

ČEZ Group Sustainable Financing Framework

UPDATED



CEZ GROUP

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1. Introduction

I. ČEZ Group at a glance

According to the Czech Energy Regulatory Office and our internal data, ČEZ Group (thereafter 'ČEZ', 'the Group' or 'the Company') is the largest electricity generation and distribution company in the Czech Republic. Employing almost 30,000 employees, ČEZ Group is one of the largest economic entities in the Czech Republic and Central Europe. As of December 31, 2023, the consolidated ČEZ Group consisted of 219 companies performing different business activities. The core business is located in the Czech Republic, however the Group widely operates in Western, Central, and South-Eastern Europe, in particular in France, Germany, Italy, Poland, Romania, Slovakia and Turkey.

ČEZ Group's main business activity is the generation, distribution, trade, and sale of electricity and heat. ČEZ Group's activities also include commodity trading, trade and sale of natural gas, and, in particular, the provision of comprehensive energy services, which, together with electromobility, form ČEZ Group's fast-growing business sector.

The largest shareholder of the parent company ČEZ, a. s. is the Czech Republic with a nearly 70% stake in the company's stated capital. ČEZ shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices. ČEZ's market capitalization was CZK 515 bn as of December 31, 2023.

The mission is to provide safe and reliable energy to its customers and society at large. The long-term vision is to be a driver and incubator of innovations, a leader in the field of modern energy, and the everyday partner for solving energy needs of customers. Among others, **VISION 2030 – Clean Energy for Tomorrow**, ČEZ Group's accelerated strategy, shall lead to this goal. Next to that, ČEZ Group's business activities are governed by strict ethical standards that include responsible behaviour toward employees, society, and the environment. As part of its business activities, it adheres to the principles of sustainable development with an emphasis on the area of ESG, which is an integral part of its management. Donorship forms an integral part of corporate responsibility, and the ČEZ Foundation has been helping in all areas across the Czech Republic since 2002.

ČEZ Group emphasizes the implementation of global climate goals and the decarbonization of its portfolio in accordance with the Paris Agreement, and the environmental impact of its business in general. In the areas of environmental protection, social relations, and corporate governance, ČEZ Group has made specific commitments, including a commitment to reduce the CO₂ emissions intensity of electricity generation by more than 50% by 2030 and an overall ambition to rank among the top 20 percent of companies in 'aggregate' ESG rating¹ by 2023, which has been achieved.

II. Playing a leading role to the energy transition

ČEZ Group believes the energy sector needs to play a leading role in climate and environmental protection and as a leader in the traditional energy industry ČEZ is aware and accepting its duty to act. The Group strategy is based on three priorities: to actively respond to new challenges of the 21st Century (1), by offering a wide range of products and services focused on its customers' energy requirements (2), while strengthening its position in Europe via investments into prospective low GHG emissions energy assets (3).

The pivotal areas on this path are energy decentralization and emission-free sources, with a particular focus on renewables and development of modern technologies.

In the Czech Republic, the main business of the Group is to produce and distribute electricity and heat. The production portfolio consists of nuclear, hydro, photovoltaic, wind, gas and coal² sources. Furthermore, to its customers such as households, firms, and municipalities, ČEZ Group offers facilities for the production and storage of electricity and provides comprehensive ESCO energy services, for example, in conjunction with savings. Moreover, ČEZ Group also

¹ 'Aggregate' ESG Rating is defined considering the major ESG Ratings provided by raters such as MSCI, Sustainalytics, S&P Global and Moody's Analytics. The information from various raters is aggregated and normalized by CSR Hub, available [here](#). As of February 9th, 2024, ČEZ's consensus ESG ranking is among 16% of the best companies in terms of ESG performance.

² ČEZ Group's coal power plants are using mostly lignite from ČEZ's own mine. External sales of coal on the total consolidated revenues are expected to decrease from 2% in 2020 to around 1% in 2025 and to close to 0% in 2030.

focuses on innovation, being a shareholder in a number of cleantech companies in modern power engineering, and its subsidiaries heavily invest in scientific projects and R&D.

On the field of renewables, ČEZ currently operates wind parks with a capacity of 154 MW³, in Germany, France and the Czech Republic. In the Czech Republic, ČEZ is the largest producer of electricity from renewable sources, which consists of hydro (1,981 MW, out of which 1,170 MW pumped-storage hydro), photovoltaic power plants (127 MW), and on-shore wind (8 MW). ČEZ is also engaged in wind energy projects in France and Germany and in JV co-owns wind and hydroelectric power plants in Turkey.

ČEZ is also the leading regional company in the modern energy services sector (ESCO). In the ESCO sector, which focuses on the installation of modern energy sources, energy savings, energy digitization and automation, and other climate protection and carbon footprint measures, ČEZ owns more than 80 companies located in the Czech Republic, Germany, Austria, Italy, Slovakia, Poland, and Romania. In the German market, ČEZ owns two large groups in this sector, Elevion Group, Koffler Energies and Belectric.

Through the Inven Capital fund, ČEZ invests in cleantech energy growth-stage start-ups. Inven Capital owns minority shareholdings in companies such as Sunfire, tado°, Zolar, Cloud & Heat Technologies, Vullog, Cosmo Tech, Hometree, Taranis, Forto, Eliq, Wint or Woltair. These companies focus primarily on innovations in green technologies, such as photovoltaics, green synthetic fuel production, electromobility, smart thermostats, water management system and computer server heating. Other companies are dedicated to digitization, automation, industry 4.0, and crop intelligence and are active in security, critical infrastructure management using artificial intelligence, and combining high-end tech with expert agronomy.

III. Clean Energy of Tomorrow (VIZE 2030) Strategy

ČEZ Group's accelerated strategy, VISION 2030 - Clean Energy of Tomorrow, is based on **transforming its generation portfolio to a lower emission one, achieving climate neutrality by 2040, and providing the most cost-effective energy solutions and the best customer experience in the market.**

In May 2021, as part of its accelerated strategy **VISION 2030 - Clean Energy of Tomorrow**, ČEZ Group defined strategic objectives for 2030 reflecting the EU's decarbonization vision and set specific ambitions in social responsibility and sustainable development. The basic premise is to continuously adjust the structure of ČEZ Group to meet the demands of investors, creditors, and employees, and to enable maximum increase in shareholder value. **In 2022 ČEZ Group moved forward the goal to be climate neutral by a decade to 2040, rather than 2050.**

The main strategic objectives and commitments defined under the individual strategic priorities:

- Pillar I: Transform our generation portfolio to a low-emission one and achieve climate neutrality by 2040
- Pillar II: Provide the most cost-effective energy solutions and the best customer experience in the market
- Pillar III: Develop ČEZ Group responsibly and sustainably following ESG principles.

³ Installed capacity as of 30th June 2023.

Figure 1: From ČEZ Group's Strategic Objectives to VIZE 2030

Strategic priorities of CEZ Group



Vision 2030 Strategic directions CLEAN ENERGY OF TOMORROW

- I Decarbonize generation portfolio and reach climate neutrality**
 - Efficiently managing nuclear power plants and preparing conditions for the construction of a new nuclear power plant as part of enhancement of energy security in the Czech Republic
 - Efficient management of coal-fired power plants located near the coal basins and decarbonization of Czech generating portfolio (including transformation of the heating industry)
 - Developing renewable energy sources (RES) while fulfilling the Czech energy and climate plan
- II Provide the best energy solutions and the highest quality customer experience and on the market**
 - Modernizing and digitizing distribution and retail in the Czech Republic, developing comprehensive services with respect to customers' needs.
 - Developing energy services sources (ESCO) in the Czech Republic while fulfilling the Czech energy and climate plan.
 - Developing energy services (ESCO) abroad to achieve a significant market position in Germany, Northern Italy, and Poland

Under the new strategy, the Group aims to accelerate sustainable and economic growth achieving 40% increase in EBITDA by 2030.

Pillar I: Transform our Generation Portfolio to Low Emissions and achieving climate neutrality

ČEZ Group has defined the following science-based emission reduction targets, approved by the Science Based Target Initiative (SBTi) in October 2023 and all being consistent with the 1.5°C scenario of the Paris Agreement.

- **Overall Net-Zero Target:** Reach net-zero GHG emissions across the value chain by 2040 from a 2019 base year
- **Near-Term Targets:** Reduce scope 1 and 2 GHG emissions 83% per MWh by 2033 from a 2019 base year⁴. ČEZ Group also commits to reduce absolute scope 3 GHG emissions from use of sold products 58.8% within the same timeframe
- **Long-Term Targets** Reduce scope 1 and 2 GHG emissions 97.3% per MWh by 2040 from a 2019 base year*. ČEZ Group also commits to reduce absolute scope 3 GHG emissions from use of sold products 90% within the same timeframe

Climate neutrality will be achieved by using offsets for residual emissions in 2040, as allowed by SBTi.

The existing 2030 emission target to reduce Scope 1 CO₂ emissions by 57.4% relative to a 2019 baseline year is in line with 'well below 2°C' trajectory and was validated by SBTi in May 2022⁵. ČEZ was the first Czech company to receive the official validation that the declared targets of the largest Czech energy company are in line with the Paris Agreement on limiting global warming.

To reach climate neutrality, ČEZ Group intends to take important steps to decarbonize its generating portfolio:

- **Coal phase-out:** ČEZ Group is committed to **no new investments in coal plants** and is gradually closing coal plants and transitioning its current coal sites to new activities such as hydrogen and biomethane ready natural gas plants, solar and biomass plants⁶. ČEZ Group plans to reduce the share of coal-fired electricity generation to 12.5% by 2030, corresponding to 2.2 GW installed capacity, and completely exit coal by 2033⁷, in line with draft National Energy and Climate Plan (NECP) approved by the Czech Government in

⁴ The target boundary includes land-related emissions and removals from bioenergy feedstocks.

⁵ Target corresponds to a reduction from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh) in 2019 to 0.16 tCO₂e/MWh in 2030. The 2030 target is on the same decarbonization trajectory of the 2033 target. The 2033 target being consistent with the 1.5°C scenario implies there will be a further acceleration in Scope 1 (and marginally Scope 2) emissions reduction between 2030 and 2033.

