



CLEAN
ENERGY OF
TOMORROW

Supervisory Board Report



Dear Shareholders, Ladies and Gentlemen,

Please allow me to present to you, on behalf of the Supervisory Board of ČEZ, a. s., the report on its activities since the last General Meeting taking place on June 28 last year (hereinafter also referred to as the “period under review”).

In accordance with the Company’s Articles of Association, the Supervisory Board has 12 members, two-thirds of whom (8 members) are elected and removed from office by the General Meeting and one-third of whom (4 members) are elected and removed from office by company employees. At the Annual General Meeting held on June 28, 2021, no changes were made to the personnel of the Supervisory Board. In the period from the date of this General Meeting to May 19, 2022 (when this Report was discussed by the Supervisory Board), the following personnel changes have taken place within the Supervisory Board:

- Based on Ondřej Landa’s written resignation as a member and Vice-Chairman of the Company’s Supervisory Board, the Supervisory Board discussed and approved the date of vacating the position as of January 16, 2022;
- On January 23, 2022, the term of the Supervisory Board members elected by the employees, Vladimír Hronek, Jitka Čermáková, Josef Suchánek, and Lubomír Klosík expired;
- The following members of the Supervisory Board elected by employees took office on January 24, 2022: Marta Ctiborová, František Novotný, Radek Mucha, and Milan Wagner;
- The Supervisory Board decided to appoint Roman Binder as a substitute member of the Supervisory Board, effective from February 24, 2022 until the next General Meeting of the Company; At the same time, Roman Binder was elected Vice-Chairman of the Supervisory Board;
- The Supervisory Board decided to appoint Otakar Hora as a substitute member of the Supervisory Board, effective from June 24, 2022 until the next General Meeting of the Company; At the same time, Otakar Hora was elected Chairman of the Supervisory Board effective from June 24, 2022.

As of May 19, 2022, when this report was discussed, the personnel structure of the Supervisory Board was as follows:

- Chairman of the Supervisory Board—Otakar Hora;
- Vice-Chairmen of the Supervisory Board—Roman Binder and Zdeněk Černý;
- Members of the Supervisory Board—Marta Ctiborová, Vladimír Černý, Vladimír Kohout, Radek Mucha, František Novotný, Karel Tyll, František Vágner, Jan Vaněček, and Milan Wagner.

According to the requirements set out in the Corporate Governance Code published for issuers of securities admitted to trading on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), which includes ČEZ, a. s., in the form of the so-called Best Practice for GPW Listed Companies 2021, the following members of the Supervisory Board meet all independence criteria: Otakar Hora, Zdeněk Černý, Vladimír Černý, Vladimír Kohout, František Vágner, and Jan Vaněček.

The Supervisory Board held a total of 10 ordinary and 2 extraordinary meetings in the past period, i.e. from the last Annual General Meeting to May 19, 2022.

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

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

Pursuant to the Company’s Articles of Association, the Board of Directors of ČEZ, a. s., should have seven members. Members of the Board of Directors are elected and removed by the Supervisory Board. In the period under review, the Supervisory Board decided on the following personnel changes within the Company’s Board of Directors:

- Tomáš Pleskač was elected to the next term as a member of the Board of Directors, effective from January 30, 2022.

Subsequently, the Supervisory Board approved Tomáš Pleskač's agreement on the performance of duties as a member of the Board of Directors of ČEZ, a. s., and took note of the information on the assignment to substantive management of the respective division.

In the period under review, there were also some other changes in the composition of the Board of Directors, which were already decided by the Supervisory Board in the previous period under review, and information on them was therefore already provided in the previous Supervisory Board Report. The changes are as follows:

- On June 28, 2021, the term of Ladislav Štěpánek, a member of the Board of Directors, expired;
- On June 29, 2021, the term of the new member of the Board of Directors, Jan Kalina, began;
- On December 19, 2021, the new term of the Board of Directors member and Chairman Daniel Beneš began.

