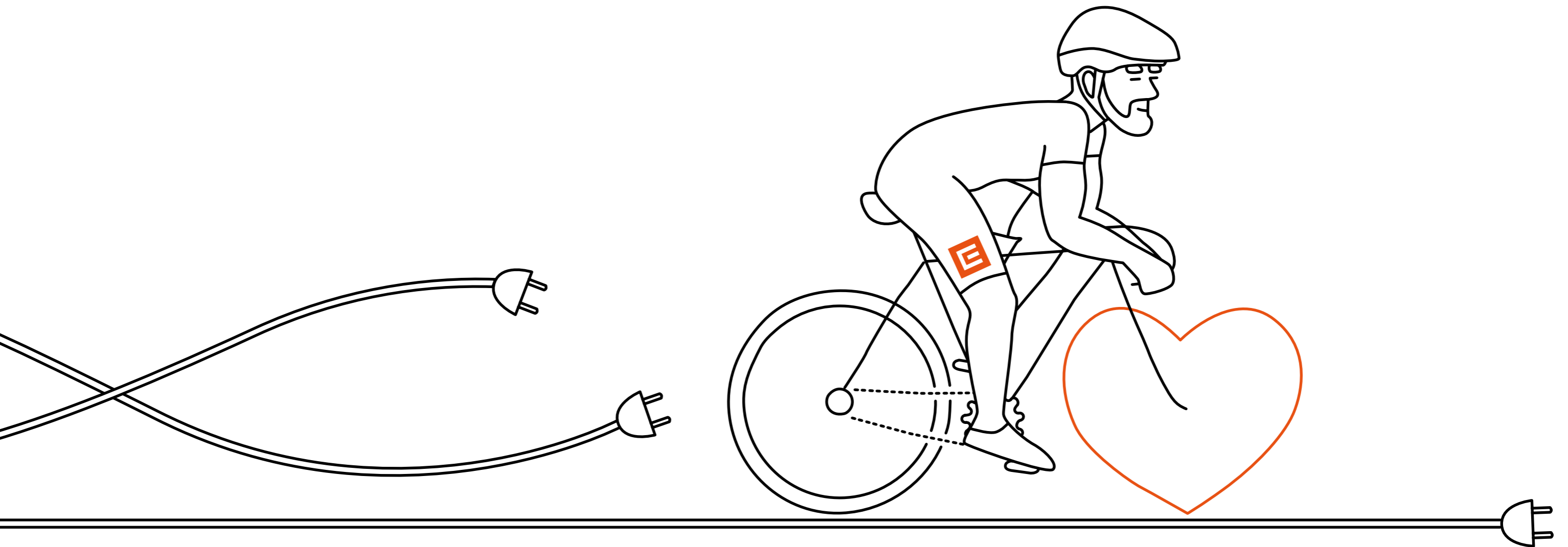


CEZ GROUP SUSTAINABILITY REPORT 2018



ENERGY FOR THE FUTURE

A CENTURY OF THE CZECH ENERGY SECTOR AS TIME WENT ON?

2018 Marked the Centennial of the Czech Energy Sector.

As part of the celebrations of the 100th anniversary of the formation of Czechoslovakia, we also remembered the rapid development of the Czech energy sector since 1918 when less than a third of the populace had access to electricity.

There are three hydroelectric power plants in CEZ Group's portfolio that existed already in 1918: the Želina power plant near Kadaň, Hučák in Hradec Králové, and Čeňkova Pila in the Klatovy district. There are eight additional hydropower plants in operation that date back to the period of the First Republic.



HOW SPECIFICALLY DID THE CZECH ENERGY SECTOR DEVELOP AND WHAT PROGRESS DID IT MAKE IN THE HUNDRED YEARS OF OUR COUNTRY'S EXISTENCE?

1918–1928

When the country is formed, the Czechoslovak energy sector has a fragmented generation structure and much lower production than today. In 1920, electricity is generated by 6,200 facilities with an average capacity of 129 kW.

1929–1938

New power plants are built in the second decade of the First Republic. There are 14,000 hydroelectric power plants in the country in 1930.

1939–1948

Wartime industry places high demand on electricity generation but the power plants are obsolete and electric lines also suffer due to the war. Československé energetické závody (Czechoslovak Energy Enterprises) is formed immediately after the war, in October 1945, and electricity generation and distribution are nationalized. More and more electricity is used for appliances and there is an electricity shortage. Therefore new power plants, such as Štěchovice, are built. The electrification of railroads is also started in 1948.

1959–1968

The sixties see extensive construction of coal-fired power plants. Newly built power plants include Počerady, Ledvice, and Prunéřov.

1969–1978

The government pursues a “cheap electricity” policy. It may be attractive for consumers but generation must be subsidized. Regardless, this later results in a price hike in 1976. Two additional large generating facilities—the Tušimice and Dětmarovice power plants—are built in the seventies.

1979–1988

The most important events of the eighties are the construction of the Dukovany Nuclear Power Plant and the commencement of the construction of the Temelín NPP.

1989–1998

After the “Velvet Revolution,” heating, service, and other companies are spun off from the state-owned enterprise České energetické závody. Eight regional distribution companies are also spun off. We completely desulfurize our coal-fired power plants and update the project for the construction of the Temelín Nuclear Power Plant. We put our first wind turbine into operation at Dlouhá Louka in the Ore Mountains in 1993 and commission the unique Dlouhé Stráně pumped-storage power plant in 1996.

1999–2008


The Temelín Nuclear Power Plant starts generating electricity in December 2000. Floods hit especially our power plants in the Vltava River Cascade in 2002. The foundations of today's CEZ Group are laid by a merger of five distribution companies and ČEZ in 2003. Severočeské doly joins the group in 2005.

2009–2018

We enter the natural gas market in 2009. ČEZ expands its offer with additional energy services. The last large capital project in the Czech energy sector to date is taking place. The Tušimice II and Prunéřov II power plants are undergoing comprehensive renovation, a new supercritical unit is built at Ledvice, and a CCGT power plant is built at Počerady.



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FOREWORD



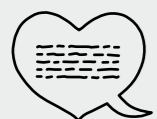
Dear Readers,

Responsible business practices are a topic that resonates more and more in Europe as well as in Czech society. It is becoming important to shareholders, financial investors, business partners, and the public in general.

This also increases the importance of the report, the third edition of which you are reading, which provides an overview of what we managed to do in this respect in 2018. ČEZ follows a sustainable development strategy named “Energy for the Future,” which we presented for the first time two years ago. This strategy reflects the principles applied by ČEZ to its activities on a long-term basis—especially a requirement for responsible business practices, an effort to use the best and latest technology, and a need to be a good neighbor and participate in the prosperity of our neighborhood.

In this sense, the “Energy for the Future” is based on five fundamental priorities: ensure sustainable operation, be a good partner, bring useful solutions to customers, enable energy sector transformation, and start the engine of innovation.

Under the first priority, we focus on enhancing the operation of our existing facilities, reducing energy intensity, improving facility efficiency, and advancing environmental friendliness. In this respect, we are preparing intensively both for emission limits according to the Industrial Emissions Directive and for stricter limits according to BAT—Best Available Technique reference documents (BREF), which we already meet in advance for a number of parameters. For the next years, we are expecting shutting down our coal-fired units that have not received environmental upgrades, switching from coal to gas for some local heating plants, and gradually building a portfolio of renewables—for example, we currently operate Europe’s largest onshore wind farm. I would just like to point out that our power plants’ dust emissions have decreased by more than 98%, sulfur dioxide emissions by more than 97%, and nitrogen oxides emissions by 86% since 1990.



In distribution, we are working hard to switch to smart grids. We again managed to decrease the amount of grid losses in Czechia and other countries where we are a distributor. We strive to take environmentally friendly steps in accordance with current trends and social needs in generation, distribution, sales, and supporting activities. These include, for example, limited use of plastics, reduced water consumption, or tree planting. I would also like to emphasize that our business activities are based on adherence to a strict safety culture, which precedes all other aspects.

We also cooperate with sixty secondary schools and universities to share our expertise and experience. We organized 354 debates at schools under CEZ Group's "World of Energy" learning program in 2018.

As for our priorities of "Be a Good Partner" and "Bring Useful Solutions to Customers," I would like to highlight the activities of the CEZ Foundation, which is the biggest corporate donor in Czechia, following the motto "We Help Where We Operate." I am particularly pleased by activities that our employees or the public get directly involved in. On "Giving Tuesday," the international day of charitable giving, we became the biggest donor with our "Granting Wishes" collection. This is a collection for which employees propose specific people that need aid and other employees make financial contributions to grant their wishes.

I am also pleased that the number of people using our "EPP—Move to Help" sports/charitable application exceeded 400,000. The app thus ranks first in popularity among sports app users in Czechia on a long-term basis.

What I consider important is the KISMO project under which ČEZ Distribuce informs representatives of local authorities about states of disaster or increased failure rates, or the parallel initiative bezstavy.cz, launched in 2019 to inform customers during disasters.

We also address the issue of equal opportunity. We continually increase the number of women employed at ČEZ—last year, we were in the first round of Czech companies undergoing a gender audit.

Our "Enable Energy Sector Transformation" and "Start the Engine of Innovation" priorities are characterized by research and development, with CEZ Group companies' operating expenses amounting to CZK 420 million. These concern investments in zero-emission energy, ČEZ Prodej's and ČEZ ESCO's energy services, electric mobility, and our clean-tech fund Inven Capital. We launched a number of new projects together with the Technology Agency of the Czech Republic and other institutions. The number of charging stations for electric vehicles keeps growing; we build one station a week on average. Our EPC (Energy Performance Contracting) projects for energy savings saved our customers CZK 215 million in 2018.

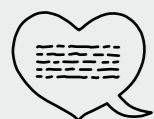
I am glad that while we work on introducing new modern technologies into power generation, distribution, and sales, we are also able to provide these technologies to our customers under the growing ESCO energy services segment.

I hope that you find reading our report inspirational.

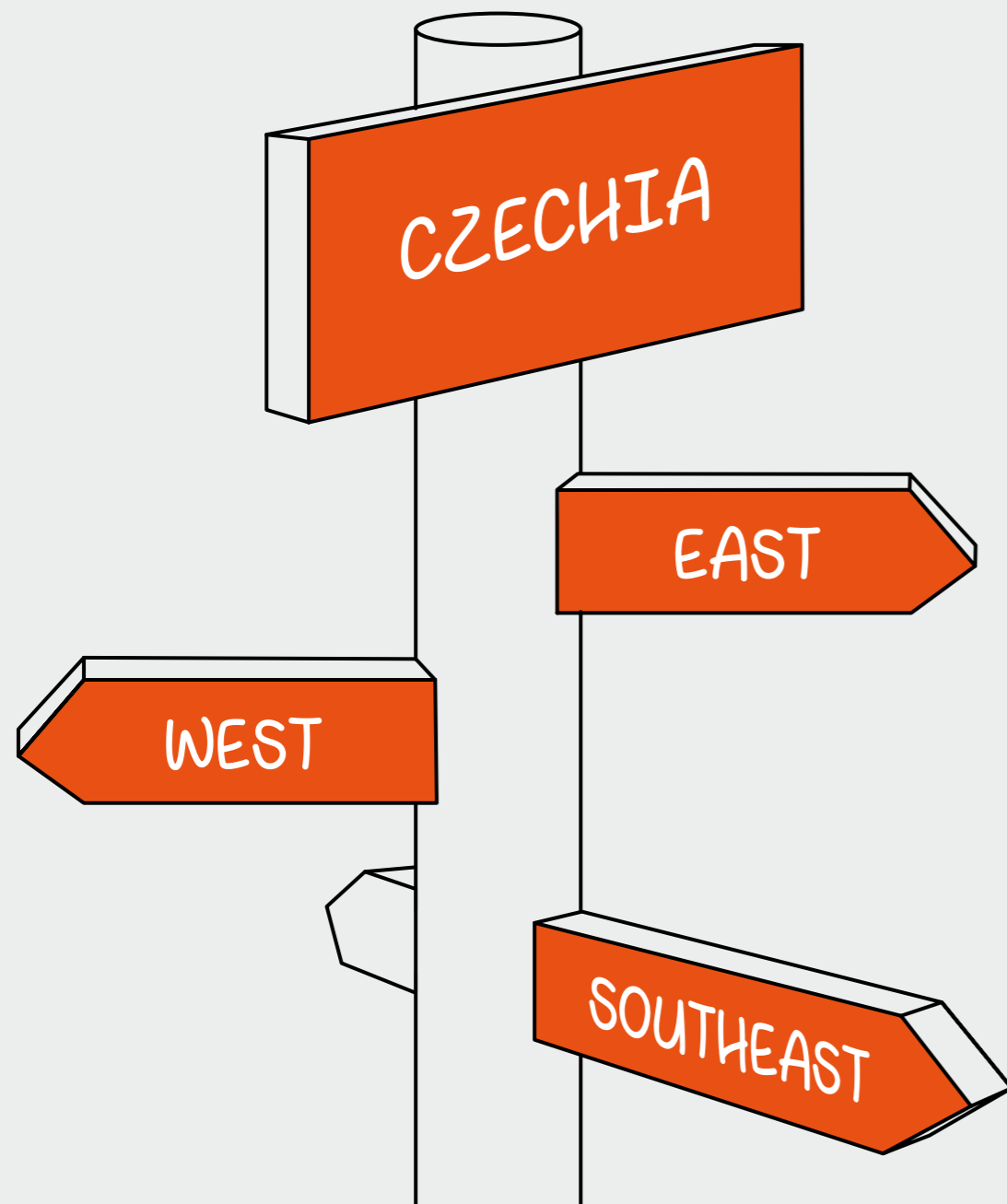


Michaela Chaloupková

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



1. CEZ GROUP PROFILE



CEZ Group is an energy conglomerate with operations in Western, Central, and Southeast Europe, headquartered in Czechia. CEZ Group companies have more than 31,000 employees, including almost 23,000 employees in Czechia. CEZ Group is one of Europe's ten largest utilities in terms of both the number of customers and market capitalization. It is an energy generator, seller, and supplier.

A full list of 179 companies that comprised the consolidated CEZ Group on December 31, 2018, can be found in the [CEZ Group 2018 Annual Report](#) (on page 68). The majority shareholder of the parent company ČEZ is the Czech Republic (represented by the Ministry of Finance of the Czech Republic), holding a nearly 70% stake in the company's stated capital.

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

1.1 BUSINESS ACTIVITIES

CEZ Group companies in Czechia generate and distribute conventional, nuclear, as well as renewable electricity and heat; trade in electricity, natural gas, and other commodities; and actively offer comprehensive energy products and services for customers among businesses, local authorities, and public authorities (ESCO). Their generation portfolio consists of nuclear, coal-fired, hydroelectric, gas-fired, photovoltaic, wind, biomass, and biogas facilities. Their other activities include coal mining and sales as well as telecommunications, information technology, nuclear research, design, construction, and maintenance of energy facilities, or the processing of coal combustion products.

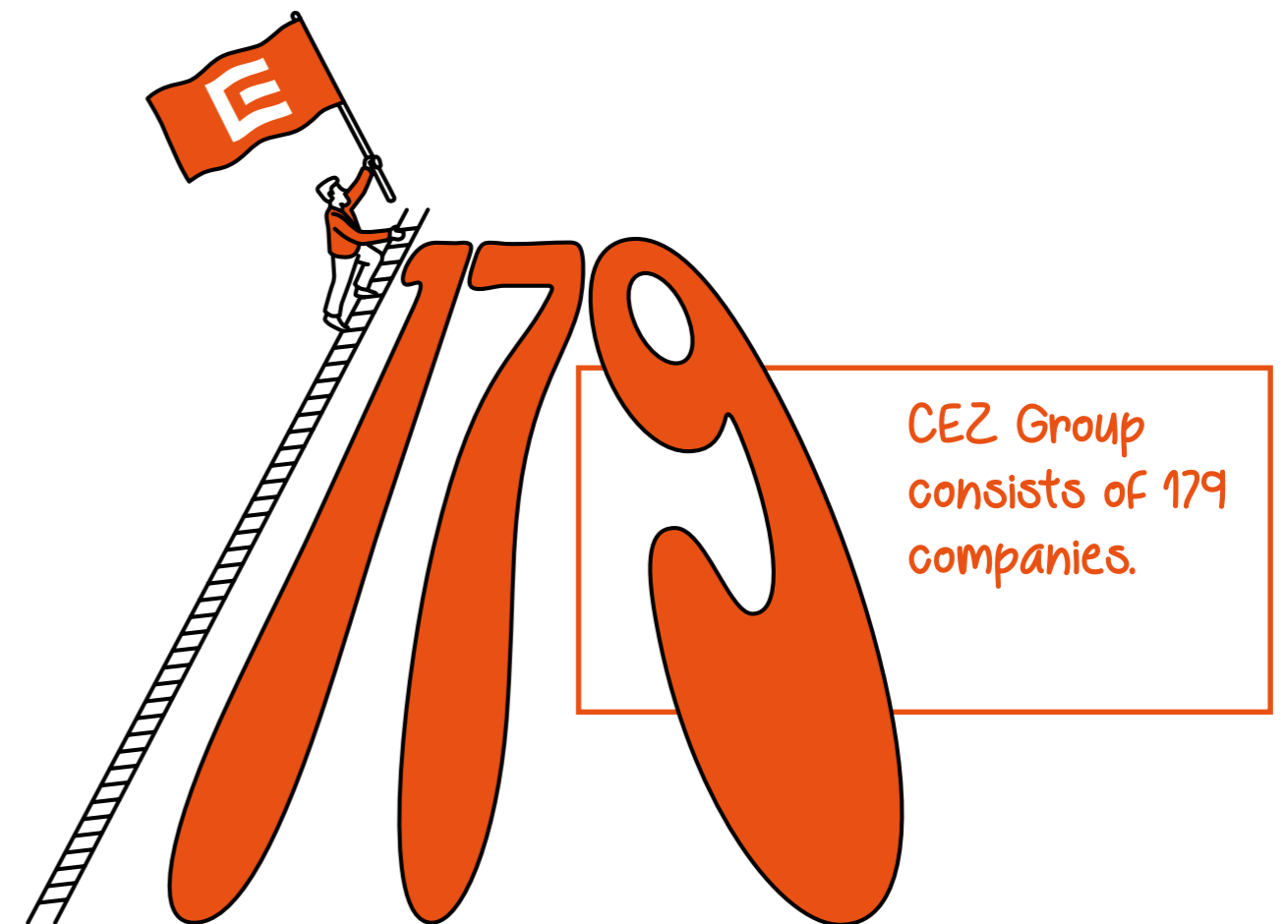
CEZ Group is also involved in other activities relating to electricity generation. Being active in science and innovation, it is the region's leader in the development of smart grids and electric mobility. CEZ Group companies also offer customers electricity generation and storage facilities and provide them with energy services, especially those related to savings, for which CEZ Group is a major market player.

CEZ Group's business activities abroad concern mostly electricity distribution, generation, trading, and sales; natural gas trading and sales; commodity trading in wholesale markets; ESCO services; and renewable energy sources. Foreign countries where CEZ Group is doing business include, most importantly, Germany, France, Poland, Romania, Bulgaria, Hungary, Slovakia, and Turkey.

CEZ Group's business activities are governed by strict ethical standards that include responsible behavior toward the environment, employees, and society. In its business activities, CEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth.

The indirect economic impacts and effects of CEZ Group's business activities occur, for example, in the following areas:

- **Employment and support of technical education**—We are a major employer influencing the employment rate in specific regions; as such, we organize regular meetings with representatives of municipalities in connection with the expected course of our activities. We support technically oriented schools and their students.
- **Support for science, research, innovation, new technologies, and electric mobility**—These topics are addressed by two of our sustainability priorities: “Enable Energy Sector Transformation” and “Start the Engine of Innovation.”
- **Promotion of tourism, support for local communities, and operation of information centers**—Our important communication tool for sharing information with the general public is eleven ČEZ information centers at nuclear, coal-fired, and hydroelectric power plants. You can learn more about them under “We Benefit Society.”



Selected Indicators of CEZ Group

	Unit	2014	2015	2016	2017	2018	2018/2017 Index (%)
Installed capacity	MW	16,038	15,921	15,621	14,865	14,960	100.6
Electricity generated (gross)	GWh	63,124	60,918	61,134	62,889	63,081	100.3
Electricity sold ¹⁾	GWh	35,139	37,933	37,475	37,036	37,634	101.6
Heat sold ¹⁾	TJ	21,276	22,256	24,022	23,659	23,213	98.1
Gas sold ¹⁾	GWh	5,417	6,840	8,180	9,897	9,607	97.1
Workforce headcount as at December 31	Persons	26,255	25,862	26,895	29,837	31,385	105.2
Operating revenues	CZK millions	201,751	210,167	206,543	205,092	184,486	90.0
Operating revenues, comparable ²⁾	CZK millions	n/a	n/a	n/a	173,731	184,486	106.2
EBITDA	CZK millions	72,498	65,104	58,082	53,921	49,535	91.9
EBIT	CZK millions	36,946	28,961	26,114	25,620	19,759	77.1
Net income	CZK millions	22,432	20,547	14,575	18,959	10,500	55.4
Adjusted net income ³⁾	CZK millions	29,454	27,666	19,640	20,698	13,055	x
Earnings per share—basic	CZK/share	41.9	38.8	26.7	35.1	19.3	x

¹⁾ Sold to end-use customers (outside CEZ Group).

²⁾ Comparison applying IFRS 15 to 2017. By applying IFRS 15 starting from January 1, 2018, distribution revenues and expenses are only reported as a balance where the Group sells electricity in an area in which it does not own the distribution grid (without effect on the total profit reported). The amount of operating revenue and operating expense adjustment for this effect in 2017 is CZK 30.8 billion. Furthermore, 2017 operating revenues are adjusted for the effect of IFRS 15 on connection fee reporting in the amount of CZK 0.6 billion.

³⁾ Refer to Methods Used to Calculate Indicators Unspecified in IFRS in the CEZ Group 2018 Annual Report for the definition.

	Unit	2014	2015	2016	2017	2018	2018/2017 Index (%)
Dividend per share (gross) ⁴⁾	CZK/share	40.0	40.0	40.0	33.0	33.0	100.0
Net cash provided by operating activities	CZK millions	70,675	72,579	48,953	45,812	35,351	77.2
Capital expenditures (CAPEX) ⁵⁾	CZK millions	(34,412)	(31,494)	(30,165)	(29,135)	(26,386)	90.6
Financial investments ⁶⁾	CZK millions	(35)	–	(368)	(5,070)	(2,214)	43.7
Total assets	CZK millions	627,870	602,686	628,486	623,906	707,443	113.4
Of which: Property, plant, and equipment ⁷⁾	CZK millions	426,542	421,364	426,895	428,019	415,908	97.2
Equity (including noncontrolling interests)	CZK millions	265,851	272,155	261,360	254,322	239,281	94.1
Net debt	CZK millions	147,245	131,223	146,452	136,087	151,262	111.2
Return on invested capital (ROIC) ³⁾	%	6.3	5.0	4.5	4.3	3.3	x
Return on equity (ROE), net ³⁾	%	8.6	7.8	5.4	7.4	4.3	x
Net debt/EBITDA	1	2.03	2.02	2.52	2.52	3.05	x

³⁾ Refer to Methods Used to Calculate Indicators Unspecified in IFRS in the CEZ Group 2018 Annual Report for the definition.

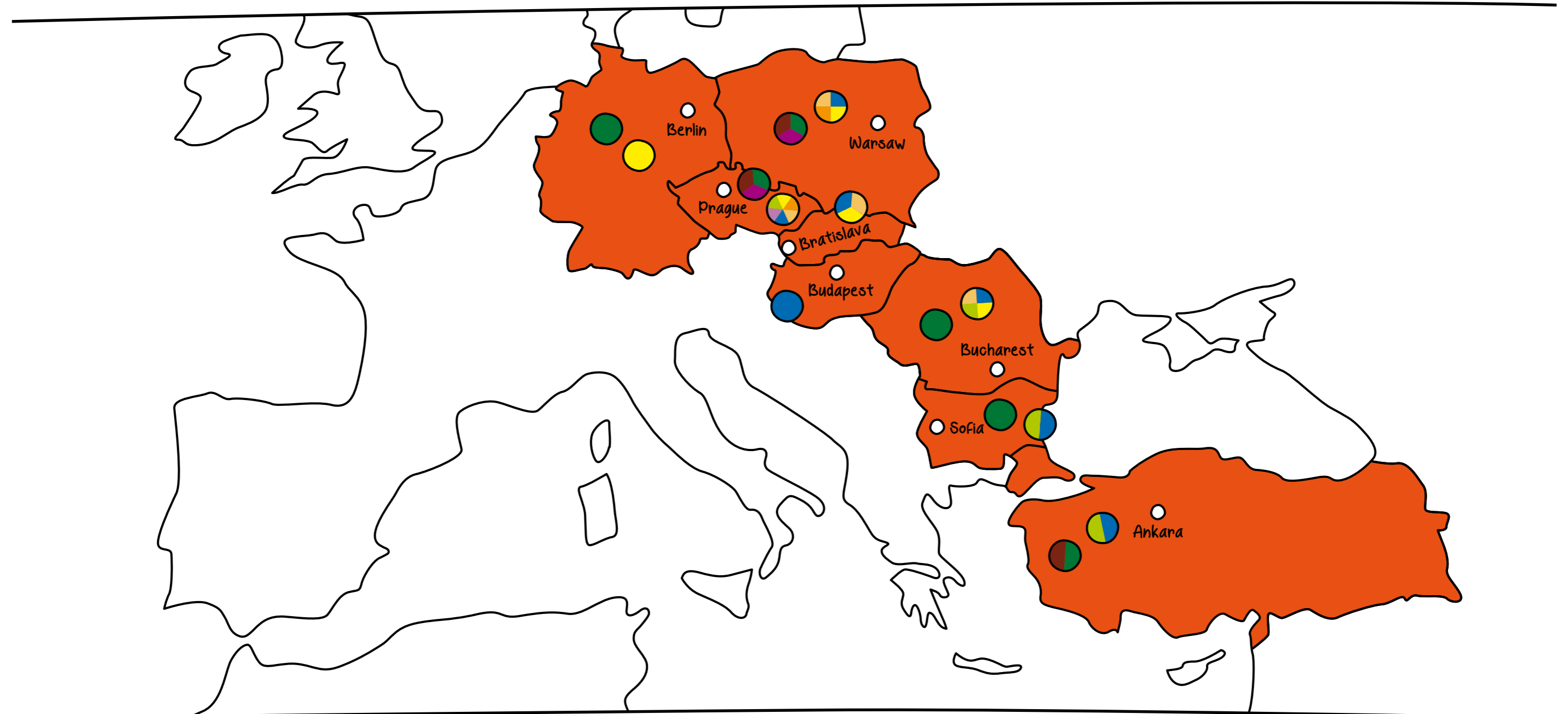
⁴⁾ Awarded in a given year, to be paid out of previous years' profit.

⁵⁾ Additions to property, plant, and equipment and intangibles.

⁶⁾ Acquisition of subsidiaries, associates, and joint ventures, net of cash acquired.

⁷⁾ Property, plant, and equipment including nuclear fuel and construction work in progress.

CEZ Groups Presence in the Energy Sector by Territory



Generation

- Traditional electricity generation
- Renewable electricity generation
- Heat generation

Distribution and Sale

- Electricity distribution
- Heat distribution
- Sale of electricity to end-use customers
- Sale of natural gas to end-use customers
- Sale of heat to end-use customers
- Sale of energy services

1.2

CEZ GROUP MANAGEMENT

CEZ Group's management system is based on requirements set down in binding legislation and recommendations made by international organizations. The management system integrates requirements for safety and security, quality, environmental protection, and social responsibility. Governance bodies and their authorities and activities are described in the [CEZ Group 2018 Annual Report](#).

We put emphasis on compliance with legislation concerning our activities in all lines of CEZ Group's business. We continually monitor the evolution and interpretation of legislation and its changes and evaluate impacts on the company, including its internal policies. We provide training to our employees and make them demonstrably familiarized with necessary changes and amendments.

The fundamental elements of the management system are:

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

Operations Team and Development Team

CEZ Group's manner of management is based on the principle that all operating and development activities are led by two top-level teams. The Operations team administers and uses the potential of traditional assets and the Development team is tasked with ensuring future growth for CEZ Group, seeking and developing new opportunities in Czechia and abroad.

1.3

MISSION, VISION, AND STRATEGIC PRIORITIES

CEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole. We want to be a trustworthy and sought-after partner to our customers in supplies of energy as well as other services. At the same time, we want to keep fulfilling the unique role of a beneficial leader in society and in the country. We are also the state's partner in ensuring energy security and stability and the driver of continuous development and technological advancement, in which we participate through our investments.

CEZ Group's vision is to bring innovations for addressing energy needs and help improve the quality of life. We focus our efforts not only on continuous improvement of services for customers and enhancement of our customer service but also on active protection of our customers' interests in the future layout of the energy market. That is why we pay close attention to energy situation changes in Europe. With our activities, we strive to improve quality of life in the whole country in all its aspects: supporting public benefit goals, working closely with municipalities and regions, and consistently promoting the principles of sustainability.

Strategic Priorities

Europe's energy sector keeps transforming. Traditional energy is stagnating but remains an indispensable part of the energy sector. Renewable energy sources (RES) and decentral energy (energy services, or "ESCO") are growing. Customers focus on comprehensive services associated with energy use. The European Commission approved new ambitious targets for 2030 in decarbonization, energy efficiency, and renewable energy sources.

There have also been major changes in the Czech energy market recently. These include elaboration of the European Commission's targets for Czechia into an energy and climate plan with a considerably increased share of renewable generation, expected preparation of an update to the State Energy Policy, resumed discussions on a new nuclear power plant, preparation of the National Action Plan for Smart Grids and Electric Mobility, and materialization of plans for the digitalization of Czechia.

In the European energy market, we witness growing differences between the traditional energy sector focusing on the operation and construction of large generating facilities and the new energy sector concentrating on comprehensive services for customers.

Key challenges in the traditional energy sector include decarbonization, pressure to shut down coal-fired plants resulting from political and regulatory measures, ensuring stable supplies while shutting down baseload power plants, increasing source flexibility in response to electricity price volatility, continually improving efficiency, and generally seeking models for investing in new generating facilities.

Key challenges in the new energy sector include being able to grow in developed markets in ESCO, having to be a major player in the forthcoming consolidation, and maintaining existing margins in spite of constant innovation of products and services. In renewable energy sources, they include the confirming global nature of the segment, high competitiveness and competition of cheap capital, low tariffs as a result of auction systems and continued technological advancement, and low return on investment. In distribution and sales to end-use customers, they are transition to digitalization, preparation for decentralization, and offering a broad range of noncommodity products and services.

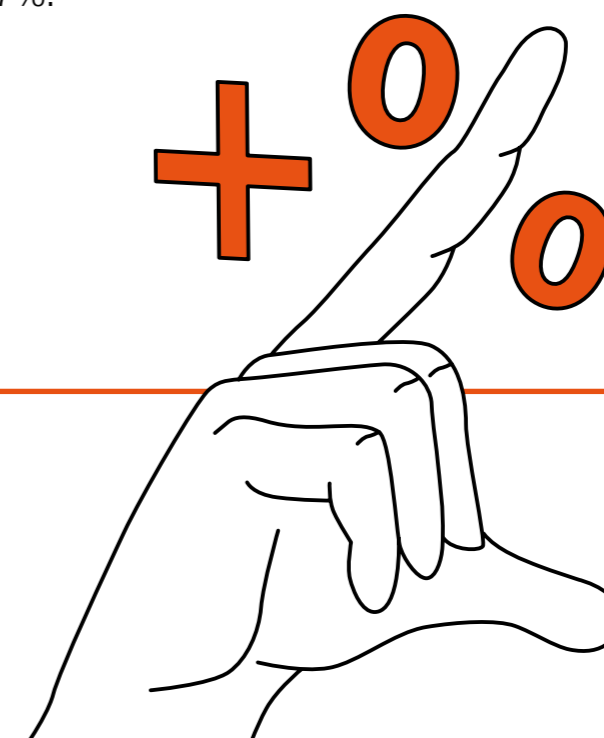
CEZ Group's strategy is built on three strategic pillars, which are based on development trends in the Czech and European energy markets:

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

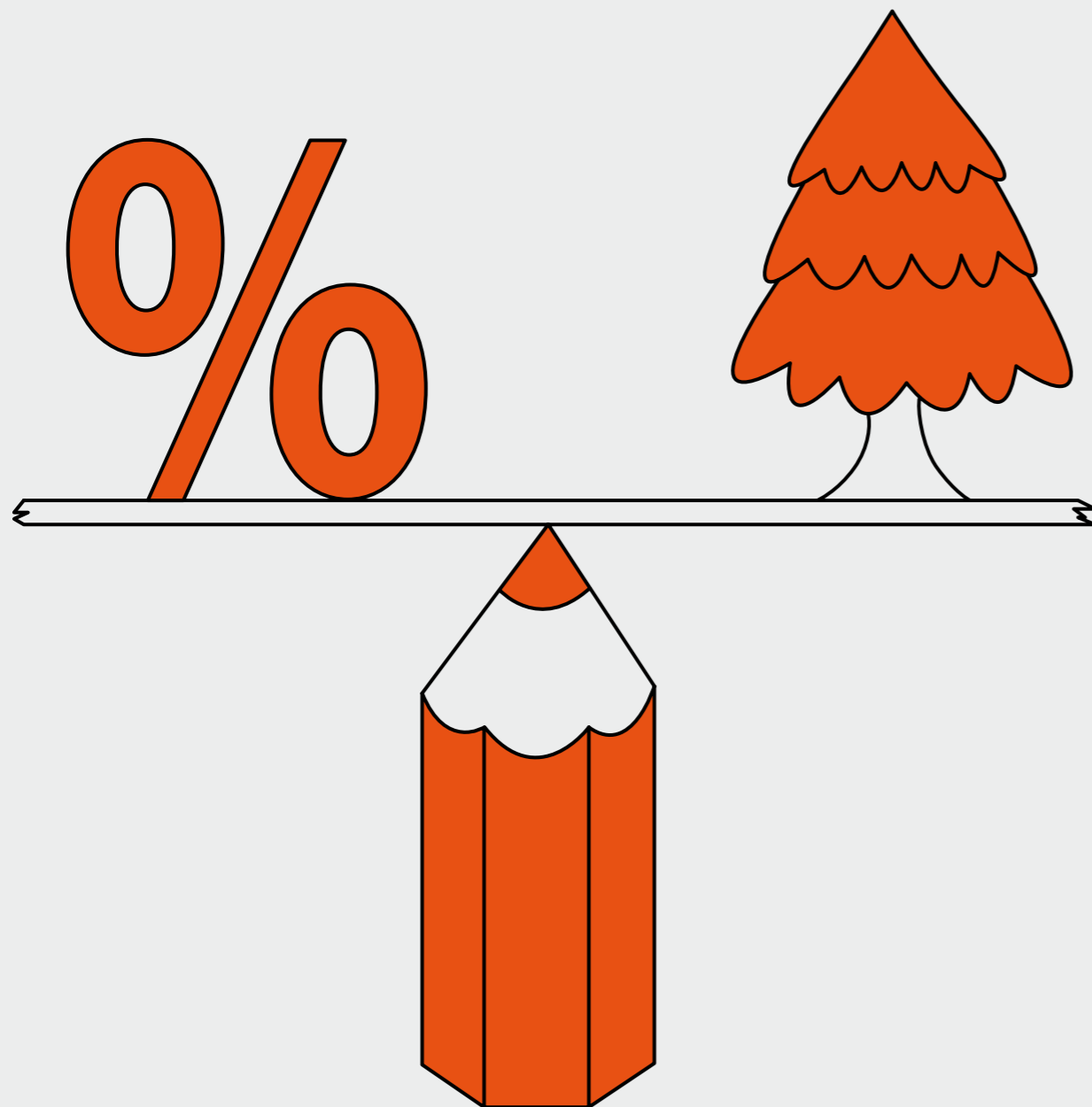
More details on our corporate strategy can be found in the [CEZ Group 2018 Annual Report](#).

CEZ Group wants to increase electricity generation by 9% in 2019

Total generation by ČEZ power plants should increase to almost 69 TWh, with the largest increase (72%) planned for large hydropower and CCGT plants. Aggregate generation by the nuclear power plants at Dukovany and Temelín neared 30 TWh in 2018. As a result, another major increase (4%) is expected in 2019 thanks to reliable operation and outage optimization. Finally, generation by wind, photovoltaic, and small hydropower plants should increase by 17%.



2. SUSTAINABLE DEVELOPMENT AT CEZ GROUP



We see sustainable development as growth that fulfills current social needs while also protecting the satisfaction of future generations' needs. What sustainability means to us in practice is striking a balance between economics, social and civic aspects of life, and the environment, every day.

CEZ Group has been involved in voluntary beneficial activities since its establishment. Over time, we advanced from social responsibility to sustainability and, likewise, from CSR (corporate social responsibility) reports to sustainability reports. The first sustainability report we published according to international GRI guidelines was for 2016.

We respect the sustainability agenda adopted by the government—Czech Republic Strategic Framework 2030—and apply two key principles of the United Nations 2030 Agenda: quality of life and sustainability. The Czech strategic framework is based on seventeen global sustainable development goals (SDGs). We link selected global topics to CEZ Group's sustainable development strategy.

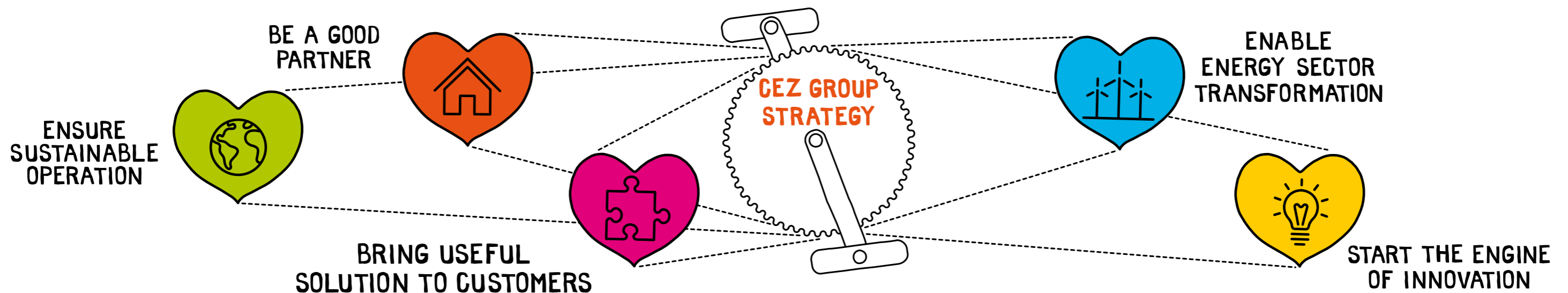
2.1 SUSTAINABILITY MANAGEMENT AT CEZ GROUP

Our sustainability management respects CEZ Group's strategy and is based on the company's values, corporate culture principles, Code of Ethics, Safety and Environmental Protection Policy, as well as other policies and their specifications defined at the level of CEZ Group. Top-level decision-making in these matters is within the purview of the Board of Directors, who shares joint responsibility for sustainability matters in accordance with CEZ Group's sustainable development strategy and also oversees the area of ESG (Environment, Social, Governance).

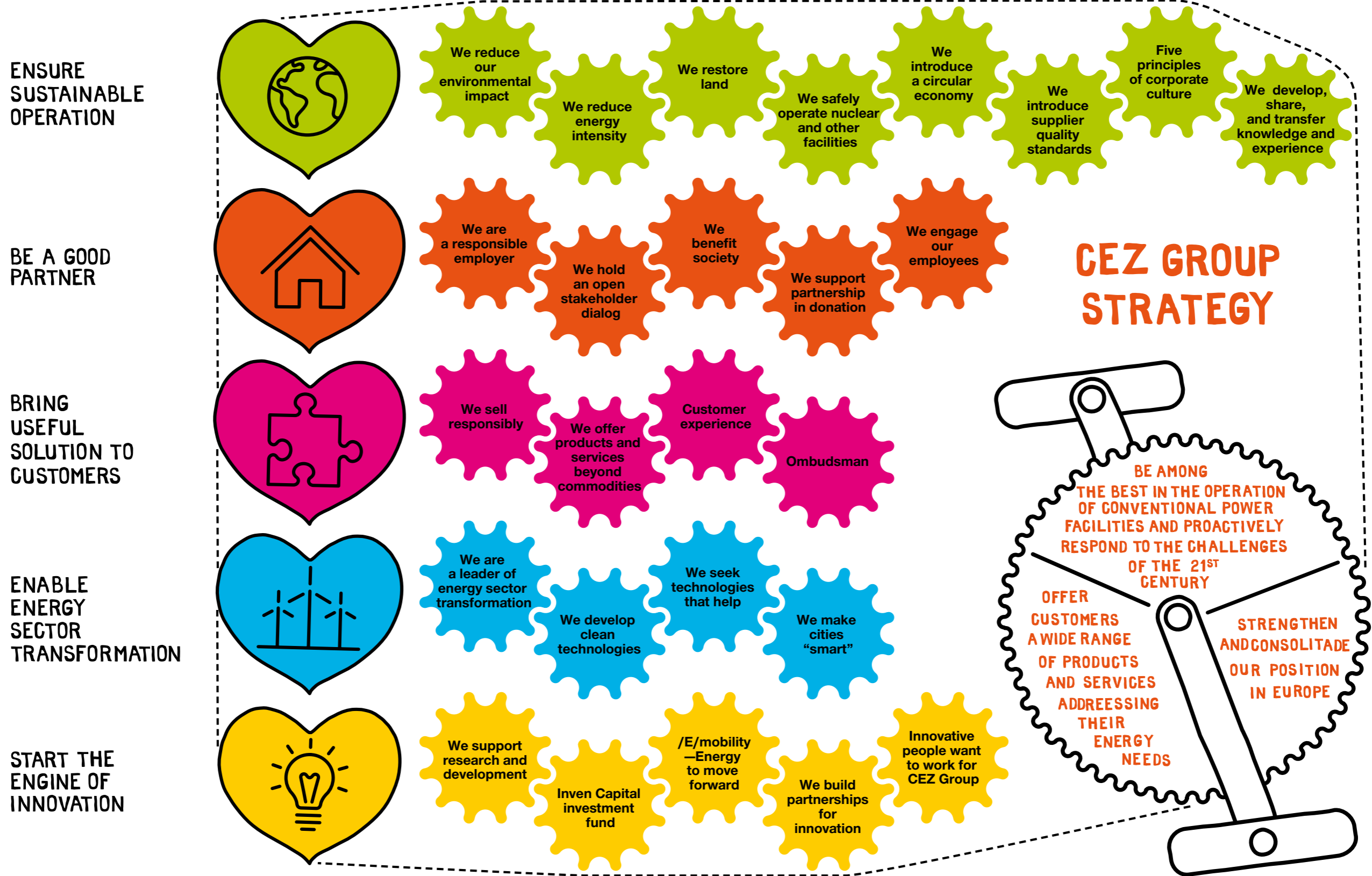
ČEZ Board of Directors member Michaela Chaloupková, who was appointed as Sustainability Leader, is responsible for individual activities in this field. The everyday implementation of sustainability goals is then ensured through the line of management.

2.2 SUSTAINABLE DEVELOPMENT STRATEGY - ENERGY FOR THE FUTURE

The "Energy for the Future" sustainable development strategy, which was defined already for the first CEZ Group Sustainability Report for 2016, applies to all of CEZ Group. It consists of five priorities containing specific programs and projects. We manage to get both employees and management involved in the fulfillment of sustainability activities. In mid-2018, we reviewed the cohesion and thematic focus of programs under our five "Energy for the Future" strategic sustainability priorities to date. Following an analysis prepared together with the sponsors of individual programs, we merged several programs with similar contents, cutting the number from 39 to 27. Each program has internally defined objectives and key performance indicators; we report undertaken activities and their evaluation for the purposes of the Report. The five strategic priorities, which remained unchanged, still form the basis of the contents of the Report.



The five priorities of CEZ Group's sustainable development strategy consist of specific activities

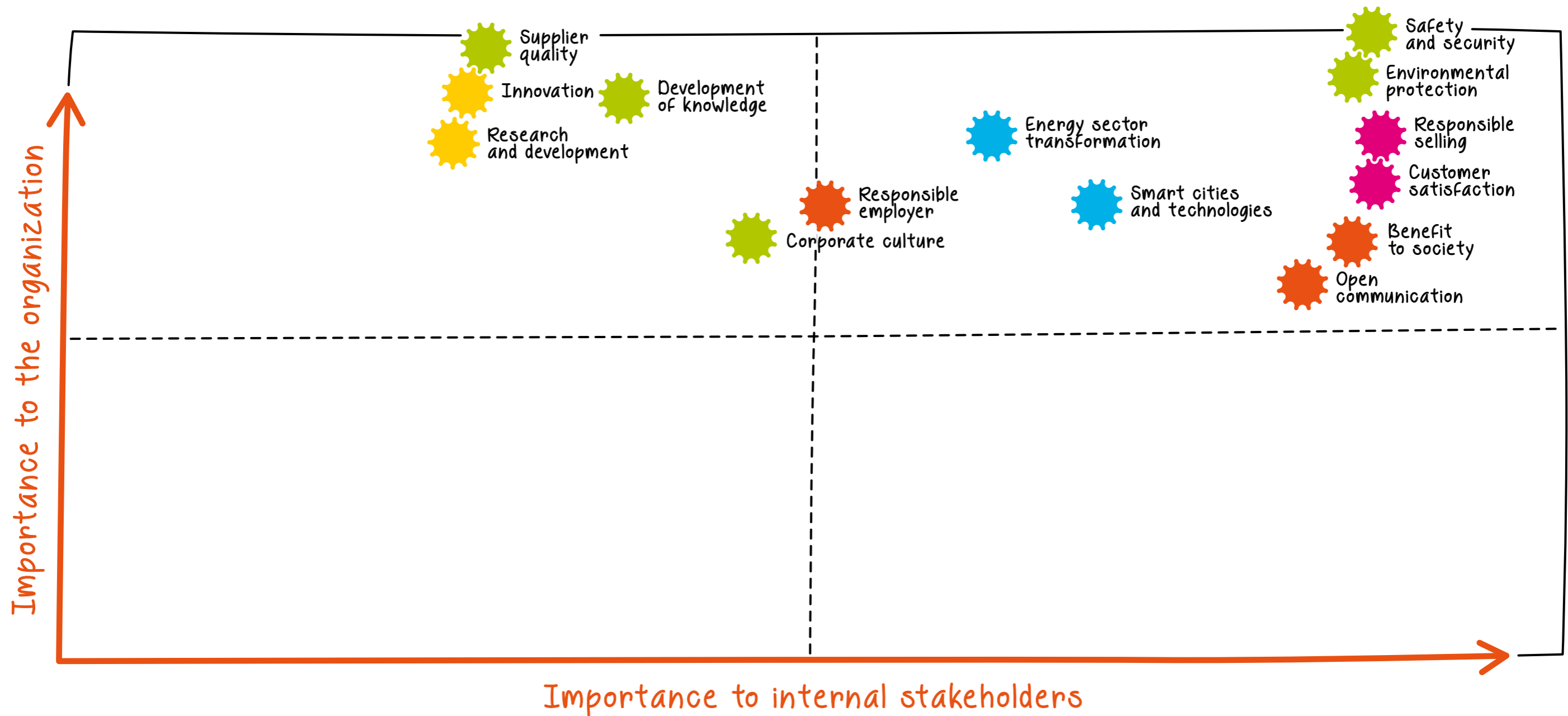


Materiality Matrix of Sustainability Topics

We regularly check and evaluate our stakeholders' expectations, which we project onto our sustainable development strategy programs. Our key topics in energy matters include, most importantly, the safe operation of generating facilities and reduction of the environmental impacts of our business activities. We also focus on care for employees, the development of local communities, responsible selling, and energy sector transformation, including innovation, research, and development.

For the purposes of our internal matrix, we grouped the programs into thematic units and evaluated their materiality for the company and stakeholders.

In 2019, we will implement a stakeholder dialog project in collaboration with the Business for Society platform across internal and external entities, which will serve as a basis for updating the complete CEZ Group sustainable development strategy.



2.3 CEZ GROUP SUSTAINABILITY REPORT

The CEZ Group Sustainability Report (also referred to simply as the “Report” below) conforms to and fulfills the requirements of a European Union directive and its transposition into Czech legislation in the Accounting Act. It shares nonfinancial information concerning the environment and social and employment topics and informs about action to combat corruption and bribery and about the manner of application of our diversity policy. The Report is prepared and published annually in Czech and English. It is unique in the Czech settings in its scope, being contributed to by all consolidated CEZ Group companies in Czechia and abroad across the wide range of their business activities. CEZ Group consisted of 179 companies in 2018 (number of companies in the consolidated group).

This report has been prepared in accordance with the **GRI Standards: Core option**. It has been significantly extended to include selected specific indicators for our material lines of business—the energy and mining sectors. We have prepared these reports since 2016. With a Report compiled in this manner, we fulfill the key principles of GRI guidelines in terms of its contents, which include the topic of sustainability, materiality of topics, comprehensiveness of information, and stakeholder dialog. We also meet the requirements for quality, which include balance, comparability, accuracy, timeliness, clarity, and reliability. CEZ Group Sustainability Reports are included in the official [GRI report database](#).

The CEZ Group 2018 Sustainability Report is published electronically and available on the corporate website at: www.cez.cz/zpravaoudrzitelnosti. An English version of the Report is available on the English version of the www.cez.cz website in the section for Investors.

The CEZ Group 2017 Sustainability Report won the golden award in the Reporting category of the Top Responsible Corporation 2018 competition.

2018 Report

Preparation of the 2018 Report included internal workshops on nonfinancial reporting and global Sustainable Development Goals (SDGs) for data sponsors from individual CEZ Group companies.

This Report will provide you with nonfinancial information concerning CEZ Group in the reporting period of January 1, 2018, to December 31, 2018. It follows up on CEZ Group’s 2018 Annual Report and financial statements (both consolidated and unconsolidated) indicating its financial performance. It is structured according to five priorities thematically based on SDGs.

The Report comprehensively presents CEZ Group’s profile, lines of business, and approach to sustainability in all areas. You will learn which programs under the sustainable development strategy are crucial to us, how they were updated, and where CEZ Group is advancing to. Programs and projects are also linked to disclosures of relevant text-based GRI indicators. In the final part, we report consolidated nonfinancial figures using the GRI Content Index and environmental and distribution data (including data for two previous years); you will also find annexes with supplementary information there.

We take care of the whole process of Report creation and publication, except graphics, internally through our sustainable development unit, which comes under the purview of Board of Directors member Michaela Chaloupková. Cooperating with the team and reporting for the Report are sponsors from the 179 consolidated CEZ Group companies, the sponsors of 27 sustainable development strategy programs, a team of providers of data for the parent company ČEZ, and expert sponsors in key areas. The report as a whole is not externally assured. However, key environmental data were audited by Ernst & Young as part of the process of preparation of the CEZ Group 2018 Annual Report. The CEZ Group Sustainability Report is approved by the Board of Directors of ČEZ.



2.4 ENSURE SUSTAINABLE OPERATION



Our first strategic priority is to ensure sustainable operation. Its goal is being a safe, healthy, and responsible corporation. We manage our assets with respect to a long-term perspective and we are environmentally friendly.



Safety and Environmental Protection

One of CEZ Group's key documents is the [Safety and Environmental Protection Policy](#).

Safety and environmental protection are key factors in achieving CEZ Group companies' strategic goals and long-term social acceptability.

