the SUSEN (SUStainable ENergy) project, in 2017. CEZ Group maintains the position of one of the most attractive employers in Czechia and we manage to hire new employees despite a very low unemployment rate. We also manage to increase the percentage of women in CEZ Group governance bodies, which exceeded the 10% boundary in 2017. Responsibility for the environment, technical development, and social progress in communities includes the adoption and application of 17 global sustainable development goals (SDGs) announced by the UN. We are actively engaged especially in the following ones: Affordable and Clean Energy, Sustainable Cities and Human Settlements, or Sustainable Consumption and Production Patterns.





Beyond the statutory scope for providing selected nonfinancial information, we adopted the latest, more comprehensive GRI Standards guidelines for preparing our report. We make the CORE disclosures by publishing this second CEZ Group Sustainability Report. The GRI Standard Content Index is included in the third, final section.

Dear readers, the concept of sustainable development is crucial to the business of such a large and important corporation as CEZ Group, going much further than social responsibility activities. This report provides a comprehensive summary of our activities in this respect and I believe it will be interesting and inspirational to read.

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

CEZ GROUP'S PROFILE



CEZ Group is an energy conglomerate with operations in a number of European countries, headquartered in Czechia. A full list of companies that comprised the consolidated CEZ Group (“CEZ Group”) as at December 31, 2017, can be found in the 2017 Annual Report (on page 64) at <https://www.cez.cz/edee/content/file/investori/vz-2017/vz-2017-en.pdf>. The largest shareholder of ČEZ is the Czech Republic with a nearly 70% stake in the company’s stated capital.

The parent company ČEZ (ČEZ, a. s., referred to as the “parent company ČEZ” or “ČEZ” below) has its registered office at Duhová 2/1444, Praha 4–Michle, postcode 140 53, Czechia.

1.1

BUSINESS ACTIVITIES

CEZ Group companies in Czechia extract and sell coal, generate and distribute electricity and heat, and trade in electricity, natural gas, and other commodities. They also offer customers electricity generation and storage facilities and provide them with energy services, especially those related to savings, for which CEZ Group is the biggest market player. Their generation portfolio consists of nuclear, coal-fired, gas-fired, hydroelectric, photovoltaic, wind, and biogas facilities.

CEZ Group's business activities abroad concern primarily electricity distribution, generation, trading, and sales, natural gas trading and sales, commodity trading in wholesale markets, and active presence in energy services and renewable energy sources. Foreign countries where CEZ Group is doing business include, most importantly, Germany, France, and Poland.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward employees, society, and the environment. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and encouragement of innovation to increase CEZ Group's value.

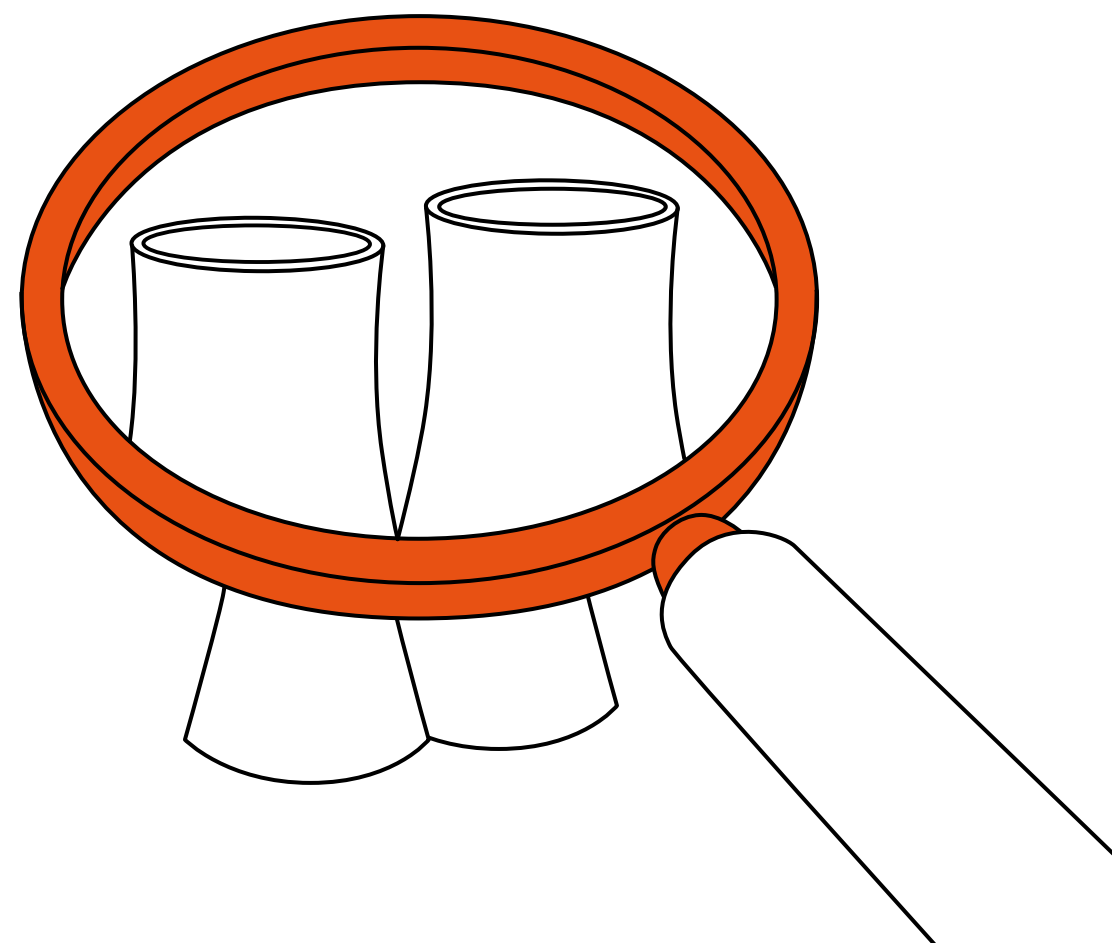
Our activities have indirect economic impacts and effects on several areas:

- **Employment and support of technical education** – We have a reputation as a good employer, verified by external evaluators, with high-quality employee facilities and care. We promote employment in the regions where we operate, knowing the local conditions. We arrange regular meetings with municipality representatives to discuss topics including employment in the region and the expected developments. We support technically oriented schools and their students.
- **Promotion of tourism, operation of information centers** – We consider CEZ Group information centers an important communication tool for sharing information with the general public. We use them to offer an illustrative view of the past, present, and future of various types of power generating facilities. We have 11 information centers located at nuclear power plants (Temelín and Dukovany), coal-fired power plants (Ledvice and Tušimice), and hydroelectric power plants (Štěchovice, Orlický, Lipno, Vydra, Hradec Králové, Dalešice, and Dlouhé Stráně). We present to their visitors especially the technical solutions, advancement, history, and successes of each power plant, our responsible and safe approach to society and the environment, career prospects, and CEZ Group's international presence. We usually combine visits to the information centers with tours of power plant sites with commentary by erudite guides, integrating them into the system of education in power engineering for school groups, technically oriented companies with a more specialized focus, as well as the general public. We publish all information about the information centers at <https://www.cez.cz/en/contacts/information-centers.html>, where we announce special events such as night tours or participation in the Night of Museums or the World Water Day. We welcomed a record-breaking 224,357 visitors in 2017. The highest number of visitors came to see our Dlouhé Stráně pumped-storage power plant and the Temelín and Dukovany nuclear power plants. Most of our power plants can be virtually toured at our website (<http://virtualni-prohlidky.cez.cz/cez-virtual-tour/>). We monitor visitors' satisfaction with the tours offered by our information centers at regular annual intervals.

Examples of Our Activities in 2017

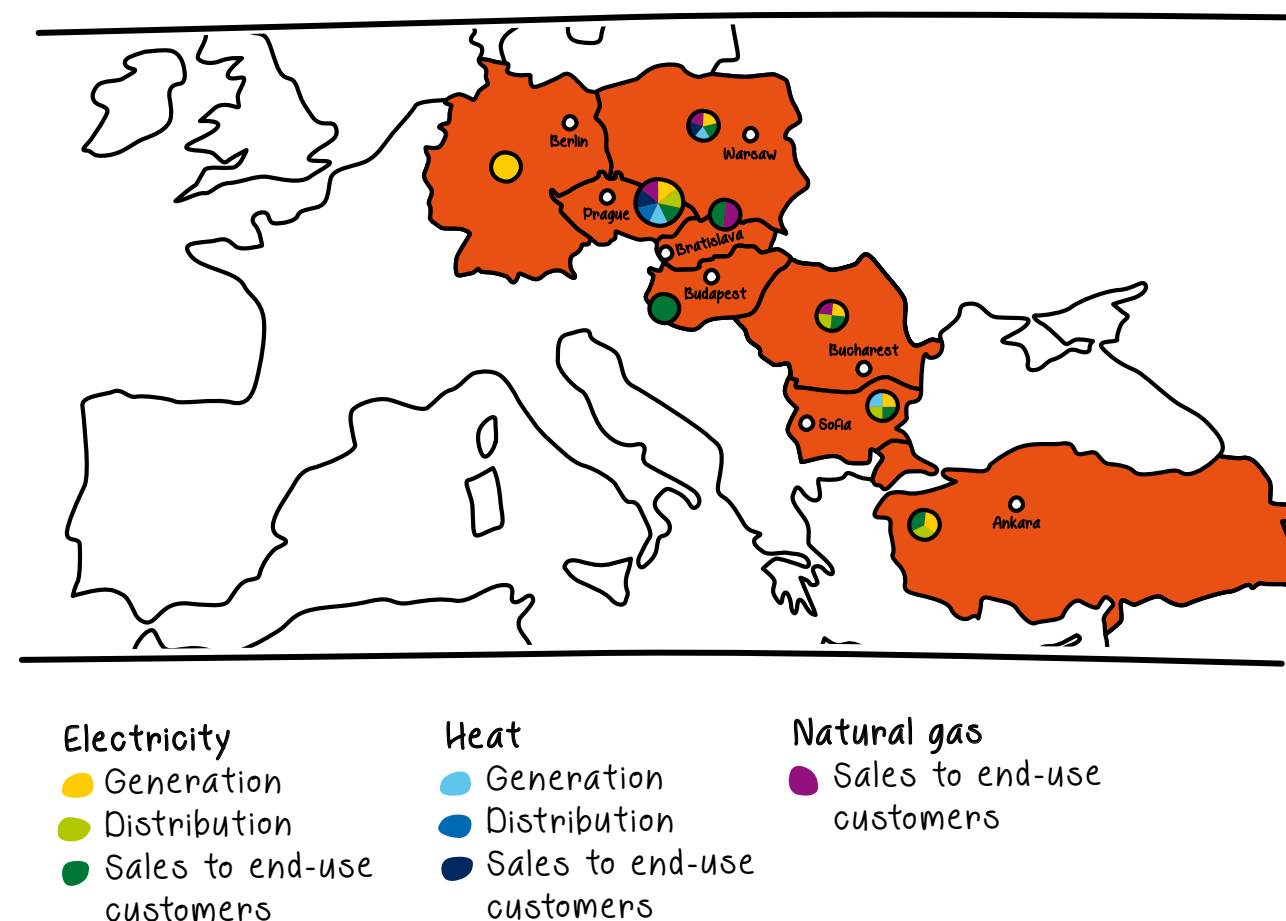
- More than 60% of all financial donations made by ČEZ in 2017 were allotted to the development of community infrastructure and the development of regions where we operate, especially in the neighborhood of our generating facilities and distribution grids. This amounted to almost CZK 40 million. The distribution of funds is governed by internal guidelines.
- CEZ Group has been partnering for 15 years with one of the first corporate foundations in Czechia—the ČEZ Foundation. It plays an integral part in CEZ Group's sustainability and responsible behavior. We have constructed 479 Orange Playgrounds, planted 363 avenues of trees in cities and villages, and built new lights for pedestrian safety at 113 crosswalks throughout Czechia since 2002. The ČEZ Foundation has supported 8,659 projects with CZK 2.4 billion during the past 15 years. The extent of its support and the amount of its donations make it one of the most prominent foundations in Czechia in the long term. All of the ČEZ Foundation's donations are voluntary commitments. They can be applied for by any legal entity that meets the conditions of each grant procedure.
- Due to an increased number of retiring employees at the Počerady Power Plant, trainee positions were created in which new employees prepare for specialist positions in order to get familiarized with the equipment.

- Severočeské doly, a member of CEZ Group, signed a Memorandum of Cooperation with the Ústí Region in 2017, concerning support for education at apprentice training centers and schools focusing on technical programs. A scholarship program for electricians and fitters was announced at the same time, including opportunities for on-the-job training in the plants of CEZ Group companies. Severočeské doly's priority strategic goal is to preserve and create jobs with good prospects in mining operations, which give rise to a significant number of additional jobs at suppliers and service organizations operating in the region. The construction of a new road directly connecting Bílina and Kostomlaty pod Milešovkou was completed in 2017. Being 5.6 km in length, this direct connection was renewed after roughly 40 years at the site of the Radovesice Waste Dump. Construction costs amounted to CZK 46 million. Land under the road, which is owned by Severočeské doly, will be given to the Ústí Region for free. Additional roads are planned to be built at the Radovesice Waste Dump, connecting the municipalities of Štěpánov and Razice.



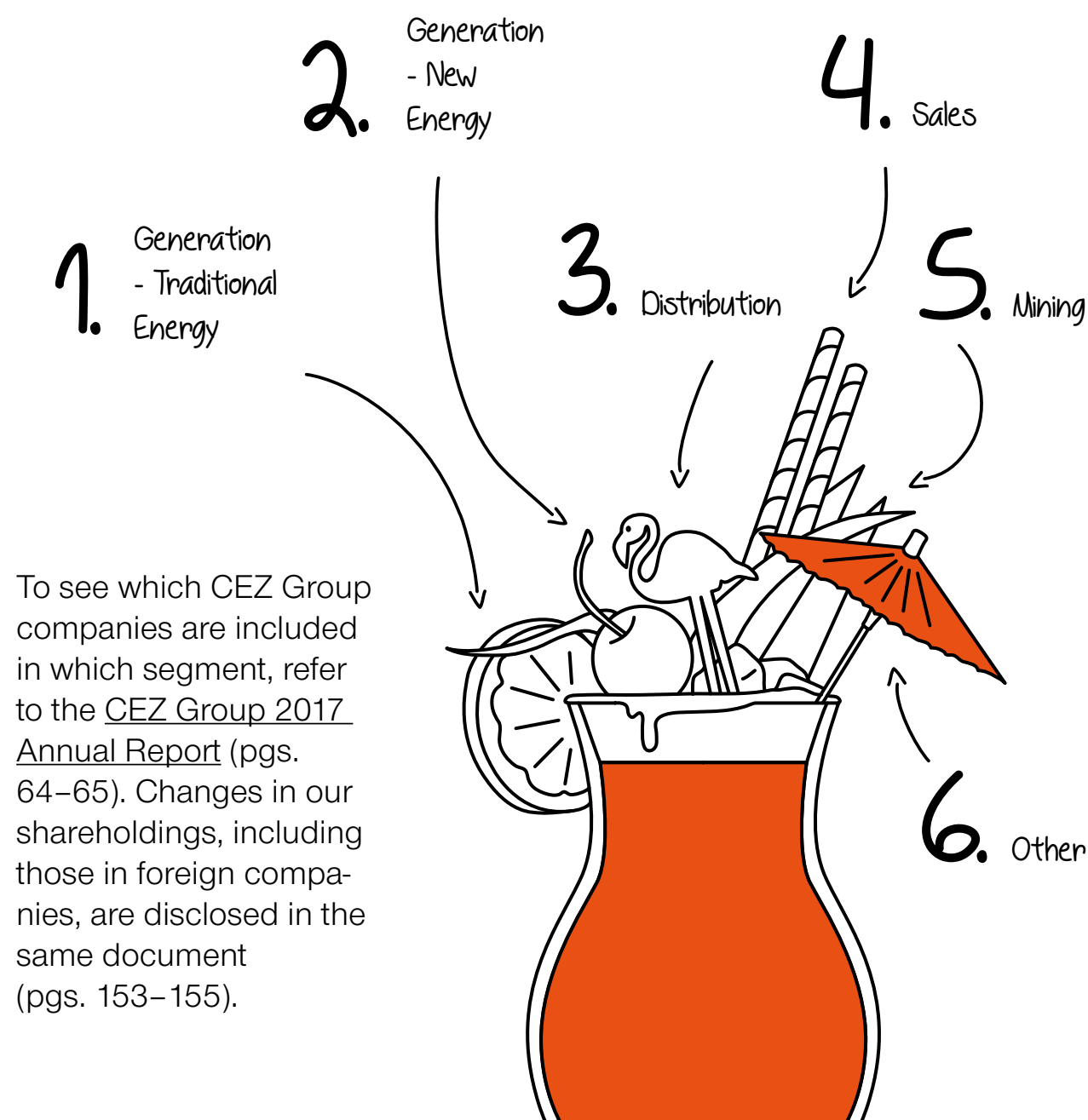
- ŠKODA PRAHA Invest implemented a tool for supporting leaving employees. The project came first in a professional competition in the category of projects for big changes (HREA–EXCELLENCE AWARD® 2016).
- CEZ Group companies in Romania pay much attention to indirect economic impacts not only in their distribution areas but in the whole country. They want to improve the quality of life and the environment through projects such as E-Mobility, SMART Transformation, or Oltenia Marathon. They participate in the development and implementation of electricity storage technologies, which, together with wind parks, help Romania profit from low-price clean energy. CEZ Group in Romania continued with the SMART Customer Care project in 2017 and CEZ Vanzare opened a customer care center in Iași, where it provides free consulting on energy services. Through a wind turbine maintenance program, Tomis Team and M.W. Team Invest provided jobs and supported the construction of schools, free medical counseling centers, sports fields, and local police facilities.
- The activities of CEZ Hungary are in compliance with international standards and the company feels responsible for the environment. It had a CO₂ emissions audit prepared in order to get transparent information concerning the environmental impact of its activities.

Figure: Map of CEZ Groups Generating Facilities and Geographical Presence



1.2 FINANCIAL REPORTING STRUCTURE

We break down our business results into six operating segments:



To see which CEZ Group companies are included in which segment, refer to the [CEZ Group 2017 Annual Report](#) (pgs. 64–65). Changes in our shareholdings, including those in foreign companies, are disclosed in the same document (pgs. 153–155).

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 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.

The fundamental elements of the management system are:

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

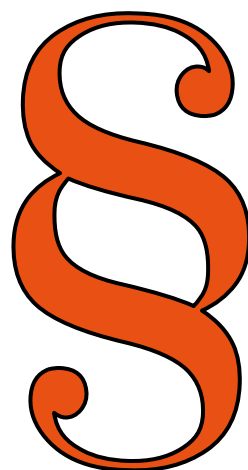
Safety and environmental management includes the utilization of certified systems.

- We participate in the Safe Enterprise program; some of our companies use an occupational safety and health management system according to OHSAS 18001.
- In respect of the environment, we use an environmental management system (EMS) according to ISO 14001.
- We also have a quality management system according to ISO 9001.
- 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.

Governance bodies and their authorities and activities are described in detail in the CEZ Group 2017 Annual Report (starting from pg. 24). We also disclose significant changes to our organization in the document. Legal compliance is the topmost priority for all CEZ Group companies.

Examples of Our Activities in 2017

- CEZ Group companies in Poland introduced a fraud reporting system that can be used by anybody to report a discovered incident of corruption. A Conflict of Interest document was implemented in 2017, aiming to increase employee awareness of, among other things, potential corruption. To ensure compliance of Romanian companies' activities with local laws, internal procedures were drawn up, activities and processes were described, and working methods and rules to be followed were set out. Situations that could lead to legal noncompliance are analyzed and appropriate measures are taken. Legislative compliance and monitoring and annual management appraisal are carried out by other foreign companies within CEZ Group, too.



1.4 STRATEGIC OBJECTIVES

The year 2017 was our second 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 17 global goals (Sustainable Development Goals, SDGs). The contents of our sustainable development strategy are also gradually aligned with selected global themes (<https://www.cr2030.cz/>)—see section 2.5.

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. Its vision is to bring innovations for resolving energy needs and to help improve quality of life.

The Strategy unit of the Sales and Strategy Division defines the comprehensive CEZ Group Strategy and a methodology for its evaluation. It also collaborates with other functions on the individual segments' strategies for new and existing markets.

CEZ Group's 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.

Be Among the Best in the Operation of Conventional Power Facilities and Proactively Respond to the Challenges of the 21st Century

We perceive the traditional energy sector as a bridge towards the future of decentralized energy and renewable energy sources. It will be absolutely indispensable for a smooth transition to decentralized energy in the next two decades. We focus on operational efficiency as a prerequisite for further existence in both conventional and new energy, with operational safety remaining an absolute priority. We strive to ensure the long-term operation of the Dukovany Nuclear Power Plant and we prepare well for ensuring the long-term operation of the Temelín Nuclear Power Plant. We phase out older condensing units. We develop new nuclear power plant projects at the Temelín and Dukovany sites depending on changes in the Czech state's attitude to nuclear energy development. We continually improve the efficiency and flexibility of our distribution grid.

Examples of Our Activities in 2017

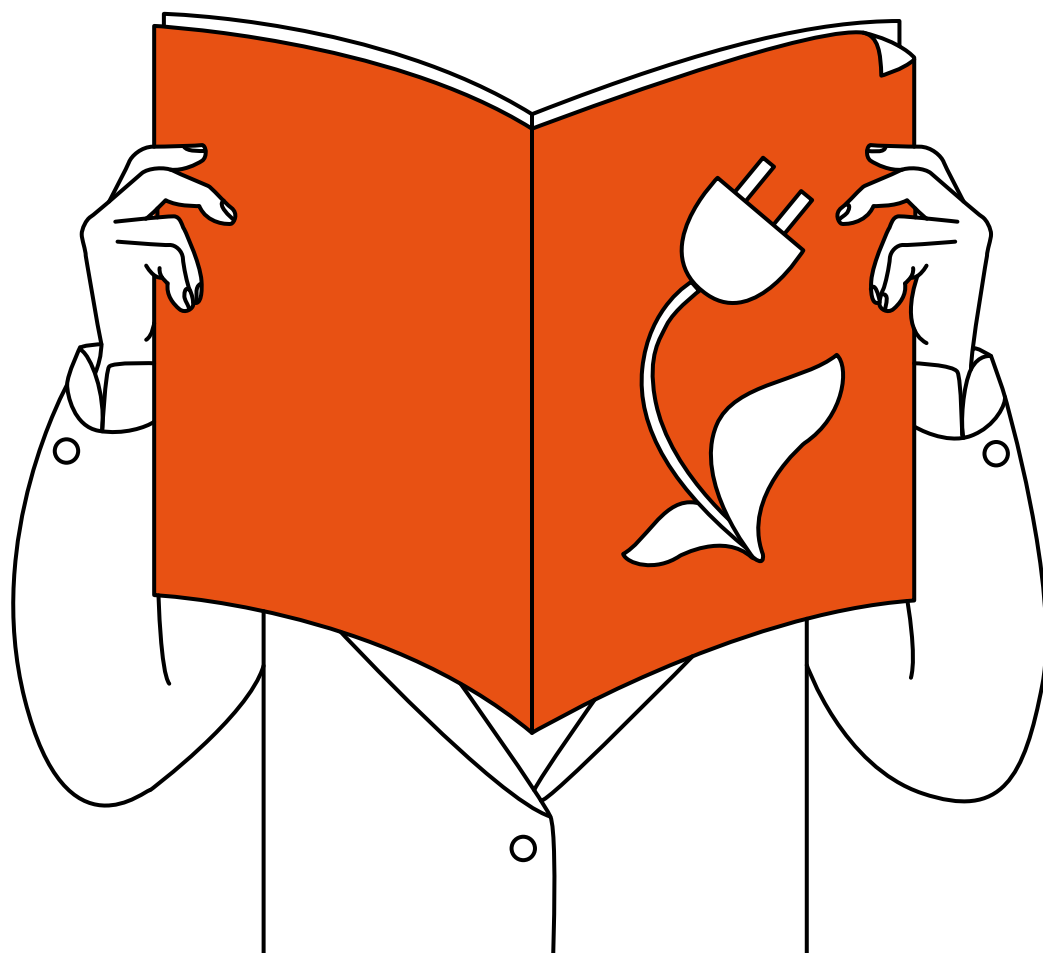
- Our Generation Division was split into a Fossil and Hydro Generation Division and a Nuclear Energy Division with effect from September 1, 2017, in order to improve nuclear power plant processes and management. The Nuclear Energy Division's activities included obtaining operating licenses for an indefinite period of time for units 2, 3, and 4 of the Dukovany Nuclear Power Plant and carrying out activities relating to conditions for further operation (imposed by the State Office for Nuclear Safety).
- We worked on environmental upgrades of Mělník I Power Plant.
- We were engaged in enhancing the efficiency of deployment and the flexibility of hydroelectric power plants.
- A new generating facility (660 MWe) was put into two-year pilot operation at the Ledvice Power Plant. The Ledvice Power Plant is now Czechia's most advanced conventional power plant, meeting strict environmental limits. Apart from generating electricity, it also supplies heat to customers in its vicinity and, through the United Energy heat supply company, to the cities of Teplice and Bílina. The combined generation of electricity and heat in one cycle, referred to as cogeneration, reduces fuel consumption per unit of energy produced, protecting the environment.
- ČEZ Distribuční služby and ČEZ Distribuce were merged with effect from January 1, 2018, completing the distribution redesign project.

Offer Customers a Wide Range of Products and Services Addressing Their Energy Needs

We launch new products and business models in our portfolio. We prepare our distribution grid for operation under the conditions of increasingly decentralized generation. We strive to build a leading position in the market in energy services and energy savings projects (ESCO) for municipalities, the public sector, and businesses.

Examples of Our Activities in 2017

- ČEZ ESCO is a regional market leader providing modern decentralized energy services for businesses, municipalities, and public institutions. ČEZ ESCO expanded in 2017 by acquiring another 6 subsidiaries (ČEZ Bytové domy, KART, HORMEN CE, AirPlus, EASY POWER, CEZ Slovensko), now totaling 14 companies with over 1,800 experts.
- ČEZ Prodej offered a broad portfolio of products for households (rooftop solar panels with battery systems, smart thermostats, comprehensive services relating to heating systems, assistance and financial services, etc.). It also considerably improved the comprehensibility of its product offers for customers. ČEZ Prodej and ČEZ Zákaznické služby were merged with effect from July 1, 2017.
- In the field of electromobility in Czechia, we built infrastructure and charging stations for electric vehicles. While 70 operational stations, including 25 DC fast charging stations, were available at the end of 2016, there were already 91 public charging stations, including 40 DC fast charging stations, in operation at the end of 2017. The construction of additional charging stations was prepared.



Strengthen and Consolidate Our Position in Europe

Our further development continues especially in renewables and ESCO services abroad, in countries with stable regulation. Our priority is countries that are close to us in terms of geography, regulation, and culture, especially Germany, France, and Poland. We strive to acquire assets and companies in the distribution, renewables, and conventionals segments, sales companies that deliver energy and related products to end-use customers, and companies developing new products and services that are promising from the perspective of future decentralized energy.

Examples of Our Activities in 2017

- After actively entering the German market in renewable energy sources by purchasing wind farms in 2016, we increased the installed capacity of our wind parks in Germany to 133.5 MW through additional acquisitions in 2017.
- We also entered the French renewables market by acquiring 9 wind farms (up to 101.8 MW) in an advanced stage of development.
- In line with our strategy, we entered the ESCO market in Germany by acquiring the Elevion group, whose more than 1,800 employees and annual sales of about CZK 8 billion make it one of the biggest providers of comprehensive energy services in Germany.
- We entered the ESCO market in Poland by acquiring two companies: OEM Energy is a Polish market leader in solar panels and heat pumps; Metrolog is engaged in the construction of heat and cooling sources, cogeneration units, and district heating substations.
- Inven Capital acquired a minority stake in VU LOG and Cloud&Heat Technologies.
- We reinforced our position in the segment of ESCO energy services in Slovakia.

For further details about CEZ Group's strategic objectives, refer to pg. 59 of the [CEZ Group 2017 Annual Report](#).

1.5

INTERNAL AND EXTERNAL ETHICS

We formulate ethical behavior requirements for our employees so that they can understand and apply them in their everyday work. We combine demands for professionalism with our employees' ethical behavior toward one another, toward the employer, external institutions, and the social and natural environment.

We apply corporate principles at all CEZ Group companies. Our corporate culture is supported by five fundamental principles (safety, performance, innovation, expertise, and collaboration), which are part of our sustainability—for details, refer to [section 2.6.10](#) Five Principles of Corporate Culture.

Prevention and control in relation to the Code of Ethics is ensured by system-set management documents with online confirmation of demonstrable familiarization.

CEZ Group continued developing its corporate culture relating to ethical business conduct in 2017 based on the previously issued Ethical Behavior Policy, a strategic binding management document. Its requirements and expectations were published in the Code of Ethics and the Code of Ethics Compliance Rules—these are general principles and rules for ethical behavior, providing a uniform interpretation and method of application to employees, suppliers, and business partners, as well as in relation to public authorities and the public, with the aim of preventing potential unlawful or dishonest practices. The significance of the Code of Ethics and the Compliance Rules was reinforced by issuing the CEZ Group Ethical Behavior Standard, a binding management document applicable to companies belonging to the ČEZ Concern.

For the purposes of our relations with business partners and suppliers, we created the Pledge of Ethical Conduct, a brief summary published on the company's website at <https://www.cez.cz/cs/o-spolecnosti/pro-dodavatele/obchodni-podminky.html>. The Code of Ethics and the rules for compliance with it are integrated into our corporate culture through one of our five principles—collaboration.

The Code of Ethics and the rules for compliance with it govern most companies within CEZ Group; some of them have their own, internal code of ethics depending on the nature of their business and security risks.

Ethical Behavior Policy

We follow the Ten Commandments of the CEZ Group Code of Ethics.

1. We adhere to ethical principles and legal rules in our business and treat our partners with respect.
2. We strive to increase the value of our shareholders' equity in a systematic and ethical manner.
3. We always deal with all of our customers transparently and honestly.
4. We create a positive working environment for our employees, in which they can develop their potential and achieve professional growth. We do not tolerate any form of discrimination or harassment.
5. We always deal with our suppliers with respect and honesty. We require them to comply with our ethical standards and rules.
6. We take an apolitical stance in our business and approach government authorities with due regard and mutual respect.
7. Information provided to the public must always be unbiased and true.
8. We selflessly support charitable, scientific, research, educational, cultural, and other projects but never if there is a conflict of interest or political activity.

Integrity

9. Adherence to ethical values is one of our priorities. Therefore, we establish a noncompliance reporting system.
10. We protect the company's good name. Our reputation comprises the behavior and conduct of all our employees and partners.

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. These issues are dealt with by the compliance department, internal audit, and an "anti-corruption line."

The parent company ČEZ is not involved in public politics—other than officially promoting its interests in the European Union through its Brussels office—and does not make contributions to any political groupings.

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 working 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 also create jobs for people disadvantaged in the labor market, such as fresh graduates or people of working age over fifty.
- We actively support the employment of people with disabilities. We are willing to help employees with specific needs according to their requirements, for example in modifying their working place or working hours. ČEZ headquarters buildings are barrier-free and we adjust and modify our other sites based on current requirements.

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:

- An extra week of vacation in addition to the statutory entitlement of four weeks
- A shortened 37.5-hour workweek
- Telecommuting and flexible working hours where allowed by the nature of the job
- 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".

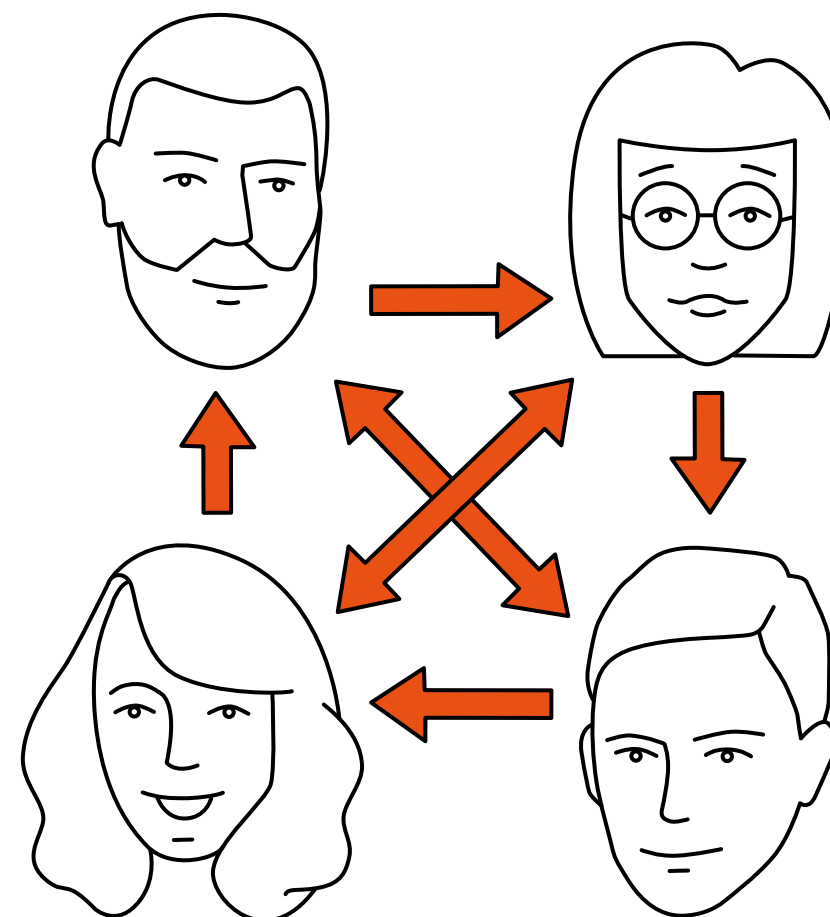
How We Deal With Third Parties

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

- 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 by means of due diligence.
- We have created a Verified Suppliers Catalog, which is updated on annual basis.
- 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.
- When negotiating contracts, we comply with the Public Procurement Act and established principles of CEZ Group employees' behavior to customers and other market participants. This aims to prevent the CEZ Group companies concerned 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 issued Code of Ethics and carry out internal audits.

Examples of Our Activities in 2017

- Companies in Turkey included ethical principles in their work rules for all employees. They broke them down into five areas: "Honesty, Trust, and Equality," "Responsibility," "Confidentiality," "Conflict of Interest," and "Compliance."
- CEZ Group companies in Poland commenced in 2017 the prepared implementation of a code of ethics, in which they are going to include general rules, a code of internal and external conduct, and a method for reporting unethical behavior, as well as sample guidelines for conflicts of interest of either a professional or a private nature.
- Slovakia adopted and has been adhering to the principles of the CEZ Group Code of Ethics.
- CEZ Group companies in Bulgaria have a code of ethics and a contact line for applying open communication.



Precautionary Principle

ČEZ applies the precautionary principle (a rule saying that certain activities should not be pursued if their consequences are uncertain and potentially dangerous) at four levels:

- In human resources when hiring new employees and when verifying selected information given by an employee/applicant
- In the process of third-party screening in relation to the company's possible acquisitions (due diligence)
- In the process of supplier screening before a contractual relationship is established
- When conducting a compliance audit as a contractual arrangement with selected suppliers

Most CEZ Group companies follow the precautionary principle especially in human resources and in the selection of suppliers, applying the Group's rules.