The Supervisory Board:

- **Continuously monitored** the activities of ČEZ, a. s. and key decisions made by its Board of Directors and management;
- **Addressed** the suggestions of its members, shareholders, or customers of the company or other entities;
- **Held a series of workshops** that were conducted operationally instead of the previously existing Supervisory Board Committees, which have focused on the following topics: CEZ Group's future plans for the Dětmarovice–Tušimice–Pruněřov–Ledvice site; Basis for setting the annual tasks of the Board of Directors members for 2022; Determination of the performance indicator for the Board of Directors members for long-term performance remuneration in 2022; New nuclear power plant in Dukovany—summary of key parameters of term-sheets of contracts between the state, ČEZ, a. s., and Elektrárna Dukovany II, a. s.; Small Modular Reactors; CEZ Group update for new members of the Supervisory Board; Information from the audit of the financial statements for the accounting period of 2021; Evaluation of the key performance indicators (KPIs) of the Board of Directors members for 2021; Preparation for the acquisition of 100% of shares in Škoda JS, a. s., and Middle Estates, s.r.o.; Program for the development of RES in Czechia until 2025.

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

- Any promises made by the Company resulting from the consideration of motions made by shareholders at the Company's General Meeting, any protests made by shareholders during the General Meeting, and the findings of any actions relating to the General Meeting;
- Requirements for the security clearance of the Board of Directors members and selected employees of ČEZ, a. s.;
- Status/overview of public procurements;
- Risk management system, risk overview, and risk provisions;
- Developments in significant legal disputes concerning CEZ Group;
- Approach of ČEZ Prodej, a. s., to the retail market, and CEZ Group's approach to the B2B segment (ESCO services);
- Activities of the investment fund Inven Capital SICAV, a. s.;
- Result of collective negotiating in 2021;
- ČEZ Ombudsman's activities in 2021;
- Communication plan for 2022;
- Managing the coronavirus situation in CEZ Group;
- Progress of the project for the completion of the thermal feeder from Temelín to České Budějovice;
- CEZ Group's debt capacity;
- Internal audit and compliance on the functionality and assessment of the CEZ Group internal control system for 2021 and the results of investigations and corrective actions according to the Annual Internal Audit Report of ČEZ, a. s., for 2021.

The Supervisory Board further requested and discussed information on the operations and activities of the ČEZ Foundation in 2021 and the foundation contributions made, as well as information on expenditures in the area of marketing and PR activities. The Supervisory Board generally assesses the expenditures made in these areas as rational and reasonable.

At its meetings, the Supervisory Board **regularly dealt with:**

- Information on the course and results of meetings of the Company's Board of Directors;
- The current state of and developments in the regulatory environment and legislation in the European Union and Czechia, including their potential impact on CEZ Group's activities;
- Information on significant events in European and global energy markets;
- Information on the dynamic development of prices of natural gas, electricity, and other commodities on European markets, including the impact on CEZ Group;
- Information on the ongoing development of the customer situation in the supplier of last resort mode;
- Current operational status of the Temelín and Dukovany nuclear power plants;
- Current operational status of conventional energy sources and renewables, i.e. pan, non-pan, and hydroelectric power plants, thermal power plants, steam power plants, photovoltaic and wind plants;
- Information from the Mining segment—the development of coal supplies within and outside CEZ Group and significant events in the segment;
- Information on current developments in the Czech distribution segment—on the operation of the distribution system and any emergencies, on the implementation of major construction projects, and on ongoing projects;
- Current information from the distribution segment abroad, including possible developments in the political and regulatory environment in connection with CEZ Group's operations primarily in Turkey, Poland, and Bulgaria, including developments in the sale of these assets, as well as developments in the international arbitration proceedings against the Bulgarian state;
- Information from the trading sector concerning trading and sales of commodities to end-use customers in Czechia and abroad, decentralized energy, and offerings for businesses and the public sector in Czechia or offerings for businesses abroad, telecommunication;
- Information on the conclusion of contracts and binding offers concerning electricity and natural gas up to the approved financial limit;
- Development of potential opportunities and specific projects (abroad and in Czechia) in the field of ESCO services, renewable resources, electromobility, development of a gigafactory, or lithium mining;
- Management report on the development of the company's financial performance (discussion of monthly, quarterly, and annual financial results, including CEZ Group's consolidated Half-Year Report for 2021 and CEZ Group's Annual Report for 2021), and the status of domestic and foreign holdings of ČEZ, a. s., including selected financial results for the periods under review;
- Report on CEZ Group's major investment projects, i.e., status and development of investment projects, technologies used, work schedule, issue of contractors, and budgets, including cost absorption in connection with preparing the completion of new nuclear power plants;
- Procedure of preparing the project of the new nuclear power plant in Dukovany according to the individual work streams of this project.