Commitments in the [Safety and Environmental Protection Policy](#) are grouped into areas consisting of the three fundamental pillars of CEZ Group's safety:

Management

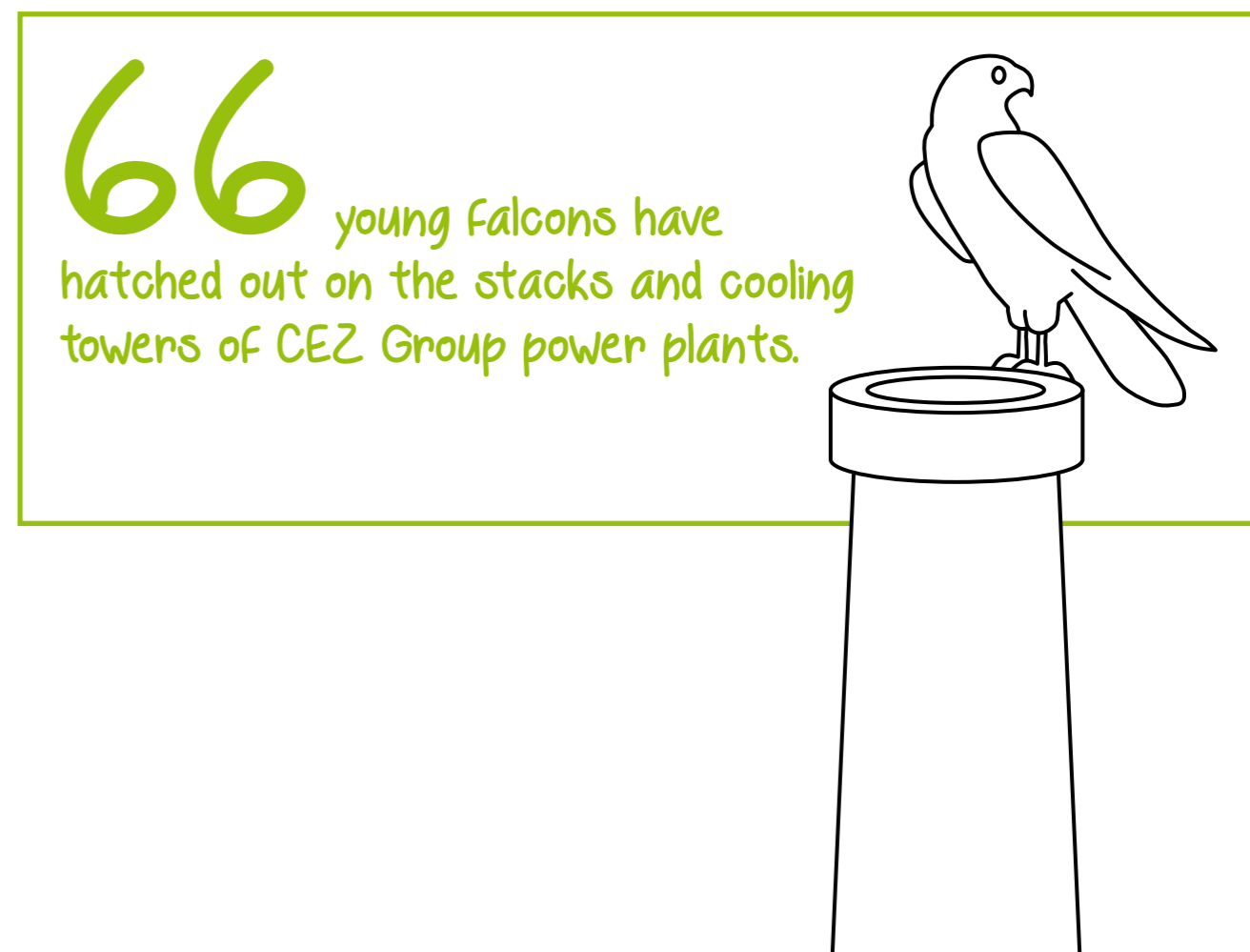
1. We prioritize protection of human life and health over other interests.
2. We promote safety and environmental protection as an integral part of our management.
3. We comply with the law and public commitments and take account of recognized practices.
4. We constantly improve the level of safety and environmental protection.
5. We regularly assess risks, prevent them, eliminate them, or reduce their impact to an acceptable level.

Technology

6. We make sure that our facilities sustainably meet all technical, safety, and economic criteria.
7. When selecting and assessing suppliers, we take into account their approach to safety and the environment.

People

8. We communicate safety-related topics openly and efficiently.
9. We ensure adequate numbers of qualified and motivated employees and suppliers.
10. We manage key knowledge.



Safety Culture Principles

Our corporate culture and safety culture are based on a system of values expressed in the form of principles. Safety culture principles are an integral part of our Safety and Environmental Protection Policy.

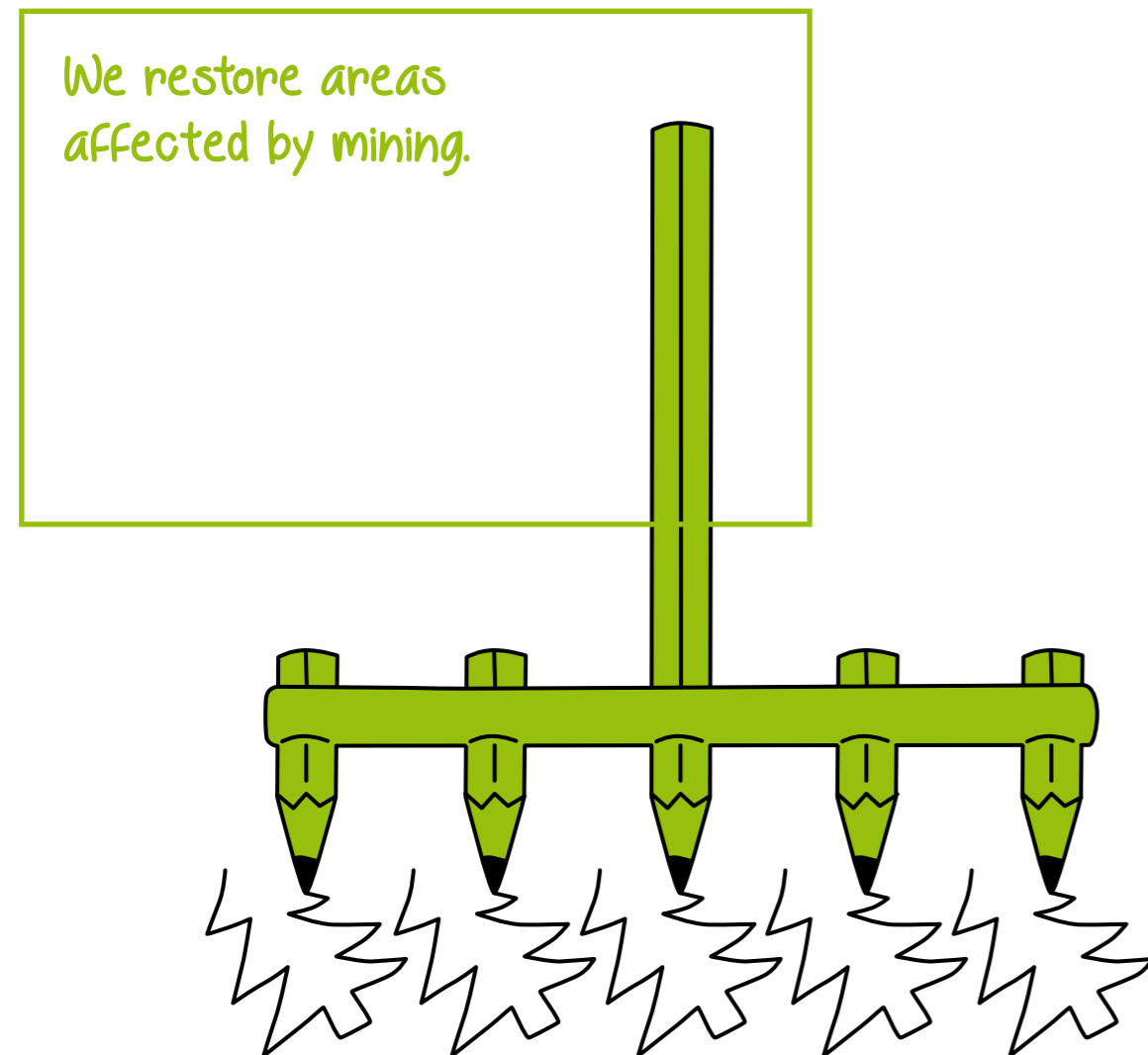
Nuclear Safety

Since CEZ Group operates nuclear facilities, among other facilities, we prioritize nuclear safety over other aspects. Despite this preference, other safety areas are also considered a priority.

2.4.1 We Reduce Our Environmental Impact

Monitoring and reducing environmental impacts is our primary obligation and condition for the operation of our generating facilities. We do a lot of things—make environmental upgrades to our generating units, restore areas affected by mining, create the conditions for circular economy, or take water-saving measures. One of the system setup tools we use for monitoring and reducing our environmental impacts is management using an environmental management system (EMS) according to ČSN EN ISO 14001 and an energy management system (EnMS) according to ČSN EN ISO 50001.

CEZ Group's emissions are verified independently by BUREAU VERITAS CZECH REPUBLIC, spol. s r.o.



Environmental Management System (EMS)

The EMS is a management system that focuses on monitoring and enhancing all corporate activities that have or may have an impact on the environment or employees' health and safety. It also helps identify environmental risks and allows creating the conditions for their elimination.

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

EMS certifications are held by ČEZ's hydroelectric, nuclear, and conventional power plants as well as by ČEZ Energetické produkty, ČEZ Energetické služby, ČEZ ENERGOSERVIS, Energotrans, Elektrárna Počeradý, Elektrárna Dětmarovice, MARTIA, PRODECO, SD - Kolejová doprava, ŠKODA PRAHA Invest, AZ KLIMA, AZ KLIMA SK, Energocentrum Vítkovice, AirPlus, and ČEZ Distribuce in Czechia and Distributie Energie Oltenia and CEZ Vanzare in Romania.

Companies that generate electricity and heat in CEZ Group have the following environmental objectives:

- Reducing the environmental impacts of generation and distribution to the level of best available techniques (BAT) by modifying their operations and undertaking capital investment projects
- Supplying their customers with carbon-neutral electricity by 2050
- Saving drinking water and process water and making efficient use of the natural energy of water

Pollutant Emissions

The environmental management system (EMS) also includes emission monitoring and risk assessment in the combustion of fossil fuels and biofuels during which pollutant emissions are released to the atmosphere. The main pollutants are sulfur dioxide (SO₂), nitrogen oxides (NO_x), and particulate matter (PM).

We managed to reduce SO₂ emissions by 6.5% and NO_x emissions by 4% in 2018; there was also a corresponding decrease in emissions per generated electricity for both pollutants (by 6.5% for SO₂ and 4.1% for NO_x). PM emissions increased by 55 tons year-on-year, which is an increase of 3.6%; the emission rate per generated electricity increased by 4.1%.

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

We use continual measurement to determine the amount of SO₂, NO_x, and PM emissions from large combustion plants. Minor combustion plants, with a heat input of less than 50 MW, have emissions determined on the basis of single measurements or their amounts of emissions are determined on the basis of available emission factors, as appropriate.

Activities to Reduce Emissions in 2018

- Completion of a new desulfurization line at the Mělník I Power Plant (a second line will be completed in 2019)
- Optimization of the operation of electrostatic precipitators at the Mělník I, Pruněřov II, and Ledvice power plants
- Performance of tests to identify suitable techniques to reduce atmospheric mercury emissions
- Preparation of a pilot project for reducing mercury emissions using the GORE technique at Mělník I
- Verification of compliance with BAT limits and optimization of systems at power plants fitted with DENOx systems (Počerady, Mělník I)
- Commencement of the construction of a gas-fired boiler plant at the Trmice Heating Plant
- Replacement of existing coal-fired units at the Vítkovice Heating Plant with new gas-fired units
- Replacement of burners at ČEZ Teplárenská boiler plants with low-emission burners (mostly in the area of Teplice and Bílina)
- Commencement of the conversion of a steam-and-water heating system in Janské Lázně to a hot-water system (reduction of heat transfer losses) together with the replacement of an existing standby unit with a new unit with lower emission parameters to reduce NO_x emissions
- Installation of a new biomass-fired boiler at the Jindřichův Hradec Energy Center, reducing especially SO₂ emissions
- Replacement of coal-fired heat generating units at the Dvůr Králové Heating Plant and Dětmárovice Power Plant with gas-fired units, cutting down the emissions of PM, SO₂, as well as NO_x
- Commissioning of a second gas-fired hot-water boiler at the Dětmárovice Power Plant, cutting down the emissions of PM, SO₂, as well as NO_x
- Replacement of 27 transformers in water-challenged areas with sealed transformers by ČEZ Distribuce in order to reduce the risk of oil leaks
- Replacement of lubrication technology at the Slapy hydroelectric power plant, reducing the total amount of oil filling by more than a half and reducing the risk of oil leaks
- Continued implementation of a DENOx project at the Skawina coal-fired power plant in Poland

Air Pollution Monitoring

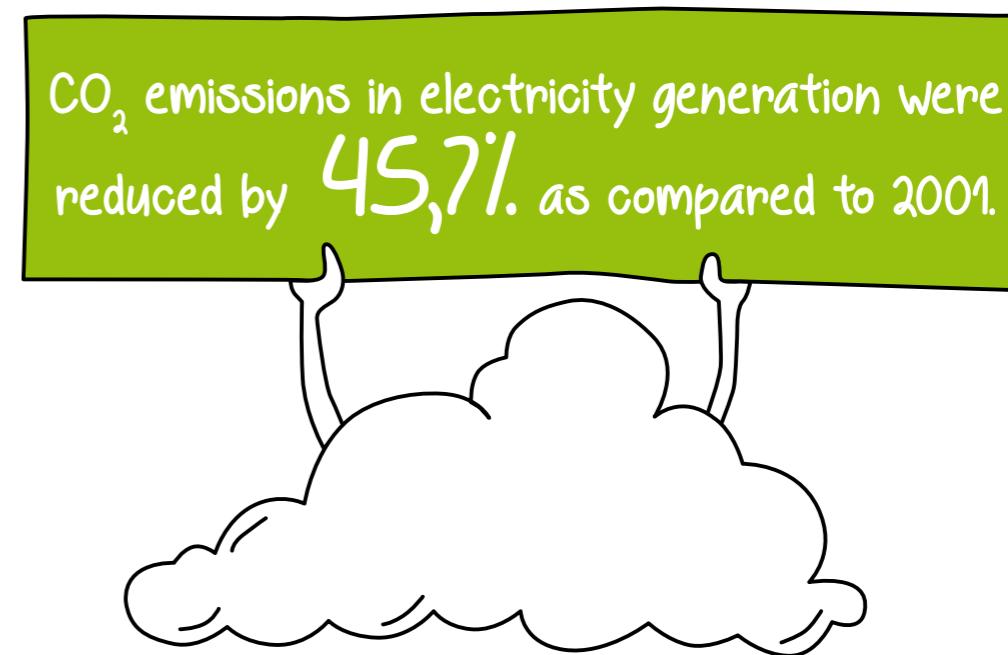
Beyond the scope of our legal obligations, since 1994 we have provided accredited monitoring of the quality of air near the stationary combustion plants we operate. It measures pollution with NO_x, SO₂, and most importantly particulate matter of different sizes (PM₁₀ and PM_{2.5}). We deliver the data to the Czech Hydrometeorological Institute because they serve as a basis for monitoring and evaluating the quality of air in Czechia for us and third parties.

- Air pollution, especially with dust, is also monitored around sites storing coal combustion products from the Mělník, Tušimice, Prunéřov, and Počerady power plants.
- Using remote data transmission, operated by an independent accredited laboratory, we also monitor air pollution in municipalities affected by the operations of CEZ Group's brown coal mines, where measurement stations are located to provide continual measurement of dust pollution, especially with PM₁₀ suspended particulate matter. We provide the results of our measurements to the affected municipalities and governmental agencies.

We Are Active in Reducing Greenhouse Gas Emissions

CEZ Group made a commitment to generate carbon-neutral electricity before 2050. Together with other European energy groups, we registered our commitments to reduce greenhouse gas emissions under the **Non-State Actor Zone for Climate Action** (NAZCA), formed before the Paris Climate Conference in 2015. The United Nations Framework Convention on Climate Change (UNFCCC) anticipates that NAZCA will report on the current status of commitment fulfillment and will therefore track progress on the basis of annually updated data.

Our emission factor can be influenced by the manner in which generating facilities are deployed, favoring low-emission and renewable sources. Generation from coal decreased by 4.3%, nuclear generation increased by almost 6%, and generation from natural gas increased by more than 11% in 2018. Despite an eight-percent drop in renewable generation in connection with unfavorable weather conditions, our CO₂ emission factor decreased by almost 4% year-on-year. There was also a decrease of almost 5% in CO₂ emission intensity per generated electricity in Czechia.



Activities to Reduce Greenhouse Gas Emissions in 2018

- We commenced the construction of a gas-fired boiler plant at the Trmice Heating Plant.
- We replaced existing coal-fired units at the Vítkovice Heating Plant with new gas-fired units.
- We are renovating hydroelectric power plants to increase their efficiency. We replaced the runner of turbine generator TG2 with a higher-efficiency runner at the Dlouhé Stráně pumped-storage hydropower plant in 2018. We also commenced comprehensive renovations of turbine generator TG4 at the Kamýk Power Plant and turbine generator TG1 at the Slapy Power Plant.
- The Dukovany Nuclear Power Plant commenced gradual replacement of halons in fire-extinguishing systems with less harmful halon alternatives.

2.4.1.1 We Use Water Sustainably

In the field of water management, CEZ Group focuses—in connection with the operation of its plant—on thrifty water management, on the prevention and reduction of water pollution, and on compliance with surface and ground water protection measures.

Water Withdrawal

Water is the second most important resource for CEZ Group's generating facilities, next to fuel, and is irreplaceable in cooling during electricity generation. About 80% of withdrawn surface water is used for once-through condenser cooling. Although only about 20% of withdrawn surface water is used for technological purposes, we strive to use it economically and seek new ways to recycle it.

The year 2018 was characterized by significant droughtiness. Facility operations were limited on low flow streams where required by the conditions and possible with respect to continued heat and hot water supply. The amount of water per generated MWh decreased slightly from 12.2 m³/MWh to 11.93 m³/MWh.

Withdrawals of surface water for production operations at CEZ Group facilities do not significantly affect the water content of the watercourses concerned.

Water used for once-through cooling is returned to the river immediately downstream of the point of withdrawal.

The water body most affected by surface water withdrawal in Czechia is the Mohelno water reservoir, from which about a quarter of the surface water flow volume is withdrawn for the Dukovany Power Plant's purposes. Although the amount of surface water withdrawn from the watercourse is relatively high, a minimum residual flow rate is always maintained downstream of the reservoir. Withdrawals of surface water from other watercourses do not exceed 4% of their flow volumes at the point of surface water withdrawal.

CEZ Group's power plants and heating plants withdraw surface water in some areas that subsequently became protected areas. Specifically, they are the Nechanice Water Reservoir and Heřmanský stav–Odra–Poolší bird areas, the Želinský meandr and Ohře sites of Community importance, the Želinský meandr small-scale specially protected area, and the České Středohoří protected landscape area. Only the Ohře site has a direct connection between the protected watercourse area and the presumed presence of an endangered animal. However, there is no identified impact of surface water withdrawal on biodiversity in protected areas and on the presence of specially protected plant and animal species.

Water-Saving Activities in 2018

- Surface water consumption is reduced by giving priority to the use of condensation operation for cooling at the Trmice Heating Plant.
- Repairs of potentially leaky segments of the surface water feeder were made at the Počerady Power Plant to reduce leaks of withdrawn surface water.
- The consumption of surface water by power plants at the Mělník site was reduced by progressive replacement of existing surface water pumps with new pumps with frequency inverters, which better control the instantaneous consumption of surface water for once-through cooling.
- A pair of vortex turbines with siphon design, with a total installed capacity of 29 kW, was put into regular operation in the Tušimice Power Plant feeder channel in 2018; the turbines are part of the operating plant of the Želina small hydropower plant.

Water Recycling

We strive to recycle wastewater to reduce our consumption of surface water. In particular, we reuse wastewater from cooling tower blowdown, sand filter and gypsum washing, or seepage and drainage water. Reused wastewater accounted for about 20% of the amount of surface water withdrawn for process purposes in 2018. In addition to the fossil and hydro generation division, recycled water is used by Elektrárna Dětmarovice, Elektrárna Počerady, ČEZ Energetické služby, Severočeské doly, CEZ Chorzów, and CEZ Skawina. The amount of recycled water increased from 0.37 m³/MWh in 2017 to 0.62 m³/MWh.

Wastewater Discharges

Wastewater discharges are subject to conditions according to integrated or compartment-specific permits issued by competent authorities. We only discharge wastewater to surface water courses. Discharged wastewater includes both wastewater from generation and a portion of rainwater and hard-to-measure seepage and drainage water discharged through shared outlets together with other wastewater.

Discharged wastewater is treated by mechanical-chemical wastewater treatment plants before release to the receiving watercourse to reduce the introduction of pollutants into the surrounding environment.

The only untreated wastewater is wastewater from once-through steam turbines cooling and water from drainage and similar outlets whose quality does not necessitate treatment. Regular monitoring of discharged wastewater is performed at all outlets in order to evaluate water quality and respond promptly to any risk of quality deterioration. Monitoring results are regularly reported to competent authorities.

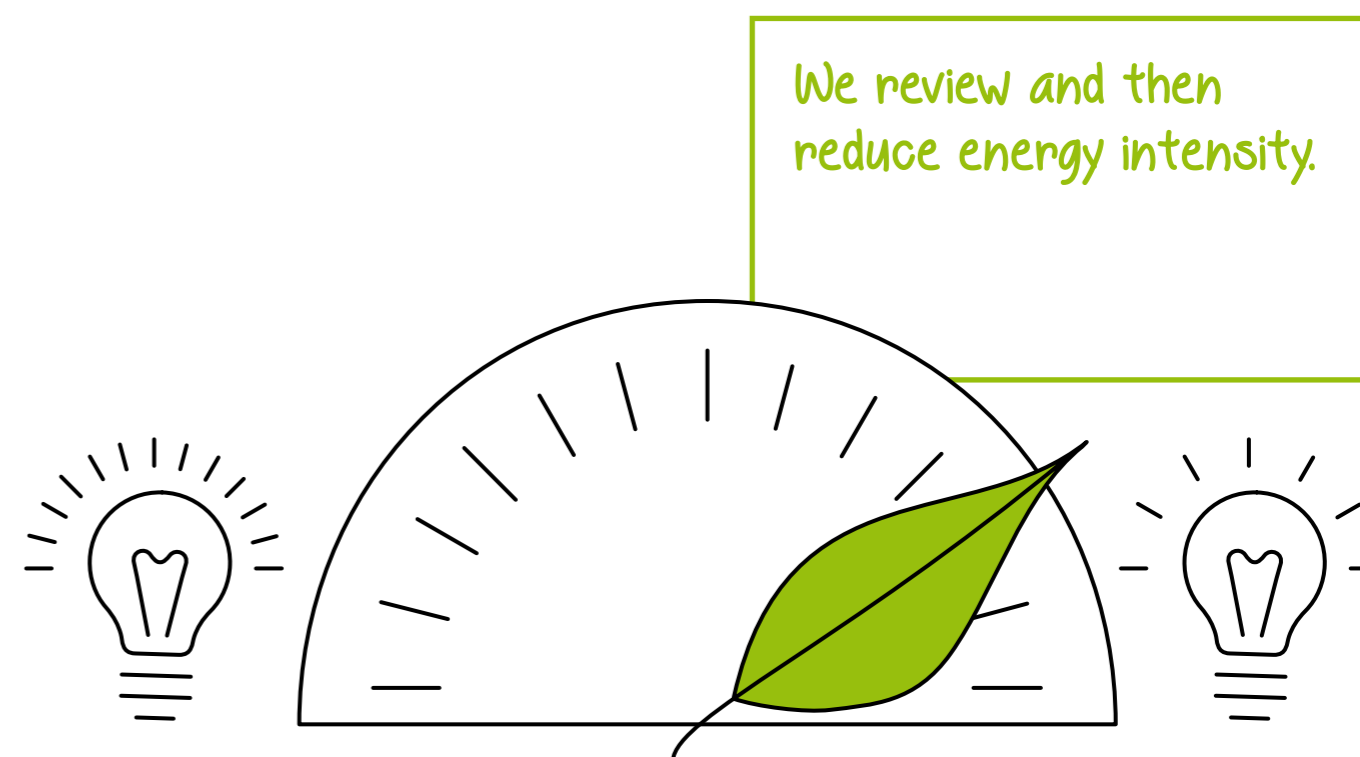
Wastewater from once-through steam turbines cooling, which accounts for an absolute majority of discharged wastewater, has its quality altered in a single parameter, temperature, and is discharged so that there is no change to water stream conditions important for the life and development of biotic populations.

2.4.2 We Reduce Energy Intensity

Energy efficiency and energy intensity are the basic elements of energy balances and the management system used by generating facilities in our portfolio.

We introduced a **management system according to ISO 50001—Energy Management System (EnMS)**—at our coal-fired, nuclear, and hydroelectric power plants in 2015. We monitor especially those energy flows (heat, electricity, fuel amounts) that are crucial for determining the net total efficiency of a generating facility. We review energy consumption at every site annually, evaluating variables affecting energy indicators and significant areas of energy use and consumption, including consumers, which account for a substantial portion of internal energy consumption.

We have adopted an **Energy Policy** with commitments that are in line with current standards, legislation, and our **commitments to reduce energy intensity**.



We undertake to

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

Actions Taken in 2018 to Reduce Energy Consumption

- Electricity consumption after gas turbine start-up was reduced at the Počerady CCGT plant; implementing a number of measures resulted in 72% savings per gas turbine start-up.
- The replacement of old uncontrolled pumps with controlled pumps with frequency inverters at the Mělník I Power Plant and Trmice Heating Plant reduced specific electricity consumption by 5% and 10%, respectively, while improving operation reliability.
- The Dukovany Nuclear Power Plant improved the energy efficiency of its electricity generation by optimizing the flow rate of injections into the heating condensate, increasing its electric output by 1.2 MW with the same amount of fuel.
- The Temelín Nuclear Power Plant increased its electricity generation efficiency by using the energy potential of the turbine generator drain condensate, increasing its electric output by 2 MW with the same amount of fuel.
- The turbine and the generator were replaced at the Kamýk hydroelectric power plant, decreasing its specific electricity consumption by 1%.

2.4.3 We Restore Land

The Severočeské doly group creates provisions annually for the elimination of mining effects during and after mining in order to create a new landscape in the future—once all the coal is extracted—and bring the whole mining-affected area in accord with sustainability principles and the needs of an economically and culturally exploited region. The cleanup and restoration process will continue for approximately fifteen years after the termination of mining, which is currently estimated to occur in 2050–2057.

Our goal is to **minimize the effects of mining and dumping operations on the environment**. The restoration of waste dumps and exhausted open-cut mines provides an opportunity to turn the area into an area of high biodiversity value. We monitor the status of restoration work, the creation and drawdown of cleanup and restoration provisions, and the execution of all individual restoration projects.

Once all coal is extracted, a new landscape is re-created with regard to biodiversity.



We focus on

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

We established two experimental successional areas at the Radovesice waste dump, where we dump earth extracted from the nearby Bílina mines. As functional ecosystems started to develop spontaneously under the specific conditions at the site, the site **needs protection and research into some biological, geological, and paleontological phenomena**. Both successional areas were registered as significant landscape features, similarly to another of the Bílina Mine's waste dumps, Pokrok, where a significant landscape feature has been registered since 2014.

Other interesting biotopes are represented by exposed parent materials, salt marshes, sky ponds in depressions on untreated dump surfaces, small water bodies under the toes of dumps, and other valuable biotopes with mostly forest-steppe characteristics, often formed spontaneously. We strive to create and conserve such biotopes during land restoration. The restoration of waste dumps and exhausted open-cut mines provides an opportunity to turn the sites into an area of high biodiversity value.

We also restore land in the vicinity of conventional power plants. We use coal combustion products certified for these purposes to this end. Waste disposal ponds and areas that were restored using coal combustion products are places providing unique conditions for endangered plant and animal species.

2.4.3.1 We Respect Protected Areas, Animals, and Plants

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

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

Presence of Protected Species at Sites

A population of the critically endangered **grayling butterfly** (*Hipparchia semele*) was found at a reclaimed waste pond of the Tušimice Power Plant in previous years. To maintain suitable conditions for preserving the species population, **sheep and goat grazing** continued at the site, arranged in cooperation with the regional authority and a private farmer and started as an experiment in 2016. According to an entomologist, the grazing makes a positive contribution to the protection of the butterfly population.

Severočeské doly monitored the functionality of mounds for lizard breeding. It was demonstrated especially in the case of insects and smaller vertebrates. Six new stone mounds with a decaying core for **reptile breeding** were created in 2018. Repeated checks were performed on small ponds that were built for amphibian breeding in areas of conservation measures in order to increase their biodiversity. Three new small ponds for amphibian breeding were built in restored areas of the Pokrok waste dump, where also areas around three larger and important water bodies were marked out as areas without agricultural activities to protect valuable bird species and water and wetland birds.

On the site of the Nástup Tušimice Mines, five new ponds for amphibian breeding were built. A total of three new **insect habitats** were created. To conserve populations of protected **Phengaris butterfly** species, meadows were purposefully mowed, permanently creating a suitable environment for these species.

Severočeské doly creates substitute biotopes in accordance with its Comprehensive Cleanup and Restoration Plans, compensating for the negative effects of coal mining.

Experts recommend the company to do the following to support biodiversity:

- Refine land mosaics
- Support the earlier successional stages too
- Increase the share of ecotonal habitats
- Include small open spaces and more open stands in woodlands
- Put scattered vegetation elements, field boundaries, and fallows in place during the restoration of agricultural land
- Strive to imitate natural characteristics for all water elements

According to Severočeské doly experts, interesting biotopes are represented by exposed parent materials, salt marshes, sky ponds in depressions on untreated dump surfaces or small water bodies under the toes of dumps, and other valuable biotopes with mostly forest-steppe characteristics, often formed spontaneously.

2.4.3.2 We Protect Birds

Avian electrocution protection is still a relevant topic; it places higher demands on grid operation and maintenance and requires significant investments during grid construction and reconstruction. Bird injuries and deaths are mainly caused by the passage of electrical current during phase-to-ground contact due to the bird's wingspan when landing on or taking off from power poles, or by flying birds' collisions with conductors. While accidents caused by birds' collisions with power lines are hard to prevent, protection against phase-to-ground contact has existed for many years.

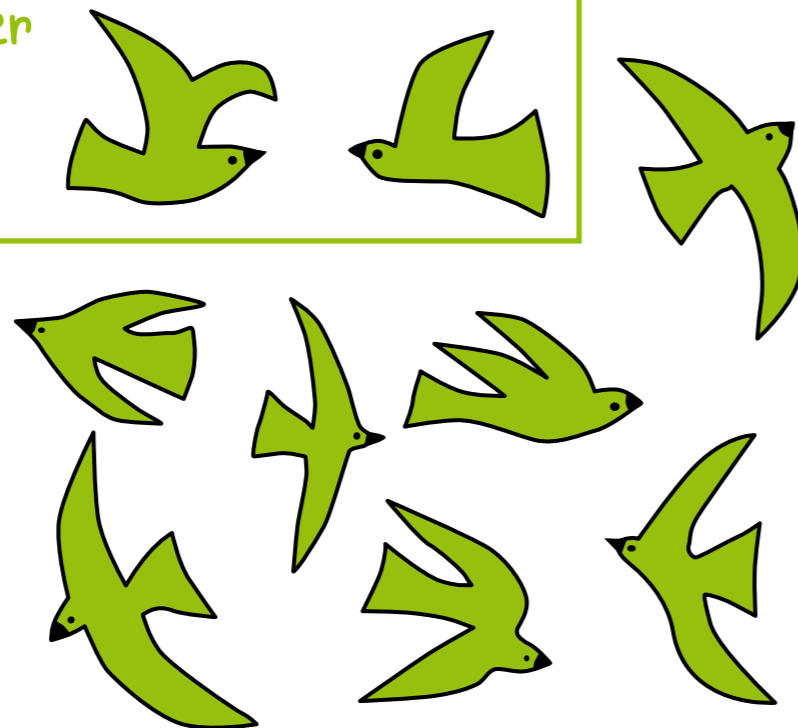
The number of bird injuries in different localities is influenced by many factors. The primary ones are landforms, the quantity and nature of scattered vegetation together with forestation, and the location of power lines in relation to birds' main migration routes and resting sites or nesting sites with food sources.

Our environmental protection experts work closely with government experts and with ornithologists (Ministry of the Environment, Nature Conservation Agency of the Czech Republic, Czech Society for Ornithology, Fauna Protection of the Czech Republic). Our protection efforts focus especially on raptors such as the common buzzard, common kestrel, saker falcon, and red kite, but also owls and white storks.

ČEZ Distribuce has been replacing unsatisfactory crossarms in existing lines with new secure consoles of the "Pařát" type and retrofitting additional protection devices where these crossarms cannot be installed for technical reasons. We have installed avian protection devices to prevent bird injuries on several thousand medium-voltage poles. When building new medium-voltage lines, ČEZ Distribuce prefers support structures that prevent birds from landing near conductors that are dangerous due to possible phase-to-ground or phase-to-phase contact. They are the safest and most economical means of protection that do not require any additional protection devices to be installed. Such protective devices were mounted and completed on 10,269 support structures in 2018. Special attention is paid to requirements for the protection of birds and bats in prepared or operated wind parks. Monitoring of the actual impact on birds and bats is carried out in the first years of operation, and any negative impact is then eliminated by adjusting the operating modes. Avian protection becomes an important step for us toward improving people's relations to nature and their consideration for other living creatures.

ČEZ is a pioneer in the protection of the peregrine falcon at industrial sites. In collaboration with ornithologists, we create favorable conditions for the bird's nesting on the gangways of flue gas stacks. Since the first falcon nest box in Czechia was installed at a cooling tower walkway at the Tušimice Power Plant in 2011, 66 young falcons were reared on tall power plant structures, stacks, and cooling towers. We also create nesting conditions for sand martins, which are found at the disposal sites of some coal-fired power plants. A large colony of them was discovered at the Stodola site in Tušimice, where protection measures for birds during their nesting season were subsequently implemented.

Avian protection becomes an important step for us toward improving people's relations to nature and their consideration for other living creatures.

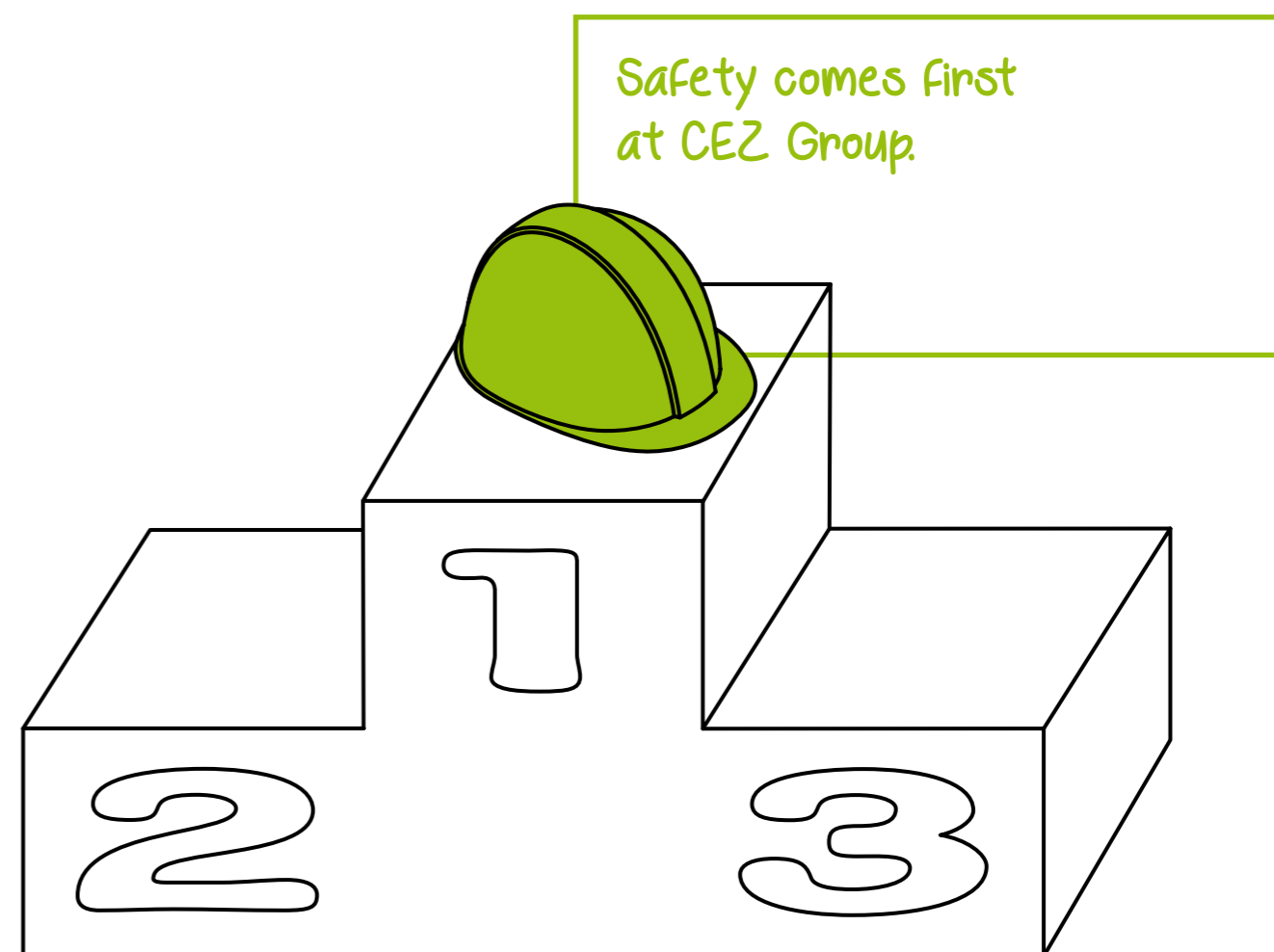


News and Events of 2018

- A cleanup of the Lískovice reservoir was completed at the Radovesice waste dump.
- We finished the adaption of a former trachyandesite quarry near Braňany as part of a revitalization project, creating an opportunity for recreation for the local population.
- Vegetation cultivation continues on protective elements built around the Bílina Mines for the village of Mariánské Radčice and the towns of Duchcov, Ledvice, and Lom.
- At the Nástup Tušimice Mines, cultivation continues in the protective woodland belts of Březno and Droužkovice. These protective elements help protect the municipalities from mining operations and meet public health limits.
- We carried out new substitute plantation in Duchcov, Bílina, Hrobčice, Březno, Droužkovice, and Spořice in 2018.
- A total of fourteen young falcons hatched out on the flue gas stacks of our power plants: the Prunéřov and Počerady power plants each reported one, the Tušimice Power Plant two, the Ledvice Power Plant and the Trmice Heating Plant each reported three, and the Mělník Power Plant even reported four falcon younglings.
- CEZ Razpredelenie Bulgaria took part in the LIFE BIRDS on POWER LINES project, supported by EU LIFE funds. It aims to ensure that distribution system equipment is safe for threatened bird species. Initial, preparatory, and planning work on the project was carried out in 2018, focusing on the collection, analysis, and evaluation of information on bird deaths caused by electrocution or collision with electricity distribution equipment.
- Distribution line poles in the counties of Mehedinți, Argeș, Teleorman, Dolj, Vâlcea, Olt, and Gorj in Romania were fitted with 161 stork nests. Protection measures to prevent bird injuries were implemented on medium-voltage lines by installing insulators in the Teleorman and Olt counties.
- Surveys of valuable bird species in 2018 confirmed that the decrease in the populations of the ortolan bunting from 2015 and 2016 had stopped; its 2018 populations were comparable to those of 2017. Due to progressing mining operations, a rescue transfer of purple milk-vetch from one of the places where it was found was prepared in 2018. The actual collection of sods and planting of the plants will be carried out in 2019.

2.4.4 We Safely Operate Not Only Nuclear Facilities

Safety comes first at CEZ Group. From occupational safety and health to the **system of fire protection to emergency preparedness**, all safety aspects are part of our Safety and Environmental Protection Policy and internal documents. We introduced an emergency preparedness system into all generation sites in compliance with applicable law; we have approved **emergency plans** and related emergency response/action documents. We annually review the emergency plans and provide exercises and training for the people involved.



Risk Management and Certification

Management systems are introduced to support corporate governance in accordance with the Concern Interest—CEZ Group Uniform Governance System. In line with stakeholders' expectations, they are certified by accredited certification bodies or audited by relevant independent bodies, as appropriate. The certification of individual companies within CEZ Group supports transparency and communication toward the general public and other stakeholders. Management systems are a tool for systematically reducing the risks of environmental disasters and serious work-related injuries. Established management systems include continuous improvement.

Three CEZ Group companies had their quality management systems successfully recertified and ČEZ ESCO received certification in 2018. Six CEZ Group companies hold a special sectoral management system certification for welding.

Fourteen testing laboratories, four calibration laboratories, and one inspection body within CEZ Group are accredited for testing, calibration, and inspection activities. The accreditation is performed by the national accreditation body, which has been authorized to perform its activities by the government in compliance with Regulation (EC) No. 765/2008 of the European Parliament and of the Council. Accreditation increases the trustworthiness of testing, calibration, and inspection results as well as their acceptance by government authorities, which, on the basis of the above-mentioned regulation, applies to all member states of the European Union. Accreditation includes a requirement for laboratories' participation in interlaboratory comparison of tests and calibrations, which is an activity that objectively ensures the uniformity and mutual comparability of test and calibration results, both within CEZ Group and externally.

Risk management is part of everyday management at CEZ Group companies. The identification of hazards and the assessment of risks in individual corporate processes is a standard activity performed by the internal audit function. The internal audit function has prepared a long-term strategy for auditing individual processes, based on annual risk assessment, communication with the management, the risk management function, and the Risk Committee.

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

Employees can refuse work they find risky or dangerous; they can also contact their superior or a safety engineer, trade union, or the head of Internal Audit and Compliance, as appropriate. The OSH unit actively seeks and assesses new risks that can affect employee health and takes appropriate action.

Safety and environmental management includes the utilization of certified systems.

- We participate in the **Safe Enterprise** program; some of our companies use an Occupational Safety and Health Management System according to OHSAS 18001.
- In respect of the environment, we use an environmental management system (EMS) according to ISO 14001.
- We also have a Quality Management System according to ISO 9001.
- We have been gradually introducing an Energy Management system (EnMS) according to ISO 50001 in CEZ Group since 2015. Most of our companies were certified already in 2015.

Governance bodies and their authorities and activities are described in detail in the CEZ Group 2018 Annual Report. Legal compliance is the topmost priority for all CEZ Group companies.

Nuclear Power Plants

We operate zero-emission nuclear facilities, which are the core of our generation portfolio.

- We monitor the effect of nuclear operations on the environment and human health.
- We dispose of radioactive waste in a safe manner, using state-of-the-art technologies in its treatment and processing.

The Temelín (ETE) and Dukovany (EDU) nuclear power plants follow the **Internal Emergency Plan for Nuclear Power Plants**, a licensing document approved by the State Office for Nuclear Safety (SÚJB). The related **External Emergency Plan for the Emergency Planning Zone** is prepared by the regional Fire Rescue Service (FRS) in cooperation with the power plant and other organizations. Both nuclear power plants have their Emergency Control Center, 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. Following the events at Fukushima in 2011, the Temelín and Dukovany nuclear power plants were subjected to stress tests, on the basis of which CEZ Group enhanced the operational security of the nuclear power plants.

CEZ Group provides residents of the nuclear power plants' emergency planning zones with **Basic Information in Case of a Radiation Accident** in the form of a calendar every two years.

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

During the exercises, the emergency preparedness unit cooperates with public authorities (State Office for Nuclear Safety, Czech Fire Rescue Service, regional authorities, municipal authorities, etc.) and international organizations. The corporate fire brigades (CFBs) at both nuclear power plants received new equipment during the stress tests. It included, for example, a hose truck, a tanker truck, an excavator, new powerful pumps, balloon lights, and mobile Diesel generator sets.

Fire prevention measures are in place at the nuclear power plants.

Each nuclear power plant has its own corporate fire brigade, which is part of the Integrated Rescue System (IRS). It operates off-site, under the regional emergency plan, if necessary. As in previous years, no fire occurred at either Dukovany or Temelín in 2018.

Total Number of Operations Conducted by Our Nuclear Power Plant Fire Brigades under Cooperation with the Integrated Rescue System, i.e., outside the Dukovany and Temelín Nuclear Power Plant Sites

2016	16
2017	29
2018	37

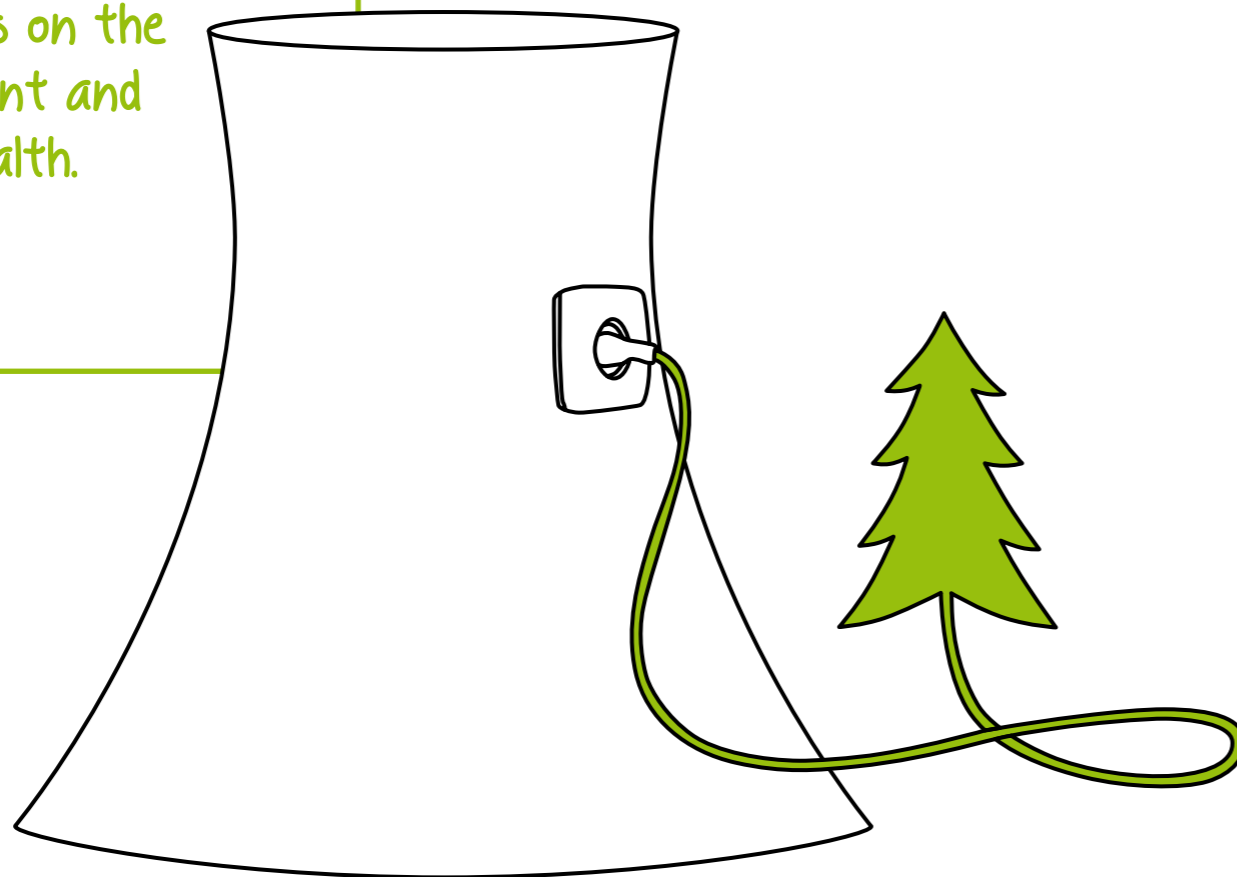
The emergency preparedness system is tested with unannounced exercises and drills every year.



We also **monitor the effect of nuclear operations on the environment** and human health. Atmospheric discharges as well as discharges to watercourses are consistently excellent, well below permitted limits, and have a downward trend. Long-term programs monitoring the environmental impact of the Temelín and Dukovany nuclear power plants have confirmed that the operations of the Temelín and Dukovany nuclear power plants do not have any adverse impact on the environment in the vicinity of the power plants.

We are also looking into the **ALARA** (As Low As Reasonably Achievable) principle, which means keeping staff's radiation exposure or radioactive contamination as low as practical. Our value of collective effective dose is consistently low below WANO's global median. The annual individual effective dose was not exceeded in either of our nuclear power plants (Temelín and Dukovany).

We also monitor the effect of nuclear operations on the environment and human health.



Long-term **programs to reduce staff's injury rates** are in place at our nuclear power plants. We registered the best injury rates to date in the nuclear energy sector in 2018: one employee injury at the Dukovany power plant, none at Temelín. We also address potential negative impacts of our facilities on local communities. With nuclear facilities, there is a slim chance of impact from psychological strain associated with the potential risk of an accident. According to long-term studies, people living near our power plants have the same health overall as people living in other areas.

Conventional Power Plants

In compliance with applicable legislation, each site has an electricity/heat producer emergency plan (depending on the type of operations), which describes the site's system of preparedness for emergencies and states of emergency in Czechia. This is followed by an **emergency preparedness plan**, which serves for responding to possible emergencies and is adjusted to specific conditions on-site. All conventional power plants have this plan and each of them has its own emergency response team. Individual facilities submit their emergency documents to the regional operations centers of the Fire Rescue Service (FRS). The fossil and hydro generation division encompasses coal-fired, combined cycle gas turbine, and large hydroelectric power plants.

Every power plant/heating plant carries out at least one **emergency exercise** with a predetermined theme every year. They focus, for example, on fire, rescue of people, release of a hazardous substance, or a breach of physical security. The exercises serve to test not only procedures in the emergency preparedness plans and activities of the emergency response team and employees of individual power plants but also cooperation with external services, such as the Czech Fire Rescue Service, Czech Police, Emergency Medical Services, and affected government and local authorities.

Emergency exercises are an important means of prevention for us

An ammonia leakage in the unit condensate treatment plant of unit E was handled by CEZ Group professional firefighters based in Prunéřov on October 17, 2018. This was an emergency exercise that was aimed at testing their preparedness for a possible emergency at the Prunéřov II power plant as well as the responses of the shift chemist, shift engineer, and other stakeholders, including members of the emergency response team.

It is very important that our professional firefighters can handle any emergency, at both Prunéřov and Tušimice. To this end, emergency exercises with various themes take place every year. Their main purpose is to test the preparedness, technical capabilities, response methods, and responsiveness of emergency response units. Exercises are an important means of prevention for us.

Employee training is provided once in two years in the form of an e-learning course. Members of emergency response teams receive regular in-class training every year. The objectives of an emergency preparedness exercise include testing the preparedness and responsiveness CFB units. We have established several fire stations located at selected conventional power plants. What we also consider part of our prevention programs is safety procedures set down in documentation (guidelines, standards) and the manner of its management, that is, setup and control.

Fire protection of hydroelectric power plants is provided by local fire brigades from the area under the IRS. CFB units are regularly inspected by public authorities (regional FRS).

A corporate fire brigade (CFB) has been established for conventional power plants. It has several fire stations located at selected conventional power plants. The CFB is part of the Integrated Rescue System (IRS).

We regularly obtain and maintain the **Safe Enterprise certification** for our power plants. Energotrans was successfully recertified for another three years in 2018. Certification will take place at the Počerady Power Plant and recertification at ČEZ in 2019.

Total Number of Operations Conducted by Our Conventional Power Plant Fire Brigades under Cooperation with the Integrated Rescue System, i.e., outside Power Plant Sites

2016	32
2017	20
2018	29

Number of Fires at Conventional Power Plants

2016	3
2017	7
2018	4

News and Events of 2018

- Eighteen exercises took place at the two nuclear power plants, one of them in cooperation with the WANO (World Association of Nuclear Operators) Regional Crisis Center in Moscow. A newly introduced type of exercises involved Alternative Emergency Control Centers.
- Specialists from ÚJV Řež participated in unique training on packaging handling for staff from a Nigerian research institute at a training center in Ghana. The training was a crucial step toward approval of fuel shipment from the country under Nigerian nuclear supervision. Shipments of highly enriched fuel back to the country of origin take place worldwide under a U.S. terrorist threat reduction program.
- CEZ Skawina in Poland organized another motivational program for its employees engaged in the process of safety enhancement at the power plant. Eight employees whose behavior contributed to the field of safety policy were awarded the title of safety leader.

2.4.4.1 Crisis Communication

In the event of crisis communication, the management proceeds in compliance with applicable legislation. It informs residents and other members of the public in the neighborhood of power plants regularly and objectively; ČEZ distributes an emergency response manual for residents in the primary emergency planning zones of power plants. The goal is to ensure that residents are prepared not only for emergencies in power plants but also for extreme climatic conditions such as floods, windstorms, or fires.