Examples of Our Activities in 2017

- Bulgarian and Romanian companies defined measures based on the results of a review carried out in late 2016 and their analysis that will help prevent and/or mitigate identified social risks.
- A Code of Conduct was created for all Elevion group employees. It defines business values and sets down internal rules of conduct. It also includes rules for dealing with business partners and competitors and defines ethical requirements for business practices.
- The precautionary approach introduced in Turkey is a local requirement of the ISO 9001 standard.
- A conflict-of-interest procedure was introduced at CEZ Group companies in Poland in 2017. It aims, among other things, to increase awareness of company ethical standpoints among employees that collaborate with external businesses.

Operations Assessed for Risks Related to Corruption

The Code of Ethics and oversight of corruption risks are within the purview of ČEZ's Corporate Compliance unit, which

- Updates the compliance risk assessment annually
- Oversees the process of identifying conflicts of interest
- Regularly provides new employees with in-class and online training in compliance, including the topic of corruption prevention

Concerning the legal area and the issue of donations, a decision on the amount of funds that the company may use to make donations is approved by the company shareholders' meeting for each calendar year. As concerns conflicts of interest, members of the company's governance bodies are obliged to comply with applicable legal regulations. For the purposes of procurement, contracts with suppliers include an anti-corruption clause that defines corruption and binds the parties to adhere to the highest ethical principles.

Corruption-related risks are analyzed at the level of the management of individual CEZ Group companies. CEZ Group subsidiaries apply their own codes of ethics, internal rules, and anti-corruption measures in compliance with the Business Corporations Act.

Examples of Our Activities in 2017

- CEZ Group companies in Poland introduced a fraud reporting system that can be used by anybody to report a discovered incident of corruption. A Conflict of Interest document was implemented in 2017, aiming to increase employee awareness of, among other things, potential corruption.

Values, Principles, Standards, and Codes of Behavior

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

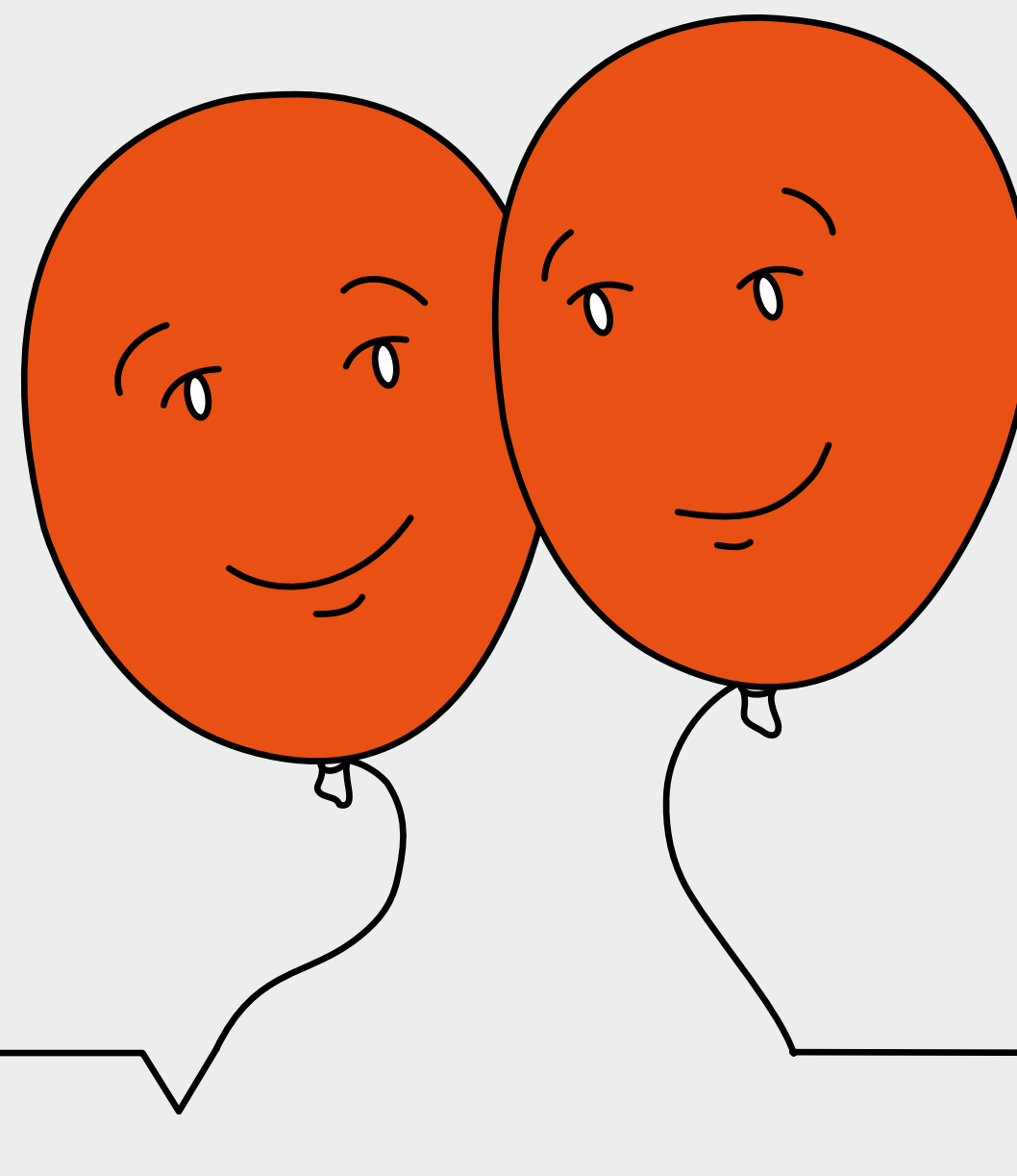
The principles of corporate culture are part of the annual employee performance appraisal. Appraisers can take part in workshops where they are trained on how to provide feedback on employees' conduct and job performance both during an annual appraisal and during the work year.

We keep track of developments in the Czech and European legislative environment, communicate relevant expert opinions, and deliver our standpoints on currently discussed topics in the field by means of common-interest associations/task groups that CEZ Group is a member of. We ensure high-quality and timely reporting of facts/data obtained from common-interest associations and international organizations.

In order to build credibility in these activities, we proceed in accordance with legal rules and our internal regulations for ethical conduct and compliance.



WE CARE ABOUT SOCIAL DIALOG



Responsibility toward society, the environment in which we do business, the public, and 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 and promoted by all CEZ Group entities.

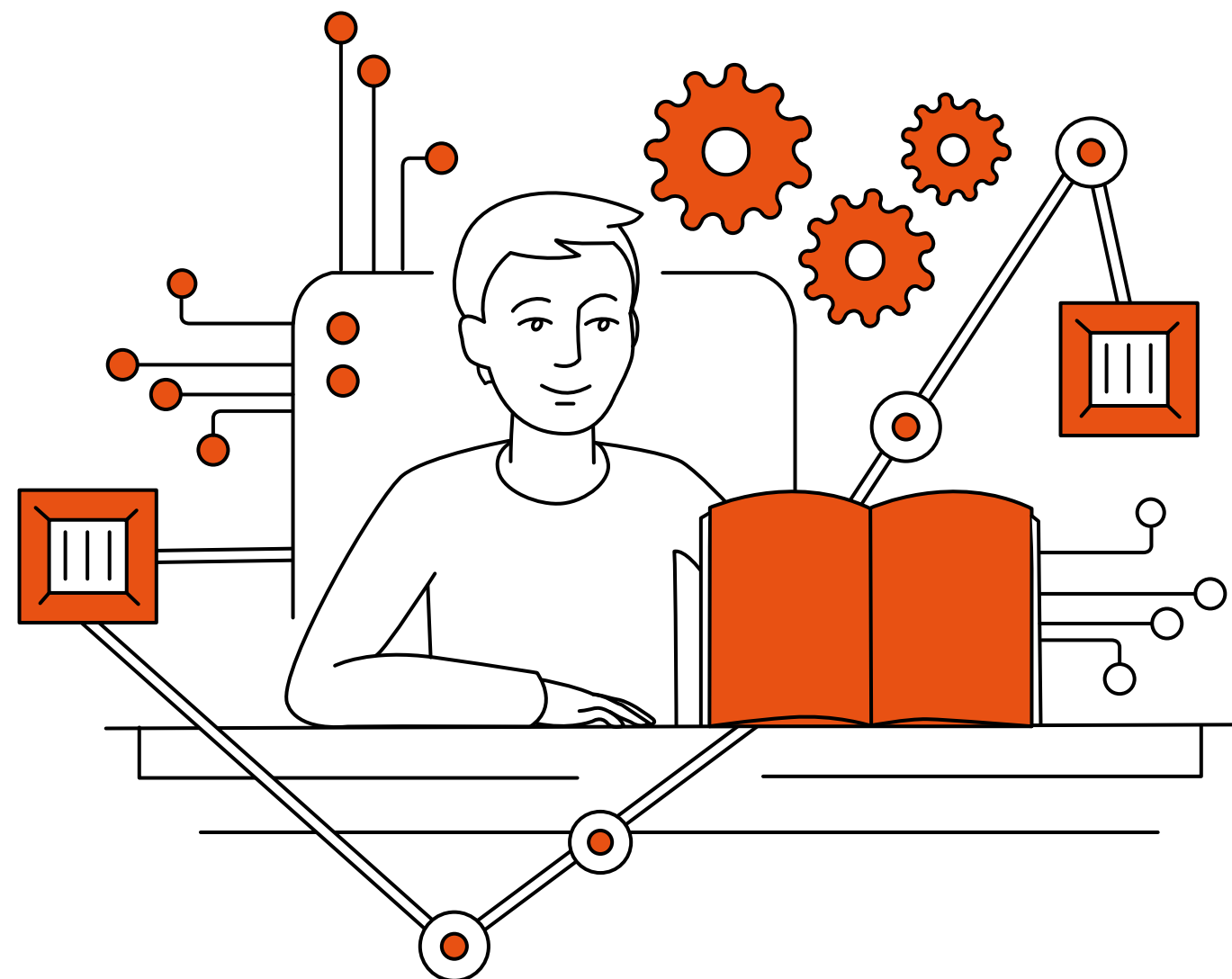
2.1

CEZ GROUP SUSTAINABILITY REPORT

A tool for dialog responding to stakeholders' expectations is this CEZ Group Sustainability Report, which contains information for 2017 and builds closely on the report for 2016 (published in February 2018). The report is published after six months to meet the mandatory condition of publication by June 30, 2018.

The report maintains ties to CEZ Group's business strategy, expressed as three pillars (detailed in [section 1.4.1](#) CEZ Group's Mission & Strategic Priorities), while reporting on CEZ Group's sustainable development strategy—Energy for the Future—and its priorities and programs. It conforms to the requirements of a European Union directive and its transposition into Czech legislation in the Accounting Act.

It shares nonfinancial information concerning the environment, social and employment topics, and respect to human rights and informs about action to combat corruption and bribery and about the manner of application of our diversity policy for the entire consolidated CEZ Group, that is, 149 companies in Czechia and abroad.



2.2 REPORT PREPARATION

The Sustainability Report is prepared and published annually. It contains information for the reporting period of January 1, 2017, to December 31, 2017.

We prepared the report in accordance with the GRI Standards guidelines in the Core version, extended with selected specific indicators for our line of business in the energy and mining sectors. By making the decision to follow the GRI guidelines, ČEZ made a voluntary commitment to provide more, and more detailed, information about its activities and impacts than what is required by applicable legislation. Nonfinancial reporting was compiled and verified with respect to the principles for defining report quality, which include balance, comparability, accuracy, timeliness, clarity, and reliability.

In the report, we made use of our findings from the 2016 pilot report on 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.

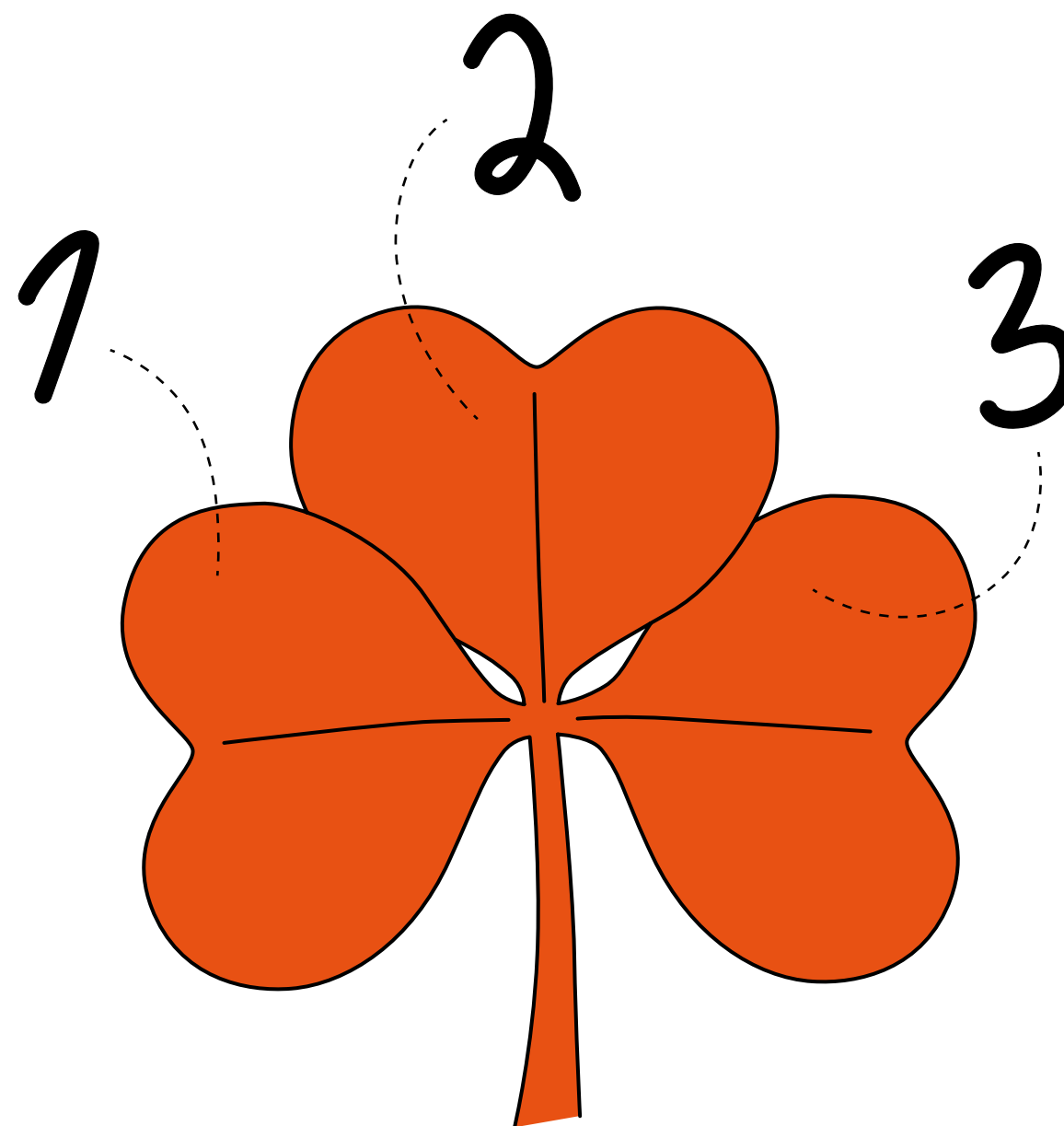
We divided the report into three main sections. The first one presents our company. The second one presents the story behind the creation of the report and our complete sustainable development strategy with its programs and projects, which are linked to disclosures of relevant text-based GRI indicators. The third, last section, contains our consolidated numeric nonfinancial data in the GRI Standard Content Index and environmental tables.

We defined the structure and scope of indicators in a manner allowing us to compare the data in the future, observe trends and thus fulfil one of the basic requirements on GRI methodology.

The whole process of report preparation is firmly based on ČEZ's management documents. Reported data are collected, processed, consolidated, and archived in electronic form in an online environment.

An external auditor checks whether a report with nonfinancial information has been prepared.

The process is led and carried on by an internal sustainability team reporting to Michaela Chaloupková, a member of the Board of Directors, in collaboration with the sponsors of data from individual companies, sponsors of sustainability programs, and expert sponsors of selected areas.



2.3

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 in Selected Professional Associations

ČEZ

- Czech Alliance for Youth
- Association of Power Engineering Managers
- Association of Energy Services Providers
- Association for the Utilization of Coal Combustion Products
- Business for Society
- Czech Compliance Association
- Czech Photovoltaic Association
- Czech Membrane Platform
- Czech Association of Regulated Power Supply Companies
- Czech Association of Energy Sector Employers
- EPRI – Electric Power Research Institute
- ESNII (European Sustainable Nuclear Industry Initiative)
- European Energy Forum
- Donors Forum
- Chamber of Commerce of the Czech Republic

- Industry Advisory Panel—Energy Charter
- International Emissions Trading Association
- Czech Pellet Cluster
- National Center for Energy Savings
- NUGENIA (Nuclear Generation II & III Association)
- Civil Safety Committee
- České Budějovice–Hluboká Region Destination Management Organization
- SNE-TP (Sustainable Nuclear Energy Technology Platform)
- Confederation of Industry of the Czech Republic
- “Sustainable Energy” Technology Platform (TPUE)
- Czech Association for District Heating
- European Atomic Forum
- European Federation of Energy Traders
- World Association of Nuclear Operators
- Association of In-House Lawyers of the Czech Republic
- VGB Powertech

CEZ Group Companies

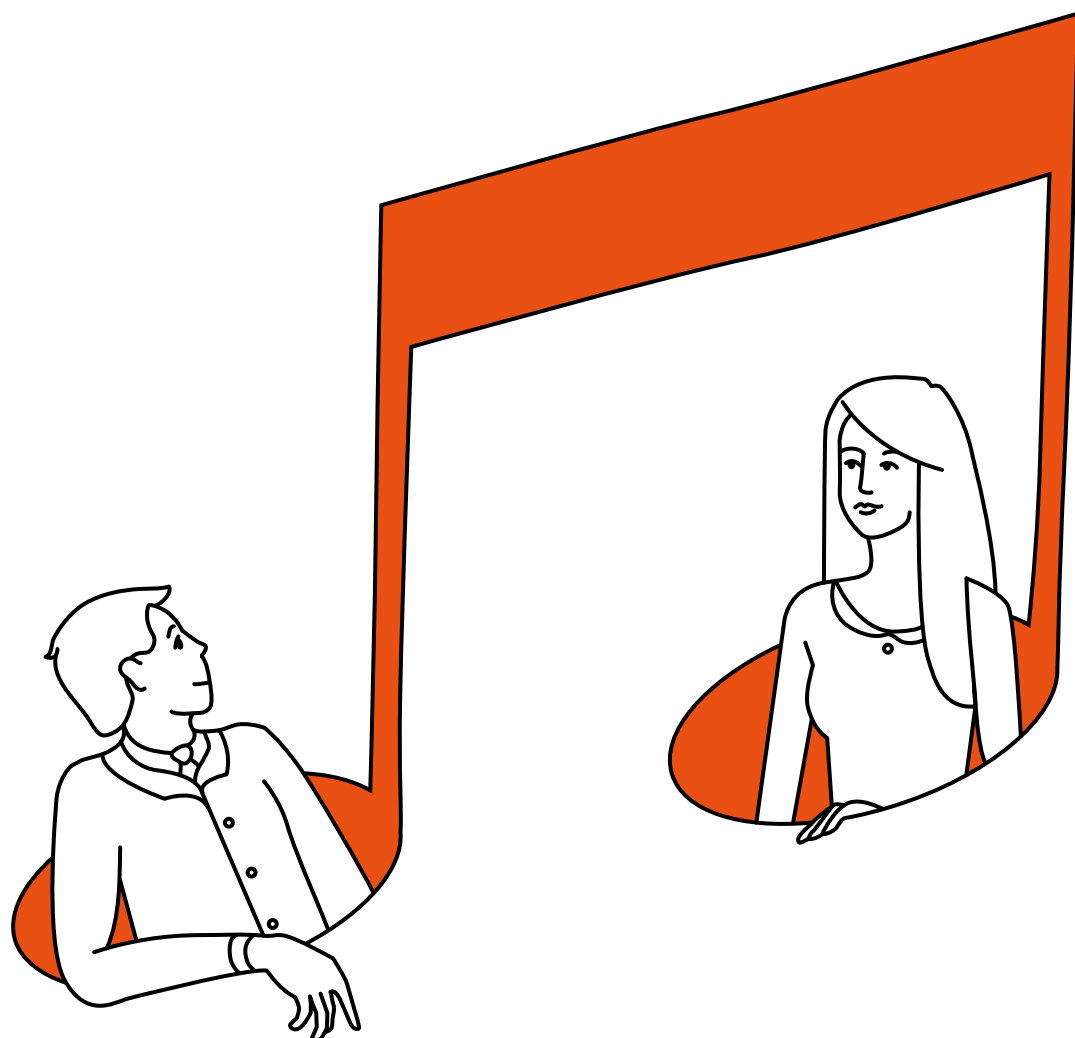
(member company in parentheses)

- Nuclear Energy Agency (NEA) (ÚJV Řež)
- NUGENIA (European Nuclear Generation II & III Association) (ÚJV Řež)
- Czech Chamber of Authorized Engineers and Technicians in the Construction Business (AZ KLIMA)
- Instrument (ÚJV Řež)
- International Atomic Energy Agency (IAEA) (ÚJV Řež)
- EUROPEAID, HORIZONT 2020, Nuclear Safety Cooperation framework programs and projects
- Regional Chamber of Commerce (AZ KLIMA)
- SNETP (Sustainable Nuclear Energy Technology Platform) (ÚJV Řež)
- Refrigeration and Air Conditioning Association (AirPlus)
- “Sustainable Energy” Technology Platform (TPUE)

Cooperation Partners

- Czech Energy Alliance (ŠKODA PRAHA)
- Czech Energy Alliance (OSC)
- ALICE—Access to Large Infrastructures in China (Centrum výzkumu Řež)
- U.S. institutions (Nuclear Regulatory Commission—NRC—and federal Department of Energy) (ÚJV Řež)
- APES (Association of Providers of Energy Services) (EVČ, Enesa)
- ARCADIA—Assessment of Regional Capabilities for New Reactors Development Through an Integrated Approach (Centrum výzkumu Řež)
- ARCHER—Advanced High-Temperature Reactors for Cogeneration of Heat and Electricity R&D (Centrum výzkumu Řež)
- Association of Energy Auditors—Energy Specialists (ČEZ Teplárenská)
- Association of Energy Managers (AEM) (ČEZ Energetické služby)
- Association of Energy Specialists (ČEZ Solární)
- Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (HORMEN CE)
- Association of Providers of Energy Services (APES ČR) (ENESA)
- Association of High-Voltage Testing Laboratories (AZVN) (ČEZ Distribuční služby)
- ASVEP (Association for the Utilization of Coal Combustion Products) (ČEZ Energetické produkty)
- CANUT—Center for Advanced Nuclear Technologies (Centrum výzkumu Řež)
- CORONA II—Establishment of a Regional Center of Competence for VVER Technology and Nuclear Applications (Centrum výzkumu Řež)
- CZ BIOM (Energetické centrum)
- Czech Chamber of Authorized Engineers and Technicians in the Construction Business—professional organization (ŠKODA PRAHA)
- Czech Nuclear Society (OSC)
- Czech Society for Quality (ŠKODA PRAHA)
- Czech Wind Energy Association (ČEZ Obnovitelné zdroje)
- Czech-Russian Nuclear Energy Working Group (PSJE), MIT/ROSATOM, Russia (ÚJV Řež)
- Czech-Slovak-Iranian Chamber of Commerce, promoting exports to Iran (ŠKODA PRAHA)
- Czech CIRED Committee (ČEZ Distribuční služby)
- Czech Association of Energy Sector Employers (Enerogtrans)
- Czech CIRED Committee (ČEZ Distribuce)
- ECOBA (ČEZ Energetické produkty)
- EDSO European Distribution System Operators' Association (ČEZ Distribuce)
- EERA—European Energy Research Alliance (Centrum výzkumu Řež)
- EFDA—European Fusion Development Agreement (Centrum výzkumu Řež)
- EKOENERGOSVAZ ČR (ČEZ Energo)
- EURELECTRIC (ČEZ Distribuce)
- FuseNet—European Fusion Education Network (Centrum výzkumu Řež)
- GOFSTR—European Gas Cooled Fast Reactor (Centrum výzkumu Řež)
- HYTEP—Czech Hydrogen Technology Platform (Centrum výzkumu Řež)
- IFE Halden, Norway (ÚJV Řež, a. s.)
- Atomic Energy Commission (CEA), France (ÚJV Řež)
- Chamber of Trade and Industry for CIS Countries, a special chamber of commerce (ŠKODA PRAHA)
- MATTER—MATERial TESting and Rules (Centrum výzkumu Řež)
- Czech Machinery Cluster (ČEZ Energetické služby)
- NUGENIA (Nuclear Generation II & III Association) (Centrum výzkumu Řež)
- Bohunice Civil Information Commission (Jadrová energetická spoločnosť Slovenska)
- Třebíč District Chamber of Commerce (ČEZ ENERGOSERVIS)
- Professional Chamber of Fire Protection (ČEZ Distribuční služby)
- SCWR-FQT—Supercritical Water Reactor—Fuel Qualification Test (Centrum výzkumu Řež)
- ČSRES Association (ČEZ Distribuce)
- Association of Railcar Holders and Operators (Severočeské doly Group)
- Federation of Explosives Manufacturers and Users (Severočeské doly Group)
- ŽESNAD CZ, Association of Railroad Freight Forwarders (Severočeské doly Group)

- Solar Association (ČEZ Solární)
- Association of Industrial Enterprises in Moravia and Silesia (SPPMS) (ČEZ Energetické služby)
- Society for Nuclear Safety and Equipment (GRS), Germany
- Society for Public Lighting Development (ČEZ Energetické služby)
- Society for Blasting Technology and Pyrotechnics (Severočeské doly Group)
- Association of Building Entrepreneurs (HORMEN CE)
- Confederation of Industry of the Czech Republic (ČEZ Distribuce)
- Association of Energy Sector Employers (ČEZ Distribuce)
- TBM-CA—Test Blanket Module-Consortium of Associates (Centrum výzkumu Řež)
- Czech Association for District Heating (CADH) (ČEZ Energetické služby)
- Czech Association for District Heating (ČEZ Teplárenská)
- Czech Association for District Heating (Energotrans)



- Institute for Radiological Protection and Nuclear Safety (IRSN), France (ÚJV Řež)
- State Scientific and Technical Center for Nuclear and Radiation Safety (SSTC NRS), Ukraine (ÚJV Řež)
- Dhabha Research Center (NPCIL), India (proposal for a joint memorandum of cooperation) (ÚJV Řež)
- Electric Power Research Institute (EPRI), U.S.A. (ÚJV Řež)
- ZSDNP – Union of Employers of Mining and Oil Industry (Severočeské doly Group)
- Union of Employers of Power Industry in Slovakia (Jadrová energetická spoločnosť Slovenska)

Bulgaria

- American Chamber of Commerce
- Association of Traders with Electricity in Bulgaria
- Bulgarian Branch Chamber of Energy Suppliers
- Bulgarian Business Leaders Forum
- Bulgarian Chamber of Commerce
- Bulgarian Construction Chamber (BCC)
- Bulgarian Human Resources Management and Development Association
- Bulgarian Industrial Capital Association—IRO
- Bulgarian Society for Public Relations
- Confederation of Employers and Industrialists in Bulgaria
- Council of Women in Business in Bulgaria
- Electrical Vehicles Industrial Cluster
- Energy Management Institute
- European Association of Communication Directors
- National Energy Chamber; representatives

Germany

- BDEW (BDEW, Bundesverband der Energie- und Wasserwirtschaft), Renewables and Onshore Wind Energy task groups
- Bundesverband Windenergie (BWE)
- Erneuerbare Energien Cluster Hamburg (EEHH)
- Windenergie Agentur Bremen (WAB)

Turkey

- DEK-TMK—World Energy Council Turkish National
- ELDER, Electricity Distribution Companies Society
- Energy Traders Association
- Energy Working Group: Strategic Planning and Risk
- Environment and Climate Change Working Group
- ETD—Energy Traders Association
- EUD—Electricity Producers Association: Government Relations Coordinator - (Y. Huseyin Yücebas)
- HESİAD – Hydroelectric Power Plants Industry and Business Association
- PERYÖN – Human Management Association
- PETFORM – Petroleum Platform Association
- RESSİAD – Wind Power and Hydropower Plants Businessmen's Association
- Sabancı University İstanbul International Center for Energy and Climate
- SATSO, Sakarya Chamber of Commerce and Industry
- TEİD, Turkish Ethics and Reputation Society
- TESAB – Association of Turkish Electricity Industry
- TOBB – Union of Chambers and Commodity Exchanges of Turkey
- TUREB – Turkish Wind Energy Association
- Turkish Industry and Business Association Working Groups
- TUYİD – Investor Relations Association
- YASED – International Investors Association

Poland

- Fundacja Centrum PPP – Centrum Partnerstwa Publiczno-Prywatnego
- Konfederacja Lewiatan
- Krajowa Izba Gospodarcza Elektroniki i Komunikacji
- Krajowa Izba Gospodarcza Elektroniki i Telekomunikacji
- Polska Izba Gospodarcza Energetyki Odnawialnej i Rozproszonej
- Polskie Towarzystwo Elektrociepłowni Zawodowych
- Stowarzyszenie Energetyki Odnawialnej
- Towarzystwo Gospodarcze Polskie Elektrownie

Romania

- ACUE – Association of Energy Utilities Companies
- AFEER – Romanian Electric Energy Suppliers Association
- ARmHE – Romanian Small Hydropower Association
- CRE – Romanian Energy Center
- Eurelectric – The Union of the Electricity Industry
- RE – Romanian National Institute for the Study of Energy Source Planning and Use
- RWEA – Romanian Wind Energy Association

Serbia

- Privredna komora Srbije – Chamber of Commerce and Industry

Hungary

- Hungarian Energy Traders

2.4 AWARDS WON

ČEZ

- Czech Republic's Best in Industry 2017—Energy (Engineering) under Universum Awards
- 1st place in a special ENGINEERING category of Top Employers 2017; a survey carried out by the Association of Students and Graduates
- 1st place in the Power, Gas, and Petrochemical Industry category of Top Employers 2017; a survey carried out by the Association of Students and Graduates
- 1st place in its category in the Career Websites 2017 competition—category of business with more than 50 employees under Recruitment Academy Awards 2017; a competition organized by the Recruitment Academy
- In-House Lawyer 2017—award for 2016 presented in 2017—awarded by the Association of In-House Lawyers
- 1st place in the Best Annual Report category—for the ČEZ Foundation 2016 Annual Report; awarded by the Donors Forum
- 12th place overall in the Best Annual Report category—for the ČEZ Foundation 2016 Annual Report, CZECH TOP 100
- 1st place in the Best House Organ category—CEZ Group's Proud magazine for employees, CZECH TOP 100
- 1st place in the information value category for CEZ Group's Annual Report, CZECH TOP 100
- 1st place overall for CEZ Group's Annual Report, CZECH TOP 100
- 1st place in the Power and Utility category—for CEZ Group's intranet, Effectiveness Awards 2016 (IEA)
- 3rd place in the Internal Communication Grand Prix, Strategy category—for the Mom, Dad, Where Do You Work? project
- Gold Annual Certificate of the Business for Society platform in the strategic

category of TOP Responsible Corporation

- Special jury award for ČEZ for the Innovation Marathon project, HREA—EXCELLENCE AWARD® 2016
- EMS system recertification to EN ISO 14001:2015. The Dukovany and Temelín nuclear power plants were certified for the first time in 2001 and 2004, respectively. Periodical audits were conducted by the certification company in late November 2017. Both certificates are valid until December 28, 2019. Awarded by: Det Norske Veritas—GL.
- Safe Enterprise program: Safe Enterprise recertification was underway at both nuclear power plants during 2017. Both power plants received their Safe Enterprise Certificate in October 2017, valid until October 31, 2020. Awarded by: State Labor Inspection Office.

CEZ Group Companies

ČEZ Prodej

- 3rd place in two categories in an international contact center competition in Berlin. The award is bestowed by the Contact Center World Association.

