



BOARD OF DIRECTORS' POSITION ON THE QUALIFIED SHAREHOLDER'S PROPOSAL CONCERNING ITEM 8 ON THE GENERAL MEETING AGENDA

The company received a proposal from a group of company's shareholders in the position of a qualified shareholder, consisting of Ing. Michal Šnobl and J&T SECURITIES MANAGEMENT PLC, Tinsel Enterprises Limited and HAMAFIN RESOURCES LIMITED (hereinafter referred to as the "**Qualified Shareholder**"), on item 8 of the General Meeting agenda – Decision to Amend the Company's Articles of Association.

Position on the draft resolution referred to in Section 1.2(a):

In view of the company's extensive shareholder structure, it is considered appropriate for the company's General Meeting, with legal exceptions, to decide only on the most fundamental general issues of the strategic direction of the company's business activities, as referred to in Article 8(1)(p) the company's Articles of Association (approval of the business policy), and not on decisions on specific projects/investments or their financing.

The company's General Meeting, which began on June 26, 2019, adopted on June 27, 2019 the updated Business Policy of CEZ Group and ČEZ, a. s. (hereinafter referred to as the "**Policy**"), as submitted by the Board of Directors whose task is to define, in accordance with the Articles of Association, the framework of business activities for the entire CEZ Group. The Board of Directors is therefore of the opinion that the General Meeting sets general rules for the Board of Directors' decision on the implementation of projects/investments. The company's shareholders have the opportunity to exercise control over the exercise of the Board of Directors' powers within specific projects/investments or their financing through the Supervisory Board, whose members are elected by the company's General Meeting.

Position on the draft resolution referred to in Section 1.2(b):

This extension of the scope of powers of the company's General Meeting is also considered by the Board of Directors to be unjustified. The company's corporate governance is based on rules stipulated by applicable law for this area, in particular the Business Corporations Act, Civil Code, Capital Market Undertakings Act, and Corporate Criminal Liability Act. To the company, as an issuer of a security admitted to trading on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.; hereinafter referred to as "GPW") the code published by this exchange (the GPW Code) applies. The company takes into account all material rules of the GPW Code in its activities, considering the individual areas and topics governed by the Code to be important also to its shareholders. The company further takes into account all essential rules of the Corporate Governance Code of the Czech Republic issued in 2018.

Position on the draft resolution referred to in Section 1.2(c):

The proposal of the Qualified Shareholder is based on a misinterpretation of the proposal to amend Article 14 (9) of the company's Articles of Association submitted by the Board of Directors under item 8 of the General Meeting agenda. Proposal to amend Article 14 (9) of the company's Articles of Association with a new wording of point (d) is not an extension of the Board of Directors' powers in relation to surcharges above the registered capital. Even before this amendment to the company's Articles of Association, decisions on the provision of surcharges (or on granting the company's consent to the provision of a surcharge by an entity controlled by

the company) fall within the competence of the Board of Directors, and such decisions form an integral part of the business management performed by the Board of Directors, the purpose of which is to finance CEZ Group companies' projects. In the event that the amount or surcharge value exceeds CZK 500 million, the Board of Directors is already obliged to request the company's Supervisory Board for prior consent to implement the decision to provide such surcharge (or for the company's consent to such surcharge) in accordance with Article 14(9)(a) of the company's Articles of Association. Adding a separate letter (d) in Article 14(9) serves only to clarify the corporate approval processes within the company and make it more transparent. Considering the company's extensive shareholder structure the Board of Directors does not consider it appropriate that the General Meeting approves provision of specific surcharges to controlled entities, as it is usually necessary to ensure financing (and therefore obtain necessary consent) within fairly limited time.

The Board of Directors therefore considers even this draft resolution submitted by the Qualified Shareholder to be unjustified, as extending the General Meeting's powers to approve surcharges by the General Meeting would unreasonably complicate the provision of financing for specific projects to controlled companies.

On top of the above the Board of Directors is of the opinion that the General Meeting cannot "decide" on such surcharges as proposed in this Qualified Shareholder's draft resolution, because the decision-making itself can already be considered part of the company's management, which pertains to the Board of Directors.

Conclusion:

After acquainting itself with the Qualified Shareholder's proposal, the Board of Directors decided to include the draft resolutions specified in the Qualified Shareholder's proposal for voting within item 8 of the General Meeting agenda. The Board of Directors considers the submitted proposals to amend the Articles of Association proposed by the Qualified Shareholder neither necessary nor suitable.