As part of crisis communication, the communication and marketing unit takes care of

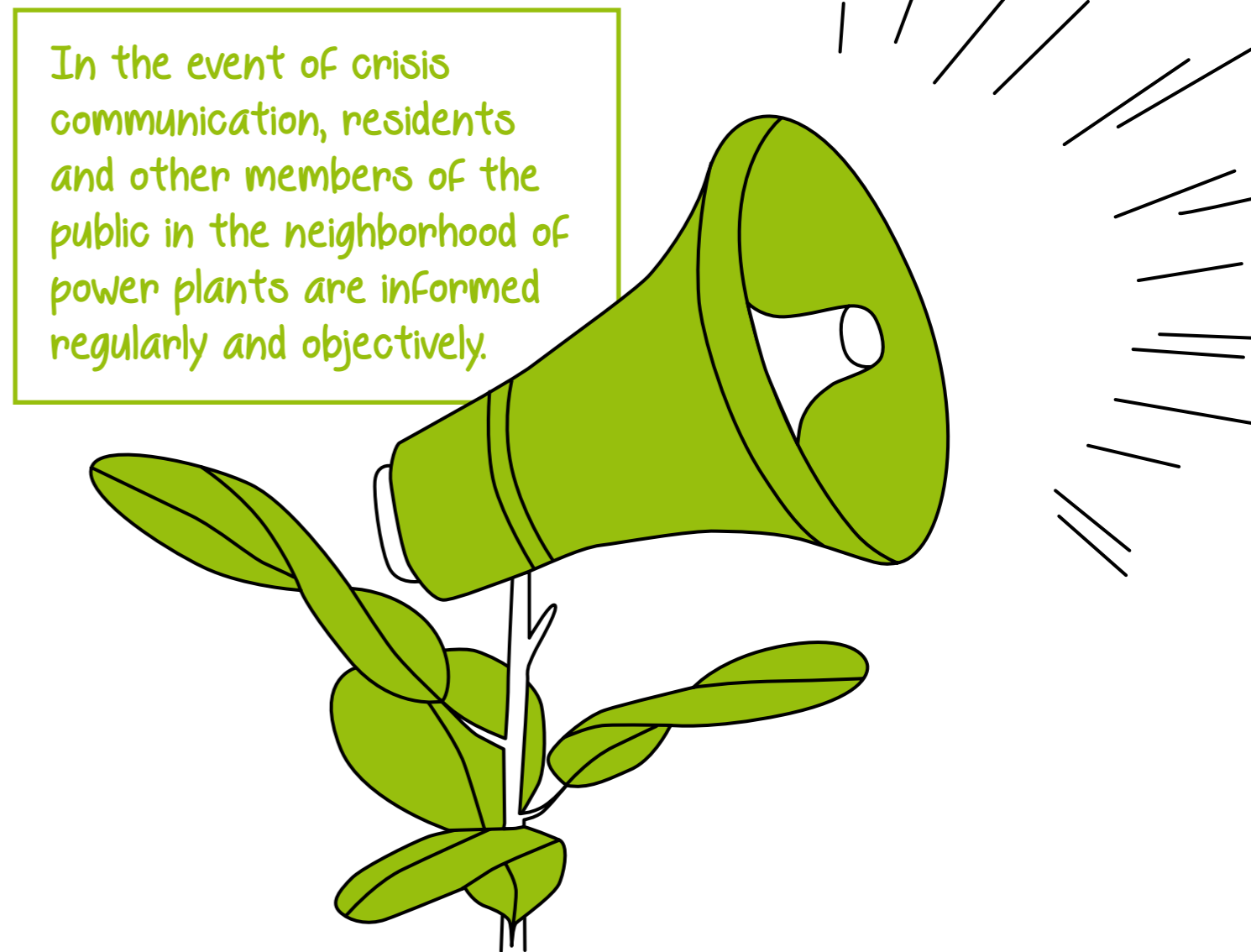
- Communication with the media
- Internal communication
- Communication between the communication and marketing unit and communicators (spokespeople) for local authorities, public authorities, and bodies of external services in the Integrated Rescue System (Czech Fire Rescue Service, Czech Police, Emergency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

The fire protection and emergency preparedness unit

- Takes care of crisis communication with impact on nuclear decision-making processes between ČEZ and external emergency management services, including state and governmental agencies
- Is also responsible for giving early warning to people in emergency planning zones and notifying representatives of local and government authorities
- If the Crisis Management Board is called up, the unit provides information to members of the government and central bodies

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

Crisis communication plans, emergency response instructions, means, and databases are subject to regular quarterly reviews. The functionality of crisis communication means (cell phones, landlines, paging system, computer technology) is tested on an ongoing basis, at least once a week. The head of the communication and marketing unit is a member of the Primary Emergency Response Team, to which they provide regular reports on reviews and the fulfillment of assigned tasks and corrective actions.



In the event of crisis communication, residents and other members of the public in the neighborhood of power plants are informed regularly and objectively.

What We Do In Case of a Disaster

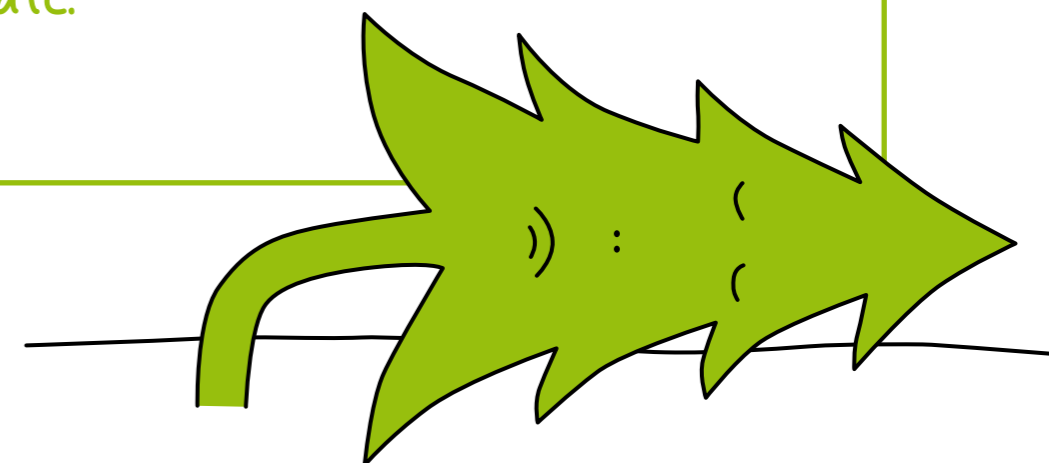
Weather has the most prominent effect on the operational reliability of our distribution system. Therefore, we regularly review established recovery processes for disasters in the distribution system and introduce new organizational measures inside ČEZ Distribuce.

Members of the Disaster team successfully set up a new structure of crisis management units in 2018. These are the Central Crisis Management Board, which is in charge of Regional Crisis Management Boards, and these in turn are in charge of Local Crisis Management Boards. At the same time, there will be closer collaboration among the Grid Management, Operations, and Customer Service units.

To facilitate communication with municipal customers, we created a **Guide to Dealing with Emergencies in the Distribution System**, which lists procedures for dealing with such situations and special crisis response lines. The Guide is also used by regional authorities' crisis management boards in which our regional representatives newly participate. We are in contact with local and regional authorities through our regional representatives and crisis management board representatives.

- Public relations officers can be contacted by phone throughout the duration of a disaster and send out press releases describing the current situation—we strive to send information approximately every 2–3 hours.
- We put reports on the declaration of a state of disaster on the welcome page of both CEZ Group's and CEZ Distribuce's websites, providing the estimated date and time of power restoration.
- We introduced a **new service notifying our customers of planned power outages and power failures by e-mail and SMS**.
- We created a **Crisis Information System for Mayors** (KISMO), a special line with preferential treatment for municipality representatives.
- A new information portal was prepared in 2018 to be launched at bezstavy.cz in 2019; it can be used by our customers, without any registration, to report a power cut and learn about the estimated time of power restoration.

Cyclones, heavy wind gusts, windstorms, and snowstorms resulted in an increased failure rate.



Disasters and Increased Failure Rate in 2018

- Czechia was hit by cyclone Friederike in January. The most seriously hit areas were the districts of Děčín, Česká Lípa, Liberec, Sokolov, and Karlovy Vary. The worst conditions occurred on Thursday, January 18, when we registered almost 40,000 service points with no electricity.
- Heavy wind gusts in March cut the power to more than 12,000 service points. The windstorm caused the most damage in Moravia (Olomouc and Přerov districts) and eastern Bohemia (Rychnov nad Kněžnou and Náchod districts).
- Line damage was caused by three windstorms that hit Czechia shortly after one another in the fall—Fabienne in September (140,000 customers without electricity), Sieglinde in October (13,000 customers without electricity), and Vaia (55,000 customers without electricity).
- Snowstorm Nadia caused damage in December, cutting the power to 14,000 households in the Děčín and Česká Lípa districts on December 11 and more than 8,000 service points mostly in the Děčín district in the Ústí nad Labem region, Česká Lípa district in the Liberec region, and the Havlíčkův Brod district in eastern Bohemia on December 12.

2.4.4.2 Employee Safety and Health

Occupational safety and health are a priority in the manner of management and organization of activities within CEZ Group. It is an integral part of processes and job contents at all management levels. ČEZ and selected CEZ Group companies managing conventional generating facilities are audited holders of the **Safe Enterprise certification (see Risk Management and Certification)**, which is a way of implementing an occupational safety and health management system in overall management to enhance the level of safety and health.

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

Employees are represented in joint OSH commissions or committees. Commissions, bodies, or committees consisting of representatives of management and representatives of employees (also from the OSH unit) meet regularly across CEZ Group in Czechia and abroad to review identified and registered nonconformities. The commission reviews nonconformity rectification methods and/or trends in causes. If there is an adverse trend, it proposes corrective actions. Occupational safety and health at companies are also addressed by trade unions as employee representatives. They take part in commenting procedures concerning management documents, debates over OSH issues, comprehensive reviews, investigation of workplace injuries, etc. Employees and supplier workers can get involved by submitting their suggestions concerning OSH through the Orange Safety Mailbox or during OSH training courses. They can also record any suggestion or finding in nonconformity and action tracking applications; all records are reviewed and duly acted on.

Incident investigation is directed and conducted by the OSH unit with its specialists (work safety inspectors and/or experts and advisors in fire cause investigation, as appropriate) in collaboration with the affected staff at the site of occurrence. A process of employee familiarization with the incident and adopted measures takes place after the completion of investigation. Internal Audit is then informed about the results and causes and monitors the fulfillment of corrective actions.

Employee Health Care

Every employee undergoes preventive medical checkups whose focus and frequency depend on their job content. Care of employees' health also includes the specification and provision of necessary personal protective equipment according to the nature of their work. We provide safety clothing and work aids with emphasis on high quality. For example, distribution technicians have sturdy fire-retardant overalls with fire-proof certification. We also engage trade unions in the control of occupational safety and health and fire protection. Health care also includes above-standard medical checkups for employees in selected physically or mentally demanding jobs.

We provide new employees with OSH training as part of their induction training and existing employees with **regular training**, which not only includes a theoretical part concerning updates to regulations and announced OSH enhancement activities but also addresses mistakes without consequences or actual events that resulted in work-related injuries.

Employee safety and health care is also a priority at all of our **companies abroad**.

In Turkey, our colleagues focus on training, prevention and control of work-related risks, and occupational safety and health in power plants. Preventive checkups are arranged for employees annually. A physician is present at every working site and provides preventive checkups beyond the scope required by law. In November 2018, 32 women were provided with free-of-charge breast screening as a precaution against cancer and 28 people were vaccinated against flu.

In Poland, medical checkups are carried out at the employer's recommendation, depending on the employee's job position. Such recommendation also includes information about hazards, harmful factors, or other issues in the workplace in question.

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

Job categorization is regulated in Czech legislation by Act No. 258/2000 Sb., on the protection of public health and on amendment to some related acts, and Decree No. 432/2003 Sb., specifying conditions for job categorization, limit values for biological exposure indices, conditions for biological sampling for biological exposure tests, and the particulars of reporting of work with asbestos and biological factors.

Employees at conventional power plants operated by CEZ Group in Czechia are included in categories 1 to 3, with categories 2 and 3 classified as high-risk. The commonest risk factors are mental stress due to shift operation, noise, and dust (coal, fly ash, limestone).

Nuclear power plants did not register any cases of occupational diseases, that is, there are no occupational activities having a high risk of specific diseases; the highest category is 3, with just a few people. Employees across CEZ Group companies are classified in categories 1–3. Risk category 4 is not present.

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

2.4.4.3 We Protect Personal and Other Data

Since 2018, a new regulation, GDPR, has given individuals new rights and more control over what data concerning them are collected and what happens to the data. CEZ Group prepared for the new, stricter legal requirements for a year and a half. It mapped all processes in which it handles personal data of its employees, customers, and suppliers and defined tighter rules for them. Employees handling such information were thoroughly trained.

CEZ Group GDPR Implementation Program

Protection of the personal data and privacy of individuals, that is, customers, clients, business partners, and employees, is a priority for CEZ Group companies.

A fundamental change in personal data protection occurred in 2018 when [Regulation \(EU\) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data](#) entered into effect in May.

An independent monitoring and advisory function, the [Data Protection Officer](#), was created in relation to the Regulation. The primary mission of the Data Protection Officer's five-member team is to protect the rights, interests, and data of individuals (suppliers, customers, and employees) that exist in relation to 28 CEZ Group companies and to prevent situations in which a personal data breach might occur, affecting the rights and freedoms of data subjects and making the companies liable to a penalty.

Individuals can submit requests for the exercise of their rights and notifications of data breaches by various means, including an online form. We were the first corporation in Czechia to provide this form of notification. For more details on personal data processing, go to: www.cez.cz/gdpr.

The team provides its services to selected CEZ Group companies under a Service Level Agreement (SLA). It provides consulting and advisory activities to companies abroad.

Cybersecurity

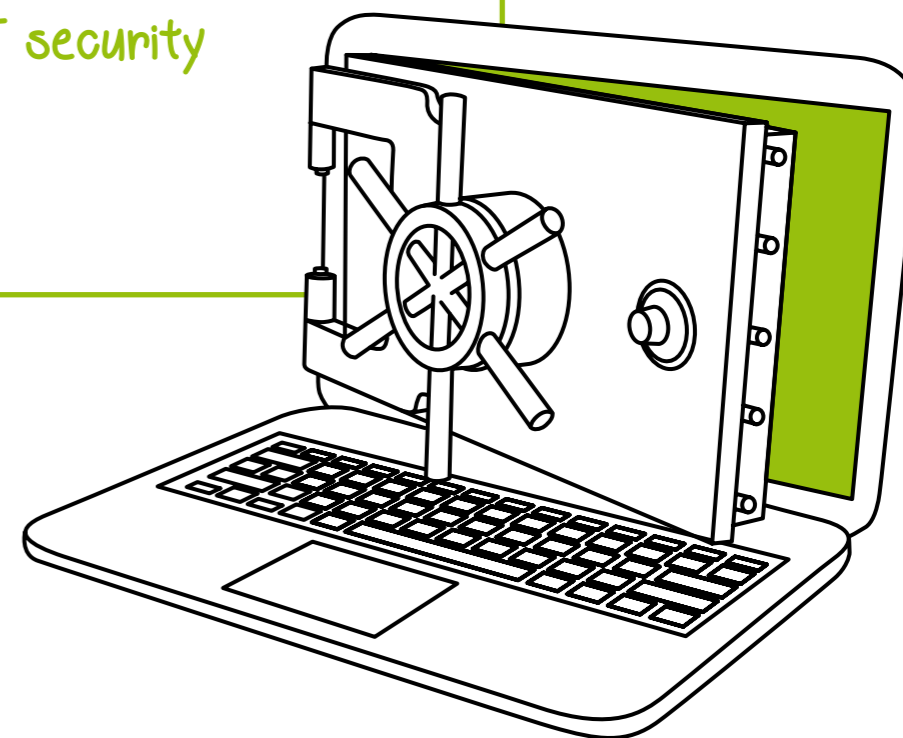
To protect important business information assets and comply with legal requirements, we gradually implement better and better IT security measures. This kind of protection comes under the purview of statutory governing bodies; obligations in information and data security are imposed on all employees.

Measures intended to help with security, enforce security, and reduce risks arising from noncompliance:

- Internet access—Employees can access the CEZ Group network from their laptops only via Remote Access Service.
- USB drive encryption—We activated enforced encryption of external storage devices such as USB drives or SD cards.
- Information kiosks—We are building on-site kiosks where it will be possible to download data from drives under the supervision of Data Leak Prevention technology, which will check whether data and documents leaving our company comply with the cybersecurity policy.
- Information categorization—We have categorized our files using DocTag software since 2018. This allows us to know their importance and protect them better with technical means.

ČEZ monitors security threats in cyberspace and is systematically and consistently committed to sound security of our generating, process, and distribution facilities, IT systems, data, and employees. **To better protect CEZ Group and its employees despite increasing cyber threats, the company started to build a new security monitoring center, the SOC (Security Operations Center).** It will not only detect and proactively identify cyber attacks but also take action to protect us. It will also become the contact point for reporting nonstandard events and incidents concerning information security and cybersecurity.

We implement better and better IT security measures.



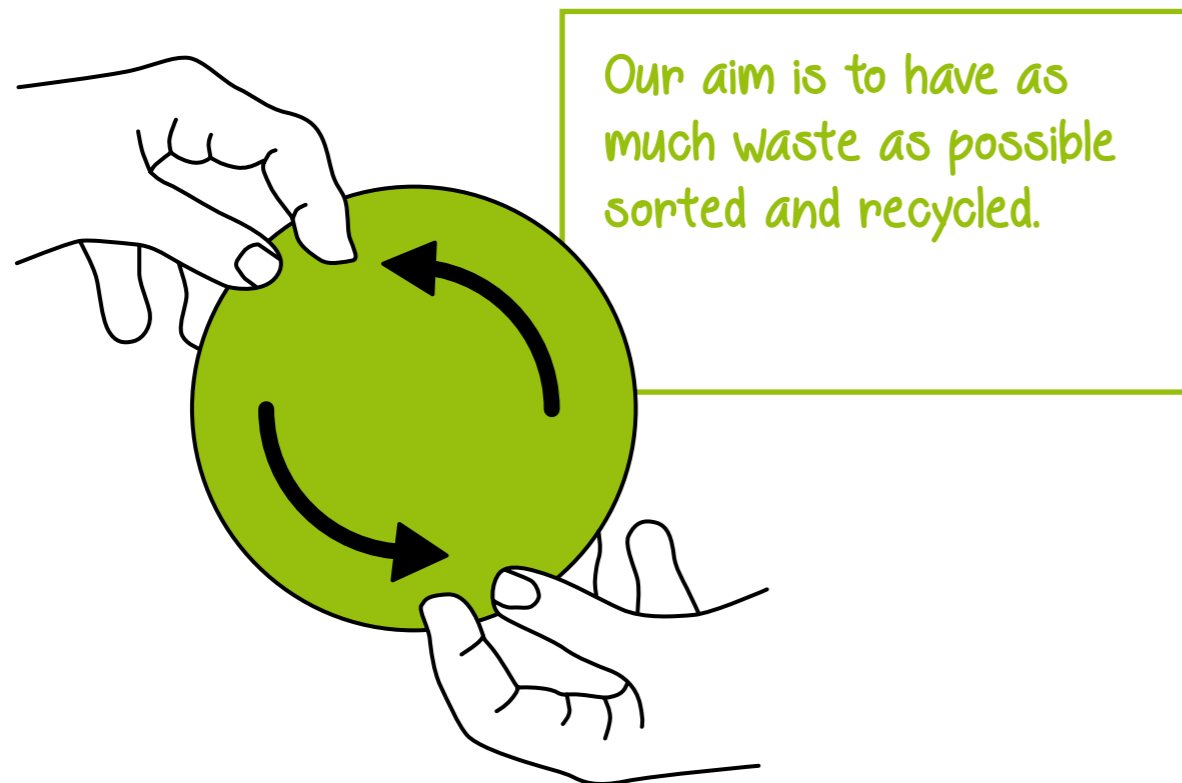
ČEZ's data warehouse building has already been built in place of the former Tušimice I Power Plant

The modern data warehouse will replace centers in Prague and Plzeň, which were only leased by ČEZ. The whole site is fenced and under constant surveillance. Its protection will include special scanners for entering vehicles and people. Special attention is paid to cybersecurity. ČEZ built the center with an approximately 400-square-meter data room with the aid of a subsidy from EU funds, which covered a quarter of the costs.

2.4.5 We Introduce a Circular Economy

Circular economy represents a paradigm shift in the use of resources. It is a manner of production and consumption that makes use of sharing, leasing, reusing, repairing, reworking, or recycling to increase the value of already existing products and raw and processed materials. As such, it leads to reduced dependency on natural resources. The goal of this initiative is to introduce circular economy principles into CEZ Group's corporate culture, strategy, and business processes.

Room for further improvement and advancement in modern waste management is created by our [cooperation agreement with EKO-KOM](#), aiming to have as much waste as possible sorted and recycled. For example, ČEZ Distribuce's project to recycle ceramic insulators can be an inspiration to others. We are a partner of the Crystal Trash Can competition, in which EKO-KOM awards municipalities that are successful in managing municipal waste and informing residents on how individual types of waste should be managed. CEZ Group supports competing municipalities under its partnership in the Achiever of the Year award.



How We Manage Waste

Waste management is governed by our [Safety and Environmental Protection Policy and Environmental Management System \(EMS\)](#) in line with the waste management hierarchy. We consistently support the established hierarchy of waste management with priorities sorted from prevention (avoiding the production of waste), preparation for reuse, recycling, and energy recovery to waste disposal.

We work to reflect our waste-to-energy strategy in specific projects. We promote new technologies, processes, services, and business models according to the best available techniques.

Employees sort generated waste in order to separate reusable components. Waste is collected in appropriate waste collection containers, whose number and location are continuously optimized according to actual needs. Waste handed over for recycling includes reusable components of municipal waste—paper, plastics, glass, and biodegradable waste—as well as used oils, metal materials, and other reusable waste. The system includes the take-back of electrical and electronic equipment and batteries. A majority of waste consists of construction and demolition waste originating from the demolition of obsolete structures and sludges from wastewater treatment. Another major category comprises waste metals and waste of municipal nature.

Hazardous waste originates mostly from the maintenance and cleaning of plant, especially mechanical plant units working with various kinds of oil products. These are used products or their residues, contaminated materials, sludges, thinners and cleaners, contaminated sorbents, etc. We manage radioactive waste at nuclear power plants in compliance with Act No. 263/2016 Sb., as amended (Atomic Energy Act).

Waste Generation and Waste Utilization

- In the **Other Waste** category, waste generation decreased from 8 tons per generated MWh in 2017 to 7 t/MWh in 2018. The reduction results from lower production of coal combustion products (CCPs) classified as waste at Polish coal-fired power plants.
- In the **Hazardous Waste** category, waste generation decreased from 52 kg per generated MWh in 2017 to 44 kg/MWh in 2018. Fluctuations in generation, both up and down, are governed by investment activities (generation of hazardous waste during demolitions). The amount of hazardous waste accounted for 0.7% of all waste in 2018.
- The percentage of the **utilization of self-generated waste** decreased from 91.4% in 2017 to 88.9% in 2018. This is mainly due to a lower amount of Polish CCPs, which were used as waste in the previous period while in 2018 they were traded as products—fly ash used in concrete or cement.
- In 2018, 86.2% of CCPs was used for landscaping, another 13.8% of CCPs was sold for other use in the construction industry. CCP sales increased by almost 2% as compared to 2017.

A **coal combustion product (CCP)** can be used as a building material for fills, backfills, and embankments, for road bases, or as an ingredient for construction materials (especially concrete, cement, aerated concrete, drywall panels) to save primary raw materials. A total of 311,886 tons of FGD gypsum for the manufacture of drywall panels was sold in 2018.

Waste to Energy (WtE)

Waste-to-energy opportunities, and even a specific project, come under the purview of our WtE Program team.

Although Czechia ranks among the best countries in Europe in the percentage of waste sorted, millions of tons of mixed municipal waste are landfilled here every year. The transposition of EU “circular economy package” targets into Czech law opens up a unique opportunity to reshape the flow of waste, especially to redirect more waste from landfills to recycling; it also brings new opportunities in the energy sector. ČEZ has the technical, technological, and personal know-how needed to make the most of this opportunity to help improve the environment and replace primary sources (especially coal).

We prepared a project **for a waste-to-energy (WtE) facility** on the site of the existing Mělník Power Plant that should use residual, unrecyclable waste and substitute for up to 3,000 railroad cars of coal. It will use the energy generated from waste to provide heating in neighboring municipalities and Prague. While a standard incineration plant serves only for waste disposal, a WtE facility uses its thermal energy to generate heat and electricity. As such, a WtE facility is an important component of a circular economy.

News and Events of 2018

- The EIA (Environmental Impact Assessment) procedure for the WtE facility in Mělník was completed.
- Transformer oils within the CEZ Group portfolio are regenerated as waste prevention. The amount of regenerated transformer oil for reuse exceeded 270 tons in 2018.
- The amount of waste handed over for recycling increased by almost 39% in 2018; the highest increase is in metal waste, whose amount increased by almost 50% as compared to 2017. ČEZ Distribuce handed over 119 tons of ceramic insulators for recycling.
- Thanks to compacting and other processing, the Dukovany power plant reduced the amount of low- and intermediate-level waste, such as filters or sludge, to 20% of its originally planned amount.

2.4.6 We Introduce Supplier Quality Standards

The supply chain is largely decentralized at CEZ Group. We categorize suppliers into four principal groups: fuels, capital expenditure, services, and materials. The broad ranges of business activities, geographical presence, and sizes of companies prevent us from aggregating individual internal and external supplier reports in a uniform manner because we take care of centralized procurement for 23 CEZ Group companies. The numbers of suppliers that invoiced individual companies range between 10 and 3,825, where the highest number of invoicing suppliers (3,825) relates to ČEZ.

Our rules for **supplier relationships** are based on our Code of Ethics (see Internal and External Ethics for more details):

- We deal with our suppliers on the basis of mutual respect and honesty.
- We only establish business relationships with partners that are not involved in illegal activities in their business and whose funds have legitimate sources.
- We comply with the rules of international trade.
- We require our suppliers to comply with CEZ Group's ethical standards and rules.
- We expect our business partners to meet their contractual obligations as well as to follow all legal and ethical rules—including protecting the environment and combating corruption.

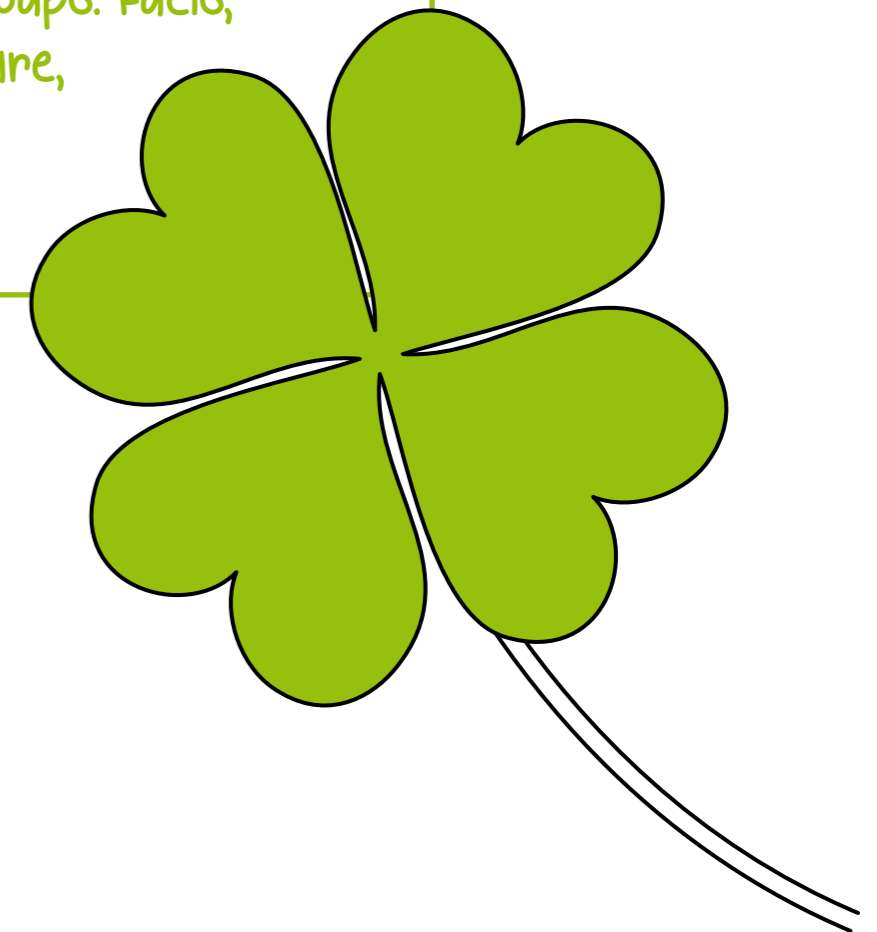
Due diligence is applied to material business relationships across CEZ Group. In practice, this means carrying out a due check of a business partner (business establishment or natural person) by obtaining and evaluating information important for a decision on the establishment or continuation of business relationships.

We are currently preparing selected projects using the **Design-to-Value method**, which aims to implement the “optimal” solution. The solution is selected from multiple possible variants and is rated as the highest-value variant.

Design-to-Value aims to create a solution design that

- Implements an objective or requirement (takes up an opportunity or eliminates a risk)
- Is economically optimal (i.e., minimizes costs and/or creates additional value for CEZ Group)
- Is based on choices available in the supplier market
- Optimizes commercial options
- Fulfills CEZ Group's strategy or site concept, as appropriate
- Respects CEZ Group's governance principles, especially the principle of security

We categorize suppliers into four principal groups: fuels, capital expenditure, services, and materials.



Selecting Manufacture and Maintenance Suppliers

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

During tendering procedures to select the suppliers of nuclear materials or services, ČEZ takes account of a supplier's responsible approach and sustainability activities when evaluating tenders. This aims to support suppliers' responsible behavior in uranium mining and processing in terms of environmental impacts and responsible employer behavior. The documentation that must be submitted by tenderers in a tendering procedure includes a description of the tenderer's approach to sustainability and examples of its application. All of this is then taken into account during evaluation.

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

CEZ Group companies in all countries strive to use local suppliers or internal suppliers on a long-term basis. Most CEZ Group companies have 90% of Europe-based suppliers; the other suppliers come mostly from America and Asia.

Supplier Environmental and Social Assessment

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

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

A separate issue is the specific requirements of the new Atomic Energy Act, No. 263/2016 Sb., which defines "vital zones" that may only be entered by ČEZ employees and contractor personnel that are holders of a Confidential security clearance.

Contractor and Subcontractor Training

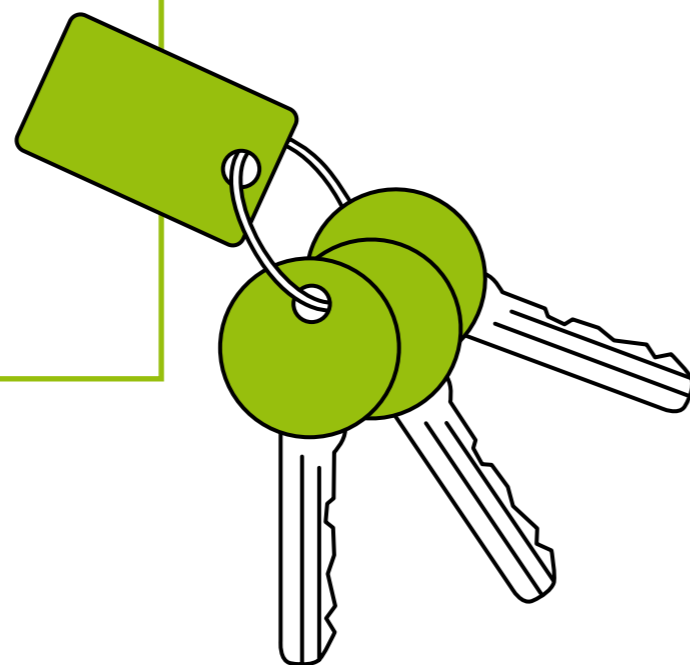
The situation in human resources management on the part of suppliers is of crucial importance to ČEZ; therefore, it concentrates on it during its audit activities as well as during the actual performance of activities by supplier workers. Key areas are considered to be competency maintenance, work safety, and social peace. These areas are regulated by not only contracts or applicable legal provisions (e.g., Atomic Energy Act and related ordinances) but also active communication with suppliers at all management levels. The condition of human resources management is discussed at regular meetings aimed to evaluate the level of cooperation and the degree of fulfillment of defined targets.

Contractor and subcontractor workers are always trained at the relevant production site; the training concerns various safety aspects (occupational safety and health, physical security, nuclear safety, technical safety). Depending on requirements for the performance of activities, training is carried out online (e-learning) or in the form of active participation in lecturer-led training courses, which include practical classes. The field of OSH training for contractor and subcontractor workers is a key element for enhancing safety in ČEZ workplaces. Regular OSH training is also provided to supplier managers and work team leaders at yearly intervals.

All types of training courses are completed with a final test or examination before a committee. A special category is comprised of psychological tests, which are a prerequisite for the performance of some jobs or entry to some specific zones. Another type of training is, for example, training provided before the actual performance of work (equipment maintenance), which is part of prejob briefing (PJB).

Training is provided most often to blue-collar workers (electricians, metal workers, machine fitters, insulation fitters, scaffolders) and engineers (job planners, technical and quality control personnel, designers), administrative staff, and managers taking care of a smooth course of work.

Key areas are considered to be competency maintenance, work safety, and social peace.



2.4.7 Five Principles of Corporate Culture

CEZ Group's corporate culture principles were defined in order to promote the company's values and encourage desirable and expected behavior by employees in the workplace. The principles and described behaviors also serve as guidance in the annual performance appraisal of contractual employees and as feedback on job performance.

The following five principles have been with us since 2017:

- Safety
- Performance
- Innovation
- Expertise
- Collaboration

The corporate culture principles are linked directly to CEZ Group's strategy. The company's mission reflects the principle of safety (we provide safe, reliable, and positive energy to our customers and society as a whole); the company's vision reflects the principle of innovation (to bring innovation for addressing energy needs and help improve the quality of life). The three pillars of our corporate strategy are then linked to the principles of performance, innovation, and expertise.

Continuous work is underway in this area in relation to leadership, purposeful employee development, appraisal, and other activities.

News and Events of 2018

- We conducted a qualitative survey on leadership in the nuclear energy division to check on the fulfillment of our corporate culture principles. We complemented the qualitative survey in the nuclear energy division with a quantitative survey at ČEZ.
- We carried out a new form of corporate survey to reflect on corporate values.
- We launched a leadership academy in the nuclear energy division based on our principles and we are preparing implementation in other divisions and companies.
- We continue developing the principles by means of internal open courses. This is an offer of workshops and training courses concerning the development of 2–4 principles each.
- We offer a broad range of development tools supporting the development of all the principles.

A “Delta Leadership” program was undertaken to provide results from a survey into the level of leadership

This is an extensive program focusing on a culture of responsibility as well as comprehensibility and flexibility. About a hundred employees from the nuclear energy division looked into internal communication and delivery of information inside functions and organizational units. They presented their views, findings, and suggestions for improvement in the preparation of organizational changes, support for career development, or, for example, to reduce bureaucracy.

Delta Leadership will continue in 2019 as a key development program focusing on enhancement of joint responsibility and improvement of managers’ performance in managing people and fulfilling their leader role, both in the form of collaboration in dealing with presented suggestions and by further development of all participants involved.

2.4.8 We Develop, Share, and Transfer Knowledge and Experience

Employees’ knowledge and experience are our precious assets. Employees gather and maintain them primarily in the performance of activities relating to the designing, construction, commissioning, operation, administration, and maintenance of plants under production units. We promote a culture of knowledge and experience sharing to ensure the safety and efficient performance of our companies in the long term. The retention, sharing, and utilization of internal expertise for further company development are handled by a **knowledge management system** at ČEZ.

Knowledge Management

The latest **Knowledge Management** approaches and tools are used to retain key knowledge and experience and reduce the risk of their loss. To this end, a **knowledge portal** integrating technical information in one place has been available on our intranet since mid-2018. Employees are encouraged to share their experience and knowledge, key information is captured and systemically interlinked, and there are a number of tools available to support sharing, such as

- Technical information portal—guiding ČEZ Distribuce employees through the technical description of individual devices or elements
- Knowledge and experience library—examples of good practice, international missions, bearers of knowledge
- Expert and professional meetings—sharing among functions and divisions, amplifying expertise, enhancing safety, networking, and acknowledging the work of experts
- Electrician’s guide

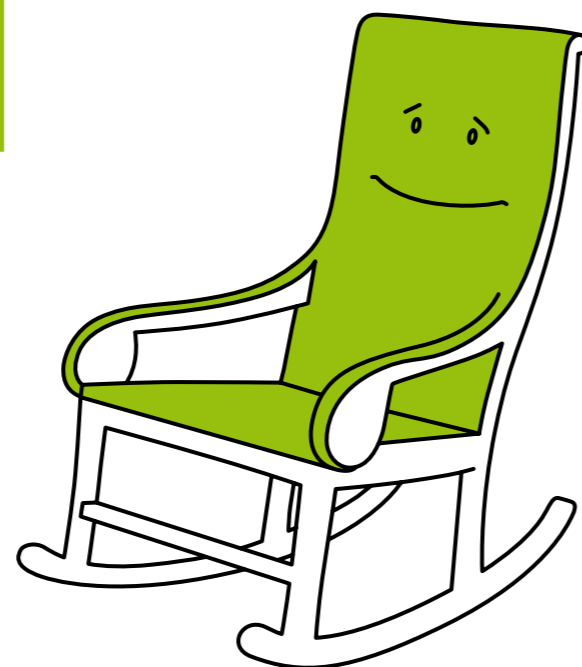
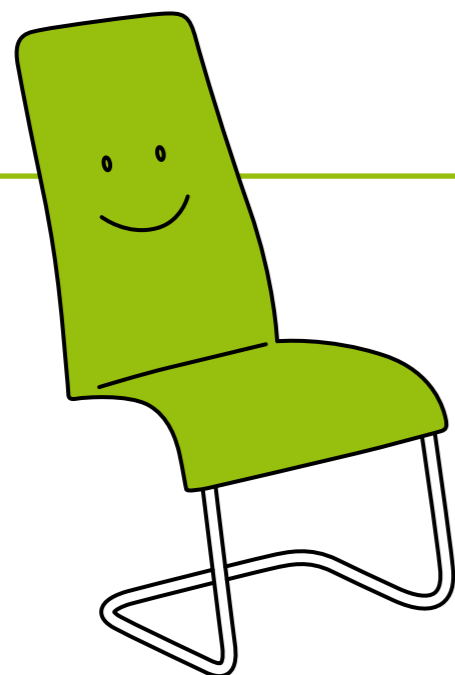
The objective of knowledge management is to capture, share, and transfer the key expertise of experienced employees and ensure efficient adaptation of new employees. We strive to keep pace with the world in this field, so we regularly **benchmark our performance** against companies in similar lines of business.

News and Events of 2018

- The creation of a new methodology strengthened and expanded roles in the **knowledge management program** and set up new performance indicators that will allow more effective measurement.
- The creation of a **new knowledge portal** integrated technical information (concerning nuclear energy, distribution, electrical regulations, definitions, etc.) in a single place.
- We introduced new tools for capturing and transferring key knowledge and experience: 1. **meetings of professions**, 2. **succession and talent**, 3. **sharing of good practices**.

The changes fulfill CEZ Group's Key Safety Principles and Priorities for 2018.

CEZ Group is currently undergoing generational renewal.



Intergenerational Renewal

CEZ Group is currently undergoing generational renewal. Almost a thousand additional employees will be eligible to retire by 2020. At the same time, CEZ Group is developing dynamically, for example, in distribution, renewables, or the provision of modern energy services, which creates demand for new types of qualifications and skills.

To maintain sustainable operation in generation and distribution, we have to successfully handle the generational renewal of existing employees both in terms of hiring the necessary number of new qualified employees and in terms of knowledge and experience management. In connection with an increased number of retiring employees in the future, we support the use of tools for ensuring the sharing and development of the key expertise of experienced employees and efficient adaptation for new employees.

As the number of fresh graduates in technical fields has long been low and there is a lack of qualified employees in the labor market, we **undertake the following activities in particular**:

- Supporting and popularizing technical education and raising interest in technical study programs.
- Carrying out activities for students and teachers at schools and in CEZ Group's plants.
- Planning our future need and recruitment of an appropriate number of qualified employees in generation and distribution.

A **succession and talent management** concept has also been created to handle the generational renewal. Management realizes how important it is to keep key staff members and that their development is equally important, so it creates reserves through a succession system to cover the risk that can arise from the departure of some employees.

CEZ Group continued in 2018 with activities aimed at supporting technical education and seeking new candidates to gradually replace a generation of power engineers retiring after lifelong work.

Big generational renewal is starting in the Czech energy sector and CEZ Group is no exception

The parent company ČEZ and its selected subsidiaries hired 1,312 new employees in 2018. In comparison with the previous year, there were more young people under thirty and also more women. The highest number of employees was hired by ČEZ Prodej, with distribution and sales also accounting for a large number of new hires.

The generational renewal of our engineers in the years to come is a challenge that we take very seriously. Recruiting and training new colleagues in good time is a basis for coping with it successfully. For example, nuclear operator training takes more than two years while only one in ten applicants meets the strict selection criteria for this job.

ČEZ's efforts to find new employees continue. The Temelín Nuclear Power Plant already announced its plan to hire about 100 employees in 2019; the Dukovany Power Plant intends to hire about 120 people. Increased demand results not only from the need to replace retiring employees but also from the new Atomic Energy Act that entered into effect in 2017. ČEZ advertised over a hundred vacancies a day on average on its career site at kdejinde.cz in 2018.

2.4.8.1 We Provide Training and Education to Our Employees

ČEZ considers education to be an investment in the future. First of all, we meet **legislative requirements** with emphasis on safety as the topmost priority. We have introduced a systematic approach to legal compliance and to ensuring an appropriate level of employees' **professional expertise**. The fundamental basis of the whole system is internal specialists' and experts' supervision over the quality of education.

ČEZ provides a wide range of development options beyond the scope of mandatory qualification training, which employees can use for their development or for the development of their subordinates to more easily achieve set targets in annual appraisal. In addition to mandatory education, attention is paid to the enhancement and **development of professional expertise and personality traits**.

- We use intracompany and intercompany **mentoring** (a way of transferring not only professional but also soft skills, including managerial skills) to create a culture of collaboration and sharing within and among companies. We engage selected managers in this activity to enhance a desirable management culture. Mentoring is offered to employees newly put into a managerial position, employees with potential, and successors.
- Much attention is paid to **leadership**; priorities for its development and methods to measure progress have been defined. The company is aware of the potential of women in managerial positions; therefore, it supports specific programs with topics for **women's leadership** development.
- We use **coaching**, both internal (a pool of internal coaches) and external, for development. Managers at all management levels and employees with potential are involved in the coaching.

To cover current development and learning activities, ČEZ's human resources development function has a range of products that reflect current market trends. It also ensures the availability of development for the internal customer and reinforces ordering parties' shared responsibility for the practical effect of development activities. **Internal sources are used** for a number of topics, which helps increase development effectiveness, especially because of their unique knowledge of the internal environment.

Employees that are terminated in connection with organizational changes or for health reasons can apply for a **retraining course** that is paid for by the employer in accordance with the current collective agreement. The goal is to support their new career path. This extends or deepens their professional qualifications and is covered by the employer up to CZK 20,000.

Beyond the scope of the collective agreement, employees affected by organizational changes are also offered **outplacement services** that should help a dismissed employee find a new job in the labor market.

The employer provides a **mobility** allowance to support key employees changing their place of work.

In exceptional cases, we allow employees to study when they need to **deepen** (e.g., LLM, MBA, ACCA) or **extend their professional qualifications** (e.g., secondary vocational school, secondary school, university) because of their future position.

When planning development activities, we strive to **achieve a ratio of 70% on-the-job development/20% self-development/10% training courses**.

We classify development for employees into three categories:

1) Development for managers

- Statutory training
- Corporate training—corporate culture, managerial skills, GDPR, cybersecurity
- Consulting on development needs, supplementary personality assessment, and 360° feedback
- Coaching—internal/external
- Mentoring—internal/intercompany and programs for women
- Flexi—inspiration from the market, sharing experience with colleagues from other companies
- Training—internal open courses
- External professional training, seminars, conferences
- E-learning
- Online learning—self-learning, English language club, online language courses
- Skip Level Meeting—meeting between a superior and employees (at least two-level difference in the hierarchy)

2) Development for the team

- Development center—defining potential and further development options
- Sociomapping—a tool for the analysis, development, and evaluation of communication, collaboration, and team cohesion
- Team coaching—to define a shared vision and strategy
- Custom-tailored courses

3) Development for employees

- Statutory training
- Corporate training—corporate culture, GDPR, cybersecurity
- Talent management and succession—working with talents and successors for key positions in the company
- Supplementary personality assessment and 360° feedback
- Training—internal open courses
- External professional training, seminars, conferences
- E-learning
- Online learning—self-learning, English language club, online language courses

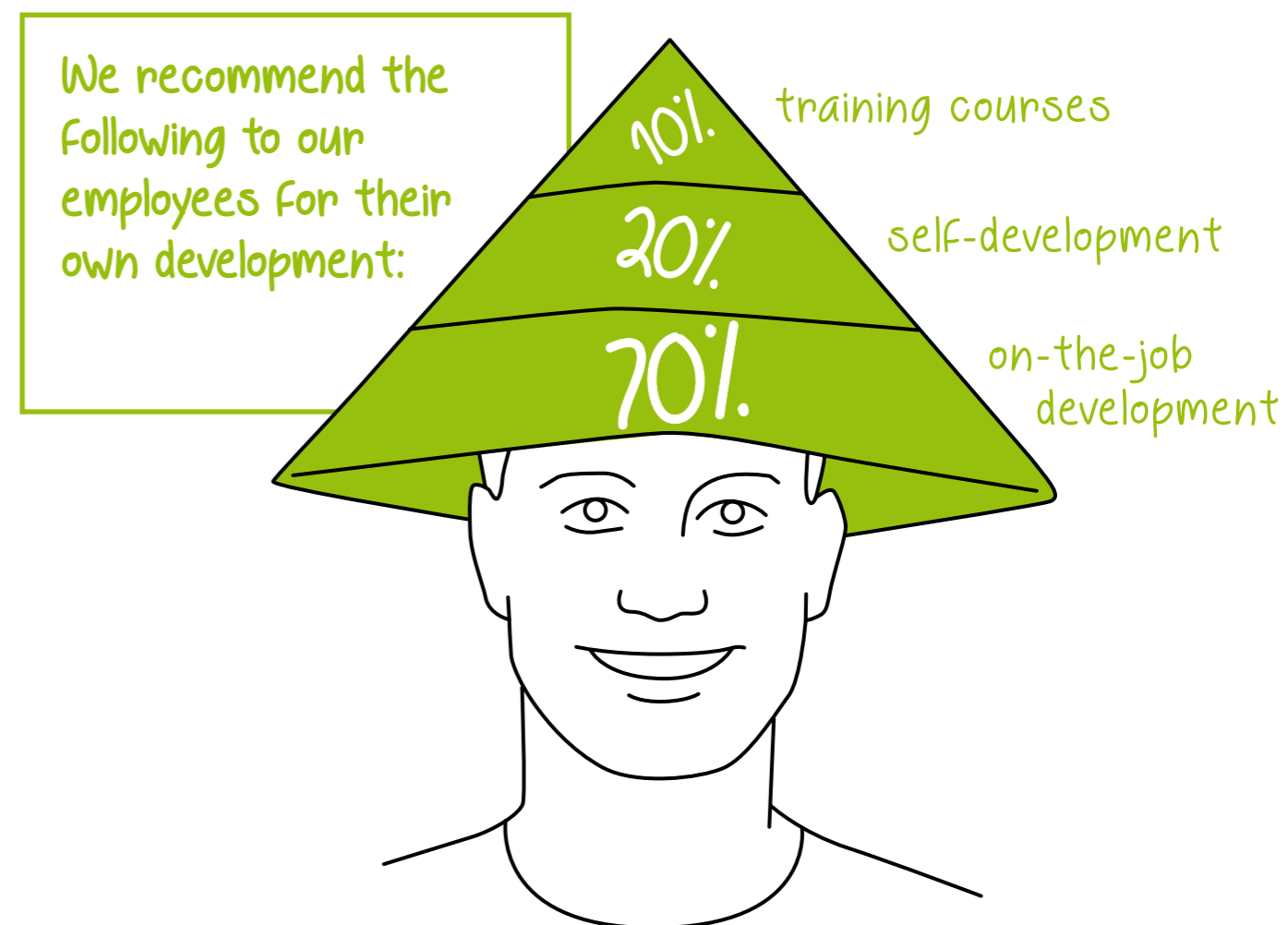
News and Events of 2018

Provided training and undertaken programs included, for example, the following:

- Program for top management, managerial growth program, professional qualifications and professional competence for mining work and work performing using mining techniques (Severočeské doly)
- Seminar concerning the modernization and reconstruction of photovoltaic power plants, seminar on amendment to Act No. 165/2012, on supported energy sources (ČEZ Obnovitelné zdroje)
- Internal ŠPI (ŠKODA PRAHA Invest) Academy program
- Human Design psychotherapeutic sessions with a psychotherapist, focusing on employees personality development (Inven Capital)
- Subsidy Management training (TENAUUR)
- Specialized training for female managers (ČEZ Distribuce)
- Our companies in Poland organized two motivational conferences (separately for men and women) as part of their launch of an employee development program: Full Strength of Opportunities and You Can Do More than You Think
- At CEZ Trade Bulgaria, every employee has their own personal learning and development plan and every new employee has their personal mentor

Transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment:

- Internal 6P program with the fundamental pillars of (i) financial aid, (ii) consultancy, (iii) assistance, (iv) interviews, (v) potential development, and (vi) lookup of further employment opportunities (ŠKODA PRAHA Invest)
- Human resources program, employee retirement program (interviews with employees before reaching retirement eligibility) including concurrent work and experience sharing with a new hire (Severočeské doly)
- CEZ Trade Bulgaria has a Golden Age program, focusing on retirees, who are provided individual consulting



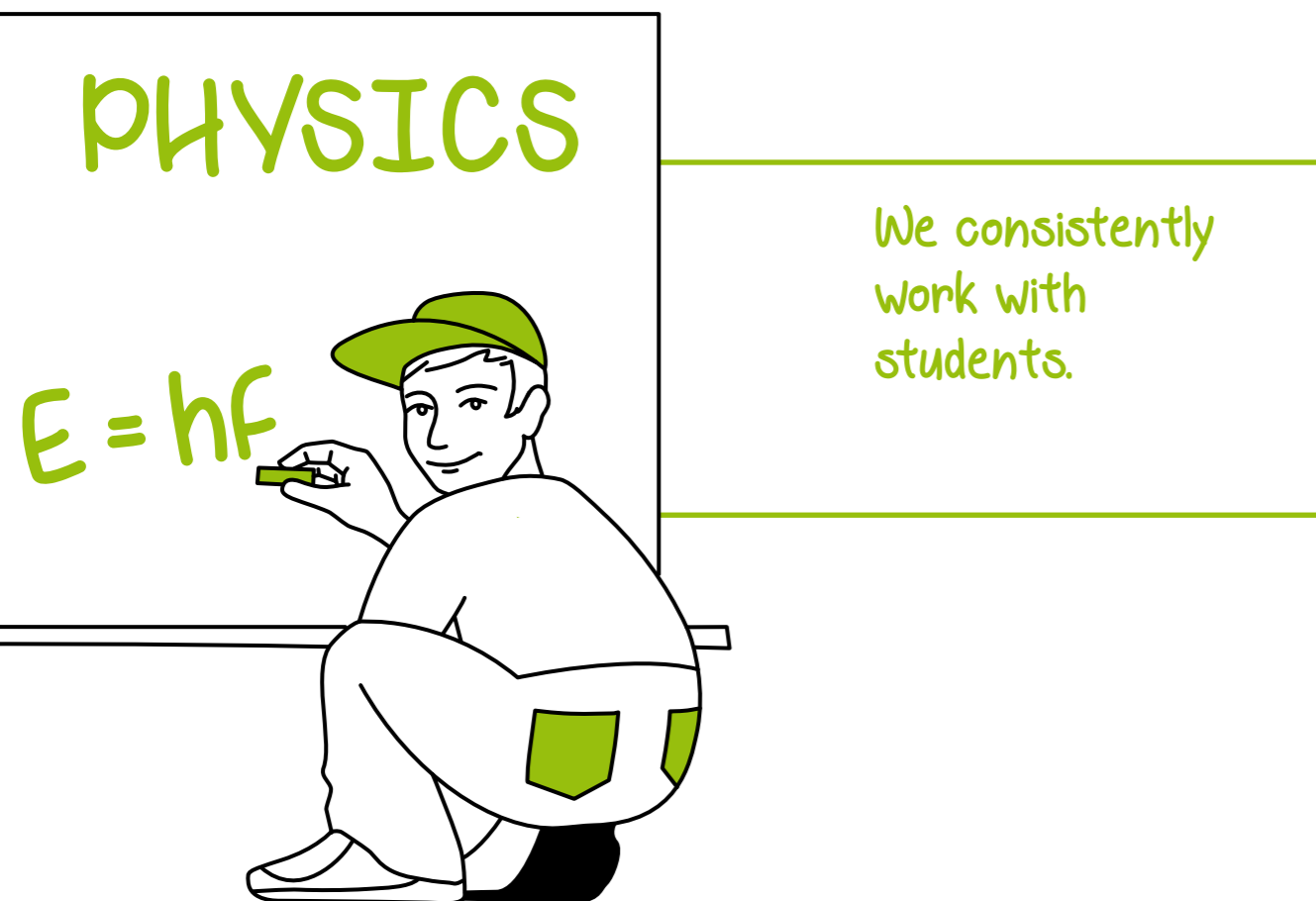
2.4.8.2 We Collaborate with Students and Universities

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

Selected secondary schools and university faculties constitute our “**partner school network**”; collaboration with them is based on a written agreement. The number of partner secondary schools increased to sixty in 2018.

