



CLEAN
ENERGY OF
TOMORROW

Supervisory Board Report

Dear Shareholders, Ladies and Gentlemen:

Please allow me to present to you, on behalf of the Supervisory Board of ČEZ, a. s., the report on its activities since the last General Meeting taking place on June 26 last year (hereinafter also referred to as the "period under review").

In accordance with the Company's Articles of Association, the Supervisory Board has 12 members, two-thirds of whom (8 members) are elected and removed from office by the General Meeting and one-third of whom (4 members) are elected and removed from office by Company employees. One seat on the Supervisory Board is currently vacant. In the past period, the following personnel changes were made in the Supervisory Board:

- Last year's General Meeting confirmed the members of the Supervisory Board Vratislav Košťál and Václav Kučera, who were co-opted by the Supervisory Board in the previous period,
- The Supervisory Board discussed Radek Mucha's resignation as Vice-Chairman of the Supervisory Board of ČEZ, a. s., and, at his request, approved the termination of his position as Vice-Chairman as of April 16, 2024, with Radek Mucha remaining an ordinary member of the Supervisory Board,
- The Supervisory Board elected František Novotný as Vice-Chairman of the Supervisory Board with effect from April 17, 2024.

On May 20, 2024, when this Report was discussed, the Supervisory Board had the following members:

- Chairman of the Supervisory Board – Radim Jirout,
- Vice-Chairmen of the Supervisory Board – Roman Binder and František Novotný,
- Members of the Supervisory Board – Marta Ctiborová, Vít Doležálek, Eva Hanáková, Jiří Kadrnka, Vratislav Košťál, Václav Kučera, Radek Mucha, Milan Wagner.

Based on the requirements set out in the Corporate Governance Code published for issuers of securities admitted to trading on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), to which ČEZ, a. s., is bound as an issuer of shares on this exchange, the following members of the Supervisory Board meet all the independence criteria: Radim Jirout, Eva Hanáková, Vít Doležálek, Jiří Kadrnka, Vratislav Košťál, and Václav Kučera. The aforementioned Code requires that at least two members of the Supervisory Board meet the independence criteria.

The Supervisory Board held a total of 11 ordinary meetings in the past period, i.e., from the last Annual General Meeting until May 20, 2024.

Supervisory Board meetings were regularly attended by the Chairman of the Board of Directors. Depending on the contents and importance of the agenda, Board of Directors members of relevant purview and Company employees or external consultants and auditors were invited to the meetings.

As part of its inspection activities, the Supervisory Board also collaborated with the Audit and Compliance function and the Audit Committee of ČEZ, a. s., as well as with the CEZ Group Ombudsman.

Pursuant to the Company's Articles of Association, the Board of Directors of ČEZ, a. s., has seven members. Members of the Board of Directors are elected and removed by the Supervisory Board. In the period under review, the Supervisory Board made the following personnel decisions concerning the Board of Directors:

- Michaela Chaloupková was elected for another term as a member of the Board of Directors with effect from January 2, 2024,
- Martin Novák was elected for another term as a member of the Board of Directors with effect from May 25, 2024.

Subsequently, the Supervisory Board approved the service contracts of two elected members of the Board of Directors of ČEZ, a. s. and took note of the information on their authorization to manage the relevant divisions. In the period under review, the Supervisory Board also approved the service contract of the Board of Directors member Pavel Cyrani (who was elected with deferred effect in the previous period under review) and took note of the information on his authorization to manage the relevant division.

The Supervisory Board:

- **Continuously monitored** the activities of ČEZ, a. s. and key decisions made by its Board of Directors and management,
- **Addressed** the suggestions of its members, shareholders, or customers of the Company or other entities,
- **Held a series of workshops** that were conducted operationally instead of the previously existing Supervisory Board Committees, which have focused on the following topics: CEZ Group companies; Connecting new renewable sources to the distribution system; Assessment of the setting of annual tasks (KPIs) of ČEZ management by the external auditor Ernst & Young Audit, s.r.o.; Small Modular Reactors (SMRs),
- **Participated** in the 2023 Technology Conference,
- **Visited** the Dalešice Hydroelectric Power Plant,
- **Participated**, in the presence of representatives of the independent statutory auditor Deloitte Audit s.r.o., in the meeting of the Audit Committee, discussing the procedure for preparing the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2023, and the procedure and results of the statutory audit of these financial statements.

