



AUDIT COMMITTEE REPORT ON THE RESULTS OF ITS ACTIVITIES

Dear shareholders, ladies and gentlemen,

Please allow me to present to you, on behalf of the Audit Committee of ČEZ, a. s., the report on the results of Committee activities in the period between the General Meetings in 2020 and 2021.

Introduction

Pursuant to the Company's Articles of Association, the Audit Committee of ČEZ, a. s. ("Committee") has five members. The Committee worked fully staffed in compliance with applicable law, the Articles of Association of ČEZ, a. s., and the Committee's Rules of Procedure. As at the date on which this report was debated by the Committee, that is, April 15, 2021, the Committee had the following members:

- Jan Vaněček, Committee Chairman
- Otakar Hora, Committee Vice-Chairman
- Andrea Lukášiková, Committee member
- Tomáš Vyhnánek, Committee member
- Jiří Pelák, Committee member

A total of eight Committee meetings were held in the period from the June 2020 General Meeting to the date of this General Meeting (four in 2020 and four in 2021).

At its meetings, the Audit Committee dealt with the following in particular:

- Continuous monitoring of the procedure of preparing the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2020
- Continuous monitoring of the process of the statutory audit of the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2020
- Continuous monitoring of the process of compiling the financial statements of ČEZ Korporátní služby, s.r.o., prepared as at December 31, 2020, and the process of mandatory audit of these financial statements
- Preparing the Audit Committee Information "Consolidated Financial Statements of CEZ Group and the Financial Statements of ČEZ, a. s., as at December 31, 2020, and the Mandatory Audit Process" for the Supervisory Board
- Preparing the Audit Committee Information "Financial Statements of Korporátní služby, s.r.o., as at December 31, 2020, and the Mandatory Audit Process" for the Supervisory Board
- Approval of the independent auditor's non-audit contracts and assessment of the statutory auditor's independence
- Monitoring the effectiveness of internal audit and its functional independence, the effectiveness of internal control and the risk management system in CEZ Group
- Recommendation on appointing the independent auditor to perform the statutory audit in 2021-2024
- Fulfillment of Internal Audit's plan for 2020 (including adopted amendments and a review of the adequacy of Internal Audit's resources)
- Debate on the results of conducted internal audits (key findings and recommendations)

- Monitoring of the implementation of corrective measures from conducted internal audits
- Approval of Internal Audit's plan of activities for 2021
- Information about the impacts of the external environment on CEZ Group
- Debate on CEZ Group Risk Management Reports
- Informing the Supervisory Board of ČEZ, a. s., on how the statutory audit contributed to ensuring integrity of accounting and financial reporting systems
- Procurement procedure – public contracts for the services of an independent auditor and approval of the Report on the Evaluation of Tenderers
- Preparation of the Committee's report for the General Meeting of shareholders

In view of the issues debated, Committee meetings are regularly attended by:

- Representatives of the statutory auditor
- Chief Financial Officer
- Heads of Audit and Compliance, Risk Management, and Accounting

Financial Statements and Statutory Audit Thereof

At its meetings (there had been four meetings by the date of the financial statements of ČEZ, a. s.), the Committee focused on monitoring the procedure of preparing the financial statements, particularly in areas affected by changes to accounting standards, and on the accounting treatment of major transactions.

Based on the General Meeting decision of June 29, 2020, a mandatory (external) audit was performed by Ernst & Young Audit, s.r.o. At its meetings, the Committee was continually informed by the auditor about the audit schedule, its crucial stages, as well as major findings of the audit. The Committee meetings focused on selected key audit areas in regard to their importance and information entering the financial statements. Members of the Company's Supervisory Board also took part in the Committee's meetings on the financial statements on March 11, 2021. Important discussed areas of the audit and of the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group for 2020 included, in particular:

- Valuation of financial instruments at fair value
- Classification of commodity contracts
- Impairment testing of goodwill and other assets, in particular for Romanian wind farms (Tomis Team S.A. and Ovidiu Development S.R.L.) and Romanian distribution (Distributie Energie Oltenia S.A.), Bulgarian distribution (CEZ Razpredelenie Bulgaria AD), and Severočeské doly a. s.

The focus of the statutory audit and the Committee's activities on these important areas helps ensure the integrity of the financial statements and that the financial statements as a whole truly and fairly present the assets, liabilities, equity, profit or loss, and financial position of ČEZ, a. s., and CEZ Group.