The collaboration involved a number of **debates, lectures, and recruitment presentations**; we strive to support schools by participation at open days or education fairs, where partner schools introduce themselves to potential students and their parents.

A number of **internship and in-house programs** are organized for students, such as the **Summer University, Innovation Marathon, or Big Step** for college and university students and **Nuclear, Power Engineering, and Distribution Finals** and **A Chance for an Engineer** program for secondary school students.



Total numbers of students completing our programs in 2018:

Nuclear Finals—Dukovany	64
Nuclear Finals—Temelín	103
Power Engineering Finals—Tušimice	35
Distribution Finals—Kladno	33
Distribution Finals—Hradec Králové	28
A Chance for an Engineer	15
Summer University—Dukovany	31
Summer University—Temelín	36

ČEZ stays actively engaged especially in **promoting physics classes**. It is the long-term general partner of mathematical and physics olympiads. To promote better understanding of physical phenomena and principles, it runs a **website** named **I Know Why**, which serves as an online encyclopedia of educational videos capturing various physical experiments. As part of a best video competition, we awarded selected makers in both categories (primary and secondary schools) in 2018. We regularly offer thesis topics for college and university students.

ČEZ strives to help schools in **defining their study programs**. One example of maximum overlap between the needs of a school and those of an industrial partner is the **Power Engineering Program** at the Secondary Technical School in Třebíč, which purposefully prepares students for work in the energy sector with a focus on nuclear energy (Dukovany Nuclear Power Plant). Besides ČEZ and the school, the Vysočina Regional Authority participates in the program as the founder of the school. The study program became so popular again that the first-year class had thirty new students in 2018.

Student Programs

In 2018, we participated for the first time in a project for the Introduction of Selected Elements of Dual Education in the preparation of students in the **Electrician apprenticeship program**. The project is implemented under the auspices of the Czech Ministry of Education, the Moravia-Silesia Regional Authority, and the Confederation of Industry of the Czech Republic at the Secondary School of Electrical Engineering in Ostrava. After preparatory steps, the first-year class was opened in September. The project is intended to involve ČEZ Distribuce, whose employees will participate in teaching at the company's sites.

A standard offer is our **ČEZ Potentials** program. It aims to get the best talented university and college graduates with no more than two years of practice, who will undergo a one-year development program led by expert sponsors to get prepared for an expert career at CEZ Group. For example, they will receive training in communication skills, negotiation, or coaching as part of their personality development. Every year, 4–7 job positions are staffed under the program in various fields, from technical to economic to legal positions. A total of 83 people have undergone the program since 2005. Most of them have achieved career advancement; they include managers and holders of CEZ Group's top awards—CEO Award or Čézar. The program had seven participants in 2018.

The **ČEZ Experience program**, focusing on university and college students, was launched 2018. Students can have a three-month, free-of-charge specialist internship in some of CEZ Group's workplaces; the program has had its first six participants. During their internship, they worked on a specific business assignment and developed their soft skills.

A number of activities take place in collaboration with ČEZ's strategic recruitment unit, such as job fairs, employer presentations at secondary schools, colleges, and universities, Nuclear/Power Engineering/Distribution Finals (including tours of selected working sites), Summer University, the Prokop Diviš Incentive Program, offer of topics for master's and bachelor's theses, or visits to partner schools.

Nuclear Finals are three-day internships for secondary school students that we select by agreement with teachers at our partner schools. The internships take place directly at a nuclear power plant and have the form of tours and lectures. The theoretical part is followed by a tour of power plant operations where some equipment can be viewed. The program includes entertaining competitions, meetings with employees, and a final quiz with the proclamation of the King of Nuclear Finals.

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

The **Prokop Diviš Incentive Program** is targeted at electrical program students from selected secondary schools across regions. Young electrical engineers are motivated by an award and financial reward from ČEZ Distribuce to achieve good academic performance, participate in student competitions, and generally to get involved in additional extracurricular activities. Students that take part in the program and achieve an award have an advantage in finding a job with our company. A final ceremony took place at all ten schools and the third year has been underway at those schools since the fall of 2018.

The **Graduate/Intern program** is a one- to two-year development program for fresh secondary school, college, and university graduates that serves as a tool for managed generational renewal, offering participants an opportunity to test their knowledge under the leadership of experienced specialists and orient toward their target position.

The **Summer University** is a two-week internship for engineering college students interested in nuclear energy. It includes expert lectures by employees and external specialists, tours of a power plant site, and visits to individual facilities. About 30–40 students can undergo the program at both nuclear power plants, get a scholarship, and start their careers at ČEZ.

In addition to ČEZ, a major part in collaboration with and support for secondary school, college, and university students is played, for example, by the following CEZ Group companies: ČEZ ESCO, ČEZ Prodej, ČEZ Teplárenská, ČEZ Obnovitelné zdroje, SPRAVBYTKOMFORT, ČEZ ENERGOSERVIS, Elektrárna Dětmarovice, ČEZ Energetické produkty, LOMY MOŘINA, ČEZ Energetické služby, MARTIA, ENESA, Energotrans, Severočeské doly group, ČEZ Korporátní služby, OSC, ÚJV Řež, AirPlus, Centrum výzkumu Řež, Výzkumný a zkušební ústav Plzeň, Ústav aplikované mechaniky Brno, and AZ KLIMA.

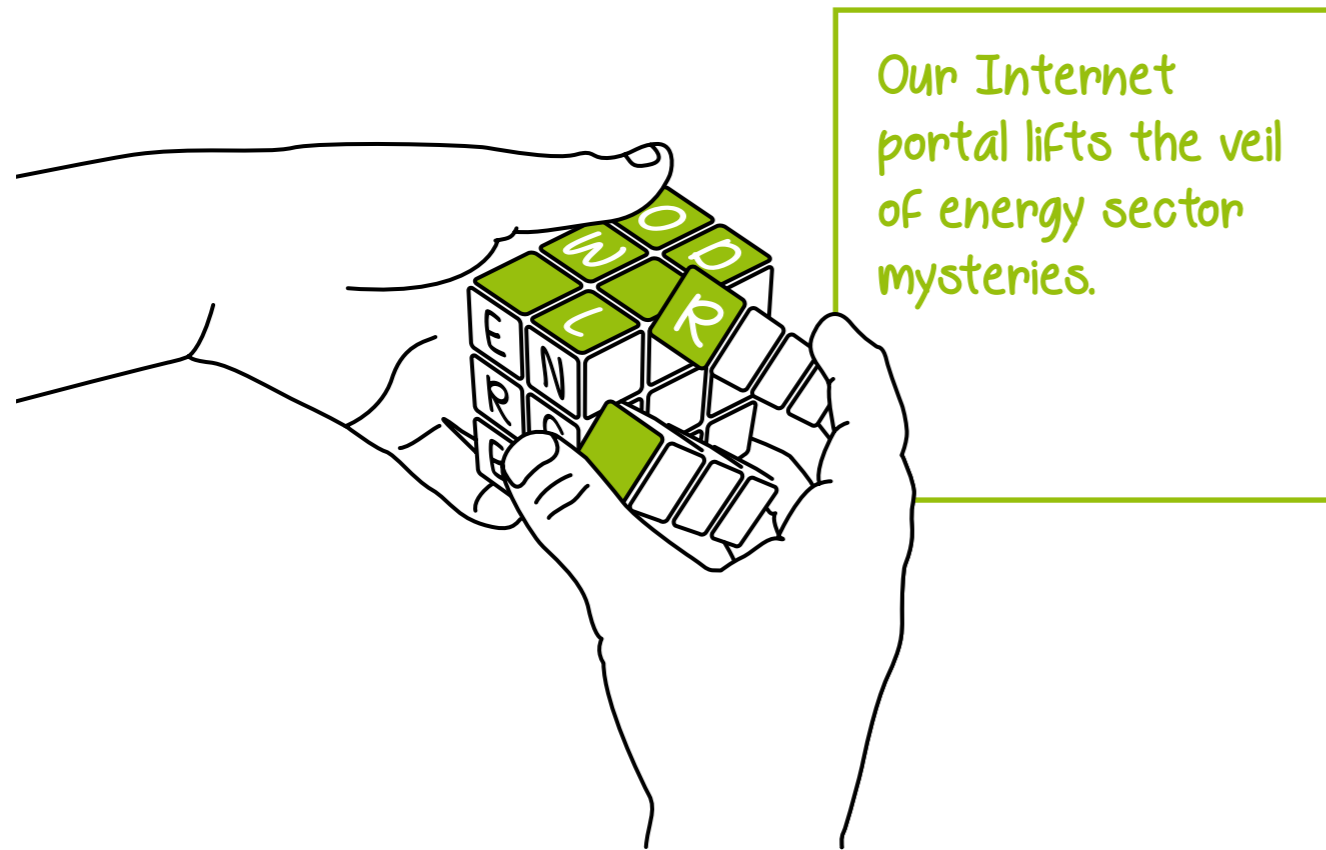
CEZ Group companies abroad also collaborate with schools.

- In Poland, our colleagues organize Days with Energy—an educational event for schools in Gdynia and Biskupiec. They were held at ten schools, lasted eight days, and were attended by 1,500 students. Their goal is to build the brand of CEZ ESCO Polska as a good partner, investor, and expert in energy efficiency and teach children to save energy.
- For our Turkish companies, collaboration with schools is an opportunity for better recruitment. They present themselves to college and university students in the form of technically oriented tours and participate at career days at colleges and universities. They hired four graduates in 2018.
- In Bulgaria, a scholarship program named Become a ČEZ Student for twelfth-grade students has entered its seventh (school) year. To date, 750 students have undergone the program; 45 students received a scholarship.
- The Romanian “Electrician” program for apprentices focuses on the education of future electrician generations. Distribuție Energie Oltenia continued implementing the program in Pitesti, Craiova, and Targu Jiu and began collaborating with a technological secondary school from Alexandria and 158 prospective students in 2018.

World of Energy—ČEZ Learning Portal

The Internet portal with many interactive applications has been lifting the veil of energy sector mysteries for several years. Its sections oriented toward the public, students, or teachers and allowing choosing an appropriate age bracket contain detailed information about the operations of various types of power plants, including virtual tours, the transmission system, or smart grids. Visitors can enjoy sample experiments, a physics counseling center, interesting articles, tips about new books, or a number of competitions. What they will find especially attractive is 3D models that allow them to take a look inside a nuclear power plant reactor, spin turbines, or take a walk through a smart city of the future. A 3D application focusing on renewable energy sources was added to existing models in 2018 to demonstrate how environmentally friendly energy is born.

Visitors can try to turn into water and flow through a hydroelectric power plant turbine, reveal the secrets of a wind turbine nacelle located tens of meters above ground, or reincarnate into biogas to spin the turbine of a cogeneration unit at a biogas station.



Talks on Energy

We offer free-of-charge **talks on energy** for primary and secondary schools, intended primarily for the target groups of secondary school students, 8th and 9th grade pupils from primary schools, and teachers. A talk lasts for two periods and consists of a lecture, a screening of films, and a discussion providing answers to participants' questions. The lecturers include university teachers, independent energy experts, and nuclear reactor operators and physicists from Temelín and Dukovany. Nine CEZ Group employees participate as lecturers. There were 354 talks in 2018; a total of 6,541 talks have been given since the creation of the program.

The contents of the introductory lecture and the presentation of facts were prepared by a group of leading Czech experts in nuclear physics and nuclear energy from the Czech Technical University, State Office for Nuclear Safety, and ČEZ.

"What Do You Know about Energy" competition

We organize "What Do You Know about Energy," a school team competition for schools that hosted an "Energy—The Future of Humanity" talk as part of the ČEZ learning program. The correspondence round regularly has over 100 competing teams; the best then advance to the finals that take place in regions twice a year. A total of 35 final rounds, with 555 contestants, have been held in 16 cities and towns since the beginning of the program.

2.5 BE A GOOD PARTNER



We establish and maintain good relations not only with our employees, trade unions, and shareholders but also with local communities, public and local administration, and other external shareholders.



2.5.1 We Are a Responsible Employer

Consolidated CEZ Group companies employed 31,385 people at December 31, 2018. They had 22,988 employees in Czechia and 8,397 employees abroad. Women account for approximately 22%. You can find more detailed data on employees at the end of the chapter and a clear three-year comparison in the GRI Content Index attached to this Report.

We strive to be a sought-after employer for all age groups. We hired 37.3% of employees aged 18–29 in 2018 and we are increasing the number of women in the managing and supervisory bodies throughout CEZ Group; women currently account for 10.7% of members of such bodies. In addition to technical and administrative jobs, CEZ Group employees can work in such positions as meteorologist, professional firefighter, lawyer, accountant, graphic designer, IT specialist, salesperson, or researcher. We ensure loyal employees' motivation for the benefit of CEZ Group's competitiveness through high-quality management, services, the building of good relationships, and remuneration.

One of the principles followed by the company and the whole CEZ Group not only in employment is fairness to their own employees. **Compliance with all legal regulations** is a fundamental standard for employment practices. There are **trade unions operating at the company**, to whom company management openly and continually communicates its plans and financial results. Most companies have collective agreements in place, which regulate relations between employees and the employer.

56 years

is the age difference between CEZ Group's oldest and youngest employees.

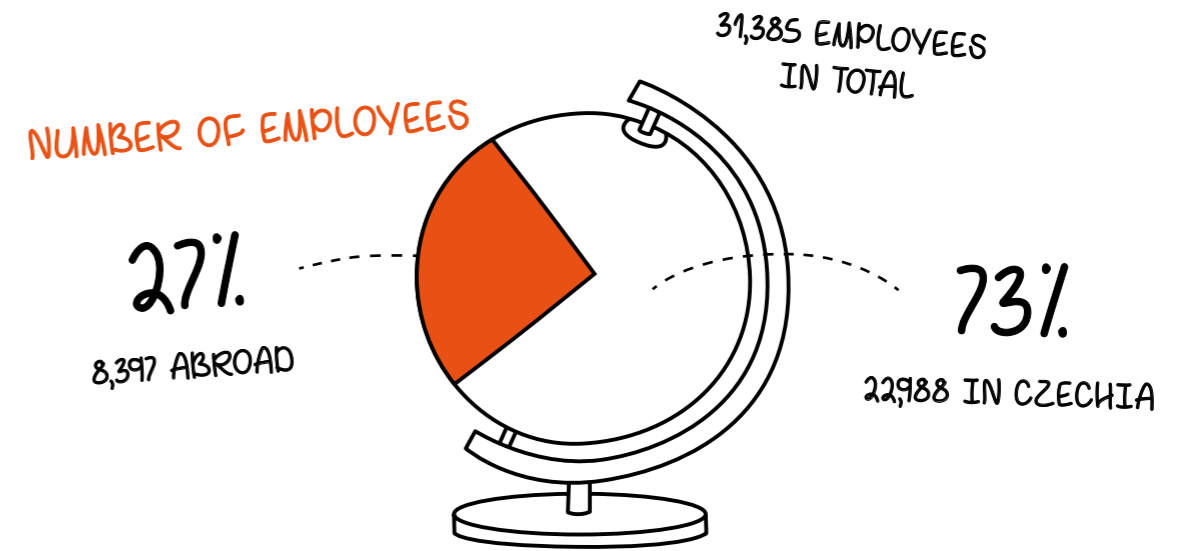


To ensure the fulfillment of CEZ Group's corporate vision and mission, it is necessary to have loyal and satisfied employees, a good name in the labor market, and the ability to contact suitable candidates—potential employees—if necessary. The goal is to set the conditions for equal opportunity and higher employee flexibility that will ensure not only that employees receive fair financial remuneration for their work but also that there is an environment supporting employee development, mutual open communication, equal opportunity and gender balance, work-life balance, and a wide range of welfare offers through various benefits. Special attention is paid to specifics and needs associated with the employment of people with disabilities. Likewise, we work actively with the specifics and needs of employees in different age groups.

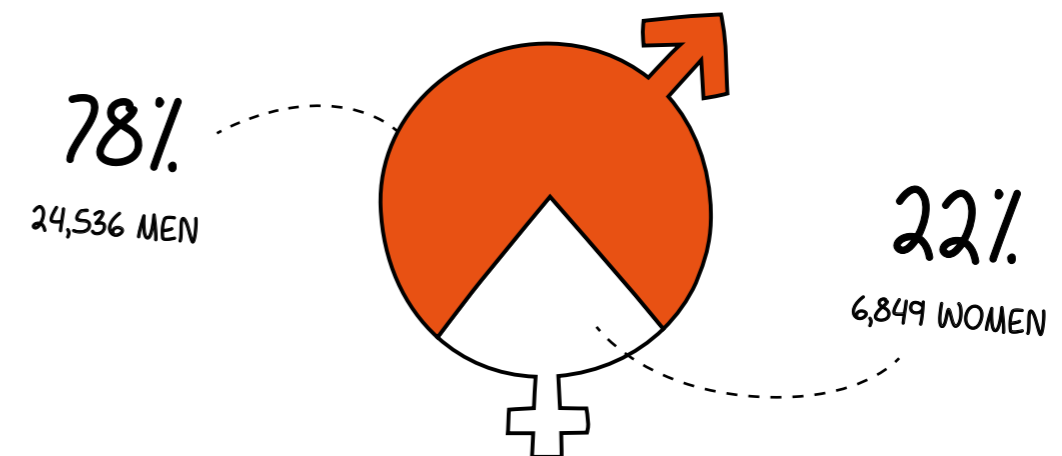
We strictly respect human rights, including the prohibition of child labor, in all countries where we operate. At the same time, we only use suppliers that embrace these principles as well.

It is crucial to us as an employer to maintain social peace, monitor the level of employee engagement and satisfaction, and accommodate our employees' needs by offering flexible employment types.

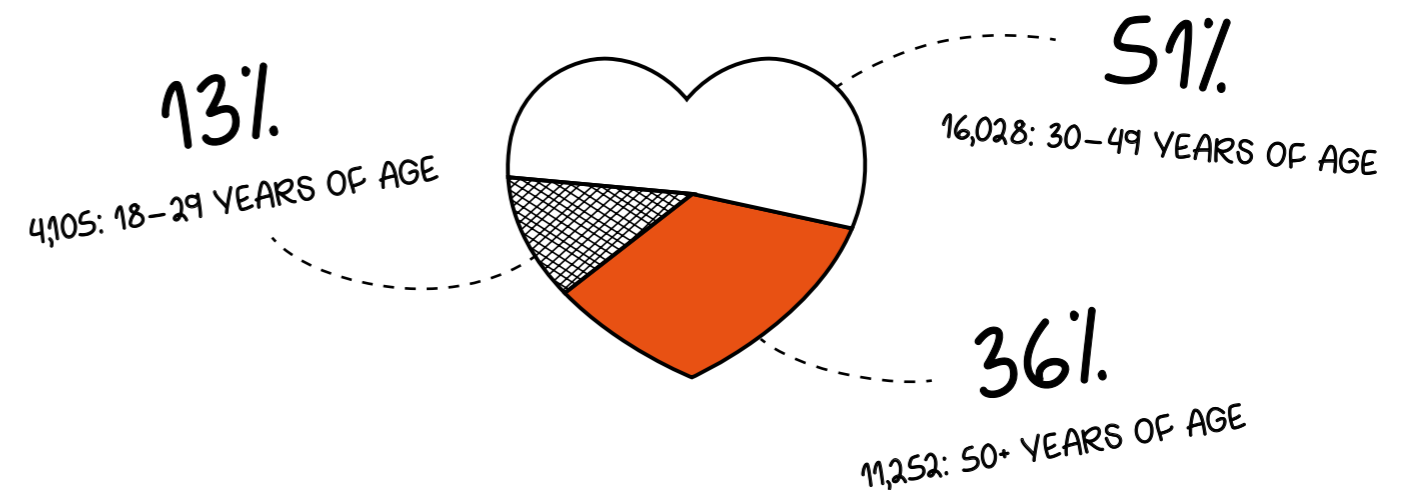
CEZ GROUP PEOPLE IN FIGURES



NUMBER OF EMPLOYEES BY GENDER



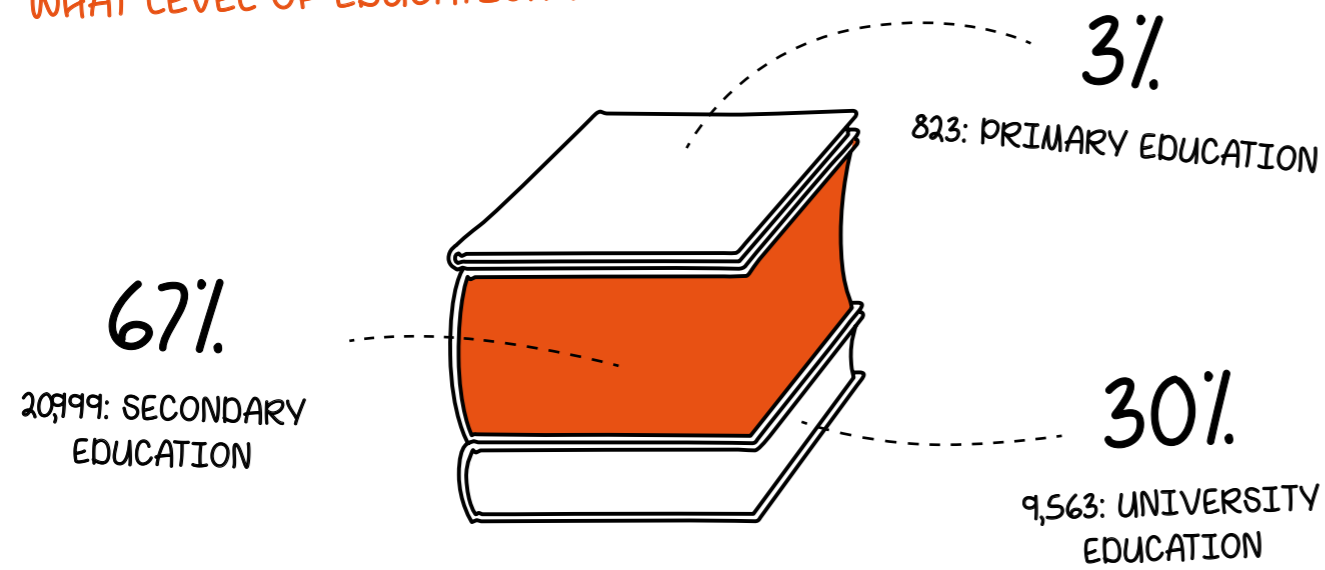
NUMBER OF EMPLOYEES BY AGE



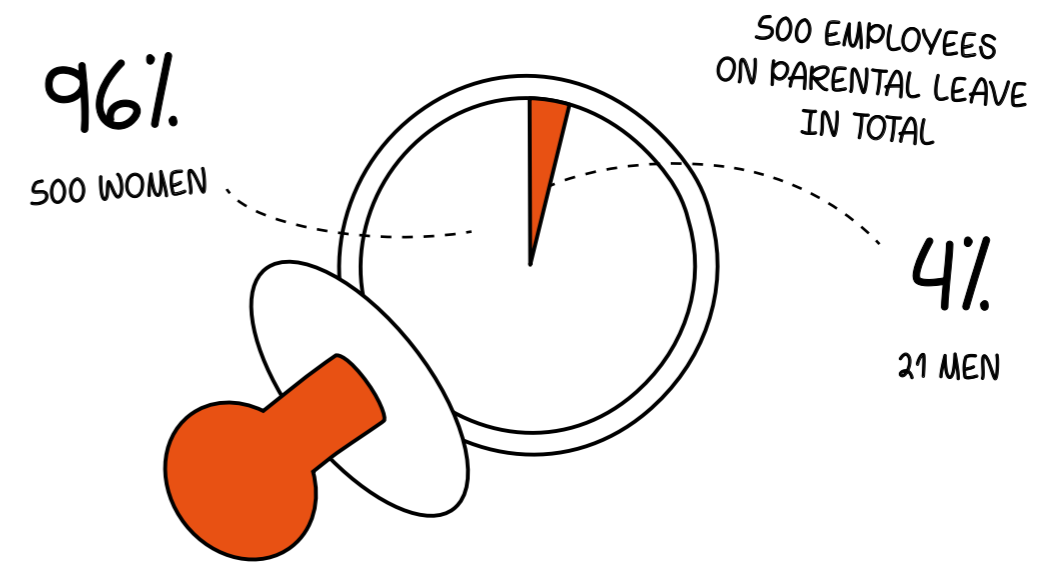
We are the most desired employer among students in 2018

CEZ Group ranked first in the Most Desired Employer survey organized by the Employers' Club in collaboration with global student organization AIESEC in 2018. The survey, in which college, university, and secondary school students voted on their dream employer, took place as part of the 16th annual Employer of the Year competition. CEZ Group became the most popular employer again after six years, having been in the top three for a total of five times since 2010.

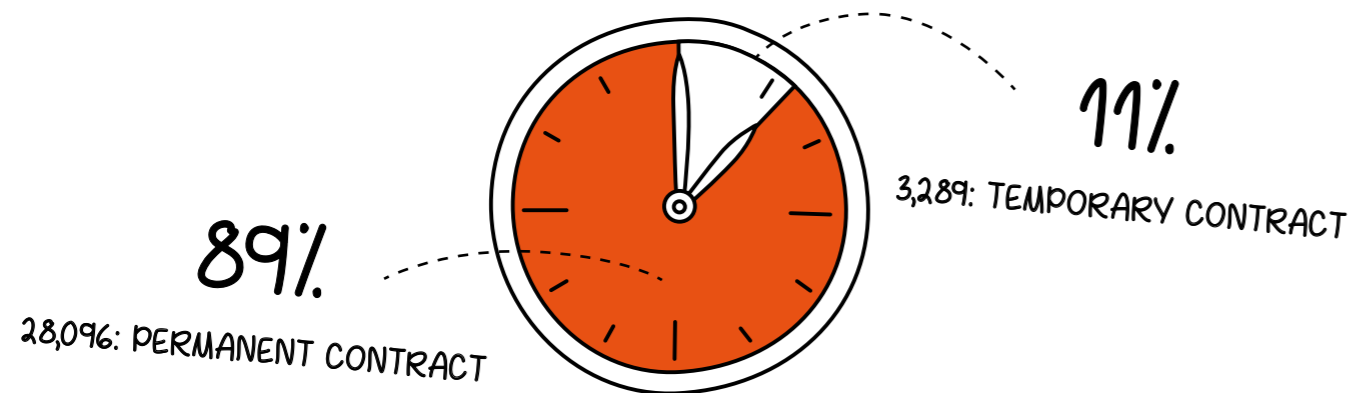
WHAT LEVEL OF EDUCATION WE HAVE



HOW WE USE PARENTAL LEAVE



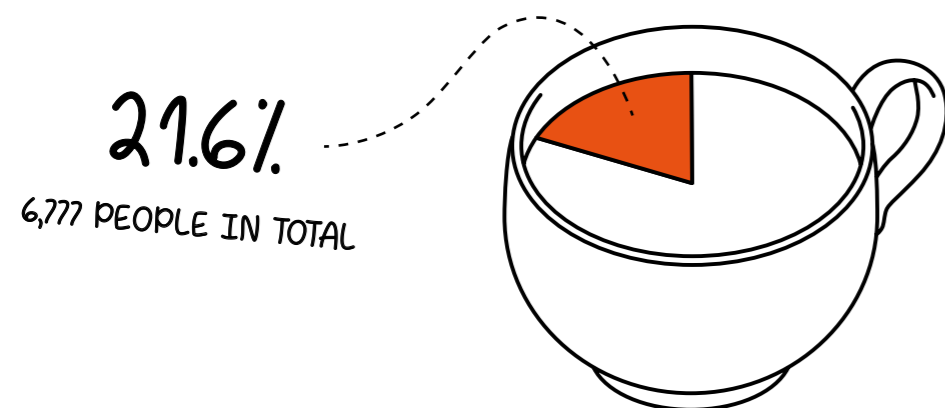
NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT



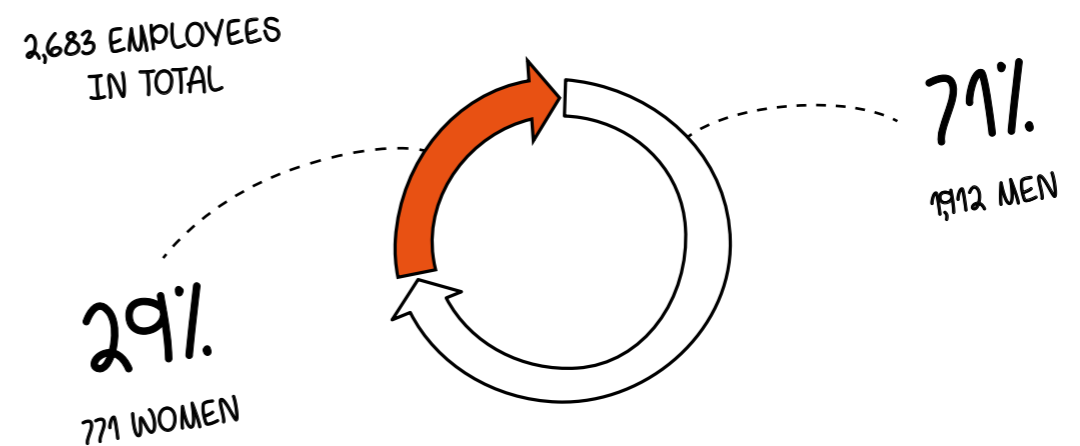
HOW MANY NEW EMPLOYEES WE HAVE



ELIGIBILITY TO RETIRE IN THE NEXT 10 YEARS



WHAT IS OUR EMPLOYEE TURNOVER?



2.5.1.1 Benefits for Our Employees

Common benefits include the following:

- Annual personal account for leisure-time activities, from which everyone can choose according to their interests—recreational, reconditioning, and therapeutic stays, cultural events, sports activities, children’s camps, etc.
- Contributions to life insurance and to supplemental pension plans
- Meal allowance (in the form of vouchers or company canteens)
- Advantageous offers of ICT products and services
- Various flexible types of employment (such as shorter working hours, telecommuting, or compressed workweek)
- An extra week of vacation in addition to the statutory entitlement
- Shortened working hours, by at least 2.5 hours a week
- Life and work jubilee bonuses
- Interest-free loans
- Financial assistance in difficult situations in life

We also offer a wide range of other benefits with varied focus.

Family care:

- We newly introduced **assistance workshops** and arranged counseling for employees in a difficult role caring for their sick parents or family members.
- We compiled comprehensive necessary information for employees on maternity and parental leave in the form of an online **Future Parent’s Guide**.
- We operate corporate nursery schools at selected sites; we have run a **Watik day nursery** at the company headquarters in Prague for the second year.
- We provide **day camps** with collection and pickup of children right in the workplace.

Health care:

- We have organized **Health Days** since 2014, during which employees can undergo various checkups, health procedures, and lectures on a healthy lifestyle.
- There is a series of **stress management videos** published on our intranet.
- We provide above-standard medical checkups and pay for vaccination against tick-borne encephalitis and flu for selected professions. Selected professions at nuclear power plants are provided with a special health and relaxation program.

Financial and other benefits:

- Favorably priced car rental services or operating lease for car purchase
- Favorably priced cell phone plans, including data for family members
- Retirement bonus

Our Plans

- A good work-life balance is one of our priorities. A guide to flexible working hours will help employees understand what options they have to use this type of employment.
- We want to allow employees to donate blood in the workplace.
- We are preparing various forms of assistance for employees returning from parental leave.

2.5.1.2 Management Regularly Communicates with Employees

Most CEZ Group companies enter into collective agreement with trade unions, which regulate relations between employees and the employer.

Communication takes place through

- “Orange Mailboxes,” to which employees can send their questions and comments anonymously
- Intranet
- Internal surveys
- Online debates with members of management where employees can ask questions about any topic
- Newsletters from members of company management to all employees concerning any material change or company activity
- Internal mentoring in which management and employees are engaged as both mentors and the mentored
- Working with talents and key employees that take part in the improvement of corporate culture
- Management’s systematic and periodic monitoring of employees’ job performance through annual appraisal interviews

Management at CEZ Group hands out two types of employee awards.

- **CEO Award**—The award is presented by the Chief Executive Officer once a year during a ČEZ Management Meeting event.
- **ČÉZAR Award**—The Division Head Award and ČÉZAR Award were merged in 2018. The award is presented by the head of a division twice a year within their division and subsidiaries.

2.5.1.3 We Support Diversity and Equal Opportunity

Company management places great emphasis on providing equal opportunity and promoting diversity, as enshrined in the **Diversity Charter**. The goal is to establish a culture of collaboration, based on the principles of diversity and mutual respect. By promoting diversity and different views, company management seeks to enhance mutual cooperation, innovativeness, competitiveness, and long-term prospects.

CEZ Group actively **encourages the employment of people with disabilities** (PWD). It strives to help employees with specific needs according to their requirements and wishes, for example in modifying their working place or working hours. Headquarters buildings are barrier-free and other sites are adjusted and modified on the basis of current requirements. Relevant positions are identified as “suitable for people with disabilities” in selection procedures.

We opened the **Rainbow Café** at the ČEZ headquarters in Prague, a concept that has supported the employment of people with mild mental or combined disabilities since 2018.

Having existed since 2007, the **CEZ Group Seniors Endowment Fund** is aimed at assisting and improving the quality of life of retired former employees (CEZ Group seniors).



42.8%

of new hires at ČEZ and its selected subsidiaries were women in 2018.

Gender audit

A gender audit was carried out among employees in Prague, focusing on appraisal, remuneration, benefits, age management and diversity, learning, career development, work-life balance, maternity and parental leave management, and recruitment and termination.

Examples of good practice were identified, such as

- Retraining, coaching, and mentoring options
- Recruitment system focusing on fresh graduates
- Wide range of employee benefits
- Published guide with information for employees on maternity and parental leave
- Functional corporate nursery school



The audit also identified areas that we want to focus on in 2019:

- Promotion of higher use of flexible types of employment
- Improvement of the adaptation process for employees returning from maternity or parental leave
- Introduction of exit interview questionnaires to collect necessary information
- Support for women advancing to leadership and management positions

News and Events of 2018

- The **use of flexible types of employment increased** at ČEZ in 2018 as compared to previous years. The highest increase was in telecommuting. An opportunity to work from home was used by 15% of the total number of women and almost 4% of the total number of men. There are no major changes in the use of **part-time jobs**; this type of employment was used by over 2% of the total number of women and 0.5% of the total number of men at ČEZ in 2018.
- We organized the first **“I Provide Informal Care” assistance workshop** focusing on psychological counseling for employees in a difficult role caring for their sick parents or family members.
- The year 2018 was a year of **standard operation of the corporate day nursery** in the corporate headquarters in Prague. The nursery became entitled to use the “Intergenerationally” mark and cooperates with the projects “Every Czech Reads to Kids,” “Between Me and You, Talk,” and “Having a Fairytale Reading Grandpa.”
- German company Elevion offers opportunities to more than sixty **employees with disabilities**. It adapts both the working environment and the working hours to their needs. Likewise, colleagues from CEZ Poland employed eight people with a disability in 2018.

2.5.1.4 Internal and External Ethics

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

ČEZ (also as part of the CEZ Concern) continued developing its corporate culture relating to ethical business conduct in 2018 based on the previously issued [Ethical Conduct Policy](#), a strategic binding management document.

Its requirements and expectations were previously published in the [Code of Ethics](#) and the [Code of Ethics Compliance Rules](#) as a specification of general principles and rules for ethical conduct, a uniform interpretation and method of application to employees, suppliers, and business partners, as well as in relation to public authorities and the public, with the aim of preventing potential unlawful or dishonest practices. The significance of the Code of Ethics and the Compliance Rules is reinforced by the [CEZ Group Ethical Conduct Standard](#), a binding management document applicable to companies belonging to the CEZ Concern.

For the purposes of negotiating contractual relationships with business partners and suppliers, we use the [Pledge of Ethical Conduct for Suppliers](#), a brief summary published on the company's website. Compliance with the Pledge is a contractual requirement for suppliers for CEZ Concern companies, unless they use their own, similar documents and procedures in their governance.

Ethical Conduct Policy

We follow the [Ethical Conduct Policy](#) at selected CEZ Group companies, which was published to promote the Concern interest to “Implement and Comply with Ethical and Socially Responsible Conduct at CEZ Group.”

Ethics

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

Integrity

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

CEZ Group's **Code of Ethics** is published in two versions. The basic version is the **Decalogue**, a summary of the most important principles governing these issues and relations:

1. General principles
2. Shareholders
3. Customers
4. Employees
5. Suppliers
6. Public administration and other institutions
7. The media
8. Charitable donations, sponsorship
9. Compliance
10. Protection of our good name

The extended version is the **Alphabet**, which includes the **Decalogue** along with more detailed rules for complying with the individual principles of the Code of Ethics.

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

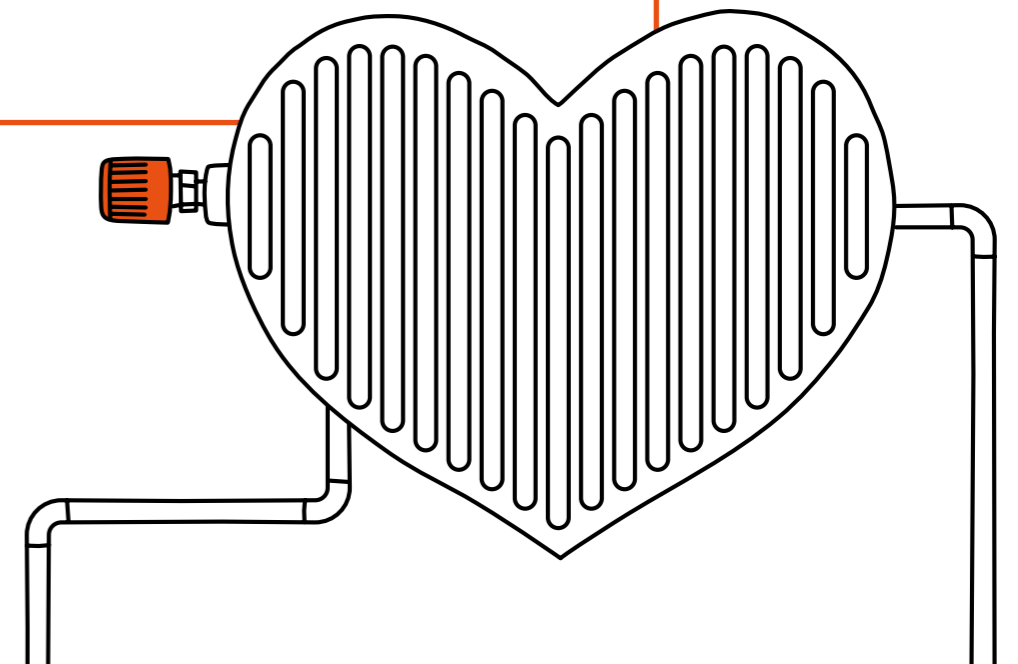
The Ethical Conduct Policy is communicated mandatorily to all employees starting employment with us. Managers also test their knowledge on a running basis.

The following are binding documents concerning ethical conduct, as resulting from the Concern policy:

- CEZ Group Ethical Conduct Standard
- Corporate Compliance Directive
- CEZ Group Gift Permissibility Criteria
- Competition Compliance Guidelines
- Process to check information provided by new employees

885,000

Czechia residents are supplied with heat by CEZ Group companies



An **Ethics Hotline** has been established for reporting unethical or unlawful conduct violating our Ethical Conduct Policy. Submissions can be made using an Internet form, also anonymously, as well as by phone at: +420 211 042 561 or by e-mail at compliance@cez.cz, and, of course, in person or by standard letter.

It has been established for

- CEZ Group employees and statutory governing bodies
- Business partners
- Third parties and the public

We Adhere to Ethical Principles

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

- To employees
- To the company
- To the environment

To enforce our ethical business standards, CEZ Group management has taken systemic measures to mitigate the risk of unethical or unlawful conduct, which constitute an integral part of CEZ Group's compliance program. The fundamental principle of CEZ Group's anticorruption agenda is zero tolerance of any form of corruption, whether direct or through third parties. No confirmed incident of corruption was registered across companies in Czechia in 2018 again.

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

We Do Not Tolerate Discrimination

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

Company management places great emphasis on providing equal opportunity, a dignified working environment, and promoting diversity. Under this approach, it recognizes, accepts, and values distinctions between people based on their age, gender, physical abilities, medical fitness, sexual orientation, education, social status, ethnicity, religion, political allegiance, membership in a labor union, or other differences and disapproves of any discrimination. The goal is to establish a culture of collaboration, based on the principles of diversity and mutual respect.

Anticorruption Measures and Risk Prevention

We include an anticorruption clause in contracts with suppliers that defines corruption and binds the parties to adhere to the strictest ethical principles.

Internal Audit uses "fraud scenarios" within its activities, which model situations and steps that can be taken by employees and customers in individual processes for gain. These tools help evaluate and increase the efficiency of internal controls to eliminate the risks of corruption and fraud.

15

CEZ employees come from 15 different countries.



Other measures we take:

- We screen third parties entering into contractual relationships with CEZ Group companies to be able to more effectively protect CEZ Group companies from reputation risk or criminal liability.
- We pay special attention to the screening of companies during acquisitions and divestments (compliance due diligence).
- We provide regular training (general and specific compliance training for managers and employees).

- We continually evaluate relevant business activities carried out by CEZ Group companies to prevent possible breaches of competition law, especially by abuse of a dominant position, discrimination against a customer or other trader, or a breach of unbundling rules set down in internal directives and the Energy Act.
- When negotiating contracts, we comply with the Public Procurement Act and established principles of CEZ Group employees' behavior to customers and other market participants.
- We operate an Ethics Hotline. It can be used by employees, CEZ Group statutory governing bodies, CEZ Group business partners, and third parties, including the public, to report improper, unethical, or unlawful conduct against CEZ Group's interests. The Ethics Hotline allows submitting information about the reported conduct anonymously.
- We carry out internal investigation of compliance incidents and suspected unethical or unlawful conduct based on our own findings as well as third-party suggestions. We make sure that any breach of law or the compliance rules we identify has appropriate legal consequences, including liability under labor, civil, or criminal law. We also take corrective actions to eliminate systemic shortcomings in order to, among other things, minimize the risk of a CEZ Group company facing criminal liability.
- Our subsidiaries and affiliates abroad also adhere to the issued Code of Ethics and ČEZ carries out internal audits at them.
- ČEZ Prodej adopted rules from the Sample Code of Ethics for an Electricity or Gas Trader published by the Energy Regulatory Office. Its own Code of Ethics, which it subsequently published, is now even stricter in some aspects, especially regarding the regulation of the supplier switching process.

Precautionary Principle

CEZ Group applies a precautionary principle (a rule saying that certain activities should not be pursued if their consequences are uncertain and potentially dangerous). It is reflected in internal and external ethics at four levels:

- In human resources when hiring new employees and when verifying selected information given by an employee/applicant (pre-employment screening)
- In the process of business entity screening in relation to the possible acquisitions of companies (due diligence)
- In the process of supplier screening before a contractual relationship is established
- By conducting a compliance audit as a contractual arrangement with selected suppliers during (in the course of) a contractual relationship

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

Corruption Risk Analyses

The compliance team manages the anticorruption agenda by means of a set of measures to ensure compliance of CEZ Group employees' and business partners' conduct with legal and ethical anticorruption standards. The fundamental principle of the anticorruption agenda is zero tolerance of any form of corruption, whether direct or through third parties. The objective of anticorruption action is to prevent corruption and detect, report, and respond to corruption within CEZ Group and among its business partners.

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

Corruption-related risks are analyzed at the level of the management of individual CEZ Group companies.

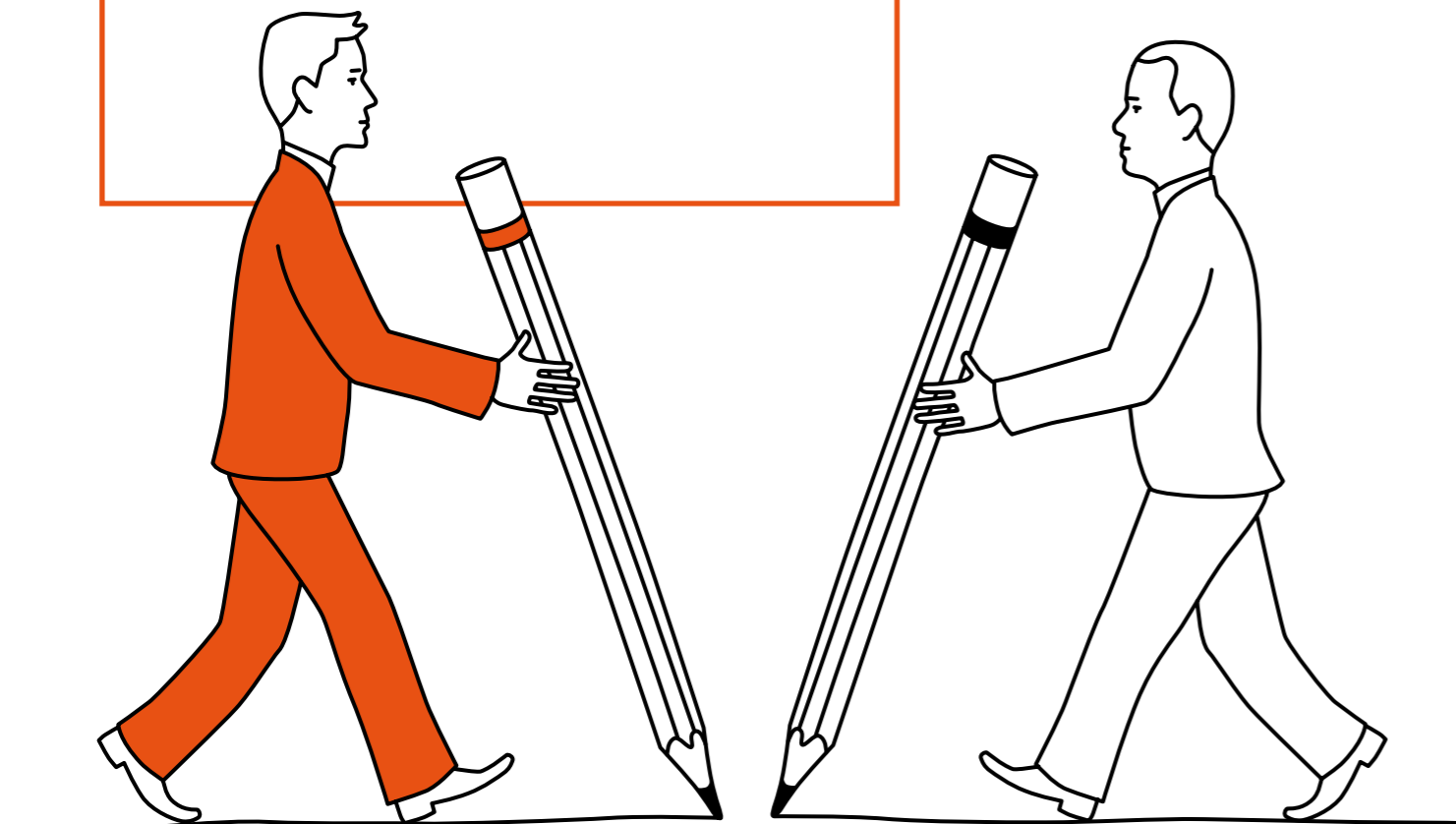
News and Events of 2018

- We began the process of enhancing our compliance program in the field of anticorruption by supplementing it according to requirements in the ISO 37001 Anti-Bribery Management System international standard.
- The biggest CEZ Group companies carried out e-learning training in the CEZ Group Code of Ethics Compliance Rules, geared toward all employees, covering, among other things, the topics of preventing corruption and conflict of interest, and complemented by a final test.
- Members of statutory governing bodies, top managers, and selected managers and specialists from middle management received in-class training to get familiarized with their obligations and responsibilities under the CEZ Group compliance program, especially regarding the prevention of corruption and conflict of interest, management of relationships with business partners, international trade regulations, and compliance with competition rules.
- An edification campaign for employees was prepared at CEZ Poland, concerning two of the Code of Ethics topics, namely corruption and donations. New corruption-related measures were implemented in respect of gift acceptance.

2.5.2 We Hold an Open Stakeholder Dialog

In addition to transparent communication of information inside and outside the corporation, we believe it is important to participate in collaborating and building relationships with groups of our stakeholders. By engaging stakeholders, we take an opportunity in our business activities to jointly participate in shared values beneficial to society as well as CEZ Group. We use internal and external questioning to progressively determine the significance and comprehensibility of individual sustainability topics. Stakeholder feedback thus serves to validate the company's current strategic direction.

We believe it is important to participate in collaborating and building relationships with our stakeholders.



CEZ Group commenced the process of comprehensively setting up the dialog with stakeholders in 2018. We want to know how they perceive the current setup of our Sustainable Development Strategy and what they think about the future direction of our approach to sustainability. The stakeholder dialog is based on principles in AA 1000 SES (Stakeholder Engagement Standard), an international standard designed to ensure that a dialog with stakeholders is held with a clear objective, has sufficient coverage, and produces specific results. Independence is guaranteed by Business for Society. So far, we have carried out the first stage of questioning among internal stakeholders, during which we approached members of the middle and top management of ČEZ and selected CEZ Group companies. Extensive determination of priorities among external stakeholders is now underway.

Priority areas as currently perceived by key internal stakeholders include: safe operation of generating facilities, attitude to emissions, and environmental protection.

The areas of CEZ Group's Sustainable Development Strategy that will undergo the biggest shift in priorities according to internal stakeholders are: support for Smart Cities, energy transformation, development of clean technologies, and support for research and development.

List of stakeholder groups:

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

All stakeholder representatives have access to the **Ethics Hotline** that they can contact by phone at +420 211 042 561 or via e-mail at compliance@cez.cz to report suspected unethical or unlawful conduct violating CEZ Group's Ethical Conduct Policy. Alternatively, they can fill out a [form on our website](#). There are also **online Orange Mailboxes** available to employees on our intranet.

- Further internal and public questions and comments concerning the CEZ Group Sustainability Report can be emailed to: energieprobudoucnost@cez.cz.
- Customer complaints and suggestions are handled by agents in our call centers with free-of-charge phone lines as well as by the independent **ČEZ Ombudsman team**. Its activities are described in a separate chapter in this Report.

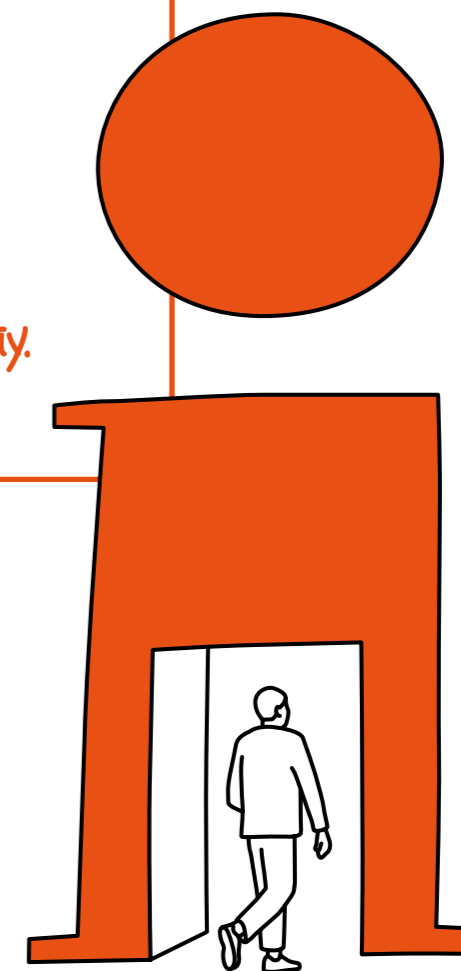
External Surveys

We regularly monitor awareness of our social responsibility projects and activities among the whole population of Czechia and their impact on society as well as brand perception. We also monitor awareness and ratings of the ČEZ Foundation. The research is both quantitative and qualitative.