In compliance with the Company's current Articles of Association, the Supervisory **Board granted its prior consent to the Board of Directors to implement decision on:**

- Dissolution of Elektrárna Mělník III, a. s., and the Company's entry into liquidation as of July 1, 2021;
- Provision of a cash bonus for the creation of equity capital outside the share capital above the amount of the contribution of the shareholder of ČEZ, a. s., Elektrárna Dětmarovice, a. s. (in connection with ensuring the compliance of the capital adequacy of Elektrárna Dětmarovice, a. s., with the requirements of the Business Corporations Act);
- Conclusion of a purchase agreement for the sale of the business center in Hradec Králové;
- Acquisition of 100% of the shares in BELECTRIC GmbH, based in Germany, 100% of the shares in BELECTRIC ITALIA SRL, based in Italy, 100% of the shares in BELECTRIC FRANCE SARL, based in

France, 100% of the shares in BELECTRIC SOLAR LTD, based in Great Britain, and 100% of the shares in BELECTRIC ISRAEL LTD, based in Israel;

- Acquisition of a 66% share (and later on the possible acquisition of further shares in connection with the buyer's or seller's options to buy or sell up to 100% of the stake) in the Dutch company ZOHD Groep B.V.;
- Acquisition of 100% of the shares in CAPEXUS s.r.o., with its registered office in Prague, and 100% of the shares in CAPEXUS SK s.r.o., with its registered office in Bratislava;
- Provision of a cash supplement to create equity outside the share capital of ČEZ, a. s., to the company: Elevion Group B.V. and CEZ Holdings B.V. (for the purpose of financing the acquisition of BELECTRIC Europe and Israel), to CEZ Holdings B.V. and Elevion Group B.V. (to finance the acquisition of ZOHD Groep B.V.), and to ČEZ ESCO, a. s. (to finance the acquisition of CAPEXUS s.r.o.);
- Granting consent to Inven Capital, SICAV, a. s., with the intention to create a new sub-fund "Inven Capital—Podfond C";
- Accepting a long-term loan/loans from the European Investment Bank (EIB) in connection with the financing of investments in the distribution system in Czechia, which will be implemented and financed through ČEZ Distribuce, a. s.;
- Dissolution of CEZ Srbija d.o.o. Beograd and its entry into liquidation;
- Dissolution of CEZ Trade Romanie S.R.L. and its entry into liquidation;
- Granting the Company's consent to the implementation of the investment project "Portfolio Champagne—Construction and Operation of the Neuville-aux-Bois Project with an Installed Capacity of 15.0 MW" controlled by Ferme Éolienne de Neuville-aux-Bois SAS, France;
- Approval of the consolidated business plan / project intent for "SNF—Spent Nuclear Fuel Storage"—Phase 2 (relating to the expansion of storage capacity);
- Approval of the consolidated business plan / project intent for "Provision of Packaging for ETE Spent Nuclear Fuel from 2029 Onwards";
- Approval of the modification of the terms and conditions for the conversion of the convertible loan granted by ČEZ, a. s., to the holding company IPM InoBat Investment Holding j.s.a.;
- Approval of the project "Preparation of EPR1 Land for Commercial Use" and its subsequent implementation;
- Granting the Company's consent to the implementation of the investment project "Construction of the CCGT Heating Plant 1 at the Mělník Heating Site" by Energotrans a. s.;
- Approval of the project "ELE B6 Reduction of Emissions of Hg and Pollutants" (to ensure the operation of the supercritical unit B6 in compliance with stricter emission limits for particulate matter and mercury);
- Approval of the longterm financial framework of the "Czech RES Development Program until 2025" for its "Development" and "Implementation" phases;
- Acquisition of the 100% share in Škoda JS, a. s., and acquisition of 100% share in Middle Estates, s.r.o.;
- Transformation, merger by acquisition between the participating companies—Elektrárna Dětmorovice, a. s., as the dissolving company, and ČEZ, a. s., as the successor company, whereby there will be no increase in the share capital of ČEZ, a. s., as of the decisive date of January 1 2023;
- Provision of cash supplement to create equity outside the share capital of ČEZ ICT Services, a. s., and granting consent to ČEZ, a. s., to the further provision of a cash supplement by ČEZ ICT Services, a. s., to the equity (outside the share capital) of its 100% subsidiary Telco Pro Services, a. s. (in order to finance 100% of the shares in KABELOVÁ TELEVIZE CZ, s.r.o., and to supplement the equity of Telco Pro Services, a.s.).