Within the **scope of its powers and beyond the scope of its obligations** as specified by the Company's Articles of Association, the Supervisory Board **requested and discussed** the following:

- Any promises made by the Company resulting from the consideration of motions made by shareholders at the Company's General Meeting on June 26, 2023, any protests made by shareholders during the General Meeting, and the findings of any actions relating to the General Meeting,
- Risk management system, risk overview, and risk provisions,
- Developments in significant legal disputes concerning CEZ Group,
- Approach of ČEZ Prodej, a. s., to the retail market, and CEZ Group's approach to the B2B segment (ESCO services),
- Activities of the investment fund Inven Capital SICAV, a.s.,
- Progress and completion of the project for the completion of hot water piping from Temelín to České Budějovice,
- Result of collective bargaining in 2023,
- Economics and operation of basin power plants and associated mines, the outlooks for the future and an overall overview of conventional power plants,
- ČEZ Ombudsman's activities in 2023,
- Results of some internal compliance investigations within CEZ Group,
- CEZ Group's debt capacity,
- on the position of ČEZ on the issue of the windfall tax.

The Supervisory Board also requested and discussed information on the operation and activities of the ČEZ Foundation and the foundation contributions made in 2023, as well as information on CEZ Group's communication activities in 2023. Overall, the Supervisory Board assesses the expenditures made in the areas of the ČEZ Foundation's activities and communication activities (i.e., including expenditures to support culture, sports, charitable and social organizations, etc.) as rational.

At its meetings, the Supervisory Board regularly dealt with:

- Information on the course and results of meetings of the Company's Board of Directors;
- Information on significant events in European and global energy markets;
- The current state of and developments in the regulatory environment and legislation in the European Union and Czechia, including their potential impact on CEZ Group's activities;
- The current operating status and the safety status of the Temelín and Dukovany Nuclear Power Plants, the contractual provision of nuclear fuel supplies for the near future and beyond, the issue of transition from TVEL fuel to alternative suppliers, the solution to the technological outage of both nuclear sources;
- The current operating status of conventional energy sources and renewable sources, i.e., basin, non-basin and hydroelectric power plants, thermal power plants, steam-gas power plants, photovoltaic and wind parks, as well as information from the mining segment – developments of coal supplies within and outside CEZ Group and significant events in the segment;
- Information on current developments in the Czech distribution segment – on ensuring the operation of the distribution system and any emergencies, on the implementation of major construction projects, and on ongoing projects;
- Current information from the foreign segment – developments in the political and regulatory environment in connection with CEZ Group's operations primarily in Turkey and Poland, including development regarding the sale of relevant CEZ Group assets, and including the development of two international arbitration proceedings conducted against the Republic of Bulgaria and against the Russian company Gazprom Export LLC;
- Information from the business segment in the area of trading, sales of commodities to end-use customers in Czechia and abroad, decentralized energy and offers for companies and the public sector in Czechia and Slovakia, as well as from the field of telecommunications, the heating industry, the development of acquisition activities and new opportunities abroad and in Czechia, the areas of ESCO services, renewable sources, electromobility, development in the field of lithium mining, as well as information on the conclusion of contracts for LNG supplies, on the state of gas reservoirs in Czechia, and last but not least, information on the development of electricity and natural gas prices;
- Management reports on the development of the Company's financial performance, including discussion of monthly, quarterly, and annual financial results, the consolidated Half-Year Report and the Annual Financial Report of CEZ Group for 2023, and the status of domestic and foreign holdings of ČEZ, a. s., including selected financial results for the periods under review;
- Reports of important investment events of CEZ Group, i.e., in particular the issue of the status and development of investment projects, including the preparation of the completion of new nuclear power plants;
- The continuous development of activities related to the project of a new nuclear power plant in Dukovany;
- Overview of the ESG ("Environmental, Social, and Governance") agenda – in particular information on key events by area, standards and methodologies, measures in place, and expected trends, and also on the preparation for reporting under the Corporate Sustainability Reporting Directive (CSRD).