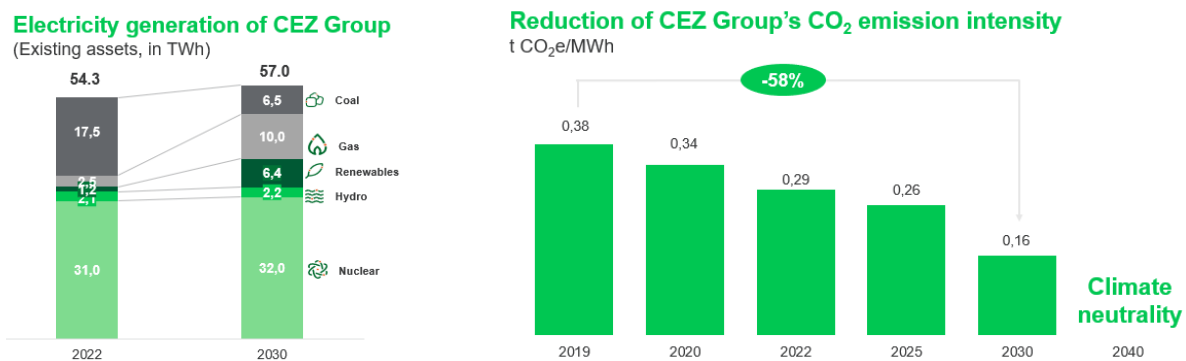
⁶ ČEZ intends to use local biomass sourced by respecting Czech/EU criteria for sustainable biomass.

⁷ ČEZ has accelerated its coal exit date from 2038.

October 2023. **Subject to current market conditions and investment pipeline on less polluting technologies, ČEZ estimates coal exit will materialize earlier than the date stated in NECP.**

- **Increase Renewable Energy generation:** Developing renewable energy sources (RES) while fulfilling the Czech energy and climate plan. ČEZ Group intends to build additional renewable energy generation capacity of 1.5 GW by 2025, respectively 6 GW by 2030.
- **Safely increase zero-emission nuclear energy generation:** ČEZ Group intends to safely increase generation volume in existing plants above 32 TWh on average and achieve 60-year operating life. In addition, the construction of a new nuclear facility in Dukovany is considered, subject to governmental supporting scheme. ČEZ Group operates nuclear power plants in compliance with legislation and monitors the effect of nuclear operations on the environment and human health. The safety of nuclear installation is the absolute priority. Safety culture features are a defined standard and are enforced together with other commitments on all levels of management. 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). ČEZ Group manages radioactive waste (RAO) at nuclear power plants in compliance with Act No. 263/2016 Sb. Atomic Energy Act.

Figure 2: Climate neutrality via transformation of the generating portfolio



Pillar II: Provide best energy solutions and highest quality customer experience in the market

ČEZ Group intends to modernize its distribution grid and to develop new best in class energy services sources (ESCO) for its clients in the Czech Republic, as well as in other regions such as Germany, Northern Italy, Austria, and Poland.

- **Build Smart Digital Electricity Grid:** ČEZ Group will invest into smart grids and decentralization for developing digital distribution grid including fiber optic networks. The 2030 digitalization targets such as 80% of consumption covered by smart meters, 80% of remotely measured transformer stations and 11,000 km of optic fiber networks (compared to 5,323 km in 2023 and 4,200 km in 2021) have been set up. The purpose of these investments is to increase network reliability and to reach more efficient management and therefore, cost reduction.
- **Growing retail customer base while maintaining high customer satisfaction:** 100% of key customer processes will be digital by 2025. ČEZ Group aims to maintain the highest NPS (net promoter score) among largest electricity supplies and to increase its customer base by broadening its product portfolio for households, facilitating their decarbonization and energy savings.
- **Incentivizing customers decarbonization:** Via investments in B2B, the ČEZ Group will enable efficient decarbonization and delivery of energy savings for its customers in industry, municipalities, and public administration.
- In addition, **investments in electromobility infrastructure** will represent an additional area of growth for the ČEZ Group, which aims to operate at least 800 stations by 2025, quadrupling 2021 charging capacity.

Pillar III: Developing ČEZ Group in a responsible and sustainable manner in accordance with ESG principles

In 2023, ČEZ met its objective to rank in the top 20% in terms of ESG Ratings.

Selected objective in the environmental area in addition to the previously described goals validated by SBTi:

- The goal to reduce CO₂ emissions in line with the Paris Agreement “well below 2 Degrees” by 2030 (reduction from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh) in 2019 to 0.16 tCO₂e/MWh in 2030).

Selected objective in social relations:

- We will continue to be decent corporate citizens, cultivating good relationships with communities.

Selected objective in corporate governance:

- Achieve 30% female representation in management.

In 2015, ČEZ Group firstly committed to achieve carbon neutrality by 2050. Together with other European energy groups, ČEZ registered its commitments to reduce greenhouse gas emissions under the Non-State Actor Zone for Climate Action (NAZCA), formed before the Paris Climate Conference in 2015.

At the same time, ČEZ committed to reducing CO₂ emissions per MWh of electricity generated by ČEZ Group in the Czech Republic by 46% by 2020 compared to 2001. This commitment has been met in 2020, since a 54% reduction in CO₂ emission intensity of electricity generation in the Czech Republic was achieved compared to 2001, and the production of emissions in the Czech Republic from electricity generation was reduced by more than 3.6 million tons, corresponding to more than 15% year-on-year reduction.

In 2021, ČEZ Group published its Vision 2030 strategy, with the objective **to reduce CO₂ emissions in line with the Paris Agreement ‘well below 2 °C’ scenario by 2030, by decreasing carbon intensity from 0.38 tCO₂e/MWh (0.36 tCO₂/MWh)⁸ in 2019 to 0.16 tCO₂e/MWh in 2030**. This intensity target was approved by SBTi in May 2022.

Later on in 2021, ČEZ Group signed a commitment letter to the Business Ambition for 1.5 °C. Following this step ČEZ Group brought forward the goal to be climate neutral by a decade, to 2040, and asked SBTi to validate its long-term and net-zero targets in 2022. The SBTi confirmed that the net-zero target by 2040 is consistent with a 1.5 °C trajectory.

IV. Roadmap to leadership in ESG

ČEZ Group is a leader and trendsetter in sustainability in the Czech Republic. Commitment to corporate social responsibility (CSR) and sustainable development has been integral to our strategic framework since the establishment of the Group in 1992. We issued our first CSR Report for 2007 and Sustainability Report for 2016. In 2015, we committed to reaching carbon neutrality by 2050 and in 2022 brought forward the goal to 2040. In 2016, we announced a Sustainable Development Strategy – Energy for the Future, which rested on five pillars: (1) Ensuring sustainable operations; (2) Being a good partner; (3) Bringing useful solutions to customers; (4) Making energy transformation possible; and (5) Starting the engine of innovations. Each pillar had internally defined objectives and KPIs, which we regularly reported on. In May 2021, we accelerated our sustainable strategy and fully integrated it into the corporate strategy. The two are now intertwined and inseparable, clearly defining VIZE 2030 – Clean Energy of Tomorrow. Both interim and long-term targets of VIZE 2030 were publicly announced: they are specific, measurable, and aligned with the principles of ESG.

ČEZ Group is committed to strong governance and transparency. We adhere to national and international guidelines and standards (GRI, SASB, TCFD, EU Taxonomy). We have signed significant national and international documents (the New Deal for Europe: Towards a Sustainable Future in the World, Diversity Charter, UN Global Compact, CEO Water Mandate) and joined global platforms and initiatives (UN SDGs, SBTi commitments). We accentuate responsible and ethical business governance and corporate culture, establishing meaningful policies at the Group level, such as the **Code of Conduct⁹, Safety and Environmental Protection Policy¹⁰, Compliance Management System Policy¹¹, Ethical Conduct Policy¹², and Anti-corruption Policy¹³**. In addition, the Group has established a Community Relationship Policy, which governs the relationship of the Group with different stakeholders, including local communities. We have also implemented a Diversity and Inclusion Policy; we strongly believe in equal treatment and equal

⁸ The 2030 target covers ČEZ Group, whereas the 2033 target accounts for ČEZ Group without activities in Poland, Bulgaria, Romania and coal powerplant Počerady as these activities have been subject to divestment or are in the process of divestment. In accordance with the GHG Protocol and to minimize double counting, ČEZ treats grid consumption as if it were supplied by its own facilities. ČEZ Group operates electricity distribution systems whose losses, or related GHG emissions, are covered by its own generation and are therefore counted as Scope 1 emissions.

⁹ [Code of conduct | ČEZ Group.](#)

¹⁰ [Environmental Protection and Safety Management | ČEZ Group.](#)




¹¹ [Compliance management system | ČEZ Group.](#)

¹² [Code of conduct | ČEZ Group.](#)

¹³ [ČEZ Group's anti-bribery policy | ČEZ Group.](#)

opportunities for all. Top-level decision-making in these matters is within the purview of the Board of Directors, which shares joint responsibility for sustainability and ESG. ČEZ Group also has an ESG Office run by the Chief Sustainability Officer, who is a Member of the Board of Directors and directly accountable to the CEO.

ČEZ understands ESG as a comprehensive approach to managing a company in a rapidly changing environment with an emphasis on creating long-term sustainable values important for the entire society. By setting up the targets below in E, S and G, we aim to become one of the ESG leaders and to be recognized as such by rating providers and investors.

Area	Focus	Medium and long-term targets
Environmental 	Decarbonization	<ul style="list-style-type: none"> Reduce CO₂ emissions (scope 1) in line with the Paris Agreement “well below 2 degrees” by 2030 Reduce the emission intensity (scope 1) from 0.38 tCO₂e/MWh in 2019 to 0.26 tCO₂e/MWh in 2025 and to 0.16 tCO₂e/MWh in 2030 Reduce the share of coal-fired electricity generation from 39% in 2019 to 25% by 2025 and to 12.5% by 2030 Reduce GHG emissions (scope 1 and 2) by 83% per MWh by 2033 vs 2019. Reduce scope 3 from use of sold products by 58.8% within the same time frame Reduce GHG emissions (scope 1 and 2) by 97.3% per MWh by 2040 from a 2019 baseline. Reduce scope 3 from use of sold products by 90% within the same timeframe
	Waste, Emissions of Pollutants and Natural Sources	<ul style="list-style-type: none"> Reduce the quantity of NO_x from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030 Reduce the quantity of SO₂ from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030
	Renewables	<ul style="list-style-type: none"> Install 1.5 GW renewable energy sources by 2025 and 6 GW by 2030
	Community	<ul style="list-style-type: none"> Continue to be decent corporate citizens, cultivating good relationships with communities
Social 	Human Capital – Employer attractiveness	<ul style="list-style-type: none"> Maintain our position as the most attractive employer for future talents and current employees
	Human Capital – Requalification objectives	<ul style="list-style-type: none"> Provide all employees that will be affected by the phase-out of coal operation of ČEZ Group with other work, retraining, requalification, or compensation
	Customer satisfaction	<ul style="list-style-type: none"> Maintain the highest Net Promoter Score (NPS) of all electricity suppliers in the Czech Republic
	Digitalization	<ul style="list-style-type: none"> Ensure that all customer processes are available online by 2025
Governance 	Diversity and Equal Opportunity	<ul style="list-style-type: none"> Ensure that 30% of management roles will be performed by women. We will increase the share of women in management of non-technical segments to 30% by 2025¹⁴
	Business Conduct	<ul style="list-style-type: none"> Increase the frequency of employee training concerning the Code of Conduct. We will train at least 95% of employees each year from 2022 on¹⁵

¹⁴ The figure was 27 % in 2020.