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

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

- Approval of ČEZ, a. s., participation in the tender procedure of ČEPS, a. s., for the provider of approximately 60% of the usual annual volume of support services for 2022;
- CEZ Group's property using its own captive insurance company—membership in the mutual insurance company Oil Insurance Limited;
- Approval of the Election Rules of ČEZ, a. s., for the election of Supervisory Board members elected by Company employees and about the calling of an election of Supervisory Board members and substitute Supervisory Board members elected by employees;
- Intention to conclude Amendment No. 1 to the Thermal Energy Supply Agreement with Teplárna České Budějovice, a. s., and in this context to modify the key parameters of the Thermal Energy Supply Agreement;
- Adjusting the rights of ČEZ, a. s., as a shareholder of IPM InoBat Investment Holding j.s.a., in relation to the indirect stake in the InoBat Auto project in order to enable the initial public offering ("IPO") of InoBat Auto j.s.a. on the stock market and an equity financing round prior to the IPO;
- Granting consent to ČEZ, a. s. (based on the application of the holding company IPM InoBat Investment Holding j.s.a. –"IIIH") to transfer 100% of the shares of InoBat Auto j.s.a. ("InoBat Auto") to a newly established company "TopCo" existing under Norwegian law by way of a contribution in kind by the current 100% shareholders of InoBat Auto;
- Decision of the Board of Directors to approve the overall intention to enter into contracts by the trading unit of ČEZ, a. s., for the sale and purchase of electricity and natural gas, which do not serve to secure the sale of generation, in a value not exceeding in each individual case CZK 2,000,000,000 (in words: two billion Czech crowns), subject to compliance with the risk frameworks set by the Risk Committee of RMC;
- Current status of activities in the field of Small Modular Reactor ("SMR") in CEZ Group, respectively in Elektrárna Temelín II, a. s., and information on the evaluation of the SMR Qualification Study;
- Approval of the intention to merge the company Elektrárna Dětmarovice, a. s., as the dissolving company, and ČEZ, a. s., as the successor company, in accordance with the relevant provisions of the Act on Transformations of Commercial Companies and Cooperatives;
- Provision of additional payments by ČEZ, a. s., to the equity of its subsidiaries for the period from January to July 2021 and for the period from August to December 2021;
- Remuneration of Board of Directors members, heads of departments, and heads of organizational units at ČEZ, a. s., and members of statutory bodies and affected persons of CEZ Group subsidiaries in Czechia;
- Situation on the electricity and natural gas market in Q1 2022;
- Approval of the mandate for trading (purchase and sale) of long-term contracts for the purchase of electricity, the so-called Power Purchase Agreements (PPAs) from renewable sources with a supply duration of up to 16 years and a volume of 2 TWh and the possibility of hedging these contracts on the market with the validity of the mandate until December 31, 2023;
- Upcoming update of the business concept of CEZ Group and ČEZ, a. s.;
- Issue of sustainability-linked bonds released by the Company under the EMTN program on April 6, 2022, and the terms and conditions of this issue;
- Potential conclusion of an agreement for the acquisition and protection of natural gas with the Czech Republic—State Reserve Bureau on the basis of a negotiated procedure without publication.

During the period under review, as mentioned above, the Supervisory Board was regularly informed by the Board of Directors on the status and development of the **New Nuclear Power Plant project at the Dukovany site** and on some specific details of the project also at several workshops.

In connection with the government's decision not to involve Russia and China in the tender for the new nuclear power plant or in the safety assessment phase, the Supervisory Board requested and discussed at its meeting in August 2021 information from the Board of Directors on the identification of risks to CEZ Group from supplies from the Russian Federation and the potential impact of these risks and solutions to mitigate them.

At its meeting in January 2022, the Supervisory Board discussed in detail and took note of the negotiated principles of contracts (termsheets) governing the relations between the state, ČEZ, a. s., and Elektrárna Dukovany II, a. s., in relation to the New Nuclear Power Plant project.

On the basis of the information communicated and the background materials submitted at the February 2022 meeting, the Supervisory Board adopted the following resolution:

- Took note of the information on the status of preparation of the tender procedure for selecting the supplier of one unit of the new nuclear power plant at the Dukovany site (hereinafter referred to as “NPP”) and fuel assemblies;
- and expressed its positive opinion on the decision of the Board of Directors of ČEZ, a. s., to be implemented, on granting the instruction of the sole shareholder of Elektrárna Dukovany II, a. s. (within the competence of the General Meeting of Elektrárna Dukovany II, a. s.) to initiate the tender procedure by sending the tender documentation to the potential suppliers, subject to the condition of receiving a favorable response from the Czech Republic—Ministry of Industry and Trade (“the State”) (i) to the potential bidders in the framework of the safety assessment and (ii) with the incorporation of the safety requirements into the tender documentation within the meaning of the relevant provisions of the First Implementation Agreement on Cooperation in the Construction of a New Nuclear Power Plant at the Dukovany Site in Czechia concluded on July 28, 2020, between the State, ČEZ, a. s., and EDU II, as well as the content of the tender documentation for the purposes of the tender procedure.