ČEZ Distribuce

- Management system certification to ČSN EN ISO 14001:2016
- Management system certification to ČSN EN ISO 9001:2016 for measurement equipment logistics, measurement equipment repairs, and authorized metrology center activities
- Management system recertification to ČSN EN ISO 50001:2012
- Holder of a Safe Enterprise certificate since 2009

ČEZ Distribuční služby

- Safe Enterprise certificate

ČEZ Teplárenská

- Czech Business Superbrands 2017, awarded by Czech Superbrands Program (expert Brand Council)

ENESA

- EPC project at the Jihlava Hospital recognized as the best European project in the field of Energy Services (European Energy Service Award 2014)
- European Energy Services Initiative (EESI)
- ENERGY GLOBE AWARD 2012 & 2010, Best European Energy Provider (EESI) 2009

Severočeské doly Group

- Golden Gnome (2008, 2009, 2011, 2014, 2015, 2016), awarded by the State Mining Administration of the Czech Republic

ŠKODA PRAHA Invest

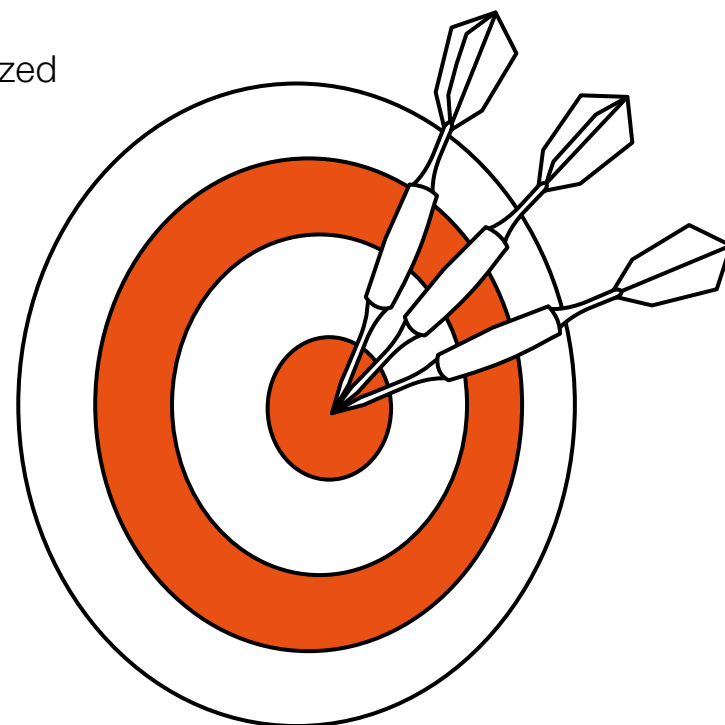
- HREA—EXCELLENCE AWARD® 2016, winner in the category of Big Change Projects with its Turn Stress Into Energy project, awarded by the People Management Forum

ÚJV Řež

- Annual international award for technology transfer in managed cable aging, in collaboration with EPRI
- Environmental benefit certificate for 2017 from ECOBAT

Bulgaria

- Bulgarian Association for Human Management—Best HR project for large organizations
- Business Leaders' Bulgarian Forum (BLBF)—2nd place in the Investor in Knowledge category for the Technical Training Center—With Energy into the Future project

**Turkey**

- Bond & Loans Awards—best structured financial contract of the year, refinancing contract signed by Yapi Kredi in 2015 at Bond & Loans Awards, called Oscars of the Finance World
- The ONE Awards—1st place for the energy sector, awarded by Marketing Turkey Magazine and Akademetre Research Company
- Altin Voltaj Award—awarded by the 8. Türkiye Enerji Zirvesi; employees sent books to primary and secondary schools
- Acknowledgments by educational institutions and local administrations through social responsibility projects implemented during the year

Romania

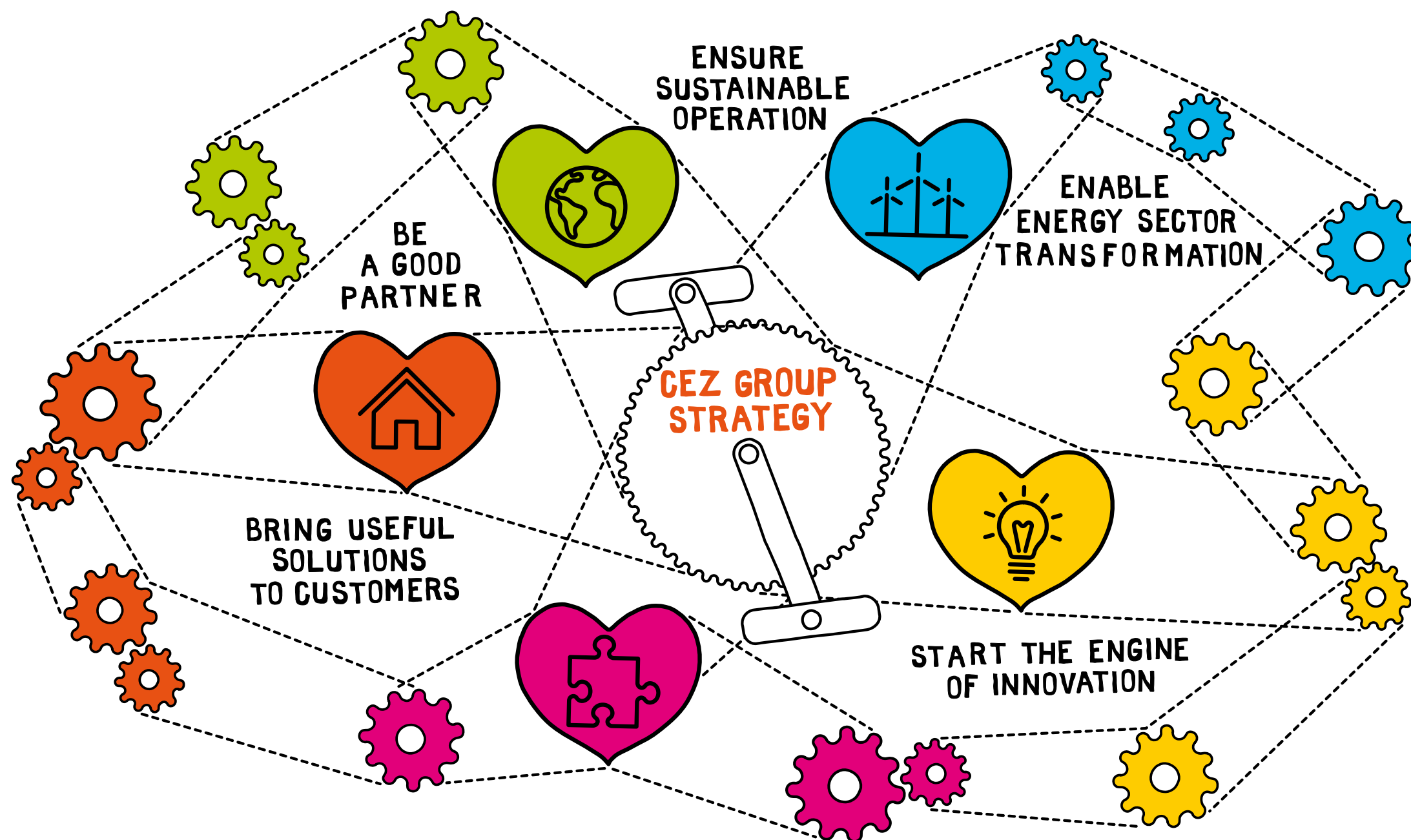
- CSR Awards 2017—Niciodată Singur—Seniors' Friends (CSR project) received an award in the Intersector Partnership category
- PR Award 2017—Oltenia Marathon (CSR project) received the Silver Award
- SABRE Awards EMEA 2017—energy library (integrated campaign), the best campaign in the Balkans
- Dolj County Chamber of Industry and Commerce—1st place in the category of midsize businesses, electricity supplies
- Electrician Trophy 2017—national award handed out by Electrica, the chief organizer of the national professional competition, during the 38th annual event; the competition is for the best electricians in the country, the award is given to the company that receives the most prizes in the event categories

2.5

THE STRATEGY

ENERGY FOR THE FUTURE

We embrace the principles of sustainability—to apply them, we created and approved a sustainable development 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

Our strategic priorities are:



ENSURE SUSTAINABLE OPERATION

Goal: Be a safe, healthy, and responsible corporation

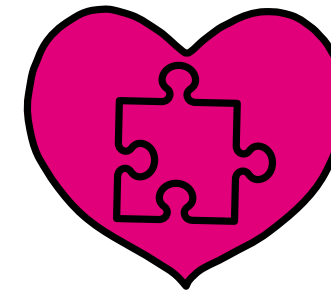
We manage our physical and human assets with a long-term perspective. We are environmentally friendly.



BE A GOOD PARTNER

Goal: Increase our positive impact on society

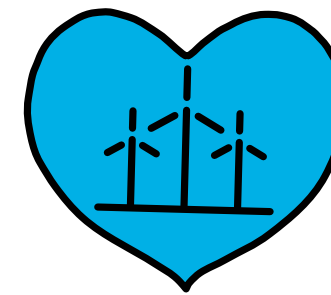
CEZ Group is considered a helpful, responsible, and ethical partner by all stakeholders.



BRING USEFUL SOLUTIONS TO CUSTOMERS

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

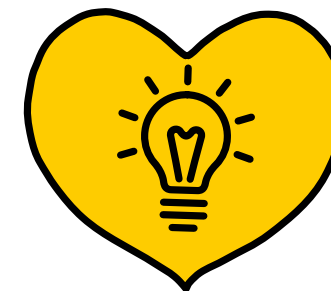
We are the most desired supplier of products and provider of services in the energy sector both in Czechia and abroad.



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 and 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 Strategy – Energy for the Future 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.

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/en/cez-group/cez-group/safety-first.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 (we identify key knowledge and experience, share them, and transfer them from the bearers to other people).

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).

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.

Examples of Our Activities in 2017

- Putting a new Ledvice facility (a 660MWe supercritical condensing unit) into pilot operation as a replacement for two units of the original Ledvice Power Plant; the new unit meets strict emission standards required by national and EU legislation.
- Constructing a new biomass boiler at the Jindřichův Hradec Energy Center to replace original heavy fuel oil/natural gas boilers.
- Constructing a second gas-fired hot-water boiler at the Dětmarovice Power Plant to cover, together with a previously installed gas-fired boiler, demand for heat supplies and allow shutting down coal-fired units in the summer.
- Starting the construction of a desulfurization system at the Mělník I Power Plant.
- Making environmental upgrades to the Lipno I hydroelectric power plant: an overhaul of the oil system and the installation of new double-wall oil tanks for lubricators will reduce the volume of service oil by approximately 25%, reducing the risk of potential oil leaks.
- Constructing a DENOX system at the Skawina, Poland power plant.

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 nature and consideration for other living creatures.

Examples of Our Activities in 2017

- In 2017, safe crossarms were successfully installed on 567 km of existing lines, or 6,305 support structures, in Czechia. We also installed additional protection devices of the OKI and Ensto types; these were mounted on approximately 1,850 support structures in 2017. The trend of replacing inappropriate crossarms and installing additional protection devices will continue in line with the approved action plan in the coming years.
- CEZ Razpredelenie Bulgaria installed 758 insulators on distribution lines in Bulgaria in 2017 to prevent bird injuries.
- Distribution line poles in the counties of Mehedinți, Argeș, Teleorman, Dolj, and Gorj in Romania were fitted with 83 stork nests.

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 such conditions during the construction, eliminating the adverse effects on the site and its surroundings.

Environmental Impact Assessments Started in 2017

- New nuclear power plant at Dukovany
- New fluidized-bed boiler and gas-fired boiler plant at Mělník
- Waste-to-energy facility at Mělník—ZEVO Mělník



2.6.2 Environmental Management System

An environmental management system (EMS) is a management system that focuses on monitoring and enhancing all corporate activities that have or may have an impact on the environment or employees' health and safety. Introducing and maintaining an EMS, based on continual 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.

Examples of Our Activities in 2017

- We had the EMS recertified to a new standard, ČSN EN ISO 14001:2016, for CEZ Group's nuclear, coal-fired, and hydroelectric power plants in Czechia. We did not identify any nonconformity during this process.
- We compiled an EMS review report, 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 and CEZ Vanzare 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 in Turkey is implementing its ESAP project in order to comply with environmental and social requirements and secure invested funds.
- Akenerji Elektrik Üretim 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: ČEZ, ČEZ Energetické produkty, ČEZ Energetické služby, ČEZ ENERGOSERVIS, Energotrans, Elektrárna Počerady, Elektrárna Dětmarovice, MARTIA, Energocentrum Vítkovice, ČEZ Distribuce (for electricity distribution), Distribuție Energie Oltenia and CEZ Vanzare in Romania, and Akenerji Elektrik Üretim in Turkey.

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.

Examples of Our Activities

The integrated rescue system held the biggest exercise in industrial conditions at the Tušimice Power Plant

The three-hour tactic exercise had several specific objectives. The chief objective was to comprehensively exercise the activities of constituent IRS services in action at a heavy industry site that is on fire while a larger number of people have been injured by an explosion. A natural part of the exercise was practicing cooperation among all fire brigades included in the fire emergency plan and called to the site and the deployment of dogs and handlers from the Association of Search and Rescue Brigades in the search for people under debris. We also tested arrivals to the site, including traffic control and guidance for remote units that lack knowledge of the locality.

Terrorists at Dlouhé Stráně

The Dlouhé Stráně pumped-storage power plant hosted a three-day exercise for army troops, police officers, firefighters, and paramedics with the aim of preparing for cooperation in the elimination of potential terrorist threats. Action scenes during the identification of an unknown substance dropped into the lower reservoir or the rescue of hostages in the power plant's underground entrails were concluded with a joint meeting, observing that the power plant would be protected in a truly professional manner should there be a terrorist or other threat. The emergency exercise thoroughly tested cooperation between all power plant employees and several intervening services of the Czech Integrated Rescue System, especially collaboration and communication among members of the Dlouhé Stráně Emergency Response Team dealing with an emergency. No serious shortcomings were identified during the emergency exercise.

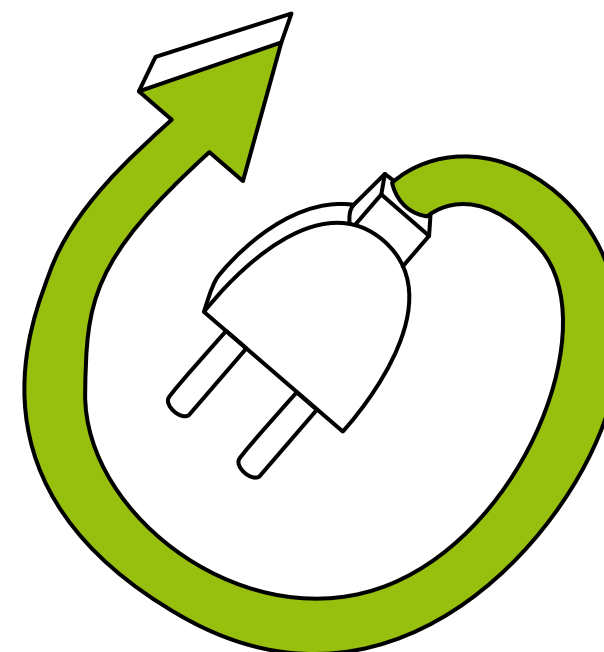
Firefighters from the Dukovany Nuclear Power Plant received a medal for merit in distribution system safety, helped in the power plant and its vicinity

Professional firefighters from the Dukovany Nuclear Power Plant took part in almost a thousand off-site interventions and various on-site assistance activities in 2017. The key activities of the Dukovany Nuclear Power Plant firefighters are assistance in and supervision of work with a naked flame and technical and technological assistance in the power plant's everyday operations. They performed a total of 993 such interventions and activities in 2017. In addition to interventions of a preventive nature, they take control measurements of gas concentrations, belay workers operating at heights, but also catch animals such as bats or swarms of bees on the power plant site.

2.6.4 We Improve the Efficiency of Generating Facilities

Energy efficiency and energy performance are the basic elements of energy balances and the management system used by generating facilities in our portfolio. We introduced a management system according to ISO 50001—Energy Management System (EnMS)—at our coal-fired, nuclear, and hydroelectric power plants in 2015. We 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 individual sites every year, 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 with effect from October 15, 2015. The commitments it contains are in line with current standards, legislation, and commitments to improve energy performance. The Policy can be found on our website at <https://www.cez.cz/cs/udrzitelny-rozvoj/zivotni-prostredi/energeticka-politika.html>.



Energy Policy

We undertake to:

- Continually improve the energy performance of our production plants and buildings with respect to operational, technical, economic, 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 our energy objectives and 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 our strategic objectives and with respect to our social responsibility
- 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
- Educate our employees on energy management

Examples of Our Activities in 2017

- We started the construction of external insulation for an office building at the Dětmarovice Power Plant.
- We finished an overhaul of TG 1 at the Lipno I hydroelectric power plant; the upgraded runner and spiral of the turbine generator increased efficiency by 3%.
- The energy intensity ratio, calculated by dividing the organization's consumption of energy (fuel) by delivered energy, decreased by 1% year-on-year.
- The fuel mix has recently been undergoing a significant change as CEZ Group, in view of its climate protection commitments, focuses on increasing the share of low-emission or zero-emission facilities. CEZ Group will reduce its emissions per megawatt-hour generated by 46% before 2020. It already generated more than half of its electricity (52%) at zero-emission facilities—at nuclear power plants (45%) and from renewable energy sources (7%)—in 2017.

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 (SO₂), 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 having completed environmental upgrades to coal-fired facilities. We reduced our emissions year-on-year:

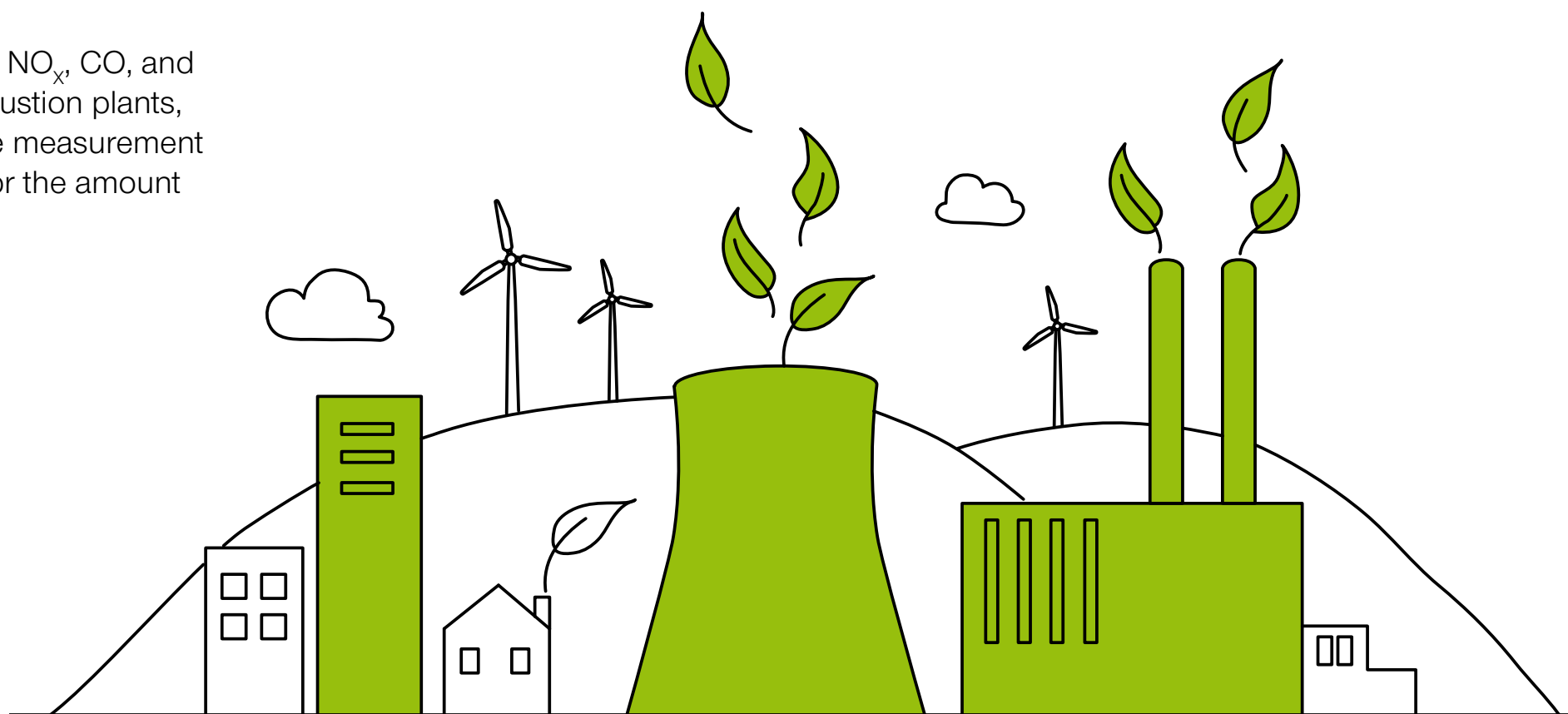
- By 23.6% of particulate matter
- By 33.2% of sulfur dioxide
- By 13% of nitrogen oxides

We use continual measurement to determine the amount of SO₂, NO_x, CO, and 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.

Air Pollutants

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, SO₂, and most importantly particulate matter of different sizes (PM₁₀ and PM_{2.5}). We deliver our data to the Czech Hydrometeorological Institute. 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. We provide the results of our measurements to the affected municipalities and governmental agencies.



We Are Active in Reducing Greenhouse Gas Emissions

CEZ Group made a commitment to generate carbon neutral electricity before 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.

CEZ Group has reduced CO₂ emissions by 40% since 2007, the peak year of emissions not only for CEZ Group but for the whole of Czechia. CO₂ emissions from fossil fuel combustion decreased by 8% year-on-year in 2017 (the emissions intensity of generation decreased by 11%). This results partially from the sale of the Tisová Power Plant and partially from an increased share of generation at zero-emission facilities.

1189,039 tons less

This is the decrease in annual sulfur dioxide emissions by ČEZ's coal-fired power plants over 35 years. The decrease is 98% compared to the maximum in 1982. ČEZ's coal-fired power plants underwent a radical change after 1989. Sulfur dioxide emissions amounted to 1,214,376 tons in the worst year, 1982. They were just 25,337 tons in 2017. Other emissions, such as fly ash, nitrogen oxides, or carbon monoxide, decreased at a similar rate. Investments in upgrades to ČEZ's coal-fired power plants were made in two rounds and amounted to CZK 200 billion.

2.6.5 We Use Water Sustainably

In the field of water management, CEZ Group focuses—in relation to the operation of its 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 CEZ Group's generating facilities, next to fuel, and is irreplaceable in cooling during electricity generation; 80% of withdrawn surface water is used for once-through condenser cooling. Although only about 20% of withdrawn surface water is used for technological purposes, we strive to use it economically and seek new ways of recycling.

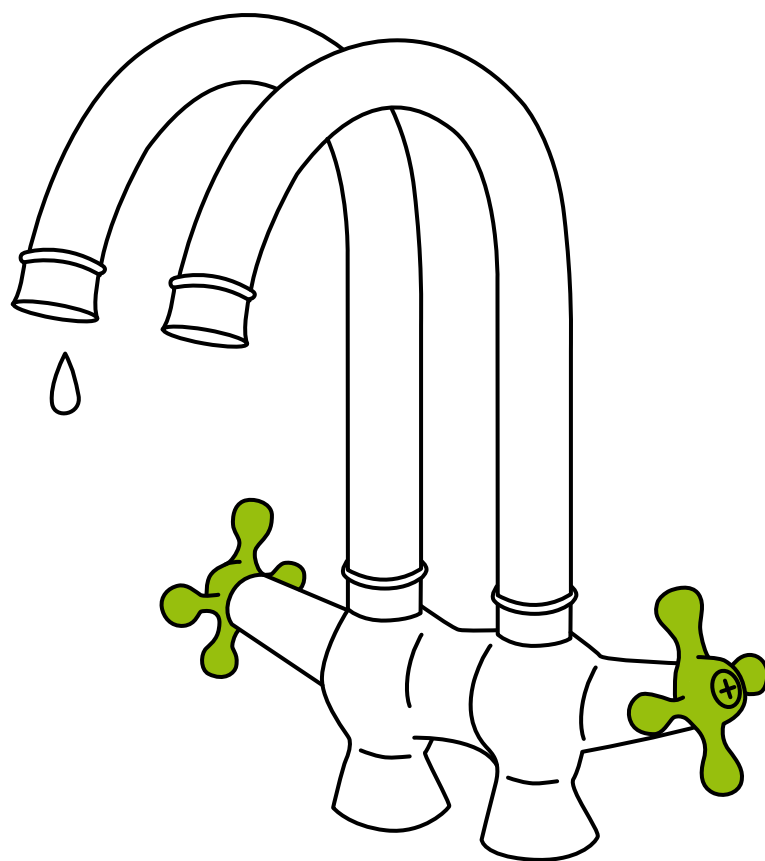
CEZ Group companies mostly withdraw drinking water from public water supply systems. In comparison to surface water consumption for technological purposes (other than once-through cooling), it accounts to just one-quarter of a percent of consumption.

Groundwater is only used by power plants and heating plants in minimal amounts. An absolute majority of withdrawn groundwater is used to make drinking water, or pumped in order to lower groundwater level and discharged into surface water.

Water Sources Significantly Affected by Withdrawal of Water

Overall, withdrawals of surface water for production operations at CEZ Group facilities 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 about a quarter of the surface water flow volume is withdrawn for the Dukovany Power Plant's purposes. Although the amount of surface water withdrawn from the watercourse is relatively high with this source, a minimum residual flow rate is always maintained downstream of the reservoir. 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 Nechranice Water Reservoir and Heřmanský stav–Odra–Poolší bird areas, the Želinský meandr and Ohře sites of Community European 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, there is no identified 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.

Reused wastewater accounted for about 15% of the amount of surface water withdrawn for technological purposes in 2017.

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

All of our generating facilities met the technical conditions for water protection in their operations in the past years, 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.

We reduced drinking water consumption

We reduced our consumption of drinking water by 3% in 2017, and by more than 60% since 2001. In comparison to seventeen years ago, conventional power plants also managed to reduce their consumption of service surface water (by 3.8%) and consumption of groundwater (by 75.2%).

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

Examples of Our Activities in 2017

- 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 2017. We used more than 5.9 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.

Examples of Our Activities in 2017

- We create favorable conditions for the peregrine falcon's nesting on the gangways of flue gas stacks, 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, 53 young falcons were reared on tall power plant structures, stacks, and cooling towers. We also create nesting conditions for sand martins, which are found at the disposal sites of some coal-fired power plants. A large colony of them was discovered at the Stodola site in Tušimice, where protection measures for birds during their nesting season were subsequently implemented.
- The rehabilitated waste pond of the Tušimice Power Plant and its vast area provide a convenient grazing range for more than a hundred sheep. It helps create the optimum conditions for preserving a population of the rare butterfly species *Hipparchia semele*.
- Functionality of mounds for lizard breeding was monitored at Severočeské doly's Radovesice waste dump; it was demonstrated especially in the case of insects and smaller vertebrates. In 2017, we performed repeated checks on small ponds that were built for amphibian breeding in the area of conservation measures in order to increase their biodiversity. In order to protect populations of protected Phengaris butterfly species, we purposefully mowed meadows within the area of conservation measures of the town of Lom to ensure a permanently suitable environment for them.
- Regular monitoring of dead birds and bats was carried out in the vicinity of wind farms, determining the cause of death. No connection was found with the operation or even the existence of the wind power plants in any case.
- A project was submitted under the LIFE program in cooperation with the Romanian Ornithological Society (SOR). The main objective of the project is the protection of biodiversity (especially 22 protected bird species in their selected natural habitats in the Danube valley, with a total area of 83,935 ha) in selected Natura 2000 protected areas in the Teleorman, Ilt, and Dolj counties.

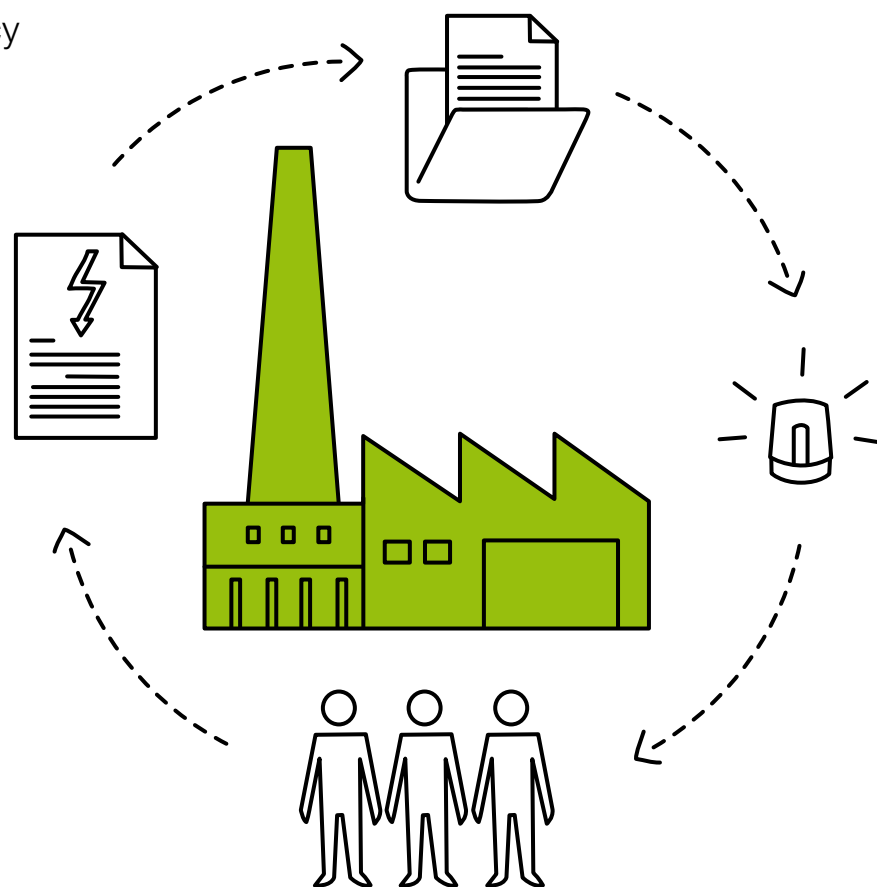
2.6.7 We Safely Operate Not Only Nuclear Facilities

We operate zero-emission nuclear facilities, which are the core of our generation portfolio. The 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 and emergency preparedness system, 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'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
2017	22

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
2017	20

Number of Fires at Conventional Power Plants

2015	4
2016	3
2017	7

ČEZ'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 enhanced 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
2017	21

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—World Association of Nuclear Operators). CEZ Group distributes potassium iodide tablets to residents of the emergency planning zones of the nuclear power plants. A periodical replacement will take place in 2018. Every two years CEZ Group provides residents of the nuclear power plants' emergency planning zones with Basic Information in Case of a Radiation Accident in the form of a calendar.

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
2017	29

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	2017
Dukovany Nuclear Power Plant	0	0	0
Temelín Nuclear Power Plant	1	0	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.

Achieving the goal of minimizing impacts on the environment and human health in the operation of both nuclear and conventional power generation facilities is associated with capital expenditure. CEZ Group invested CZK 29.1 billion in fixed assets in 2017. Most of the money (CZK 12.5 billion) went into the maintenance, repair, and construction of distribution networks—mainly in Czechia, where investments amounted to CZK 9.6 billion. A fifth of the amount was allocated to nuclear facilities: ČEZ modernized process equipment at both the Temelín Nuclear Power Plant and the Dukovany Nuclear Power Plant in 2017 in order to further enhance their operational safety and reliability. More than CZK 6 billion was invested in conventional power facilities, especially in the finalization of the region's most advanced coal-fired power plant, a new unit at Ledvice. Funds were also earmarked for large modernization projects in hydro-electric power plants or for investments in environmental upgrades to coal-fired power plants and heating plants.

Concerning nuclear power plants, we assess the effect of nuclear operations on the environment and monitor the safe management of radioactive waste. It is our continuous effort to successfully reduce injury rates and adhere to emergency plans and response measures. The Dukovany and Temelín power plants now generate about 30% of electricity in Czechia. We updated the safety enhancement plans of the two nuclear power plants at Dukovany and Temelín in 2017. This, together with the preparation of extensive documentation, enabled obtaining operating licenses for new nuclear units.

CEZ Group did not identify any significant actual or potential negative impacts of its facilities on local communities in 2017. With nuclear facilities, there is a slim chance of impact from psychological strain associated with the potential risk of an accident.

The health of people living in the vicinity of the Temelín Nuclear Power Plant is monitored on a long-term basis (since 1992) by the Department of Public Health of the Faculty of Medicine at Masaryk University in Brno. In its analyses, it focuses on the occurrence of seven mortality indicators (such as cardiovascular diseases or cancer) and eleven types of malignant tumors (such as breast cancer, colon cancer, or prostate cancer). It also assesses the rate of miscarriages or births of children with a low birth weight under 2.5 kilograms. Its results show that the local population's health is comparable with the health of people living in more remote areas. Collaborating psychologists assessed the local population several times under a long-term study. They examined the levels of neuroticism, depressive symptoms, possible fear of the outer world, and, in contrast, the levels of self-confidence, life satisfaction, and confidence in the future. People living near the power plant have the same or in some aspects even better results than people from reference areas. Similar studies are carried out in the neighborhood of the Dukovany Nuclear Power Plant with similar results.

Polls of public opinion on nuclear power plants right in the localities show that more than a half of local residents consider the power plants beneficial to their region. Three-quarters of residents around the Dukovany Nuclear Power Plant consider it very well operated in comparison with the world; in the neighborhood of the Temelín Nuclear Power Plant, the number is as high as 84%.

Examples of Our Activities in 2017

- A team of 25 international mission experts from WANO completed a review of the Dukovany Nuclear Power Plant. They evaluated all findings and identified nine areas of improvement, which is half the number identified during the previous mission. The team also defined two good practices transferable from Dukovany to other power plants.
- Another WANO review took place at Temelín. Fifteen areas were reviewed by seven experts from four countries. According to the experts, the Temelín plant worked well with suggestions made in 2015.
- The two power plants were recertified as a Safe Enterprise under the program run by the State Labor Inspection Office.
- ČEZ was granted new operating licenses for the remaining three units of the Dukovany Nuclear Power Plant (units 2, 3, and 4) in 2017. Preparing the units for long-term operation required thousands of equipment checks and tests, upgrades to control and safety systems, and dozens of engineering and capital projects. The results of all checks and implemented upgrades were incorporated into documentation evidencing the proper condition of the plant, which was part of the application for a renewed, long-term operating license for the power plant.
- The Temelín plant enhanced its safety by making an important upgrade to the equipment used to regulate pressure in the reactor. About CZK 80 million was invested.
- Our generation division was split into a fossil and hydro generation division and a nuclear energy division with effect from September 1, 2017, in order to improve processes and management at both nuclear power plants.
- A “Mobile Operational Support” project was launched, replacing inspection data processing in paper form with a mobile app that is available to all relevant employees. This will spare us tens of thousands of paper files and save staff time.

Crisis Communication

In the event of crisis communication, the management proceeds responsibly and considerately, in compliance with applicable legislation. It informs residents and other members of the public in the neighborhood of power plants regularly and objectively; companies distribute an emergency response manual for residents in the emergency planning zones of power plants. The goal is to ensure that residents are prepared not only for emergencies in power plants but also for extreme climatic conditions such as floods, fires, etc. An appreciated form of the manual is desk calendar format.

During crisis communication, the communication and marketing unit takes care of

- Crisis communication with the media
- Internal crisis communication
- Crisis communication between the communication and marketing unit and communicators (spokespeople) for local authorities, public authorities, and bodies of services in the Integrated Rescue System (Fire Rescue Service, Czech Police, Emergency Medical Services)

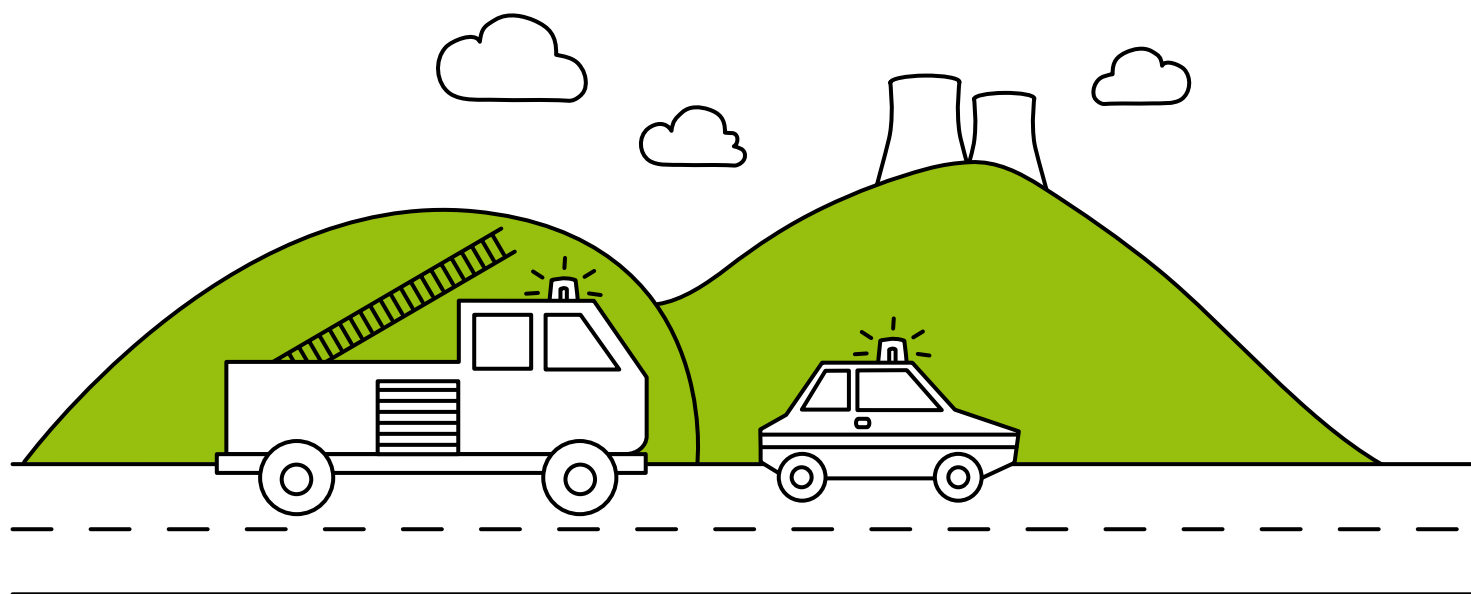
Crisis communication with impact on nuclear decision-making processes between the company and external emergency management services, including state and governmental agencies, is taken care of by the Fire Protection and Emergency Preparedness Department. The department is also responsible for giving early warning to people in emergency planning zones and notifying representatives of local and public authorities.