As already stated above, the Supervisory Board was continuously informed on the status and development of the **New Nuclear Power Plant ("NNPP") construction project** at the Dukovany site, in particular on the issue of the tender, the permitting and licensing process, relating and induced investments, on the notification of public support, financing and subsequent contracts with the state, and the project schedule, all with regard to the content of the First Implementation Agreement on Cooperation in the Construction of a New Nuclear Power Plant at the Dukovany Site between the Czech Republic – Ministry of Industry and Trade, ČEZ, a. s., and Elektrárna Dukovany II, a. s. ("First Implementation Agreement"), which covers the first stage of cooperation between the parties on the project, from the start of the tender to the signing of the contract with the selected supplier.

The Supervisory Board was informed that, as part of the tender, Elektrárna Dukovany II, a. s. received offers from bidders (French company EDF, Korean company KHNP, and US company Westinghouse) on October 31, 2023 for one unit in Dukovany and non-binding offers for another three nuclear units.

At its December 2023 meeting, the Supervisory Board took note of the information on the content and terms of Amendment No. 2 to the First Implementation Agreement and at the same time gave prior consent to the Board of Directors to implement the decision to conclude the aforementioned Amendment No. 2, the subject of which is the arrangement of mutual rights and obligations of the parties following the changes in the NNPP project procedure and the deadline for obtaining the decision of the European Commission within the framework of the public support notification process.

In January 2024, the Supervisory Board took note of the information on the content and conditions of Amendment No. 3 to the First Implementation Agreement and at the same time granted prior approval to the Board of Directors to implement the decision to conclude it. In particular, Amendment No. 3 expands the subject of the First Implementation Agreement, including the arrangement of options for 3 more nuclear units as binding.

The Supervisory Board was further informed that the Government of the Czech Republic also decided at its meeting that only two participants would be approached in the next stage of the tender, as Westinghouse did not meet the necessary conditions.

With regard to the above-mentioned extension of the First Implementation Agreement (in particular, the extension of options to 3 more nuclear units), the originally set deadline for the submission of updated bids, April 15, 2024, was extended to April 30, 2024, based on a justified request by the bidder EDF. As at May 20, 2024, when this Report was discussed, the bids were being evaluated, with the submission of the Evaluation Report to the Ministry of Industry and Trade of the Czech Republic scheduled for June 15, 2024.

Furthermore, the Supervisory Board discussed and took note of the following information:

- The aim to contract capacity at the onshore LNG terminal in Stade, Germany, following the closure of the Eemshaven LNG terminal in the Netherlands in 2027;
- The aim to implement a manganese mining and processing project by the Canadian company Euro Manganese Inc. on land in the Trnávka - Chvaletice area;
- The aim of Elevion Group B.V. to establish a new operating company to be responsible for the development and operation of a B2B platform for the development of Elevion Group's ESCO activities in Germany and, at the same time, the aim to provide a cash premium to finance the implementation of the above-mentioned aim;
- Provision of cash premium payments to the equity of subsidiaries between January and December 2023;
- Settlement of the sale of the 50% stake owned by ČEZ, a. s. in the Turkish company AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş. ("AKCEZ"), which provides distribution and sales activities in the Sakarya region,
- Use of a loan from a loan agreement with the European Investment Bank;
- Organizational change in ČEZ, a. s., Renewable and Conventional Energy Division, consisting in an extension of the existing organizational unit Teplárna Trmice to include activities and scope related to the WtE Mělník project and (after the start of operations) the operation of WtE Mělník;
- Change of the Organizational Rules of ČEZ, a. s., and approval of several revisions to the Signing Rules of ČEZ, a. s.;
- Structure of income, wage-setting conditions, remuneration for meeting set targets, and the terms and conditions associated with termination of service or employment relationship with members of the Board of Directors, directors of functions, and directors of organizational units of ČEZ, a. s.;
- The aim to implement a group of combined projects at the Prunéřov site, "Prunéřov Photovoltaic Park", and at the Tušimice site, "Tušimice Photovoltaic Park", by ČEZ, a. s., using investment support from the Modernization Fund administered by the State Fund for the Environment of the Czech Republic;
- The aim to take over two wind farm projects in Germany from the existing joint venture structure created together with the German developer GP Joule into the full ownership of CEZ Group: Project Datteln (11.4 MW) and Project Nortorf (11.4 MW);
- Preparation of acquisition of a 55.21% stake in Czech Gas Networks S.à r.l., Luxembourg, and at the same time that companies from the British Columbia Investment and Allianz Group remain the shareholders of CGN, with a total stake of 44.79%, after the acquisition;
- Reasons for the adjustment of the purchase price in the framework of the already approved takeover of the wind farm project in Germany from the existing joint venture structure, created together with the German developer GP Joule, into the full ownership of CEZ Group – Project Datteln (11.4 MW).