Finally, the Supervisory Board continuously discusses with the Board of Directors the **aspects of the war conflict in Ukraine**, including the impact of this conflict and the impact of the adopted sanctions (announced by the EU, the USA, or individual countries) on CEZ Group, its strategy and business, or its customers. In this context, the Supervisory Board also requested information on the contracted supply of nuclear fuel for both the Dukovany and Temelin nuclear power plants; Information on the solution for securing nuclear fuel for the near term and in the future, as well as information on the solution for technological support for the outages of both CEZ Group’s nuclear power plants. The issue of reliability of natural gas supplies from Russia and the issue of payments for Russian gas are also discussed.

Another subject for debate on the Supervisory Board’s agenda were amendments to the Organizational Rules of ČEZ, a. s., of which the Supervisory Board expressed a favorable opinion. Furthermore, the Supervisory Board took note of the information on approving the revision of the Signing Regulations.

With regard to the Company’s objectives and priorities for the next period, the Supervisory Board discussed in detail the basis for setting the nominal tasks, including a factual definition of the criteria for remuneration of individual members of the Board of Directors for 2022. At its March meeting, the Supervisory Board discussed and approved the fulfillment of nominal tasks of the members of the Board of Directors for 2021, which is a deciding factor for determining the amount of their annual remuneration.

After detailed discussion, the Supervisory Board approved the performance evaluation of the performance indicator for the long-term performance remuneration (“LTPR”) of the members of the Board of Directors for 2021. In line with the set performance indicator TSR—Total Shareholders Return—for 2021, the resulting performance reached a level of 150%. Therefore, the adjusted performance unit allocation for all members of the Board of Directors was adjusted to 150% of the base performance unit allocation for 2021, based on the resulting performance measure achievement.

The Supervisory Board discussed the setting of the LTPR performance indicator(s) for 2022 at several of its meetings and the workshop. For the period from January 1 to December 31, 2022, it decided that the only performance indicator remains Total Shareholder Return (TSR) and the list of 25 specific energy companies from the STOXX Euro 600 Utilities stock index created by Deutsche Börse AG, against which ČEZ’s TSR is compared, also remains the same. Compared to the definition of the indicator and its evaluation for 2021, the Supervisory Board has only made a partial adjustment to the so-called ramp-up curve for evaluating the TSR performance of the indicator in relation to the TSR achieved in the given energy sector.

At its meeting in April 2022, the Supervisory Board expressed a positive opinion on the “Report on Remuneration of ČEZ, a. s., for the financial year 2021” concerning the members of the Board of Directors and the Supervisory Board, which was prepared in accordance with the new requirement of Act No. 256/2004 Coll., on capital market business, as amended.

The Supervisory Board did not identify any facts that would make it express reservations about the draft CEZ Group Business Plan for 2022–2026 and the draft annual capital and operating budgets of ČEZ, a. s., and CEZ Group for 2022.

Based on its monitoring activities, the Supervisory Board assesses that the Company complies with the principles of corporate governance in its business activities and continuously fulfills all material information obligations related to compliance with the corporate governance principles.

The Supervisory Board debated all source documents that had been presented at this General Meeting, taking note of the documents presented to the General Meeting in accordance with the law and giving its concurring opinion to the presentation of the other documents at this General Meeting.

In compliance with Article 18(5)(c) of the Company's Articles of Association, the Supervisory Board **reviewed** the Related Parties Report for the period of January 1, 2021, to December 31, 2021, and has no **reservations** about its contents.

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

On the agenda item of Approval of the Financial Statements of ČEZ, a. s., and the Consolidated Financial Statements of CEZ Group for the Year 2021:

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

- Financial statements of ČEZ, a. s. for the fiscal year ending on December 31, 2021;
- Consolidated financial statements of CEZ Group for the year ended December 31, 2021;

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

On the agenda item of Decision on the Distribution of Profits of ČEZ, a. s.:

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

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

Otakar Hora

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