¹⁵ The figure was 99 % for management and 96 % for employees every two years.

2. Sustainability-Linked Financing Framework

I. Rationale for the Sustainability-Linked Finance

ČEZ Group's corporate strategy is strongly connected and aligned with its sustainability ambitions. For this reason, the Company is giving itself the means to align its financing and corporate strategy by issuing sustainable finance instruments, including sustainability-linked instruments. ČEZ has set ambitious targets and intends to accelerate its roadmap to climate neutrality. The Key Performance Indicator (KPI) in the Sustainability-Linked Financing Framework section is linked to our decarbonization and neutrality objectives, which are part of our 2030 Sustainability Strategy¹⁶ as well as our 2033 and 2040 longer term goals.

The inclusion of our decarbonization KPI into our financing strategy is further emphasizing our approach towards the low carbon energy transition and solidifies our commitment towards the sustainability strategy.

II. Structure of the Framework

In March 2022, ČEZ Group established its inaugural Sustainability-Linked Finance Framework, which has been updated in April 2024 to facilitate the issuance of Sustainability-linked forms of indebtedness and include the possibility to issue green use of proceeds instruments as indicated in the relative section of the Framework (Section 4: Green Financing Framework).

Following the update of its near-term climate goals as set out in its Vision 2030 strategy, **ČEZ has become the first Czech company to have its near-term (2033) and long-term targets confirmed as being aligned with the Paris Agreement to limit global warming to 1.5 degrees.** Accordingly, ČEZ has updated its Framework to reflect the validation of its near and long-term GHG emission reduction targets by SBTi and is reflective of the company's ongoing ambition to align with market best practice.

The Sustainability-Linked Financing Framework section is aligned with the **Sustainability-Linked Bond Principles (SLBP 2023)**¹⁷, as administered by the International Capital Market Association (ICMA), as well as the **Sustainability-Linked Loan Principles (SLLP 2023)**¹⁸, as administered by the Loan Market Association (LMA) as well as the **ICMA Climate Transition Finance Handbook 2023**¹⁹. Such principles represent voluntary guidelines setting best practices for financial instruments incorporating forward-looking, externally verified sustainability objectives and outcomes.

Sustainability-Linked Instruments as defined in this Framework may include but are not restricted to unsecured bonds, convertible bonds and commercial papers and loans. The instruments can be of any seniority however they are expected to be issued ranking *pari passu* with any other conventional instrument of similar status and subordination.

ČEZ will use the proceeds of its Sustainability-Linked Instruments for general corporate purposes. Even if Sustainability-Linked Instruments proceeds are used for general corporate purposes and do not have a specific use of proceeds clause, **ČEZ will not direct such proceeds to coal extraction and coal power expansion or maintenance.** This is in line with ČEZ's overarching target to decommission coal and reduce the carbon intensity of its operations.

This Framework is in alignment with the five core principles of the SLBP 2023/SLLP 2023, which are:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Characteristics of Sustainability-Linked Financing Instruments
4. Reporting
5. Verification

¹⁶ VISION 2030 Sustainability Strategy [Název Prezentace \(cez.cz\)](#).

¹⁷ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Sustainability-Linked-Bond-Principles-June-2023-220623.pdf>.

¹⁸ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>.

¹⁹ [The Climate Transition Finance Handbook 2023, available online.](#)

In addition, this Framework has implemented the four key elements of the Climate Transition Finance Handbook 2023:

1. Issuer's climate transition strategy and governance
2. Business model environmental materiality
3. Climate transition strategy to be 'science-based': including targets and pathways; and,
4. Implementation transparency

ČEZ will continue to monitor the sustainable finance market and may adapt this Framework in the future to the latest available standards or principles. In this regard, ČEZ will ensure that changes apply only if the quality of disclosure is enhanced.

3. Sustainability-Linked Instruments

I. Selection of Key Performance Indicators (KPIs)

The selection of sustainability objectives by ČEZ was conducted considering **relevance, centrality and materiality to ČEZ' business operations**. The selected KPI and SPTs included in this Framework are implemented within the Group's overall corporate strategy. For this Framework, ČEZ has decided to focus on the KPI deemed the most material and relevant for ČEZ's business and sustainability strategy.

KPI 1	Direct Greenhouse Gas Emissions Intensity (Carbon emission intensity of electricity and heat generated, Scope 1 and 2) – measured in tCO ₂ e/MWh
Definition	<p>Emission intensity of electricity and heat generation, direct GHG emissions – Scope 1 and 2, measured in tCO₂e/MWh.</p> <p>Scope 1 emissions are direct emissions such as CO₂, CH₄ and N₂O emissions from combustion of fossil fuels for electricity and heat generation, CO₂ emissions from transport, CH₄ emissions from coal mining and HFC, PFC and SF₆ emissions from leaks (complete Scope 1 emissions).</p> <p>CO₂ emissions from combustion of biomass is considered as climate neutral. Such emissions are reported separately and are not included into the calculation in line with the requirement of The Greenhouse Gas Protocol.</p> <p>The methodology for GHG estimates is based on The Greenhouse Gas Protocol and 2006 IPCC Guidelines for National Greenhouse Gas Inventories. CO₂ emissions estimates are based on the direct measurement (continuous monitoring). If measurement is not possible, then the calculation is based on the information about amount of fuel and its composition. The same approach is used for CO₂ emissions estimates from transport.</p> <p>For CH₄ and N₂O from fuel combustion, emissions are based on amount of fuel used, known technology and emissions factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories. CH₄ emissions from surface coal mining take into account activities of mining and post-mining and CH₄ content in mined coal. HFC, PFC and SF₆ emissions (e.g. from refrigeration and air conditioning units, fire suppression units, use of electrical equipment) are based on direct information about annual leaks from these equipment based on service report according to Regulation (EU) No 517/2014 for the European Parliament and of the Council.</p> <p>Electricity and heat generation includes the generation in the range of complete production of electricity and heat for ČEZ Group, including GWP factors from the IPCC Sixth Assessment Report and for the 100 year-time horizon²⁰.</p> <p><i>Additional information relevant to KPI definition to measure performance on SPTs:</i></p> <p>Scope 2 emissions are indirect emissions associated with the consumption of purchased energy – electricity, heat, steam or cooling which are not generated directly by the company and losses in the distribution network.</p> <p>In accordance with the GHG Protocol and to minimize double counting of emissions between Scope 1 and Scope 2, ČEZ Group treats grid consumption as if it were supplied by its own facilities (when production in a given state exceeds the supply), which means they are already reported under Scope 1. Emissions are reported according to the location-based methodology. In 2021, distribution was sold off in Bulgaria, where production in previous years had not exceeded supply, therefore GHG emissions were reported in Scope 2. As of 2022, ČEZ Group operates electricity distribution systems whose losses, or related GHG emissions, are covered by its own generation and are therefore reported under Scope 1 (direct) emissions.</p>
Rationale	The 2015 Paris Agreement on Climate Change represents a commitment by the community of nations to limit global warming to below 2 degrees Celsius above pre-industrial levels and

²⁰ <https://www.ipcc.ch/assessment-report/ar6/>.

	<p>to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. ČEZ fully supports the commitment of the United Nations' Paris Agreement on climate change and sees the well below 2 degrees Celsius target as an essential prerequisite if more than nine billion people are to be able to live well within the resource limits of our planet in 2050. ČEZ pursues its vision to become a climate-neutral company by 2040 by phasing-out coal by 2033 and transitioning to lower carbon technologies. ČEZ plan to decrease the use of coal significantly until 2030 and increase renewables capacity (PVs, wind, biomass) and natural gas²¹. By pursuing this goal, ČEZ will make an active and committed contribution toward climate protection.</p> <p>ČEZ has decided to focus on GHG intensity as its main KPI because the Company's exposure to risk related to GHG emissions from its operation is high, due to the nature of its operations and the source of energy used to power such operations. Since GHG intensity is a key area for ČEZ, the KPI has been chosen based on materiality and relevance to the Company and the relative sub-industry.</p> <p>The GHG emission intensity of electricity and heat generated target will be met via decommissioning of coal power generation capacity and increasing new GHG emission free installed capacity.</p>
Perimeter	<p>The indicator covers ČEZ Group's activities under financial control of ČEZ Group as defined by The Greenhouse Gas Protocol.</p> <p><u>KPI perimeter for performance on SPT 1.a and SPT 1.b</u></p> <p>The perimeter covers CEZ Group. Scope 1 CO₂ emissions linked to biomass power plants are not included in the scope of the KPI. ČEZ follows The Greenhouse Gas Protocol methodology.</p> <p><u>KPI perimeter for performance on SPT 1.c</u></p> <p>The perimeter covers ČEZ Group without activities in Poland, Bulgaria, Romania and the coal powerplant Počerady as these activities have been subject to divestment or are in the process of divestment.²²</p>
Reporting periodicity and review	<p>Annually, KPI performance will be included in the Sustainability Report and/or a specific Sustainability-Linked Instruments Report. ČEZ will engage an external auditor to provide limited assurance on the KPI performance information (in case there is a situation where the overall Sustainability Report has not been externally assured).</p>

²¹ <https://www.cez.cz/en/investors/inside-information/vision-2030-investment-story-july-2021-147286>.

