



# 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 29 last year.

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 Annual 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 29, 2020, Lubomír Lízal was removed from his position as a member of the Supervisory Board and Vladimír Černý was elected as a new member of the Supervisory Board. The Supervisory Board members whose four-year term of office has expired (Ondřej Landa, Vladimír Kohout, and František Vágner) were elected by the General Meeting for the next term of office. There have been no further personnel changes within the Supervisory Board between the time of this Annual General Meeting and May 20, 2021 (when this report was discussed by the Supervisory Board).

As at May 20, 2021, 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 – Ondřej Landa (re-elected Vice-Chairman with effect from July 23, 2020), and Zdeněk Černý;
- members of the Supervisory Board – Jitka Čermáková, Vladimír Černý, Vladimír Hronek, Lubomír Klosík, Vladimír Kohout, Josef Suchánek, Karel Tyll, František Vágner, and Jan Vaněček.

In the past period, i.e., from the last Annual General Meeting to May 20, 2021, the Supervisory Board held a total of 10 ordinary and 1 extraordinary meeting.

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. The following personnel changes occurred on the Board of Directors during the period in question.

- Bohdan Zronek was elected to the next term as a member of the Board of Directors, with effect from May 19, 2021;
- Daniel Beneš was elected to the next term as a member of the Board of Directors, with effect from December 19, 2021;
- The term of office of Ladislav Štěpánek, member of the Board of Directors, will expire at midnight today (June 28, 2021);
- A new member of the Board of Directors, Jan Kalina, has been elected with effect from June 29, 2021.

Subsequently, the Supervisory Board approved the 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 of the Board of Directors members to substantive management of the respective division.

The Supervisory Board:

- **Continuously monitored** the activities of ČEZ, a. s., and key decisions made by its Board of Directors and management;
- **Addressed** the suggestions of its members, shareholders, or customers of the company or other entities;
- **Held a series of workshops** that were conducted operationally instead of the previously existing Supervisory Board Committees, which have focused on (and in some cases, repeatedly) the following topics: Condition of the maintenance system at nuclear and conventional power plants; Inquiry documentation for the New Nuclear Power Plant project at the Dukovany site; Personnel capacities of the New Nuclear Power Plant project at the Dukovany site; Issues of Small Modular Reactors; CEZ Group's Vision for 2025 project; Cooperation of different types of RES (electricity) with the transmission system and distribution grids; Setting the performance indicator for the members of the Board of Directors for long-term performance remuneration in 2021; Evaluation of the key performance indicators (KPIs) of the members of the Board of Directors for 2020.

**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:

- Potential company obligations arising from the suggestions and challenges presented by shareholders that were debated at the last Annual General Meeting as well as a status report on their implementation;
- Update on the projected Počeradý Power Plant operation and maintenance costs;
- Current status and preparation of the plan to redesign CEZ Group's information centers;
- 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.;
- The result of collective negotiating in 2020;
- The sale of twenty family houses in Hluboká nad Vltavou;
- The ČEZ Ombudsman's activities in 2020;
- The ČEZ Foundation operations;
- Evaluation of communication activities in 2020, media expenditures for individual campaigns, and the results of a survey on the perception of the company's brand in comparison with competitors;
- Communication plan for 2021;
- Regulation of island traffic in connection with the incident in the European transmission system on January 8, 2021;
- Proposal of options for dealing with the situation of additional financing of AKCEZ in Turkey, refinancing loans and possible sale of the stake in the company;
- Expected developments in the ESCO market in relation to the impact of the covid-19 pandemic;
- Managing the coronavirus situation in CEZ Group;
- Progress of the project for developing a hot water pipeline from Temelín to České Budějovice;
- CEZ Group's debt capacity.

The Supervisory Board is regularly informed by the Board of Directors **on the development and status of the project for developing a new nuclear power plant at the Dukovany site**. Based on the information provided and the supporting documentation presented at the June 2020 meeting, the Supervisory Board took note of the following by its resolution:

- Information on the content and terms of the draft Framework Agreement on Cooperation in the Development of a New Nuclear Power Plant in Czechia (hereinafter referred to as the “Framework Agreement”) concluded by the Ministry of Industry and Trade of the Czech Republic (hereinafter the “State”), ČEZ, a. s. (hereinafter referred to as “ČEZ”), and Elektrárna Dukovany II, a. s. (hereinafter referred to as “EDU II”) (all three Parties hereinafter also referred to as the “Parties”), the subject of which is to establish a general framework for initiating and subsequently deepening the cooperation of the Parties on the project for developing a new nuclear power plant in Czechia at the Dukovany site (hereinafter referred to as the “Dukovany Project”);
- Information on the content and terms of the draft First Implementation Agreement on Cooperation in Developing a New Nuclear Power Plant in Czechia at the Dukovany Site (hereinafter referred to as the “First Implementation Agreement”) by the Parties, the subject of which is the binding regulation of the Parties’ mutual rights and obligations for the first phase of cooperation on the Dukovany Project;
- Information on the preparation of several bids for tender to select suppliers for a single unit of the new nuclear power plant in Dukovany (hereinafter referred to as the “Tender Procedures”);
- and in this context issued a positive statement and at the same time its prior consent to the conclusion of the Framework Agreement and the First Implementation Agreement, provided that, prior to concluding the First Implementation Agreement, there is a discussion with the Office for the Protection of Competition (Úřad pro ochranu hospodářské soutěže, hereinafter referred to as the “ÚOHS”) on the applicability of the exception for Tender Procedures pursuant to Sec. 29(a) of Act No. 134/2016 Coll., on public procurement, as amended (hereinafter referred to as the “Procurement Act”), and on the possibility of holding tenders outside the Procurement Act.

At its meeting in November 2020, the Supervisory Board took note of the information on the status of the preparation of the tender procedure for the selection of the contractor for one unit of the new Dukovany nuclear power plant and fuel assemblies, as well as the information on the decision of the Board of Directors to instruct the sole shareholder in the competence of the General Meeting of Elektrárna Dukovany II, a. s., to initiate the Tender Procedure (sending the Request for tender documentation to potential contractors), subject to receiving the State’s approval to incorporate the safety requirements into the Tender Procedure documentation in accordance with the relevant provisions of the First Implementation Agreement.

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

- 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;
- Current operational status of the Temelín and Dukovany nuclear power plants;
- The current operating condition of conventional energy facilities, that is, power plants in and outside mining regions and hydroelectric power plants, including the CCGT plant and the condition of other heating facilities;
- 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;
- Up-to-date information from the distribution segment abroad, including the possible development of the political and regulatory environment in connection with CEZ Group’s activities, particularly in Bulgaria (including the progress of the international arbitration conducted against the Bulgarian state and progress in the sale of Bulgarian assets), in Romania, Turkey and Poland, including developments in the sale of these assets;
- 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;

- 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 the consolidated CEZ Group's 2020 Biannual Report and the draft CEZ Group's 2020 Annual Report), and the status of domestic and foreign holdings of ČEZ, a. s., including selected financial results for the periods under review;
- Report on the 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 decisions:**

- On implementing the investment project of Elektrárna Dukovany II, a. s., within the scope defined by Revision 4 to the Business Plan for the "New Nuclear Power Plant at Dukovany" project;
- On transferring 100% of the share capital of ŠKODA PRAHA, a. s., for consideration between ČEZ, a. s., as the seller, and ÚJV Řež, a. s., as the buyer;
- On transferring 100% of the share capital of Ústav aplikované mechaniky Brno, a. s., for consideration between ÚJV Řež, a. s., as the seller, and ČEZ, a. s., as the buyer;
- On the sale of the 100% stake in CEZ Towarowy Dom Maklerski Sp. z o.o., having its registered office in Poland, to TRMEW OBRÓT S.A., having its registered office in Poland, as the buyer;
- On ČEZ, a. s., granting consent to ČEZ ESCO, a. s., to conclude an agreement on transferring 45% of the shares of TEDOM a. s., between MOUFLECO HOLDINGS LIMITED, as the seller, and ČEZ ESCO, a. s., as the buyer, transferring them to Jet 2 Alfa, s.r.o., under the same conditions; and  
On ČEZ, a. s., granting consent to ČEZ ESCO, a. s., as the buyer, to enter into an agreement on the transfer of share in the share capital of ČEZ Energo, s.r.o., with TEDOM a. s., as the seller, with the transaction being transactionally linked to the transfer of the share according to the previous paragraph to Jet 2 Alfa; and  
On the provision of a cash premium by contribution of a shareholder, ČEZ, a. s., outside the share capital to the equity of ČEZ ESCO, a. s., for the purpose of financing this transaction;
- On the approval of projects to address the limits of PM (particulate matter) and Hg (mercury) in flue gases for the locality of Tušimice;
- On the implementation of the investment project "Biomass Source Chorzów II" at CEZ Chorzów II sp. z o.o.;
- On entering into a joint battery R&D center project through the acquisition of a 40% stake in a holding company established with Linkdata Japan by ČEZ, a. s., or another designated company within CEZ Group as the buyer;
- On the approval of the merged business plan / project plan for the project "Systems Replacement at the WDPF platform" (distributed control systems platform used to control the normal operation of units) at ETE;
- Approval of the investment project "Retrofit / Renovation of Unit Section Switchgears 0.38kV" at EDU;
- Approval of the sale of 100% of shares in Elektrárna Počerady, a. s., in 2020, to Vršanská uhelná a. s., as the buyer, and the conclusion of related contractual documentation;
- On the sale of 100% shareholdings of the following companies: Distribuție Energie Oltenia S.A., CEZ Romania S.A., Tomis Team S.A., Ovidiu Development S.R.L., (or in its legal successor as a result of a change of legal form to a joint stock company), and CEZ Vanzare S.A., having its registered office in Romania, to Macquarie European Infrastructure Fund 6 SCSp, acting through its trustee Macquarie Infrastructure and Real Assets (Europe) Limited, having its registered office in London, UK, as the buyer;