In compliance with the Company's current Articles of Association, the Supervisory Board **granted its prior consent to the Board of Directors to the implementation of the following decisions:**

- on the acquisition of the 100% stake in SERCOO Group GmbH, Germany, by Elevion Energy & Engineering Solutions GmbH or another company in the Elevion Group, as the acquirer, and in this context the provision of a cash premium to secure the financing of the transaction;
- on the issuance of a guarantee by ČEZ, a. s. for the fulfillment of the obligations of the project company Windpark Nortorf GmbH & Co. KG (Germany) arising from the contract for the supply of turbines to Nordex Germany GmbH, in connection with the aim to implement the Nortorf wind farm project (11.4 MW);
- on the approval of transformation by way of a split-off through merger between the participating companies – ČEZ Obnovitelné zdroje, s.r.o., as the company being split, and ČEZ, a. s., as the successor company, by which the spun-off assets of ČEZ Obnovitelné zdroje are transferred to ČEZ, a. s., on the decisive date of January 1, 2023;
- on the approval of transformation by way of a split-off through merger between the participating companies – ČEZ ESCO, a.s., as the company being split, and ČEZ Invest Slovensko, a. s., as the successor company, whereby the spun-off assets of ČEZ ESCO, a. s. are transferred to ČEZ Invest Slovensko, a. s., on the decisive date of January 1, 2024;
- on the approval of Revision No. 1 of the “WtE Mělník” Project Plan;
- on the approval of Amendment No. 1 to the merged business plan/project plan for the project of “Reconstruction of the Cooling Water Treatment Plant – New Clarification of the Circulation Cooling Circuit” at the Temelín Nuclear Power Plant;
- on the dissolution of CEZ Bulgarian Investments B.V., a limited liability company incorporated under Dutch law, having its registered office in Amsterdam, with liquidation, with effect from December 1, 2023;
- on the granting of the Company's consent to the implementation of the investment project “New Source of TAS Teplárna Trmice” for ČEZ Teplárenská, a.s., and on the provision of related financing;
- on the granting of the Company's consent to the implementation of the investment project “New Source of TAS Prunéřov, Tušimice” for ČEZ Teplárenská, a. s., and on the provision of the related financing;
- on the long-term lease of 57 ha of land at the site of Trnávka – Chvaletice, owned by ČEZ, a. s., to MANGAN Chvaletice, s.r.o.;
- on the approval of the implementation of the investment projects “Prunéřov Photovoltaic Park” and “Tušimice Photovoltaic Park”;
- on granting of the Company's consent to the acquisition of full ownership control by CEZ Group over the Datteln and Nortorf wind farm projects in Germany;
- on the acquisition of the 100% stake in 3L real a.s.;
- on the granting of the Company's consent to the acquisition of a 54.8% stake with an option for the remaining stake in the Polish company Energy5 sp. z o.o. by Elevion Group B.V. or another company from the Elevion Group, as the acquirer, and on the provision of a cash premium to secure the financing of the acquisition;
- on the granting of the Company's consent to the acquisition of a 20% stake in Digital Energy Services s.r.o., from DES Holding a.s., as the seller, by ČEZ ESCO, a. s., as the acquirer, and at the same time to the negotiation of option rights for the repurchase or sale of the said 20% stake between the seller and the acquirer, and to the negotiation of option rights for the purchase of the remaining 80% stake in the company in favor of ČEZ ESCO, a. s., as the buyer, and in this context on the provision of a cash premium to secure the financing of these transactions;
- on the acquisition, or the Company's consent to the acquisition, of a 55.21% stake in Czech Gas Networks S.à r.l., Luxembourg and, in this context, on the acceptance of a bridge loan, or bridge loans in EUR, from a group of designated banks;
- on the granting of the Company's consent to the implementation of the photovoltaic investment project Herleshof in Bavaria, Germany, by controlled companies in Germany, wholly owned by BELECTRIC Greenvest GmbH and, in this context, on the provision of financing for the implementation of the project;