A regular annual online **quantitative survey** was carried out in December 2018. A representative sample of approximately 2,500 members of the Czech population aged 18–65 was asked about their knowledge of terms relating to corporate social responsibility and sustainable development. A year-on-year increase in the general awareness of sustainability was identified. Half of the population can describe what the term “sustainable development” means to them.

650

patrons on average visit
CEZ Group information
centers in Czechia every day.



The following results are crucial for us:

- ČEZ is still rated as the most socially responsible corporation.
- Trust in ČEZ as a socially responsible corporation is increasing. It is primarily earned through people's direct experience of our existing activities.
- Our social responsibility activities are very easy to notice and remember for the Czech public; in addition, people can easily associate them with our brand.
- People consider our activities in science and research, as well as in support for regions and care and improvement of the lives of people in our neighborhood, to be above standard.
- In the public's opinion, ČEZ's average current engagement is well balanced with average expected engagement.
- According to the public, ensuring the safety of our production process is the most important thing in the long term.
- Topics that continue to be the most important to people are those relating to care for the environment or the company's neighborhood and business ethics.
- The ČEZ Foundation and the approach of its employees are highly appreciated.

Feedback from nonprofit organizations that we work with was collected by a **qualitative survey** in December 2018. In-depth interviews with fifteen representatives of public benefit organizations provided us with an assessment of our communication and collaboration together with suggestions for improvement. They unequivocally confirmed the necessity of the ČEZ Foundation and appreciated its overall strategy and flexibility of aid options.

The survey indicated the following, among other things:

- Respondents view ČEZ as one of the biggest corporate supporters in Czechia.
- Support for regions is considered effective.
- Favorable ratings are given to support for local projects and/or projects with less media exposure.

Internal Surveys

There are regular **internal** events conducted to collect **mutual feedback among our companies**. An example is an annual **survey of satisfaction** with the services of ČEZ ICT Services.

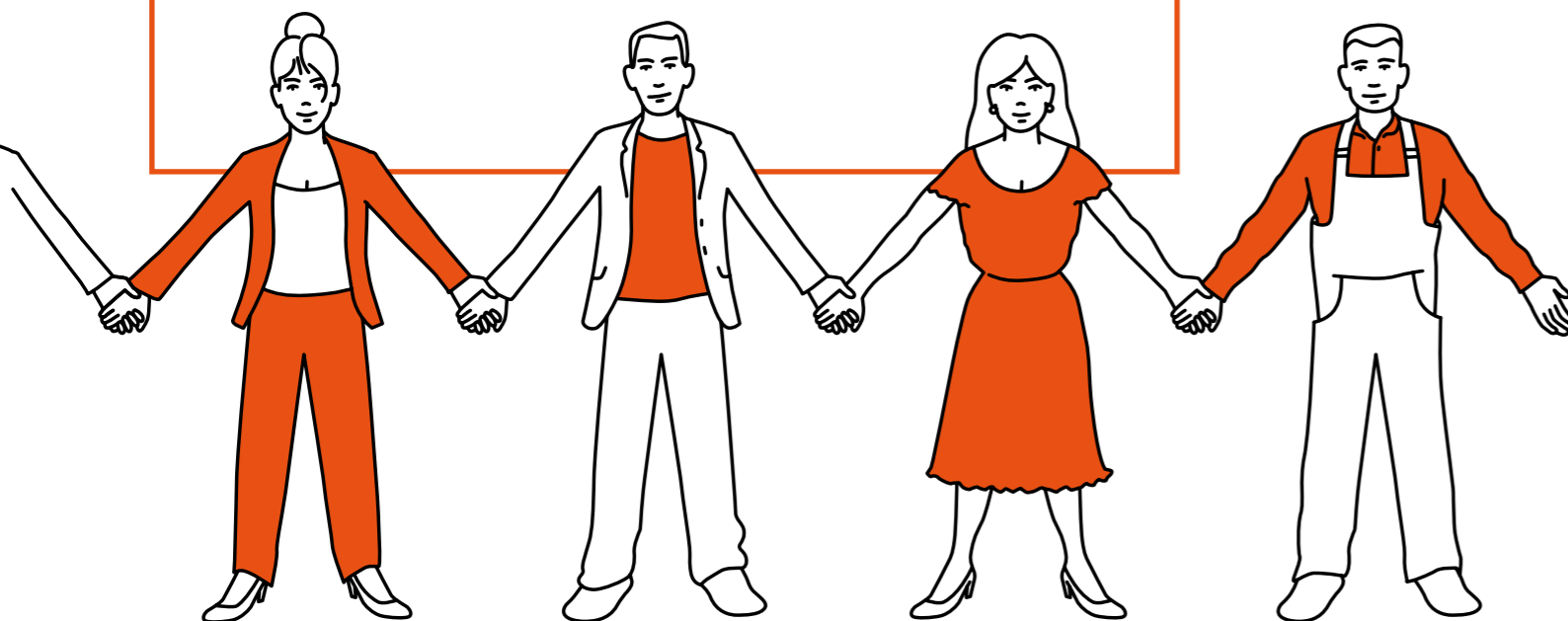
Room for employees' personal questions directed at members of company management is offered by regular online debates, which are also available on the intranet on a long-term basis.

Group feedback on strategic topics was also provided during two fall workshops for the providers of data for the Sustainability Report.

Freedom of Association and Collective Bargaining

Company management respects employees' right to freedom of association, which is exercised most importantly through membership in trade unions. A long-term collective agreement and regular meetings with employee representatives ensure social peace. Suggestions for collective bargaining can be made by all employees. No case in which the right to freedom of association or collective bargaining might be at serious risk was registered in 2018. The latest collective bargaining spanned from 2018 to early 2019. A mutual compromise was reached that is economically acceptable to CEZ Group while guaranteeing social securities to employees.

A long-term collective agreement and regular meetings with employee representatives ensure social peace.



Collective bargaining and regular informative meetings also took place at CEZ Group companies abroad in 2018.

For eleven years, supranational provision of information and debates between ČEZ management and representatives of employees from the Czech, German, Bulgarian, Polish, and Romanian companies in CEZ Group have been taken care of by the CEZ Group European Works Council. It is a platform for international meetings across the Group, both among employee representatives mutually and between them and the management.

Participation in Public Discussions, Round Tables, and Expert Forums

One of the ways to directly identify the expectations of important shareholder groups is active participation in topical events and involvement in the work of professional organizations.

This includes participation in a series of meetings of key experts named “Responsible Czechia”; specifically, we supported the “Thrifty Czechia” expert panel. Attending experts commented on the attitudes and behavior of Czech consumers and the role of the government, business, and academia. ČEZ made use of feedback on municipalities' needs relating to the Smart City concept as well as opinions on energy savings, emission reduction, and energy intensity.

Regular analyses of **customer experience** are the subject matter of a separate Customer Experience program.

We Communicate through Social Media

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

Our goal is to present CEZ Group as a corporation of pan-European significance that is successful in its field and ready to respond to new trends and challenges in the energy sector in the decades to come, and to present current communication projects and innovations.

Where you can find CEZ Group:

1. We communicate on Twitter using three corporate channels:

- Skupina ČEZ—a variety of topics with emphasis on renewables
- CEZ Group—a variety of topics with emphasis on renewables in English
- Nadace ČEZ—a profile communicating the ČEZ Foundation's topics

Communication on Twitter is complemented by company management profiles.

2. CEZ Group currently has the following profiles on Facebook:

- CEZ Group—a general profile, primarily used for customer service
- Pro-Nuclear—a professionally oriented profile
- Work at ČEZ—a profile addressing students and prospective employees
- EPP—Move to Help—a profile focusing on the EPP app and the ČEZ Foundation
- Temelín NPP Information Center—a profile bringing news from the Temelín Nuclear Power Plant and its neighborhood
- Dukovany NPP Information Center—a profile bringing news from the Dukovany Nuclear Power Plant and its neighborhood

3. **Instagram**—serves to reinforce the company's positive image.

4. **LinkedIn**—presents ČEZ as an employer, responsible company, electricity generator, and energy expert.

Community: industry professionals (employees) and fresh graduates seeking a job.

5. **YouTube**—serves as a repository of CEZ Group's promotional and other videos and/or as a space for advertising CEZ Group's promos and other videos.

News and Events of 2018

- We launched a big competition for a Year of Free Energy on our Facebook profile in December 2018. The main prize was a year of free energy supply worth CZK 12,000. We run many competitions with promotional items as prizes on all of our profiles during the year.
- Collaboration with influencers: we invited selected influencers to the information centers of our power plants in the summer tourist season. The goal was to promote CEZ Group power plants as an ideal place to visit on a trip. We also got them involved in the communication of the Jizerská 50 cross-country ski race.
- Support for the 100 Years of Energy campaign on Facebook and Instagram: we prepared a series for the country's 100th anniversary. We complemented visuals and short videos from the construction of power plants with interesting facts.

2.5.3 We Benefit Society

CEZ Group monitors the positive impacts of its operations on communities and society at large; it reports outputs transparently and uses them to aid its business. The goal is open and mutually beneficial communication with representatives of local authorities, representatives of local organizations, nonprofit organizations, and businesses, and with local communities.

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

We Work with Local Communities

We hold regular meetings between ČEZ representatives and representatives of local authorities, local organizations, and businesses to deliver current information on the operations of our power plants, information on the state of the distribution system, on planned activities, or the implementation of capital investment projects. We also conduct negotiations over support for individual entities' projects, whether as donations or promotional sponsorship.

These are working meetings at a power plant or formal meetings with representatives of local authorities in regions and social meetings such as the opening concerts of regional festivals or advent meetings with mayors and power plant and CEZ Group partners.

ČEZ Distribuce launched a Crisis Information System for mayors

ČEZ Distribuce launched a new Crisis Information System for municipalities (KISMO). It allows power engineers to simultaneously warn or inform selected regions and municipalities about an increased failure rate or state of disaster and about estimated power restoration times. A special hotline with preferential treatment was created to allow acquiring information speedily and acting appropriately under crisis management.

ČEZ Distribuce also published a new guide for municipality representatives, **Dealing with Emergencies in the Distribution System**, which aims to show whom to contact in case of a power failure, what steps the distribution company takes during emergencies, and how to prepare a municipality and its residents for a possible power outage.

According to a survey, both the nonprofit organizations we work with and the public have a positive view of us: Nonprofit organizations perceive ČEZ as one of key corporate supporters in Czechia. They appreciate both the wide range of supported projects and the activities of the ČEZ Foundation. In its case, nonprofit organizations highly appreciate the EPP—Move to Help app as a flexible and efficient tool, which additionally allows the public to have a say in where support should be directed. Nonprofit organizations also appreciate transparent and easy communication with the ČEZ Foundation.

Information Centers

ČEZ offers industrial tourists visits to its eleven information centers. These are an important communication tool for sharing information with the general public. We use them to offer an illustrative view of the past, present, and future of various types of power generating facilities.

The first information centers were created at nuclear power plants (Temelín and Dukovany) in the early nineties. Additional information centers are located at coal-fired power plants (Ledvice and Tušimice) and hydroelectric power plants (Štěchovice, Orlik, Lipno, Vydra, Hradec Králové, Dalešice, and Dlouhé Stráně). We present to their visitors especially the technical solutions, advancement, history, and successes of each power plant, our responsible and safe approach to society and the environment, career prospects, and CEZ Group's international presence. We usually combine visits to the information centers with tours of power plant sites with commentary by erudite guides, integrating them into the system of education in power engineering for school groups, technically oriented companies with a more specialized focus, as well as the general public.

We publish all information about the information centers at www.cez.cz/infocentra, where we announce special events such as night tours or participation in the Night of Museums or the World Water Day.

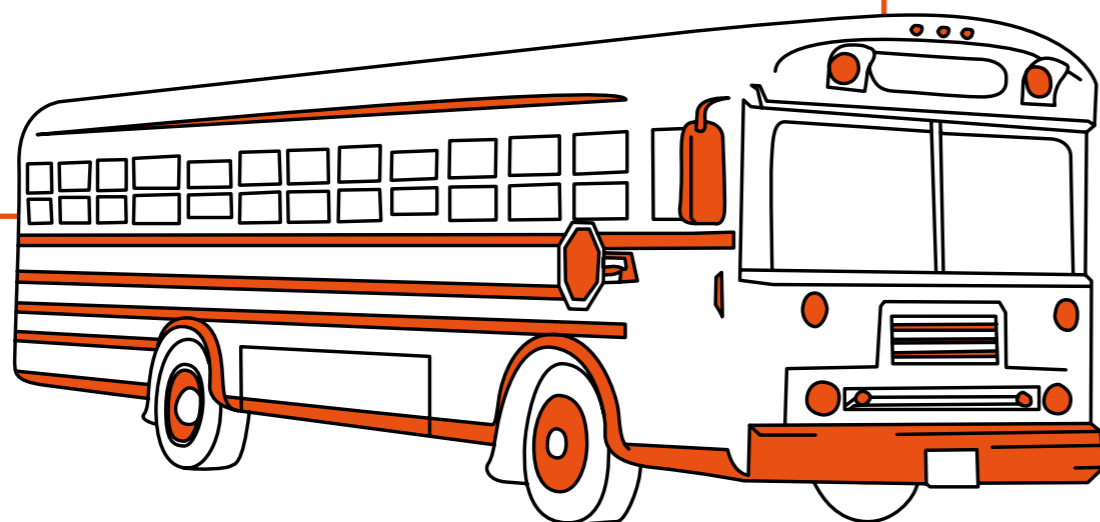
Did you know that...

...According to visitor statistics kept by CEZ Group's information centers and power generation facilities, a total of **235,254 visitors** came to learn new facts about the energy sector in 2018? This means that the 2017 record number of 224,357 visitors lasted just a year. The new record is 4.9% higher! Similarly to previous years, the public's interest concentrated on the Dlouhé Stráně pumped-storage power plant and the Temelín and Dukovany nuclear power plants. Almost a thousand people also visited the Březno Dragon, a bucket-wheel excavator from the Nástup Tušimice Mines that is now a rare industrial monument.

...The 144-meter-high observation deck on the northern tower of the Ledvice twins won an award in the Good Deed category of the Ústí nad Labem Region Personality of the Year 2018 poll? The number of visitors to Ledvice increased exactly because of this observation tower, which is the highest in the country. The information centers expect to see their 250,000th visitor in 2019. For more information about the survey, go to <http://osobnostusteckehokraje.cz/>.

...You can also enjoy industrial tourism of CEZ Group's generating facilities from the comfort of your home? Just take a virtual tour at virtualniprohlidky.cez.cz.

11 information centers are offered to industrial tourists by CEZ.



News and Events of 2018

New activities for local communities at Dukovany in 2018:

- Summer drive-in movie theater—To enhance the positive image of the Dukovany Nuclear Power Plant and good relationships with the region's population, we prepared a summer movie theater with six screenings for the residents as well as vacation visitors to the region. The key motivation was to screen movies under the power plant's cooling towers and operate a drive-in movie theater that was highly popular among visitors and allowed screenings even if the weather was bad. The movies were selected so as to appeal to the general public.

New activities for local communities at Temelín in 2018:

- Organization of tours and expert visits (reactor hall) for representatives of municipalities from the 13 km emergency planning zone.
- “Temelín NPP Open Days—The Path of Water”—presenting the power plant with respect to water usage, a cooling tower visit.
- Locating bee colonies in the manor gardens at the Information Center—to prove the cleanliness of electricity generation at a nuclear power plant, honey as a unique gift.

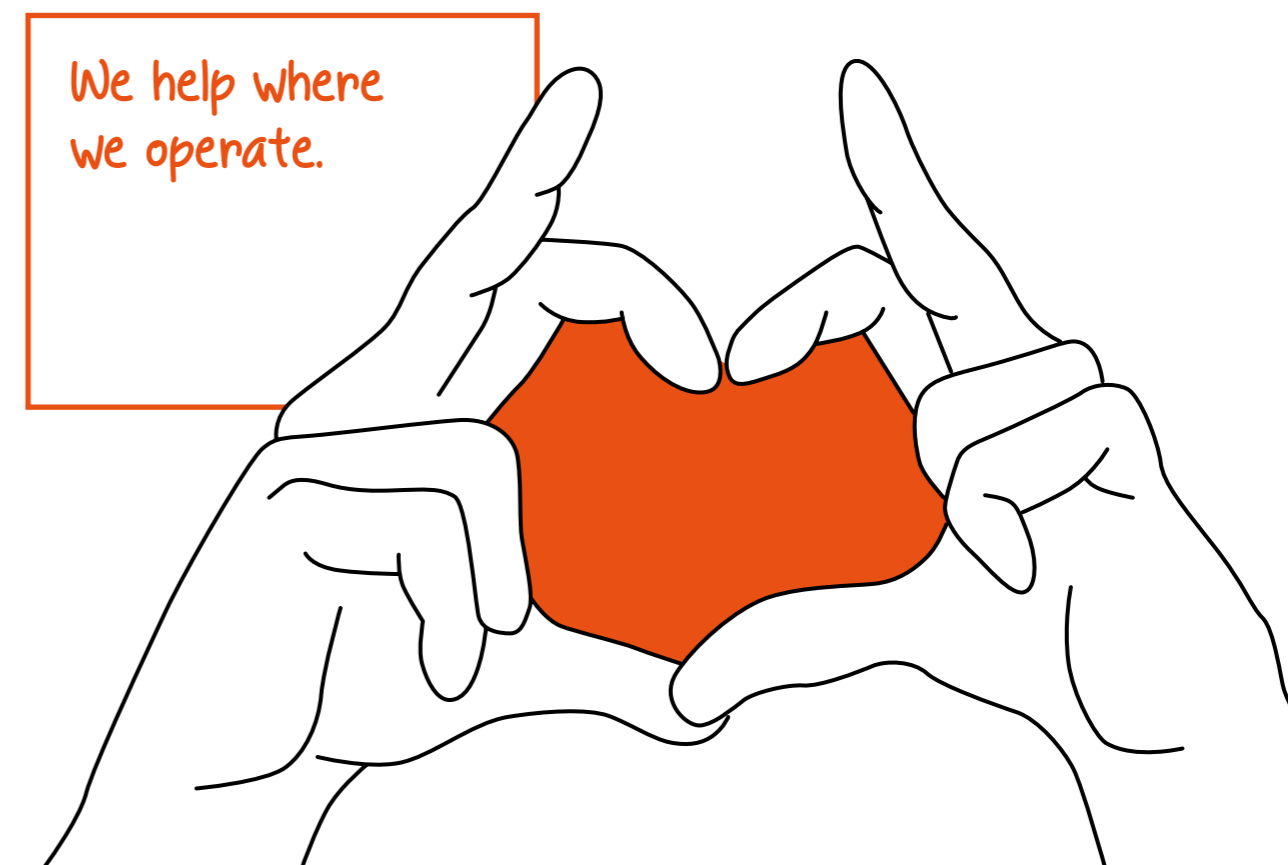
New activities for local communities in Czechia in 2018:

- Lighting up Christmas trees—financial aid under promotional partnerships with municipalities in regions with CEZ Group business operations; more than 210 municipalities were supported under this project.

2.5.4 We Support Partnership in Donation

In financial donations, promotional partnership, and many other activities, CEZ Group follows the motto: **“We Help Where We Operate.”** It makes contributions to infrastructure improvement and the development of citizens' community life especially in the neighborhood of its generating facilities and distribution grids, which makes it a long-term supporter of education, culture, sports, and environmental protection. For the purposes of financial donations, CEZ Group and the ČEZ Foundation have divided Czechia into seven regions and have a regional communicator that knows the needs and specifics of the local community in each region. The regional communicator is the contact person for those seeking a donation or promotional partnership.

The objective of donation partnership is a positive image of CEZ Group in the locations we operate in, infrastructure improvement and the development of citizens' community life in the regions we operate in, and good relations with local authorities.



CEZ Group, as a long-term, reliable promotional partner, supports multiple areas of public life in all regions in Czechia. The year 2018, in which it concentrated its systemic aid on culture, sports, education, environmental protection, and medical services, was not an exception in this regard. Almost 400 projects were **supported in the form of promotional partnership** in 2015, more than 450 projects in 2016, over 400 projects in 2017, and **over 600 projects in 2018**.

Online registration of applications for promotional partnership and financial donations has been in place since 2016 to make the process more controllable and transparent. Criteria for evaluating the benefit, impacts, and quality of each approved project were set up in the system.

The existing online registration of applications for promotional partnership and financial donations is planned to be updated in 2019. The new system should be better available, simpler, and more transparent for users.

Financial Donations by CEZ Group Companies in 2018 (CZK millions)

	To ČEZ Foundation	Direct donations	Total
ČEZ, a. s.	54.8	54.2	109.0
Other fully consolidated CEZ Group companies	140.5	86.7	227.2
CEZ Group, total	195.3	140.9	336.2

ČEZ Foundation

CEZ Group's most important partner in donation activities is the ČEZ Foundation, which was one of the first corporate foundations to be established in Czechia, in 2002. During the sixteen years of its existence, it has supported more than 9,600 projects with more than CZK 2.54 billion.

It supports a number of projects responding to society's current needs every year. **Orange Stairs** help integrate pupils and students with disabilities, **Orange Playgrounds** provide a safe place for sports and games to both children and adults, **Orange Classrooms** aid in the teaching of technical classes at primary and secondary schools, **Support for Regions** gives an opportunity to develop community life. The **Orange Bike** engages the public in helping those in need, well-lit **Orange Crosswalks** improve pedestrian safety, and **Trees** bring new greenery into towns and villages.

- There have been 531 playgrounds constructed, 401 avenues of trees planted under the project in cities and villages, and new lights for pedestrian safety built at 133 crosswalks throughout Czechia since 2002.

The extent of its support and the amount of its donations make it one of the most prominent foundations in Czechia in the long term. Information about all of the foundation's activities is published on the [ČEZ Foundation website](#). It supported 1,025 projects with a total value of CZK 176 million in 2018.

ČEZ Foundation



2003

The ČEZ Foundation (formerly Rainbow Energy) offers the first grants for Support for Regions and Orange Playgrounds.



2008

The ČEZ Foundation ceremonially opens the 100th Orange Playground.

2013

New grant programs are created: Employee Grants and Orange Crosswalks.



2015

The EPP—Move to Help charity mobile app launches on May 1.

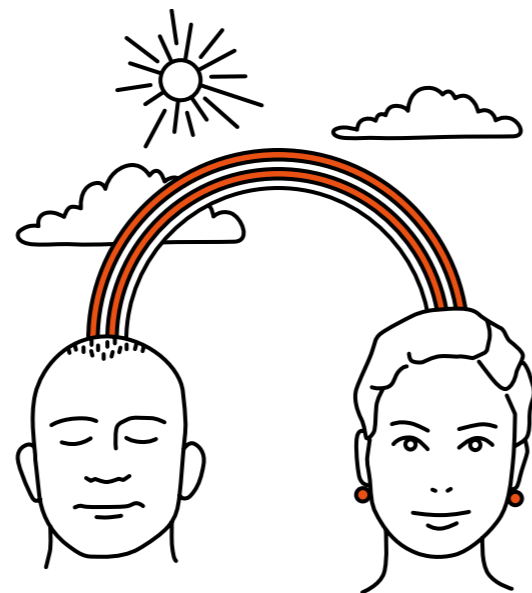


2011

A new Trees grant program is launched.

2009

The ČEZ Foundation becomes involved in the Granting Wishes, Thinking about Others charity project for the first time.



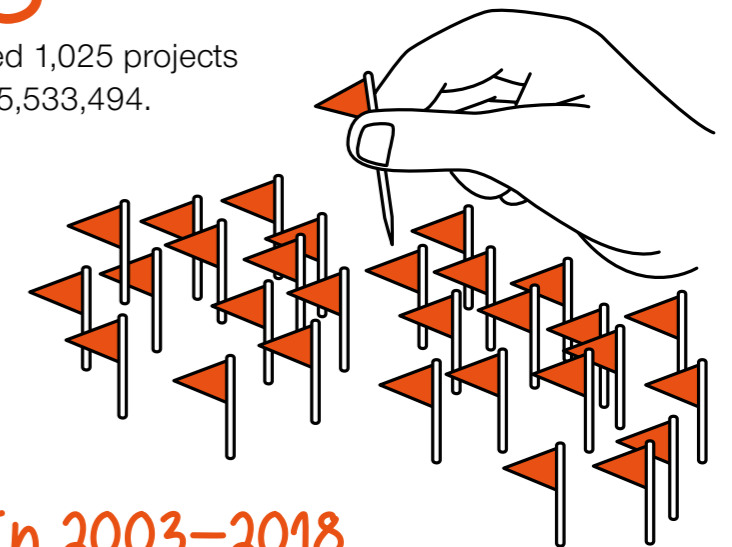
2017

The ČEZ Foundation celebrates its 15th anniversary.



2018

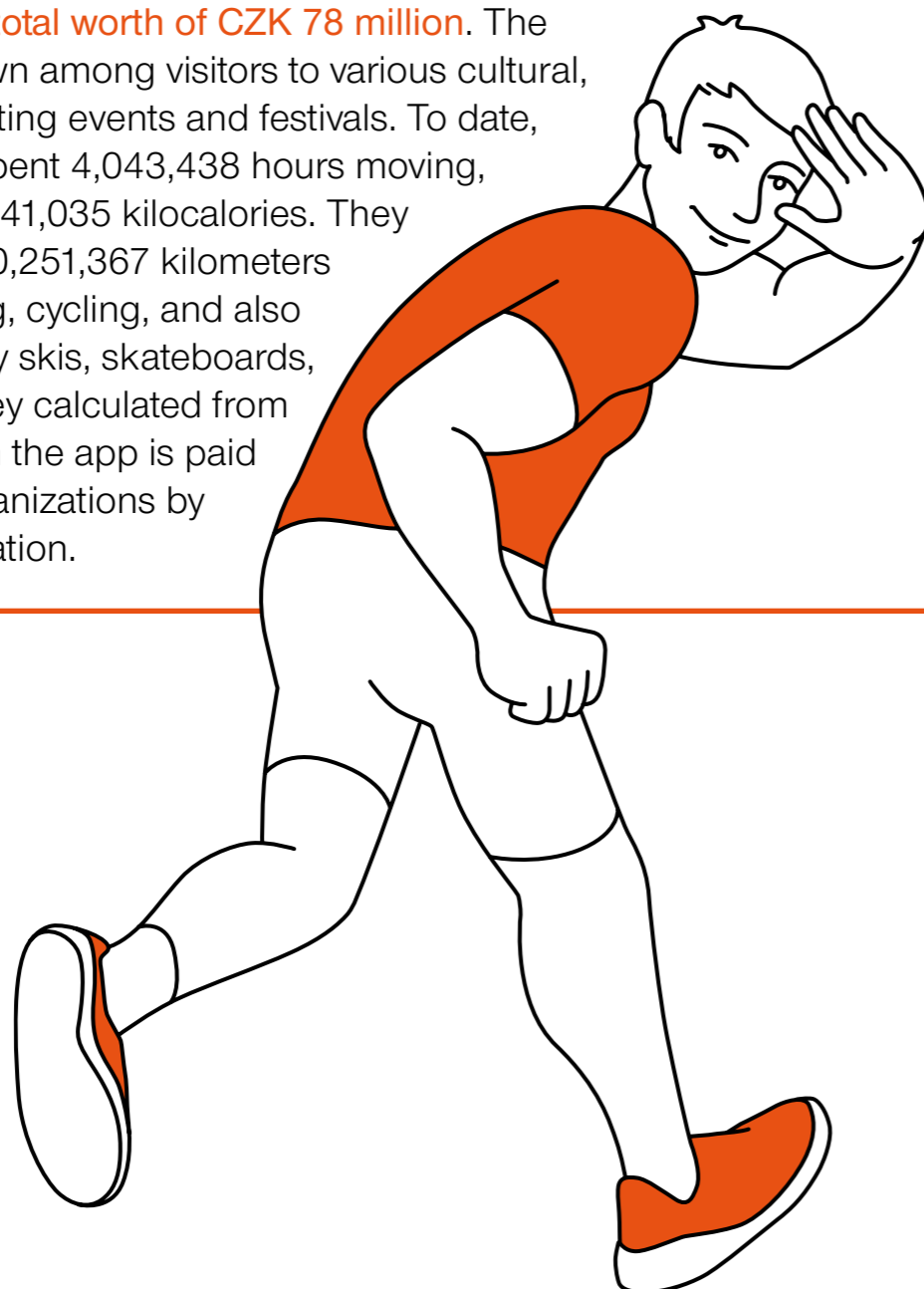
We supported 1,025 projects with CZK 175,533,494.



In 2003–2018, we supported a total of 9,684 projects with CZK 2.54 billion.

More than 400,000 people already engage in sports and help with the ČEZ Foundation's EPP app

The EPP—Move to Help mobile app motivates the public to engage in sports through charity. It was installed by about 400,000 people from its creation in May 2015 to the end of 2018 and used to support 1,060 charity projects with a total worth of CZK 78 million. The app is well-known among visitors to various cultural, social, and sporting events and festivals. To date, its users have spent 4,043,438 hours moving, burning 2,026,441,035 kilocalories. They have covered 20,251,367 kilometers walking, running, cycling, and also on cross-country skis, skateboards, or kayaks. Money calculated from points earned in the app is paid to nonprofit organizations by the ČEZ Foundation.



Charity orange bikes earned nonprofits a total of CZK 3,068,651 in 2018

More than fifty nonprofit projects were aided by 9,263 one-minute rides on stationary bikes at thirty festivals and sporting and social events. ČEZ Foundation orange bikes have already been on the run for a good cause for fourteen years. From the winter ski season to the fall, the ČEZ Foundation visits various cultural, social, and sports events with its Orange Bikes charity project and engages the public in help for the needy in the form of one-minute rides on specially modified bicycles and stationary bikes. Traditional places include the Colours of Ostrava multigenre music festival, the Prague Mayor Rowing Event, or the very popular Jičín, the Town of Fairy-Tales festival. It was in Jičín where the year's record was achieved. The orange bikes there almost never stopped and were used for 602 one-minute charity rides during a couple of hours, almost exclusively by children.

Tree Planting by CEZ Group

The ČEZ Foundation supports the planting of trees under its grant projects, most importantly in municipalities where trees were felled, for example, by a gale or windstorm. New trees are also planted by the Severočeské doly group during land restoration.

Tree Planting

Severočeské doly Group	2018	Since 2011
Number of trees and woody plants	396,671	7,089,665
Total value [CZK millions]	8,527,900	96,434,871

ČEZ Foundation	2018	Since 2011
Number of trees and woody plants	3,290	92,125
Total value [CZK millions]	3,782,750	46,296,845

Our companies abroad also participate in the promotion of tree planting. CEZ Group employees at Romanian companies can volunteer to participate in tree planting activities in collaboration with local forest services every year. Over 8,800 trees were planted in the counties of Dolj, Arges, Gorj, Mehedinti, Valcea, Olt, and Teleorman with the help of more than 150 ČEZ volunteers in 2018. Fifty local electrician program apprentices together with more than 250 employees took part in the planting of about 10,000 trees in four regions. Ten ČEZ volunteers and thirty secondary school students from Valiug began collaborating with the local Environmental Protection Agency in the area of Resita—they planted 450 trees in Breazova.

CEZ Elektro Bulgaria organized a We Do Green campaign in 2018 to promote new online billing, getting 13,504 new registrations. During the campaign, volunteers—both employees and community members—planted more than 1,700 trees at three locations: in the South Park and Vazrazhdane Park in Sofia and near the village of Rosoman, where they replaced a forest destroyed during a massive fire.

Our companies abroad also participate in the promotion of tree planting.



2.5.5 We Engage Our Employees

We partner in donations with our employees; they also greatly help where we operate. Our employees can choose from several ways to get engaged. They can become corporate volunteers, make a financial contribution during an employee collection, buy a product from a sheltered workshop, or help an organization they are volunteering for obtain a financial contribution from the ČEZ Foundation.

In all of these activities, we offer our employees an opportunity to get engaged in the regions where they work and live.

Projects and Grants in Czechia

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

Time for a Good Cause—Corporate Volunteering

Our program named **Time for a Good Cause** is opened in all regions in Czechia every year so that every employee can spend one workday helping those in need in their immediate neighborhood. We won the title of **Top Responsible Corporation in corporate volunteering** in 2018. Almost 6,000 employees have been engaged in the project for the eleven years of its duration. Starting from 2019, employees will be able to use two workdays in a calendar year for volunteering.

Granting Wishes, Thinking about Others—Employee Collection

For twelve years we have helped those in need under this charity project run by CEZ Group, the ČEZ Foundation, and their employees that is aimed at specifically targeted aid. In 2018, we helped people who were down on their luck in life under the motto “Together against Bad Luck.”

Employees themselves can propose somebody in their neighborhood that they believe needs our help. We then choose several dozen stories from received suggestions, publish them on the corporate intranet, and ask employees to make a voluntary donation. The ČEZ Foundation then doubles the amount collected from employees.

Employees together with the ČEZ Foundation have donated over CZK 20 million for the duration of the project, helping mostly sick children, seniors, or people with sensory impairments.

(CZK thousands)

Year	Project Focus	Amount Donated by ČEZ Foundation	Amount Collected by Employees
2016	Support for people with sensory impairment	1,139	1,139
2017	Support for children and youths up to 26 suffering from any serious disease	2,085	2,085
2018	Assistance to both children and adults in a difficult situation in life	2,463	2,463

Granting Wishes by Breakfast

Other charitable activities include the **Granting Wishes by Breakfast** project. People with disabilities have prepared and sold breakfasts for employees at selected CEZ Group locations since 2016.

Sheltered Workshop Bazaars

Sheltered Workshop Bazaars have been organized at selected locations before Easter and Christmas for eight years. Public benefit organizations come to our administrative buildings every year to sell their products. The organizations have managed to sell us products for almost CZK 5 million since the launch of the project.

Employee Grants

The **Employee Grants** program is intended to support nonprofit organizations that employees of ČEZ and selected major CEZ Group companies in Czechia are engaged with in their free time. They can get up to CZK 30,000 for them from the ČEZ Foundation. The granting of individual applications is voted on by employees. For the five years of the project duration, 623 projects were supported with a total of CZK 18,255,202.

Refreshing the Wardrobe

Refreshing the Wardrobe is a charitable collection of clothing, footwear, and accessories that has been organized among employees since 2017. We have collected 3.2 tons of clothing and helped 23 organizations since the launch of the collection.

Mom, Dad, Where Do You Work?

During the **Mom, Dad, Where Do You Work?** event, our employees' children were able to visit places they would not get into under normal circumstances. Employees have an opportunity to show their families, and especially children, where and how they work. The project was launched in 2017 and won the bronze award in Grand Prix 2017 among the best internal communication projects in the Strategy category. The event took place at two sites (Plzeň and Děčín) in 2018.

Employees have an opportunity to show their families, and especially children, where and how they work.



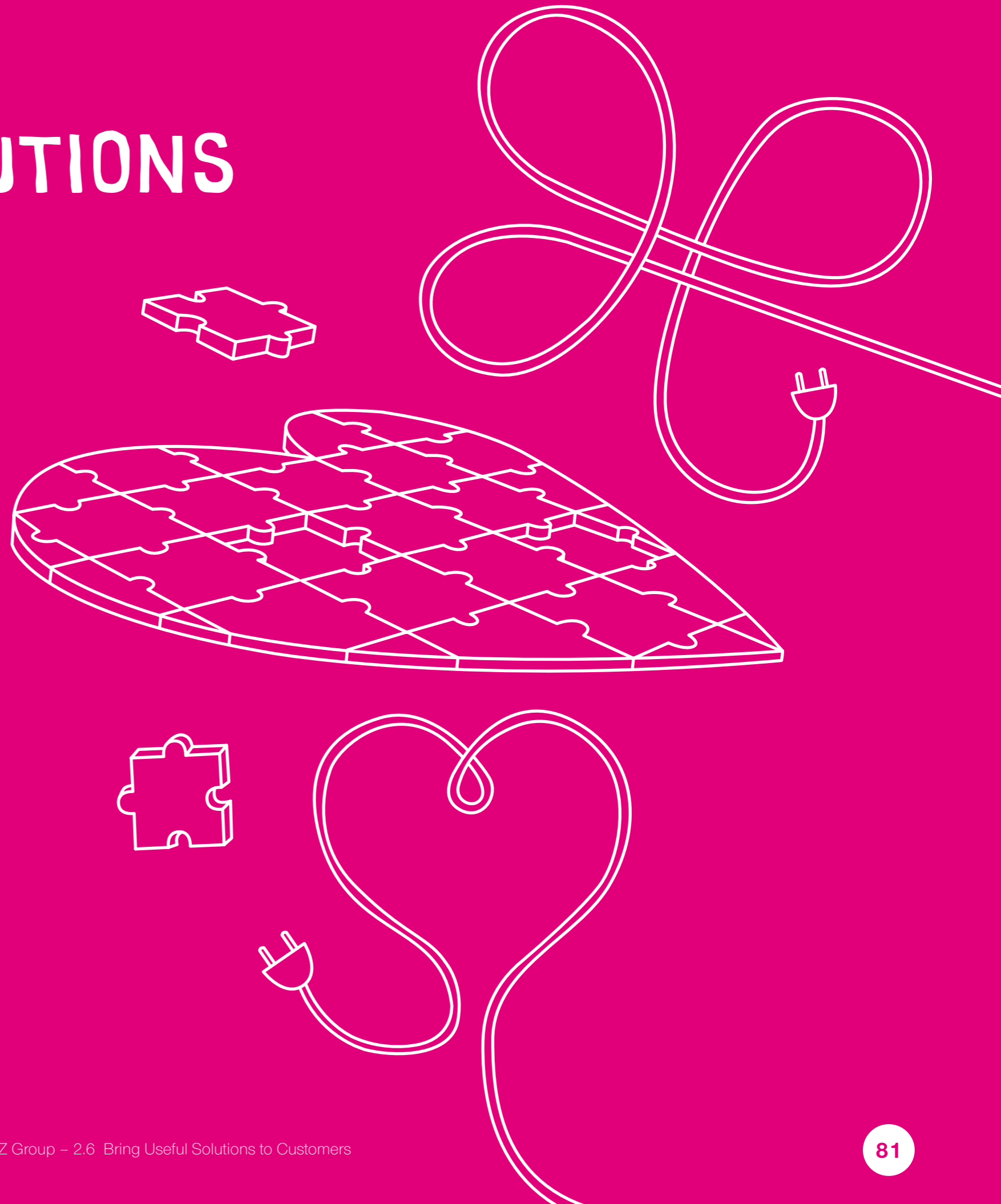
News and Events of 2018

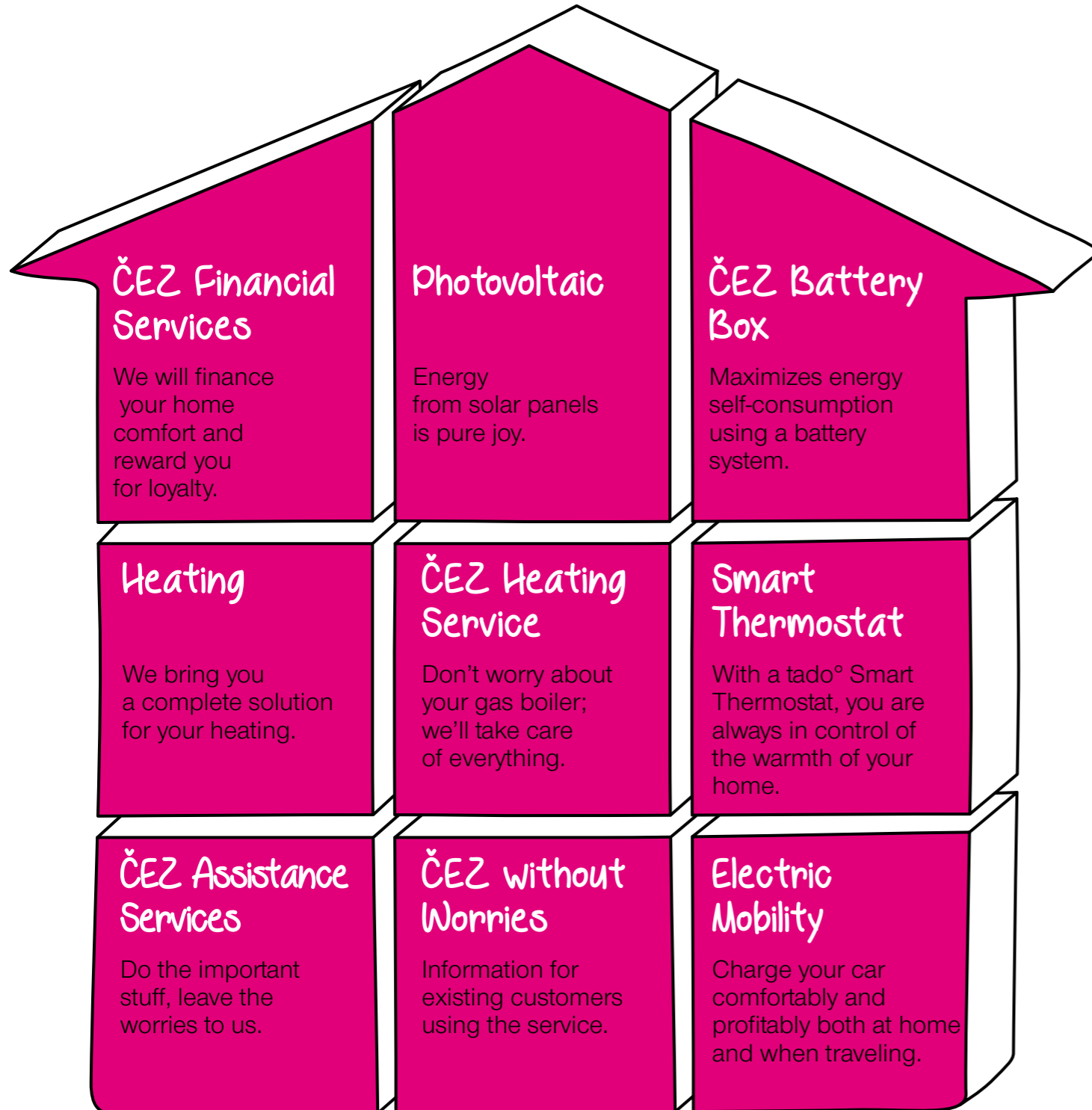
- On **Giving Tuesday**, the international day of charitable giving, we registered the Granting Wishes employee collection under the nationwide appeal. We managed to collect the most money and were the most successful of all corporate appeals.
- We held the 10th annual **Sue Ryder Charity Cup**, a charity five-a-side football tournament. The tournament regularly gathers money from participants for the operation of the Sue Ryder Home to support dignified care for the elderly.
- The third annual winter **ČEZ Handy Quadrathlon** took place in 2018. It is a cross-country ski race that promotes the idea of integrating people with disabilities.
- Our colleagues—good-hearted motorcyclists—shot and christened a **calendar for 2019**. The earnings will support a good cause—help sick Kryštof's parents pay for a therapeutic stay in the Klimkovice Spa.
- Daniel Beneš, CEZ Group CEO, and members of the board of directors supported **Advent at Duhová** at the company headquarters in 2018 again, helping wait on guests at the Rainbow Café.
- The Dukovany Nuclear Power Plant has a new, uncommon, but practical facility along a broad range of its specialist and unique equipment. It is an **herb garden** founded by local employees. Grown herbs are used by cooks from the onsite canteen for seasoning meals and desserts for local employees.
- CEZ Group in Romania has supported seniors for four years in collaboration with the **Never Alone Association of the Elderly**. It invested about EUR 6,300 in activities aimed at helping seniors from the Gavana home in Pitesti. Twenty events took place, in which 67 volunteers were engaged.
- The annual **Oltenia's Marathon** in Romania was supported by 120 volunteers—company employees—who helped organize the event. The total amount of EUR 19,000 collected from participant fees and an amount donated by the company were used for the benefit of the Valcea Emergency Hospital, its program for children with diagnosed cancer, and to help disadvantaged people.

2.6

BRING USEFUL SOLUTIONS TO CUSTOMERS

We serve customers in electricity and gas supplies. We also offer our customers smart energy solutions for households. These include, for example, photovoltaic installations with battery systems, smart thermostats, heat pumps, modern gas boilers, financial services, turnkey electric mobility, assistance services, and mobile telephony services.





2.6.1 We Sell Responsibly

CEZ Group's goal is to provide comprehensive and transparent services. Customers can choose the most comfortable manner of contacting us. We operate customer care centers, call centers, and technical consulting points.

The services of our **call center** agents are free of charge—we operate a **toll-free ČEZ Prodej Customer Care Line at 800 810 820** to handle requests concerning our products and services and a **toll-free ČEZ Distribuce contact line at 800 850 860** for reporting failures and handling technical requests.

We also accept requests sent in via e-mail, mail, fax, and our ČEZ ON-LINE and DIP web and mobile apps. Although the number of requests handled via the Internet is growing, we still have a large number of customers that prefer personal contact.

We have a **network of 77 customer care centers** and contractual partner offices throughout Czechia. Thirteen customer care centers were completely reconstructed to offer all available comfort to customers. We extended the opening hours of our most frequented customer care centers in 2018.

Following the launch of ČEZ Distribuce's toll-free contact line and online portal for communication with the distributor, "Distribution Portal" (DIP), we are expanding the network of **technical consulting points** (TCPs) in our service area. We had six TCP locations in operation in 2018 and plan to open another ten points. Customers primarily use the contact points to handle their requests concerning distribution activities and also come in with connection and relocation applications.

Another step in improving ČEZ Distribuce's client service is notifying of planned outages by e-mail or failures by text to a phone number specified by the client. ČEZ Distribuce also prepared a new **interactive website at bezstavy.cz**, where customers can easily check the current state of electricity distribution at a specific address. It also displays ongoing planned outages or failures.

ČEZ Prodej employees handled almost 3.5 million customer requests in 2018

The network of 77 ČEZ Prodej offices was visited by **827,640 customers**. For those who prefer to make their requests from home, we have a web and mobile app, ČEZ ON-LINE, which works similarly to Internet banking; they handled **482,514 customer** requests last year. 93% of customers give an “A” to our client service, which is two percentage points more than in the previous year.

3,965

requests were handled by CEZ Group call centers during the three days of Christmas.



We Care about the Safety and Health of Our Customers and the Public

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

We Approach Customers and the Public in the Same Manner

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

News and Events of 2018

- We launched a counseling center for our customers facing unfair practices. Our site at www.cez.cz/nedejtse publishes a “Decalogue” that our customers can follow to prevent unfair practices.

Medals for ČEZ customer service in an international competition in Berlin

ČEZ Prodej won medals in two categories in an international contact center competition in Berlin. The Contact Center World, an association having members in more than 200 countries and territories, awarded ČEZ a bronze medal both in the main category of “Best Contact Centers” and in the subsidiary category of “Best Customer Service.” The regional finals in which ČEZ won the awards covers the region of EMEA.

2.6.2 We Offer Products and Services beyond Commodities

We plan to build a system of products and services aimed at improving the quality of life by using advanced technology for the generation of electricity, heat, lighting comfort, and mobility and for reducing our customers' energy consumption.

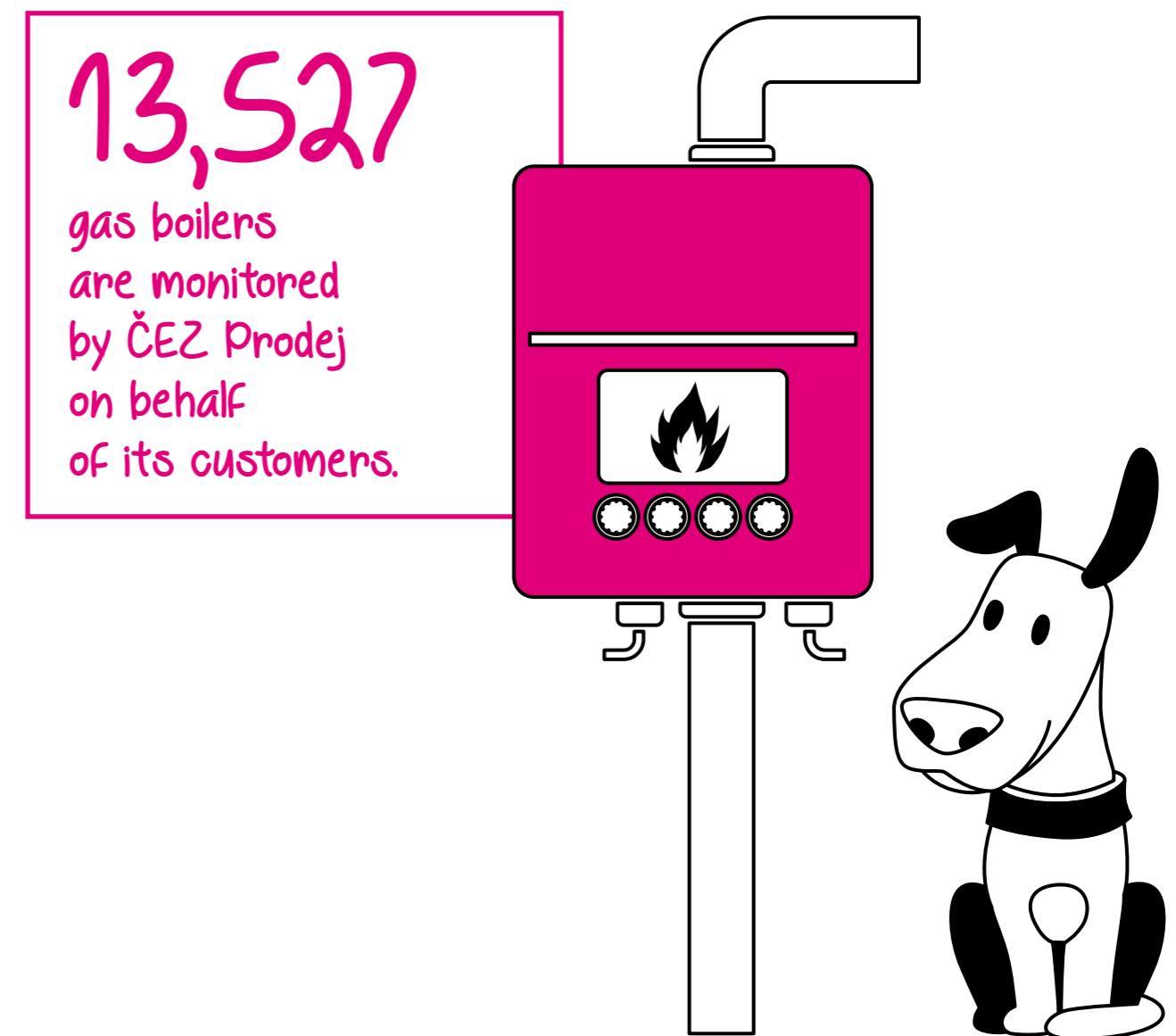
Customers focus more and more on comprehensive services associated with energy use. Households are increasingly interested in active consumption management and their own energy generation; corporate customers take advantage of outsourcing and comprehensive energy facility management.

EPC (Energy Performance Contracting) projects by ČEZ ESCO and its subsidiaries **let municipalities and the government save energy worth CZK 215 million.**

- The biggest project at a single site in Czechia is the Prague Congress Center, which now saves about 30% of its costs of energy, heat, gas, and water.
- The Metropolitan District of Prague 13 was able to reduce consumption at 34 schools to a half of the 2009 amount under its "Thrifty Schools" project.
- A project undertaken at the Moravia-Silesia Region's schools, hospitals, and other buildings saved more than CZK 21 million of public funds.
- The Pardubice Region is guaranteed by ENESA and EVČ to save at least CZK 22.5 million but additional savings of up to CZK 6 million can be expected. They are modernizing hospitals, social care institutions, and most schools.
- An energy-saving project in the Svidník hospital received an award as the best project of its kind in Slovakia in 2018. It was the best among almost twenty competing projects.
- ČEZ ESCO Polska received a New Impulse award at the New Industry Congress in Katowice. The organizers appreciated the company's role in the development of the energy services sector.