²² SPT 1.c has been established after the establishment of SPT 1.a and 1.b and therefore CEZ has ensured to reflect amended perimeter.

Historical data	KPI historical data related to performance on SPT 1.a and 1.b							
	Emission intensity from electricity and heat generation (Scope 1+2)	Metric	2017	2018	2019 (Baseline year)	2020	2021	2022
	Fossil fuel combustion – CO ₂ ^{23,24}	t CO ₂	27,895,376	26,888,105	26,086,565	22,458,780	18,702,178	17,851,569
	Fossil fuel combustion – CH ₄ and N ₂ O ²⁵	t CO _{2e}	656,642	653,333	541,463	611,834	200,606	232,615
	Transport	t CO ₂	64,108	54,378	61,640	57,640	54,613	53,997
	CH ₄ fugitive emissions from coal mining	t CO _{2e}	474,543	457,536	445,190	335,522	26,700	15,564
	HFC, PFC and SF ₆ emissions from leaks ²⁴	t CO _{2e}	3,300*)	3,008	3,597	3,524	3,238	7,248
	CO₂ intensity (Scope 1+2)	tCO_{2e}/MWh	0.41	0.40	0.38	0.34	0.29	0.29
	*) estimate							
	KPI historical data related to performance on SPT 1.c (revised perimeter)²⁶							
	Emission intensity from electricity and heat generation (Scope 1+2)	Metric	2017	2018	2019 (Baseline year)	2020	2021	2022
	Total Scope 1+2	t CO ₂	20,315,925	19,391,162	19,827,278	16,303,612	16,603,346	15,834,834
	Total CO ₂ emissions from biomass	t CO _{2e}	768,050	742,765	866,891	905,314	884,637	708,236
	Total electricity and heat production	MWh	58,715,103	58,950,504	61,892,201	58,059,408	60,630,015	58,286,110
CO₂ intensity (Scope 1+2)	tCO_{2e}/MWh	0.36	0.34	0.33	0.30	0.29	0.28	
Contribution to UN SDG	SDG 13: Climate Action. ČEZ Group's target to reduce carbon intensity contributes to this goal.							

²³ CO₂ emissions from fossil fuel combustion in large facilities are detected by continuous CO₂ measurements.

²⁴ Revised estimates since ČEZ Group 2020 Sustainability Report, page 207 because of internal checks, added values for missing years and facilities.

²⁵ To calculate CH₄ and N₂O emissions from fossil fuel combustion, emission factors were used according to https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf. calculation revised to ČEZ Group 2020 Sustainability Report added values for missing years and facilities.

²⁶ The perimeter covers ČEZ Group without activities in Poland, Bulgaria, Romania and the coal powerplant Počerady as these activities have been subject to divestment or are in the process of divestment.

II. Calibration of Sustainability Performance Targets (SPTs)

SPT 1.a	Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2) from 0.38 tCO ₂ e/MWh (0.36 tCO ₂ /MWh) in 2019 to 0.26 tCO ₂ e/MWh by 31 December 2025 (represents a 30.8% reduction)
SPT 1.b	Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2) from 0.38 tCO ₂ e/MWh (0.36 tCO ₂ /MWh) in 2019 to 0.16 tCO ₂ e/MWh by 31 December 2030 (represents a 57.4% reduction)
SPT 1.c	Reduce direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2) from 0.334 tCO ₂ e/MWh in 2019 to 0.056 tCO ₂ e/MWh by 31 December 2033 (represents a 83% reduction)
Benchmark	2025 and 2030 targets in line with 'Well below 2°C' & 2033 in line with '1.5°C'
Target year(s)	2025, 2030, 2033
Target Observation Date(s)	<ul style="list-style-type: none"> • 31 December 2025 • 31 December 2030 • 31 December 2033
Baseline year	2019
Baseline figure	<ul style="list-style-type: none"> • 0.38 tCO₂e/MWh for SPT 1.a and SPT 1.b • 0.334 tCO₂e/MWh for SPT 1.c²⁷

²⁷ SPT 1.c has been established after the establishment of SPT 1.a and 1.b and therefore CEZ has ensured to reflect amended perimeter, accounting for activities in Poland, Bulgaria, Romania and the coal powerplant Počerady that have been subject to divestment or are in the process of divestment.

<p>Means to achieve the SPT</p>	<p>The ČEZ Group intends to reduce its emissions intensity by more than 30%, 50% and 80% by 2025, 2030 and 2033 respectively. These measures will allow the Group to achieve climate neutrality by 2040.</p> <p>The emission intensity can be influenced by the way generating facilities are deployed, favoring lower-emission and renewable energy sources. In 2020, with an overall reduction in electricity generation compared to 2019, we have reduced coal generation by 14.8%, while nuclear generation has remained almost the same (only 0.7% reduction), as has natural gas generation (2.3% reduction), and renewable generation has increased by more than 7%.</p> <p>We revised our progressive target towards climate neutrality, which initially was to reduce Scope 1 CO₂ emissions by 30% by 2030 compared to 2018 and to reduce emissions intensity to at least 0.30 t/MWh. Such target has been replaced with a more ambitious one which aims to achieve a 57.4% GHG intensity reduction by 2030 against a 2019 baseline (SPT 1.b).</p> <p>The ČEZ Group has further advanced its target by committing to reduce Scope 1 and formally Scope 2 GHG emissions by 83% per MWh compared to 2019 by 2033 (SPT 1.c). While SPT 1.c includes Scope 2 emissions this is still consistent with the SPT 1.a and SPT 1.b²⁸ since as of 2022 Scope 2 emissions are already reported under Scope 1 emissions in accordance with the GHG Protocol guidance and to minimize double counting of emissions between Scope 1 & 2.</p> <p>The GHG intensity reduction will be achieved via the following actions:</p> <p>a) Coal decommissioning</p> <ul style="list-style-type: none"> • Decarbonize the generation portfolio via gradual coal-fired plants phase out. The Group has set out medium and long-term commitments on coal decommissioning: reduce share of coal-fired electricity generation to 25% by 2025 and to 12.5% by 2030. Coal capacity was reduced by 1,719 MW in 2020, further 500 MW reduction in 2021. Total coal phase out is targeted in 2033 • Transformation of coal locations into new lower carbon activities such as biomass and hydrogen ready gas plants • Implementation of greening and optimization of remaining coal-fired generation activities (e.g. in Trmice or Tušimice) in accordance with the National Transition Plan • Steam to hot water conversion projects delivering energy savings and reducing emissions. For example, the project completion in Teplice result in annual energy savings of 6,534 GJ and CO₂ emission avoidance of 697.5t CO₂e per annum • The heat pipeline from Temelín nuclear powerplant to České Budějovice started supplying heat in September 2023 <p>b) Safe increase in Nuclear Energy generation volumes in compliance with the EU Taxonomy</p> <ul style="list-style-type: none"> • Safely increase nuclear energy generation volume in existing plants above 32 TWh on average and achieve 60-year operating life • ČEZ's nuclear power plants are operated in compliance with applicable nuclear energy legislation, fulfilling the conditions of all valid licenses • Further information on nuclear energy utilization and safety is provided in the appendix of this document <p>c) Increase in Renewable Energy generation volumes</p> <ul style="list-style-type: none"> • The emission intensity can be influenced by the way generating facilities are deployed, favoring low-emission and renewable energy sources. In 2020, we have increased renewable energy generation by more than 7% compared to 2019. Currently ČEZ Group operates wind farms with a total installed capacity of 154 MW. In the coming years, the ČEZ Group intends to take the following steps to increase a sustainable transformation of its generation portfolio: • Increase capacity of renewable energy technologies, mainly in the Czech Republic. We are preparing to build large-scale renewable energy plants, with a capacity of up to 1,500 MW by 2025 and 6,000 MW by 2030. We are relying primarily on solar power plants, which we want to build mainly on the premises of our plants and on brownfield sites • Introducing higher interest in electricity generation from renewable sources directly at points of consumption, building self-managing smart distribution networks, supporting
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	<p>digitalization and automation of energy solutions, reducing energy waste and, conversely, promoting its efficient use</p> <ul style="list-style-type: none"> • New energy storage technologies are part of our commercial offerings of decentralized renewable energy generation. In 2022 ČEZ Prodej installed 4,102 photovoltaic power plants (PV) compared to 1,514 installations in 2021. Most of our customers (85% in 2022) purchase a PV plant together with a battery system storing electricity generated during the day. ČEZ Prodej also offers to its customers installation of heat pumps. Abroad (mainly in Germany, Italy, Romania, Austria, Israel, the Netherlands, France and Hungary), ČEZ Group, represented by Elevion Group offers wide range of comprehensive energy services. Elevion Group operates in three ESCO services areas: energy solutions for buildings, green energy, energy for industry. Increase installed capacity of electricity accumulation to at least 300 MWe by 2030.
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III. Characteristics of Sustainability-Linked Instruments

Sustainability-Linked Instruments issued under this Framework are linked to ČEZ's sustainability performance, meaning their financial performance is dependent on the evolution of the KPI applicable to each Sustainability-Linked Instruments in accordance with its terms and conditions ("Terms & Conditions").

In case that the KPI does not achieve the respective SPT(s), a so-called Trigger Event will occur. A Trigger Event will result in an impact on the financial performance of the Sustainability-Linked Instrument. The implications on the financial performance of the Sustainability-Linked Instruments, such as bonds, in case of a Trigger Event can occur in, but are not limited to, the following variations:

- The KPI step-up margin applicable to the rate of interest for the following interest periods
- One-time KPI-premium payment to investors on the redemption date

The relevant KPI, SPT(s), margin adjustment amounts, or the premium payment amounts applicable are subject to the Terms & Conditions of the respective Sustainability-Linked Instrument.

In case of any failure in achieving the SPT(s) under a Sustainability-Linked Bond, ČEZ will make the information publicly available at the latest 180 days after the target observation date.

If for any reason, the performance level against the SPT cannot be calculated or observed for a Sustainability-Linked Bond, the increased coupon margin (as defined in the relevant Terms & Conditions) will be applicable. If for any reason, ČEZ does not publish details of its performance against the relevant SPT(s), the increased coupon margin will be applicable.

No more than one step-up margin shall be applied over the life of a given Sustainability-Linked Bond.

For clarification reasons, if ČEZ has achieved the SPT(s) for the KPI applicable under the Terms & Conditions of a Sustainability-Linked Bond, the financial characteristics of the Sustainability-Linked Bond will not change.