If the Crisis Management Board is called up, the board provides information to members of the government and central bodies.

The management of communication in case of nuclear incidents is based on a Crisis Management Directive. It is followed up by Crisis Communication Guidelines, which detail guidelines and directives binding on the communication and marketing unit. At the operational level, communicators follow Emergency Response Instructions. Detailed descriptions of activities, including time frames and task lists, are contained in checklists attached to Emergency Response Instructions.

Examples of Procedure for Crisis Communication During a Disaster

- We are in contact with local and regional authorities through regional representatives and crisis management board representatives.
- We distribute press releases describing the current situation through public relations officers to the media—we always strive to send out information after about 2–3 hours. Basically public relations officers are online on the phone throughout the duration of a disaster and beyond.
- The websites of CEZ Group and ČEZ Distribuce show information about the declaration of a state of disaster on the front page, with a link to tables indicating affected areas and power restoration times.



Disasters and Increased Failure Rate in 2017

- Storm Thomas, February 23–25, 2017, state of disaster declared on February 24 in the districts of Tachov, Karlovy Vary, Česká Lípa, Liberec, Semily, Beroun, Kladno, Mělník, Mladá Boleslav, Hradec Králové, Jičín, Náchod, Rychnov nad Kněžnou, Trutnov, Chrudim, Havlíčkův Brod, Šumperk, and Vsetín. The number of reported failures was 757. Failures at the medium-voltage level were remedied within 2 days. ČEZ Distribuce's call center received 10,620 phone calls in total.
- Storm activity, June 22–23, 2017, no state of disaster was declared but the whole service area of ČEZ Distribuce was hit. We had 955 failures reported. Failures at the medium-voltage level were remedied in 2 days.
- Storm activity, August 10–13, 2017, no state of disaster was declared, most affected regions were Hradec Králové, Moravia-Silesia, Olomouc, Pardubice, and Central Bohemia, with 1,427 failures in several waves. All failures at the medium-voltage level were remedied in 4 days.
- Windstorm Xavier, October 5–6, 2017, no state of disaster was declared, most affected regions were Ústí, Liberec, Central Bohemia, Hradec Králové, and Pardubice, with 1,208 failures. Failures at the medium-voltage level were remedied in 2 days.
- Storm Herwart, October 29–31, 2017, a state of disaster was declared on October 29 in the Plzeň, Karlovy Vary, Liberec, Central Bohemia, Hradec Králové, Pardubice, Ústí, and Vysočina regions. We had 3,571 failure reports. Failures at the medium-voltage level were remedied within 3 days.
- Cyclone Xanthos, December 10–14, 2017, no state of disaster was declared, most affected regions were Moravia-Silesia, Olomouc, Pardubice, Central Bohemia, and Zlín, with 1,462 failures in several waves. All failures at the medium-voltage level were remedied in 5 days.

ČEZ Distribuce emergency teams carried out about 76,000 interventions throughout 2017.

Employee Safety and Health

OSH is a priority for the manner of management and organization of activities within CEZ Group. It is an integral part of processes and job content at all management levels. ČEZ and selected CEZ Group companies that manage conventional generating facilities are audited holders of the Safe Enterprise certificate.

We set and evaluate key tasks and indicators in OSH every year. We have the OSH management system reviewed by company management and define OSH policies, targets, and risk assessment at yearly intervals. The status of safety level indicators is regularly and continually reported and communicated to stakeholders.

We provide induction training for new employees and regular, periodical training for existing employees, which not only includes a theoretical part concerning updates to regulations and announced OSH enhancement activities but also analyzes errors without consequences or actual events that resulted in workplace injuries.



Examples From Abroad

- Safety is a priority at all of our companies abroad.
- Turkey—Key activities in this area are: training and awareness raising, risk assessment, prevention and control of occupational risks, monthly meetings of the Environmental and OSH Committee at power plants, change management, and internal and external audits.
- Romania—CEZ Romania's goals involve health and occupational safety. Legal compliance is overseen and the outcomes of employee and trade union requirements concerning OSH are monitored. The management system is being improved and attention is paid to adopted preventive measures to reduce risks.
- In Hungary, we provide all employees with health care at yearly intervals and annual safety training.
- Poland—Good organizational and technical measures are accompanied by an agreement with an external medical center whose task is to monitor working conditions at companies and take care of employee prophylaxis. The State Sanitary Inspection checks industrial hygiene aspects; employers use its results to assess harmful factors. The measurements are archived. CEZ Skawina organized a motivational competition for its employees engaged in the process of safety enhancement at the power plant in 2017. Seven of the 20 proposals submitted were awarded as valuable for the power plant's safety policy.

Employees are represented in formal joint OSH commissions or committees. Commissions, bodies, or committees consisting of representatives of management and representatives of employees (also from the OSH unit) meet regularly across CEZ Group in Czechia and abroad to review identified and registered nonconformities. The commission reviews nonconformity rectification methods and/or trends in causes. If there is an adverse trend, it proposes corrective action. OSH at companies is also addressed by trade unions as employee representatives. They take part in commenting procedures concerning management documents, debates over OSH issues, comprehensive reviews, investigation of workplace injuries, etc.

Workplaces and Occupational Activities Having a High Incidence or High Risk of Specific Diseases

Job categorization is regulated in Czech legislation by Act No. 258/2000 Sb., on the protection of public health and on amendment to some related acts, and Decree No. 432/2003 Sb., specifying conditions for job categorization, limit values for biological exposure indices, conditions for biological sampling for biological exposure tests, and the particulars of reporting of work with asbestos and biological factors. Employees at conventional power plants operated by CEZ Group in Czechia are included in categories 1 to 3, with categories 2R and 3 classified as high-risk. We have no category 4 jobs. The commonest risk factors are mental stress due to shift operation, noise, and dust (coal, fly ash, limestone). Nuclear power plants do not register any cases of occupational diseases, that is, there are no occupational activities having a high risk of specific diseases; the highest category is 3, with just a few people. Employees across CEZ Group companies are classified in categories 1–3. Risk category 4 is not present.

We monitor especially positions with these risk factors: power generation worker with the risk factor of localized muscular effort; welder—eye strain, ultraviolet radiation; workshop fitter/electrician—noise, dust, welding fumes, vibration; milling machine/metal lathe operator—noise.

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 of the French-Czech Chamber of Commerce, its members, and cooperating companies to support efficient deployment of a circular economy in Czechia that was launched in 2015.

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, and hand over waste that cannot be reused to authorized operators for disposal. Employees sort generated waste in order to separate reusable components. Waste is collected in appropriate waste collection containers, whose number and location are continuously optimized according to actual needs. Waste handed over for recycling includes reusable components of municipal waste—paper, plastics, glass, and biodegradable waste—as well as used oils, metal materials, and other reusable waste. 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 plant, 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 2017 accounted for less than 1% of all waste generated within CEZ Group. Almost 93.5% of all generated waste was handed over 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).

Plant Decommissioning

There were no plants identified for decommissioning in 2017. The law does not require making provisions. However, we attach great significance to these issues when decommissioning our facilities, putting emphasis on compliance with additional legal requirements with minimum impacts on employment, ecology, etc.

New Closure Planning

The Severočeské doly Group has made a provision for expenses relating to the clean-up and restoration of areas affected by mining activities. The provision recognized represents the best estimate of expenditures required to settle its present obligations at the current balance sheet date. This estimate, expressed at current price levels, is discounted using a long-term real rate of interest of 1.5% per annum, or 1.5% per annum, to take into account the timing of payments. The initial discounted expenses are capitalized as part of property, plant, and equipment and are depreciated over the lives of the mines. The provision is adjusted annually to reflect the estimated inflation and real interest rate. The expenses are included in the statement of profit or loss under interest expenses.

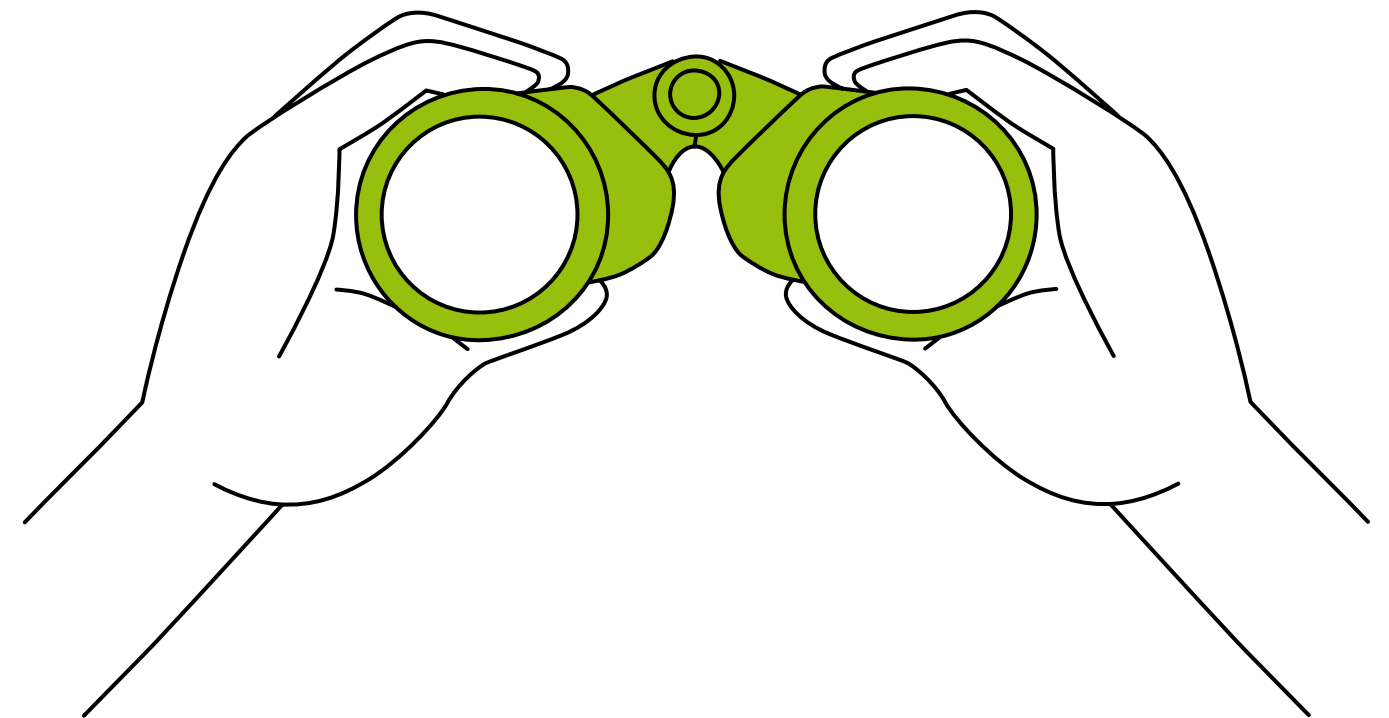
The clean-up and restoration process will continue for approximately 15 years after the termination of mining, which is currently estimated to occur in 2050–2057. While the company has made its best estimate of the amount of provisions, potential changes in technology as well as changes in environmental requirements and in the timing of expenditure may result in actual expenses varying significantly from the company's current estimates.

2.6.9 We Introduce Supplier Quality Standards

The supply chain is largely decentralized at CEZ Group. It is managed by procurement units in the administration division of the parent company. Suppliers are broken down into four principal groups: fuels, capital expenditure, services, and materials.

Generation-Related Aspects

Requirements for suppliers for nuclear generating facilities are subject to legal and technical requirements. These must be met by suppliers from the power engineering, electrical engineering, electronics, as well as construction industry. Engineering companies providing technical assistance especially in nuclear operations constitute a special category.



Maintenance-Related Aspects

The supply chain in conventional power plant maintenance consists of both external companies and CEZ Group subsidiaries. ČEZ, as a “sectoral contracting entity,” applies all requirements pursuant to Act No 134/2016 Sb., on public procurement, when selecting its suppliers. The scope of work in a contract covers one or more integral parts, “logic units,” of power plant technology. Examples of logic units include Boiler House, Desulfurization, Turbine Building, Water Management, Electrics, Instrumentation and Control System, Coaling, Coal Combustion Products, and Construction. The supplier provides both planned and reactive maintenance and can also supply materials and replacement parts and provide technical assistance.

The broad ranges of business activities, geographical presence, and sizes of companies prevent us from aggregating individual internal and external supplier reports in a uniform manner because we take care of centralized procurement for 23 CEZ Group companies. An expert estimate allows us to say that the number of suppliers invoicing individual companies ranges between 10 and 2,950. ČEZ was invoiced by 3,701 suppliers in 2017.

CEZ Group companies in all countries strive to use local suppliers or internal suppliers on a long-term basis. Most companies have 90% of suppliers that their registered office in Europe; some suppliers come from America or Asia.

Supplier Environmental Assessment

Our focus in supplier assessment includes the suppliers’ approach to the environment, both generally and specifically in nuclear safety. Environmental issues are addressed in supplier contracts where the nature of a business transaction requires addressing such issues—so they are not included in every contract in general.

Supplier Social Assessment

A key requirement defined by Act No. 263/2016 Sb. and imposed on suppliers is that all activities must be carried out by the contractors’ and subcontractors’ own qualified and experienced staff. This requirement indirectly reduces fluctuation and possible adverse social impacts on contractor/subcontractor staff.

A separate issue is the specific requirements of the new Atomic Energy Act, No. 263/2016 Sb., which defines “vital zones” that may only be entered by ČEZ employees and contractor personnel that are holders of a “confidential” security clearance. The requirement can affect contractor staff’s readiness to apply for a job that is conditional on requirements having an impact on the security clearance applicant’s private life.

Supply Chain Abroad

- We use an Internet platform for procurement in Poland. The selection of suppliers is based on an internal policy for the award of public contracts and procedures that promote transparency, proper business conduct, and nondiscriminatory market access. We try to keep the supply chain as short as possible because we believe that it is mutually beneficial with respect to knowledge exchange and expenses.
- We take account of international and industry standards in the procurement of products and services in Turkey. We prefer selecting suppliers from the locality of our workplaces.

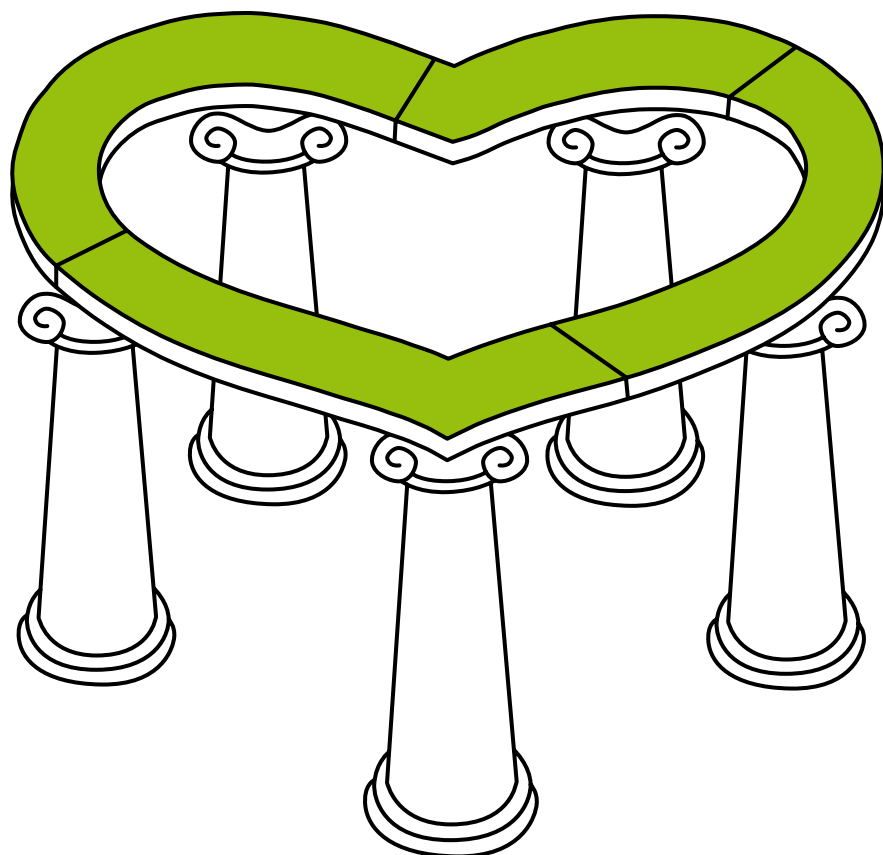
Significant Changes to the Company and Its Supply Chain in 2017

ČEZ spun off all of its activities relating to nuclear energy into a newly established specialized division—nuclear energy division. Thus, the previously existing generation division was split into the Nuclear Energy Division and a Fossil and Hydro Generation Division.

Other significant changes are described in detail in the CEZ Group 2017 Annual Report at <https://www.cez.cz/edee/content/file/investori/vz-2017/vz-2017-en.pdf>.

Examples of Our Activities in 2017

- We deepened our relationship with suppliers that employ people with disabilities in 2017. When evaluating selection procedures, we quantify advantages derived by CEZ Group from such contracts. Newly contracted areas include, for example, deliveries of office supplies and guarding of CEZ Group facilities.



2.6.10 Five Principles of Corporate Culture

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 and promoting expected employee conduct in the workplace. They include:

- Safety
- Performance
- Innovation
- Expertise
- Collaboration

Examples of Our Activities in 2017

- We performed manager training for work with our updated principles. In a series of workshops, managers were instructed on how to work with the principles during appraisals.
- We continue developing the principles by means of internal open courses. This is an offer of workshops and training courses concerning the development of 2–4 principles each.
- We offer a broad range of tools supporting the development of all the principles.
- We work with talented employees and appraise their work behavior in accordance with the principles.

Unlike in 2016, the appraisal of contract staff in 2017 was carried out for the first time in accordance with the updated principles.

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 gather 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.

Our employees gather knowledge and experience in the performance of various activities, especially those relating to the designing, construction, commissioning, operation, administration, and maintenance of plants at individual organizational (production) units. A similar process applies to the field of distribution. The objective of knowledge management is to capture, share, and transfer the key expertise of experienced employees and ensure efficient adaptation of new employees.

ČEZ provides a range of learning options that employees can use for their development or for the development of their subordinates to achieve set targets more easily. When planning development activities, we strive to achieve the following ratio: 70% on-the-job development, 20% self-development, 10% training courses.

We develop employees in three categories:

- Development for managers (statutory training and corporate training—OSH, driver courses, environmental protection, GDPR, cybersecurity)
- Development for the team (Development Center—defining potential and further development options; sociomapping—a tool for the analysis, development, and evaluation of communication, collaboration, and cohesion; team coaching, etc.)
- Development for employees (statutory training, corporate training, talent management and succession, e-learning, seminars, conferences, etc.) Selected employees in technically demanding operations (such as Severočeské doly mines or Dukovany and Temelín nuclear power plants) are trained in safety of work at heights.

215,699 young people attended debates under the Energy - The Future of Humankind project, part of CEZ Group's learning program

The series of educational debates on the topic of humankind's energy future has been taking place throughout Czechia almost every school day for 17 years. During that time, experts have debated with primary and secondary school students at almost 5,900 meetings. The project includes periodical surveys of opinions on the energy sector. Through its learning program, CEZ Group provides young people with information on the energy industry and tries to inspire them to become interested in the industry and consider it a promising option when choosing their future study programs and jobs.

Examples of Our Activities in 2017

- We integrated technical information (concerning nuclear energy, distribution, electrical regulations, definitions, etc.) in a single place by creating a new knowledge portal.
- We streamlined searches for records of experience, including its bearers, in our SharePoint database.
- We introduced new tools for capturing and transferring key knowledge and experience: meetings of professions, succession and talent, sharing of good practices (conferences and proceedings from them on the portal).

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.

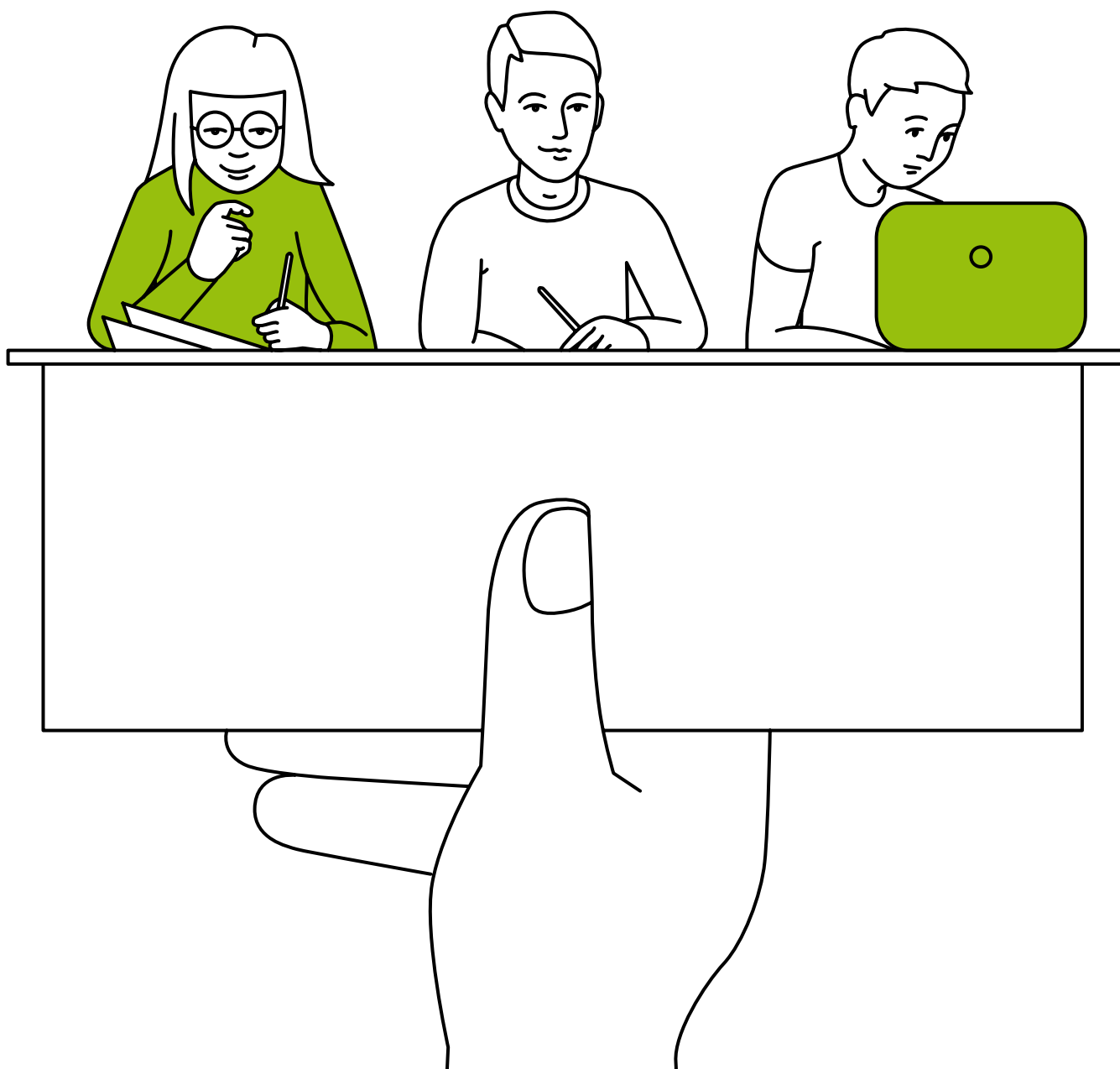
- We support and popularize technical study programs in Czechia on a long-term basis, striving to enhance students' motivation to study in them.
- We organize a range of activities for students and teachers; we strive to be an attractive employer.
- We place emphasis on the sharing of key knowledge by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

Transition assistance programs and management of career endings due to retirement or termination are in place at more than a half of CEZ Group companies in the Czech and Slovak markets. Most CEZ Group companies follow a schedule of statutory training programs and training programs that aim to upgrade employee skills.

Examples of Our Activities in 2017

- ČEZ employees that are terminated in relation to organizational changes or for health reasons can apply for a retraining course, which we pay for in accordance with the effective collective agreement. The goal is to support their new career path. Beyond the scope of the collective agreement, we offer outplacement services to employees affected by organizational changes to help them find new positions in the labor market. We provide a Mobility Package to assist in relocation when the place of work changes.
- In exceptional cases, ČEZ allows its employees to study when they need to deepen or enhance their professional qualifications because of their future position.
- Studying while employed is supported by, for example, Severočeské doly under its managerial growth program or human resources learning program.
- Human resources development is also addressed at ÚJV Řež in the form of periodical training courses.
- Air Plus undertakes certification of field service engineers in the handling of ozone depleting substances.
- AZ Klima allows changing jobs within the company to let employees try various professions based on their knowledge and experience or retrain for another position.
- ČEZ Energetické služby provides an education allowance of CZK 20,000 for employees terminated during organizational changes.
- ČEZ Teplárenská allows an employee terminated for organizational or health reasons to ask the employer to broker a retraining course that the employer will pay for.
- Development programs for managers and personal and professional courses for all employees are also offered by our subsidiaries abroad.

We continue with activities aiming to promote technical education and seek new candidates. They gradually replace a generation of power engineers retiring after lifelong work. More than 120 events such as debates, presentations at schools, and education fairs were organized centrally in 2017, with an estimated audience of almost 100,000 people. We also increased the number of our partner schools by seven in order to achieve a denser coverage of the distribution area and prepare for increased demand for personnel not only at ČEZ but especially at ČEZ Distribuce.



Together with ČEZ Distribuce, we took an active part in the selection of schools that increased the number of secondary electrical engineering schools participating in the Prokop Diviš Program from 5 to 10. The program aims to motivate students for an active approach to their study and reward the best of them. The annual I Know Why competition, whose already 5th year started in the fall, popularizes physics teaching using videos made by senior primary school and secondary school students. Almost 200 new videos were added to the experiment video library during the 2016/2017 season. A Chance for an Engineer, an event aiming at final-year students from secondary technical schools, was organized at the two nuclear power plants for the first time in 2017. One of its outputs is contributing to fresh graduates' orientation in the labor market.

We participate in a pilot project for introducing elements of dual education into classes at the Secondary School of Electrical Engineering in Ostrava, under the auspices of the Ministry of Education, Youth, and Sport, the Moravia-Silesia Region, and the Confederation of Industry of the Czech Republic. The project is targeted at much broader cooperation between the school and industrial partners in the training of students in the electrician vocational program. The first students should start learning under the new model in the school year 2018/2019.

We doubled the capacity of our Big Step event for college and university students in comparison to 2016. The event is organized under the aegis of the Alliance for Youth and allows its participants to get to know four companies, their corporate culture, and their approach to a chosen topic during two days.

To prevent new employees from leaving, we work systematically with their adaptation. During the process, a new employee is involved in work, gathering the fundamental knowledge and experience they need to perform their job. The objective of the adaptation process is to facilitate their start in a new environment. At the end of the process, managers perform a review which should show the employee's ability to work the job and opportunities for their further professional and personal development. The contents and length of the adaptation process depend on the nature of a specific job, requirements for the job, and requirements for professional training—it is usually longer than the probationary period.

A trend of increasing levels of employment of fresh graduates without practice was maintained in 2017. The successful Fresh Graduate internal program for secondary school and university graduates with electrical engineering and other backgrounds continued in 2017 in order to create human resources reserves. The program includes a controlled adaptation process for graduates to allow them to gain practice. It serves as a tool for generation renewal at the company. Another project that goes on is Trainee Recruitment, aiming to eliminate future lack of technically educated operators of distribution system equipment.

Our management of key knowledge sharing is reviewed in greater detail in the report on the We Develop, Share, and Transfer Knowledge and Experience program. We encourage employees to share their experience, key information is captured and systemically linked, and there are a number of tools available to support the sharing of unique knowledge.

45.2% of ČEZ employees and 28.9% of the CEZ Group employees have a university diploma

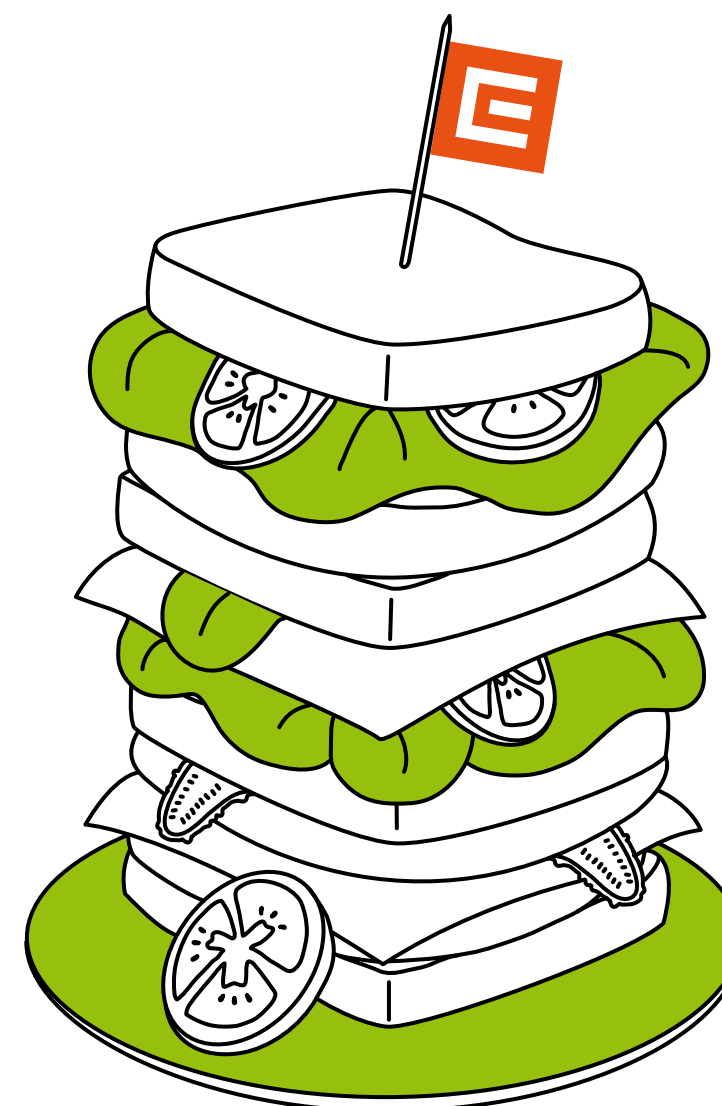
The share of university graduates is even higher in the Temelín and Dukovany nuclear power plants, amounting to 48%. For comparison, the percentage of university graduates in Czechia was about 22% in 2016. CEZ Group companies also manage to employ more and more fresh graduates without practice. Their number has increased more than four-fold since 2015; in 2017, a sixth of all new employees were young people under 25.

CEZ Group regularly tops most attractive employer surveys

This must be matched by a recruitment site, so CEZ Group launched its modernized version at <http://kdejinde.jobs.cz/> in early January 2017. The site newly builds on multimedia and best practices in web design. A third of new employees come to CEZ Group by means of this career website.

Examples of Our Activities Abroad in 2017

- Approximately 70 students received specialist training at CEZ Group companies in Romania in 2017. They come from various educational institutions such as the Faculty of Energy of the Polytechnic University of Bucharest; the electrical engineering program at the Faculty of Electrical Engineering, Telecommunications, and Computer Science of the University of Pitești; the Faculty of Electrical Engineering of the University of Craiova; and 10 students from a technological secondary school in Alexandria.
- Distribuție Energie Oltenia invested more than EUR 53,000 in community development programs in 2017



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 stakeholders.

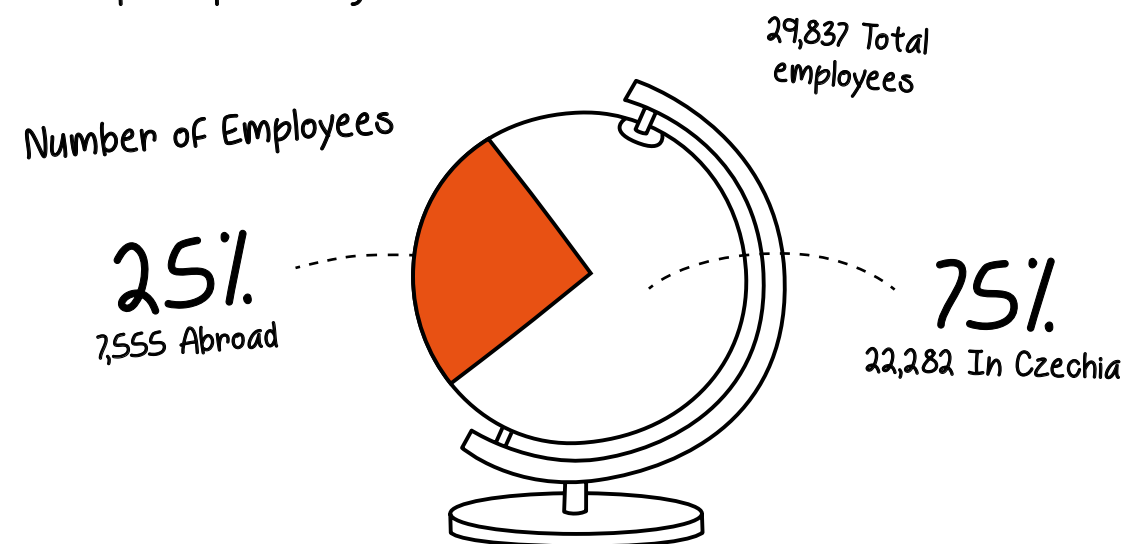
2.7.1 We Are a Responsible Employer

Our objective is to build a reputation as an employer whose care for employees goes beyond a mere remuneration for work. We invest in the development of our own employees, extensive welfare, and equal opportunity and we reward exceptional contribution.