The Committee also reviewed the statutory auditor's and the audit firm's declaration of their independence from the audited entity and approved, on a running basis, the provision of additional non-audit services. The Committee did not find any flaws in these respects.

Finally, the Audit Committee reviewed the procedure of preparing the financial statements and consolidated financial statements for 2020 as well as the process of conducting the statutory audit. The Committee also took note of the independent auditor's opinion on the financial statements of ČEZ, a. s., and the consolidated financial statements of CEZ Group prepared as at December 31, 2020, stating that the financial statements have been verified and, in its opinion, give a true and fair view of the financial position as at December 31, 2020, and the financial performance and cash flows for the year ended December 31, 2020, in accordance with the International Financial Reporting Standards as adopted by European Union law. The Audit Committee took the same opinion in the case of the financial statements and the statutory audit of ČEZ Korporátní služby, s.r.o. The Committee addressed the issue of financial statements and mandatory audit of ČEZ Korporátní služby, s.r.o., (due to the merger of this company into ČEZ a. s.).

The Committee informed the Supervisory Board of the above-mentioned facts at the Supervisory Board's meeting held on March 25, 2021.

At its meeting on March 25, 2021, the Audit Committee, in accordance with its powers pursuant to Sec. 44a of Act No. 93/2009 Sb., on auditors, as amended, discussed and recommended that the Supervisory Board of ČEZ, a. s., propose to the General Meeting the appointment of Ernst & Young Audit, s.r.o., as the auditor to conduct the statutory audit for 2021 and 2022, and Deloitte Audit s.r.o., for 2023 and 2024. Deloitte Audit s.r.o. was recommended on the basis of a tender conducted in accordance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014, on specific requirements for the statutory audit of public interest entities, Act No. 93/2009 Sb., on auditors, and Act No. 134/2016 Sb., on the award of public contracts.

Internal Audit and Internal Control System

The Committee monitors the effectiveness of internal audit at ČEZ, a. s., and reviews its functional independence. As part of this, it approves the annual plan for internal audits and monitors its fulfillment. It debates on a quarterly basis the results of audit activities, in particular, the key findings and recommendations of conducted audits. Likewise, it debates reports on the implementation of corrective measures from conducted audits. This ensures that the Committee stays informed of not only identified shortcomings but also the progress of correction, especially in terms of the effectiveness of internal controls.

In 2020, 37 audit inquiries were conducted, 15 of which in ČEZ, a. s., and 22 in its subsidiaries (including 6 audits in foreign participation). The results of those audits allow us to say that the internal control system at CEZ Group is effective. Likewise, the external statutory auditor did not identify any serious shortcomings in CEZ Group's system of internal financial control during their review of the financial statements and consolidated financial statements for 2020.

At the end of 2020, the Audit Committee approved the plan of activities of the internal audit function of ČEZ, a. s., for 2021, based on the medium-term strategy for internal audit at CEZ Group. The strategy is based on systematic assessment of the level of risk involved in all key activities/processes at CEZ Group. The systematic approach allows periodically reviewing control mechanisms in individual areas depending on their level of risk and thus performing one of the Committee's main functions, namely to monitor the effectiveness of the internal control system of ČEZ, a. s. / CEZ Group.

Risk Management and Impacts of the External Environment

The Committee also regularly debated interim reports on CEZ Group's risk management at its meetings.

The Committee is regularly informed about the impacts of the external environment on the Company's financial performance in respect of the prices of relevant commodities (crude oil, gas, electricity) and trends in demand for electricity as well as in respect of impacts on Company financing (especially CEZ Group's debt capacity).

Conclusion

In conclusion, the Committee can state that it has not identified any substantial facts that the General Meeting of shareholders should be informed of concerning the Company's principal activities that the Committee is entrusted with by the Company's Articles of Association and general legislation (that is, monitoring of the process of preparation of financial statements, including consolidated financial statements; the process of execution of the statutory audit; assessment of the effectiveness of the internal control system, internal audit and risk management; and assessment of the external auditor's independence) during 2020 or during the part of 2021 elapsed until the date of this General Meeting.

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

Jan Vaněček

Chairman of the Audit Committee of ČEZ, a. s.