For the avoidance of doubt, in the case of Sustainability-Linked Loans the applicable margin may be decreased or increased, subject to the achievement or not of the relevant SPT(s). Margin adjustment considerations of Sustainability-Linked Loans will be defined in the relevant loan documentation as agreed between ČEZ and the lending group and in accordance with the Sustainability-Linked Loan Principles as administered by the LMA. In accordance with the

²⁸ SPT 1.c covers the ČEZ Group without activities in Poland, Bulgaria, Romania and coal powerplant Počerady as these activities have been subject to divestment or are in the process of divestment.

recommendation provided by such Principles, ČEZ intends to define annualized SPTs to be integrated within sustainability-linked lending facilities.

Recalculation Option

We reserve ourselves the right to conduct amendments to the KPI-SPT Reference Base, in case of any M&A activities or changes to the calculation methodology for the KPI, which lead to a change of at least 5% decrease of the respective KPI performance or change and the nature of the KPI. The adjustment mechanism allows for a revision of the KPI-SPT Reference Base by the ratio of the change in relative KPI ČEZ records as a result of the acquisition, merger, divestment, significant changes in data due to better data accessibility and/or changes in the calculation methodology. The purpose of this mechanism is to (i) ensure that a development of the ČEZ Group through M&A activity is not preventing ČEZ from achieving its set sustainability performance target.

In case of changes to the Framework the KPI and SPT(s) set out in this Framework and in the respective Terms & Conditions will remain applicable throughout the tenor of any Sustainability-Linked Instrument issued under this Framework in the form prevailing at the time of issuance of the respective Sustainability-Linked Instrument, regardless of any subsequent changes to ČEZ' sustainability strategy or changes and future updates of the Framework, independent of whether they are driven by changes in the relevant principles or ČEZ' corporate decisions.

IV. Reporting

ČEZ will provide adequate information to investors and other market participants regarding the implementation and progress on its sustainability objectives in its annually published Annual Financial Report, Sustainability Report and/or any specific Sustainability-Linked Instrument Report. The disclosure will be made available on ČEZ' investor relations website.

The reporting will include the following information:

- The performance of the KPI, as per the relevant reporting period and when applicable, as per the Target Observation Date including the calculation methodology and baselines where relevant
- Any update in ČEZ's sustainability strategy or any recent announcements, strategic decisions and means mobilized that might impact the achievement of the SPT(s)
- Qualitatively or quantitatively explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI
- When relevant, any re-assessments of KPI and/or restatement of the SPT(s) and/or pro-forma adjustments of KPI scope information on the products range/mix as evolution drivers of the KPIs
- At its discretion, any examples of specific projects that have been implemented for the achievement of the performance against the SPT(s)

V. Verification

ČEZ has appointed an external verifier to provide an independent Second Party Opinion ("SPO") to evaluate this Framework and its alignment with the SLBP 2023 and SLLP 2023. The SPO will be made publicly available on ČEZ' corporate website and will also be available on the website of the SPO provider.

The KPI and its progress will be disclosed in the reporting document published by ČEZ on an annual basis, for instance the Group Annual Report. ČEZ will engage an external auditor to provide at least a limited assurance regarding KPI performance information.

4. Green Financing Framework

I. Rationale for the Green Financing Framework

ČEZ Group's has established VISION 2030 – Clean Energy of Tomorrow, which is premised on the transformation of its generation portfolio to a lower emission one, achieving climate neutrality by 2040, and providing the most cost-effective energy solutions and the best customer experience in the market. Understandably, significant project financing and refinancing will be required to realize such ambitions. For example, ČEZ expects to add 6 GW of renewable energy capacity by 2030, corresponding to 6-7 CZK billion annual capex between 2021 and 2025 and 18-20 CZK billion annual capex between 2026-2030²⁹. This Green Financing Framework will facilitate the issuance of green financing instruments which in turn will support the significant (re)financing of projects necessary to realize such environmental objectives. This Green Financing Framework will facilitate ČEZ's issuance of the following formats, all together meeting the definition of Green Financing Instruments:

- Green Bonds, to finance and/or refinance eligible green projects
- Green Loans, to finance and/or refinance eligible green projects

This Framework accommodates, but is not restricted to, unsecured bonds, commercial papers and loans in various formats and currencies³⁰. Further details will be provided in the applicable transaction documentation.

II. Green Financing Framework Structure

ČEZ recognizes the need to address climate change and the Group's strategy for the energy transition is outlined in VISION 2030 – Clean Energy of Tomorrow. For ČEZ to realize its decarbonization ambitions, significant investment in the transition away from fossil-fuels and towards more sustainable and efficient means of power generation will be required. To finance and/or refinance activities that enable climate change mitigation, ČEZ has developed this Green Financing Framework section to facilitate the issuance of green financing instruments, such as bonds and loans.

The Green Financing Framework has been developed in accordance with:

- **The International Capital Markets Association's (ICMA) Green Bond Principles³¹ (2021):** The Green Bond principles (GBPs) are a voluntary framework intended to promote the role that global debt capital markets can play in financing progress towards environmental sustainability and is framed around four key pillars i) Use of Proceeds ii) Process for Project Evaluation and Selection iii) Management of Proceeds iv) Reporting³².
- **The Loan Syndication and Trading Association's (LSTA) Green Loan Principles (February 2023)³³:** The LSTA, Loan Market Association (LMA), and the Asia Pacific Loan market association (APLMA) have published a recommended framework for the development of green loan products. This Framework has been structured in accordance with the recommendations for the Green Loan Principles (GLPs).
- **The EU Taxonomy:** The EU Taxonomy is a classification system developed by the European Commission (EC) and provides a classification system intended to clarify which economic activities are environmentally sustainable. A mapping exercise has been conducted between the Green Eligible Categories included in this Framework and economic activities as defined by the EU Taxonomy³⁴. In order for Green Eligible Categories to be considered aligned with the EU Taxonomy, Technical Screening Criteria (TSC), including Do No Significant Harm Assessment (DSNH), and Minimum Safeguards (MS) need to be met.
- **United Nations Sustainability Development Goals³⁵ (UN SDGs):** The UN SDGs were launched in 2015 and represent a call for action by all countries in a global partnership to realize the 2030 agenda, which has 17

²⁹ As reported in the December 2023 'Investment Story' presentation. Capex conservatively assumes no subsidies on Capex from Modernisation fund due to their uncertain amount. [Prezentace aplikace PowerPoint \(cez.cz\)](#).

³⁰ Not exhaustive.

³¹ [Green-Bond-Principles-June-2022-060623.pdf \(icmagroup.org\)](#).

³² The ICMA GBPs also make key recommendations related to green bond frameworks and external reviews.

³³ [Green-Loan-Principles-Feb-2023 \(1\).pdf](#).

³⁴ EU Taxonomy Delegated Acts, including both EU Taxonomy Climate Delegated acts and Environmental Delegated Acts, available [here](#).

³⁵ [Green-Social-and-Sustainability-Bonds-A-High-Level-Mapping-to-the-Sustainable-Development-Goals-June-2023-220623.pdf \(icmagroup.org\)](#).


objectives at its core³⁶. ČEZ has conducted a mapping exercise in accordance with ICMA's guidance (June 2023) to indicate how each of the eligible green expenditure/ projects as defined in this Framework are contributing to the 17 UN SDGs.

³⁶ [THE 17 GOALS | Sustainable Development \(un.org\)](#).

5. Green Financing Instruments

I. Use of Proceeds

ČEZ will allocate an amount equal to the net proceeds raised through any green finance instrument to finance and/or refinance eligible green projects. Eligible green projects may include operational (opex)³⁷, capital expenditures (capex), as well as assets so long as they align with the green eligibility criteria as defined in the table below. Eligible green projects may also include the acquisition of 'pure-play' entities defined as companies that derive $\geq 90\%$ of revenues from eligible green activities as defined in this Framework³⁸.

Green Categories	Eligibility Criteria ³⁹	EU Taxonomy Economic Activity	UN SDG ⁴⁰
Renewable Energy	<ul style="list-style-type: none"> Renewable energy generation and/or modernisation of the transmission network and the connection of renewable energy production units to the electricity grid: <ul style="list-style-type: none"> Solar power through solar photovoltaic technology (PV) Wind power Hydropower electricity production and pumped-hydropower, which are run-of-river without reservoirs with a power density of $>5\text{W}/\text{m}^2$ or a life cycle emissions intensity $<100\text{gCO}_2\text{e}/\text{kWh}$⁴¹ Transmissions and distribution infrastructure or equipment in an electricity system that is either i) interconnected to the European system ii) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of $100\text{gCO}_2\text{e}/\text{kWh}$⁴² Construction and operation of electricity storage⁴³ Construction, operation of facilities that store thermal energy and return it at a later time in the form of thermal energy or other energy vectors⁴⁴ Construction, refurbishment and operation of pipelines and associated infrastructure for distribution of heating and cooling⁴⁵ 	<ul style="list-style-type: none"> CCM⁵² 4.1: Electricity generation using solar photovoltaic technology CCM 4.3: Electricity generation from wind power CCM 4.5: Electricity generation from hydropower CCM 4.9: Transmission and distribution of electricity CCM 4.10: Storage of electricity CCM 4.11: Storage of thermal energy CCM 4.15: District heating/cooling distribution CCM 4.20: Cogeneration of heat/cool and power from bioenergy CCM 4.24: Production of heat/cool from bioenergy 	

³⁷ A look-back period of 36-month is specified for operational expenditures. For both opex and capex, ČEZ intends to be transparent regarding the age of the eligible green projects and aims to refinance expenditures that have recently occurred or finance new ones.

³⁸ Alternatively, only the pro-rata share of the acquisition based on percentage of eligible green revenues will be accounted for.

³⁹ Not exhaustive. Eligibility criteria refers to technical screening criteria for the corresponding EU Taxonomy economic activity.

⁴⁰ As per ICMA's 'High-level Mapping to the Sustainable Development Goals (June 2023). [Green-Social-and-Sustainability-Bonds-A-High-Level-Mapping-to-the-Sustainable-Development-Goals-June-2023-220623.pdf](https://www.icmagroup.org/~/media/2023/06/23/220623.pdf) (icmagroup.org).

⁴¹ Excluding hydropower plants that generate energy $>1000\text{MW}$.



⁴² Measured on a lifecycle basis in accordance with electricity generation criteria over a rolling 5-year period.