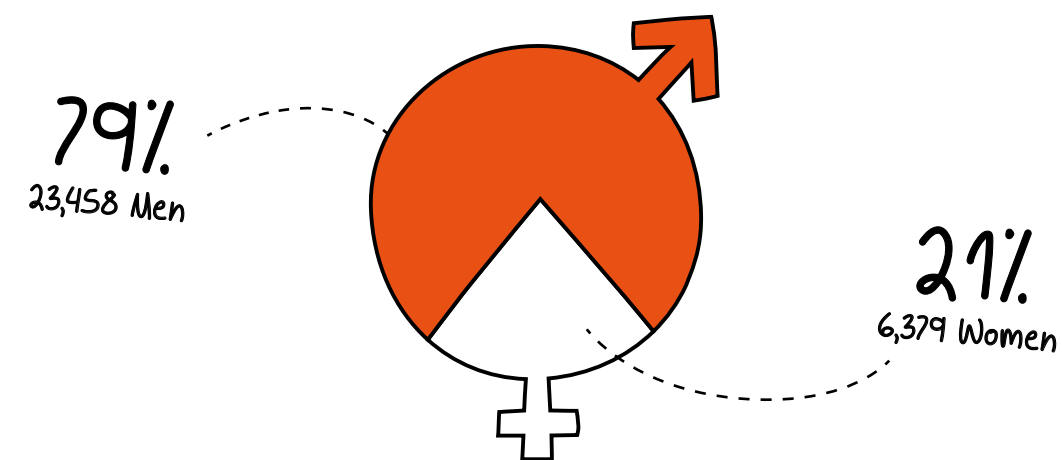
We strive to be a sought-after employer for the full range of age groups, achieving the goal of sustainability. For example, the percentage of young employees aged 18–29 increased from 10% to 11.9%, the percentage of women employed by CEZ Group increased from 20.9% to 21.4%, the percentage of newly hired women increased from 30.4% to 32.7%, and the percentage of part-time employees doubled in 2017. We ensure loyal professionals' motivation for the benefit of CEZ Group's competitiveness through high-quality management, services, the building of good relationships, and remuneration.

- We have a fair payroll system. To ensure internal fairness in remuneration, we use a job classification system based on responsibility, difficulty, and required knowledge and skills. We compare ourselves with the market in Czechia by means of standardized surveys every year.
- We have a package of social bonuses.
- A range of bonuses is in place with respect to different age groups, various circumstances, and employee needs.
- We provide support for every employee's development according to their needs.
- We use positive motivation—CEO awards, ČEZAR awards, etc.
- We conduct satisfaction surveys.
- We maintain good relations with trade unions.
- We cooperate with the European Works Council, support collective bargaining, make every effort to achieve agreement and social peace.

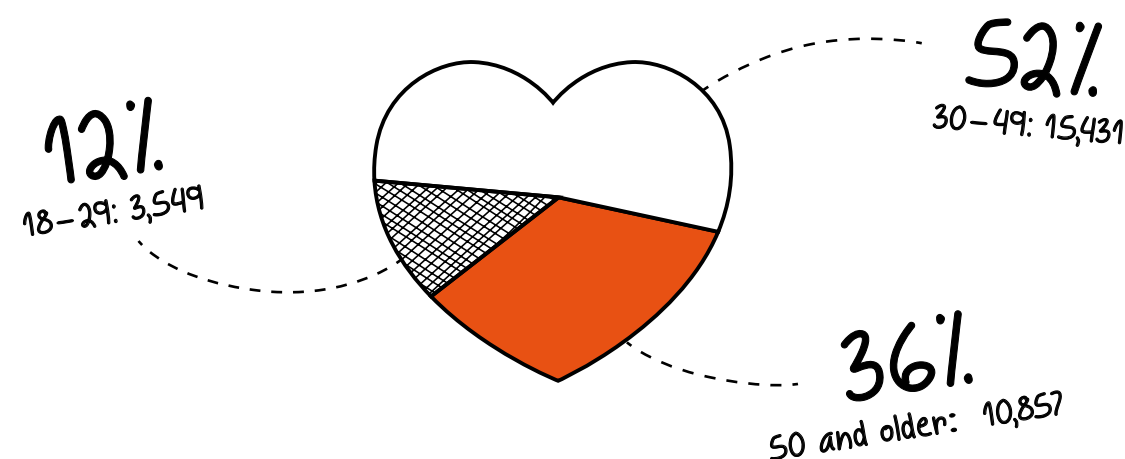
CEZ Group People in Figures



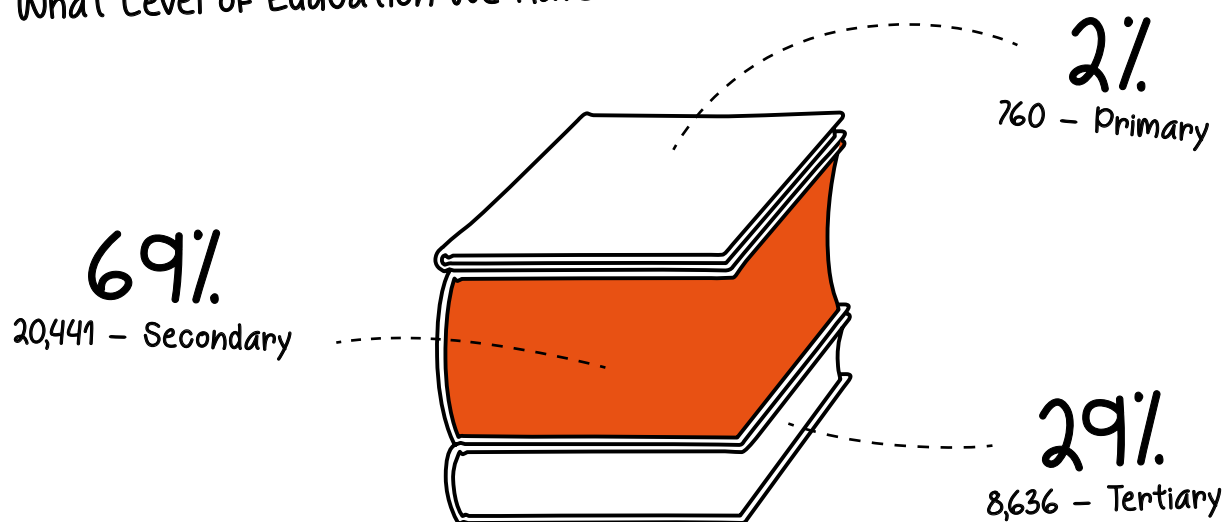
Number of Employees by Gender



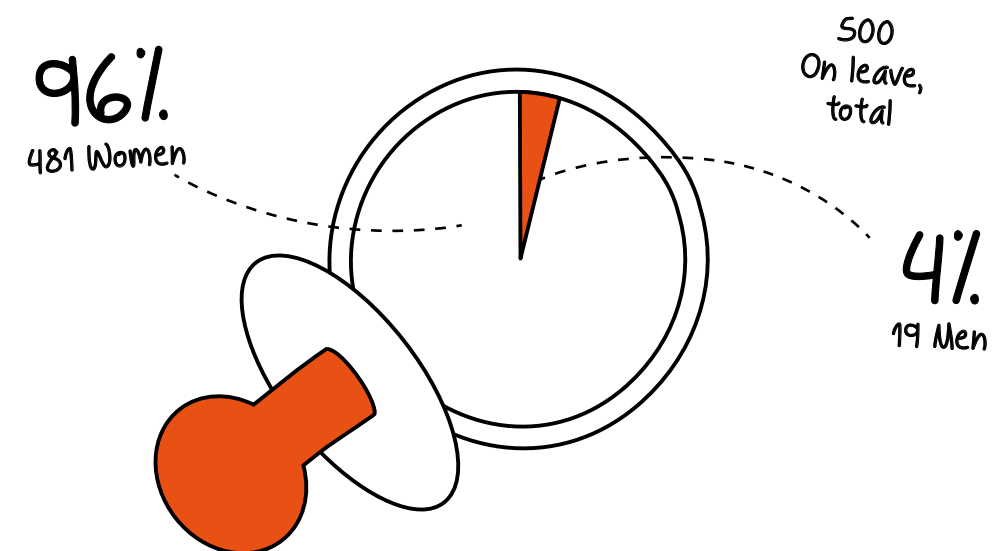
Number of Employees by Age



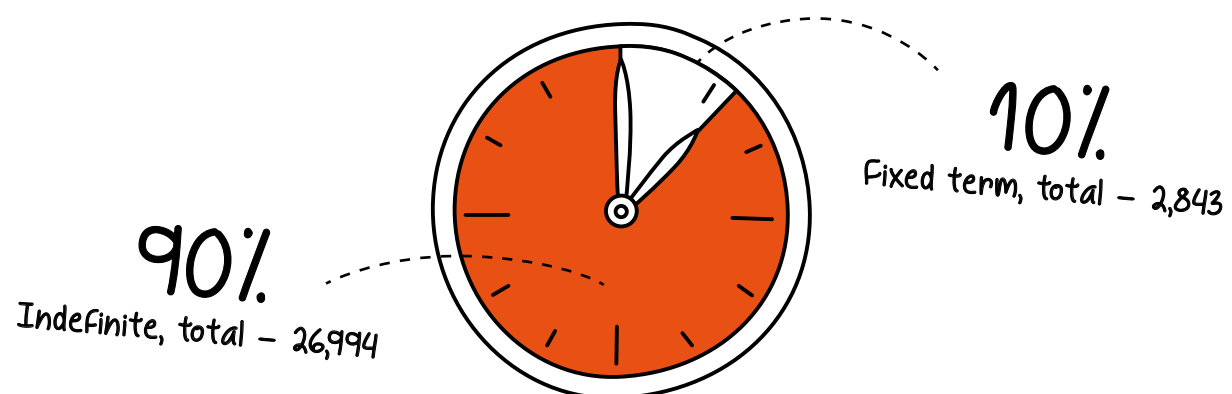
What Level of Education We Have



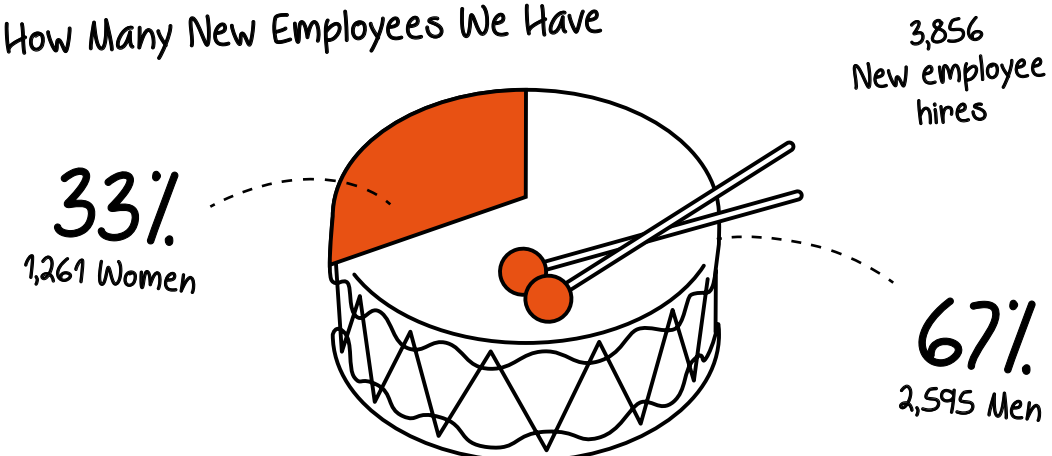
How We Use Parental Leave



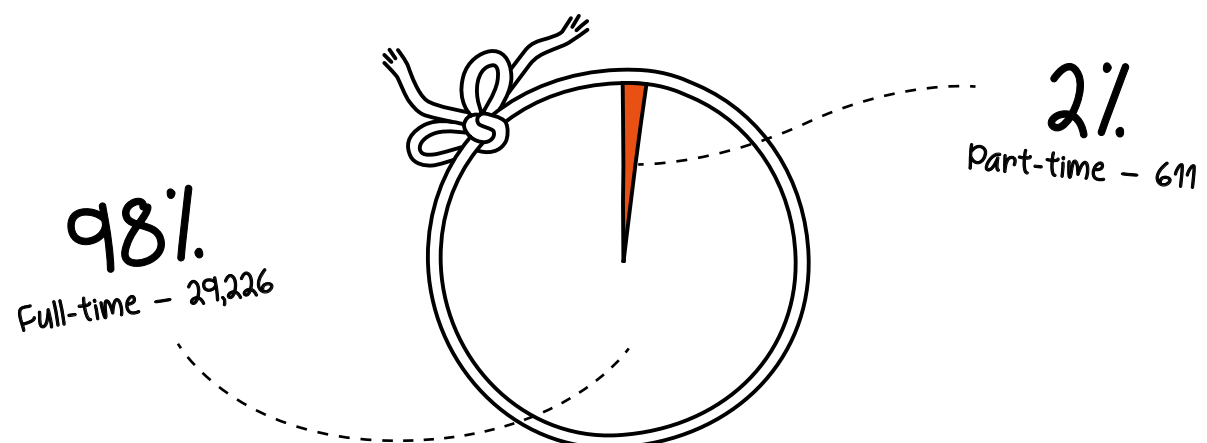
Number of Employees by Employment Contract



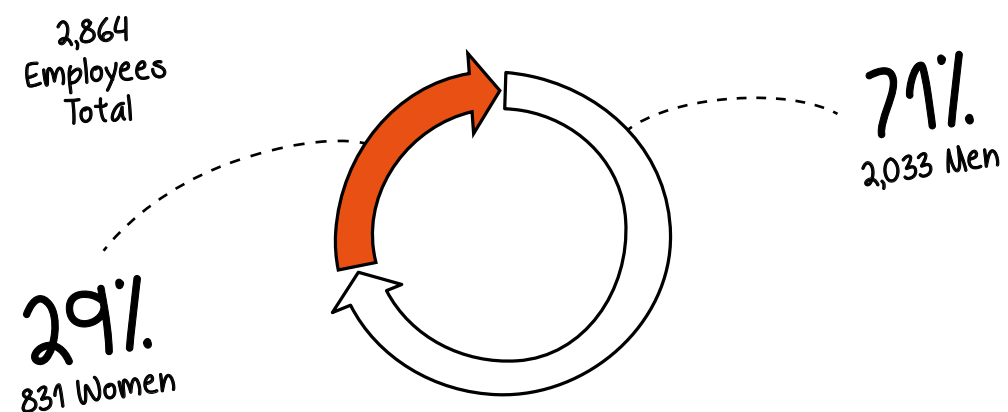
How Many New Employees We Have



Number of Employees by Employment Type



What Is Our Employee Turnover?



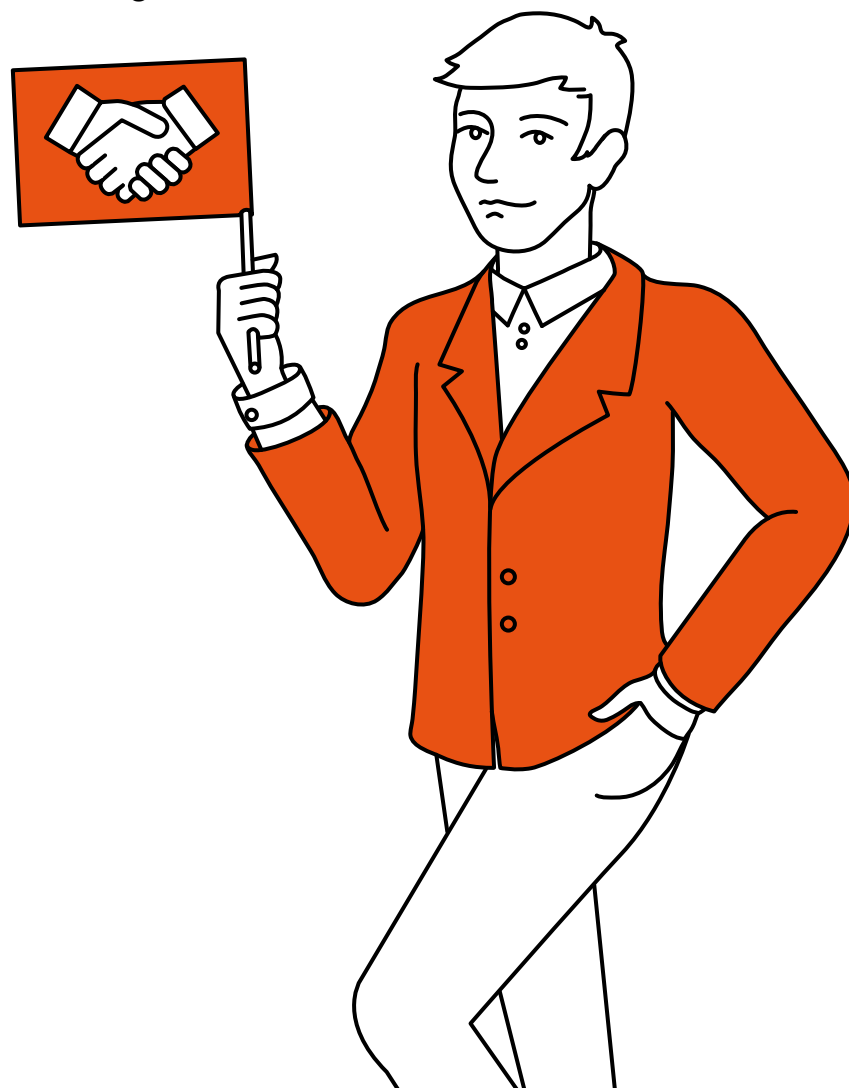
We Care for Our Employees' Safety

We engage trade unions in the control of occupational safety and health and fire protection—we provide high-quality safety clothing and work aids that satisfy constant demand for OSH quality. For example, distribution technicians have sturdy fire-retardant overalls with fire-proof certification.

Our Employees Participate in Changes

All operational changes taking place at CEZ Group companies are announced with notice periods according to collective agreements. In addition to such activities, however, employees can also take part in shaping such changes.

A Safety Culture survey at a CEZ Group company discovered a heavy administrative burden, so a competition named “Let’s Make Our Lives Easier, Let’s Cut Red Tape” was announced. Individuals and teams could submit their suggestions for reducing excessive bureaucracy over the duration of one month. A total of 58 proposals were received, a jury selected 5 of the most interesting ones, and employees voted on them, choosing the topic of Introducing Paperless Document Circulation—“electronic signature” as the winner.



Benefits for Our Employees

All benefits are provided to ČEZ employees regardless of the employment type. They include, for example:

- Annual personal account for leisure-time activities—with use through Cafeteria newly introduced at the beginning of 2017
- Contributions to life insurance and to supplemental pension plans
- Meal allowance (vouchers or company canteens)
- Severance pay and life jubilee bonus
- Nursery schools for employees' children at selected locations
- Offer of ICT products and services
- Telecommuting (work from home) and flexible working hours for some job positions
- An extra week of vacation in addition to the statutory entitlement
- A shortened 37.5-hour workweek
- Life jubilee bonus
- Various kinds of loans and bargain purchase offers, etc.

Benefits are also enshrined in collective agreements at our foreign companies in Germany, Bulgaria, Turkey, Romania, Poland, Hungary, Slovakia, Serbia, and France. They include, for example, health care allowances, housing loans, and social fund contributions.

We Support Our Employees' Volunteering

Employees are able to participate in several corporate volunteering programs and other benefit activities. They can suggest beneficiaries from their neighborhood on their own, or an organization can ask for aid directly.

- A program named Time for a Good Cause is opened every year in 7 regional stages to allow everyone to help in its immediate neighborhood. In addition, there are two international volunteering days. A total of 731 employees from CEZ Group companies took part in 115 campaigns of 88 participating organizations in 2017.
- Employees also have an opportunity to take part in an annual collection named Granting Wishes, Thinking About Others, where they choose an area of support on their own in advance and recommend organizations and individuals from all 7 regions in Czechia that the aid should go to. They can financially support the selected projects before Christmas. The ČEZ Foundation will double the collected amount. The 11th annual collection in 2017 raised an all-time high of CZK 2,084,625; the aid was targeted at children and youths up to 26 suffering from any serious disease.
- A welcome complement to employee charity is the Granting Wishes by Breakfast project, under which people with disabilities prepare breakfasts for 5 CEZ Group locations. There were 20 breakfasts taking place at 5 locations in 2017. Charitable organizations' proceeds from the sales of all breakfasts in 2016 and 2017 amounted to CZK 354,691.
- The Rainbow Café was opened in Prague in late 2017, based on good experience from the Granting Wishes by Breakfast project. The Rainbow Café is run by Startujeme, a nonprofit organization. It applies the tried-and-tested concept combining professional restaurant services with a social aspect. It employs people with mild mental disabilities who our employees support with every purchase.
- Sheltered Workshop Bazaars have been organized at selected locations before Easter and Christmas already for 7 years. Public benefit organizations come to our administrative buildings every year to sell their products. They have managed to sell their products for a total of CZK 4,061,476 during the 7 years.
- The Employee Grants program is intended to support nonprofit organizations that employees of ČEZ and integrated subsidiaries in Czechia are engaged with in their free time. There were 102 projects supported with a total of CZK 3,011,600 in 2017.
- Employees also participated in several sports events that helped a good cause last year: Sue Ryder Charity Soccer Tournament, Curling Benefit Tournament, Jizerská 50 Relay, or Cyclo Handy Marathon.
- The “Mom, Dad, Where Do You Work?” event is held annually at different locations with the aim of arousing children's interest in engineering and letting them get to know their parents' work. Employees' children can visit places they would not get into under normal circumstances. For safety reasons, parents cannot normally take their children to their workplace at ČEZ. Feedback is definitely positive (99% of participants); both children and parents appreciate the varied and interesting program and the idea to organize the event as such. The event took place at 3 locations in 2017.
- Fringe benefits include Health Days, organized since 2014. They aim to explain potential current health risks and how to prevent them. They are organized every year at various locations where CEZ Group employees work.
- Daniel Beneš, CEZ Group CEO, and members of the Board of Directors take part in Advent at Duhová, at the company headquarters, every year. They help sell sheltered workshops' products or wait on guests at the Rainbow Café.
- On the occasion of the 10th anniversary of the annual ČÉZAR Awards, a special category was created for personal engagement, selflessness, and help to others. The winner was a long-term blood donor and employee from the Temelín Nuclear Power Plant.

Labor/Management Relations

Collective agreements governing relationships between employees and the employer are in place at most companies besides the parent company ČEZ, a. s. The management of ČEZ, a. s. regularly attends trade union meetings and takes part in leisure activities together with employees. Employees can express themselves using “Orange Mailboxes” or in periodical employee satisfaction surveys. All arrangements relating to employment are in writing.

We Have a Fair and Equal Approach to Employees

Most CEZ Group companies subscribe to a joint approach to employment according to the principles and rules of the parent company ČEZ. More than a half of them emphasize the importance of human capital and focus on the quality of new employee recruitment and selection. ČEZ ENERGOSERVIS annually prepares and approves a personnel plan including planned employee turnover—retirements and employee transfers within the company.

We consider it important that an adequate legal environment be ensured at all companies in Czechia and abroad to promote respect to employees, diversity, and nondiscrimination. We have a fair and equal approach to all employees.

We Collaborate With Students and Universities

ČEZ partners with educational institutions on a long-term basis, supporting especially those schools that provide technical education.

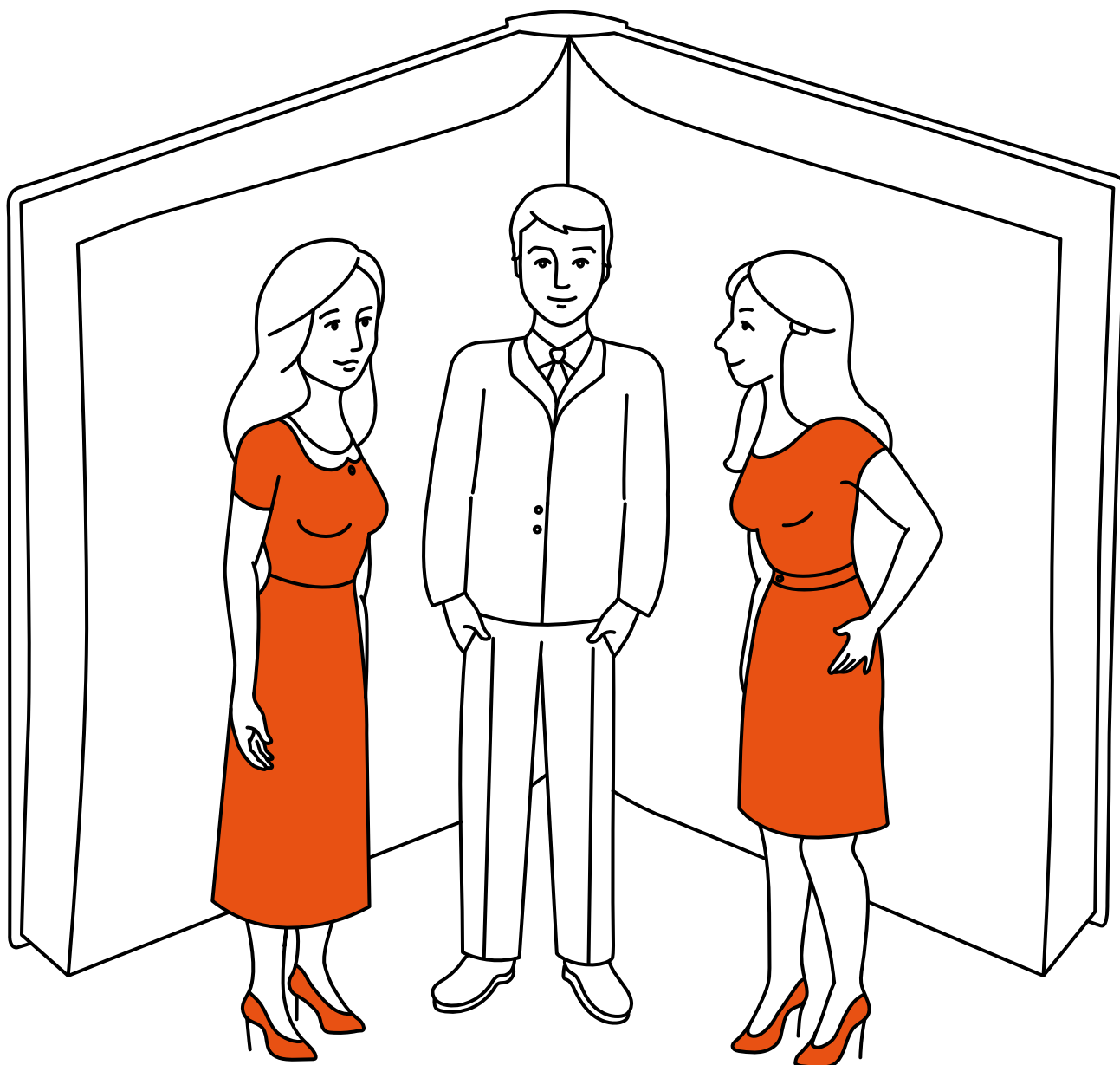
- Selected secondary schools and university faculties constitute our “**partner school network**” and collaboration with them is based on a written agreement. The number of partner secondary schools increased to 55 in 2017. The collaboration involved a number of debates, lectures, and recruitment presentations. The company presents itself by participation at open days or education fairs, where partner schools introduce themselves to potential students and their parents.
- We organize a number of **internship and in-house programs** for students, such as the Summer University, Innovation Marathon, or Big Step for college and university students. For secondary school students, we organize various types of “final exams” (Nuclear Finals, Energy Finals).
- **A Chance for an Engineer**, a program for final-year students from secondary technical schools in the neighborhood of the nuclear power plants, was newly prepared and implemented in 2017. The programs implemented in 2017 managed to bring in 9 new interns, whom we are preparing for the position of a nuclear power plant operator.

- ČEZ stays actively engaged in promoting technical education, especially in promoting physics classes. It is the long-term **general partner of mathematical and physics olympiads**. To promote better understanding of physical phenomena and principles, it runs the **I Know Why website** where senior primary school and secondary school students upload videos of their physics experiments.
- We regularly **offer thesis topics for college and university students**. We strive to help schools in defining their study programs; an example of maximum overlap between the needs of a school and those of an industrial partner can be the **power engineering program at the Secondary Technical School in Třebíč**, which purposefully prepares students for work in the energy sector with focus on nuclear energy and potential jobs at the Dukovany Nuclear Power Plant.
- Working with university students is considered by ČEZ to be a way to ensure sufficient resources for staff renewal. Therefore, collaboration during study is followed up by the **creation of specific job positions** that are, especially in electricity generation, intended primarily for fresh graduates to allow them to gain the necessary practice.
- As a standard offer, there is the possibility to take part in **ČEZ Potentials**, a program for university graduates with no more than two years of practice. Every year, 4–7 job positions are staffed under the program in various fields, from technical to economic or legal positions.
- We adopt a similar approach to working with students and schools at our companies abroad, where we also offer **field trips and internships**.

Other CEZ Group companies collaborate with schools, too. In Germany, for example, they realize the importance of qualified labor, so they actively participate in the education of students—Elevion takes care of 200 trainees. In Turkey, more than 200 students (former interns) found jobs at CEZ Group’s Turkish companies.

We Provide Training and Education to Our Employees

ČEZ considers education to be an investment in the future. Specific development and internal mentoring are offered to employees newly put into a managerial position, employees with potential, and successors. We realize the potential of women in managerial positions, so we support specific programs with topics for women's leadership development. We offer coaching assistance to employees in difficult circumstances.



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/en/secureRamjet/ethics-hotline/rules>. Additional questions and third-party comments can be sent to: energieprobudoucnost@cez.cz.

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

Freedom of Association and Collective Bargaining

The management of ČEZ respects its employees' right to freedom of association, which is exercised most importantly through membership in trade unions. Collective bargaining and a long-term collective agreement ensure social peace. Suggestions for collective bargaining can be made by all employees as well as employee members of the Supervisory Board. No case in which the right to freedom of association or collective bargaining might be at serious risk was registered in 2017.

Companies that have a collective agreement in place and have a trade union regularly report on annual negotiations and meetings between employees and management. The topic is significant both for employers (pay dynamics in relation to performance, employee satisfaction, maintaining social peace, gaining and maintaining a reputation as a high-quality employer in the labor market) and for trade unions (interest in as high pay rise as possible, maintaining reputation in front of employees).

Several meetings at which periodical announcements of developments in performance were made took place at CEZ Group companies abroad in 2017. A number of joint campaigns concerning employee training programs were worked out. An annual employee health assessment was carried out.

Examples of Our Activities Abroad in 2017

- CEZ Romania, through the Human Resources and Internal Communication & CSR departments, organized an induction day for 74 new employees of CEZ Group in Romania in 2017. The event aims to speed up the process of new employee integration into the working environment, helping new employees to quicker adjust to job requirements and collective conduct and become familiarized with CEZ Group policies and guidelines.
- A number of meetings were also held in Bulgaria where employees received periodical information on trends in key performance indicators, the yearly schedule for employee training concerning the development of the annual program of employee training on the application of work and safety rules, and occupational safety and health training in a centralized system with authorized instructors and an annual employee health assessment.

2.7.3 We Support Diversity and Equal Opportunity

We support diversity within CEZ Group, the creation of conditions for equal opportunity, and higher employee flexibility. 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.

Company management places great emphasis on providing equal opportunity and promoting diversity, as enshrined in the Diversity Charter. Under this approach, it recognizes, accepts, and values distinctions between people based on their age, gender, physical abilities, medical fitness, sexual orientation, education, social status, ethnicity, religion, political allegiance, membership in a labor union, or other differences and disapproves of any discrimination. The goal is to establish a culture of collaboration, based on the principles of diversity and mutual respect. By promoting diversity and different views, company management seeks to enhance mutual cooperation, innovativeness, competitiveness, and long-term prospects.

CEZ Group actively encourages the employment of people with disabilities. It strives to help employees with specific needs as they require and wish, for example in modifying their working place or working hours, to help them live a full life. Headquarters buildings are barrier-free and other sites are adjusted and modified on the basis of current requirements.

CEZ Group takes stands respecting fundamental human rights in all countries that it operates in. We advance equal opportunity for everybody everywhere, with sole regard to the type of job (for example, in heavy industry business). We intend to expand our offer of flexible employment types for employees in the future and be more active in promoting measures for equal opportunity and the employment of people with disabilities.

Examples of Our Activities in 2017

- There was a rise in flexible employment types in 2017 compared to 2016. Female telecommuters accounted for 12% of the total number of women at CEZ Group and male telecommuters for nearly 1% of the total number of men at CEZ Group in 2016; in 2017, the figures were almost 17% of the total number of women at CEZ Group and 1.5% of the total number of men at CEZ Group. Women working part-time jobs accounted for 2% of the total number of women at CEZ Group and men working part-time jobs accounted for 0.6% of the total number of men at CEZ Group in 2016; in 2017, more than 3% of the total number of women at CEZ Group worked part-time and the percentage of men remained the same.
- We established our own on-site Watík Day Nursery in Prague (opened in March 2017) with a capacity of 24 children. The Watík nursery school organizes joint events with the ČEZ Seniors' Club, connecting the generations. We also contracted cooperation with external nursery schools in Ostrava, Plzeň, and Hradec Králové in 2017.

2.7.4 We Benefit Society

We monitor the positive impacts of our operations on communities and society at large, make transparent reports on the results, and use them to aid our business.

Individual countries and segments share best industry practices. This is mostly about communication over a broad portfolio of activities at national and regional level. We want to be perceived as a reliable partner even outside Czechia.

- We support projects in our neighborhood, for example in the field of education, culture, sports, environmental protection, infrastructure development, and community life, through sponsorship, corporate donations and through the ČEZ Foundation. Through these activities, we help improve the infrastructure and develop citizens' community life in the regions where we operate.
- Our employees also benefit society, helping by means of corporate volunteering, purchase of products at sheltered workshops' bazaars, an employee collection, and employee grants.

On Christmas Eve, 1,140 CEZ Group employees took care of keeping Christmas trees lit and TVs with Christmas classics on

For workers in the energy sector, the year-end holidays are standard working days. Hundreds of employees were taking care of electricity and heat generation and supplies during Christmas Eve as well as New Year's Eve. Shift workers in power plant and heating plant continuous operations as well as corporate firefighters, hydroelectric power plant operators, dispatchers, machine fitters, breakdown service staff, operating electricians, electrical fitters, call center operators, and a number of other professions relating to electricity distribution were doing their jobs. Dozens of additional workers were on standby at home waiting for a phone call. If bad weather is imminent, these numbers are even higher.

2.7.5 We Work With Local Communities

ČEZ representatives meet regularly with representatives of local authorities, organizations, and companies. At the meetings, we provide up-to-date information about power plant operations, the state of the distribution system, planned activities, or the implementation of capital investment projects. There are negotiations on support for individual entities' projects, whether as donations or promotional sponsorship. These are working meetings at a power plant or formal meetings with representatives of local authorities in regions and social meetings such as the opening concerts of regional festivals, Advent Meetings with mayors and CEZ Group power plant partners.

For the purposes of financial donations, CEZ Group and the ČEZ Foundation have divided Czechia into 7 regions and have a regional communicator that knows the needs and specifics of the local community in each region. They are the contact person for those seeking a donation or promotional partnership.

Information Centers

CEZ Group considers information centers to be an important communication tool for sharing information with the general public. We use them to provide an illustrative view of the past, present, and future of various types of power generating facilities.

In most cases, visits to information centers are combined with tours of power plant sites with commentary by erudite guides. The information centers are open to school groups and technically oriented businesses that can hear an expert lecture there.

All information about the information centers is published at <https://www.cez.cz/en/contacts/information-centers.html>, where we regularly add information about special events for visitors, such as night tours or participation in the Night of Museums or the World Water Day.