News and Events of 2018

- Our new ČEZ HEATING SERVICE (comprehensive care for a gas boiler) quickly attracted a whopping 15,000 customers.
- ENESA, a member of ČEZ ESCO, participates in Quantum, a pan-European project for optimizing the energy performance of buildings.
- ČEZ Prodej acquired TENAUR to become one of the leading providers of services in the heat pump sector.



2.6.3 Customer Experience

Our goal is continual measurement of our customers' satisfaction in all segments covered by ČEZ. The outputs serve as a basis for corrective actions that are taken on an ongoing basis.

We got feedback from more than 23,500 customers in 2018. The overall CX KPI was 79%, which is an improvement of 5% over the 2017 result.

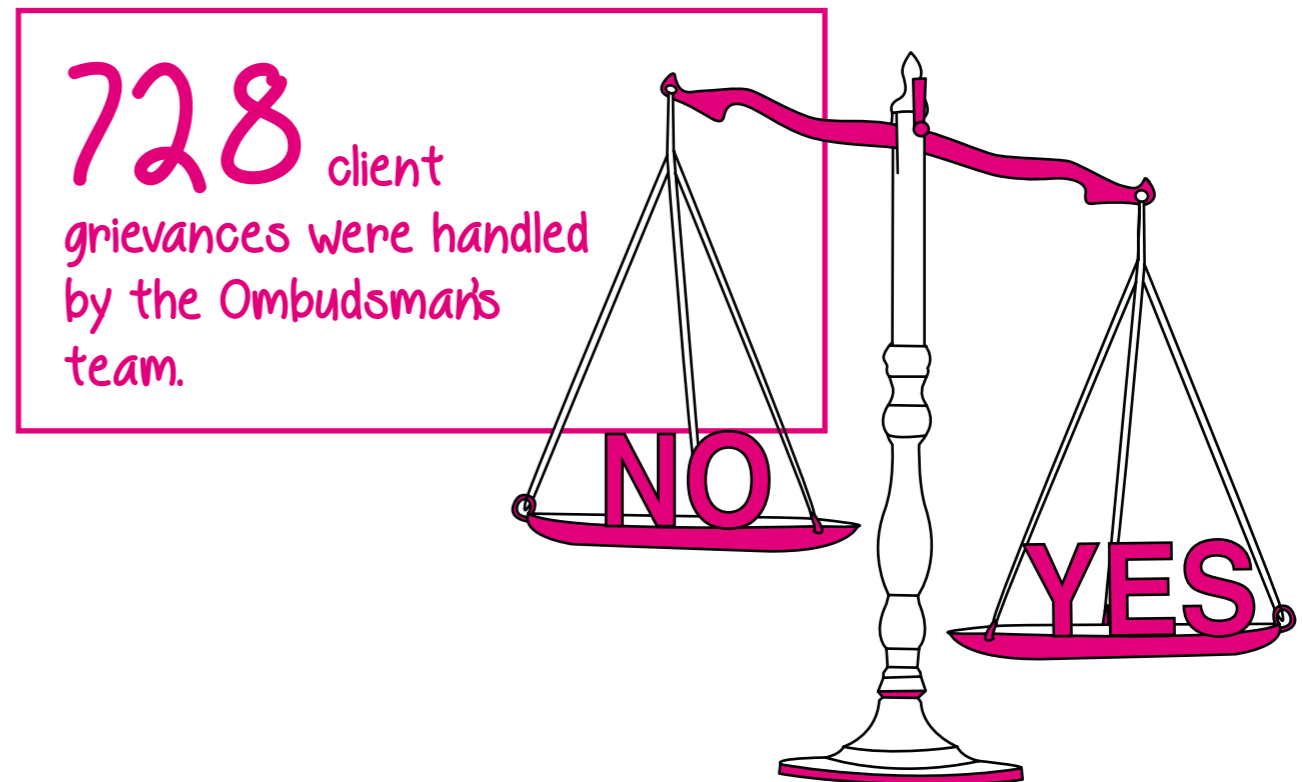
News and Events of 2018

- We conducted a large comparative study of customer satisfaction, which confirmed a positive trend even in comparison with competitors across sectors.
- Requirements arising from the GDPR legal framework for personal data protection were incorporated in CX data collection in the first half of 2018.

2.6.4 Ombudsman

CEZ Group was the first utility in Czechia to introduce the institution of ombudsman in October 2009. The ČEZ Ombudsman endeavors to improve client satisfaction. Our customers can contact him whenever they feel that their grievance or claim was not investigated and handled correctly by a CEZ Group company. They can also contact him if they believe a company's conduct is unlawful or immoral.

The [ČEZ Ombudsman Aid Center](#) was made available on the CEZ Group website in 2018; it contains descriptions of the most common situations in which customers contact the ČEZ Ombudsman. For detailed statistics and information about the ČEZ Ombudsman's activities in 2018, refer to the [annual report](#) published on our website.



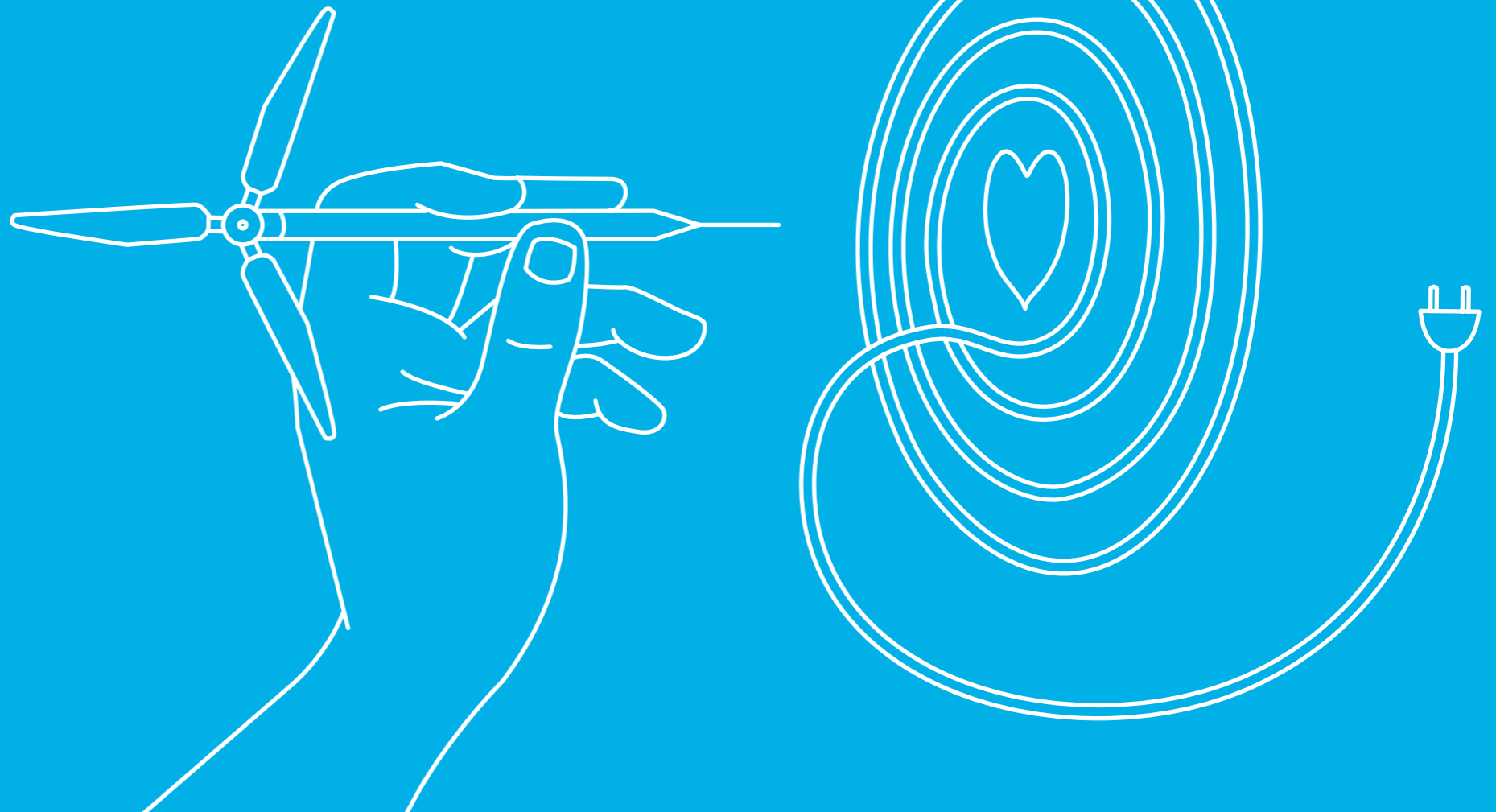
The ČEZ Ombudsman has been contacted by almost 7,000 clients during the more than nine years of his existence

The ombudsman's four-member team found a total of 728 grievances on their desks in 2018. The ombudsman decided 39 cases in favor of the customer and asked the relevant CEZ Group company to comply with the customer's request. In 22 of those cases, the customer's request was complied with by the relevant CEZ Group company following a hearing of the case by the ombudsman's office and the company. In contrast, the ČEZ Ombudsman adopted a special approach to 17 cases, taking account especially of the applicant's social situation. Most of the grievances (621) in 2018 concerned electricity supplies, 98 grievances concerned gas supplies, 6 grievances related to mobile telephony services, and 3 grievances concerned financial services.

2.7

ENABLE ENERGY SECTOR TRANSFORMATION

We strive to remain a pioneer of energy sector transformation, which includes enhancing energy efficiency or using renewable energy. That is why the stringent requirements of current markets keep urging us on. We are implementing projects with a positive impact on society, towns, villages, schools, and other entities. These include heating systems, smart buildings, smart lighting systems, etc.



2.7.1 We Are a Leader of Energy Sector Transformation

Because of CEZ Group's size and significance, we strive to be the key leader of transformation in the whole energy sector. The gradual transformation of this sector brings about big investment opportunities.

In addition to Czechia, ČEZ has active presence in Bulgaria, France, Germany, Hungary, Poland, Romania, Slovakia, and Turkey. We now have advanced energy services (ESCO) operations in Czechia, Germany, Poland, Romania, and Slovakia.

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

We are one of the founders of this initiative and strive to contribute to the inflow of investments in modernization and technological advancement in Czechia, to the modernization of municipal and industrial infrastructures resulting in reduced environmental burdens, and to the improvement of the quality of the interior environment in buildings.

By way of the NCES, we are:

- Popularizer in the matters of energy for association members
- Consolidator of innovative energy solutions
- Facilitator of interconnections between municipalities' needs
- Platform for networking and education
- Adviser in matters concerning energy legislation and the makeup of the subsidization environment at the level of Czechia and the European Union

We Are Close to Europe—Having an Office in Brussels, Collaborating with EU Institutions

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

At the European level, CEZ Group representatives regularly participate in work groups of the EU [Platform on Coal Regions in Transition](#). This is used by representatives of European institutions, regions, public administration, and industries to share best practices in the transformation of regions depending economically on coal mining and further coal processing. ČEZ is involved in the platform on a voluntary basis.

Our company also became voluntarily involved in the [EU Battery Alliance](#), which aims to create a European battery value chain. This initiative should make the European Union more competitive against global competitors while the European battery industry helps transform the energy sector.

[Eurelectric](#) created a [Social Sustainability Committee](#). Eurelectric is a sector association representing the common interests of the European electricity industry in Brussels. The head of ČEZ's Brussels office is a member of the committee.

2.7.2 We Develop Clean Technologies

We aim to develop clean technologies in electricity generation and transportation because the energy sector's shift toward these creates interesting business opportunities.

- We monitor CO₂ emissions per MWh supplied. We decreased the emission intensity of electricity generation by 3.94% as compared to the last year.
- We endeavor to develop in energy savings and decentral energy. We keep developing, most importantly, our [portfolio of wind farm](#) projects under development.
- We continually increase the [number of installed charging stations](#). We develop them to allow a low-emission mode of transportation. The amount of electricity supplied by means of such stations increases considerably every year. For more information, refer to /E/mobility—Energy to Move Forward.
- We deliver [turnkey energy solutions](#) for households and businesses. These include, for example, photovoltaic installations complete with a battery system (delivery, installation, financing, maintenance), development of services in the field of energy projects and structures and energy audits, or heating services and products (smart thermostats, boiler renovations, heat pumps).
- ČEZ's hydroelectric power plants generate an annual average of 2,000 GWh of environmentally clean electricity at very low operating costs.

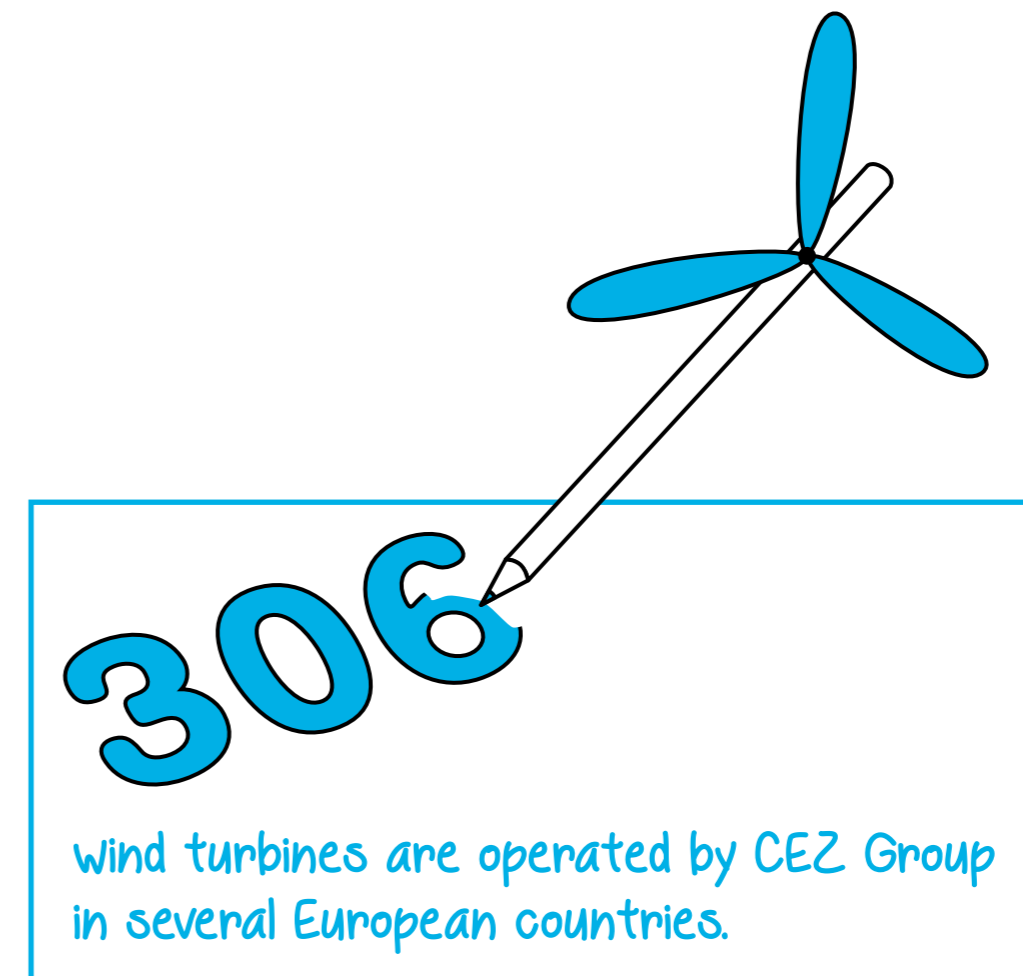
Wind Power Plants

There are now wind turbines in operation at dozens of locations in Czechia, with nominal capacities ranging from small capacities (300 kW) for private use to 3 MW. CEZ Group was a [pioneer in wind energy development in Czechia](#). Over time, it operated wind turbines in Dlouhá Louka above Osek u Litvínova in the Ore Mountains, at Mravenečník in the Ash Mountains, or at Nový Hrádek near Náchod. It intends to expand its portfolio of wind parks in Czechia through [ČEZ Obnovitelné zdroje](#) in the next few years.

The first modern, new-generation wind power plants are the turbines put into operation in 2009 at Věžnice in the Vysočina Region and at Janov in the Pardubice Region, each with an installed capacity of 4 MW. In addition to Czechia and France, CEZ Group is also active in wind energy in Romania, Germany, and Turkey.

ČEZ operates wind parks with an aggregated installed capacity exceeding 760 MW in Europe.

In Romania, CEZ Group operates Europe's largest onshore wind farm at Fântânele and Cogeaalac. Its 240 turbines with a total installed capacity of 600 MW generate clean energy in an area of 12 × 6 km. In Germany, CEZ Group companies operate 53 turbines in onshore wind parks with a total installed capacity of 133.5 MW. Wind turbines in Turkey have an installed capacity of 28.2 MW. Due to new acquisitions, about [70% of the CEZ Group portfolio](#) of wind power plants in Western Europe is now [under development](#).



Photovoltaic (PV) Power Plants

New energy storage technologies are part of our commercial offerings of decentralized renewable electricity generation. ČEZ Solární has installed hundreds of rooftop photovoltaic systems during its existence; most customers have taken advantage of subsidies under the New Green for Savings program. There is also an increasing number of PV installations that customers purchase together with a system storing the electricity generated during the day.

ČEZ has installed the highest number of solar installations in Central Bohemia, including Prague, followed by the Ústí nad Labem and Moravia-Silesia Regions. Online data on rooftop PV installations are available at kolikvyrobisolary.cz.

ČEZ offers turnkey photovoltaics to its customers; the complete offering includes

- Delivering the technology
- Taking care of the paperwork
- Providing related services (consulting, instructing the user and recommending a suitable system operation mode, transport and installation, connecting and putting the system into operation, including an official inspection)
- Financing through ČEZ TECHNOLOGY CREDIT with an advantageous interest rate for our customers, providing PV operability and performance monitoring FOR FREE if the photovoltaic system is installed by ČEZ and the customer uses our ELECTRICITY FOR SOLAR INSTALLATIONS product

Did you know that...

... Photovoltaic power plants can be installed on roofs facing south, west, or east? The roofs can be either sloped or flat; they just need to have a sufficient load-bearing capacity.

... Life expectancy for the panels is up to thirty years and ČEZ provides a 25-year warranty for 80% panel output capacity and a 10-year warranty on the panels as such?

... One kilowatt of installed capacity covers about 7 m² on a sloped roof; a standard private home can fit 3–7 kilowatts of panels? Panels on flat roofs are installed in rows and it is necessary to make sure that one row does not obstruct sunlight for another. This can require a little bit more space.

... One megawatt-hour of electricity generated by a photovoltaic system saves about one ton of CO₂ that would have been released into the air if the same amount of electricity had been generated by conventional coal-fired power plants? Accordingly, a hundred rooftop photovoltaic systems installed by ČEZ saves 15,849 tons of CO₂ during their expected thirty-year lifetime.

6.2 MWh/year
or 6,200 kWh is
the annual electricity
consumption per capita
in Czechia.



InterFlex Project with participation by ČEZ Solární

Thanks to ČEZ Distribuce, ČEZ Solární (ČEZ ESCO) has been involved since 2017 in a research project testing the impact of new functionalities of PV technologies on voltage control in low-voltage distribution networks. Three locations (Těptín, Divišov, and Lužany) were identified in collaboration with ČEZ Distribuce as suitable for the installation of PV power plants in different configurations, including battery systems. The project, solution, offer/contract, and relating terms and conditions were presented to these municipalities. The full installation has been completed in some cases, other locations are ready for construction or in a conversion stage.

The testing of new functionalities in smart inverters and batteries and their deployment should be facilitated in the future (especially economically) by the ability to connect the PV systems to the distribution system. The InterFlex project was supported by the European Union, is led by ČEZ Distribuce, and its other partners are, besides ČEZ Solární, the Austrian Institute of Technology, Fronius, Schneider Electric, and Siemens.

Hydroelectric Power Plants

With their operating characteristics, impoundment and pumped-storage hydroelectric power plants ensure dynamic functions in the electricity system and provide indispensable reserve capacity for the system. We have an approximately two-thirds share in the utilized hydraulic energy potential in Czechia. [We operate power plants constituting the Vltava River Cascade and the Dalešice and Dlouhé Stráně pumped-storage power plants.](#)

Through our hydroelectric power plants, we ensure

- Environmentally friendly and economical electricity generation
- Maintenance, modernization, or reconstruction of generating plant and structures
- Scientific and technical development and engineering activities
- Dispatch control of the Vltava River Cascade

[Hydroelectric power plant activities are geared toward environmental protection](#) by means of, for example, lubrication-free guide vane trunnion bearings, the lubrication-free design of turbine seals, the installation of impellers without oil fillings, or the enrichment of water with oxygen by the operation of aeration sluices.

News and Events of 2018

- In December 2018, CEZ Group acquired a 50% share in a joint venture with German developer GP Joule to jointly develop onshore wind park projects with a planned capacity of up to 130 MW. A wind farm will be built near the municipality of Reußenköge, one of the windiest places in Germany. Contracts were also made with BayWa r.e. Wind for the joint development of four wind parks with a capacity of 63 MW.
- Major investments were made in the development of wind farm projects in France in 2018—the construction of the first project, the Ascheres wind farm with an installed capacity of 13.6 MW, started in October. Commissioning is expected in the second half of 2019.
- Our hydropower expert and engineering group looked into new developments in legislation—support for renewable energy sources focusing on small hydropower plants.
- The “Hučák” (Hradec Králové) small hydropower plant, which is a protected cultural monument, underwent reconstruction.

2.7.3 We Seek Technologies That Help

We want to allow every customer in Czechia to reduce their energy consumption and improve their quality of life by using advanced technology for electricity and heat generation, lighting comfort, and mobility.

Economical and smart customer solutions are offered by our subsidiary **ČEZ ESCO** (Energy Service Company), a leader in the field of efficient, energy-saving, and environmentally friendly solutions. The company was established in the fall of 2014 with a vision of integrating existing ČEZ subsidiaries involved in energy services and expanding in this field both organically and through acquisitions.

ČEZ ESCO provides supplies of electricity, gas, and heat, energy management, energy audits and energy consultancy, and the construction of electrical equipment, cogeneration units, and rooftop photovoltaic installations. It also has the biggest share in the Czech market in the installation of energy-saving measures, air-handling equipment, and air-conditioning. It operates customer-owned energy equipment for many of its customers and provides services relating to maintenance and repair. ČEZ ESCO is also a supplier of services related to public and corporate e-mobility.

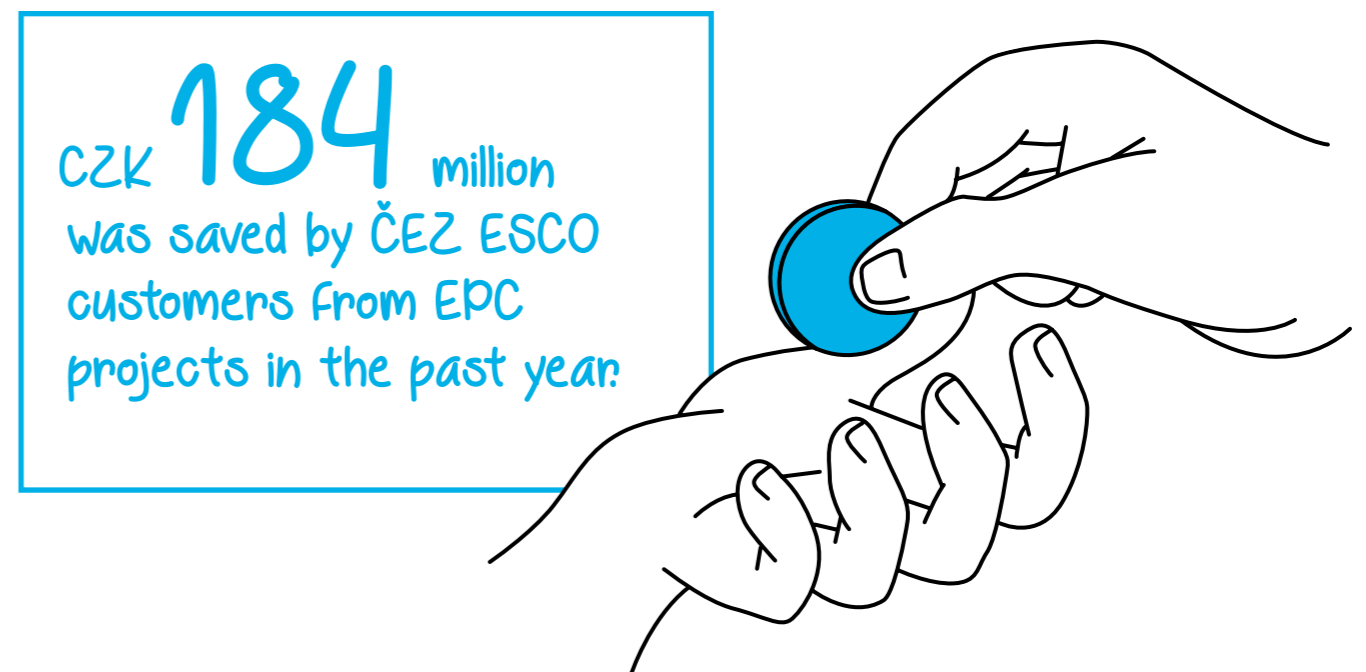
At present, ČEZ ESCO has nineteen subsidiaries and almost 2,000 employees in Czechia and Slovakia. CEZ Group also provides ESCO services in markets in Germany, Poland, Romania, and Bulgaria through subsidiaries managed by the ESCO International unit, which have another 2,500+ employees. This makes ČEZ the largest provider of these solutions in the region. Customers include industrial companies, small and medium-sized businesses, municipalities, public and private organizations, and companies managing buildings and premises of all types, from residential and administrative buildings to hospitals, schools, or sports arenas.

Energy-Saving Projects

Guaranteed energy services/Energy Performance Contracting (EPC) guarantee the customer right in the contract that the contractor will achieve the savings; otherwise, the contractor has to pay the difference. Every project is designed so that the customer can repay all investments and other related costs within a period known in advance using the savings generated by the project. The amount of savings is demonstrable by means of a data measurement system and energy management.

- Our subsidiary ENESA is a member of the Association of Providers of Energy Services (APES), whose mission is to contribute to continuous development of energy services in the Czech market. It is also a signatory to the **European Code of Conduct for Energy Performance Contracting**. This is a set of values and principles that are considered fundamental for the successful implementation of EPC (Energy Performance Contracting) projects within European countries.

ČEZ ESCO has modernized **public and industrial lighting** systems in more than sixty towns and villages. We also provide state-of-the-art, customized solutions to a number of industrial enterprises that can have highly specific technical requirements. Lighting modernization is a capital project that not only saves considerable operating costs but also contributes to maximum lighting comfort for employees.



ČEZ Battery Box—Smart Solar Battery House

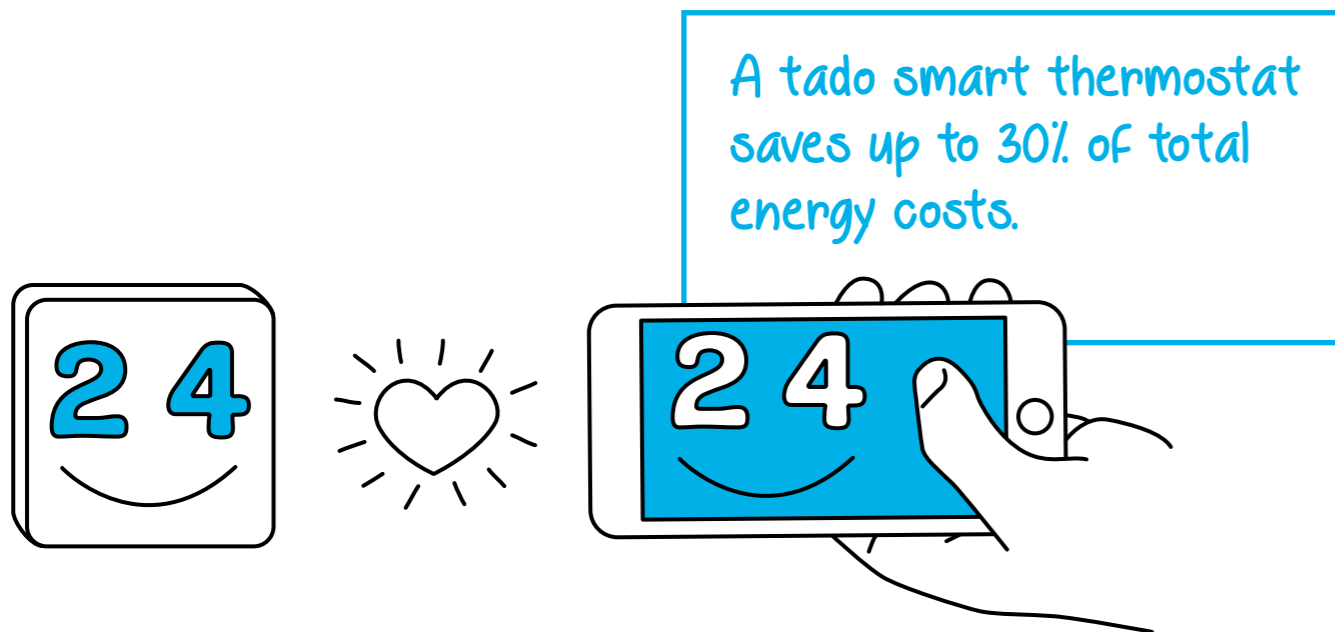
An F-hybrid system allows achieving full or partial independence from the electricity distribution grid and is a combination of an OFF-GRID island system and a standard ON-GRID photovoltaic system, where both systems are utilized. Just like the human heart and brain control energy supply to all places in the human body, the three-phase ČEZ Battery Box system helps manage and distribute electricity to all necessary locations to properly meet current demand.

Heating

We offer expert consultancy for the selection of a heating system, delivery, installation, and maintenance. We also handle all paperwork associated with application for a state subsidy, which can cover up to 80% of the purchase cost; we help with funding through ČEZ TECHNOLOGY CREDIT, free of charge for our customers.

tado Smart Thermostat—Smart Home Available to Everybody

With a tado smart solution, everybody can have thermal comfort at home, using either a smart thermostat or air-conditioning. A mobile app allows setting up a nicely warm or, conversely, air-conditioned home. This solution also saves up to 30% of total energy costs.



News and Events of 2018

- The ČEZ Heating Repair product was used by 15,000 customers throughout Czechia.
- We acquired TENAUR, a company delivering and installing heat pumps, remote technology administration systems, and PV and heat pump integration systems.
- We launched our Electricity for Charging product (part of ČEZ Prodej's e-mobility) and our /e/mobility package for the B2C segment.
- We extended the tado thermostat product to cover air-conditioning control.
- We expanded our subsidy management to include additional technology programs.
- We created our own technology sales team at ČEZ Prodej—laying the foundation for a service system for handling technology from an inquiry to implementation.
- Elevion Group in Germany delivered complete central energy systems for combined electricity, heat, and cold generation to the BMW Group's Munich headquarters and production facilities.
- We kept expanding in the German market in ESCO services by acquiring Kofler Energies. Kofler Energies customers include both German industry and public administration. It is engaged in projects enhancing energy efficiency, designing of decentral facilities, and battery systems.
- ČEZ ESCO Polska commenced a demanding energy management modernization project at five schools in Gdynia. The investment of more than CZK 155 million includes not only thermal insulation but also replacement of windows and doors, switchgear overhaul, and replacement of central heating, hot water distribution, and air-handling equipment. Roofs will be fitted with photovoltaic panels.

The future of distribution lies in digitalization

Three fundamental factors

Our digitalization efforts are driven by three parameters: the European Union's regulation, continuous technological advancement, and our clients' preferences. There are an increasing number of active clients that will require faster access to data. Digitalization can help us understand their requirements. At the same time, digitalization involves a moment that is crucial to us, namely optimization.

Leader in a digitalized environment

ČEZ Distribuce's vision is to become the leader in the new digitalized environment. This is, however, associated with an extreme change in investments, which is our big challenge for the next two years. However, within four years we should be able to switch to a system based on internal digitalization and process management without giving up the safe operation of our distribution grid.

Full digitalization will then also make greater demands on the competences and skills of ČEZ Distribuce employees.

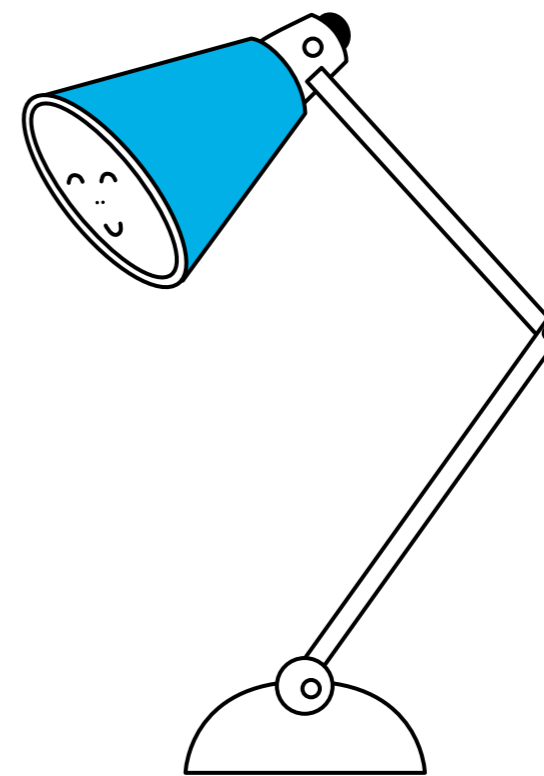
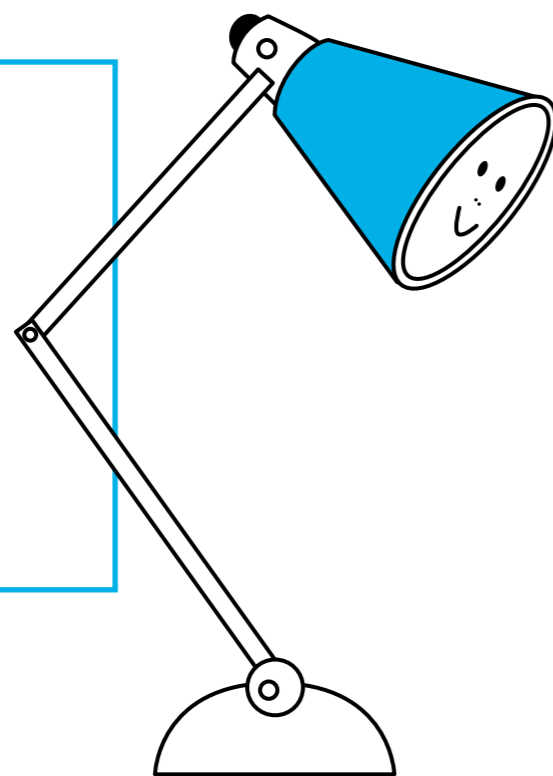
2.7.4 We Make Cities "Smart"

Our goal is to help cities decrease energy consumption and enhance energy efficiency under the Smart City concept.

According to a United Nations estimate, more than a half of the global population is living in cities now and about seven out of ten people on the planet will live in a city by 2050. To cities, more residents mean greater demands on transportation and energy, higher water consumption, and higher production of waste. We are at the beginning of a technological revolution today. Just like standard cell phones became smartphones several years ago, buildings, streets, and also individual items such as street lamps or trashcans will become smart.

Using smart technologies improves the quality of the environment in cities, towns, and villages as well as the quality of life for their inhabitants. This approach also allows us to take advantage of and expand the product portfolio of ČEZ ESCO.

We are currently at the beginning of a technological revolution.



News and Events of 2018

- We carry out sensory measurements of internal environment quality at schools.
- We delivered smart public transportation stops for Brno.
- We launched a pilot Healthy School project.
- We participate in the preparation of Smart City guidelines under a National Center for Energy Savings/Union of Municipalities project.
- We became a partner of the CEEHACKS innovation marathon.
- We participated in the preparation of a publication named “Indicative Guidelines for Contracting Authorities in the Implementation of Design & Build (& Operate) Construction Projects”.
- We became a partner of the Center of City of the Future.
- We became a partner an innovation project run by the University of Ostrava.
- Our EPC project for the Svet zdravia Hospital in Svidník won the Efektia 2018 award.
- Kamil Čermák, CEO of ČEZ ESCO, became the SMART CITY Personality 2018; he was also elected to the executive committee of the Czech Smart City Cluster (CSCC), an association of more than 54 entities that intend develop and build smart cities in Czechia.

An ESCO team attended the Smart Hackathon Prague 2018

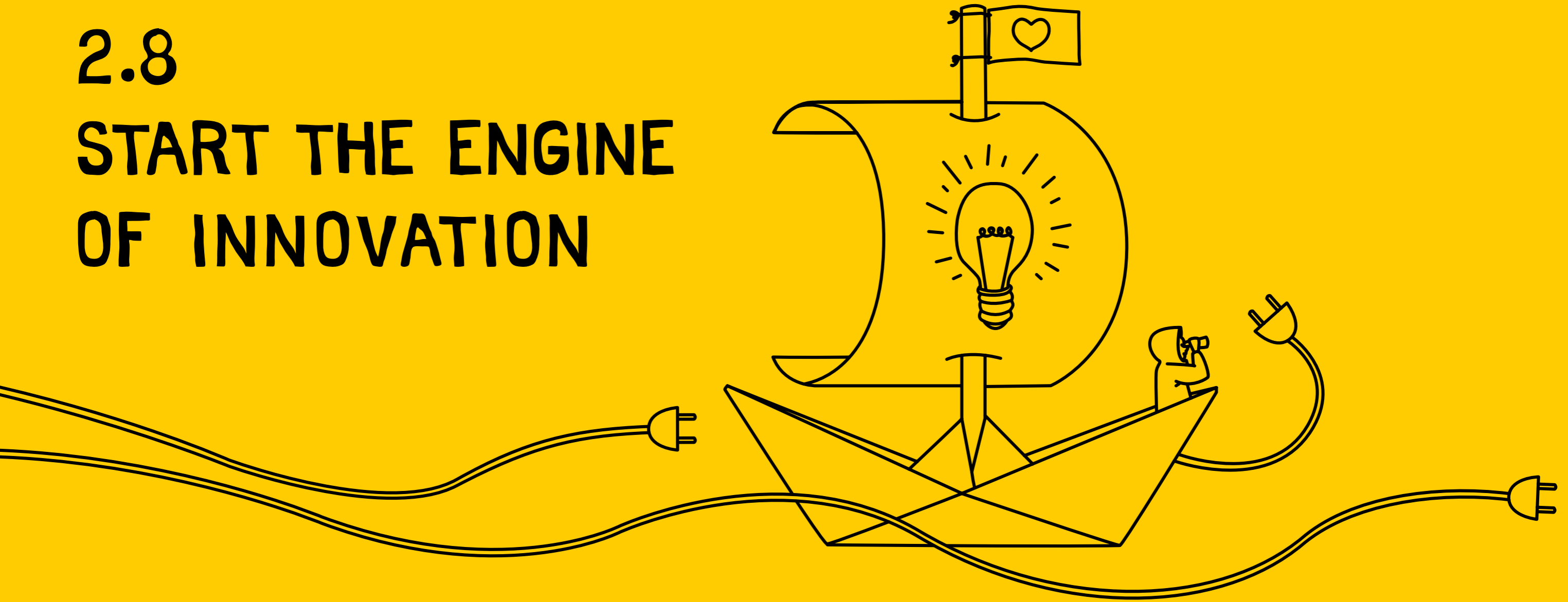
Young programmers and innovators arrived to the ŠKODA DigiLab in Prague in early April again, after a year, to participate in the several-day Smart Hackathon Prague (www.ceehacks.com) and find the best solutions to e-mobility, urban navigation, or safe driving projects in the competition of eighteen three-member teams. ČEZ ESCO was a partner of the hackathon for the first time and also sent a team of six mentors to help the contestants.

ČEZ ESCO will supply energy generated from biomass, charging stations, and facilities for electric buses in Trutnov

Since the beginning of 2019, Trutnov’s public transit fleet has consisted solely of electric and CNG buses. A total of seven new vehicles will replace old Diesel-engine buses, complementing the fleet of three existing CNG buses. The project will contribute to an improvement in the environment and to modern public urban transportation.

The Trutnov region is becoming absolutely unique in Czechia as regards environmental enhancements and modernization of public transit. The new fleet of buses is much more environmentally friendly than standard vehicles, which will be highly appreciated by the residents.

2.8 START THE ENGINE OF INNOVATION



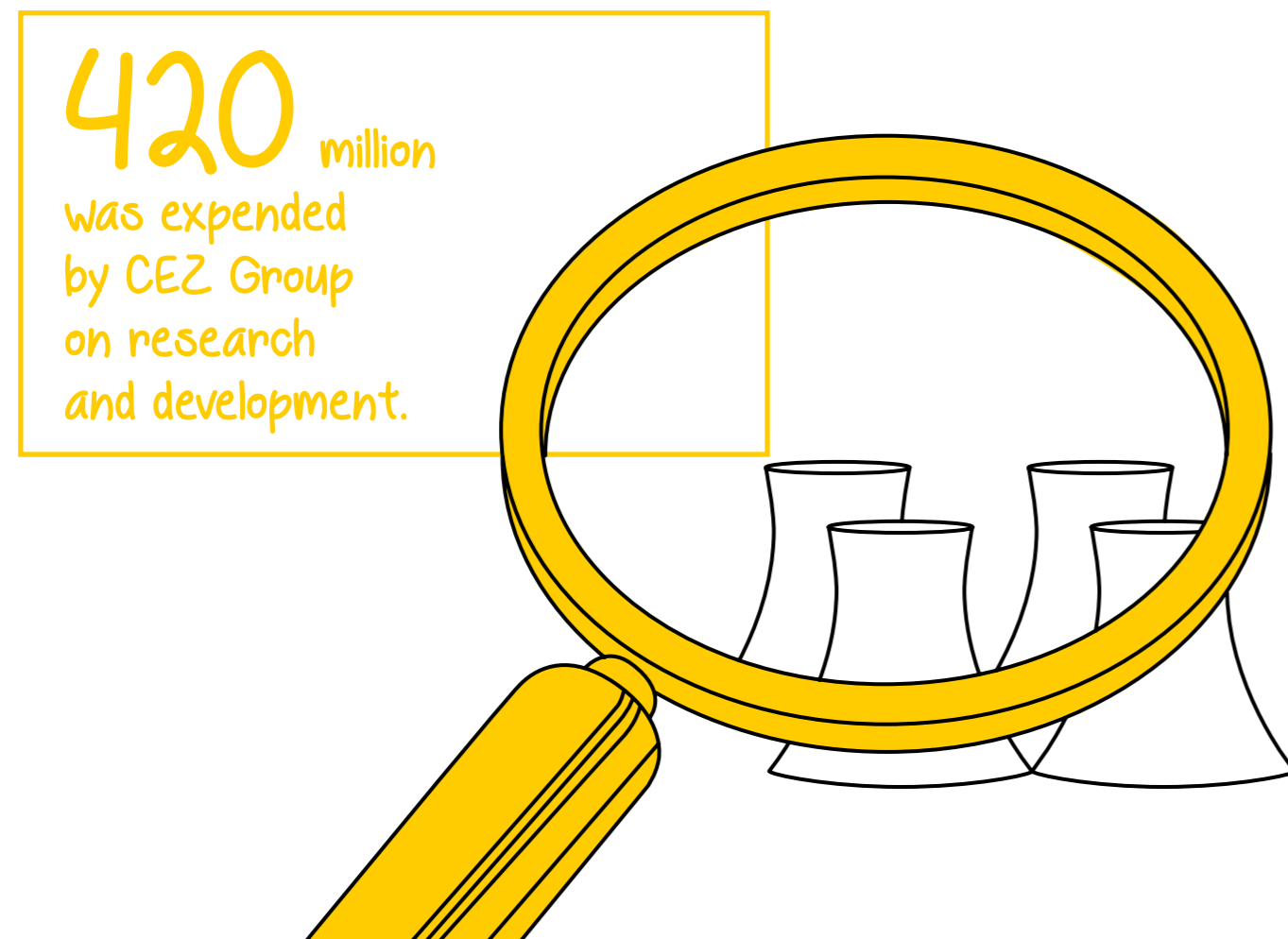
We are rewinding up the engine of innovation in our services and products in the market. We strive to constantly find and introduce innovation processes and services for our customers to bring them better and cheaper solutions. Our goal is to be perceived by the public as a company that is the key initiator in this field.



2.8.1 We Support Research and Development

We focus CEZ Group research and development on existing assets as well as the development of future opportunities in “new energy.” We always reflect the current and anticipated trends in the energy sector and strive to effectively support research and development projects that have considerable potential for application in CEZ Group, contributing to further technological development. We also support activities lessening the environmental impacts of CEZ Group’s operations.

The outcomes of research and development projects are applied at CEZ Group, helping improve the environmental, safety, and economic parameters of CEZ Group facilities or gather information for making decisions on the implementation of intended development projects. We focus in particular on nuclear energy, materials engineering, and the use of low-emission energy sources, such as the development of hydrogen technologies. Projects implemented at the moment include, for example, research into air pollutants or waste-to-energy development.



CEZ Group companies’ expenses on research and development were CZK 420 million in 2018. Companies (especially Centrum výzkumu Řež) also received research and development subsidies amounting to almost CZK 530 million. ČEZ expenditure also covers a reactor vessel material surveillance program (CZK 199 million), which is aimed at obtaining information on the current state of reactor pressure vessels and providing an objective basis for predicting their useful life.

ČEZ

ČEZ commenced the implementation of several projects funded by ČEZ and several projects supported by the Technology Agency of the Czech Republic (TACR). In addition to TACR projects, we take an active part in subsidy and grant projects and government programs presided over by national institutions such as the Ministry of Industry and Trade. We collaborate with external partners, CEZ Group functions, and foreign institutions.

Preparations started for the National Energy Center project, under which ČEZ has prepared a number of diverse subprojects concerning both modern and conventional facilities. Implementation continued of a project included in the program of the “Center for Research and Experimental Development of Reliable Energy” competence center (CESEN) that aims to improve the operational parameters of turbines for coal-fired and nuclear power plants. A Waste-to-Energy Competence Center project nearing its completion is aimed at the development of innovative waste-to-energy solutions.

ČEZ also participates in the McSAFE project under the Horizon 2020 program, which aims to develop more accurate numerical models for a reactor core, which will result in better utilization of nuclear fuel and safer operation.

Our international cooperation and technological platforms include participation in the nuclear sector of the Electric Power Research Institute (EPRI), membership of VGB PowerTech, and participation in the Sustainable Nuclear Energy Technology Platform (SNETP), the NUGENIA association, or the ESNII industrial initiative. In Czechia, we are involved in the “Sustainable Energy for the Czech Republic” (TPUE) technology platform.

Nuclear power:

- Initial work focusing on the stabilization of circulating cooling water at the Dukovany Nuclear Power Plant started in 2018. A successful solution will help reduce the amount of water withdrawn for the power plant's purposes.
- Analytical work was started for addressing and monitoring the condition of nuclear fuel.
- Analytical and verification work was carried out in relation to the management of accident scenarios, including response to severe accidents and fulfillment of the National Action Plan (NAcP) for nuclear safety enhancement at nuclear facilities in Czechia.

Nonnuclear power:

- A series of diagnostic and materials projects was completed in 2018, focusing on minimizing risks in steam pipes with hinged hangers and predicting the service life of critical parts of superheaters and reheaters in modern generating units.
- Monitoring of the operation of the first installed innovative vortex hydroelectric turbine continued at Želina.
- Work systematically continues on the comparison of various types of storage in connection with renewables—batteries, storage in heat, or storage in hydrogen.

We are an active player in nuclear research under NUGENIA

For example, ČEZ actively participates in the McSAFE project, aiming to more efficiently model a reactor core. The three-year research project, supported with EUR 2.9 million (about CZK 74 million) by the European Union, will develop and test new computational methods for analyzing and evaluating the design safety of a reactor core, more accurate than those used in industrial practice today. This will help further enhance the operational efficiency and safety of reactors.

ÚJV Řež is engaged in several projects focusing on material aging. For example, it is researching into the aging of reactor vessels (the SOTERIA project) and cables (the TeaM Cables project). Research results will be an important input into safe extension of the service life of existing nuclear units. The company focuses primarily on operational safety and its continuous enhancement in other projects, too.

CEZ Group is one of 114 entities associated in NUGENIA: they are nuclear power plant operators, technology suppliers, research and academic institutions, and technical support organizations of nuclear supervisory authorities.

ČEZ, ÚJV Řež, and Centrum výzkumu Řež participate in a total of nine research projects worth tens of millions of CZK.

ÚJV Řež

ÚJV Řež focuses on services and research for operators and manufacturers of power installations, especially nuclear power plants, on the processing, storage, and disposal of radioactive waste, and on diagnostic radiopharmaceuticals for positron emission tomography. It worked on or participated in 59 projects supported by public funds in 2018. ÚJV Řež is Czechia's most important research body working on European Union projects concerning nuclear fission (EURATOM Framework Program).

- Continued projects included research into cement-based materials and their barrier function or the development of an in-vessel melt retention strategy for severe accidents.
- Supported projects included, for example, the development of a recyclable decontamination medium for nuclear decommissioning, fiber-optic sensors for measurements in nuclear power plants during beyond-design-basis accidents, or the simulation of fire and smoke propagation in a critical infrastructure facility following an accident or deliberate attack by an aircraft.
- It keeps focusing on the development of hydrogen technologies, from electrolytic hydrogen production to independent power sources based on hydrogen fuel cells to construction techniques for hydrogen filling stations.

We opened the first "hydrogen" charging station for electric vehicles in Czechia

Environmentally oriented EV drivers can recharge at a unique charging station that is interconnected with a hydrogen management system through the local network of ÚJV Řež.

ÚJV Řež has been successfully engaged in the application of hydrogen technologies in the energy and transportation sectors for more than ten years and a charging station for electric vehicles combined with hydrogen fits this concept well. In addition to an "electric" charging station, we want to put a hydrogen filling station for small vehicles into operation in Řež within two years.

Centrum výzkumu Řež (Řež Research Center)

The Řež Research Center is a research organization focusing on research, development, and innovation in the energy sector, in particular nuclear energy. The backbone of the company's research infrastructure consists of two research nuclear reactors and a set of laboratories and experimental facilities (nondestructive testing laboratories; material, chemical, and microstructural laboratories; nuclear fusion research facilities; nuclear fuel cycle laboratories; and experimental technology loops).

- The **SUSEN** (Sustainable Energy) project allowed the Řež Research Center to significantly expand its research infrastructure for research and development in nuclear and nonnuclear power and related fields (research into energy storage or hydrogen technologies).
- Projects implemented under the **Horizon 2020 program** focused on research into the properties and degradation of materials for generation IV reactors, modern thermodynamic circuits (with supercritical CO₂), research into severe accidents (core melt behavior and properties), and research on the behavior of construction and building materials to ensure a long-term useful life of power plants (aging of concrete, etc.).
- The research center continued with the preparation of its own concept design for a small modular reactor based on high-temperature fluoride salts.

ČEZ Distribuce

ČEZ Distribuce took an active part in the preparation and execution of applied research, experimental development, and innovation programs.

- SecureFlex project focuses on safe utilization of capacity flexibility for system management and for business purposes.
- National Energy Center project focuses on new energy network elements and technologies and research into safe communications technologies for smart communications networks in the energy sector.
- Activities under the INTERFLEX project included construction work on charging points and at photovoltaic facilities with and without storage. Project tasks also included testing the effect of rapid charging of electric vehicles on the possible deterioration of some quality parameters of electricity and tackling voltage stabilization in distribution grids.