- On granting the company's consent to the acquisition of a 100% shareholding in Atzwanger S.p.A. by Elevion Holding Italia S.r.l. or Elevion Group B.V. as the purchaser, and for the purpose of financing the purchase price of the shareholding, on the provision of a cash premium to CEZ Holdings B.V. for the creation of equity outside the share capital by ČEZ, a. s.;
- On granting ČEZ, a. s., consent to an additional investment by Inven Capital, SICAV, a. s., in tado GmbH, a portfolio company having its registered office in Munich, Germany;
- On reducing the share capital of Elektrárna Dětmárovice, a. s., by taking part of the shares of Elektrárna Dětmárovice, a. s., out of circulation, the amount corresponding to the reduction of the share capital to be used to cover the company's unpaid loss of previous years;
- On adjusting the financing structure for ESCO activities (Elevion Group B.V.) and renewable energy (CEZ RES International B.V.) abroad;
- On granting the company's consent to use ČEZ ESCO Slovensko, a. s. (a 100% subsidiary of ČEZ ESCO, a. s.) as a platform for a joint venture between ČEZ ESCO, a. s. and Slovenský plynárenský priemysel, a. s.;
- On approving Revision 2 of the merged business plan / project plan of the EDU project "Ensuring Storage of Spent Nuclear Fuel at EDU after 2021";
- On granting the company's consent to implement the investment project by Elektrárna Temelín II, a. s., in the scope defined in Revision No. 4 of the Business Plan for the project "New Nuclear Power Plant at Temelín", and in this context, the Supervisory Board took note of the information on the provision of a cash premium to the equity (outside the share capital) of Elektrárna Temelín II, a. s., for the purpose of further financing the project of developing the New Nuclear Power Plant in Temelín;
- On the issuance of debt securities up to a total maximum volume of EUR 2.25 bn (or equivalent in another currency) to cover the company's financing needs;
- Approval of Revision 1 of the merged business plan / project plan for the project "Provision of Packaging for TVEL Fuel Assemblies";
- On the approval of the merged business plan / project plan for the project "Reconstruction of Ceramic Panels of ETE Building Envelopes (Stage 2021–2026)";
- On granting consent to Inven Capital, SICAV, a. s., with the intention to create a new sub-fund "Inven Capital – Podfond C".

Several times in the past period, the Supervisory Board has granted its prior consent to the Board of Directors for implementing 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:**

- Information on the extension of the dividend payment for 2015 by setting the dividend payment cut-off date as December 31, 2020;
- Information on the possible earlier sale of the Počerady Power Plant;
- Information on the status of negotiating the agreement between ČEZ, a. s., and Vršanská uhelná a. s., and on the company's further course of action regarding the potential use of the offer for an alternative sale of shares in Elektrárny Počerady, a. s.;
- Information on the project to digitize the agenda for company bodies meetings;
- Information on the intention to transform ČEZ Korporátní služby, s.r.o. (hereinafter referred to as "ČKS"), by a spin-off by merger in accordance with the relevant provisions of the Act on Transformations of Commercial Companies and Cooperatives, as at the record date of January 1, 2021, between the participating companies: ČKS, as the spin-off company, and ČEZ Distribuce, a. s., as the successor company – "Transfer 1" (relates to the transfer of selected real estate); ČKS, as the spin-off company, and ČEZ ICT Services, a. s., as the successor company – "Transfer 2" (refers to the transfer of printing services);