1,279,213 visitors found their way into the two CEZ Group nuclear power plants' information centers

The information centers of the nuclear power plants at Temelín and Dukovany have been operating successfully for 26 and 23 years, respectively. A total of 634,822 people interested in the mysteries of nuclear electricity generation have arrived to the southern Bohemia center during that time, while the center at the border between the Vysočina and southern Moravia has welcomed 644,391 fans of power engineering. The annual number of visitors to both information centers has been stably over 30,000 people in recent years. Predominantly domestic visitors are supplemented by hundreds of tourists from all around the world, including countries such as Chile, Peru, New Zealand, or Nepal. The number of visitors to CEZ Group's 11 information centers and plants increases every year. A record-breaking 224,000 visitors came in 2017. As always, we saw the highest numbers of visitors at our Dlouhé Stráně pumped-storage power plant and the Temelín and Dukovany nuclear power plants. Most of our plants can also be visited virtually at <http://virtualni-prohlidky.cez.cz/cez-virtualni-prohlidky/>. We added a virtual tour of our new Ledvice facility to our website in 2017.

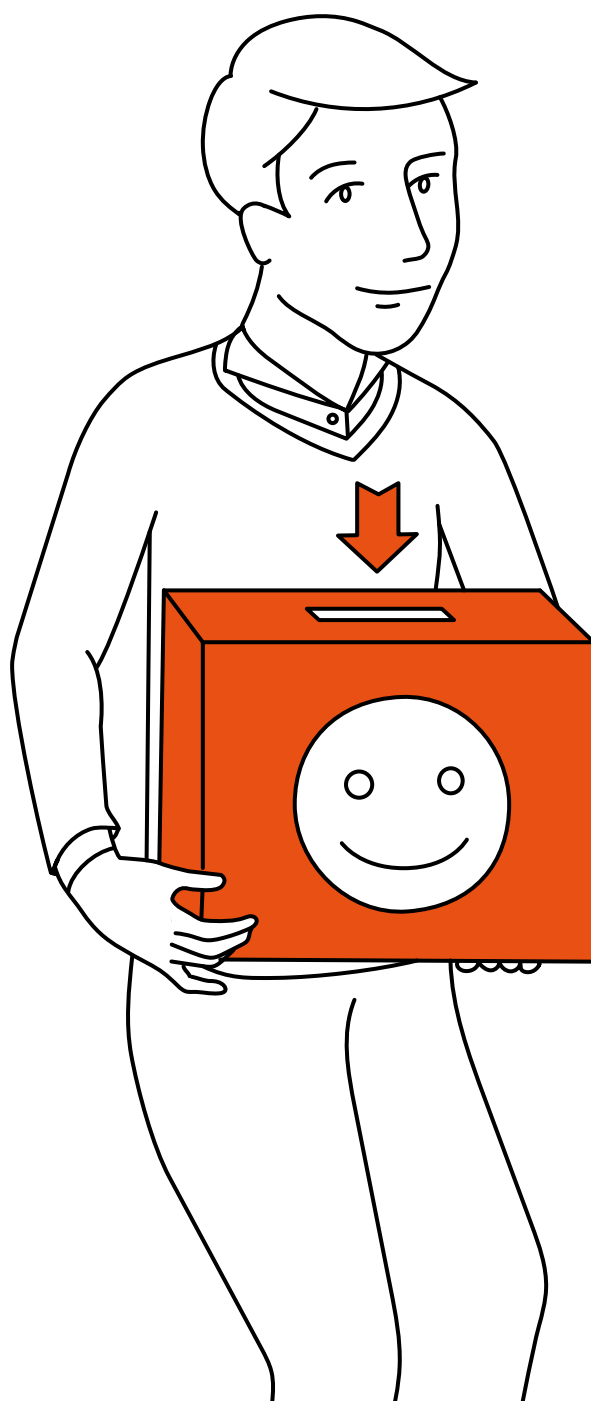
We Have a Positive Public Image

Mayors positively perceive ČEZ as a socially responsible corporation. They appreciate us as an important employer and supporter of regions, rating positively especially our open and efficient communication with local stakeholders in communities or support by the ČEZ Foundation.

We used quantitative research to find out how the Czech population perceives our local activities, how we are engaged in the development of towns and villages, and whether we improve life in the areas where we operate. ČEZ can best fulfill people's expectations in social responsibility (there is the least difference between ČEZ's expected and perceived engagement). The results of these surveys also show that the public knows and can associate our socially responsible activities with our brand. The ČEZ Foundation has long been the best known corporate foundation in Czechia—prompted awareness of the ČEZ Foundation achieved nearly 50% in 2017. It is rated very positively by the public.

Examples of Our Activities in 2017

- All major plants within CEZ Group are engaged in collaboration with local communities.
- We installed a Bird Path in the manor gardens at the Temelín Nuclear Power Plant Information Center, showing 11 models of birds that nest and live in the locality.



2.7.6 We Support Partnership in Donation

In financial donations, promotional partnership, and many other activities, CEZ Group follows the motto “We Help Where We Operate.” It makes contributions to infrastructure improvement and the development of citizens' community life especially in the neighborhood of its generating facilities and distribution grids, which makes it a long-term supporter of education, culture, sports, and environmental protection. The objective of the donation partnership is a positive image of CEZ Group in the locations it operates in.

CEZ Group, as a long-term, reliable promotional partner, supports several areas of public life in all regions in Czechia. While doing so, it does not discriminate between regional events and projects with nationwide reach. Almost 400 projects were supported in the form of promotional partnership in 2015, more than 450 projects in 2016, and over 400 projects in 2017.

Online registration of applications for promotional partnership and financial donations was launched in 2016 to make the process more controllable and transparent. Criteria for evaluating the benefit, impacts, and quality of each approved project were set up in the system. As a result of the launch of this system, ČEZ stopped using the MODEL LBG metrics in 2017.

Financial Donations by CEZ Group Companies in 2017 (CZK millions)

	To ČEZ Foundation	Direct donations	Total
ČEZ, a. s.	52.0	60.3	112.3
Other fully consolidated companies of CEZ Group	128.6	82.1	210.7
Total for CEZ Group	180.6	142.4	323.0

2.7.7 We Support the ČEZ Foundation

CEZ Group has been partnering for 15 years with one of the first corporate foundations in Czechia. The ČEZ Foundation plays an integral part in CEZ Group's sustainability and responsible behavior. There have been 479 Orange Playgrounds constructed, 363 avenues of trees planted in cities and villages, and new lights for pedestrian safety built at 113 crosswalks throughout Czechia since 2002. The ČEZ Foundation has supported 8,659 projects with CZK 2.36 billion during the past 15 years. The extent of its support and the amount of its donations make it one of the most prominent foundations in Czechia in the long term. Information about all activities of the foundation is published at <http://www.nadacecez.cz/cs/uvod.html>.

ČEZ Foundation's Core Activities

- Opening and administration of grant procedures
- Support of the EPP—Move to Help mobile app
- Orange Bike charity roadshow.
- In-house grant procedure Employee Grants
- Everyday communication with endowment applicants and beneficiaries
- Collaboration in selected projects with CEZ Group (Granting Wishes, Sheltered Workshops' Bazaars, etc.)
- CEZ Group social responsibility/sustainability education

Year	Number of Supported Projects	Financial Value of ČEZ Foundation Donations CZK Millions
2014	714	162.8
2015	963	182.8
2016	1,003	197.1
2017	1,015	186.0

Financial Contributions by CEZ Group Companies to ČEZ Foundation (CZK millions)

	2014	2015	2016	2017
ČEZ	60.0	50.0	86.0	52.0
ČEZ Distribuce	66.0	75.0	75.0	75.0
ČEZ Distribuční služby	18.6	25.0	25.0	25.0
ČEZ ICT Services	0.2	0.0	1.0	0.6
ČEZ Prodej	21.6	21.6	21.6	24.8
ČEZ Zákaznické služby	3.2	3.2	3.2	3.2
Total	169.6	174.8	211.8	180.6

CZK 3,112,191 was pedaled out by people using charitable ČEZ Foundation Orange Bikes in 2017

From spring to fall, customized ČEZ Foundation Orange Bikes arrive at various cultural, social, and sports events to allow visitors to pedal for a minute to support nonprofit organizations. In 2017, people helped a total of 50 organizations in 4,129 duels. The Orange Bike mobile tent was pitched at a total of 26 events, the biggest one traditionally being the Karlovy Vary International Film Festival. The record-breaking number of pedalers showed up at the Vltava žije! festival in České Budějovice, where 450 people used the bikes in 4 hours.

ČEZ Foundation has already helped build 98 Orange Classrooms to improve teaching, especially of technical subjects

The ČEZ Foundation has helped primary, secondary, and post-secondary schools improve their classrooms, modernize their lessons, and make them more attractive for pupils and students since 2002. In order to motivate schools for teaching technical subjects, CEZ Group organizes mathematical and physics olympiads and the I Know Why competition every year. Participating schools compete for inclusion in a drawing for an Orange Classroom grant. A ČEZ Foundation grant is also provided to the most popular physics teacher in the ČEZ Ámos competition every year.

2.7.8 We Engage Our Employees

We partner in donations with our employees, which we have over 22,000 in Czechia, so they also greatly help where we operate.

Our employees can choose from multiple activities to get engaged and help under our projects. They can put their shoulder to the wheel during corporate volunteering, donate money during an employee collection, buy a product from a sheltered workshop, or help an organization they are volunteering for obtain funding from the ČEZ Foundation. They can suggest beneficiaries from their neighborhood on their own, or an organization can ask for aid directly.

Projects and Grants in Czechia

1. Time for a Good Cause—corporate volunteering program
2. Granting Wishes—employee collection
3. Granting Wishes by Breakfast
4. Sheltered Workshops' Bazaars
5. Employee Grants
6. Mom, Dad, Where Do You Work?
7. Health Days

Time for a Good Cause—Corporate Volunteering Program

A program named Time for a Good Cause is opened every year in 7 regional stages to allow everyone to help in its immediate neighborhood. In addition, there are two international volunteering days. A total of 731 employees from CEZ Group companies took part in 115 campaigns of 88 participating organizations in 2017.



Year	Number of Participating Organizations	Number of Volunteers	Total Number of Events
2014	69	533	72
2015	90	717	104
2016	86	722	112
2017	88	731	115

Granting Wishes—Employee Collection

Employees have an opportunity to take part in an annual collection named Granting Wishes, Thinking About Others, where they choose an area of support on their own in advance and recommend organizations and individuals from all 7 regions in Czechia that the aid should go to. Employees then can financially support the selected projects before Christmas. The ČEZ Foundation will double the collected amount. The 11th annual collection in 2017 raised an all-time high of over CZK 2 million; the aid was targeted at children and youths up to 26 suffering from any serious disease.

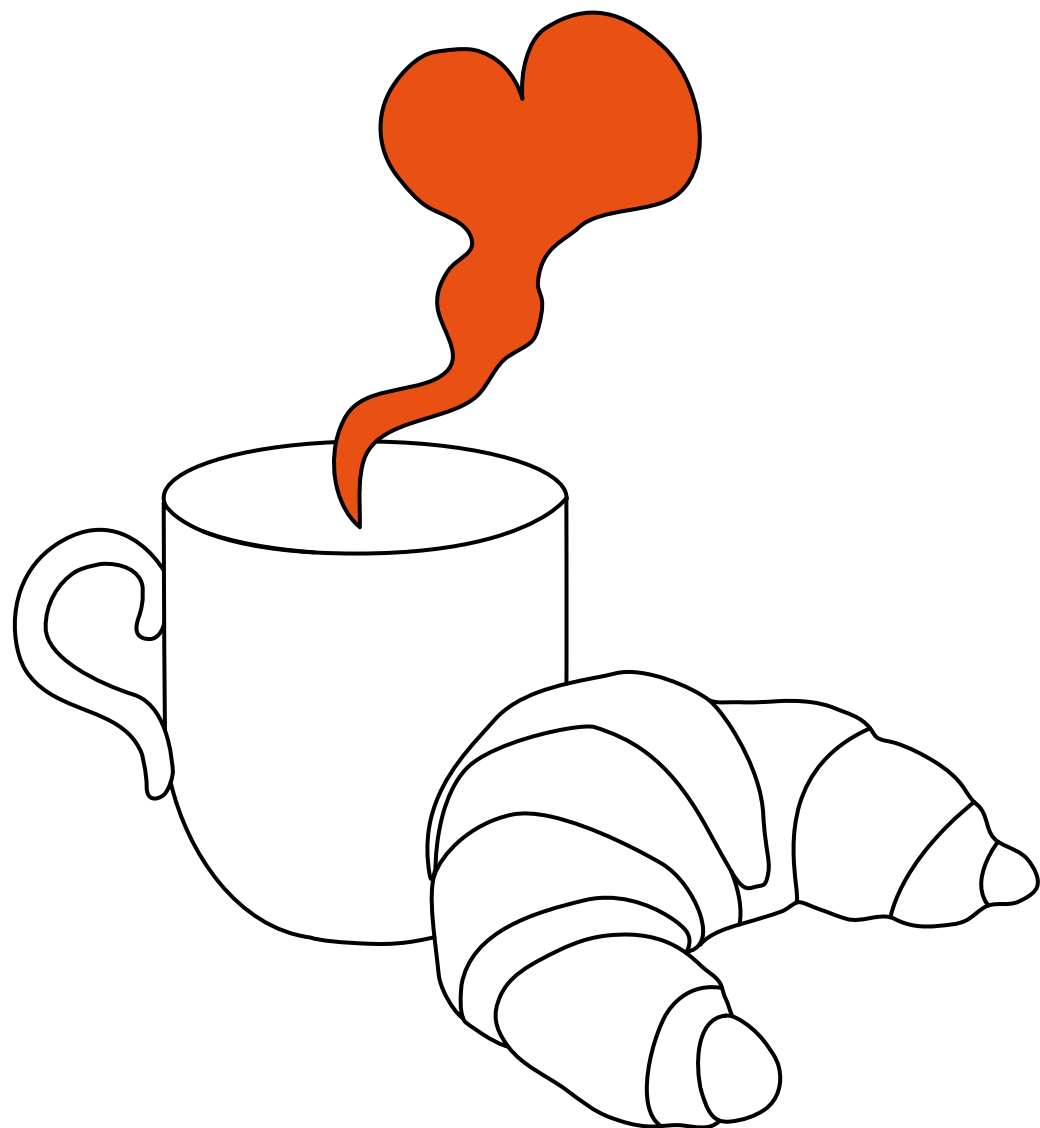
(CZK thousands)

Year	Project Focus	Amount Donated by ČEZ Foundation	Amount Collected by Employees
2014	Support for families with children and young people with physical disabilities	1,487	1,487
2015	Aid for parents with children in shelters	635	635
2016	Support for people with sensory impairment	1,139	1,139
2017	Support for children and youths up to 26 suffering from any serious disease	2,085	2,085

Granting Wishes by Breakfast

A welcome complement to employee charity is the Granting Wishes by Breakfast project, under which people with disabilities prepare breakfasts for 5 CEZ Group locations. There were 20 events organized at 5 locations in 2017. Charitable organizations' proceeds from the sales of all breakfasts in 2016 and 2017 exceeded CZK 355,000.

Based on good experience from the Granting Wishes by Breakfast project, the Rainbow Café was opened in Prague in late 2017. It is run by Startujeme, a non-profit organization. It applies the tried-and-tested concept combining professional restaurant services with a social aspect. It employs people with mild mental disabilities, whose employment is supported by guests with every purchase.



(CZK thousands)

Years	Proceeds from Breakfasts
2016	90
2017	265
Total	355

(CZK thousands)

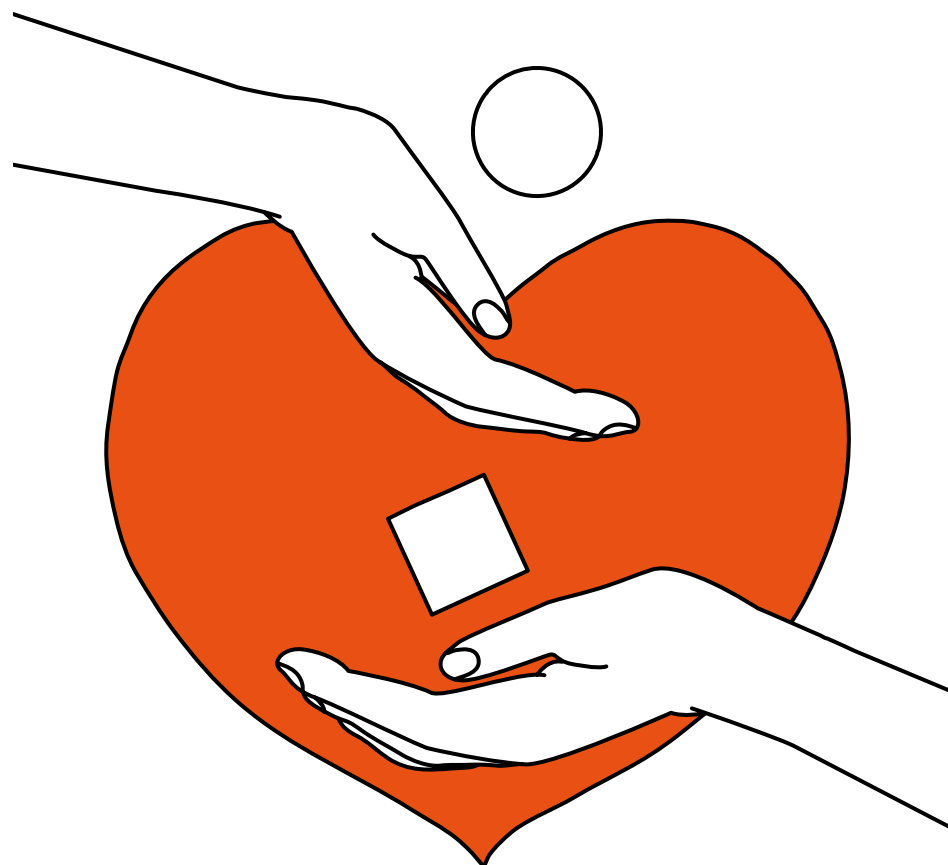
Location	Number of Breakfasts	Proceeds
Prague	9	102
Dětmarovice	1	7
ČEZ Distribuce call center, Zábřeh	1	12
Dukovany	7	112
Ostrava	2	32

Sheltered Workshop Bazaars

Sheltered Workshop Bazaars have been organized at selected locations before Easter and Christmas already for 7 years. Public benefit organizations come to our administrative buildings every year to sell their products. The organizations have managed to sell us products for more than CZK 4 million since the launch of the project.

(CZK thousands)

	2014	2015	2016	2017
Easter	258	158	259	304
Christmas	452	427	383	465



Employee Grants

The Employee Grants program is intended to support nonprofit organizations that employees of ČEZ and selected subsidiaries in Czechia are engaged with in their free time. 102 projects were supported with a total of CZK 3,011,600 in 2017.

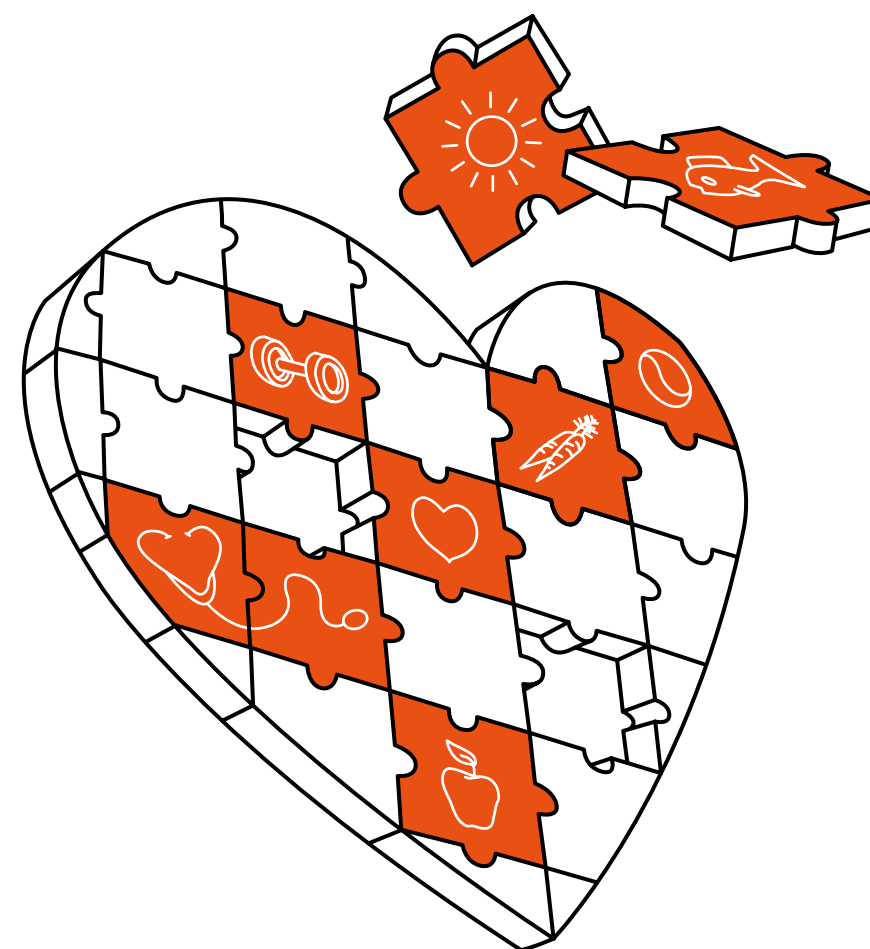
Mom, Dad, Where Do You Work?

Our goal has been to get our employees' children interested in technology, starting with the youngest kids. During the Mom, Dad, Where Do You Work? event, our employees' children were able to visit places they would not get into under normal circumstances. Employees were given an opportunity to show their families, and especially children, where and how they work. There is no better place to develop a liking for the energy industry and find future "ČEZ people" than, naturally, our own employees' families. Secondly, we also wanted to approach other

family members and friends. For safety reasons, parents cannot normally take their children to ČEZ premises. In spite of that, we sought a suitable way to show children their parents' workplace and present our company to the youngest ones where it was possible. The feedback was definitely positive; people appreciated the idea to organize the event, including its varied and interesting program and its organization. 99% of the participants rated the event positively and would recommend it to their colleagues. The event took place at 3 locations in 2017.

Health Days

Fringe benefits include Health Days, organized annually at various locations where CEZ Group employees operate since 2014. They focus on education about the prevention of potential current health risks.



Examples of Our Activities in 2017

- Beginning of Advent at Duhová (ČEZ headquarters)—Before Christmas 2017, like the year before, employees could enjoy a Christmas coffee served by CEO Daniel Beneš, take part in decorating a Christmas tree, and support the operations of traditional sheltered workshops by buying Christmas goods. Members of the Board of Directors also participated in the sale of these products.
- New activities for employees at the Dukovany Nuclear Power Plant—The Granting Wishes by Breakfast charity project, under which we support non-profit organizations in the region, allowed proceeds of CZK 112,000 in 2017. The range of breakfast products and meetings with nonprofit organizations' clients enriched the working life of Dukovany Nuclear Power Plant employees.
- Day camps at the Dukovany Nuclear Power Plant were organized in 2017 in cooperation with Halahoj, a student club at the Catholic Grammar School in Třebíč. During 2 weeks, the camps were attended in turns by 50 children of our employees. The children spent a day touring the power plant, getting to know the information center premises and models, and learning about the work of firefighters and the local police squad. They also visited the Dalešice Hydroelectric Power Plant during the week.
- Refreshing the Wardrobe was an event—a two-day charitable collection of clothing, footwear, and fashion accessories—organized throughout the country. Employees from all around the country donated 1.6 tons of clothing and footwear for 12 nonprofit organizations.
- On the occasion of the 10th anniversary of the annual ČÉZAR Awards, we decided to create a special category for personal engagement, selflessness, and help to others. By doing this, we wanted to demonstrate how much we value civic responsibility and exemplar behavior among our employees. The first winner was a long-term blood and bone marrow donor and promoter of blood-forming cell donations, employed at the Temelín Nuclear Power Plant.
- Our employees in Romania had an opportunity to propose projects for local communities under the in-house Wellbeing Generators initiative. Eight projects were selected, which aim to improve various aspects: offer equipment for nursery schools or universities, workshops or materials for disadvantaged children, or inform about campaigns for children.
- We continued with the implementation of an employee volunteering program in Romania for the benefit of seniors living in a nursing home. In 2017, 35 employees worked almost 1,000 volunteering hours for the benefit of 116 elderly fellow citizens.
- We organized an in-house charitable campaign during which employees donated toys, books, clothing, sweets, and household products for 23 poor families. The donations were supplemented by the company, which added vouchers for social services and life essentials to the collection. In addition, employees granted Christmas wishes to 35 children from the Education and Community Support Center run by St. Demetrius Foundation.

2.7.9 We Communicate Through Social Media

CEZ Group advocates as much transparency in communication as possible. We are interested in the opinions of the public and the communities where we operate. That is why we place emphasis on communication in social media. We always look into and act on any suggestions gathered from such communication.

Where you can find us:

Twitter

CEZ Group communicates on Twitter using three corporate channels:

- Skupina ČEZ <https://twitter.com/SkupinaCEZ>
- CEZ Group
- Nadace ČEZ <https://twitter.com/NadaceCEZ>

Communication on Twitter is complemented by company management profiles.

Facebook

This is the social network with the largest and most active user base in Czechia. CEZ Group currently has the following profiles on Facebook:

- CEZ Group—a general profile. Primarily intended for customer service. <https://www.facebook.com/SkupinaCEZ/>
- Pro-Nuclear—a professionally oriented profile <https://www.facebook.com/projadro/>.
- Work at ČEZ—a profile aimed at 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—a profile bringing news from the Temelín Nuclear Power Plant and its neighborhood. <https://www.facebook.com/ICTemelin>.
- Dukovany Nuclear Power Plant Information Center—a profile bringing news from the Dukovany Nuclear Power Plant and its neighborhood. <https://www.facebook.com/ICDukovany>.

Instagram

Interesting events at CEZ Group and the ČEZ Foundation captured in photos. https://www.instagram.com/cez_group/.

LinkedIn

This profile allows finding vacancies. Community: industry professionals (employees) and fresh graduates seeking a job. <https://cz.linkedin.com/company/cez>.

YouTube

Serves as a repository of CEZ Group's promotional and other videos. <https://www.youtube.com/user/SkupinaCEZ>.



Abroad

We publish summary information in English on our Twitter profile (https://twitter.com/cez_group).

In Romania, we communicate by means of local accounts at

- Facebook (<https://www.facebook.com/cezromania/>),
- YouTube (<https://www.youtube.com/user/romaniacez>),
- LinkedIn (<https://www.linkedin.com/company/cez-romania>),
- LinkedIn Distribuce (<https://www.linkedin.com/showcase/cez-distributie/>),
- LinkedIn OZE (<https://www.linkedin.com/showcase/parcul-eolian-cez/>).

There is also a Twitter profile available, which was opened in 2017 (https://twitter.com/CEZ_Romania), in order to maintain an open dialog with our partners and fans.

In Bulgaria, there are accounts on

- Twitter <https://twitter.com/CEZBulgaria>.

In Poland, there are accounts on

- LinkedIn (<https://www.linkedin.com/company/cezgroupinpoland/>),
- Facebook (<https://www.facebook.com/CEZ-Trade-Polska-452982624862498/>),
- Facebook ČEZ ESCO (<https://www.facebook.com/CEZ-ESCO-Polska-770118249842066/>).

In Germany, CEZ Group communicates on LinkedIn

- <https://www.linkedin.com/company/cez-deutschland-gmbh/>.

In Slovakia, there are profiles on

- Facebook <https://www.facebook.com/CEZslovensko/>,
- Twitter <https://twitter.com/CEZSlovensko>.

Examples of Our Activities in 2017

We communicated about two disasters and one notification of possible occurrence of failures due to heavy wind over social media in 2017. The biggest damage and power failures occurred during a state of disaster in October 2017, which was caused by windstorm Herwart. We kept our customers updated using social media, especially CEZ Group's Facebook profile, during that time. We received more than 2,000 questions from our customers.

2.7.10 We Report Nonfinancial Indicators

The output of nonfinancial indicator monitoring and reporting (GRI Standard Content Index) is included in the annual CEZ Group Sustainability Report. 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.

Examples of Our Activities in 2017

- We prepared and published our public CEZ Group Sustainability Report for 2016 in accordance with GRI Standards guidelines, covering the consolidated companies within CEZ Group. We started collecting data for the 2017 Sustainability Report, with the number of consolidated companies increased to 149.

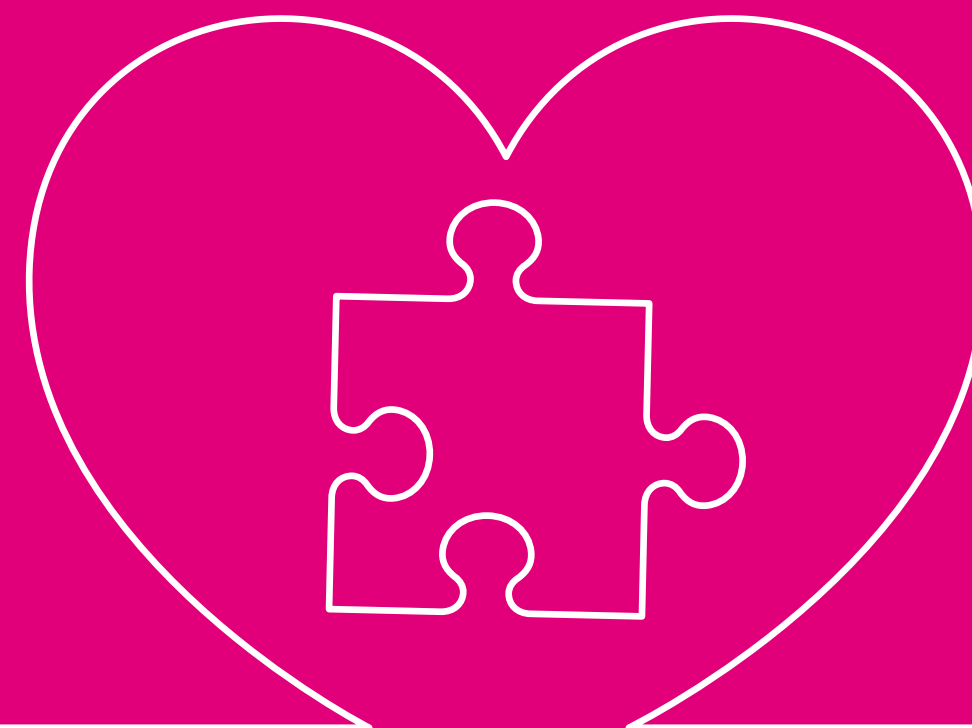
For further development, we are planning to

- Improve procedures
- Streamline data collection tools

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 30,000 customers every year to adjust our services in accordance with their replies. Today, we are among the 11 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 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.

Customer Safety and Health

We at CEZ Group follow a publicly available and presented Safety Policy. Before entering our generating facilities, customers and the public are duly instructed, trained, and equipped with personal protective equipment where needed. We pay extraordinary attention to the care for and guarantees of customer and public safety when providing our products and services.

The introduction of a manufacturing control system and careful quality monitoring by an accredited lab run by Severočeské doly ensures compliance with technical requirements for products by means of certification pursuant to Act No. 22/1997 Sb. When assessing product quality and safety, the top management uses a set of analytical, statistical, and quantified methods and gathers and analyzes obtained data, formulates problems and their significance, identifies possible directions to solutions, builds new, more efficient models, and compares costs with benefits in a continuous cycle in order to set the correct direction in providing high-quality, safe products and services.

We Do Not Have Different Attitudes to Customers or the Public

- Safety is our top priority, and we behave accordingly.
- We operate safe facilities.
- We comply with instructions and requirements in laws and regulations.
- The care of occupational safety and health, continuous improvement in working conditions, and knowledge of occupational safety and plant safety regulations are an integral part of job performance for all employees.

2.8.2 We Offer Products and Services Beyond Commodities

We want to build an ecosystem of products and services aimed at households' comfort beyond the commodity in order to be the customer's natural partner providing energy, comfort, and savings.

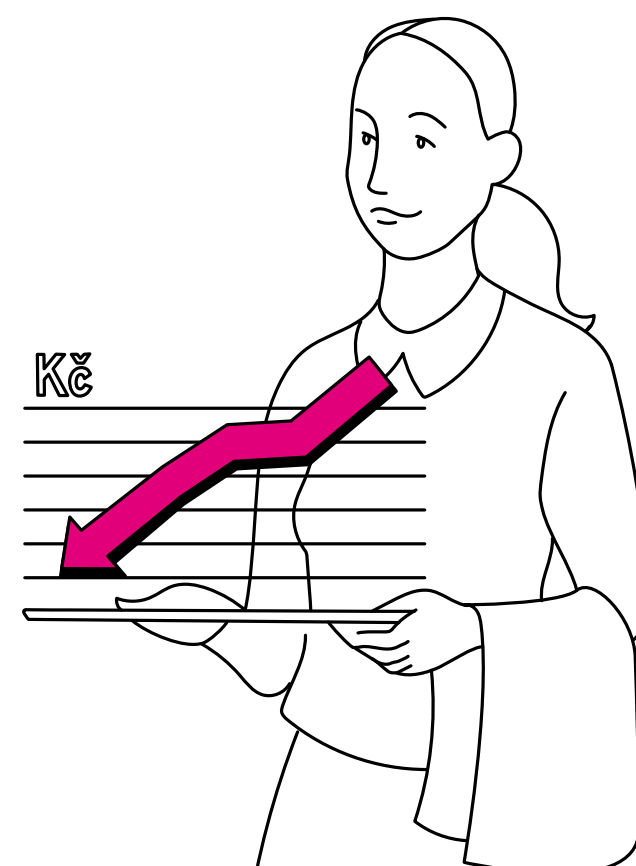
- We are the Czech market leader in rooftop photovoltaic installations. We installed 307 systems for our customers in 2017.
- ČEZ ESCO customers saved CZK 184 million in 2017 under EPC projects, in which the contractor guarantees the customer a level of savings to be achieved by the solution right in the contract, and the savings are used to repay the investment itself. Enesa and EVČ, two subsidiaries of ČEZ ESCO providing these services, had a share of 57% in the savings of the entire Czech EPC market in 2017.
- ČEZ Energo, a subsidiary of ČEZ ESCO and Tedom, is the market leader in cogeneration units in Czechia. It currently operates 117 cogeneration units throughout Czechia, with a total installed electrical capacity of 93 MW_e.
- ČEZ Prodej began offering the tado° smart thermostat in the Czech market in 2017. The thermostat automatically turns the heating up or down depending on how many people are at home. It also works with weather forecasts. We have already sold hundreds of the thermostats and installed them in our customers' buildings.
- ČEZ Prodej started a pilot test of its ČEZ HEATING SERVICE in 2017 (the service has since become generally available), providing customers with a comprehensive package of services relating to gas boiler service, flue way inspections, and breakdown insurance. We already have 2,000 satisfied customers.

13,000 lights have already been constructed or reconstructed by ČEZ ESCO,

including 5,000 lights in Czech municipalities and 8,000 lights on business sites. Modernized lights bring about savings of expenditures on electricity and maintenance. They not only enhance the reliability of a lighting system but also, with street lighting, increase road safety by improving visibility on roads. Savings from light reconstructions reduce costs by as much as 60%.