⁴³ The activity is the construction and operation of electricity storage including pumped hydropower storage. Where the activity includes chemical energy storage, the medium of storage (such as hydrogen or ammonia) complies with the criteria for manufacturing of the corresponding product specified in Sections 3.7 to 3.17 of the Annex. In case of using hydrogen as electricity storage, where hydrogen meets the technical screening criteria specified in Section 3.10 of this Annex, re-electrification of hydrogen is also considered part of the activity.

⁴⁴ The activity stores thermal energy, including Underground Thermal Energy Storage (UTES) or Aquifer Thermal Energy Storage (ATES).

⁴⁵ Where the activity complies with one of the following criteria: (a) for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41, of Directive 2012/27/EU; (b) for refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the investment that makes the system meet the definition of efficient district heating or cooling laid down in Article 2, point 41, of Directive 2012/27/EU starts within a three year period as underpinned by a contractual obligation or an equivalent in case of operators in charge of both generation and the network; (c) the activity is the following: (i) modification to lower temperature regimes; (ii) advanced pilot systems (control and energy management systems, Internet of Things).

⁵² Climate Change Mitigation.

Green Categories	Eligibility Criteria ³⁹	EU Taxonomy Economic Activity	UN SDG ⁴⁰
	<ul style="list-style-type: none"> • Cogeneration of heat/cool and power exclusively from biomass, biogas, or bioliquids (excluding cogeneration from blending of renewable fuels with biogas or bioliquids)⁴⁶ where the GHG emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001^{47,48} • Production of heat/cool and power exclusively from biomass, biogas, or bioliquids (excluding cogeneration from blending of renewable fuels with biogas or bioliquids)⁴⁹ where the GHG emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001^{50,51} 		
Energy Efficiency	<ul style="list-style-type: none"> • Development, installation, or repair of energy efficiency equipment including individual measures⁵³ e.g. thermal insulation of buildings, installation and replacement of lighting, heating ventilation and air conditioning (HVAC) and water heating systems, replacement of existing windows and external doors with more energy efficient equivalents as specified in the EU Taxonomy • Installation, maintenance and repair of renewable energy technologies on-site where the activity involves the installation, maintenance and repair of solar PV systems, solar hot water panels, heat pumps contributing to renewable energy in heat and cool, wind turbines, solar transpired collectors, thermal or electric storage units, high efficiency micro combined heat and power (CHP), or heat exchange recovery systems, solar hot water panels or any ancillary technical equipment as specified in the EU Taxonomy 	<ul style="list-style-type: none"> • CCM 7.3: Installation, maintenance and repair of energy efficiency equipment • CCM 7.6: Installation, maintenance and repair of renewable energy technologies 	
Natural Gas Power and heat generation	Construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels, where facilities for which the construction permit is granted	<ul style="list-style-type: none"> • CCM 4.29: Electricity generation from fossil gaseous fuels • CCM 4.30: High-efficiency 	

⁴⁶ Agricultural biomass used in the activity for the production of heat and cool complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7, of that Directive.

⁴⁷ Where the cogeneration installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in sections 5.6 and criteria 1 and 2 of section 5.7 of the annex as per the EU taxonomy Regulation.

⁴⁸ Financed projects will not use food-based feedstocks as a source. ČEZ may certify agricultural and forestry waste residues feedstocks with KZR INiG.

⁴⁹ Agricultural biomass used in the activity for the production of heat and cool complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7, of that Directive.

⁵⁰ Where the installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in sections 5.6 and criteria 1 and 2 of section 5.7 of the annex as per the EU taxonomy Regulation.

⁵¹ Financed projects will not use food-based feedstocks as a source. ČEZ may certify agricultural and forestry waste residues feedstocks with KZR INiG.

⁵³ Activity should comply with the minimum requirements set for individual components and systems in the applicable national measures and where applicable are rated in the highest two populated classes of energy efficiency.




Green Categories	Eligibility Criteria ³⁹	EU Taxonomy Economic Activity	UN SDG ⁴⁰
	<p>by 31 December 2030 comply with all of the criteria for taxonomy-alignment defined by Complementary Climate Delegated Act^{54, 55} including:</p> <ul style="list-style-type: none"> • Direct GHG emissions of the activity are lower than 270g CO₂e/kWh of the output energy, or annual direct GHG emissions of the activity do not exceed an average of 550kgCO₂e/kW of the facility’s capacity over 20 years • The activity replaces an existing high emitting electricity generation activity that uses coal as fuel <p>Construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels, where facilities for which the construction permit is granted by 31 December 2030 comply with all of the criteria for taxonomy-alignment defined by Complementary Climate Delegated Act^{56, 57} such as:</p> <ul style="list-style-type: none"> • The activity achieves primary energy savings of at least 10% compared with the references to separate production of heat and electricity; the primary energy savings are calculated on the basis of formula provided in Directive 2012/27/EU; • Direct GHG emissions of the activity are lower than 270g CO₂e/kWh of the output energy <p>Construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels</p>	<p>co-generation of heat/cool and power from fossil gaseous fuels</p> <ul style="list-style-type: none"> • CCM 4.31: Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system 	

⁵⁴ Additional substantial contribution criteria include: i) The power to be replaced cannot be generated from renewable energy sources, based on a comparative assessment with the most cost-effective and technically feasible renewable alternative for the same capacity identified; the result of this comparative assessment is published and is subject to a stakeholder consultation, ii) the newly installed production capacity does not exceed the capacity of the replaced facility by >15% iii) the facility is designed and constructed to use renewable and/or low-carbon gaseous fuels and the switch to full use of renewable and/or low carbon gaseous fuels takes place by 31 December 2035 with a commitment and verifiable plan approved by the management body of the undertaking iv) the replacement leads to a reduction of at least 55% GHG over the lifetime of the newly installed production capacity v) where the activity takes place on the territory of a Member State in which coal is used for energy generation, that Member State has committed to phase-out the use of energy generation from coal and has reported this in its integrated national energy and climate plan referred to in Article 3 of regulation (EU) 2018/1999 of the European Parliament and of the Council or in another instrument vi) the activity meets either of the following a) at construction, measurement equipment for monitoring of physical emissions such as those from methane leakage is installed or a leak detection and repair programme is introduced b) at operation, physical measurement of emissions are reported and leak is eliminated vii) where the activity blends fossil gaseous fuels with gaseous biofuels, the agricultural biomass used for the production of the biofuels complies with the criteria outlined in Article 29, paragraphs 2 to 5 of Directive (EU) 2018/2001, while forest biomass complies with criteria laid down in Article 29, paragraphs 6 and 7 of the same Directive.

⁵⁵Criteria is verified by an independent third party. The independent third-party verifier has the necessary resources and expertise to perform such verification and does not have any conflicts of interest with the owner or the funder, and it not involved in the development or operation of the activity. The independent third-party verifier carries out diligently the verification of compliance with the technical screening criteria. In particular, every year the independent third party publishes and transmits to the Commission a report: (a) certifying the level of direct GHG emissions referred to in the technical screening criteria (b) where applicable, assessing whether annual direct GHG emissions of the activity are on a credible trajectory to comply with the average threshold over 20 years (c) assessing whether the activity is on a credible trajectory to comply with the technical screening criteria.

⁵⁶ Additional substantial contribution criteria include: i) the power and/or heat/cool to be replaced cannot be generated from renewable energy sources (based on a comparative assessment with the most cost-effective and technically feasible renewable alternative for the same capacity identified; the result of this comparative assessment is published and is subject to a stakeholder consultation) ii) the activity replaces an existing high emitting combined heat/cool and power generation activity, a separate heat/cool generation activity, or a separate power generation facility that uses solid or liquid fossil fuels iii) the newly installed production capacity does not exceed the capacity of the replaced facility iv) the facility is designed and constructed to use renewable and/or low-carbon gaseous fuels and the switch to full use of renewable and/or low-carbon gaseous fuels takes place by 31 December 2035, with a commitment and verifiable plan approved by the management body of the undertaking v) the replacement leads to a reduction in emissions of at least 55% GHG per kWh of output energy vi) the refurbishment of the facility does not increase production capacity of the facility vi) where the activity takes place on the territory of a Member State in which coal is used for energy generation, that Member State has committed to phase-out the use of energy generation from coal and has reported this in its integrated national energy and climate plan referred to in Article 3 of regulation (EU) 2018/1999 of the European Parliament and of the Council or in another instrument vii) the activity meets either of the following a) at construction, measurement equipment for monitoring of physical emissions such as those from methane leakage is installed or a leak detection and repair programme is introduced b) at operation, physical measurement of emissions are reported and leak is eliminated.

⁵⁷ Criteria is verified by an independent third party.

Green Categories	Eligibility Criteria ³⁹	EU Taxonomy Economic Activity	UN SDG ⁴⁰
	<p>connected to efficient district heating and cooling, where facilities for which the construction permit is granted by 31 December 2030 comply with all of the criteria for taxonomy-alignment defined by Complementary Climate Delegated Act^{58, 59} including:</p> <ul style="list-style-type: none"> Produced heat is used in an efficient district heating and cooling system as defined in Directive 2012/27/EU Direct GHG emissions of the activity are lower than 270g CO₂e/kWh of the output energy 		
Nuclear Power Generation	<p>Projects authorised no later than 2040 by the competent authorities to extend the operating life of existing reactors that produce electricity or heat from nuclear energy and in compliance with criteria as specified by the EU taxonomy⁶⁰ including:</p> <ul style="list-style-type: none"> Life-cycle GHG emissions from the generation of electricity from nuclear energy are below the threshold of 100gCO₂e/kWh 	<ul style="list-style-type: none"> CCM 4.28: Electricity generation from nuclear energy in existing installations 	
Clean Transportation	<p>Purchase, financing, rental, leasing, development, operation, maintenance, and upgrades of low-emissions and low-carbon transport projects as specified by the EU Taxonomy, including:</p> <ul style="list-style-type: none"> Passenger transport with zero direct (tailpipe) CO₂ emissions Infrastructure dedicated to the operation of vehicles with zero tailpipe CO₂ emissions: electric charging points, electricity grid connection, hydrogen fuelling stations 	<ul style="list-style-type: none"> CCM 6.5: Transport by motorbikes, passenger cars and light commercial vehicles CCM 6.15: Infrastructure enabling low-carbon road transport and public transport 	
Demolition	<p>Operating expenses towards demolition of decommissioned coal power plants in line with location transformation plans.</p> <ul style="list-style-type: none"> Prior to the start of the demolition or wrecking activity, at least the following 	<ul style="list-style-type: none"> CE⁶⁹: 3.3 Demolition and wrecking of buildings and other structures 	

