ISS-CORPORATE

# SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Financing Framework

ČEZ Group

10 May 2024

## VERIFICATION PARAMETERS

| | |
|---|---|
| **Type(s) of instruments contemplated** | ▪ Sustainability-Linked Instruments[1]<br>▪ Green Financing Instruments |
| **Relevant standard(s)** | ▪ Sustainability-Linked Bond Principles (SLBP) as administered by ICMA (June, 2023)<br>▪ Sustainability-Linked Loan Principles (SLLP) as administered by LMA (February, 2023)<br>▪ Green Bond Principles (GBP) as administered by ICMA (June, 2021, with June 2022 Appendix I)<br>▪ Green Loan Principles (GLP) as administered by LSTA, LMA, APLMA (February, 2023) |
| **Scope of verification** | ▪ ČEZ's Sustainable Financing Framework (as of April 25, 2024)<br>▪ ČEZ Group Eligibility Criteria (as of April 25, 2024) |
| **Lifecycle** | ▪ Pre-issuance verification<br>▪ 1st Update of the SPO as of March 14, 2022 (ISS-Corporate weblink) |
| **Validity** | ▪ Valid as long as ČEZ's Sustainable Financing Framework and benchmarks for the Sustainability Performance targets remain unchanged. |

[1] These include but are not restricted to secured or unsecured bonds, convertible bonds, loans and commercial papers.

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# SCOPE OF WORK

ČEZ Group ("ČEZ" or "the Issuer" or "the Company") commissioned ISS-Corporate to assist with its Sustainable Finance Instruments by assessing five core elements to determine the sustainability quality of the instruments:

1. ČEZ's Sustainable Financing Framework (as of April 25, 2024) and structural components of sustainability-linked instruments, benchmarked against the Sustainability-Linked Bond Principles (SLBP) and Green Bond Principles (GBP) as administered by the International Capital Market Association (ICMA), and the Green Loan Principles (GLP) and Sustainability-Linked Loan Principles (SLLP), as administered by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA).
2. The Selection Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis[2] – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria, including Substantial Contribution to Climate Change Mitigation and the Transition to a Circular Economy for activity 3.3 'Demolition and wrecking of buildings and other structures', Do Not Significant Harm Criteria (DNSH) and the Minimum Safeguards requirements as included in the EU Taxonomy Complementary Climate Delegated Act (March 2022)[3] and EU Taxonomy Environmental Delegated Act (June 2023).[4]
4. The sustainability credibility of the Key Performance Indicator (KPI) selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPI selected is core, relevant and material to the Issuer's business model and industry, and whether the associated targets are ambitious.
5. Consistency of the issuance of Sustainable Finance Instruments with ČEZ Group's Sustainability Strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

[2] Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".
[3] Commission Delegated Regulation (EU) 2020/852, URL https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214
[4] Commission Delegated Regulation (EU) 2020/852, URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2486

# ČEZ BUSINESS OVERVIEW

ČEZ Group engages in the generation, distribution, trade and sale of electricity and heat in Western, Central and Southeastern Europe. The company operates through four segments: Generation, Distribution, Sales and Mining. It operates hydro, wind, solar, nuclear, coal, natural gas, biogas, and biomass power plants, as well as a combined cycle gas turbine plant and small combined heat and power units. The company is also involved in the trade and sale of natural gas; mining of coal; quarrying and processing of construction aggregates and limestones; commodity trading business; and provision of energy services. It also holds interest in the lithium ore mining project in Cinovec. ČEZ Group was incorporated in 1992 and is headquartered in Prague, the Czech Republic.

## *ESG risks associated with the Issuer Industry*

ČEZ is classified in the Electric Utilities industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies in this industry are protection of human rights and community outreach, accessibility and reliability of energy supply, environmentally safe operation of plans and infrastructure, and promotion of a sustainable energy system.

This report focuses on the sustainability credentials of the Issuer. Part V of this report assesses the consistency between the Sustainable Financing Instruments and the Issuer's overall sustainability strategy.

# ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION[5] |
|---|---|---|
| **Part IA: Alignment with GBP/GLP** | The Issuer has defined a formal concept for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP and GLP. | **Aligned** |
| **Part IB: Alignment with SLBP and SLLP** | The Framework is aligned with both the SLBP and SLLP. | **Aligned** |
| **Part II: Sustainability quality of the Selection Criteria** | The Green Financing Instruments will (re)finance the following eligible project categories:<br>Green categories: Renewable Energy, Energy Efficiency, Natural Gas Power and Heat Generation, Nuclear Power Generation, Clean Transportation, and Demolition.<br>Product and/or service-related use of proceeds categories[6] individually contribute to one or more of the following SDGs:<br>  <br>Process-related use of proceeds categories[7] individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's sector on one or more of the following SDGs:<br>  <br>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed. | **Positive** |

[5] The evaluation is based on the ČEZ Group's Sustainable Financing Framework (April 2024 version), on the Selection Criteria as received on April 25, 2024.
[6] Renewable Energy, Natural Gas Power and Heat Generation, and Nuclear Power Generation, Clean Transportation.
[7] Energy Efficiency, Green Buildings, and Demolition.

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| **Part III:**<br><br>**Alignment with the EU Taxonomy Climate Delegated Act and Environmental Delegated Act** | ČEZ Group's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Complementary Climate Delegated Act (March 2022) and Environmental Delegated Act (June 2023)), on a best-efforts basis.[8] The nominated project categories[9] are considered to be:<br><br>▪ For Demolition and wrecking of buildings and other structures **aligned** with the transition to a circular economy<br>▪ All categories are **aligned** with the Climate Change Mitigation Criteria<br>▪ **Aligned** with the Do No Significant Harm Criteria.<br>▪ **Aligned** with the Minimum Safeguards requirements |

| **Part IV: Issuance credibility of the KPI and SPTs for Sustainability-Linked Instruments** | |
|---|---|
| **KPI Selection** | **KPI 1.** Scope 1 and Scope 2 Greenhouse Gas (GHG) Emissions intensity[10] ($tCO_2e/MWh$) |
| Relevant | Relevant |
| Core | Core |
| Material | Moderately Material |
| **Assessment** | **Aligned** |

| | | | |
|---|---|---|---|
| **SPT Calibration** | **SPT 1.a** Reach 0.26 $tCO_2e/MWh$ Scope 1&2 GHG intensity emissions by 2025 | **SPT 1.b** Reach 0.16 $tCO_2e/MWh$ Scope 1&2 GHG intensity emissions by 2030 | **SPT 1.c** Reach 0.056 $tCO_2e/MWh$ Scope 1&2 GHG intensity emissions by 2033 |
| **Level of ambition** | **Moderate**[11] | **Good**[12] | **Robust**[13] |

[8] Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

[9] (3.3) Demolition and wrecking of buildings and other structures, (4.28) Electricity Generation from Nuclear Energy in Existing Installations, (4.29) Electricity generation from fossil gaseous fuels, (4.30) High-efficiency co-generation of heat/cool and power from fossil gaseous fuels, (4.31) Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system.

[10] KPI covering both electricity and heat generation.

[11] One of the three SPT's benchmarking approaches have been assessed positively.

[12] Two of the three SPT's benchmarking approaches have been assessed positively.

[13] Three of the three SPT's benchmarking approaches have been assessed positively.

| | | | |
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| **Against Issuer's past performance** | Not Ambitious[14] | Not Ambitious[15] | Ambitious |
| **Against Issuer's industry peer group** | Limited Information[16] | In line with peers | In line with peers |
| **Against international target** | Calibrated to be in line with the Paris Agreement[17] | In line with the Paris Agreement (SBTi verified well below 2°C scenario) and not in line with the updated SBTi guidelines | In line with the Paris Agreement (in line with the 1.5°C scenario and validated by SBTi guidelines) |

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|---|---|---|
| **Part III:**<br><br>**Consistency of Sustainable Finance Instruments with ČEZ Group's Sustainability Strategy** | **Consistent with the Issuer's sustainability strategy**<br><br>The key sustainability objectives and the rationale for issuing Sustainable Finance Instruments are clearly described by the Issuer. All project categories considered are in line with the sustainability objectives of the Issuer.<br><br>The KPI selected by the Issuer is related to climate change. Climate change has been defined as one of the key priorities of the Issuer in terms of sustainability strategy and has been assessed as a material sustainability topic for the Issuer. The Sustainable Finance Instruments contribute to the Issuer's sustainability strategy given the KPI's clear link to one of the key sustainability priorities of the Issuer and due to an SPT in line with the Company's peer group and the Paris Agreement.<br><br>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified. | **Consistent** |

[14] ČEZ is acting in line with EU and Czechia's energy policies, which are binding to ČEZ operations. The steepness of the SPT trajectory is lower than the steepness of the historical trajectory as a result of ČEZ's past successful performance on its decarbonization path.