ČEZ Energetické produkty

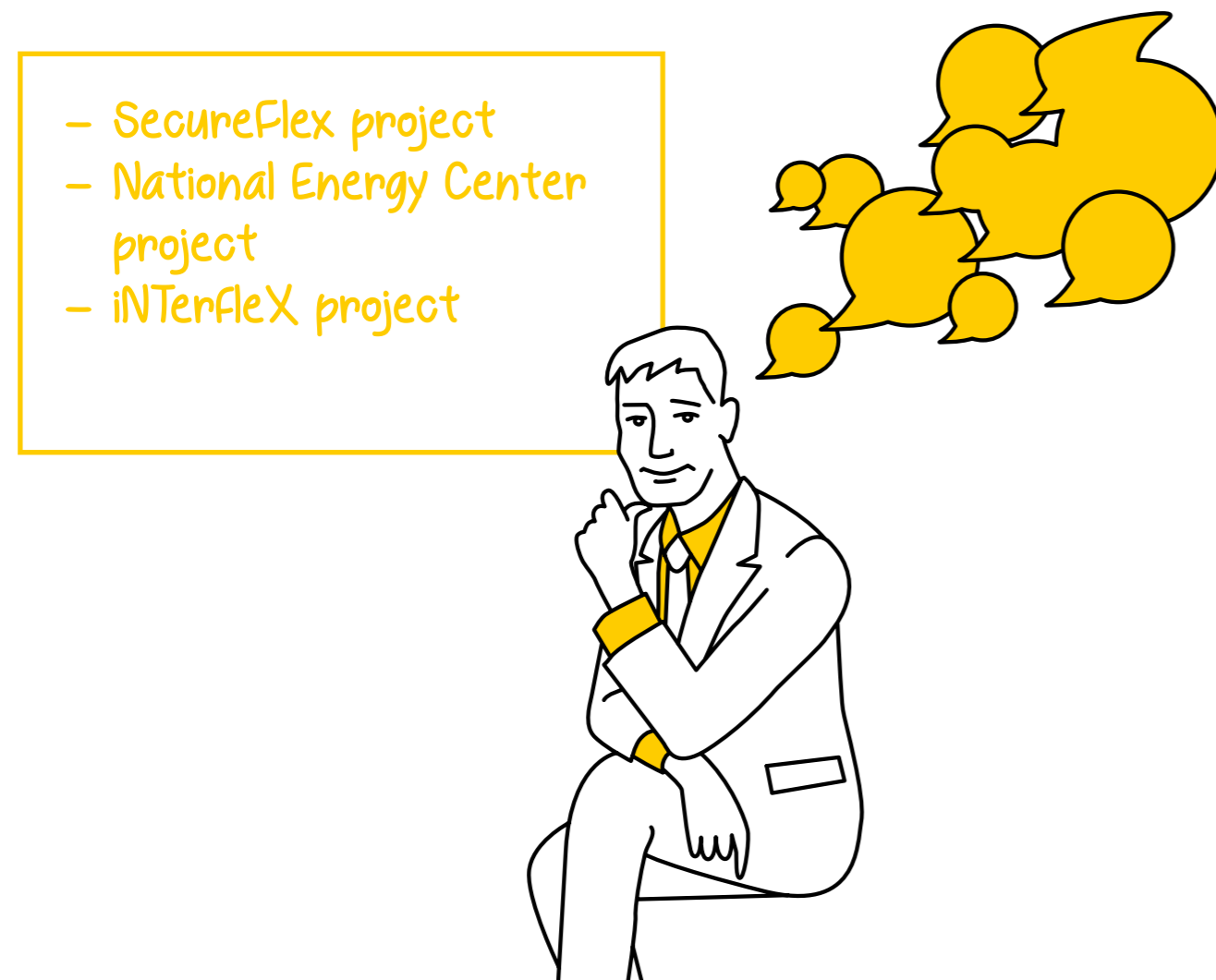
The company is consistently concerned with the purposeful and efficient use of coal combustion products with minimum environmental impact and, generally, following the principles of circular economy.

- A project aimed at the optimization of manufacturing processes for construction materials using a high content of fly ash set up the manufacture of clinker-free binder.
- A test of the manufacture and application of sprayed concretes was done in collaboration with HOCHTIEF. Another project proceeded with fly ash stability simulations to ensure concrete stability, including in the construction of waterworks.
- One of the company's projects aims at using zeolites and zeolite composites to reduce emissions; another project evaluates options for reusing landfilled fly ash from coal-fired power plants.

Severočeské doly

The most significant development activity in mining engineering is a project aiming to increase the internal dump of the Bílina Mine, which has progressed to further stages. It focuses on improving the qualitative and quantitative response of a numerical 3D model of the whole internal dump and streamlining operating procedures. The model is gradually amended with information on groundwater and dump behavior is simulated in analyses. Outputs from the numerical model are compared to field measurement results and data obtained from long-term monitoring.

Our subsidiary **PRODECO** continued with the development and testing of a new coal crushing method using a spiked-roller crusher or a belt transport ecologization solution to eliminate noise and dust. It commenced a study into technology for coal dust utilization and processing.



Other Research Activities of CEZ Group Companies

- **ČEZ Solární** participates in the European INTERFLEX project as part of its research activities.
- **Domat Control System** completed the development of another version of its Merbon SW and HW for building services management. This includes, for example, ContPort, an energy management system that continues to be developed according to requests made by customers, especially large retail chains.
- **ENESA** developed a municipal energy portal using continuously measured data, which was deployed in selected buildings in Prague. It continues with the QUANTUM project (building life cycle quality management) aiming to reduce CO₂ production and improve the indoor environment in buildings.
- **OSC** continues with a development project aiming to support the training of nuclear power plant control room operators on a simulator using automatic data collection from training scenarios involving abnormal and emergency conditions.
- **ČEZ Teplárenská** launched a project for “predictive control,” which aims to optimize the necessary supply of heat for end-use customers, also in relation to weather forecast. This will have a significant effect on the reduction of losses and, consequently, on overall operating economics.

2.8.2 Inven Capital Investment Fund

The purpose of Inven Capital, a venture capital fund, is to seek opportunities for investment in smaller to midsize innovative businesses operating in the new energy sector.

Inven Capital focuses on investments in clean-tech startups in later stages of growth with a business model proven by sales and with considerable growth potential. It looks to such areas as energy efficiency, distributed energy generation, energy flexibility and storage, data services for the energy sector, clean transportation, or Smart City.

Inven Capital is a member of Invest Europe (a European private equity, venture capital, and infrastructure sectors association) and CVCA (Czech Private Equity and Venture Capital Association).

The investment fund monitors the number of investments made, the number of potential investment opportunities assessed, and access to unique global-level technologies and business models that already affect or will significantly affect, sooner or later, the energy sector in Czechia and neighboring countries.

Since its establishment, Inven Capital has invested in the following businesses:

- **SunFire**—a manufacturer of fuel cells that can convert fuel into electricity and heat and, conversely, electricity back into hydrogen and other gases (power-to-gas)
- **tado**—the European leader offering smart temperature control for households based on the user’s location and habits
- **Cloud&Heat Technologies**—the designer, vendor, and operator of the most energy- and cost-efficient distributed data centers deploying water-cooled servers whose waste heat is used to heat buildings and hot water
- **VU LOG**—the global leader in providing technology for carsharing involving green cars in cities
- **Cosmo Tech**—the vendor of a software platform for modeling complex systems, providing key information to corporate asset managers to optimize their decision-making concerning investments in and the maintenance and risk management of the assets they manage
- **Drivz**—the vendor of a software platform for electric vehicle charging station management, including energy management (charging optimization)
- **sonnen**—manufactures battery systems and offers a home electric vehicle charger that allows using surplus clean electricity from other users of sonnen home batteries

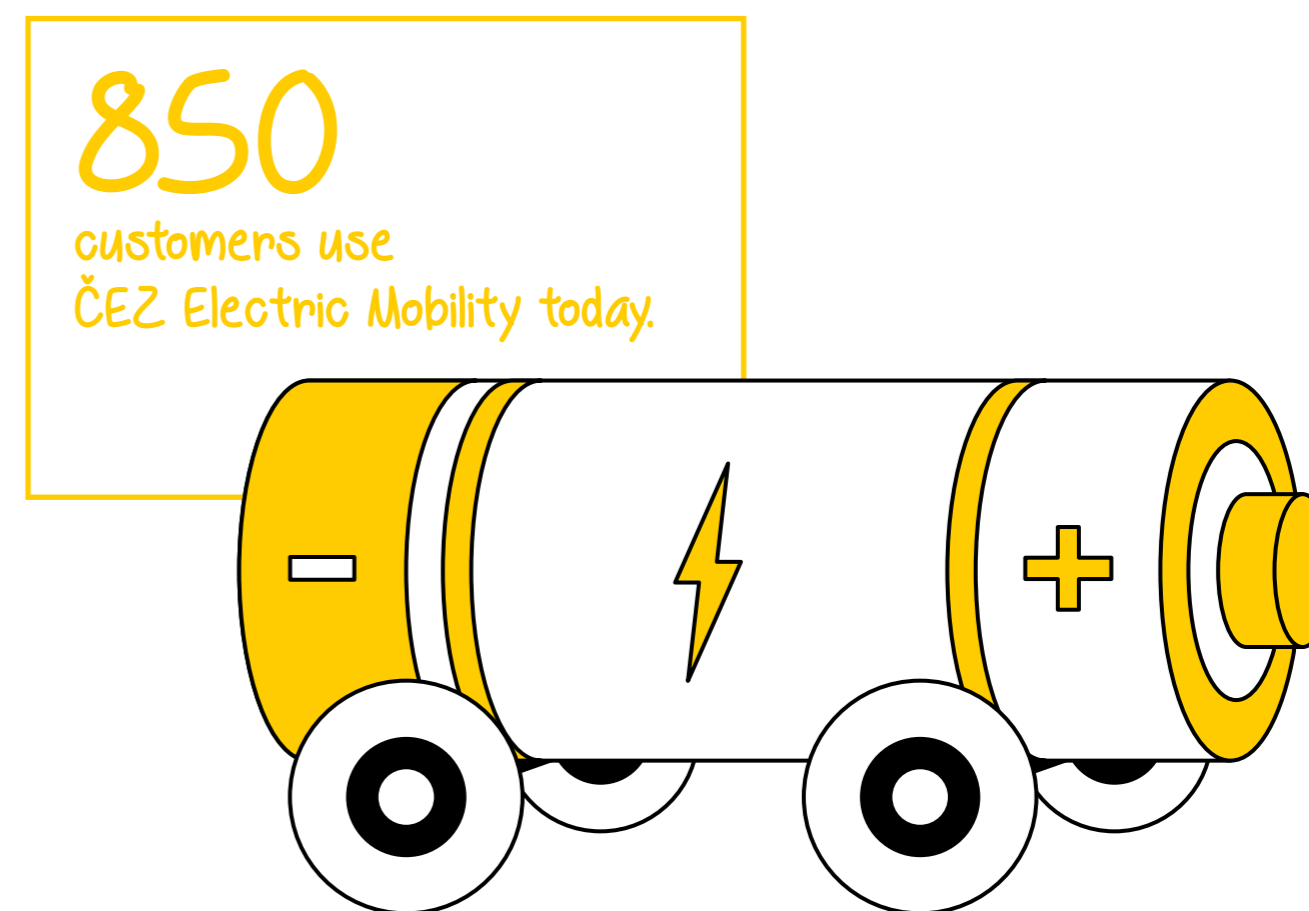
News and Events of 2018

- Inven Capital acquired a share in Cosmo Tech, a Lyon, France-based company that specializes in the development of a software platform for the optimization of decision-making processes in the management of critical infrastructures and processes. Its solution combines human and artificial intelligence to offer alternative views of the future development of complex environments and improve and accelerate decision-making processes in businesses. Its clients include large corporations in the energy sector, such as RTE, a transmission system operator (network maintenance and development), or Alstom (energy optimization for urban railroad systems).
- Cloud&Heat Technologies registered more than a fourfold year-on-year increase in turnover, nearing EUR 17 million. Its unique technologies for utilizing waste heat from servers allow achieving up to 50% reduction in operating expenses in data centers as compared to conventional solutions.
- Inven Capital is now selling its share in sonnen in accordance with its strategy; the sale is planned to be completed in early 2019. The selling price/return on invested capital achieved by Inven Capital considerably exceeded ČEZ's initial estimates.

2.8.3 /E/mobility—Energy to Move Forward

CEZ Group has been active in the development of electric mobility since 2009. At the beginning, its primary activity was building and operating public charging stations. Its current range of activities is much broader and includes serving retail customers (ČEZ Prodej) as well as service for clients in the corporate, municipal, and regional administration sector (ČEZ ESCO). The program is further developed with the help of ČEZ's internal functions (procurement, tax, legal).

We provide turnkey design and installation of charging stations; car fleet electrification; charging platforms, including IT solutions; lease or sale of electric vehicles or wall boxes; and charging cables. For municipalities, ČEZ offers the implementation and operation of charging stations for electric buses or conceptual designs of electric mobility in individual cities and regions.



By **building a network of public charging stations** in accordance with Czechia's strategy, we aim to **stimulate e-mobility development**. At the same time, we endeavor to build a good starting position for CEZ Group to develop its business activities in the field of public charging in this growing market.

In the long run, the main goal of our project is to build a functional and user-friendly network of charging stations that will provide optimum charging infrastructure coverage of the whole of Czechia and allow charging electric vehicles comfortably both locally and during long journeys. As demand for electricity in transportation is presently growing, we enable a low-emission mode of transportation by developing charging stations. We closely monitor the number of charging stations in operation, the number of customers, as well as the amount of kWh supplied.

- We operated 137 public charging stations, including 79 fast-charging stations and 58 standard charging (AC) stations, at the end of 2018. At the end of 2017, we operated 91 public charging stations, including 40 fast-charging stations.
- The amount of electricity supplied for electric vehicle batteries is increasing significantly. While 640,426 kWh was supplied in 2017, a whole 959,115 kWh was supplied in 2018.
- The number of customers is growing continually; we had 850 regular customers at the end of 2018, as compared to 555 customers at December 31, 2017.

The construction of public charging stations continues also with aid from public funds (the EU's CEF program). Construction is significantly supported under two projects funded by the EU's **Connecting Europe Facility** (CEF). Altogether, 108 fast-charging stations should be built, including two sites featuring a combination of a renewable energy source, energy storage, and three charging stations each. All fast-charging stations are being located close to major TEN-T (Trans-European Transport Network) roads.

Development in electric mobility involves both the National Action Plan for Clean Mobility (NAP CM) and the platform of the Memorandum on the Future of the Automotive Industry in Czechia signed recently by the Czech government and the Automotive Industry Association.

News and Events of 2018

- A standard charging station using fuel cell technology was put into operation in Řež in December 2018. Photovoltaic panels generate electricity under suitable conditions and an electrolyzer turns surplus electricity into hydrogen. When the sky clouds over or after nightfall, the fuel cell can turn hydrogen stored in the tank back into electricity. The **Řež charging station connected to a hydrogen management system** is the first facility of its kind in Czechia.
- In the third quarter of 2018, CEZ Group expanded charging options for customers that do not have a charging chip (ad hoc customers). The charging chip allows unlimited use of the charging infrastructure for a fee; ad hoc customers pay for the time their electric vehicle is connected to a charger.
- Collaboration with selected public and local authorities continues as part of support for electric mobility development; the **operation of two electric buses providing public transit services in the town of Vrchlabí** was newly supported as a follow-up to CEZ Group's Smart Grids project.
- In 2018, we made an agreement with the Kaufland retail chain for the delivery of charging stations for parking sites at selected stores. The facilities will be delivered in the course of the next two years.
- CEZ Romania owned two electric vehicles and operated two charging stations for customers in 2018. One charging station was located in Pitești and the other in Craiova. CEZ Group customers in Romania can use them to recharge their electric vehicles for free. A new charging station prototype with SMS payments, developed in 2017, was not installed outside the CEZ distribution area as originally intended for legal reasons. A new charging station for internal use on the CEZ site was installed at the Fântânele and Cogeașac wind farms. The further course of e-mobility development in Romania will be determined on the basis of analyses of the utilization of existing charging stations in Pitești and Craiova.

ČEZ chargers steeply increased the amount recharged—electric vehicles parked at them 75,000 times

CEZ Group's network of public charging stations in Czechia supplied a total of 959,115 kWh of electricity to EV batteries in 2018, which equals 26,642 full recharges of a VW eGolf with 36 kWh battery capacity. It is also a nearly 50% increase over 2017, when the whole network of ČEZ's charge points supplied electric cars with 640,426 kWh. A total of 75,584 charging cycles took place at the networked stations in 2018, which is more than a double increase as compared to 35,902 recharges in the previous year. There is an emerging trend for smaller but more frequent recharges. EV drivers most often recharged their vehicle batteries in Prague-Karlín, Olomouc, Prague-Holešovice, and Vestec.

2.8.4 We Build Partnerships for Innovation

Innovation has become a key word. Our goal is to establish an innovation ecosystem not only within but also outside CEZ Group. This consists especially in setting up transparent options for cooperation with academia, smaller business partners, and business incubators. We also rely on students and fresh graduates, whom we engage in our teams.

News and Events of 2018

- We succeeded in a tender procedure of the Technology Agency of the Czech Republic (the TACR centralizes state aid to applied research and development) and joined the **Energy Sector National Competence Center**, where seventeen projects were defined for implementation. We will research into many clean energy activities, such as the optimization of small PV systems, hydrogen technologies, or heat and electricity storage. The National Competence Center (NCC) is aimed at supporting long-term collaboration between research and application communities and reinforcing the institutional basis of applied research (the program is expected to run from 2018 through 2022).
- We continued to actively collaborate with **Rockstart, a Dutch start-up accelerator**, where we participated as a partner in the third round of the Smart Energy program. Under the program, supported by major commercial entities, the best 9–10 energy startups chosen sought to consolidate their business potential and expand their know-how so as to become coveted trading partners in the market after the end of the program.
- ČEZ is a founding member of the international **I2US cooperation platform**, associating primarily innovative, mutually noncompeting utilities and other businesses from related industries. The I2US platform has an ambition to accelerate innovation to exploit business opportunities and address the needs of customers and the energy sector itself. Its main collaboration tool is sharing innovation opportunities and experience with the implementation of new services, products, business models, and methods for cooperation with partners. Experience gained from the platform is used to implement innovation in markets in Czechia and abroad.
- We also foster bilateral relations with individual partners outside the platform. We held another four platform meetings with the involvement of member utilities: EDP, EDF, EDF UK, Alstria, Orsted, Eneco, Encevo, Thüga, Hydro-Québec, and WILSON SONSINI GOODRICH & ROSATI.
- Eight innovation projects were approved for implementation. Beyond the scope of approved projects, another four projects were implemented by ČEZ ESCO and ČEZ Prodej; we organized a successful exchange visit with EDP and worked with professional associations, startups, and other cooperating entities.

2.8.5 Innovative People Want to Work for CEZ Group

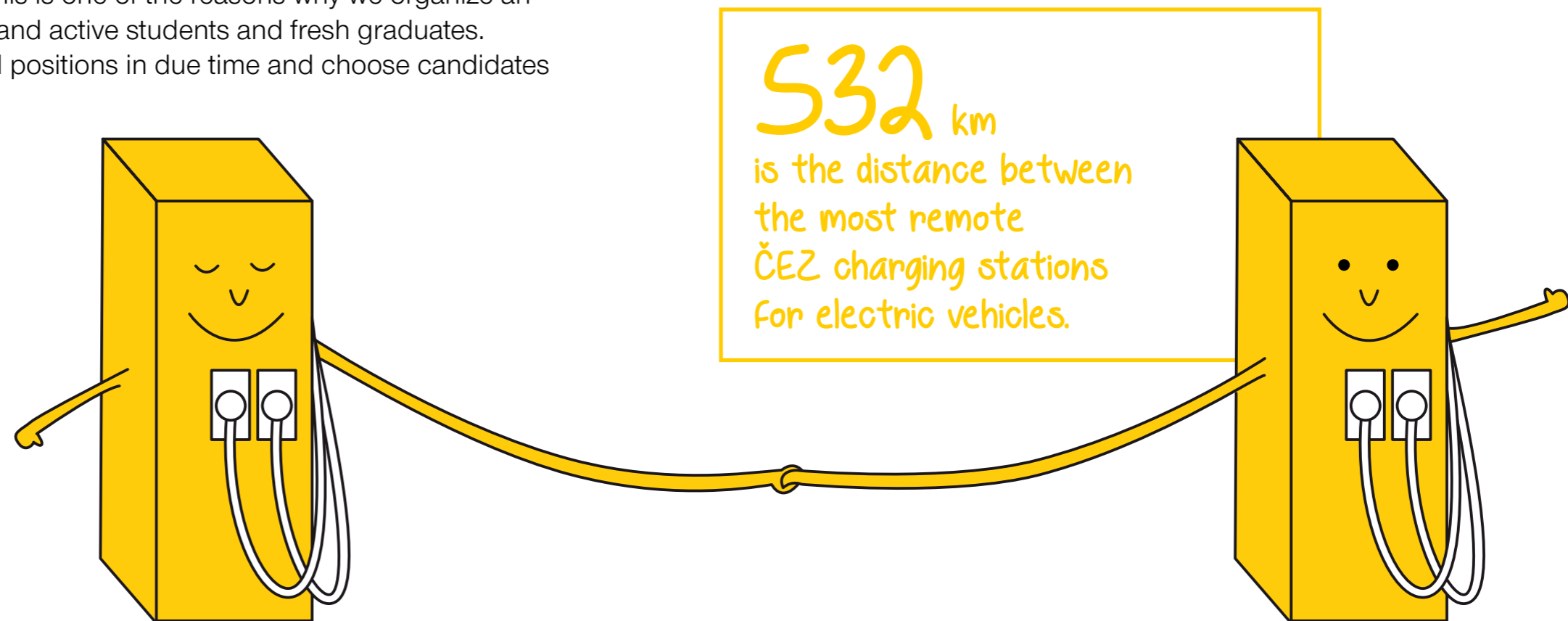
We aspire to change the public's perception of CEZ Group. A need for people with a fresh and original approach is more and more often expressed, especially by those parts of CEZ Group that focus on activities related to building a modern energy sector (renewable energy sources, Smart Grids, electric mobility, ESCO). That is why the communication strategy for our employer brand in 2018 reflected a requirement for escalating these topics, which were published in articles and interviews in student magazines for university students or under corporate profiles in social media.

This program aims to extend our existing employer brand to include the topic of innovation. We constantly strive to make the public view CEZ Group as a corporation associated with innovation and increase CEZ Group's attractiveness as an employer. We want to hire business-oriented people with creative thinking that can help CEZ Group keep abreast of the market and develop customer relationships; this is one of the reasons why we organize an **Innovation Marathon** for talented and active students and fresh graduates. It is crucial that we fill the required positions in due time and choose candidates with required competences.

We collaborate with a number of schools, recently also outside technical fields, such as business schools or schools focusing on the environment and ecology. We keep participating in research projects and expert or technical forums and organize annual competitions for the public with focus on innovation in the energy sector.

News and Events of 2018

- For the purposes of personal contact at job fairs, we complemented our virtual tour of a nuclear power plant technology model using 3D glasses with tours of real CEZ Group plants, which allows visiting practically all types of real-world power plants in our energy mix.
- Another example of promoting CEZ Group as an innovative entity is using social media for publishing of new approaches and successes through selected employees—brand ambassadors.



Innovation Marathon

The 4th annual ČEZ Innovation Marathon, a 24-hour event geared toward university students and fresh graduates, took place in 2018. The last-year's event was held under the auspices of ČEZ Prodej; the **topic** of the whole event was **digitalization in relation to customer**.

The ČEZ Innovation Marathon has had three main objectives since its creation:

- Promoting ČEZ as an innovative company
- Promoting ČEZ as an attractive employer
- Gathering new ideas for innovative products and services

The fact that eight past participants started their careers in CEZ Group shows that the ČEZ Innovation Marathon successfully helps motivate the participants to find a job in almost all segments of CEZ Group's activities. Participants include not only engineering students, as might seem to be the case. Every year, the event is attended by students of economics, humanities, or law programs.

For students, this is an unforgettable experience as they try to work out a specific solution to the assigned problem in a varied team within 24 hours. The mutual collaboration by differently oriented people reflects, to a large extent, the world of big corporations where employees face a similar challenge every day. In addition, the students have a unique opportunity to get to know the settings of one of the largest Czech corporations, meet experts from different parts of the company, and try their hand at work under pressure, finalized by a presentation before an expert panel.

The fourth annual ČEZ Innovation Marathon, like the previous one, was organized by ČEZ's internal teams (the group strategy, strategic recruitment, and communication units, ČEZ Prodej, ČEZ ESCO, and experts from other units). Based on the experience of and feedback from last year's participants, this time we put more emphasis on students getting to know one another even outside their assigned teams while attaching the same importance to an element of fun and the overall positive atmosphere. Therefore, the program included a relaxation zone to allow all participants to try on special virtual reality glasses, drive an electric vehicle, or get involved in various recreational competition activities.

Like in the previous years, we included a networking part in the program, which proved to be a great success once again. The participants met several dozen CEZ Group employees during the whole event, with whom they could discuss any work or nonwork topic.

The final presentations and midstream tasks brought a number of interesting ideas:

- An autonomous smart vehicle that would take elderly people to the doctor
- An application for monitoring healthy air in buildings
- A mobile charging station for electric bicycles
- Smart uses of electric scooters
- A school bag fitted with various sensors and devices, powered by a built-in solar unit

The winner selected by a panel of judges was a team that presented a shared solar power plant concept that would help engage the public in investments in renewable energy sources.

3. GRI CONTENT INDEX AND ENVIRONMENTAL NONFINANCIAL DATA 2018

The data below represent CEZ Group except as otherwise noted.



COMPANY PROFILE AND REPORT PROFILE

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
		Strategy	
GRI 102	102-14	Introductory statement	
	102-15	Company strategy	Sec. 1.3 AR p. 27 CEZ Group Strategic Objectives AR p. 25 Brief Forecast of Developments in the Electricity Sector
		Company profile	
	102-1	Name of the company	Sec. 1
	102-2	Activities, brands, products, and services	Sec. 1.1 and 2.6
	102-3	Location of headquarters	Sec. 1
	102-4	Location of operations	Sec. 1.1
	102-5	Ownership and legal form	Sec. 1
	102-6	Markets served	Sec. 1.1
	102-7	Scale of the organization	Sec. 1
	102-12	External collaboration	Sec. 4.1
	102-13	Membership of associations	Sec. 4.1
	102-18	Governance structure	Sec. 1.2 AR p. 62 Concern Management AR p. 166 Basic Organization Chart of ČEZ, a. s.

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
		Stakeholder engagement	
GRI 102	102-40	List of stakeholder groups	Sec. 2.5.2
	102-42	Identifying and selecting stakeholders	Sec. 2.5.2
	102-43	Approach to stakeholder engagement	Sec. 2.5.2
	102-44	Key topics and concerns raised	Sec. 2.2
		Report profile	
	102-45	Entities included in the consolidated financial statements	Sec. 1 AR p. 68 Consolidated CEZ Group as at December 31, 2018
	102-46	Defining report content and topic boundaries	Sec. 2.3
	102-47	List of all material topics	Sec. 2.2
	102-48	Restatements of information (mergers, acquisitions, changes in the nature of business)	AR p. 153 Changes in CEZ Group Ownership Interests
	102-49	Changes in reporting	No changes in reporting.
	102-50	Reporting period	January 1, 2018, to December 31, 2018
	102-51	Date of most recent report	June 30, 2018
	102-52	Reporting cycle	Annual
	102-53	Contact e-mail address for questions regarding the CEZ Group Sustainability Report	Imprint
	102-54	Claims of reporting in accordance with the GRI Standards	Sec. 2.3
	102-55	GRI content index	Sec. 3
	102-56	External assurance	The report as a whole is not externally assured.

ECONOMIC, OPERATIONAL, AND SUPPLIER TOPICS

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 201	201-1	Direct economic value generated and distributed	AR p. 71 CEZ Group Financial Results AR p. 80 CEZ Group Capital Expenditures AR p. 81 CEZ Group Commodity Procurement, Sales, and Generation AR p. 84 Financial Performance of ČEZ, a. s.
	201-3	Defined benefit plan obligations and other retirement plans	AR p. 145 Social Policy
	201-4	Financial assistance received from government (subsidies and tax relief)	AR p. 134 Research, Development, and Innovation
	Management approach	Indirect economic impacts and effects	Sec. 1.1
GRI 203	203-1	Development and impact of infrastructure investments and services supported	Sec. 2.7 and 2.8
		What is the extent of development of significant infrastructure investments and services supported?	Sec. 2.7 and 2.8
		Report current or expected impacts on communities and local economies.	Sec. 2.7 and 2.8
		Are these investments and services commercial or pro bono engagements?	Both
	203-2	Significant indirect economic impacts	
	Provide examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.	Sec. 1.1 , 2.4.8.2 , 2.5 and 2.8	
	What is the significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas?	Sec. 1.1 , 2.4.8.2 , 2.5 and 2.8	
Electric Utilities Guidance		Research and development	Sec. 2.8.1 AR p. 134 Research, Development, and Innovation
Electric Utilities Guidance		Plant decommissioning	AR p. 245 Provisions for Decommissioning and Reclamation of Mines and Mining Damages
Electric Utilities Guidance		Emergency plans and response measures	Sec. 2.4.4 AR p. 91 Safety of Operated Nuclear Power Plants AR p. 90 and 110 Safety and Quality Management under the Operations and Development Teams
GRI 102	102-11	Precautionary principle	Sec. 2.5.1.4

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text	
GRI 205	Management approach	Anti-corruption	Sec. 2.5.1.4	
	205-1	Operations assessed for risks related to corruption	Sec. 2.5.1.4	
	205-3	Confirmed incidents of corruption and actions taken		
		What is the number of confirmed incidents of corruption?		0—in Czechia, 2—abroad.
		Describe the nature of confirmed incidents.		Employee misconduct in Turkey
		What is the number of confirmed incidents in which employees were dismissed or disciplined for corruption?		2—in relation to the above
		What is the number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption?		0
Report public legal cases regarding corruption brought against the company or its employees during the reporting period and describe the outcomes of such cases.		0		
GRI 102	102-9	Supply chain	Sec. 2.4.6	
	102-10	Significant changes to the organization and its supply chain	Sec. 2.4.6 AR p. 153 Changes in CEZ Group Ownership Interests AR p. 11 Introduction by the Chairman of the Board of Directors	
GRI 308	Management approach	Supplier environmental assessment	Sec. 2.4 and 2.4.6	
	308-1	New suppliers that were screened using environmental criteria	Sec. 2.4.6	
	308-2	Negative environmental impacts in the supply chain		Sec. 2.4.6
		What is the number of suppliers identified as having significant actual and potential negative environmental or ecological impacts?		0
		Report significant actual and potential negative environmental or ecological impacts identified in the supply chain.	Sec. 2.4.6	

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 414	Management approach	Supplier social assessment	Sec. 2.4.6
	414-1	New suppliers that were screened using social criteria	Sec. 2.4.6
	414-2	Negative social impacts identified in the supply chain and actions taken	Sec. 2.4.6
		What is the number of suppliers identified as having significant actual and potential negative social impacts?	0
		Report significant actual and potential negative social impacts identified in the supply chain.	0
Electric Utilities Guidance	G4-EU17, G4-EU18—modified	Contractor and subcontractor employees—job categories and OSH training	Sec. 2.4.6 and 2.4.4.2
		List categories of jobs performed by contractor and subcontractor employees—e.g., power plant operators, maintenance, or administrative.	Sec. 2.4.6

SOCIAL TOPICS

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result %* 2016	Result Figure/Text 2017	Result %* 2017	Result Figure/Text 2018	Result %* 2018
GRI 401	Management approach	Employment				Sec. 2.7.3		Sec. 2.5.1	
GRI 102	102-8	Information on employees and other workers	Total number of employees	26,895	100.0	29,837	100.0	31,385	100.0
		What is the total number of employees by gender and employment contract—temporary?	Women	691	2.6	939	3.2	1,147	3.7
			Men	1,359	5.1	1,904	6.4	2,142	6.8
		What is the total number of employees by gender and employment contract—permanent?	Women	4,919	18.3	5,440	18.2	5,702	18.2
			Men	19,926	74.0	21,554	72.2	22,394	71.3
		What is the total number of employees by region and employment contract—temporary?	In Czechia	1,974	7.3	2,517	8.5	2,535	8.1
			Abroad	75	0.3	326	1.1	754	2.4
		What is the total number of employees by region and employment contract—permanent?	In Czechia	19,424	72.2	19,765	66.2	20,453	65.2
			Abroad	5,422	20.2	7,229	24.2	7 643	24.3
		What is the total number of employees by gender and employment type—full-time?	Women	5,486	20.4	6,127	20.5	6,601	21.0
			Men	21,153	78.6	23,099	77.4	24,278	77.4
		What is the total number of employees by gender and employment type—part-time?	Women	124	0.5	252	0.9	248	0.8
			Men	132	0.5	359	1.2	258	0.8
		Report any significant variations in the numbers reported in Disclosures 102–8.		0		0		0	
		Explain how the data have been compiled.		Consolidation of nonfinancial reporting and selected data from the 2016 AR		Consolidation of nonfinancial reporting and selected data from the 2017 AR		Consolidation of nonfinancial reporting and selected data from the 2018 AR	
		What is the total number of employees—by gender?	Women	5,610	20.9	6,379	21.4	6,849	21.8
			Men	21,285	79.1	23,458	78.6	24,536	78.2

* Percentages are of the total number of CEZ Group employees unless otherwise stated.

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result % 2016	Result Figure/Text 2017	Result % 2017	Result Figure/Text 2018	Result % 2018
GRI 405	Management approach	Diversity of governance bodies and employees							
	405-1	Composition of company governance bodies—by gender?	Women	38	9.7	50	10.1	62	10.7
			Men	352	90.3	446	89.9	520	89.3
		Composition of company governance bodies—by age?	18–29 years	0	0	2	0.4	3	0.5
			30–49 years	256	65.6	307	61.9	348	59.8
			50 years or more	134	34.4	187	37.7	231	39.7
		What is the number of company employees—by gender?	Women	5,610	20.9	6,379	21.4	6,849	21.8
			Men	21,285	79.1	23,458	78.6	24,536	78.2
		What is the number of company employees—by age?	18–29 years	2,682	10	3,549	11.9	4,105	13.1
			30–49 years	14,245	53	15,431	51.7	16,028	51.1
			50 years or more	9,968	37	10,857	36.4	11,252	35.9
		What is the total number of employees by educational attainment?	Primary	854	3.2	760	2.5	823	2.6
			Upper secondary	18,225	67.8	20,441	68.6	20,999	66.9
			Tertiary	7,816	29	8,636	28.9	9,563	30.5

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result % 2016	Result Figure/Text 2017	Result % 2017	Result Figure/Text 2018	Result % 2018	Comment
GRI 401	401-1	New employee hires	Total	3,032	11.3	3,856	12.9	3,581	11.4	Of the total number of employees
		What was the number of new employee hires during the reporting period—by age?	18–29 years	1,110	41.4	1,370	38.6	1,334	32.5	Of all employees aged 18–29
			30–49 years	1,494	10.5	1,936	12.5	1,737	10.8	Of all employees aged 30–49
			50 years or more	428	4.3	550	5.1	510	4.5	Of all employees aged 50 or more
		What was the number of new employee hires during the reporting period—by gender?	Women	921	16.4	1,261	19.8	1,059	15.5	Of all female employees
			Men	2,111	9.9	2,595	11.1	2,522	10.3	Of all male employees
		What was the number of new employee hires during the reporting period—by region?	Czechia	2,540	11.87	2,808	12.60	2,626	11.42	Of all employees in Czechia
			Abroad	492	8.95	1,048	13.87	955	11.37	Of all employees abroad

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result % 2016	Result Figure/Text 2017	Result % 2017	Result Figure/Text 2018	Result % 2018	Comment
GRI 401		Employee turnover								
		What was the number of employee turnover during the reporting period—by age?	18–29 years	403	15.0	539	15.2	548	13.3	Of all employees aged 18–29
			30–49 years	1,084	7.6	1,259	8.2	1,200	7.5	Of all employees aged 30–49
			50 years or more	1,023	10.3	1,066	9.8	935	8.3	Of all employees aged 50 or more
		What was the number of employee turnover during the reporting period—by gender?	Women	520	9.3	831	13.0	771	11.3	Of all female employees
			Men	1,990	9.3	2,033	8.7	1,912	7.8	Of all male employees
		What was the number of employee turnover during the reporting period—by region?	Czechia	2,072	9.7	2,002	9.0	2,132	9.3	Of all employees in Czechia
			Abroad	438	8.0	862	11.4	551	6.6	Of all employees abroad
		What is the total rate of employee turnover during the reporting period—by region? (%)	Czechia		9.7		9.0		9.3	Of all employees in Czechia
			Abroad			8.0		11.4		6.6

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2016	Result % 2016	Result Figure/Text 2017	Result % 2017	Result Figure/Text 2018	Result % 2018	Comment
GRI 401	401-2	Benefits commonly provided to full-time employees				Sec. 2.7.1			Sec. 2.5.1.1	
	401-3	Parental leave								
		How many employees are entitled to parental leave—by gender?	Women	Pursuant to Czech law, all employees are entitled to parental leave. Abroad, CEZ Group companies comply with local law.		Pursuant to Czech law, all employees are entitled to parental leave. Abroad, CEZ Group companies comply with local law.		Pursuant to Czech law, all employees are entitled to parental leave. Abroad, CEZ Group companies comply with local law.		
			Men							
		How many employees are on parental leave—by gender?	Women	445	95.9	481	96.2	500	96.0	Of all female employees in this category
			Men	19	4.1	19	3.8	21	4.0	Of all male employees in this category
		How many employees returned to work after parental leave—by gender?	Women	194	94.6	88	86.3	93	81.6	Of all female employees in this category
			Men	11	5.4	14	13.7	21	18.4	Of all male employees in this category

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text 2017	Result %* 2017	Result Figure/Text 2018	Result %* 2018
Electric Utilities Guidance	G4-EU15	Eligibility to retire	5,213	16.6	6,777	21.6
		Number of employees eligible to retire in the next 10 years in Czechia	3,995	13.3	5,303	16.9
		Number of employees eligible to retire in the next 10 years abroad	1,218	4.1	1,474	4.7
		Number of employees eligible to retire in the next 10 years by job category—management	523	1.8	773	2.5
		Number of employees eligible to retire in the next 10 years by job category—rank-and-file employees	4,690	15.7	6,004	19.1
GRI 404	404-1	Absolute hours of training per year				
		Absolute hours of training per year—management and rank-and-file employees	466,803		492,550	
GRI 102	102-16	Values, principles, standards, and codes of behavior	Sec. 1.5 and 2.6.10		Sec. 2.5.1.4	
GRI 402	Management approach	Labor/management relations	Sec. 2.7.1		Sec. 2.5.1.2	
	402-1	Minimum notice periods regarding operational changes				
		What is the minimum notice period provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them?	At least 2 weeks by law.		At least 2 weeks by law.	
		For companies with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	Selected periods are specified in collective agreements.		Selected periods are specified in collective agreements.	

* Data collection started in 2017.

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text 2018
GRI 403	Management approach	Occupational safety and health	Sec. 2.4.4.2
	403-1	What control documents cover the OSH system? Are there any employees or supplier workers exempt from the OSH system?	Yes. Specified in collective agreements. No.
	403-2	Describe the processes used to identify work-related hazards and assess risks on a routine and nonroutine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks.	Specification and implementation of controls, hazard identification—findings (nonconformities), nonconformity handling through corrective action. Regular internal audit checks.
	403-3	Describe the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and explain how the organization ensures the quality of these services and facilitates workers' access to them.	Sec. 2.4.4.2 and 2.4.6
	403-4	Options for employee and supplier worker involvement in occupational safety and health in the organization	Sec. 2.4.4.2 and 2.4.6
	403-5	Describe any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.	Sec. 2.4.4.2 and 2.4.6
	403-6	How do you facilitate workers' access to nonoccupational medical and healthcare services?	Sec. 2.4.4.2
	403-8	OSH coverage in the organization	100% employees

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2018
GRI 403	403-9	Work-related injuries		
		Number of work-related fatalities	Employees	2 cases in Bulgaria, 3 cases in Czechia
		Number of reportable work-related injuries	Employees	293
		Report the main types of work-related injuries.	Employees	Similar injuries as in 2017.
		Number of work-related fatalities	Suppliers	0
		Number of reportable work-related injuries	Suppliers	17 abroad, 65 in Czechia
		Report the main types of work-related injuries.	Suppliers	Similar injuries as in 2017.
		Report hazards that pose a risk of high-consequence injury and how these hazards are determined.		2,100 jobs solely at the distribution company; 0, i.e. no occurrence, at other companies.
		Which of these hazards have caused or contributed to high-consequence injuries?		0
		What actions have been taken or are underway to eliminate or minimize these risks?		x
403-10		Work-related ill health		
		Number of fatalities as a result of work-related ill health	Employees	0
		Number of reportable cases of work-related ill health	Employees	0
		Number of fatalities as a result of work-related ill health	Suppliers	0
		Number of reportable cases of work-related ill health	Suppliers	0
		Report work-related hazards that pose a risk of ill health. How do you determine these hazards?		We have no such jobs.
		Which of these hazards have caused or contributed to cases of work-related ill health?		x
		What actions have been taken or are underway to eliminate or minimize these risks?		x

GRI STANDARD	Indicator Number	Disclosure	Category	Result Figure/Text 2018
GRI 404	Management approach	Training and education		Sec. 2.4.8.1
		404-2 Programs for upgrading employee skills and transition assistance programs		Sec. 2.4.8.1
		Report the type and scope of programs implemented and assistance provided to upgrade employee skills and qualifications.		Sec. 2.4.8.1
		What transition assistance programs do you provide to facilitate continued employability and the management of career endings resulting from retirement or termination of employment?		Sec. 2.4.8.1
	404-3 Percentage of employees receiving compulsory training			
		What is the percentage of total employees that received a regular performance and career development review during the reporting period—by gender?	Women	100%
			Men	100%
		What is the percentage of total employees that received a regular performance and career development review during the reporting period—by category?	Management employees	100%
			Rank-and-file employees	100%
GRI 406	Management approach	Nondiscrimination		Sec. 2.5.1.4
			Incidents of discrimination and corrective actions taken	No incidents of discrimination were identified in CEZ Group in 2018. Consequently, no corrective action had to be taken.
			How many incidents of discrimination did you identify during the reporting period?	0
			Describe the status of the incidents and actions taken.	x
			Report the percentage of total employees covered by collective agreements.	100%

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text 2018
GRI 407	Management approach	Freedom of association and collective bargaining	Sec. 2.5.1.2
	407-1	<p>Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.</p> <p>Report operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk/significantly restricted.</p> <p>Describe measures taken by the company in the reporting period intended to support rights to exercise freedom of association and collective bargaining.</p>	No risky operations or suppliers in which workers' rights to freedom of association or collective bargaining might be violated/at risk were identified.
GRI 413	Management approach	Local communities	Sec. 2.5.2, 2.5.3, 2.5.4 and 2.4.4
	413-1	Operations with local community engagement	Sec. 2.5.3
	413-2	Operations with significant actual and potential negative impacts on local communities	Sec. 2.5.3
Electric Utilities Guidance	G4-EU22	Number of people physically or economically displaced and compensation, broken down by type of project	0
Electric Utilities Guidance	G4-MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	0
	G4-MM10	Number and percentage of operations—mines—with closure plans	Bílina Mine (after 2050), Nástup Tušimice Mines (after 2035)

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text 2018
GRI 415	Management approach	Public policy	The parent company ČEZ is not involved in public politics—other than officially promoting its interests in the European Union through its Brussels office.
	415-1	Political contributions	The parent company ČEZ does not make any political contributions.
		If political contributions were made, report the recipients. What was the total monetary value of financial and in-kind contributions made directly and indirectly by the company by country and recipient/beneficiary?	We do not make any.
		How was the monetary value of in-kind contributions estimated and who were the recipients?	We do not make any.
GRI 416	Management approach	Customer safety and health	<u>Sec. 2.6.1</u>
	416-2	Incidents of noncompliance concerning the health and safety impacts of products and services	
		What is the number of identified incidents of noncompliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, categorized as follows? I. Incidents of noncompliance with regulations resulting in a fine or penalty II. Incidents of noncompliance with regulations resulting in a warning III. Incidents of noncompliance with voluntary codes	0
		Report the number of individuals affected by injuries and fatalities involving company assets.	0
	Report the annual number of health and safety related legal cases (resolved and pending, including diseases and judgments affecting members of the public, and the potential risks associated with these cases).	0	

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text 2018
GRI 418	Management approach	Customer privacy	<u>Sec. 2.4.4.3</u>
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
		How many substantiated complaints did you receive concerning breaches of customer privacy?	
		I. Complaints received from outside parties and substantiated by the company	6
		II. Complaints from regulatory bodies	0
		Total number of identified leaks, thefts, or losses of customer data	0
GRI 419 GRI 307	Combination of two management approaches	Regulatory and legal compliance	<u>Sec. 1.2, 2.4.1 and 2.4.4</u>
	419-1	Compliance with laws and regulations in the social and economic area	<u>AR</u> p. 156 Legal and Other Proceedings Involving CEZ Group Companies
		Report significant fines and nonmonetary sanctions for noncompliance with laws and/or regulations in the social and economic area in terms of:	
		I. Total monetary value of significant fines (over CZK 10,000)	<u>AR</u> p. 156 Legal and Other Proceedings Involving CEZ Group Companies Examples beyond the scope of the AR: CEZ Vanzare was fined EUR 1,734 for a breach of its statutory balance obligation in the period from February 25, 2018, to February 27, 2018, when it sold its customers more gas than it could withdraw from the system.
		II. Total number of nonmonetary sanctions	0
		III. Cases brought through dispute resolution mechanisms	0

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text 2018
GRI 419 GRI 307	307-1	<p>Compliance with environmental laws and regulations</p> <p>Report significant fines and nonmonetary sanctions for noncompliance with environmental laws and/or regulations in terms of:</p> <p>I. Total monetary value of significant fines (over CZK 10,000)</p>	<p><u>Sec. 2.4.1</u> <u>AR</u> p. 148 Environmental Protection</p> <p>ČEZ Distribuce, a.s.—Act No. 114/1992 Sb., on nature and landscape conservation. A fine of CZK 10,000 imposed by the Nature Conservation Agency, Orlické hory PLA Administration, for a breach of Act No. 114/1992 Sb., on nature and landscape conservation, consisting in not fitting a MV line support with a line disconnecter with perch guard equipment after reconstruction.</p> <p>Energetické centrum s.r.o.—Act No. 114/1992 Sb., on nature and landscape conservation. The company was fined CZK 50,000 for incorrect and unskilled tree pruning.</p> <p>ČEZ, a.s.—Act No. 185/2001 Sb., on waste. A fine of CZK 40,000 for noncompliance with the Waste Act; the operator failed to keep the Temelínec landfill body gastight as gas-collecting towers designed to collect landfill gas were not sealed.</p> <p>A fine of EUR 1,073 for Distributie Energie Oltenia S.A. for a double breach of Electricity Act 123/2012, Article 93(1)(25)—noncompliance with a Price and Tariff Ordinance issued by the Regulatory Authority (ANRE)—and Article 93(7)—failure to provide data, documents, or information within required time limits set by ANRE or provision of incorrect or incomplete information within time limits set by ANRE and/or groundless refusal to respond to ANRE requests.</p>
		II. Total number of nonmonetary sanctions	0
		III. Cases brought through dispute resolution mechanisms	0

DISTRIBUTION 2018

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
Electric Utilities Guidance		Reliability and availability of supplies	AR p. 116—capital construction
Electric Utilities Guidance	G4-EU3	Number of residential, industrial, institutional, and commercial customer accounts	CEZ Group has almost 7.3 million customer accounts in total. ČEZ Distribuce has 3,680,000 supply customer accounts and almost 22,000 connected generating facilities delivering electricity to the distribution system. CEZ Razpredelenie Bulgaria has a total of 2,142,892 customer accounts; Distribuție Energie Oltenia has 1,449,939 customer accounts.
Electric Utilities Guidance	G4-EU4	Length of above and underground lines	Distribution TAB
Electric Utilities Guidance	G4-EU12	Distribution losses	Distribution TAB
Electric Utilities Guidance	G4-EU28	SAIFI	Distribution TAB
Electric Utilities Guidance	G4-EU29	SAIDI	Distribution TAB

List of consolidated distribution companies in CEZ Group

ČEZ Distribuce, a. s.
CEZ Razpredelenie Bulgaria AD
Distribuție Energie Oltenia S.A.

ČEZ Distribuce's goal is to provide its clients with reliable and secure electricity distribution at reasonable prices. Besides routine maintenance and development of the distribution system, its new digid28 strategy places emphasis on gradual corporate digitalization and the introduction of new innovative solutions.

Electricity consumption adjusted for climatic and seasonal effects increased by 1.3% in 2018. Unadjusted consumption in the distribution area served by ČEZ Distribuce increased by 0.5%. By means of regional distribution grids, ČEZ Distribuce supplies about 65% of electricity in Czechia and covers about 5/8 of Czechia's territory. Annual consumption in the whole country grew every year in the past five years; according to Energy Regulatory Office statistics, it increased from 57.2 TWh in 2014 to a preliminary 62.2 TWh in the previous year of 2018, i.e., by 8.7%.

G4-EU4 Length of above and underground lines in 2018

Type of Line	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.	Total (km)
HV—Overhead	9,945	62	5,398	15,405
MV—Overhead	50,881	24,682	21,454	97,017
LV—Overhead	104,307	32,656	52,354	189,317
Total	165,133	57,400	79,206	301,739

G4-EU12: Distribution losses

	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.
2017	4.70%	10.35%	9.78%
2018	4.67%	9.06%	8.59%

G4-EU27: Number of residential disconnections for nonpayment in 2018

	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.
0–2 days	1,429	68	13,787
2–7 days	2,024	11	2,384
7–30 days	1,589	2	3,003
30–365 days	425	4	1,179
Over 1 year	59	0	1,837
Total	5,526	85	22,190

G4-EU28: SAIFI

	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.
Excluding calamities and blackouts (number of interruptions per customer)			
2016	2.34	2.41	4.59
2017	2.21	3.04	3.96
2018	2.22	2.65	3.29
Including calamities and blackouts (number)			
2016	2.87	*n/a	6.13
2017	3.41	*n/a	4.91
2018	2.74	*n/a	4.82

* CEZ Razpredelenie Bulgaria AD follows guidelines published by the Bulgarian regulatory authority (Energy Water and Regulatory Commission), which do not provide for separate records.

G4-EU29: SAIDI

	ČEZ Distribuce, a. s.	CEZ Razpredelenie Bulgaria AD	Distributie Energie Oltenia S.A.
Excluding calamities and blackouts (interruption duration per customer—minutes)			
2016	261.34	135.4	527.5
2017	257.41	180.2	479.5
2018	246.64	157.9	440.0
Including calamities and blackouts (minutes)			
2016	309.64	*n/a	795.5
2017	501.47	*n/a	599.1
2018	307.09	*n/a	850.8

* CEZ Razpredelenie Bulgaria AD follows guidelines published by the Bulgarian regulatory authority (Energy Water and Regulatory Commission), which do not provide for separate records.