⁵⁸ Additional substantial contribution criteria include: i) the thermal energy generated by the activity is used in an efficient district heating and cooling system as defined in Directive 2012/27/EU ii) the heat/cool to be replaced cannot be generated from renewable energy, based on a comparative assessment with the most cost-effective and technically feasible renewable alternative for the same capacity identified; the result of this comparative assessment is published and is subject to a stakeholder consultation iii) the activity replaces an existing high emitting heating/colling activity using solid or liquid fossil fuel iv) the newly installed production capacity does not exceed the capacity of the replaced facility v) the facility is designed to use renewable and/or low-carbon gaseous fuels and the switch to full use of renewable and/or low carbon gaseous fuels takes place by 31 December 2035, with a commitment and verifiable plan approved by the management body of the undertaking vi) the replacement leads to a reduction in emissions of at least 55% GHG per kWh of output energy vii) the refurbishment of the facility does not increase production capacity of the facility viii) where the activity takes place on the territory of a Member State in which coal is used for energy generation, that Member State has committed to phase-out the use of energy generation from coal and has reported this in its integrated national energy and climate plan referred to in Article 3 of regulation (EU) 2018/1999 of the European Parliament and of the Council or in another instrument ix) the activity meets either of the following a) at construction, measurement equipment for monitoring of physical emissions such as those from methane leakage is installed or a leak detection and repair programme is introduced b) at operation, physical measurement of emissions are reported and leak is eliminated.

⁵⁹ Criteria is verified by an independent third party.

⁶⁰ Additional substantial contribution criteria include: i) The project is located in a Member State and complies with the requirements as specified under the delegated act (EU) 2022/1214 and in accordance with regulation 2020/852 ii) the updated project implements any reasonably practicable safety improvement and from 2025 makes use of accident-tolerant fuel (the technology is certified and approved by the national safety regulator) iii) the project has been notified to the Commission in accordance with Article 41 of the Euratom Treaty or with Article 1(4) of Council Regulation 2587/1999 iv) The Member State concerned has committed to report to the Commission every 5 years for each project on the adequacy of the accumulated resources and the actual progress of the implementation of the plan v) the activity complies with national legislation that transposes the legislation referred to in point 1(a) and (b) vi) the activity fulfils the requirements of Directive 2009/71/Euratom, supported by the latest international guidance from the IAEA and WENRA contributing to increasing the resilience and the ability of new and existing nuclear power plants to cope with external natural hazards, including floods and extreme weather conditions vi) Radioactive waste (as referred to in the EU Taxonomy) is disposed of in the Member State in which it was generated unless there is an agreement between the Member State concerned and the Member State of destination, as established in Directive 2011/70/Euratom. In that case, the Member State of the destination has radioactive waste management and disposal programmes and a suitable disposal facility in operation in compliance with the requirements of Directive 2011/70/Euratom.

⁶⁹ Transition to a circular economy.

Green Categories	Eligibility Criteria ³⁹	EU Taxonomy Economic Activity	UN SDG ⁴⁰
	<p>aspects from the Level 1 design concept checklist of the Level(s) indicator 2.2⁶¹ checklist are discussed and agreed upon with the client:</p> <ul style="list-style-type: none"> - definition of key performance indicators and target ambition level - identification of project-specific constraints that may compromise the target ambition level (such as time, labour and space) and how to minimise these constraints - details of the pre-demolition auditing procedure - an outline waste management plan that prioritises selective deconstruction, decontamination and source separation of waste streams. Where these actions are not prioritised, an explanation is provided to justify why selective deconstruction, decontamination or source separation of waste streams are not technologically feasible in the project. Cost or financial considerations are not an acceptable reason to avoid complying with this requirement <ul style="list-style-type: none"> • The operator of the activity conducts a pre-demolition audit in line with the EU Construction and Demolition Waste Management Protocol⁶² • All demolition waste generated during the demolition or wrecking activity is treated in accordance with Union waste legislation and the full checklist of the EU Construction and Demolition Waste Management Protocol⁶³ • The preparing for re-use⁶⁴ or recycling⁶⁵ of the non-hazardous construction and demolition waste generated on the construction site is at least 90% (by mass in kilogrammes), excluding 		

⁶¹ See Level(s) indicator 2.2: Construction and Demolition waste and materials, User manual: introductory briefing, instructions and guidance (Publication version 1.1), https://susproc.jrc.ec.europa.eu/productbureau/sites/default/files/2021-01/UM3_Indicator_2.2_v1.1_40pp.pdf.

⁶² Guidelines for the waste audits before demolition and renovation works of buildings. EU Construction and Demolition Waste Management, May 2018: <https://ec.europa.eu/docsroom/documents/31521/attachments/1/translations/en/renditions/native>. For reporting the estimates of Level 2 Demolition Waste, the Excel spreadsheet available on the Commission website is to be used: Construction and Demolition Waste (CDW) and materials excel template: for estimating (Level 2) and recording (Level 3) amounts and types of CDW and their final destinations (version 1.1), <https://susproc.jrc.ec.europa.eu/product-bureau/productgroups/412/documents>

⁶³ Guidelines for the waste audits before demolition and renovation works of buildings. EU Construction and Demolition Waste Management, May 2018: <https://ec.europa.eu/docsroom/documents/31521/attachments/1/translations/en/renditions/native>. For reporting the estimates of Level 3 Construction and Demolition Waste, the Excel spreadsheet available on the Commission website is to be used: Construction and Demolition Waste (CDW) and materials excel template: for estimating (Level 2) and recording (Level 3) amounts and types of CDW and their final destinations (version 1.1), <https://susproc.jrc.ec.europa.eu/product-bureau/productgroups/412/documents>. For this, each type of demolition waste is tagged with the appropriate six-digit code from the European List of Waste established by Commission Decision 2000/532/EC. When including the type of waste treatment in the Excel spreadsheet (i.e. preparation for reuse, for recycling, material recovery, energy recovery or disposal), evidence is included that the economic operators receiving the waste have the technical capability to carry out this treatment. Such evidence may consist in a link to the company's webpages where this is documented or a signed statement from a representative of the company. Where the treatment takes place on the demolition site, such as onsite reuse or recycling, acceptable evidence may consist in a signed statement from a representative of the company.

⁶⁴ 'Preparing for re-use' means checking, cleaning or repairing recovery operations, by which products or components of products that have become waste are prepared so that they can be re-used without any other pre-processing. This includes, for instance, the preparation for re-use of certain parts of buildings like roof elements, windows, doors, bricks, stones or concrete elements. A pre-requisite for the preparation for re-use of building elements is usually the selective deconstruction of buildings or other structures.

⁶⁵ 'Recycling' means any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations.

Green Categories	Eligibility Criteria ³⁹	EU Taxonomy Economic Activity	UN SDG ⁴⁰
	backfilling ⁶⁶ . This excludes naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Commission Decision 2000/532/EC. The operator of the activity demonstrates compliance with the 90% threshold by reporting on the Level(s) indicator 2.2 ⁶⁷ using the Level 3 reporting format for different waste streams. Alternatively, at least 95% of the mineral ⁶⁸ fraction and 70% of the non-mineral fraction of the non-hazardous demolition waste is separately collected and prepared for reuse or recycled		

ČEZ will, on a best-efforts basis, indicate at issuance the share proceeds from a given bond intended to be allocated to nuclear, gas power generation and demolition (e.g. in the use of proceeds list of the transaction and related disclosures).

For avoidance of doubt, ČEZ will apply exclusion criteria that prevents any coal related activities from being financed/re-financed by green instruments (except taxonomy-aligned demolition works with substantial contribution to circular economy goal).

II. Process for Project Evaluation and Selection

ČEZ will establish a 'Green Financing Working Group' (GFWG), comprised of representatives from Treasury, Controlling and ESG Department, who will be responsible for ensuring that the pool of green expenditures/ projects comply with the eligibility criteria as specified in this Framework. The GFWG will meet at least on an annual basis and will specifically be responsible for:

- Reviewing and validating the existing pool of eligible green projects
- Reviewing new investments/financing to be included in the pool of eligible green projects
- Overseeing and reviewing post issuance reporting (e.g. allocation and impact reports)
- Monitoring any on-going evolution related to Green Bond/Loan market practices in terms of disclosure/reporting, harmonization (e.g. updates to the ICMA principles, EU Taxonomy, or EU Green Bond Standard)

ČEZ recognizes that the EU Taxonomy specifies, not only substantial contribution criteria (SC), but also 'Do No Significant Harm' (DNSH) and 'Minimum Safeguards' (MS) criteria that need to be met in order for activities to be considered EU Taxonomy aligned. Defined DNSH Criteria are assessed at activity level. DNSH criterion for adaption on physical climate risks is generally applicable for all Group activities. In order to monitor such criterion, ČEZ Group's risk management includes sustainability risks and climate-related physical risks in several subcategories. All risks identified through such assessments are monitored, assessed, and periodically reviewed as outlined in ČEZ's TCFD Report⁷⁰ and Sustainability Report⁷¹.

ČEZ has established risk management system and a system of internal controls, both of which are monitored on an ongoing basis by the Internal Audit Department. A 'Unified Group Risk Management' scheme has been adopted since

⁶⁶ 'Backfilling' means any recovery operation where suitable non-hazardous waste is used for purposes of reclamation in excavated areas or for engineering purposes in landscaping. Waste used for backfilling must substitute non-waste materials, be suitable for the aforementioned purposes, and be limited to the amount strictly necessary to achieve those purposes.

⁶⁷ See Level(s) indicator 2.2: Construction and demolition waste and materials, User Manual: introductory briefing, instructions and guidance (Publication version 1.1), https://susproc.jrc.ec.europa.eu/productbureau/sites/default/files/2021-01/UM3_Indicator_2.2_v1.1_40pp.pdf.

⁶⁸ See Annex III to Commission Regulation 849/2010 for a categorisation of mineral non-hazardous construction and demolition waste, <https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32010R0849&from=EN>.

⁷⁰ [tcfid.pdf \(cez.cz\)](#).

⁷¹ [cez-zour-ai-2022.pdf](#).