[15] ČEZ is acting in line with EU and Czechia's energy policies, which are binding to ČEZ operations. The steepness of the SPT trajectory is lower than the steepness of the historical trajectory as a result of ČEZ's past successful performance on its decarbonization path.

[16] SPT 1.a provides additional disclosure on the emissions trajectory for the period through to 2033. ISS-corporate assessed SPT1.a as limited information to assess against industry peers since a 2025 target is not widely adopted among the peer group and not a function of ČEZ providing limited information.

[17] Calibrated to be in line with the Paris Agreement based on the Transition Pathway Initiative. These IEA scenarios are likely (i.e., have a probability of 50% or more) to limit warming to 1.5°C with or without overshoot.

# SPO ASSESSMENT

## PART IA: ALIGNMENT WITH GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of ČEZ 's Green Financing Framework (as of April 25, 2024) with the GBP and GLP.

| GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES | ALIGNMENT | OPINION |
|---|---|---|
| **1. Use of Proceeds** | ✓ | The Use of Proceeds description provided by ČEZ's Green Financing Framework is **aligned** with the GBP and GLP.<br><br>The Issuer's green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided, and environmental benefits are described and quantified.<br><br>The Issuer defines exclusion criteria for harmful project categories, and a lookback period of three years, which is in line with market practice. ČEZ commits to disclosing financing towards Nuclear Power Generation and Natural Gas Power and heat generation before or upon issuance.[18] |
| **2. Process for Project Evaluation and Selection** | ✓ | The Process for Project Evaluation and Selection description provided by ČEZ's Green Financing Framework is **aligned** with the GBP and GLP.<br><br>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate |

[18] ČEZ will, on a best-efforts basis, indicate at issuance the share proceeds from a given bond intended to be allocated to nuclear, gas power generation and demolition (e.g. in the use of proceeds list of the transaction and related disclosures). In addition, ČEZ will apply exclusion criteria that prevents any coal related activities from being financed/ re-financed by green instruments (except taxonomy-aligned demolition works with substantial contribution to circular economy goal).

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| | | process. Moreover, the projects selected show alignment with the Issuer's sustainability strategy.<br><br>ČEZ will establish a Green Financing Working Group (GFWG), which will be responsible for the evaluation and selection of eligible projects under the Framework. The GFWG will be comprised of representatives from the Treasury, Controlling and ESG departments.<br><br>ČEZ will use the Group's risk management systems to assess and manage environmental and social risks associated with the eligible projects. |
| **3. Management of Proceeds** | ✓ | The Management of Proceeds provided by ČEZ's Green Financing Framework is **aligned** with the GBP and GLP.<br><br>The net proceeds collected will be at least equal to the amount allocated to eligible projects, with no exceptions. The net proceeds will be tracked appropriately and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.<br><br>The GFWG will establish an Eligible Green Portfolio to manage and allocate the net proceeds from the green financing instruments. ČEZ intends to achieve full allocation of the proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be placed in cash or cash equivalents, per the Group's liquidity policy. |
| **4. Reporting** | ✓ | The allocation and impact reporting provided by ČEZ's Green Financing Framework is **aligned** with the GBP and GLP.<br><br>The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer's website. ČEZ has |

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| | | disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated or until instrument maturity.<br><br>The allocation reporting will include the total amount of proceeds raised through green financing instruments, the total amount of proceeds allocated to eligible green projects, the proportion of proceeds allocated to financing and refinancing, the balance of unallocated proceeds, allocated proceeds by each eligible category, the geographical location of allocated proceeds, and the proportion of assets in the green project portfolio aligned with the EU Taxonomy.<br><br>In addition, the Group is committed to reporting on relevant impact metrics per eligible category such as installed renewable energy capacity (in MW), estimated energy saved by investment projects (in MWh), and share of renewable electricity delivered in charging points (%) annually until full allocation or maturity of the green financing instruments. ČEZ also intends to report on the qualitative and quantitative impact metrics in line with ICMA's Harmonized Framework for Impact Reporting (HFIR) on a best-effort basis. |

# PART IB: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes our assessment of the alignment of the ČEZ's Sustainable Financing Framework (as of April 25, 2024) with the SLBP and SLLP.