ENVIRONMENTAL TOPICS

GRI STANDARD	Indicator Number	Disclosure	Result Figure/Text
GRI 300	Management approach	Environmental protection	Sec. 2.4 AR p. 148 Environmental Protection
GRI 302	Management approach	ENERGY	Sec. 2.4.2 & environmental tables (TAB)
	302-1	Energy consumption within the organization	TAB
	302-3	Energy intensity	TAB
GRI 303 GRI 306	Management approach	WATER AND WASTEWATER	Sec. 2.4.1.1 & TAB
	303-1	Water withdrawal by source:	Sec. 2.4.1.1 & TAB
	303-3	Water recycled	Sec. 2.4.1.1 & TAB
	306-1	Wastewater discharges	Sec. 2.4.1.1 & TAB
	306-3	Significant spills	TAB
GRI 304	Management approach	BIODIVERSITY	Sec. 2.4.3.1 AR p. 150 Fauna Protection and Support & TAB
	304-1	Operational sites in protected areas	TAB
	304-2	Demonstrable impacts on biodiversity	TAB
	304-3	Habitats protected or restored	TAB
GRI 305	Management approach	EMISSIONS	Sec. 2.4 & TAB
	305-1	Direct CO ₂ emissions	2.4.1 & TAB
	305-3	Indirect emissions—transportation CO ₂ emissions	2.4.1 & TAB
	305-4	CO ₂ emissions intensity	2.4.1 & TAB
	305-6	Emissions of ozone-depleting substances (ODS)	2.4.1 & TAB
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	2.4.1 & TAB
GRI 306	Management approach	WASTE	Sec. 2.4.5 & TAB
	306-2	Total waste generated	TAB
Electric Utilities Guidance	G4-EU1	Installed capacity	TAB
	G4-EU2	Net energy output	TAB
	G4-EU5	Allocation of CO ₂ emissions allowances	TAB

ENVIRONMENTAL TABLES

GRI 302—Energy

302-1 Energy consumption within the organization

Fuel consumption from nonrenewable sources (GJ)

	2016	2017	2018
CEZ Group	578,318,052	593,812,293	604,158,616

Fuel consumption from renewable sources (GJ)

	2016	2017	2018
CEZ Group	10,437,870	9,953,025	10,304,789

Total consumption (GJ)

	2016	2017	2018
Electricity	19,348,698	20,913,786	19,479,209
Heat	15,816,341	12,791,892	12,464,218

Total sold (GJ)

	2016	2017	2018
Electricity	181,210,637	188,798,539	190,676,566
Heat	24,022,000	23,659,000	23,213,000

Total energy consumption within the organization (GJ)

	2016	2017	2018
Nonrenewable fuels	578,318,052	593,812,293	604,158,616
+			
Renewable fuels	10,437,870	9,953,025	10,304,789
+			
Energy procured	0	0	0
+			
Energy generated from “nonfuel sources”	8,789	9,701	8,816
-			
Energy sold	205,232,637	212,457,539	213,889,566
=			
Total energy consumption within the organization	383,532,074	391,317,480	400,582,656

302-3 Energy intensity

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

	2016	2017	2018
Energy consumption within the organization (fuel)	588,755,922	603,765,318	614,463,405
Energy supplied (electricity + heating)	205,232,637	212,457,539	213,889,566
Energy intensity ratio	2.869	2.842	2.873

GRI 303—Water

303-1 Water withdrawal by source

	Unit	2016	2017	2018
Volume of water withdrawn—surface water	m ³ /year	808,062,821	767,171,926	752,361,286
Of which, cooling water	m ³ /year	662,151,423	614,973,253	588,989,546
Volume of water withdrawn—groundwater	m ³ /year	521,835	379,064	372,399
Volume of drinking water withdrawn from public water utilities	m ³ /year	5,183,101	5,218,763	5,358,014
Volume of service and cooling water withdrawn from industrial water works	m ³ /year	49,794	107,099	66,096
Volume of waste water withdrawn for reuse from another organization	m ³ /year	0	0	0
Volume of rainwater used	m ³ /year	1,422,621	1,630,947	1,024,375

303-3 Water recycled and reused

	Unit	2016	2017	2018
Volume of water recycled and reused*	m ³ /year	17,311,017	23,346,039	39,203,863

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

GRI 306—Effluents

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

	Unit	2016	2017	2018	Comment
Total volume of water discharges	m ³ /year	719,197,658	639,357,227	653,206,664	
Of which, volume of once-through cooling water discharged	m ³ /year	662,151,423	611,385,372	588,989,546	
Of which, volume of treated water	m ³ /year	26,835,490	25,534,457	25,872,811	
Of which, volume of water without treatment	m ³ /year	34,133,845	35,425,510	37,887,749	Wastewater from once-through turbine cooling is excluded.
Of which, volume of water discharged to surface water	m ³ /year	57,432,674	57,184,003	60,025,761	Wastewater from once-through turbine cooling is excluded.
Of which, volume of water discharged to public sewers (incl. removal by trucks)	m ³ /year	1,204,762	1,450,333	1,417,119	
Of which, volume of discharged water reused by another organization	m ³ /year	1,410,605	2,686,762	1,802,749	
Quality of discharged water					
Suspended solids (SS)	t/year	656	316	301	
Chemical oxygen demand (COD)	t/year	1,729	738	930	

306-3 Significant spills

	Unit	2018	Comment
Location of spill	Tušimice Power Plant		After a rupture of a rubber expansion joint on the discharge side of an absorber pump, 3,000 m ³ of limestone-gypsum suspension leaked into the plant sewer system. A portion of the suspension was captured in the sewer system (using pipe stoppers and gate valves), settling tanks, and oil separators. A portion of the suspension spilled into the Lužický potok stream.
Material of spill	limestone-gypsum suspension		
Volume of spill	m ³ /year	3,000	

GRI 304—Biodiversity

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

Biodiversity	Site of High Biodiversity Value	Actual 2018 Data	Comment
Geographic location	AZ KLIMA a.s. Milovice u Mikulova branch (manufacturing plant)	48.8538069 N, 16.6983253 E	The AZ KLIMA a. s. plant is located in the Pálava protected landscape area, characterized by valuable biotopes of species-rich rocky, sod-grass, and tall-grass steppes, forest steppes, thermophilic oak woods, and talus forests that have developed on the Pavlovské vrchy limestone hills. A bird protection area was created in the protected landscape area in 2004. Protection applies to populations of, for example, the white stork (<i>Ciconia ciconia</i>), middle spotted woodpecker (<i>Dendrocoptes medius</i>), or white-tailed eagle (<i>Haliaeetus albicilla</i>). The protected landscape area includes the Milovická stráň nature reserve (approximately 480 m from the plant). These are valuable forest, forest-steppe, and steppe phytocoenoses hosting rare species.
Position in relation to the protected area or high biodiversity value area		Pálava PLA, bird protection area (in the area), Milovická stráň NR (approx. 480 m)	
Size of operational site		0.00039 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Pálava PLA, Milovická stráň NR, bird protection area	
Geographic location	MARTIA a.s. Teplická 207/129, 405 02, Děčín (administrative building, garages, warehouses)	N 50°46.73613', E 14°11.00078'	The MARTIA operational site is located in the České středohoří protected landscape area and in close proximity to the Labské pískovce protected landscape area. The Labské pískovce protected landscape area was created to protect its landforms, having an effect on the occurrence of rare plant and animal species such as the golden ground beetle (<i>Carabus auratus</i>) or the minotaur beetle (<i>Typhaeus typhoeus</i>). There are both montane (at the bottom of deep ravines) and thermophilic species (dry and warm rock plains) occurring in close proximity. With its specific natural conditions, the České středohoří PLA, located on both sides of the lower reach of the Czech portion of the Elbe, is one of Czechia's richest areas in terms of the numbers of plant and animal species.
Position in relation to the protected area or high biodiversity value area		České středohoří PLA (in the area), Labské pískovce PLA (adjacent to)	
Size of operational site			
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		České středohoří PLA, Labské pískovce PLA	
Geographic location	ČEZ, a. s., Dětmarovice Power Plant, 735 71 Dětmarovice	49.9074650 N, 18.4644908 E	The Dětmarovice power plant is located in close proximity to the Olše Floodplain–Věřňovice nature reserve. This is an area in the Olše river floodplain with former meanders and a preserved river terrace, with accompanying developed, mostly linear vegetation and an alluvial softwood forest in former meander areas. There are also remnants of pond dams with crops of old trees. The area is the habitat of a rare bug, the hermit beetle (<i>Osmoderma eremita</i>), as well as the yellow-bellied toad (<i>Bombina variegata</i>). The area is classified as a site of Community importance under the European NATURA 2000 network.
Position in relation to the protected area or high biodiversity value area		Adjacent to	
Size of operational site		Approx. 0.4 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Olše Floodplain–Věřňovice NR, NATURA 2000	

Biodiversity	Site of High Biodiversity Value	Actual 2018 Data	Comment
Geographic location	Zbrod Disposal Site of the Hodonín Power Plant (EHO)	48°50'51"N, 17°07'12"E	The disposal site is located in the Hodonín Oak Wood, a site of Community importance. Protection concerns forest stands consisting of oak, oak-hornbeam, hornbeam-oak, and ash-alder communities and rare/protected plant and animal species. Such plants include, for example, <i>Festuca amethystina</i> , <i>Stipa borysthenica</i> , <i>Daphne cneorum</i> , <i>Iris variegata</i> . The animals include, for example, the barbastelle (<i>Barbastella barbastellus</i>), the European fire-bellied toad (<i>Bombina bombina</i>), or a stag beetle (<i>Lucanus cervus</i>). The soil environment consists of aeolian sands.
Position in relation to the protected area or high biodiversity value area		In the area, Ralsko III adjacent to	
Size of operational site		0.266 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Site of Community importance pursuant to Directive 92/43/EEC	
Geographic location	Ralsko I, II, III photovoltaic (solar) power plant	50°34'47,94 "N, 14°47'45,623"E, RA I, 50°38'12,047 "N, 14°43'5,651"E, RA III	The RA1 photovoltaic power plant is located in close proximity to the Kokořínsko – Máchův kraj protected landscape area. The area is unique in its geomorphology—flat basins with numerous ponds and peat bogs, quader sandstones, neovolcanic hills, sandstone formations and canyons, naturally meandering course of the Ploučnice river, and the valleys of the Liběchovka and Pšovka streams. There are also specially protected animals (such as the common crane, <i>Grus grus</i> , and the white-tailed eagle, <i>Haliaeetus albicilla</i>) and endemic plant species (such as <i>Dactylorhiza bohemica</i> and <i>Pinguicula bohemica</i>).
Position in relation to the protected area or high biodiversity value area		Adjacent to (in close proximity to the border of the PLA)	
Size of operational site		0.872 km ² (area of the whole PV power plant site) + 0.362 km ² Ralsko III	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Kokořínsko – Máchův kraj PLA	
Geographic location	Černé jezero hydroelectric power plant	49°11'30.984"N, 13°12'26.425"E	The Černé jezero hydropower plant is located in the Šumava protected landscape area, which is also classified as a bird protection area. The bird protection area serves to protect populations of, for example, the hazel grouse (<i>Tetrastes bonasia</i>), western capercaillie (<i>Tetrao urogallus</i>), corncrake (<i>Crex crex</i>), and black stork (<i>Ciconia nigra</i>). The Černé jezero hydropower plant is located approximately 400 m from the Brčálnické mokřady nature reserve, situated in a valley on the upper reaches of the Úhlava river. The reason for protection is dynamically and spontaneously developing herb and woody plant communities.
Position in relation to the protected area or high biodiversity value area		Šumava PLA (in the area), bird protection area (in the area), Brčálnické mokřady NR (approx. 400 m)	
Size of operational site		0.002 km ² (power plant and inner court built-up area)	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Šumava PLA, bird protection area, Brčálnické mokřady NR	

Biodiversity	Site of High Biodiversity Value	Actual 2018 Data	Comment
Geographic location	Práčov hydroelectric power plant	49°52'36.516"N 15°48'51.723"E	The Práčov hydropower plant is located in the Železné hory protected landscape area, which is characterized by abrupt transitions between landscape types. It is dominated by a fault ridge running from Saxony. The power plant is adjacent to the Strádovské Peklo nature reserve. It is a complex of natural talus forests with endangered plant and animal species.
Position in relation to the protected area or high biodiversity value area		Železné hory PLA (in the area), Strádovské Peklo NR (adjacent to)	
Size of operational site		0.004 km ² (power plant and inner court built-up area)	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Železné hory PLA, Strádovské Peklo NR	
Geographic location	Střekov hydroelectric power plant	14.0463122°E, 50.6384647°N	The operational site of the Střekov hydropower plant is located in the České středohoří protected landscape area. With its specific natural conditions, the PLA is one of Czechia's richest areas in terms of the numbers of plant and animal species.
Position in relation to the protected area or high biodiversity value area		In the area	
Size of operational site		0.009 km ² (area of the HPP building, intake, and outlet)	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		České středohoří PLA	
Geographic location	Vydra hydroelectric power plant Čeňkova pila hydroelectric power plant	49°6'19.956"N, 13°29'35.239"E 49°6'35.084"N, 13°29'33.103"E	The Vydra hydropower plant is located in the Šumava protected landscape area, which is classified also as a bird protection area. The area serves to protect populations of species such as the western capercaillie (<i>Tetrao urogallus</i>), black stork (<i>Ciconia nigra</i>), white-backed woodpecker (<i>Dendrocopos leucotos</i>), and Ural owl (<i>Strix uralensis</i>). The Šumava National Park features moors, peat bogs, and tarns, which are home to dozens of endangered plant and animal species (such as the European lynx, <i>Lynx lynx</i> ; western capercaillie, <i>Tetrao urogallus</i> ; three-toed woodpecker, <i>Picooides tridactylus</i> ; ring ouzel, <i>Turdus torquatus</i> ; or also boreal owl, <i>Aegolius funereus</i>). There are also endemic plants (<i>Aconitum plicatum</i> , <i>Gentianella praecox subsp. bohemica</i> , <i>Phyteuma nigrum</i> , <i>Dactylorhiza majalis subsp. turfosa</i>) and animals (<i>Oreonebria castanea sumavica</i>).
Position in relation to the protected area or high biodiversity value area		In the area	
Size of operational site		0.004 km ² + 0.0002 km ² (power plant and inner court built-up area)	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Šumava PLA, Šumava National Park, bird protection area	

Biodiversity	Site of High Biodiversity Value	Actual 2018 Data	Comment
Geographic location	13.5 MW heating plant of the Mohelnice Energy Management Facility	49°46'45.738"N, 16°55'51.122"E	The Litovelské Pomoraví protected landscape area is located 753 m from the operational site. It is a narrow, 3–8 km wide strip of riparian forests and meadows along the Morava river between the cities of Mohelnice and Olomouc. The fauna of the Litovelské Pomoraví protected landscape area are typical representatives of river, lake, pool, wet meadow, and riparian forest communities. The western and northern part of the protected landscape area hosts drier oakwood communities. There are rare crustaceans, water fleas, and clam shrimps in the area. There is also a large population of the clouded Apollo (<i>Parnassius mnemosyne</i>), a butterfly that is virtually extinct in Bohemia. Critically endangered species found at the site include the common spadefoot toad (<i>Pelobates fuscus</i>); the red kite (<i>Milvus milvus</i>), a rare bird, also nests in the area. In respect of community and gene pool conservation, the Litovelské Pomoraví protected landscape area can be considered one of the most important sites in Central Europe for the preservation of temporary pool communities. Its flora consists of riparian forests, mixed oak-hornbeam woods, lime-oak-hornbeam woods, and alder woods. Very rare inhabitants of its floodplain meadows include, for example, the marsh pea (<i>Lathyrus palustris</i>). Litovelské Pomoraví bird protection area—protected species are the common kingfisher (<i>Alcedo atthis</i>), the middle spotted woodpecker (<i>Dendrocopos medius</i>), and the collared flycatcher (<i>Ficedula albicollis</i>).
Position in relation to the protected area or high biodiversity value area		Litovelské Pomoraví (753 m)	
Size of operational site		0.000736 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		Protected landscape area, bird protection area	
Geographic location	Romanian wind park of TOMIS TEAM S.A., MW TEAM INVEST S.R.L., OVIDIU DEVELOPMENT S.R.L.	44°34'50"N, 28°33'37"E	The wind park is adjacent to the "Delta Dunării și Complexul Razim—Sinoie" area, which is part of the Danube delta nature reservation, which was put on the UNESCO World Heritage List in 1990. The Danube delta and Razim-Sinoie Complex have been designated bird protection areas since 2007. The area mostly consists of lakes, sea coast, and higher raised formations. Very rare species inhabiting the area include, for example, the snow bunting (<i>Plectrophenax nivalis</i>), the western cattle egret (<i>Bubulcus ibis</i>), the pied avocet (<i>Recurvirostra avosetta</i>), the grey heron (<i>Ardea cinerea</i>), the Alpine swift (<i>Tachymarptis melba</i>), or the common rosefinch (<i>Carpodacus erythrinus</i>).
Position in relation to the protected area or high biodiversity value area		Adjacent	
Size of operational site		95 km ²	
Biodiversity value		Terrestrial ecosystem	
Biodiversity value—listing of protected status		NATURA 2000—bird protection area	

304-2 Demonstrable impacts on biodiversity

Biodiversity	Site of High Biodiversity Value	Actual 2018 Data	Comment
Report the nature of significant direct and indirect impacts on biodiversity.			
Construction or use of manufacturing plants, mines, and transport infrastructure	Severočeské doly a.s.	Severočeské doly a.s. completed the restoration of 113.6 ha of land in 2018 and started new land restoration on 41.68 ha. Additional 55.31 ha and 53.57 ha of land were appropriated at the Bílina Mine and the Nástup Tušimice Mines, respectively.	Area surveys are conducted on appropriated land and selected plant/animal species are relocated to new habitats.
Pollution from point and nonpoint sources		–	
Introduction of invasive species		0	
Reduction of species		0	
Habitat conversion		–	
Changes in ecological processes outside the natural range of variation, such as salinity or changes in groundwater level		No	
Report the nature of significant direct and indirect positive and negative impacts on biodiversity.			
Species affected		–	
Extent of areas impacted		–	
Duration of impacts		–	
Reversibility of the impacts		–	

304-3 Habitats protected or restored

Biodiversity	Site of High Biodiversity Value	Actual 2018 Data	Comment
Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was approved by independent external professionals	Zbrod Disposal Site of the Hodonín Power Plant (EHO)	0.266 ha	Underway.
	Restoration of habitats as part of land restoration by SD	5,817.51 ha	Approved by competent national authority.
Existence of partnerships with third parties to protect or restore habitat areas	Protection is part of standard cooperation with competent authorities.		
Status of each area based on its condition at the close of the reporting period	Severočeské doly a.s.	Restoration of 5,817.51 ha completed, including 2,620.67 ha restored to agricultural land, 2,441.89 ha restored to forests, and 198.97 ha of water bodies.	

GRI 305—Emissions

305-1 Direct CO₂ emissions

CEZ Group Emissions from Electricity and Heat Generation (tCO ₂)	2016	2017	2018
Emissions from fossil fuels	30,362,173	27,866,642	26,802,633
Emissions from biomass	1,116,838	1,051,439*	1,048,267

* A methodological error in data collection within a CEZ Group company was identified during the processing of 2017 data. The 2017 data have been corrected.

305-3 Indirect emissions—transportation CO₂ emissions

Amount of CO ₂ Emissions (t)	2016	2017	2018
Cars	16,990	18,407	17,760
Trucks	17,633	21,994	16,608
Trains	3,269	3,237	2,672
Buses	117	226	88
Other (machinery)	21,172	20,214	17,251
Total	59,181	64,078	54,378

305-4 CO₂ emissions intensity

Emissions Intensity of Electricity Generation, excluding Renewables (tCO ₂ /MWh)	2016*	2017	2018	Year-on-Year Index
CO ₂ emissions intensity per generated electricity	0.457	0.404	0.388	(3.9%)
CO ₂ emissions intensity per generated electricity and heat	0.440	0.395	0.381	(3.6%)
CO ₂ emissions intensity, including biomass emissions, per generated electricity	0.467	0.414	0.398	(3.9%)
CO ₂ emissions intensity, including biomass emissions, per generated electricity and heat	0.456	0.410	0.396	(3.4%)

* A methodological error in data reporting by a company sold off at January 2, 2017, was identified during the processing of 2016 data; the data have been corrected.

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

Type of Fluorinated Greenhouse Gas	HFC Leaks from Cooling and Air-Conditioning Equipment (kg)	PFC Leaks from Cooling and Air-Conditioning Equipment (kg)	SF6 (sulfur hexafluoride) (kg)
2018	568	0.56	2,207

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

305-7 Other emissions

		2016	2017	2018
PM	t	1,604	1,534	1,589
SO ₂	t	28,352	27,476	25,677
NO _x	t	28,415	25,905	24,851
Specific emissions from electricity generation				
PM	kg/E _{gen} _{MWh}	0.026	0.024	0.025
SO ₂	kg/E _{gen} _{MWh}	0.464	0.437	0.408
NO _x	kg/E _{gen} _{MWh}	0.465	0.412	0.395
Specific emissions from electricity and heat generation				
PM	kg/E _{gen} + Q _{HEAT} MW _h	0.023	0.022	0.023
SO ₂	kg/E _{gen} + Q _{HEAT} MW _h	0.412	0.390	0.365
NO _x	kg/E _{gen} + Q _{HEAT} MW _h	0.413	0.367	0.353

GRI 306—Waste

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

	Disposal Method	Unit	2016	2017	2018	
Total weight of nonhazardous waste		t/year	450,059	500,541	438,634	
Total weight of hazardous waste		t/year	3,240	3,240	2,801	
Weight of waste reused (slag, ashes, gypsum, waste soil)	Reuse	t/year	413,311	457,445	389,917	
Weight of waste recycled (paper, plastic, metal waste)	Recycling	t/year	11,141	12,410	17,264	
Weight of waste composted (biodegradable waste)	Composting	t/year	943	246	317	
Weight of waste with its energy recovered/incinerated	Incineration (mass burn)	t/year	1,309	842	549	
Weight of waste landfilled	Landfill	t/year	24,565	28,451	29,393	
Weight of waste handed over to authorized operator (end use unknown)	Handover to authorized operator (end use unknown)	t/year	2,030	4,387	3,995	
Weight of radioactive waste						
Weight of radioactive waste placed in radioactive waste repository	On-site storage	t/year	899	142	373	
Weight of waste products handed over in a take-back system as waste prevention		Total	t/year	94.21	118.76	376.93
Batteries and accumulators handed over for take-back (not included in reported waste)	Product take-back	t/year	3.39	14.01	8.77	
Discarded equipment handed over for take-back (not included in reported waste)	Product take-back	t/year	72.10	75.49	288.59	
Discharge and fluorescent lamps handed over for take-back (not included in reported waste)	Product take-back	t/year	10.73	8.24	11.84	
Oils handed over for take-back (not included in reported waste)	Product take-back	t/year	0.00	0.00	0.00	
Tires handed over for take-back (not included in reported waste)	Product take-back	t/year	7.99	21.02	67.74	
Transboundary movement of hazardous waste according to Basel Convention		t/year	0	0	0	
Of which, hazardous waste exported		t/year	0	0	0	
Of which, hazardous waste imported		t/year	0	0	0	

G4-EU1—Installed capacity in MW

	2016	2017	2018
CEZ Group	15,620.32	14,864.27	14,959.63
Coal-fired, gas-fired, and CCGT power and heating plants, total	8,605.10	7,716.30	7,811.67
Nuclear power plants	4,290.00	4,290.00	4,290.00
Hydroelectric power plants, total	1,984.67	1,985.62	1,985.62
Impoundment and run-of-river	814.67	815.62	815.62
Up to 10 MW (inclusive)	90.79	91.74	91.74
Over 10 MW	723.88	723.88	723.88
Pumped-storage	1,170.00	1,170.00	1,170.00
Other power plants with renewable energy sources	740.55	872.35	872.34

G4-EU2—Net energy output

in thousands of MWh	2016	2017	2018
Energy supplied from CEZ Group facilities	54,656.155	56,619.628	56,930.314
Energy generation by source	61,132.048	62,887.463	63,079.879
Generation from coal	30,689.307	28,175.513	26,973.574
Biomass	879.218	807.843	789.003
Natural gas	1,813.347	1,696.302	1,894.096
Nuclear	24,103.649	28,338.937	29,920.106
Hydro	2,346.875	2,155.628	1,973.502
Impoundment/run-of-river	1,144.999	985.177	922.958
Hydro up to 10 MW	267.403	241.378	222.139
Hydro over 10 MW	877.596	743.799	700.819
Pumped-storage	1,201.876	1,170.451	1,050.544
Solar	131.818	138.358	145.600
Wind	1,165.603	1,571.190	1,380.454
Biogas	2.232	3.691	3.544
In-house + other consumption, including pumped storage	(6,475.893)	(6,267.835)	(6,149.565)

G4-EU5—Allocation of CO₂ emissions allowances

Allocation of emissions allowances to CEZ Group in 2015–2017

(EUA)	2016*	2017*	2018
Free allowances (for heating)	1,049,015	839,961	704,696
Allowances in exchange for investments (for electricity)	11,612,609	7,260,619	4,796,169
Total	12,661,624	8,100,580	5,500,865

Balance of CO₂ emissions (t) and CEZ Group allowances

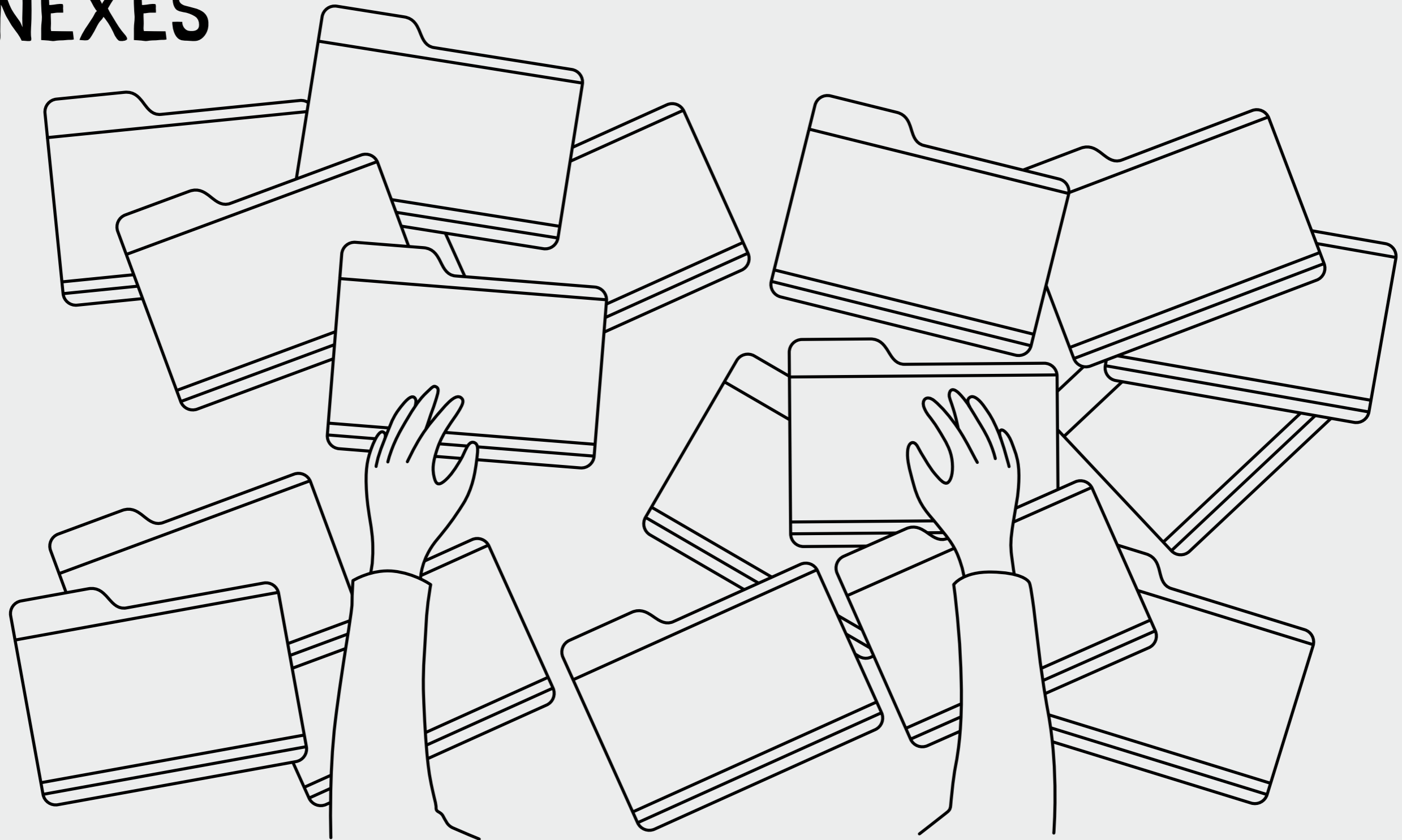
(EUA)	2016*	2017*	2018
Allocated allowances	12,661,624	8,100,580	5,500,865
Emissions	30,362,173	27,866,642	26,802,633
Difference—additionally purchased allowances	17,700,549	19,766,062	21,301,768

CEZ Group allocation by method

(%)	2016*	2017*	2018
Free allowances (for heating)	3	3	3
Allowances in exchange for investments (for electricity)	38	26	18
Allowances additionally purchased in the market	58	71	79

* Allocations of emissions allowances to foreign companies were incorrectly included during data collection in 2016 and 2017; the data have been corrected.

4. ANNEXES



4.1

EXTERNAL COLLABORATION

Membership of Selected Professional Associations

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

ČEZ

Czech Alliance for Youth

Association of Power Engineering Managers (AEM, including the SVSE working section—Association of Large Energy Consumers)

Corporate Sports and Health Association

Association for the Development of Collective Bargaining and Labor Relations

Czech Heat Pump Association (AVTČ)

Social Responsibility Association

BlueRe m.a.

Business for Society

CBCSD—Czech Business Council for Sustainable Development

Corporate Governance Institute (CGI)

Czech Risk Management Association (CZRMA)

Czech Compliance Association

Czech Calibration Association

Czech Management Association

Czech Membrane Platform

Czech Construction Law Society

Czech Association of Energy Sector Employers
(including the EURELECTRIC section)

Czech Institute of Internal Auditors (ČIIA)

Czech CIRED Committee

EFET Legal Committee

EFET Deutschland

ELINI (European Liability Insurance for the Nuclear Industry)

ESEPIE (Hellenic Association of Energy Trading & Supply Companies)

EURELECTRIC Blockchain Discussion Platform European Energy Forum

Ore Mountains Euroregion

FORATOM—European Atomic Forum

Donors Forum

Chamber of Commerce of the Czech Republic
through the Prague Chamber of Commerce)

Czech Institute of Directors (CloD)

Internal Communication Institute (IIK)

International Emissions Trading Association (IETA)

ISACA Czech Republic Chapter

Czech Pellet Cluster

CFO Club

Czech Chamber of Tax Advisers (KDP ČR)

NAET (Nordic Association of Electricity Traders)

National Center for Energy Savings
NUGENIA (Nuclear Generation II & III Association)
People Management Forum (PMF)
RECS International
Czech China Chamber of Collaboration
SNE-TP (Sustainable Nuclear Energy Technology Platform)
Confederation of Industry of the Czech Republic
“Sustainable Energy” Technology Platform (TPUE)
Towarzystwo Obrótu Energią (TOE)
Association of In-House Lawyers of the Czech Republic
VGB Powertech
Wirtschaftsrat der CDU e.V.
World Nuclear Association (WNA)
World Nuclear Fuel Market (WNFM)

CEZ Group Companies

(member CEZ Group company in parentheses)

Nuclear Energy Agency (NEA) (ÚJV Řež)
NUGENIA (European Nuclear Generation II & III Association) (ÚJV Řež)
Czech Chamber of Authorized Engineers and Technicians in the Construction Business (AZ KLIMA)
Association for the Development of Collective Bargaining and Labor Relations (ČEZ Prodej)
Czech Chamber of Authorized Engineers and Technicians in the Construction Business (ČKAIT) (ÚJV Řež)
International Atomic Energy Agency (IAEA) (ÚJV Řež)

EUROPEAID, HORIZON 2020, Nuclear Safety Cooperation framework programs and projects

Regional Chamber of Commerce (AZ KLIMA)

SNETP (Sustainable Nuclear Energy Technology Platform) (ÚJV Řež)

Refrigeration and Air Conditioning Association (AirPlus)

“Sustainable Energy” Technology Platform (TPUE)

Cooperation Partners

AIP—Czech Association of Innovative Entrepreneurship (ÚJV Řež)

Czech Energy Alliance (ŠKODA PRAHA)

Czech Energy Alliance (OSC)

ALICE—Access to Large Infrastructures in China (Centrum výzkumu Řež)

U.S. institutions (Nuclear Regulatory Commission—NRC—and federal Department of Energy) (ÚJV Řež)

Development through an Integrated Approach (Centrum výzkumu Řež)

ARCHER—Advanced High-Temperature Reactors for Cogeneration of Heat and Electricity R&D (Centrum výzkumu Řež)

ASICR—Czech Association of Mechanical Engineers (ÚJV Řež)

ASI ESIS Club (ÚJV Řež)

ASME—American Society of Mechanical Engineers (ASME) (ÚJV Řež)

ASNT—American Society for Nondestructive Testing (ÚJV Řež)

Association of Energy Auditors—Energy Specialists (ČEZ Teplárenská)

Association of Energy Managers (AEM) (ČEZ Energetické služby)

Association of Energy Specialists (ČEZ Solární)

Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (HORMEN CE)

Association of Providers of Energy Services (APES ČR) (ENESA)

Association of High-Voltage Testing Laboratories (AZVN) (ČEZ Distribuce)

ASTM—American Society for Testing and Materials (ÚJV Řež)

ASVEP (Association for the Utilization of Coal Combustion Products) (ČEZ Energetické produkty)

AVO—Association of Research Organizations (ÚJV Řež)

CACE—Czech Association of Consulting Engineers (ÚJV Řež)

CANUT—Centre for Advanced Nuclear Technologies (Centrum výzkumu Řež)

COGEN Czech (ČEZ Energo)

CORONA II—Establishment of a Regional Center of Competence for VVER Technology and Nuclear Applications (Centrum výzkumu Řež)

CZ BIOM (Energetické centrum)

CzechBio—association of Czech biotech companies (ÚJV Řež)

Czech Smart City Cluster (CSCC) (ČEZ ESCO)

ČAFF—Czech Association of Pharmaceutical Companies (ÚJV Řež)

Czech Archives Association (ČEZ Korporátní služby)

Czech Association of Local Distribution System Operators (ČEZ Energetické služby)

Czech Equestrian Federation (ČJF) (ÚJV Řež)

Czech Chamber of Architects (ČKA) (ÚJV Řež)

Czech Chamber of Authorized Engineers and Technicians in the Construction Business—professional organization (ŠKODA PRAHA)

Czech Nuclear Society (OSC)

Czech Green Building Council (CZGBC) (ČEZ ESCO)

Czech Nuclear Medicine Society (ČSNM) (ÚJV Řež)

ČSOZ—Czech Society for Radiation Protection (ÚJV Řež)

ČSPM—Czech Palliative Medicine Society (ÚJV Řež)

Czech Society for Quality (ŠKODA PRAHA)

Czech Wind Energy Association (ČEZ Obnovitelné zdroje)

Czech Nuclear Forum (OSC)

Czech Calibration Association (MARTIA)

Czech-Russian Nuclear Energy Working Group (PSJE), MIT/ROSATOM, Russia (ÚJV Řež)

Czech-Slovak-Iranian Chamber of Commerce, promoting exports to Iran (ŠKODA PRAHA)

Czech CIRED Committee (ČEZ Distribuce)

Czech Association of Energy Sector Employers (Energotrans)

ČIIA—Czech Institute of Internal Auditors (ÚJV Řež)

Czech CIRED Committee (ČEZ Distribuce)

ČSSK—Czech Society of Construction Coordinators (ÚJV Řež)

ČSTZ—Czech Association for Technical Equipment (ÚJV Řež)

ECOBA (ČEZ Energetické produkty)

EDSO European Distribution System Operators' Association (ČEZ Distribuce)

EERA—European Energy Research Alliance (Centrum výzkumu Řež)

EFDA—European Fusion Development Agreement (Centrum výzkumu Řež)

EKOENERGOSVAZ ČR (ČEZ Energo)

Eurachem-CZ (ÚJV Řež)

EURELECTRIC (ČEZ Distribuce)

FuseNet—European Fusion Education Network (Centrum výzkumu Řež)

GOFASTR—European Gas Cooled Fast Reactor (Centrum výzkumu Řež)

HYTEP—Czech Hydrogen Technology Platform (Centrum výzkumu Řež)
IA SMIRT—International Association for Structural Mechanics in Reactor Technology (ÚJV Řež)
ICG-EAC—International Cooperative Group—Environmentally Assisted Cracking (ICG-EAC) (ÚJV Řež)
IFE Halden, Norway (ÚJV Řež)
IGD-TP—Implementing Geological Disposal of Radioactive Waste Technology Platform (ÚJV Řež)
IGRDM—International Group on Radiation Damage Mechanisms (ÚJV Řež)
Atomic Energy Commission (CEA), France (ÚJV Řež)
Chamber of Certified Accountants (KCÚ) (ČEZ Korporátní služby, ÚJV Řež)
Chamber of Trade and Industry for CIS Countries, a special chamber of commerce (ŠKODA PRAHA)
MATTER—MATERial TESting and Rules (Centrum výzkumu Řež)
Czech Machinery Cluster (ČEZ Energetické služby)
NIX.CZ—Neutral Internet eXchange (Telco Pro Services)
NUGENIA (Nuclear Generation II & III Association) (Centrum výzkumu Řež)
N.ERGHY—European Research Grouping on Fuel Cells and Hydrogen (ÚJV Řež)
People Management Forum (PMF) (ČEZ Korporátní služby)
Professional Chamber of Fire Protection (ČEZ Distribuce)
Réseaux IP Européens (RIPE) (Telco Pro Services)
SCWR-FQT—Supercritical Water Reactor—Fuel Qualification Test Centrum výzkumu Řež)
Czech Testing Laboratories Association (CTLA) (ÚJV Řež)
ČSRES Association (ČEZ Distribuce)
Association of Railcar Holders and Operators (Severočeské doly Group)

Association for the Development of the Moravia-Silesia Region (ČEZ Korporátní služby)
Czech Association of Public Transport Companies (ČEZ ESCO)
Federation of Explosives Manufacturers and Users (Severočeské doly Group)
ŽESNAD CZ, Association of Railroad Freight Forwarders (Severočeské doly Group)
Slovak Equestrian Federation (SJF) (ÚJV Řež)
Slovak Chamber of Civil Engineers (SKSI) (ÚJV Řež)
Solar Association (ČEZ Solární)
Association of Industrial Enterprises in Moravia and Silesia (SPPMS) (ČEZ Energetické služby)
Society for Nuclear Safety and Equipment (GRS), Germany
Society for Public Lighting Development (ČEZ Energetické služby)
Society of Environmental Engineering (STP) (ÚJV Řež)
Society for Blasting Technology and Pyrotechnics (Severočeské doly Group)
Czech Science and Technology Parks Association (SVTP) (ÚJV Řež)
Association of Building Entrepreneurs (HORMEN CE)
Confederation of Industry of the Czech Republic (ČEZ Distribuce)
Union of Accountants of the Czech Republic (ČEZ Korporátní služby)
Association of Energy Sector Employers (ČEZ Distribuce)
TBM-CA—Test Blanket Module Consortium of Associates (Centrum výzkumu Řež)
Mining Union (LOMY MOŘINA)
TF-CSIRT Trusted Introducer (Telco Pro Services)
Czech Association for District Heating (Energotrans, ČEZ Teplárenská, ČEZ Energetické služby)
Association of In-House Lawyers (ČEZ Prodej)

Institute for Radiological Protection and Nuclear Safety (IRSN), France (ÚJV Řež)

State Scientific and Technical Center for Nuclear and Radiation Safety (SSTC NRS), Ukraine (ÚJV Řež)

Dhabha Research Center (NPCIL), India (proposal for a joint memorandum of cooperation) (ÚJV Řež)

Electric Power Research Institute (EPRI), U.S.A. (ÚJV Řež)

ZSDNP—Association of Mining and Petroleum Industry Employers (Severočeské doly Group)

Slovakia

SSZVT—Slovak Union of Heat Generators

ZBHS—Association of Housing Economy in Slovakia

Bulgaria

American Chamber of Commerce

Association of Traders with Electricity in Bulgaria

Bulgarian Branch Chamber of Energy Suppliers

Bulgarian Business Leaders Forum

Bulgarian Chamber of Commerce

Bulgarian Construction Chamber (BCC)

Bulgarian Human Resources Management and Development Association

Bulgarian Industrial Capital Association—IRO

Bulgarian Society for Public Relations

Confederation of Employers and Industrialists in Bulgaria

Council of Women in Business in Bulgaria

Electrical Vehicles Industrial Cluster

Energy Management Institute

European Association of Communication Directors

National Energy Chamber; representatives

France

Enerplan, Syndicat des professionnels de l'énergie solaire

France Énergie Éolienne

Office franco-allemand pour la transition énergétique

Germany

BDEW (BDEW, Bundesverband der Energie- und Wasserwirtschaft), Renewables and Onshore Wind Energy task groups

BTGA—Bundesindustrieverband Technische Gebäudeausrüstung e.V.

Bundesverband Windenergie (BWE)

Erneurbare Energien Cluster Hamburg (EEHH)

Windenergie Agentur Bremen (WAB)

Turkey

DEK-TMK—World Energy Council Turkish National

ELDER, Electricity Distribution Companies Society

Energy Traders Association

Energy Working Group: Strategic Planning and Risk

Environment and Climate Change Working Group

ETD—Energy Traders Association

EÜD—Electricity Producers Association: Government Relations Coordinator (Y. Huseyin Yücebas)

HESİAD—Hydroelectric Power Plants Industry and Business Association
İMMİB—Istanbul Minerals and Metals Exporters Association
PERYÖN—Human Management Association
PETFORM—Petroleum Platform Association
RESSİAD—Wind Power and Hydropower Plants Businessmen’s Association
Sabancı University İstanbul International Center for Energy and Climate
SATSO, Sakarya Chamber of Commerce and Industry
TEİD, Turkish Ethics and Reputation Society
TESAB—Association of Turkish Electricity Industry
TOBB—Union of Chambers and Commodity Exchanges of Turkey
TÜREB—Turkish Wind Energy Association
TÜSİAD—Turkish Industry and Business Association Working Groups
TÜYİD—Investor Relations Association
YASED—International Investors Association

Poland

Fundacja Centrum PPP—Centrum Partnerstwa Publiczno-Prywatnego
Konfederacja Lewiatan
Krajowa Izba Gospodarcza Elektroniki i Komunikacji
Krajowa Izba Gospodarcza Elektroniki i Telekomunikacji
Polska Izba Gospodarcza Energetyki Odnawialnej i Rozproszonej
Polskie Stowarzyszenie Energetyki Wiatrowej (PSEW)

Polskie Towarzystwo Elektrociepłowni Zawodowych
Stowarzyszenie Energetyki Odnawialnej
Towarzystwo Gospodarcze Polskie Elektrownie
Towarzystwo Obrotu Energią (TOE)

Romania

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

Serbia

Privredna komora Srbije—Chamber of Commerce and Industry

Hungary

Hungarian Energy Traders

Greece

ESEPIE – Hellenic Association of Energy Trading & Supply Companies

4.2

AWARDS WON

ČEZ

- Gold level in the category of TOP Responsible Large Corporation 2018—awarded by Business for Society
- Gold level in the category of TOP Responsible Corporation Reporting 2018 (for the 2017 Sustainability Report)—awarded by Business for Society
- Project of the Year title—gold level in the category of TOP Responsible Corporation Corporate Volunteering 2018—Time for a Good Cause—awarded by Business for Society
- Absolute winner in the category of 2017 Annual Report—Czechia's best annual report competition—awarded by CZECH TOP 100
- 1st place in the categories “Information Value” and “Graphic Design” in best 2017 annual reports rankings—awarded by CZECH TOP 100
- Special prize for “Information Security”—in best annual report rankings—awarded by Bisnode
- 1st place in the category of Most Desired Employer among Students—awarded by the Employers' Club in collaboration with AIESEC, a global student organization, on the basis of secondary school and university students' votes

- 1st place in the category of Most Desired Employer in the Prague Region—awarded by the Employers' Club on the basis of secondary school and university students' votes
- 1st place in the ENGINEER category—awarded by the Association of Students and Graduates on the basis of the TOP Employers 2018 survey conducted among university students
- 1st place in the category of Power, Gas, and Petrochemical Industry—awarded by the Association of Students and Graduates on the basis of the TOP Employers 2018 survey conducted among university students
- 2nd place in the category of Best House Organ 2018—for the PROUD magazine—awarded by CZECH TOP 100

CEZ Group Companies

EVČ

- Project of the Year title in the category of heat and cold supply systems (for a generating facility and heat distribution systems modernization project at the Luhačovice Spa)—awarded by the Czech Association for District Heating

Energetické Centrum

- BISnode rating—AAA

Energotrans

- Safe Enterprise certification—awarded by the Ministry of Labor and Social Affairs and the State Labor Inspection Office

ČEZ Distribuce

(following a merger of ČEZ Distribuce and ČEZ Distribuční služby)

- Safe Enterprise certification—awarded by the Ministry of Labor and Social Affairs and the State Labor Inspection Office

ENESA

- Winner in the category of EPC projects in the private sector and absolute winner in the EFEKTIA 2018 competition for a project in the Svidník hospital—awarded by the Slovak Association of Energy Services Providers
- 2nd and 3rd place in the category of Energy-Saving EPC Project 2018 for a project for the city of Prague and the Academy of Fine Arts—awarded by APES

ČEZ ESCO

- SMART CITY Personality 2018—award for Kamil Čermák, CEO, for long-term significant contribution to the field of SMART CITY in the Czech market and abroad—the title is awarded during the annual CZECH TOP 100 ceremony announcing the top businesses and personalities in Czechia

SPRAVBYTKOMFORT

- Catching-Up Regions—energy efficiency of public buildings and energy management of the Prešov region

ČEZ ICT

- SAP Competency Center recertification—awarded by SAP AG

AZ Klima

- VIP Partner 2018

Selected Awards for Foreign Companies

Bulgaria

CEZ Razpredelenie Bulgaria AD (CEZ DI)

- TRUE LEADERS award—CEZ Distribution Bulgaria was nominated in the category of European Business Awards for the Environment for its Life Birds project for avian protection in the company's area of operations—awarded by ICAP

CEZ Elektro Bulgaria AD

- Awarded as one of the “greenest” companies in Bulgaria in the category of Water and Power Engineering—awarded by BnBmedia
- “True Leader” award for an industry leader and for good business practices, award received for the third time—awarded by ICAP Bulgaria

Turkey

Akenerji Elektrik Üretim A.Ş.

- “Golden Voltage” award for social responsibility during the 9th Turkey Energy Summit for its “Cancer Scan” project; Akenerji contributed to and provided assistance in the transportation of 1,530 women from the Feke province, where two of our hydroelectric power plants are located, to Adana where they underwent a breast cancer prevention scan under the auspices of the Ministry of Health
- 1st place in the “The ONE Awards” in a category awarding companies that increase their reputation every year—the prize is awarded by the Marketing Turkey Magazine and Akademetre Research Company

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ)

- AKKÖK Holding group was awarded for respecting human rights by being one of the fastest companies to respond to job applications (award for 2017 and 2018)

Poland

CEZ ESCO Polska

- A “New Impulse—Effective Energy” award was given to CEZ ESCO Polska during the 15th New Industry Congress for its contribution to development in the ESCO sector in Poland, in particular for introducing a model of energy savings with guaranteed outcome (EPC); provided services will result in increased savings in the budgets of businesses and public institutions, reduced emissions, and improved air quality, while helping make companies more competitive

CEZ Polska sp. z o. o.

- Emerging Market Champions award—for continued investments in environmentally friendly energy facilities in Poland—awarded by bank foundation Fundacja Kronenberga Citi Bank Handlowy

Romania

CEZ Romania S.A.

- Brand of the Year award on the occasion of the Romanian Energy Awards Gala 2018 held by The Diplomat—Bucharest magazine; 2nd place for the “Never Alone” project in the cross-sectoral partnership category of the Romanian CSR Awards

Distributie Energie Oltenia SA

- The Excellency Trophy for the top-performing company in the past ten years—awarded by the Chamber of Commerce and Industry on the occasion of the 25th edition of the Top of Companies Gala
- 1st place in the category of large corporations in distribution on the occasion of the 24th edition of the Top of Companies Gala—awarded by the Chamber of Commerce and Industry

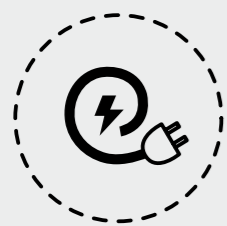
Ovidiu Development S.R.L.

- True Leader distinction—awarded by ICAP Romania, a member of ICAP Group

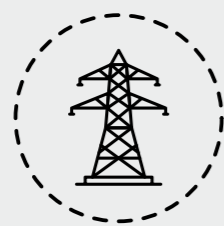
1918-2018

During the past hundred years, installed capacity in the Czech lands has increased from about 800 MW to today's 22,264 MW; generation has increased even eightyfold. According to a EURELECTRIC study, electricity will play a much more important role in the future than it does today. While electricity accounts for about 22% of the total energy consumption today, its share could rise to up to 60% by 2050. Much more electricity is expected to be used in transportation but also in heating and water heating in buildings or in industrial production.

Electricity is the noblest form of energy



Versatility of use



Remote transmission capability



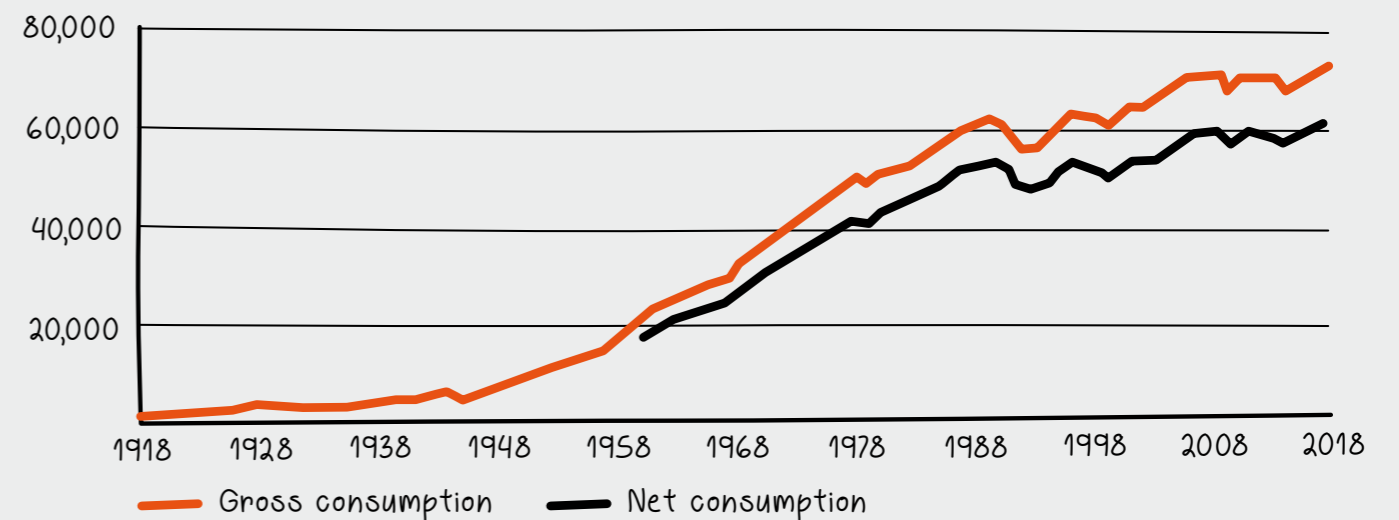
Easy distribution to consumers



High efficiency of conversion into other forms of energy

Appetite Grows According To What It Feeds On

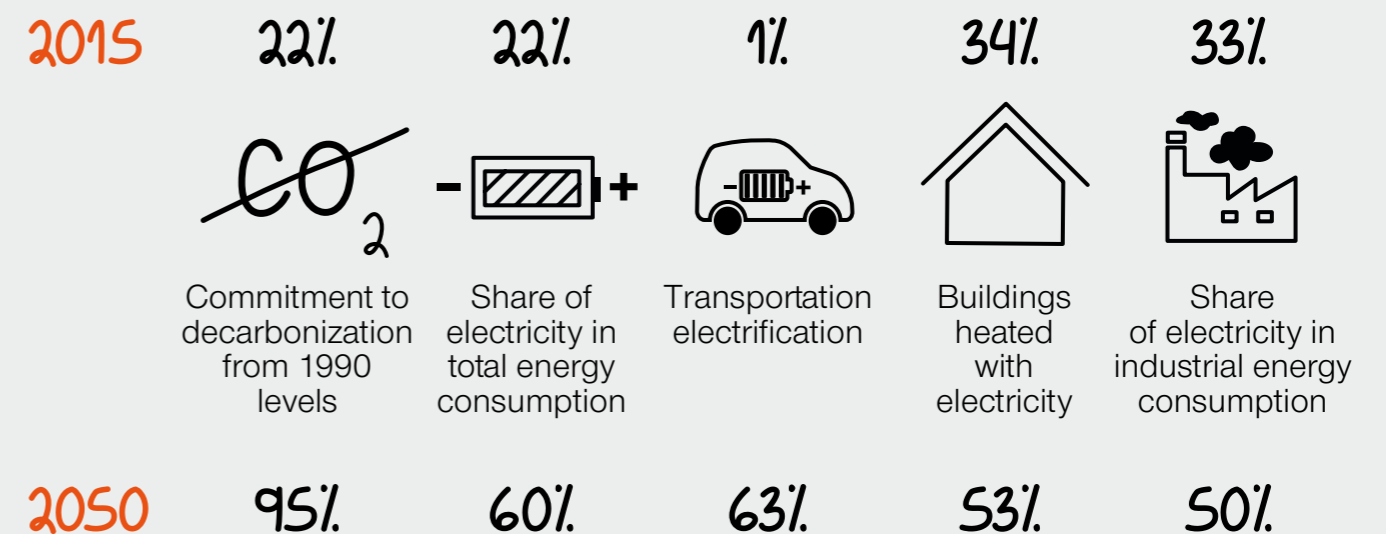
Electricity consumption 1918-2018 (GWh)



Then and Now

	1918	2018
Installed capacity in Czech lands	800 MW	22,264 MW
Nationwide electricity generation	1,093 GWh	87,996 GWh
Residential access to electricity	34%	100%
Population of Czech lands	9,987,000	10,610,000

The Future Is Electric



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