297 buildings and their energy consumption are currently monitored by ČEZ ESCO

ČEZ ESCO personnel monitor the operations of hospitals, nursery and primary schools, administrative buildings, industrial facilities, as well as concert halls and theaters throughout Czechia. ČEZ ESCO thus helps its customers from both the private and the public sectors with seeking and achieving additional savings. By doing so, it saves their money while helping improve the environment in Czechia. Average energy savings per project range from 15% to 50%, allowing businesses and municipalities to save hundreds of thousands to tens of millions of CZK a year.



2.8.3 Customer Experience

We concentrate on customer satisfaction with the request handling process, on satisfaction with service, and on the amount of effort a customer needs to expend to get their request resolved. The outputs serve, among other things, as a basis for corrective action that we take on an ongoing basis.

We got feedback from about 30,000 customers in 2017. Compared to last year, we considerably expanded the feedback collection process to include customer satisfaction with noncommodity products and services (ČEZ CARD, ČEZ PHOTOVOLTAICS, ČEZ ASSISTANT, ČEZ WITHOUT WORRIES, ČEZ HEATING SERVICE). In addition, the continuous collection of customer experience with noncommodity services was complemented by extensive mystery shopping in 2017, during which we mapped out the full customer path in the purchase of our noncommodity services. Mystery shopping is another important element for identifying weaknesses in individual processes and a basis for potential improvement and enhancement of customer satisfaction.

ČEZ Prodej launched a toll-free customer care line at 800 810 820

After ČEZ Distribuce's toll-free contact line, which is intended for nonstop failure reporting and other distribution requests, there was another toll-free line launched by ČEZ Prodej. Customer care line operators provide information and deal with requests concerning ČEZ products and services every day from 7 a.m. to 8 p.m. Our services must be quick and efficient—our customers can now have their requests handled free of charge, every day, including weekends.

ČEZ Prodej handled more than 3.5 million customer requests in 2017

Customers most often contacted ČEZ by phone and e-mail. More than half a million of them visited customer care centers. Letters and for thousands of customers even faxes also remain a popular means of contact. ČEZ Prodej handled a total of 3,538,414 requests. Operators in ČEZ Prodej call centers, located in Plzeň, Kolín, and Třebíč, answered a total of 1,379,557 calls. Customers most often call on Mondays and Wednesdays, when we usually handle six to seven thousand calls a day. Overall, the peak season of the year is fall, when more customers call because of their bills and the approaching heating season.

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.

For detailed statistics and information about the ČEZ Ombudsman's activities in 2017, refer to the annual report published on the web at www.cez.cz/ombudsman.

The ČEZ Ombudsman Aid Center was prepared for the website www.cez.cz/ombudsman for 2018, containing descriptions of the most common situations in which customers contact the ČEZ Ombudsman.

Examples of Our Activities Abroad in 2017

- 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 an Energy 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. Both parties' views are always taken into consideration. The main principles of the energy ombudsman's activities are: lawfulness, independence, fairness, and discretion based on firm conviction, justice, transparency, publicity, humanity, and tolerance.

The ČEZ Ombudsman has been contacted by more than 6,000 customers, upholding 730 motions during eight years

The CEZ Group Ombudsman, who was the first to start serving customers in Czechia's energy sector more than eight years ago, has dealt with motions submitted by 6,185 clients so far. Most of the motions were concerned with contractual issues and the metering of consumed electricity. The ČEZ Ombudsman reviews the cases of clients that are not satisfied with how their complaint or claim previously filed with the relevant CEZ Group company has been handled. When a claim is justified, he makes recommendations to CEZ Group companies for making changes in their procedures or taking corrective action. He received motions filed by 1,293 customers in 2017 alone—946 of them were concerned with electricity supplies, 317 with natural gas supplies, 22 with financial services, and 8 with telecommunications services.

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. An appropriate form of communication with these groups is important to us.

We offer a special product line for disability certificate holders and those who live together with disability certificate holders. The product line is coupled with priority treatment at customer care centers and call centers. High-quality customer services and basic energy consulting can be used under preferential conditions.

We endeavor to let all our customers choose the manner of contacting us that is the most comfortable for them. We have a network of 25 customer care centers and 52 contractual partner offices throughout Czechia. There is a toll-free Customer Care Line of ČEZ Prodej available at 800 810 820 and a toll-free contact line of ČEZ Distribuce available at 800 850 860. We also accept requests sent in via e-mail, mail, fax, and our ČEZ ONLINE web and mobile app.

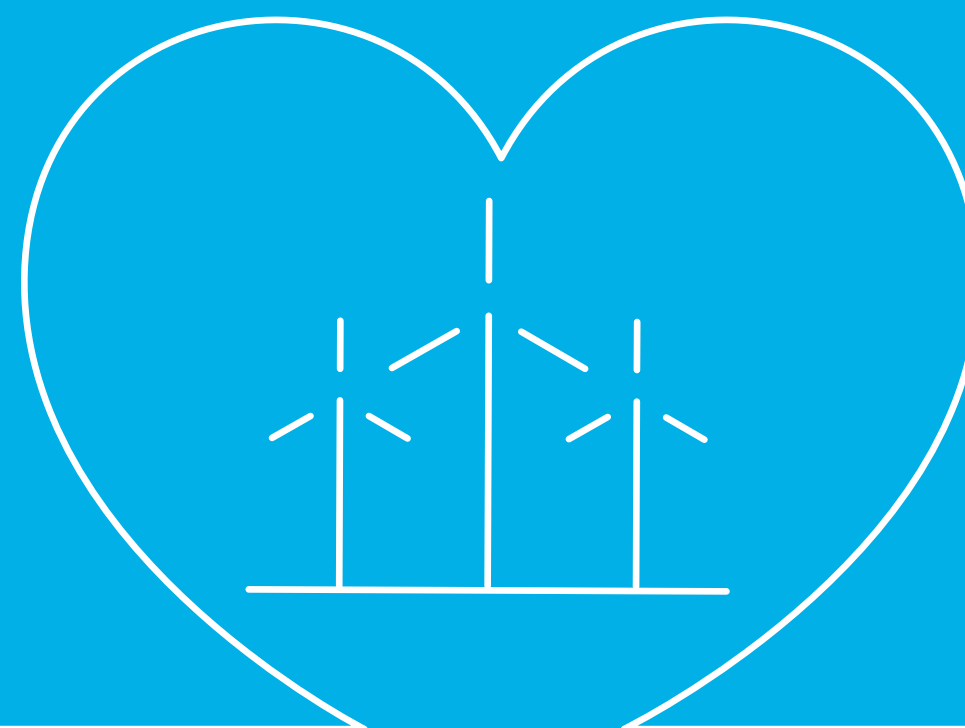
Examples of Our Activities in 2017

- It is a known fact that elderly people are easily vulnerable and manipulable. To protect them and others, CEZ Group intensified the prevention of unfair business practices used by fake salespeople, who deceive people using various tactics. We established a special team at our call center to address the problem of unfair practices. We recommend contacting our toll-free customer care line at 800 810 820 or our customer care centers if an end-use customer is visited by a door-to-door salesperson that persuades them to get supplies or change their contract on behalf of ČEZ or extorts personal data and payment details in any way.

2.9

STRATEGIC PRIORITY NO. 4

ENABLE ENERGY SECTOR TRANSFORMATION

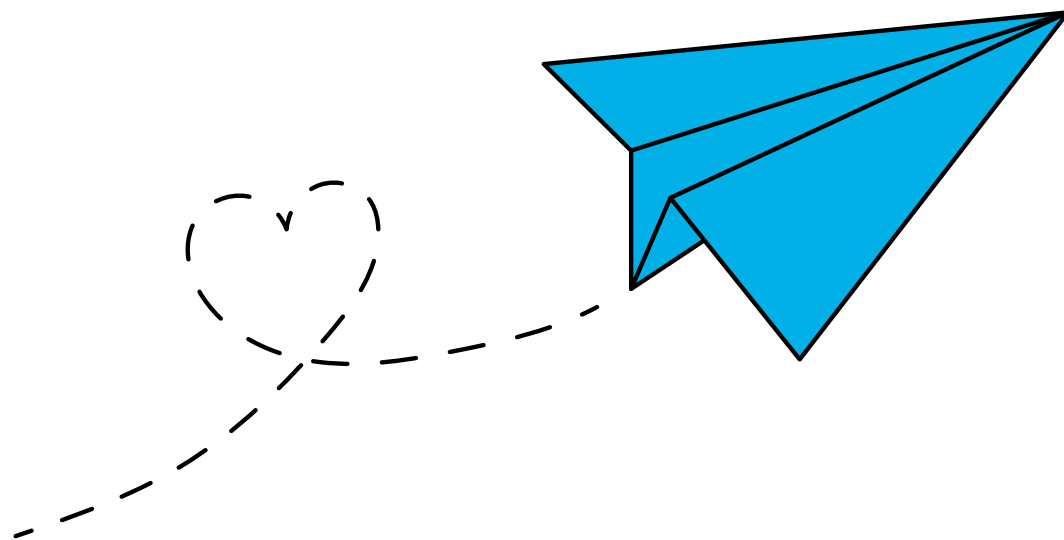


We are concerned with both the theory and the practice of energy sector transformation, including the improvement of energy efficiency and use of renewable energy. We want to offer customers high-quality services according to new trends.

2.9.1 We Are a Leader of Energy Sector Transformation

We want to be the leader of energy sector transformation in Czechia. The gradual transformation of the whole energy industry will logically bring about big investment opportunities. We are building the public image of CEZ Group as a modern and innovative corporation and a reliable partner.

- We actively participate in international conferences concerning energy sector transformation.
- We maintain a dialog with legislative and regulatory authorities over market structure, regulation, and legislation.
- We approve and gradually fulfill strategies and related investments in renewable energy sources and ESCO services (enhancing energy efficiency, energy savings, etc.).
- We are the leader in e-mobility in Czechia and the operator of the highest number of public charging stations.



2.9.2 We Develop Clean Technologies

We aim to develop clean technologies for electricity generation, electricity, gas, and heat consumption, and transportation.

Examples of Our Activities in 2017

- We reduced the emissions intensity of electricity generation (tCO₂/MWh) by 7.3%.
- We are the Czech leader in rooftop photovoltaic installations. ČEZ Solární installed and connected 307 such systems in 2017, with a total capacity of 700 kWp for household customers and a capacity of 5 MWp for corporate customers. 97 solar installations are fitted with battery systems, which ČEZ offers to its customers also on lease. The life expectancy for the photovoltaic panels is up to 30 years and ČEZ provides a 25-year warranty for 80% output capacity and a 10-year warranty on the panels alone.
- CEZ Group operated 40 fast charging DC stations and 51 standard AC charging stations in Czechia in 2017.
- ČEZ ESCO provided the Prague Public Transport Authority with ten electric vehicles to be used in regular operation for 3 years.
- Our subsidiary Inven Capital invested in two companies. One is Cloud&Heat Technologies, a company building a network of energy-saving data centers near end users. The other is VULOG, a company providing complete solutions for carsharing transportation services operators with large fleets, reducing the total number of cars in cities.
- We acquired another 53 operated onshore wind turbines in Germany in 2017, increasing our total capacity to 133.5 MW.
- We entered the French market in renewable energy sources by acquiring 9 wind farms in an advanced stage of development with a future capacity of up to 101.8 MW.
- With its engagement, ÚJV Řež contributes to the development of new generations of reactors. SUSEN (SUStainable ENergy), a major project undertaken by the Řež Research Center, is part of the Research and Development for Innovation program managed by the Ministry of Education, Youth, and Sport of the Czech Republic.

Examples of Our Activities Abroad in 2017

- We entered the German market in ESCO services by acquiring Elevion, a company providing comprehensive energy services and savings to large businesses, cities, and local administrations. We also entered the Polish market by acquiring Metrolog and OEM Solar.
- Wind park know-how in Romania was enhanced thanks to the development of a remote monitoring center. Consequently, our experts improved the efficiency of 1,237 distant actions at 34 turbines over 7 months. The total duration of the remote monitoring center's efficient actions was 255 hours.
- Another successful result was produced by a Romanian project addressing misalignment of wind turbines. A method was developed to check swing deviation in relation to wind velocity and to make corrections. Checks according to the new method took place at 186 turbines and wind parameters were readjusted at 60 turbines in 2017. The purpose was to eliminate loss of output due to misalignment and to improve the overall performance of wind turbines.

2.9.3 We Are a Partner of the National Center for Energy Savings (NCES)

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:

- 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

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.

2.9.5 We Make Cities “Smart”

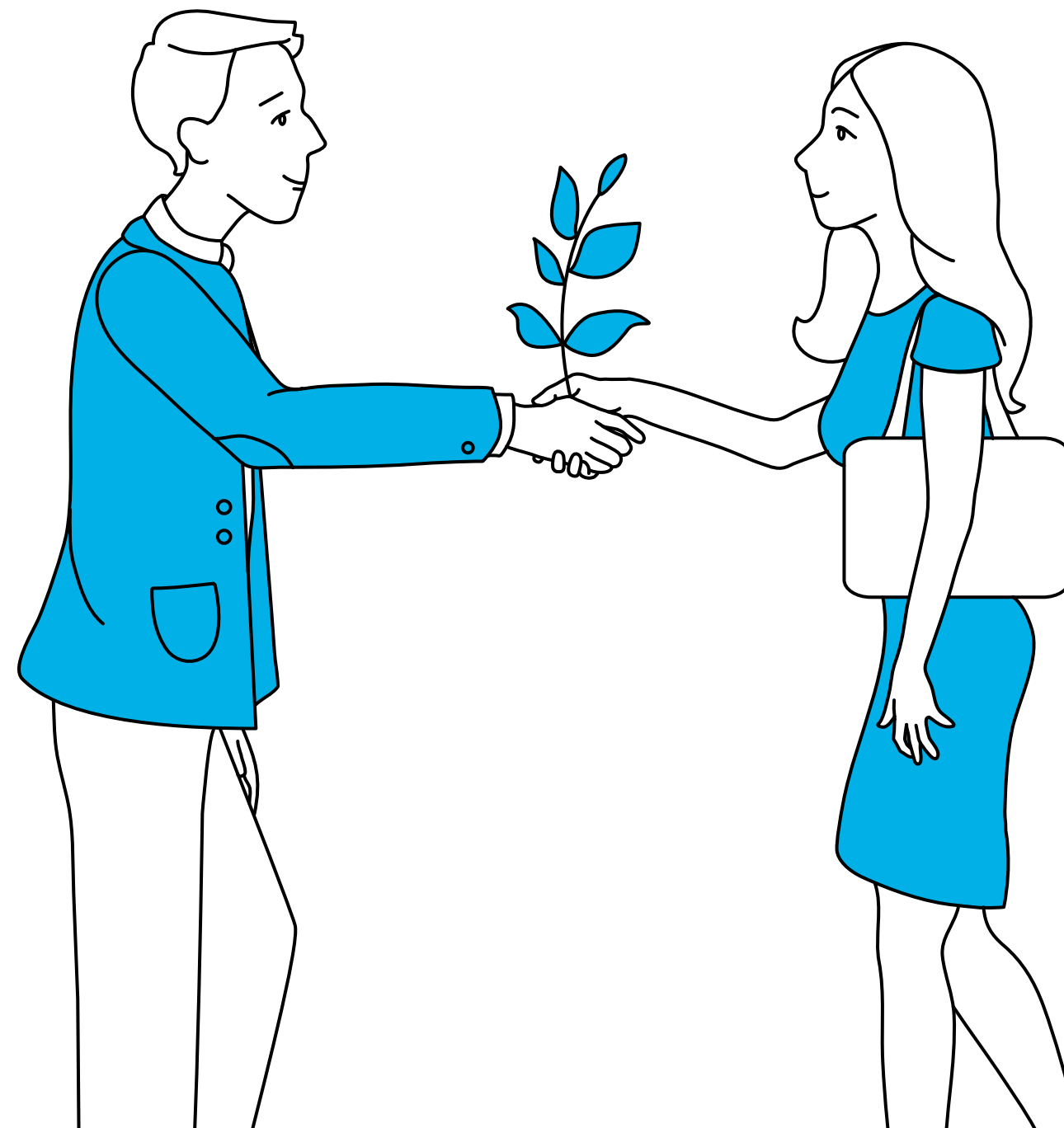
Our goal is to help cities increase energy savings and enhance energy efficiency under the Smart City concept. By doing so, we will improve the quality of the environment in cities as well as the quality of life for their inhabitants. This approach also allows us to take advantage of and expand the product portfolio of ČEZ ESCO.

Examples of Our Activities in 2017

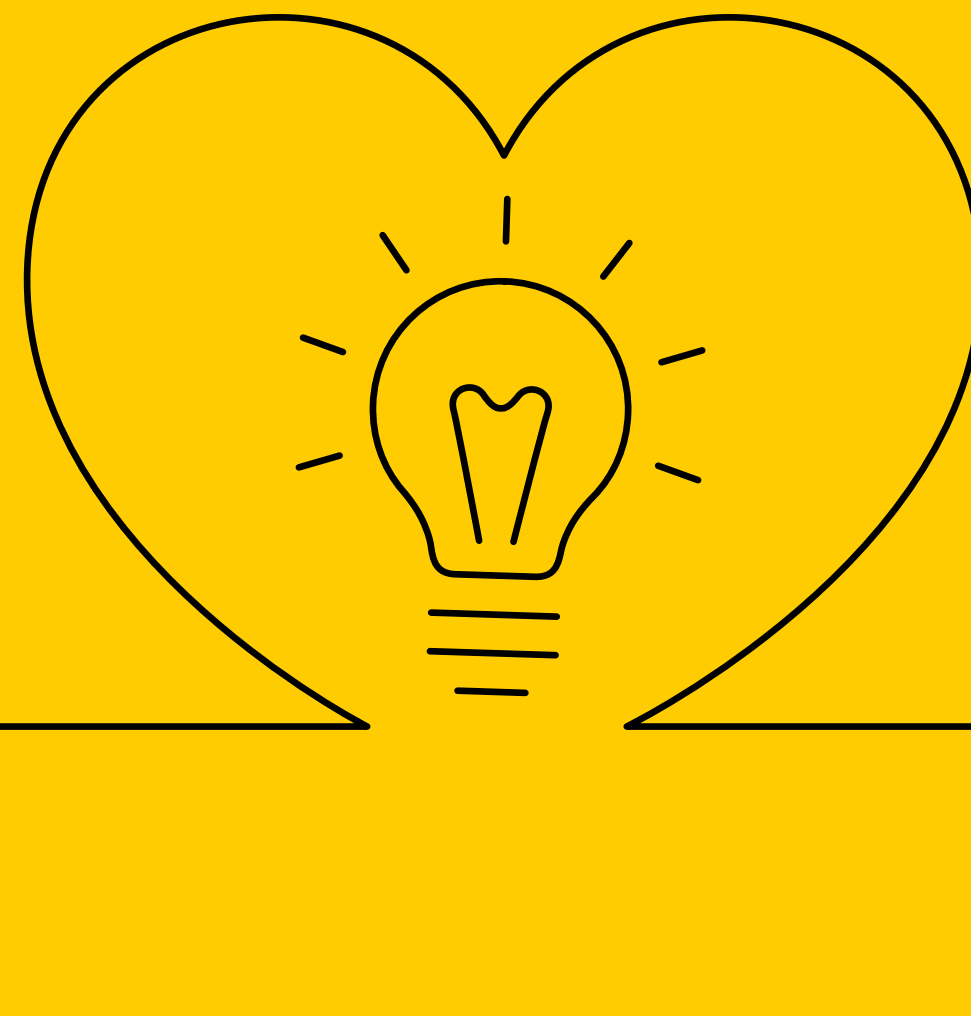
- We managed to put into service charging stations for electric buses in Třinec, which became the city with the second largest fleet of electric buses in the region, after Vienna.
- We provide smart energy management for 297 buildings throughout Czechia and propose additional savings for them.
- We operate 18,000 public lighting points in Czech cities, towns, and villages.
- We are, through our subsidiary ENESA, part of Quantum, a pan-European project looking into differences between predicted and actual energy performance in European buildings and related quality management systems.
- We co-organized the ČEZ Innovation Marathon with the topic of Smart City. We became members of important entities and signed memoranda with major organizations (Czech Smart City Cluster, Smart Plzeň Region Cluster, EY Memorandum).
- The public energy portal of our subsidiary ENESA won the Smart Cities competition.
- We organize Smart City workshops for cities.

2.9.6 We Are Close to Europe—Brussels Office

Our office 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. In turn, we 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.



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 consists of Ústav jaderného výzkumu Řež, a. s. (Řež Nuclear Research Institute) and 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.

CEZ Group invested CZK 1,041 million in research and development in 2017, mostly in the Řež Research Center

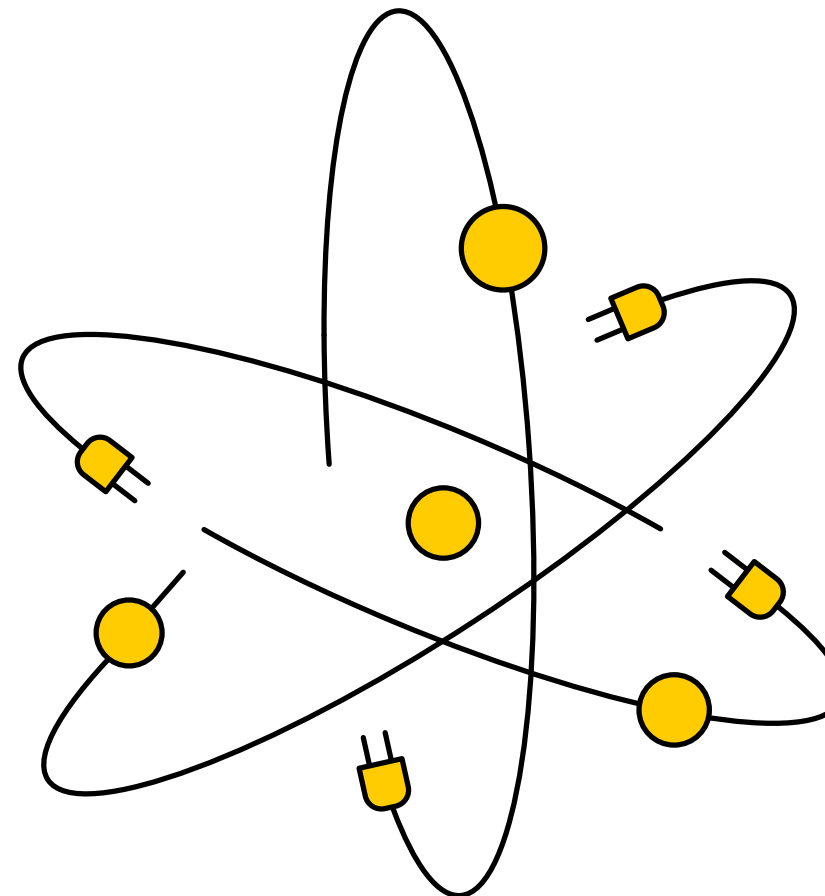
ČEZ invests primarily in projects that have great potential to find practical application. It takes part in a number of international programs, especially those aiming to extend the service life and enhance the operational efficiency of nuclear power plants and renewable energy sources.

CEZ Group invested more than CZK 180 million in a nuclear power plant surveillance specimen program in 2017. The program aims to obtain as accurate information as possible about the current condition of reactor pressure vessels in order to achieve better predictability of their service life.

ÚJV Řež

ÚJV Řež provides a wide range of services including, most importantly, applied research and designing and engineering activities in the energy sector, industry, and health care. For more than 60 years of its existence, it has been a top-level technology center both in Czechia and worldwide. Its capabilities, relying on experienced experts and specialized technical Infrastructure, allow the company to compete for complex contracts at both national and international level.

The services of ÚJV Řež focus on support for the safe and efficient operation of power generation facilities, fuel cycle chemistry, and comprehensive services for the management of radioactive and other waste and designing and related engineering activities. In the field of nuclear medicine, it develops, manufactures, and distributes radiopharmaceuticals and builds and operates positron emission tomography (PET) centers.



Centrum výzkumu Řež

Research and development at Centrum výzkumu Řež (Řež Research Center) focuses on nuclear energy, reactor physics and technology, chemistry, and materials and serves to support and provide service to Czech and foreign organizations. More information about SUSEN, its major project, can be found in [section 2.9.2 We Develop Clean Technologies](#).

At the national level, we strive to promote collaboration with research institutes and universities. Our goal is also to strive to engage industry in research as much as possible and provide the operating services of the two research reactors to the professional public.

At the international level, we want to be an equal partner in cooperation in science and technology, participate in European joint research projects, and provide irradiation services for European and other clients. Through involvement in European and global research, we support Czech industry in its commitment to innovation.

ČEZ Distribuce

Dynamic development in the electric power sector, especially in renewable sources for electricity generation connected to distribution systems and e-mobility development, is completely changing the long-standing customary pattern of distribution systems with one-way power flow from large power plants to consumers, primarily due to a large number of connected photovoltaic installations.

That is why ČEZ Distribuce ventured into Smart Grids several years ago. Their implementation cannot make do without new technologies, which have undergone rapid development during the past few years. However, selected new technologies need to be tested responsibly under real-world operation first to prevent risks to the safety and reliability of distribution system operation and/or electricity supplies to all service points.

Undertaking projects that test concepts and implement smart grid technologies allows ČEZ Distribuce to respond in a timely manner to future development in the electric power sector, which is also spurred by customers' efforts to generate electricity on their own. This will make ČEZ Distribuce ready to meet ever-growing demands for reliability and quality in electricity supplies and requirements for the safety of supplies in case of emergency (ČEZ Distribuce operates "critical" infrastructure).

In the European context, there is a discernible trend for gradual switchover to Active Grid Management and the introduction of smart grid solutions as a cost-effective antithesis of the traditional grid capacity increasing approach.

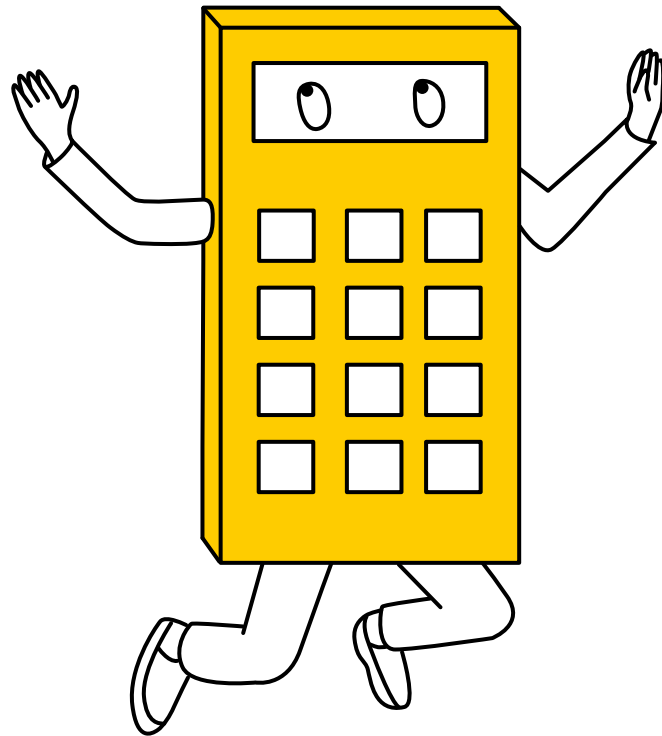
ČEZ Distribuce collaborates with universities and research institutes on studies on a long-term basis. As part of its collaboration with universities, the company is a long-term submitter of diploma thesis topics for individual faculties to offer to their students. An internal coordination mechanism is in place for the preparation and coordination of thesis topics, evaluating proposed topics in respect of practical benefits for the company and appointing a topic sponsor from the company's expert units, who provides assistance and leadership during thesis writing. Finished theses are evaluated with a view to the fulfillment of defined objectives as well as the author's contribution and potential for possible employment.

ENESA

We monitor technology research and development undertaken by the manufacturers of components for our projects. Our own development focuses on software solutions for energy management in buildings. We have developed our own software, Opereta, and management add-ons to third-party software solutions, which are used by our control center to operate and control energy efficiency and assess savings in our customers' buildings based on projects we designed and implemented. We participate in Quantum, a European project improving the energy performance of buildings.

Severočeské doly

The Severočeské doly Group uses research and development to mitigate the environmental impact of mining. It is engaged in the reconstruction and modernization of mining equipment and conveyor lines and coal processing technology. The Severočeské doly Group's research and development is undertaken by experts from PRODECO, Revitrans, and the associated Brown Coal Research Institute. They seek new, environmentally friendly methods for coal preparation and processing, including combustion product utilization and brown coal desulfurization. They also address the matters of environmental planning and protection in the coal mining districts of northern Bohemia.



2.10.2 Inven Capital Investment Fund

Inven Capital is a venture capital fund seeking opportunities for investment in smaller to midsize innovative businesses operating in the new energy sector in Europe. It mostly looks to energy efficiency, distributed energy generation, energy flexibility and storage, data services for the energy sector, clean transportation, Smart City, and other areas.

Examples of Our Activities in 2017

- Managing to fulfill its strategic plan, Inven Capital added Cloud&Heat Technologies, a Dresden-based company, to its portfolio in the first half of 2017. The company designs, builds, and operates the most energy- and cost-efficient distributed and centralized data centers deploying water-cooled servers whose waste heat is used to heat buildings and hot water.
- Inven Capital became a member of Invest Europe (a European private equity, venture capital, and infrastructure sectors association) and CVCA (Czech Private Equity and Venture Capital Association) in 2017.
- The Inven Capital team reviewed up to 500 potential investment opportunities from all around Europe during the year, of which approximately 10% got into a detailed analysis stage.
- At the end of the year, INVEN CAPITAL received EUR 50 million from the European Investment Bank (EIB) for joint investments in innovative cleantech firms.

2.10.3 /E/mobility—Energy to Move Forward

We closely monitor the number of charging stations in operation, the number of customers, as well as the amount of kWh supplied. Our goal in this area is to position ČEZ as a key public charging provider in Czechia.

The construction of charging stations continues on an ongoing basis, newly also with aid from public funds (2 individual projects cofinanced under the EU's CEF program). The number of customers keeps growing as the e-mobility project advances in Czechia. While 70 operational stations, including 25 DC fast charging stations, were available at the end of 2016, there were already 91 public charging stations, including 40 DC fast charging stations, in operation at the end of 2017. Additional charging stations are in preparation.

ČEZ had 470 customers using the public charging service at the end of 2016; the number increased to 555 customers by December 31, 2017. The amount of electricity supplied for electric vehicle batteries increased significantly as well. While 128,600 kWh was supplied in 2016, a whole 487,322 kWh of electricity was supplied in 2017.

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.

2.10.5 Innovative People Want to Work for CEZ Group

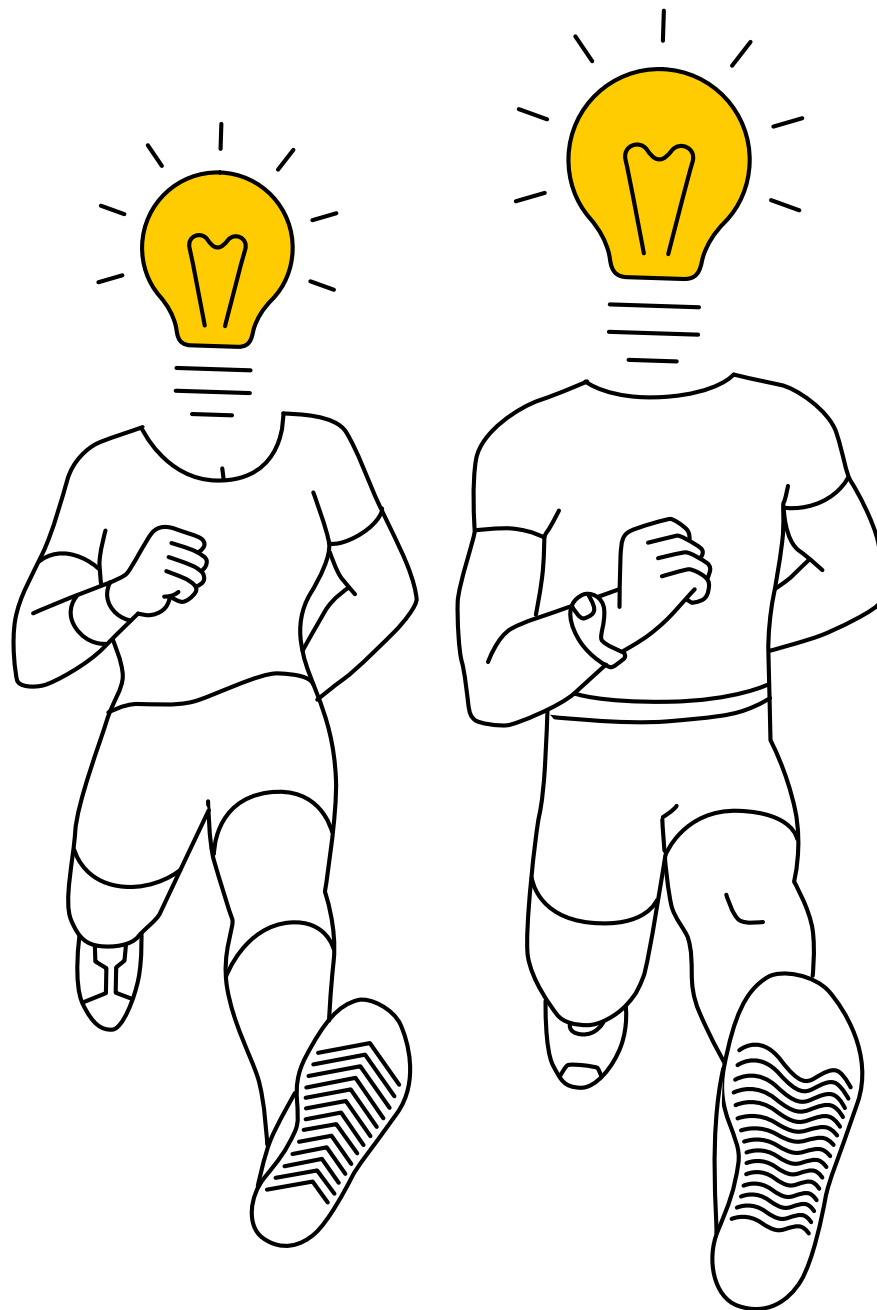
With the current excessive demand in the labor market, where employers must compete for high-quality prospective employees more than ever, companies bend over backwards to come up with innovative recruitment approaches. CEZ Group in collaboration with ČEZ's Strategic Recruitment unit has been seeking prospective employees among students in power electrician vocational programs and electrical engineering programs for four years by means of a recruitment roadshow named Do You Want to Try Live-Line Work? The event is one of many presented by CEZ Group on its recruitment website at <http://kdejinde.jobs.cz/>. Others can apply for a trainee position on the site, too. The roadshow took place mostly at partner schools. The number of freshly graduated students of technical schools joining ČEZ Distribuční služby as trainees was 50 and 20 in 2016 and 2017, respectively.