| SLB AND SLL PRINCIPLES | ASSESSMENT | OPINION |
|---|---|---|
| **1. Selection of KPI** | A detailed analysis of the sustainability credibility of the KPI selection is available in Part II of this report. | |
| **2. Calibration of SPTs** | A detailed analysis of the sustainability credibility of the SPT calibration is available in Part II of this report. | |
| **3. Bond and Loan Characteristics** | ✓ | The description of the Sustainability-Linked Bond and Loan Characteristics provided by the Issuer is **aligned** with the SLBP and SLLP. The Issuer gives a clear description of the selected KPI, SPTs, and the step-up margin, and the one-time KPI-Premium Payment information will be publicly available if ČEZ fails to achieve the SPTs. The Bond documentation will be available on ČEZ's investor website.[19] In the case of SLLs, annual targets will be set in the loan documentation.[20] |
| **4. Reporting** | ✓ | The Reporting description provided by the Issuer is **aligned** with the SLBP and SLLP. This will be made available annually to investors and/or lenders and include valuable information, including:<br>▪ Information on the performance of the KPIs, as per the relevant reporting period and, when applicable, as per the Target Observation Date including the calculation methodology and baselines where relevant.<br>▪ Any relevant information enabling investors and/or lenders to monitor the ambition of the SPTs. |

[19] ČEZ releases, https://www.cez.cz/en/investors/bonds/bonds-news
[20] This SPO does not provide commentary on the eventual trajectory of the interim SPTs set in the case of SLLs.

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| | | ▪ When relevant, any re-assessments of KPIs and/or restatement of the SPTs and/or pro-forma adjustments of baselines or KPI scopes.<br><br>The reporting will be publicly available on the Issuer's investor relations website. |
| **5. External verification** | ✓ | The verification description provided by the Issuer is **aligned** with the SLBP and SLLP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified by an external auditor at a "Limited Assurance" standard until the target is reached. The KPI and its progress will be disclosed in the reporting document annually. |

# PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

## A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE U.N. SDGs[21]

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services
- improvements of operational performance.

### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the U.N. SDGs, as well as other ESG benchmarks (the EU Taxonomy Complimentary Climate Delegated Act and Environmental Delegated Act, ICMA's Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:

| Obstruction | No Net Impact | Contribution |
|---|---|---|

Each of the Green Financing Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS (PRODUCTS/SERVICES) | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|---|---|---|
| **Renewable Energy**<br>*Investments and expenditures in the generation of renewable energy from the following sources:*<br>▪ *Solar photovoltaic technology*<br>▪ *Wind power* | **Contribution** |  |

[21] The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

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| ▪ *Hydroelectric facilities and pumped-hydropower that meet one of the following criteria: (i) run-of-river plants without an artificial reservoir with a power density greater than 5/Wm²; (ii) have a lifecycle carbon intensity below 100 $CO_2e$/kWh.*[22] | | |
| **Renewable Energy**<br>*Investments and expenditures in the following:*<br>▪ *Transmission and distribution infrastructure or equipment that meets one of the following criteria: (i) interconnected to the European system; (ii) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 $gCO_2e$/kWh.*[23]<br>▪ *Construction and operation of facilities that store electricity,*[24] *and facilities that store thermal energy and return it at a later time in the form of thermal energy or other energy vectors.*[25]<br>▪ *Construction, refurbishment and operation of pipelines and associated infrastructure for the distribution of heating and cooling.*[26]<br>*The Framework notes the exclusion of financing for cogeneration activities from the blending of renewable fuels with biogas or bioliquids.* | **Contribution** | 13 CLIMATE ACTION |
| **Renewable Energy**<br>*Investments and expenditures in the following:*<br>▪ *Cogeneration and production of heat/cool and power exclusively from biomass, biogas or bioliquids where the GHG emissions savings from the use of biomass are at least 80% relative to the GHG saving* | **Contribution** | |

[22] ČEZ confirms the exclusion of hydroelectric plants exceeding 1000 MW of capacity from receiving financing under the Framework.
[23] The Framework notes that the lifecycle emissions intensity is measured on a lifecycle basis in accordance with electricity generation criteria over a rolling 5-year period.
[24] The Framework notes that the activity is in line with the EU Taxonomy's Technical Screening Criteria 4.10 Storage of electricity.
[25] The Framework notes that the activity includes Underground Thermal Energy Storage (UTES) or Aquifer Thermal Energy Storage (ATES).
[26] The Framework notes that the activity is in line with the EU Taxonomy's Technical Screening Criteria 4.15 District Heating/ Cooling Distribution.