- on the approval of Amendment No. 1 to the merged business plan/project plan to ensure the operability of the control system switchboards, excitation, and signaling of the diesel generator station at the Dukovany Nuclear Power Plant until 2045;
- on the granting of the Company's consent to the submission of a binding bid with the subsequent acquisition of the 100% stake in EDERA Group a.s. by Telco Pro Services, a. s., as the acquirer, and in this context on the provision of a cash premium to secure the financing of the transaction;
- on the granting of the Company's consent to the acquisition of a 51% stake with an option for the remaining 49% stake in ENERGI-SERVIS a.s. by ČEZ Obnovitelné zdroje, s.r.o., as the acquirer, and on the provision of the related financing;
- on the granting of the Company's consent to the implementation of the investment project "New Source of TAS Dětmárovice" for ČEZ Teplárenská, a. s., and on the provision of the related financing;
- on the approval of transformation by way of a split-off through merger between the participating companies – ŠKODA JS a.s., as the company being split, and ČEZ, a. s., as the successor company, on the decisive date of January 1, 2024;
- on the approval of the merged business plan/project plan of "Upgrade and Optimization of the Technical System of Physical Protection of Temelín NPP" at the Temelín Nuclear Power Plant;
- on the approval of Amendment No. 1 to the merged business plan/project plan for the project of "Reconstruction of the Diesel Generator Control Systems" at the Temelín Nuclear Power Plant.

Several times in the past period, the Supervisory Board granted its prior consent to the Board of Directors for the implementation of the following decisions on changes in staff and the members of supervisory boards at companies where ČEZ, a. s., has a shareholding in the registered capital that exceeds CZK 500 million.

The Supervisory Board did not identify any facts that would make it express reservations on the draft CEZ Group Business Plan for 2024–2028 and the draft annual capital and operating budgets of ČEZ, a. s., and CEZ Group for 2024.

Taking into account the Company's objectives and priorities for the next period, before the end of 2023, the Supervisory Board discussed and approved the specific tasks, including the material definition of the criteria for the remuneration of individual members of the Board of Directors for 2024.

At the same time, the Supervisory Board then set the performance indicator for the long-term performance remuneration of the Board of Directors members for 2024, which is Total Shareholder Return (TSR) with a weighting of 100%.

At its January 2024 meeting, the Supervisory Board discussed and approved the performance evaluation of the performance indicator for the long-term performance remuneration of the Board of Directors members for 2023.

Subsequently, at its March 2024 meeting, the Supervisory Board discussed and approved the evaluation of the performance of the specific tasks of the Board of Directors for 2023, which is decisive for the determination of their annual remuneration.

Furthermore, at its April 2024 meeting, the Supervisory Board took note of the information on compliance with the corporate governance principles and in this context stated that ČEZ, a. s., complies with the corporate governance principles in its business activities and continuously fulfills its information obligations related to compliance with the corporate governance principles.

At the same meeting, the Supervisory Board expressed a positive opinion on the draft "Remuneration Policy and on the Remuneration Report of the Body Members of the ČEZ, a. s., for the Accounting Period of 2023" concerning the members of the Board of Directors and the Supervisory Board, which was prepared in accordance with the requirement of Act No. 256/2004 Coll., on capital market undertakings, as amended.

The Supervisory Board discussed all source documents that are presented to this General Meeting, taking note of the documents presented to the General Meeting under the law and expressed its approval of the others.

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed** the Related Parties Report for the accounting period of January 1, 2023, to December 31, 2023, and **has no reservations** on its contents.

As for the other items on the agenda of today's General Meeting, I would like to inform you of the following positions of the Supervisory Board:

On the approval of the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2023:

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed**:

- Financial statements of ČEZ, a. s., prepared as at December 31, 2023, and
- Consolidated financial statements of CEZ Group, prepared as at December 31, 2023.

During this review, it **did not identify any shortcomings or inaccuracies** in the contents or the method of compilation or the process of audit of the financial statements and, on the basis of these facts and taking account of the independent auditor's reports and information from the Audit Committee of ČEZ, a. s. (on the result of the audit and findings from the monitoring of the statutory audit process), it **recommends** that the General Meeting of ČEZ, a. s., approve these financial statements.

On the Decision on the Distribution of Profit of ČEZ, a. s.:

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed** the presented proposal of the Board of Directors for the distribution of profit of ČEZ, a. s., including the decision on the payment of dividends, and **recommends** that the General Meeting **approve** it.

Ladies and gentlemen, dear shareholders, thank you for your attention.

Radim Jirout

Chairman of the Supervisory Board
of ČEZ, a. s.