We aspire to change the public's perception of CEZ Group. Our goal is to build a corporate image and brand awareness associated with innovation, increasing CEZ Group's attractiveness as an employer for business-oriented people with creative thinking that can help CEZ Group keep abreast of the market and develop customer relationships. We collaborate with a number of schools, recently also outside technical fields, such as business schools or schools focusing on the environment and ecology. We take an active part in research projects and expert and technological forums. We organize competitions for the public with focus on innovation in the energy sector. Presenting CEZ Group as an innovative entity becomes a prerequisite for getting the best people with innovation potential to realize our business plans.

CEZ Group is successful in its efforts, winning several awards for industry innovation every year. Another, already the 3rd annual Innovation Marathon was organized in 2017.

Innovative approaches in the power sector were also frequent topics of articles and interviews we published in university students' magazines. Innovation was also addressed by a streamed lecture intended primarily for university students during TechnicDays in 2017. The live broadcast was watched by almost 1,500 viewers.

We prepared a virtual tour of nuclear power plant technology using 3D glasses in 2017, which we want to use mainly at fairs and our events.



2.10.6 Innovation Marathon

The Innovation Marathon has had 3 objectives since its creation:

- Promoting ČEZ as an innovative company
- Promoting ČEZ as an attractive employer
- Collecting new ideas for innovation

The third annual event in 2017, like the second one before, was organized by a ČEZ team (the strategy, strategic recruitment, and communication units, ČEZ ESCO, and experts from other units). Based on the experience of and feedback from participants in the previous year, we put more emphasis on getting students know one another even outside their assigned teams, on more emotions and fun during the event, and on the overall atmosphere at the marathon. For the first time, students had their roles in teams (citizen vs. mayor).

An HR stall was available during the event, offering information on open positions for students and fresh graduates. The networking part of the program was a great success once again. Participants met with more than 30 CEZ Group employees during the marathon. Interest in employment with ČEZ increased considerably after the event (voting at the end of the event), which is a positive side effect of this activity.

The final presentations and midstream tasks brought some interesting ideas:

- Smart rating of cities (according to different parameters affecting the quality of life)
- Trash hunter—QR codes on trash cans, letting citizens report those that are full
- Smart fun zones at universities (or in other public buildings)
- Smart parking (various modifications)
- Electric taxi connected to overhead wires that can disconnect and ride a short distance using batteries
- Self-cleaning garages
- Smart pedestrian crossing
- Police drones

But we also encountered more daring ideas:

- Renewable energy sources on Mars
- Solar blanket

GRI STANDARD CONTENT INDEX AND ENVIRONMENTAL NONFINANCIAL DATA 2017

GRI STANDARD CONTENT INDEX 2017

Data in the tables below represent CEZ Group

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	Sec. 1.4.1 AR pg. 59 CEZ Group Strategic Objectives AR pg. 97 Brief Forecast of Developments in the Energy Sector with Respect to CEZ Group
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 organization	Sec. 1
	102-12	External collaboration	Sec. 2.3
	102-13	Membership in associations	Sec. 2.3
	102-18	Governance structure	Sec. 1.3 AR pg. 52 Concern Management AR pg. 168 Basic Organization Chart of ČEZ, a. s.

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. 2.1 and 2.7.2
	102-44	Key topics and concerns raised	Sec. 2.7.2
Report profile			
	102-45	Entities included in the consolidated financial statements	Sec. 1.1
	102-46	Defining report content and topic boundaries	Sec. 2.2
	102-47	List of all material topics	Sec. 2.2 and 2.5
	102-48	Restatements of information	GRI 302 GRI 305-3
	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. 2.2
	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. 2.2
	102-55	GRI content index	Here
	102-56	External assurance	Sec. 2.2

ECONOMIC, OPERATIONAL, AND SUPPLIER TOPICS

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 201	201-1	Direct economic value generated and distributed	AR pg. 66 CEZ Group Financial Results AR pg. 73 CEZ Group Capital Expenditures
	201-2	Financial implications and other risks and opportunities due to climate change	AR pg. 10 CEZ Group entered the French market by acquiring wind farm development projects with a potential for the construction of up to 101.8 MW. It expanded its portfolio in Germany with an operated 35.4MW wind farm at Lettweiler Höhe, increasing CEZ Group's total capacity in German wind farms to 133.5 MW and to almost 770 MW throughout Europe.
	201-3	Defined benefit plan obligations and other retirement plans	AR pg. 148 Social Policy
	201-4	Financial assistance received from government (subsidies and tax relief)	AR pg. 138 Research and Development—Subsidies AR pg. 19
GRI 203	Management approach	Indirect economic impacts and effects	Sec. 1.1
	203-1	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
		Report current or expected impacts on communities and local economies.	Sec. 1.1
		Are these investments and services commercial or pro bono engagements?	Sec. 1.1
	203-2	Significant indirect economic impacts	
		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
Electric Utilities Guidance		Research and Development	Sec. 2.10.1 AR pg. 138 Research and Development
Electric Utilities Guidance		Plant decommissioning	AR pg. 240 Provisions for Decommissioning and Reclamation of Mines and Mining Damages
Electric Utilities Guidance		Emergency Plans and Response Measures	Sec. 2.6.3 and 2.6.7 AR pg. 82 Risk Management AR pg. 86 Safety Management at CEZ Group
GRI 102	102-11	Precautionary principle	Sec. 1.5

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 205	Management approach	Anti-corruption	Sec. 1.5 AR pg. 81 Risk Management at CEZ Group
	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?	0 in Czechia, 4 abroad.
		Describe the nature of confirmed incidents..	Employee misconduct in Bulgaria, Turkey, and Romania.
		What is the number of confirmed incidents in which employees were dismissed or disciplined for corruption?	4—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
GRI 102	102-9	Supply chain	Sec. 2.6.9
	102-10	Significant changes to the organization and its supply chain	Sec. 1.3 and 2.6.9 AR pg. 153 Changes in CEZ Group Ownership Interests
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	
		What is the number of suppliers identified as having significant actual and potential negative environmental or ecological impacts?	1
		Report significant actual and potential negative environmental or ecological impacts identified in the supply chain.	Poor quality of a product/service delivered by a 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	Sec. 2.6.9
		What is the number of suppliers identified as having significant actual and potential negative social impacts?	0
		Report significant actual and potential negative social impacts identified in the supply chain.	0
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—e.g., power plant operators, maintenance, or administrative.	Sec. 2.6.9

SOCIAL TOPICS

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result %* 2016	Result Figure/Text 2017	Result %* 2017
GRI 401	Management approach	Employment				<u>Sec. 2.7.3</u>	
GRI 102	102-8	Information on employees and other workers	Total number of employees	26,895	100	29,837	100
		What is the total number of employees by gender and employment contract—temporary?	Women	691	2.6	939	3.2
			Men	1,359	5.1	1,904	6.4
		What is the total number of employees by gender and employment contract—permanent?	Women	4,919	18.3	5,440	18.2
			Men	19,926	74.0	21,554	72.2
		What is the total number of employees by region and employment contract—temporary?	In Czechia	1,974	7.3	2,517	8.5
			Abroad	75	0.3	326	1.1
		What is the total number of employees by region and employment contract—permanent?	In Czechia	19,424	72.2	19,765	66.2
			Abroad	5,422	20.2	7,229	24.2
		What is the total number of employees by gender and employment type—full-time?	Women	5,486	20.4	6,127	20.5
			Men	21,153	78.6	23,099	77.4
		What is the total number of employees by gender and employment type—part-time?	Women	124	0.5	252	0.9
			Men	132	0.5	359	1.2
		Identify any significant variations in the numbers reported in Disclosures 102-8.		0		0	
		Explain how the data have been compiled.		Consolidation of nonfinancial reporting and selected data from the 2016 AR.		Consolidation of nonfinancial reporting and selected data from the 2017 AR.	
		What is the total number of employees—by gender?	Women	5,610	20.9	6,379	21.4
			Men	21,285	79.1	23,458	78.6

* Percentages are of the total number of CEZ Group employees.

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result % 2016	Result Figure/Text 2017	Result % 2017
GRI 405	Management approach	Diversity of governance bodies and employees				AR pg. 53–54 Compliance with WSE Corporate Governance Code	
	405-1	What is the number of employees within the company's governance bodies—by gender?	Women	38	9.7	50	10.1
			Men	352	90.3	446	89.9
		What is the number of employees within the company's governance bodies—by age?	18-29 years	0	0	2	0.4
			30-49 years	256	65.6	307	61.9
			50 years or more	134	34.4	187	37.7
		What is the number of the company's employees—by gender?	Women	5,610	20.9	6,379	21.4
			Men	21,285	79.1	23,458	78.6
		What is the number of the company's employees—by age?	18-29 years	2,682	10.0	3,549	11.9
			30-49 years	14,245	53.0	15,431	51.7
			50 years or more	9,968	37.0	10,857	36.4
		What is the total number of employees by level of education?	Primary	854	3.2	760	2.5
			Upper secondary	18,225	67.8	20,441	68.6
			Tertiary	7,816	29.0	8,636	28.9
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	1,370	4.6
			30-49 years	1,494	5.6	1,936	6.5
			50 years or more	428	1.6	550	1.8
		What was the number of new employee hires during the reporting period—by gender?	Women	921	3.4	1,261	4.2
			Men	2,111	7.8	2,595	8.7
		What was the number of new employee hires during the reporting period—by region?	Czechia	2,540	9.5	2,808	9.4
			Abroad	492	1.8	1,048	3.5

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result % 2016	Result Figure/Text 2017	Result % 2017
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	539	1.8
			30-49 years	1,084	4.0	1,259	4.2
			50 years or more	1,023	3.8	1,066	3.6
		What was the number of employee turnover during the reporting period—by gender?	Women	520	1.9	831	2.8
			Men	1,990	7.4	2,033	6.8
		What was the number of employee turnover during the reporting period—by region?	Czechia	2,072	7.7	2,002	6.7
			Abroad	438	1.6	862	2.9
		What is the total rate of employee turnover during the reporting period—by region? (%)	Czechia		7.7		6.7
			Abroad		1.6		2.9
	401-2	Benefits commonly provided to full-time employees				Sec. 2.7.1	
	401-3	Parental leave					
		How many employees are entitled to parental leave—by gender?	Women	Pursuant to Czech law, all employees are entitled to maternity/parental leave. We comply with local law abroad.		Pursuant to Czech law, all employees are entitled to parental leave. CEZ Group companies abroad comply with local law.	
			Men				
		How many employees are on parental leave—by gender?	Women	445	1.7	481	1.6
			Men	19	0.1	19	0.1
		How many employees returned to work after parental leave ended—by gender?	Women	194	0.7	88	0.3
			Men	11	0	14	0.1

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017	Result %* 2017
Electric Utilities Guidance	G4-EU15	Eligibility to retire			
		Number of employees eligible to retire by 2028 in Czechia		3,995	13.3
		Number of employees eligible to retire by 2028 abroad		1,218	4.1
		Number of employees eligible to retire by 2028 by employee category—management		523	1.8
		Number of employees eligible to retire by 2028 by employee category—rank-and-file employees		4,690	15.7
GRI 404	404-1	Absolute hours of training per year			
		Absolute hours of training per year—management		158,953	
		Absolute hours of training per year—rank-and-file employees		307,850	
GRI 102	102-16	Values, principles, standards, and codes of behavior		Sec. 1.5 and 2.6.10	
GRI 402	Management approach	Labor/management relations		Sec. 2.7.1	
	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.	
		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.	

* Data collection started in 2017.

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017
GRI 403	Management approach	Occupational safety and health		Sec. 2.6.7 and 2.7.1
	403-1	Workers' representation in formal joint OSH commissions or committees		Sec. 2.6.7 and 2.7.1
		Describe the level at which each formal joint management-worker OSH committee typically operates within the organization.		Sec. 2.6.7 and 2.7.1
		What is the percentage of workers whose work, or workplace, is controlled by the company that are represented by formal OSH committees?		Sec. 2.6.7 and 2.7.1
	403-2	Types of injury, rates of injury, fatalities		
		Report types of employee injuries, including their numbers.		177—a wide range of injuries: sprained ankles, bruised ribs, cuts, fractures due to tripping, lesions and flesh wounds, dislocated joints, strains, and others.
		What is the employee injury rate?		0.6 %
		What is the number of work-related employee fatalities?		1—car accident
		Report types of injuries including their numbers for contractor/subcontractor employees.		82—flesh wounds, dislocated joints; fractured limbs, ribs, fingers, ankles; bruised back, chest, side; incised and lacerated wounds; contused and bruised limbs; sprained and bruised joints, etc.
		What is the number of work-related fatalities for contractor/subcontractor employees?		2—1 at ČEZ, a. s.—Truck crane accident at the Dlouhé Stráně pumped-storage power plant. Overload protection failure. 1 at ČEZ Distribuce—Failure to comply with operating procedures, failure to use required PPE during work on ČEZ Distribuce's distribution equipment.
	403-3	Workers (employees or contractor personnel) with high incidence or high risk of diseases related to their occupation		Sec. 2.6.7
		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?		2100 jobs solely at the distribution company; 0, i.e. no occurrence, at other companies.
	403-4	OSH topics covered in formal agreements		
		Do formal agreements with trade unions cover OSH?		Yes. Specified in collective agreements.

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017
GRI 404	Management approach	Training and education		Sec. 2.7.1
	404-2	Programs for upgrading employee skills and transition assistance programs		Sec. 2.6.11 and 2.6.12
		Report the type and scope of programs implemented and assistance provided to upgrade employee skills and qualifications.		Sec. 2.6.11 and 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. 2.6.11 and 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 %
GRI 406		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 %
	Management approach	Nondiscrimination		Sec. 1.5 and 2.7.3
	406-1	Incidents of discrimination and corrective actions taken		No incidents of discrimination were identified in CEZ Group in 2017. Consequently, no corrective action had to be taken.
		How many incidents of discrimination did you identify during the reporting period?		0
		Describe the status of the incidents and actions taken.		
		Report the percentage of total employees covered by collective agreements.		100 %

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017
GRI 407	Management approach	Freedom of association and collective bargaining		<u>Sec. 2.7.1</u>
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. 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. Describe measures taken by the company in the reporting period intended to support the right to exercise freedom of association and collective bargaining.		No risky operations or suppliers in which workers' rights to freedom of association or collective bargaining might be violated/at risk were identified.
GRI 413	Management approach	Local communities		<u>Sec. 2.7.4, 2.7.5, 2.7.6, 2.7.7 and 2.7.8</u>
	413-1	Operations with local community engagement		<u>Sec. 2.7.6</u>
	413-2	Operations with significant actual and potential negative impacts on local communities		<u>Sec. 2.7.6</u>
Electric Utilities Guidance	G4-EU22	Number of people physically or economically displaced and compensation, broken down by type of project		0
Electric Utilities Guidance	G4-MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples		<u>AR</u> pg. 158 Litigation and Other Proceedings Involving CEZ Group Companies
GRI 415	Management approach	Public Policy		<u>Sec. 1.5 and 2.9.6</u>
	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? How was the monetary value of in-kind contributions estimated and who were the recipients?		<u>Sec. 1.5</u> We do not make any. We do not make any.

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017
GRI 416	Management approach	Customer safety and health		<u>Sec. 2.8.1</u>
	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.		ČEZ Distribuce—6 incidents (including 2 fatal). All without the organization being at fault.
		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		<u>Sec. 2.8.1</u> and <u>2.8.4</u>
	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 II. Complaints from regulatory bodies		0
		Total number of identified leaks, thefts, or losses of customer data		0

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017
GRI 419 GRI 307	Combination of two management approaches	Regulatory and legal compliance		<u>Sec. 1.3</u>
	419-1	Noncompliance with laws and regulations in the social and economic area		<u>AR</u> pg. 158 Litigation and Other Proceedings Involving CEZ Group Companies
		Report significant fines and nonmonetary sanctions for noncompliance with laws and/or regulations in the social and economic area in terms of:		
		I. Total monetary value of significant fines		<u>AR</u> pg. 158 Litigation and Other Proceedings Involving CEZ Group Companies Examples beyond the scope of the AR: ČEZ Obnovitelné zdroje, s.r.o.: A fine was imposed in relation to inspections made by the State Energy Inspection pursuant to Act No. 526/1990 Sb. The company is taking steps to have the fine rescinded. Elektrárna Dětmárovice, a.s.: A fine was imposed for noncompliance with the Energy Act in heat supply metering. HORMEN CE a.s.: Fines were imposed for late payments of VAT in 2016. Tepelné hospodářství města Ústí nad Labem s.r.o.: Fines were imposed in connection with VAT Control Statements—appeals against the imposed fines were filed. CEZ Razpredelenie Bulgaria: A fine was imposed in relation to alleged noncompliance with Art. 21 of the Competition Protection Act—abuse of a dominant market position. The company appealed against the imposed sanction in due time.
		II. Total number of nonmonetary sanctions		0
		III. Cases brought through dispute resolution mechanisms		0

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2017
GRI 419 GRI 307	307-1	Noncompliance with environmental laws and regulations		AR pg. 150 Air Protection / Poland AR pg. 152 Noise Protection / Czechia, Bulgaria
		Report significant fines and nonmonetary sanctions for noncompliance with environmental laws and/or regulations in terms of:		
		I. Total monetary value of significant fines		ČEZ Energetické produkty, s.r.o.: Breach of rules in waste management (soil landfilling)—a fine of CZK 100,000. Sakarya Elektrik Dagitim A. S.: According to Turkish environmental protection regulations, the Gökkaya hydropower plant must have a highway. The road was not built during in the specified time. The company was fined TRY 20,452 by the Ministry of the Environment and Urban Planning. The company paid the fine and highway construction started after the payment. The highway was built in 2017 and put into operation in January 2018. CEZ Chorzow: A fine of PLN 130,000 for exceeding the NO _x emission limit.
		II. Total number of nonmonetary sanctions		0
		III. Cases brought through dispute resolution mechanisms		0

DISTRIBUTION (data for: ČEZ Distribuce, Distributie Energie Oltenia, CEZ Razpredelenie Bulgaria)

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
Electric Utilities Guidance		Reliability and availability of supplies	AR pg. 107, 123, 126, 131
Electric Utilities Guidance	G4-EU10	Planned capacity against projected electricity demand	AR pg. 107
Electric Utilities Guidance	G4-EU3	Number of residential, industrial, institutional, and commercial customer accounts	7.2 million customer accounts in total
Electric Utilities Guidance	G4-EU4	Length of above and underground lines	Distribution TAB
Electric Utilities Guidance	G4-EU12	Distribution losses	Distribution TAB

Distribution 2017

Continuity and reliability of electricity supplies are among fundamental prerequisites for the development of society and its economy. Therefore, ČEZ Distribuce makes increased effort to introduce new procedures and technologies that allow increasing reliability as requested by clients and achieving targets specified by the Energy Regulatory Office. ČEZ Distribuce introduced a number of innovation and optimization measures in 2017. Network reliability and availability are reviewed by regular analyses, assessments, and expert commissions.

List of distribution companies in CEZ Group

ČEZ Distribuce, a. s.
 CEZ Razpredelenie Bulgaria AD
 Distributie Energie Oltenia S.A.
 Sakarya Elektrik Dagitim A.S. (a joint venture, not required to report GRI indicators for CEZ Group)

G4-EU4 Length of Above and Underground Lines

Type of Line	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.	Total (km)
HV—Overhead	9,819	62	5,390	15,271
MV—Overhead	50,698	24,598	21,499	96,795
LV—Overhead	103,721	32,583	33,786	170,090
Total	164,238	57,243	60,675	282,156

G4-EU12: Distribution Losses

	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.
Distribution losses	4.70%	10.35%	9.78%

ENVIRONMENTAL TOPICS

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 300	Management approach	Environmental Protection	<u>Sec. 2.6.1</u> and <u>2.6.2</u> AR pg. 149 Environmental Protection
GRI 302	Management approach	ENERGY	<u>Sec. 2.6.4</u> + <u>TAB</u>
	302-1	Energy consumption within the organization	
	302-3	Energy intensity	
GRI 303 GRI 306	Management approach	WATER AND WASTEWATER	<u>Sec. 2.6.5</u> + <u>TAB</u>
	303-1	Water withdrawal by source:	
	303-3	Water recycled	
	306-1	Wastewater discharges	
	306-3	Significant spills	
GRI 304	Management approach	BIODIVERSITY	<u>Sec. 2.6.6</u> AR pg. 240 Provisions for Decommissioning and Reclamation of Mines and Mining Damages + <u>TAB</u>
	304-1	Operational sites in protected areas	
	304-2	Demonstrable impacts on biodiversity	
	304-3	Habitats protected or restored	
GRI 305	Management approach	EMISSIONS	<u>Sec. 2.6.4</u> + <u>TAB</u>
	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	
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	
GRI 306	Management approach	WASTE	<u>Sec. 2.6.8</u> + <u>TAB</u>
	306-2	Total waste generated	
Electric Utilities Guidance	G4-EU1	Installed capacity	<u>TAB</u>
	G4-EU2	Net energy output	<u>TAB</u>
	G4-EU5	Allocation of CO ₂ emissions allowances	<u>TAB</u>

GRI 302 – Energy

302-1 Energy consumption within the organization

Fuel consumption from nonrenewable sources (GJ)

	2015	2016	2017
CEZ Group	591,090,410	578,318,052	593,812,293

Fuel consumption from renewable sources (GJ)

	2015	2016	2017
CEZ Group	9,325,493	10,437,870	9,953,025

Total consumption (GJ)

	2015	2016	2017
Electricity	18,754,407	19,348,698	20,913,786
Heat	14,327,324	15,816,341	12,791,892
Cooling	0	0	0
Steam	0	0	0

Total sold (GJ)

	2015	2016	2017
Electricity	178,165,092	181,210,637	188,798,539
Heat	22,256,000	24,022,000	23,659,000
Cooling	0	0	0
Steam	0	0	0

Total energy consumption within the organization (GJ)

	2015	2016	2017
Nonrenewable fuels	591,090,410	578,318,052	593,812,293
+			
Renewable fuels	9,325,493	10,437,870	9,953,025
+			
Energy procured	0	0	0
+			
Energy generated from “nonfuel sources”	8,547	8,789	9,701
-			
Energy sold	200,421,092	205,232,637	212,457,539
=			
Total energy consumption within the organization	400,003,357	383,532,074	391,317,480

302-3 Energy intensity

Energy intensity ratio – Consumption of energy in fuel per energy unit supplied (GJ/GJ)

	2015	2016	2017
Energy consumption within the organization (fuel)	600,415,903	588,755,922	603,765,318
Energy supplied (electricity + heating)	200,421,092	205,232,637	212,457,539
Energy intensity ratio	2.996	2.869	2.842

GRI 303 – Water

303-1 Water withdrawal by source

	Unit	2015	2016	2017
Volume of water withdrawn—surface water	m ³ /year	782,384,759	808,062,821	767,171,926
Of which, cooling water	m ³ / year	629,099,461	662,151,423	614,973,253
Volume of water withdrawn—groundwater	m ³ /year	414,580	521,835	379,064
Volume of drinking water withdrawn from public water utilities	m ³ /year	5,180,910	5,183,101	5,218,763
Volume of service and cooling water withdrawn from industrial water works	m ³ /year	63,430	49,794	107,099
Volume of waste water withdrawn for reuse from another organization	m ³ /year	0	0	0
Volume of rainwater used	m ³ /year	1,242,891	1,422,621	1,630,947

303-3 Water recycled and reused

	Unit	2015	2016	2017
Volume of water recycled and reused *	m ³ /year	25,399,027	17,311,017	23,346,039

* 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	2015	2016	2017	Comment
Total volume of water discharges	m ³ /year	684,941,693	719,197,658	639,357,227	Once-through cooling water for turbines included
Of which, volume of once-through cooling water discharged	m ³ /year	629,099,461	662,151,423	611,385,372	
Of which, volume of treated water	m ³ /year	27,635,960	26,835,490	25,534,457	
Of which, volume of water without treatment	m ³ /year	31,588,006	34,133,845	35,425,510	Once-through cooling water for turbines not included
Of which, volume of water discharged to surface water	m ³ /year	55,732,816	57,432,674	57,184,003	Once-through cooling water for turbines not included
Of which, volume of water discharged to public sewers (incl. removal by trucks)	m ³ /year	1,333,480	1,204,762	1,450,333	
Of which, volume of discharged water reused by another organization	m ³ /year	1,247,044	1,410,605	2,686,762	
Quality of discharged water					
Suspended solids (SS)	t/year	662	656	316	Total pollution net of pollution in water withdrawn is reported for 2017.
Chemical oxygen demand (COD)	t/year	1,497	1,729	738	

306-3 Significant spills

	Unit	2017			Comment
Location of spill		Minor spills	Minor spills	Dlouhé Stráně Pumped-Storage Power Plant	The most serious accidental spill occurred during a contractual partner's truck crane accident—spill of service fluids and subsequent fall of the truck crane into the lower reservoir of the Dlouhé Stráně pumped-storage power plant. Thanks to the withdrawal of service fluids, installation of booms, and quick response, no petroleum products were released into the Divoká Desná river.
Material of spill		Oil spills into soil	Oil spills on paved surfaces	Oil spills in surface water	
Volume of spill	m ³	0.005	0.02	0.115	

GRI 304 – Biodiversity

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

Biodiversity	Site of biodiversity value	Actual 2017 data	Comment
Geographic location	Zbrod disposal site Hodonín Power Plant (EHO)	48°50'51"N, 17°07'12"E	The disposal site is located in the Hodonín Oak Wood, a site of Community importance. Protection concerns forest stands consisting of oak, oak-hornbeam, hornbeam-oak, and ash-alder communities and rare/protected plant and animal species. Plants include, for example: Festuca amethystina, Stipa borysthenica, Daphne cneorum, Iris variegata. Animals include, for example: Barbastella barbastellus, Bombina bombina, Lucanus cervus. The soil environment consists of aeolian sands.
Position in relation to the protected area or high biodiversity value area		On site	
Size of operational site		0.266 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Site of Community importance pursuant to Directive 92/43/EEC	
Geographic location	Fântânele-Cogealac wind park, Romania	44°34'50"N, 28°33'37"E	The wind park is adjacent to the “Delta Dunării și Complexul Razim— Sinoie” area, which is part of the Danube delta natural reservation, which was put on the UNESCO World Heritage List in 1990. The Danube delta and Razim-Sinoie Complex have been designated bird areas since 2007. The area mostly consists of lakes, sea coast, and higher raised formations. Very rare species inhabiting the area include, for example, Plectrophenax nivalis, Bubulcus ibis, Recurvirostra avosetta, Ardea cinerea, Tachymarptis melba, or Carpodacus erythrinus.
Position in relation to the protected area or high biodiversity value area		Adjacent	
Size of operational site		110 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		NATURA 2000—Bird area	

Biodiversity	Site of biodiversity value	Actual 2017 data	Comment
Geographic location	13.5MW heating plant Mohelnice Energy Management Facility	49°46'45.738"N, 16°55'51.122"E	<p>The Litovelské Pomoraví protected landscape area is located 753 m from the operational site. It is a narrow, 3–8 km wide strip of riparian forests and meadows along the Morava river between the cities of Mohelnice and Olomouc. The fauna of the Litovelské Pomoraví protected landscape area is a typical representative of river, lake, pool, wet meadow, and riparian forest communities. The western and northern part of the protected landscape area hosts drier oakwood communities. There are rare crustaceans, water fleas, and clam shrimps in the area. There is also a large population of <i>Parnassius mnemosyne</i>, a butterfly that is virtually extinct in Bohemia. Critically endangered species found at the site include <i>Pelobates fuscus</i> (an amphibian); <i>Milvus milvus</i>, a rare bird, also nests in the area.</p> <p>In respect of community and gene pool conservation, the Litovelské Pomoraví protected landscape area can be considered one of the most important sites in Central Europe for the preservation of temporary pool communities. Its flora consists of riparian forests, mixed oak-hornbeam woods, lime-oak-hornbeam woods, and alder woods. Very rare inhabitants of its floodplain meadows include, for example, <i>Lathyrus palustris</i>. Litovelské Pomoraví bird area—protected species are <i>Alcedo atthis</i>, <i>Dendrocopos medius</i>, and <i>Ficedula albicollis</i>.</p>
Position in relation to the protected area or high biodiversity value area		Litovelské Pomoraví – 753 m	
Size of operational site		736 m ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Protected landscape area, bird area	

304-2 Demonstrable impacts on biodiversity

Biodiversity	Site of biodiversity value	Actual 2017 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 204.64 ha of land in 2017 and started new land restoration activities on 49.29 ha. Additional 58.28 ha and 24.42 ha of land were appropriated at the Bílina Mines and the Nástup Tušimice Mines, respectively.	Area surveys are conducted on appropriated land and selected plant/animal species are relocated to new habitats.
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

Biodiversity	Site of biodiversity value	Actual 2017 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.	Zbrod disposal site Hodonín Power Plant (EHO)	0.266 km ²	Under way
	Restoration of habitats as part of land restoration by SD	5,704 ha	Approved by competent national authority
Do partnerships exist with third parties to protect or restore habitat areas?	Protection is part of standard cooperation with competent authorities		
Status of each area at the close of the reporting period?	Severočeské doly a.s.	Restoration of 5,704 ha completed, including 2,593.6 ha restored to agricultural land, 2,373.2 ha restored to forests, and 195 ha of water bodies.	

GRI 305 – Emissions

305-1 Direct CO₂ emissions

CEZ Group emissions from electricity and heat generation (tCO ₂)	2015	2016	2017
Emissions from fossil fuels	28,677,888	30,362,173	27,866,642
Emissions from biomass	1,009,754	1,116,838	990,337

305-3 Indirect emissions—transportation CO₂ emissions

Amount of CO ₂ emissions (t)	2015*	2016*	2017
Cars	14,188	16,990	18,407
Trucks	16,823	17,633	21,994
Trains	2,911	3,269	3,237
Buses	239	117	226
Other (machinery)	22,226	21,172	20,214
Total	56,387	59,181	64,078

* A methodological error in data collection within a CEZ Group company was identified during the processing of 2017 data. Data for 2015 and 2016 were corrected.

305-4 CO₂ emissions intensity

Emissions intensity of electricity generation, excluding renewables (tCO ₂ /MWh)	2015	2016	2017
Emissions intensity	0.450	0.469	0.430

Emissions intensity of electricity generation, total (tCO ₂ /MWh)	2015	2016	2017
Emissions intensity	0.425	0.436	0.404

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

Type of fluorinated greenhouse gas	HFC leaks from cooling and air-conditioning equipment (kg)	PFC leaks from cooling and air-conditioning equipment (kg)	SF6 (sulfur) (kg)
2017	540.74	14.5	76.66

Note These substances are neither produced nor used as a raw material. These are leaks from cooling and air-conditioning equipment.

305-7 Other emissions

		2015	2016	2017
TZL	t	2,099	1,604	1,534
SO ₂	t	42,487	28,352	27,476
NO _x	t	32,624	28,415	25,904

Specific Emissions From Generation, Excluding Renewables

TZL	kg/Esv _{MWh}	0.037	0.028	0.026
SO ₂	kg/Esv _{MWh}	0.745	0.490	0.466
NO _x	kg/Esv _{MWh}	0.572	0.491	0.439

Specific Emissions From Generation, Total

TZL	kg/Esv _{MWh}	0.034	0.026	0.024
SO ₂	kg/Esv _{MWh}	0.697	0.464	0.437
NO _x	kg/Esv _{MWh}	0.536	0.465	0.412

GRI 306 – Waste

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

	Disposal method	Unit	2015	2016	2017
Total weight of nonhazardous waste		t/year	415,573	450,059	500,541
Total weight of hazardous waste		t/year	2,768	3,240	3,240
Weight of waste reused (slag, ashes, gypsum, waste soil)	Reuse	t/year	385,589	413,311	457,445
Weight of waste recycled (paper, plastic, metal waste)	Recycling	t/year	10,911	11,141	12,410
Weight of waste composted (biodegradable waste)	Composting	t/year	1,171	943	246
Weight of waste with its energy recovered/incinerated	Incineration (mass burn)	t/year	224	1,309	842
Weight of waste landfilled	Landfill	t/year	17,275	24,565	28,451
Weight of waste handed over to authorized operator (end use unknown)	Handover to authorized operator (end use unknown)	t/year	3,172	2,030	4,387
Total weight of radioactive waste					
Weight of radioactive waste placed in radioactive waste storage	On-site storage	t/year	988	899	142
Weight of waste products handed over in a take-back system as waste prevention	Total	t/year			118.76
Batteries and accumulators handed over for take-back (not included in reported waste)	Product take-back	t/year	3.59	3.39	14.01
Discarded equipment handed over for take-back (not included in reported waste)	Product take-back	t/year	63.90	72.10	75.49
Discharge and fluorescent lamps handed over for take-back (not included in reported waste)	Product take-back	t/year	5.22	10.73	8.24
Oils handed over for take-back (not included in reported waste)	Product take-back	t/year	86.17	0.00	0.00
Tires handed over for take-back (not included in reported waste)	Product take-back	t/year	0.50	7.99	21.02
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

G4-EU1 – Installed capacity in MW

	2015	2016	2017
CEZ Group	15,920.22	15,620.32	14,864.27
Coal-fired, gas-fired, and CCGT power and heating plants, total	8,905.00	8,605.10	7,716.30
Nuclear power plants	4,290.00	4,290.00	4,290.00
Hydroelectric power plants, total	1,984.67	1,984.67	1,985.62
Impoundment and run-of-river	814.67	814.67	815.62
Up to 10 MW (inclusive)	90.79	90.79	91.74
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	740.55	740.55	872.35

G4-EU2 – Net energy output

Thousands of MWh	2015	2016	2017
Energy supplied from CEZ Group facilities	54,299.761	54,656.155	56,619.628
Energy generation by source	60,916.797	61,132.048	62,887.463
Generation from coal	29,090.322	30,689.307	28,175.513
Biomass	791.498	879.218	807.843
Natural gas	542.357	1,813.347	1,696.302
Nuclear	26,840.280	24,103.649	28,338.937
Hydro	2,213.806	2,346.875	2,155.628
Impoundment/run-of-river	937.858	1,144.999	985.177
Hydro up to 10 MW	216.052	267.403	241.378
Hydro over 10 MW	721.806	877.596	743.799
Pumped-storage	1,275.948	1,201.876	1,170.451
Solar	140.811	131.818	138.358
Wind	1,295.172	1,165.603	1,571.190
Biogas	2.551	2.232	3.691
In-house + other consumption, including pumped storage	-6,617.036	-6,475.893	-6,267.835

G4-EU5 – Allocation of CO₂ emissions allowances

Allocation of Emissions Allowances to CEZ Group in 2015-2017

(EUA)	2015	2016	2017
Free allowances (for heating)	1,252,094	1,049,015	839,961
Allowances in exchange for investments (for electricity)	13,293,017	12,727,589	7,545,579
Total	14,545,111	13,776,604	8,385,540

Balance of CO₂ Emissions (t) and CEZ Group Allowances

(EUA)	2015	2016	2017
Allocated allowances	14,545,111	13,776,604	8,385,540
Emissions	28,677,888	30,362,173	27,866,642
Difference—additionally purchased allowances	14,132,777	16,585,569	19,481,102

CEZ Group Allocation by Method

(%)	2015	2016	2017
Free allowances (for heating)	4	3	3
Allowances in exchange for investments (for electricity)	46	42	27
Allowances additionally purchased in the market	49	55	70

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