2021 and covers decentralized managed risk processes by introducing a single, centrally coordinated process for managing material risks using an appropriate software.

The concept of double materiality⁷² is incorporated within risk management systems. Based on this assessment, risks are categorized as follows⁷³:

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

The aim of the risk management system is to protect the value of ČEZ Group while taking on an acceptable level of risk. The Board Directors of ČEZ, a. s., approves both the ČEZ Group's Budget and the Profit at Risk, an overall risk limit expressing the ČEZ Group's inclination to risk for a given year. The limit is allocated to individual risks and organizational units on an ongoing basis.

ČEZ Group's risk management process covers market risks, credit risks, operational risks, and business risks. Sustainability (transition) risks and climate-related physical risks are included in several subcategories. For example, negative impacts of extreme temperatures, droughts and floods are part of the operational risks as they influence both the estimated and current production. Chronic changes in average temperatures are part of financial risks as they affect the future energy market prices. Climate change and variability and change in wind patterns further influence estimates and plans under volumetric risk, associated with wind power electricity generation. Risks are monitored, assessed, and periodically reviewed.

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

ČEZ strives to realize full compliance with the minimum social safeguards and ensures that business is conducted in accordance with human rights and ethical principles. The Group uses the fundamental international conventions (ILO, UN) and fully complies with international conventions and declarations of human and labor rights, taking them into full consideration when developing ethical commitments and rules. To monitor compliance with such safeguards, ČEZ Group has established a compliance management system (CMS) which is designed in accordance with legislative requirements and international compliance standards, in particular ISO 37001 Anti-Corruption Management System and ISO 37301 Compliance Management System. ČEZ Group's Compliance Management System undergoes regular external assessments and includes all necessary elements of prevention, detection, and response, which are generally considered to be an essential part of compliance programs. And ČEZ Group started in 2023 to implement broad supply chain due diligence initiative under sourcing department to fully comply with planned EU Corporate Sustainability Due

⁷² i) impact of climate-related physical risks, but also ii) the effects of business on the environment and climate.

⁷³ Climate policy on both an EU and national level are also monitored closely to assess the impact on the company (including internal policies).

Diligence Directive (CSDDD).

III. Management of Proceeds

In accordance with the ICMA GBPs (June 2021) and the LMA's GLPs (February 2023), ČEZ will ensure that an amount at least equal to the green instrument net proceeds is allocated to green projects as defined in the 'Use of Proceeds' section of this Framework.

The GFWG will establish an 'Eligible Green Portfolio', selected in accordance with the criteria as specified in the use of proceeds section of this Framework. ČEZ will endeavor to maintain a level of allocation of the Eligible Green Portfolio that is at least equal to the net proceeds from its outstanding green finance instruments. On a best-efforts basis, ČEZ will allocate all eligible proceeds within 24-months of issuance. For avoidance of doubt, if a green project ceases to fulfil the eligibility criteria as specified in the use of proceeds section, ČEZ will remove it from its list of eligible projects and substitute the project as soon as reasonably practicable. Pending full allocation, any proceeds that remain unallocated will be used for short-term financing needs or temporarily invested in accordance with ČEZ's liquidity policy in cash or cash equivalents.

IV. Reporting

As specified in the ICMA Green Bond Principles, ČEZ will publish a 'Green Bond Report' within one-year post issuance and update annually until full allocation or maturity. The report will be issued either as stand-alone or as an annex to the Sustainability Report and/or a specific Sustainable Instruments Report and will be comprised of an i) allocation report and an ii) impact report. The allocation report will detail:

- Total proceeds raised through green finance instruments
- Total amount of proceeds allocated to eligible green projects
- Proportion of proceeds allocated to financing vs. refinancing (i.e. the split between existing and future investments)
- Share (%) of the green project portfolio that is EU Taxonomy aligned
- Balance of unallocated proceeds
- Allocations by eligible project green category
- Geographical location of allocated proceeds

ČEZ will also endeavor to report on qualitative and quantitative impact metrics in accordance with ICMA's 'Harmonized Framework for Impact reporting⁷⁴' (June 2023) on a best-efforts basis. An overview of potential indicative impact metrics for each eligible category that could be integrated into an impact report are provided below:

⁷⁴ [Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/impact-reporting/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf).

Eligible Green Criteria	Indicative impact metrics
Renewable Energy	<ul style="list-style-type: none"> • Installed renewable energy capacity (MW) • Installed capacity impacted by investments in MW (upgrade, refurbishment) • New electricity / heat storage capacity (Mwe / Mwhe / MWt / MWht) • Estimated annual GHG emissions avoided (tons CO₂e) • Smart grid components installed (% of total consumption with smart meters, Total length of fibre optic network in km) • Renewable capacity connected to the grid (number of installations and MW)
Energy Efficiency	<ul style="list-style-type: none"> • Estimated energy saved by investment projects (MWh) • Estimated annual GHG emissions avoided (tons CO₂e) • Indirect impact – Upgrade in ČEZ capacity to deploy energy efficient solutions to customers (number of energy efficient projects provided p.a / volume of revenues from provided services) • Indirect impact – Estimated annual energy savings (MWh) and GHG emissions avoided (tons CO₂e) by provided solutions to customers
Natural gas Energy generation	<ul style="list-style-type: none"> • Electricity generation capacity (Mwe) • Heat generation capacity (MWt) • Estimated annual GHG emissions avoided (tons CO₂e)
Nuclear Power Generation	<ul style="list-style-type: none"> • Electricity generation capacity (Mwe) • Electricity generated (MWh and % of total CEZ generation) • Heat generation provided (MWh) • Installed capacity impacted by investments in MW (LTO, upgrade, safety requirements) • Estimated annual GHG emissions avoided (tons CO₂e)
Clean Transportation	<ul style="list-style-type: none"> • Number and capacity of electric vehicle charging points installed (number, MW) • Share of renewable electricity delivered in charging points (%) • Number of electrical vehicles purchased and operated (number) • Volume of operated EV electricity consumption (kWh/MWh) • Estimated annual GHG emissions avoided (tons CO₂e)
Demolition	<ul style="list-style-type: none"> • Total weight (tons) of material reused or recycled during demolition of decommissioned coal power plants. • Number of locations (brownfields) with finished demolition, ready for further development (not coal related)

The indicators listed above may be supplemented by case-study reports on outcomes and impacts of selected projects funded and qualitative information.

V. External Reviews

Pre-Issuance Verification:

As per ICMA's key recommendations, prior to issuance, ČEZ has appointed an external verifier to conduct an external review of its Green Financing Framework. The external verifier has issued a Second-Party Opinion (SPO) on the Framework's alignment with the ICMA Green Bond Principles (June 2021), the LSTA's Green Loan Principles (February 2023), as well as its compliance with the recommendation of the EU Taxonomy. The SPO will be made publicly available on ČEZ's website.

Post Issuance Verification

In order to ensure sustained compliance of all issued Green Finance Instruments with the methodology set out in this Framework, ČEZ will obtain independent assurance from an external third party confirming the allocation of proceeds from green finance instruments to eligible projects/ expenditures. Assurance will be conducted on an annual basis, commencing one year post issuance and until full allocation.

Appendix

Nuclear Energy Utilisation in the Czech Republic

The Czech nuclear law is made of two main legal acts and several decrees. The Czech Nuclear Act No. 17/1997 regulates liability for nuclear damage. The Czech Nuclear Act No. 263/2016 Coll., the Atomic Act, contains a comprehensive regulation of issues related to the peaceful use of nuclear energy and ionizing radiation. This Act incorporates the relevant regulations of the European Atomic Energy Community (referred to as "Euratom") and the European Union (EU), where applicable.

Safety of Operated Nuclear Power Plants

ČEZ's nuclear power plants are operated in compliance with applicable nuclear energy legislation, fulfilling the conditions of all valid licenses.

The nuclear power plants Dukovany and Temelín are among the most open and also the most inspected nuclear facilities in the world. So far, they have undergone dozens of international missions and inspections. For example, both of these plants have been the first in the world to undergo an international cyber security audit. Among the most important are the inspections by the International Atomic Energy Agency, OSART and the World Association of Nuclear Operators, WANO Peer Review. They aim to verify the functioning internal and external safety review system. They are based on the collection of facts concerning the power plant's performance, followed by their implementation into Areas for Improvement (AFI) and Good Practices. The Temelín and Dukovany plants are regularly recertified as a "Safe Enterprise".

Both nuclear power plants follow the Internal Emergency Plan for Nuclear Power Plants, a licensing document approved by the SONS. The related External Emergency Plan for the Emergency Planning Zone is prepared by the regional Fire Rescue Service in cooperation with the power plant and other organizations. Both nuclear power plants have their Emergency Control Center, which includes 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.

Under Czech law, SONS is responsible for supervising safe operation of nuclear power plants. SONS supervises regulatory compliance and the operation of nuclear facilities, the quality of selected activities, maintenance and personnel training. SONS representatives (local inspectors) are permanently on site at both Dukovany and Temelín nuclear power plants to monitor their performance and compliance with safety standards and operating procedures, and to make sure that any modifications are being performed in an appropriate manner. The safe operation of Dukovany and Temelín nuclear power plants is governed by documented requirements, approved by SONS.

Since their commissioning, Dukovany and Temelín nuclear power plants have been continuously monitoring the levels of radiation in the immediate vicinity of the plants under the supervision of SONS. To date, the results of the monitoring in the ventilation outlets and in the drains of the plants have indicated that radiation levels remain considerably below regulatory limits.

WANO

ČEZ is a member of the World Association of Nuclear Operators ("WANO") and, like other members of this organization, regularly participates in peer reviews of its nuclear power plants. These peer reviews are carried out regularly by international teams of experts from various professional organizations.

Final disposal of spent nuclear fuel

The Czech Republic guarantees the safe disposal of nuclear waste. Pursuant to requirements of the Czech Nuclear Act 2016, the Czech Repository Authority carries out activities associated with disposal of nuclear waste, including responsibility for all final disposal facilities and deposition of nuclear waste transferred to the Czech Repository Authority. The Czech Repository Authority's mission is to provide for the safe disposal of radioactive waste in accordance with the requirements of nuclear safety and human and environmental protection, to manage radioactive waste repositories, coordinate preparation for the construction of a deep geological repository and verify that the waste to be disposed of meets the strict standards set by SONS.

Disclaimer

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