- Information on the intention to spin-off by merger the participating companies ČKS, as the spin-off company, and ČEZ, a. s., as the successor company, according to the relevant provisions of the Act on Transformations of Commercial Companies and Cooperatives, according to which the remaining assets of ČKS after Transfer 1 and Transfer 2 will be transferred to ČEZ, a. s., as at the record date of January 1, 2021;
- Information on the provision of additional payments by ČEZ, a. s., to the equity of its subsidiaries in the period from January to June 2020;
- Information on the approval of contractor selection – I & C Energo a. s., Třebíč, with which framework agreements for the period 2021–2028 have been concluded (concerning maintenance, repairs, and equipment inspections of the Electricity logical unit and the Control and Management System for ETE and EDU);
- Information on the possible participation of ČEZ, a. s., in the auction of the Czech Telecommunications Office for frequencies for 5G smart mobile networks (in the 700 and 3500 MHz bands);
- Information on 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;
- Information on the change of the status of the international organization European Utility Requirements Organization to European Utility Requirements (EUR) Association (hereinafter referred to as “Association”) and on the participation of ČEZ, a. s., in this Association;
- Information on the approval of Amendment 2 to the merged business plan / project plan “Implementation of the New Technical Requirements of the New Nuclear Act into the FO EDU” (requirements of the new nuclear act for the technical physical protection system);
- Information on the course of the public contract “Auditing Services for ČEZ, a. s., and Selected Subsidiaries”;
- Report on the evaluation of tenders in the public procurement “Auditing services for ČEZ, a. s., and Selected Subsidiaries”, which was approved by the Audit Committee of ČEZ, a. s., as well as the ranking of the tender participants according to the submitted Report on the Evaluation of Tenders, and the resulting preference of the tender participant’s offer, which ranked first in the final ranking, i.e., Deloitte Audit s.r.o.;
- Information on the approval of the framework agreement on technical support for the operation of the NPP with ÚJV Řež, a. s. (comprehensive services ensuring the defensibility of the safe operation of both nuclear power plants);
- Information on the financial situation of Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş., having its registered office in Turkey;
- Information on the approval of the purchase of minority shares in the company OSC, a. s., Brno (operation of training simulators for nuclear power plants);
- Information on the company’s intention to submit a binding offer and, where appropriate, to conclude an agreement on the supply/purchase of electricity with Slovalco, a. s.;
- On 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.

In the period under review, the members of the Supervisory Board also participated in the project “**State of Corporate Governance of ČEZ, a. s.**” (or also Corporate Governance ScoreCard for ČEZ, a. s.), which focused primarily on evaluating the level of corporate governance in the company. The contractor of the Project is the company CG Institut, s.r.o., which follows some of the activities of the Czech Institute of Directors Governance, which is its 100% owner.

Following the government-approved Capital Market Business Concept of April 2019, CG Institut was commissioned to develop the Corporate Governance Scorecard to measure and compare the governance of listed companies and subsequently state-owned companies. At the same time, he was entrusted by the Ministry of Finance of the Czech Republic to carry out such measurements to ensure professionalism and impartiality. The evaluation itself was carried out by comparing the state of the company with the Corporate Governance

Code of the Czech Republic, prepared and published by the institute in 2018 on the basis of the OECD Principles of Corporate Governance.

As a result of the project, the Final Report of the project states that the overall rating of ČEZ, a. s., is 93.88% and shows the professional approach and expert management of the relevant agenda in the company.

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 Signature Code and approving the revision of the Work Rules of ČEZ, a. s.

With regard to the Company's goals and priorities for the next period, the Supervisory Board debated in detail and/or adjusted the starting points for specifying individual tasks, including the substantial definition of criteria, for members of the Board of Directors in 2021. At its March meeting, the Supervisory Board debated and approved, with amendments, the assessment of the fulfillment of individual tasks of Board of Directors members in 2020, which is crucial for the determination of their annual remuneration.

After detailed discussion, the Supervisory Board approved the evaluation of the performance indicator for the long-term performance bonus ("LTPB") of the Board of Directors members for 2020, noting that, in line with the set performance indicator TSR –Total Shareholders Return for 2020, the achieved value of the indicator was below the lower limit set for the performance target and therefore the adjusted allocation of performance units to all Board of Directors members for 2020 is 0 units. The Supervisory Board discussed the setting of the LTPB performance indicator(s) for 2021 at several of its meetings and workshops and decided to keep the same performance indicator in effect for the period from January 1 to December 31, 2021 as the one set and approved in the Service Contracts of the Board of Directors Members for 2020, while the TSR performance will be evaluated relative to the TSR achieved by ČEZ, a. s, against the TSR of selected companies in the STOXX Euro 600 Utilities stock index produced by Deutsche Börse AG.

At its meeting in May 2021, the Supervisory Board expressed a positive opinion on the "Report on Remuneration ČEZ, a. s. for the accounting period of 2020" of 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., Capital Market Undertakings Act, as amended.

The Supervisory Board did not identify any facts that would make it express reservations about the draft CEZ Group Business Plan for 2021–2025 and the draft annual capital and operating budgets of ČEZ, a. s., and CEZ Group for 2021.

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 2020 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., the Consolidated Financial Statements of CEZ Group, and the Final Financial Statements of ČEZ Korporátní služby, s.r.o., for the Year 2020:**

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 year ended December 31, 2020;
- Consolidated Financial Statements of CEZ Group for the year ended December 31, 2020;
- The Final Financial Statements ČEZ Korporátní služby, s.r.o., for the year ended December 31, 2020.

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 all three 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.