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| *methodology and the relative fossil fuel comparator set out in the Annex VI to Directive (EU) 2018/2001.*[27] [28]<br><br>*ČEZ has communicated to ISS-Corporate that feedstock sourced from forestry and agricultural residues, which may have KZR INiG certification, will be financed under the Framework. The Framework excludes the financing of food-based feedstock.* | **Contribution** |  |
| **Natural Gas Power and Heat Generation**<br><br>*Construction or operation of electricity-generating facilities that produce electricity using fossil gaseous fuels, for which the construction permit is granted by Dec. 31, 2030, and complies with the following criteria defined by the Complementary Climate Delegated Act:*[29,30]<br><br>▪ *Direct GHG emissions of the activity are lower than 270 $gCO_2e/kWh$ of the output energy or annual direct GHG emissions of the activity do not exceed an average of 550* | **Contribution** |  |

[27] The Framework notes that cogeneration installations that rely on anaerobic digestion of organic material will meet the EU Taxonomy's Technical Screening Criteria 5.6, Anaerobic digestion of sewage sludge, and 5.7, Anaerobic digestion of bio-waste.
[28] The Framework notes that the agricultural biomass used in the activity for the production of heating and cooling complies with the criteria outlined in Article 29, paragraphs 2-5 of the Directive (EU) 2018/2001. Additionally, the forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6-7 of the Directive (EU) 2018/2001.
[29] The Framework notes that the activities financed in this category will align with additional substantial contribution criteria including: (i) The power to be replaced cannot be generated from renewable energy sources, based on a comparative assessment with the most cost-effective and technically feasible renewable alternative for the same capacity identified; the result of this comparative assessment is published and is subject to a stakeholder consultation, ii) the newly installed production capacity does not exceed the capacity of the replaced facility by >15% iii) the facility is designed and constructed to use renewable and/or low-carbon gaseous fuels and the switch to full use of renewable and/or low carbon gaseous fuels takes place by 31 December 2035 with a commitment and verifiable plan approved by the management body of the undertaking iv) the replacement leads to a reduction of at least 55% GHG over the lifetime of the newly installed production capacity v) where the activity takes place on the territory of a Member State in which coal is used for energy generation, that Member State has committed to phase-out the use of energy generation from coal and has reported this in its integrated national energy and climate plan referred to in Article 3 of regulation (EU) 2018/1999 of the European Parliament and of the Council or in another instrument vi) the activity meets either of the following a) at construction, measurement equipment for monitoring of physical emissions such as those from methane leakage is installed or a leak detection and repair programme is introduced b) at operation, physical measurement of emissions are reported and leak is eliminated vii) where the activity blends fossil gaseous fuels with gaseous biofuels, the agricultural biomass used for the production of the biofuels complies with the criteria outlined in Article 29, paragraphs 2 to 5 of Directive (EU) 2018/2001, while forest biomass complies with criteria laid down in Article 29, paragraphs 6 and 7 of the same Directive.
[30] The Framework notes that the criteria will be verified by an independent third party. The independent third-party verifier has the necessary resources and expertise to perform such verification and does not have any conflicts of interest with the owner or the financier, and it is not involved in the deployment or operation of the facility. The independent third-party verifier carries out diligently the verification of compliance with the Technical Screening Criteria. In particular, every year the independent third party publishes and transmits to the Commission a report: (a) certifying the level of direct GHG emissions referred to in the Technical Screening Criteria; (b) where applicable, assessing whether annual direct GHG emissions of the activity are on a credible trajectory to comply with the average threshold over 20 years; and (c) assessing whether the activity is on a credible trajectory to comply with the Technical Screening Criteria.

*$kgCO_2e/kW$ of the facility's capacity over 20 years.*

- *The activity replaces an existing high-emitting electricity generation activity that uses coal as fuel.*

*Construction, refurbishment and operation of combined heating/cooling and power generation facilities using fossil gaseous fuels, for which the construction permit is granted by Dec. 31, 2030, and complies with following criteria defined by the Complementary Climate Delegated Act:* [31,32]

- *The activity achieves primary energy savings of at least 10% compared with the references to separate production of heat and electricity; the primary energy savings are calculated based on the formula provided in Directive 2012/27/EU.*
- *Direct GHG emissions of the activity are lower than 270 $gCO_2e$/ kWh of the output energy.*

*Construction, refurbishment and operation of heat generation facilities that produce heating/ cooling using fossil gaseous fuels connected to efficient district heating and cooling, for which the construction permit is granted by Dec. 31, 2030, and complies with following criteria defined by the Complementary Climate Delegated Act:*[33][34]

- *Produced heat is used in an efficient district heating and cooling system as defined in Directive 2012/27/EU. Direct GHG emissions of the activity are lower than 270 $gCO_2e$/ kWh of the output energy.*

**Nuclear Power Generation**

*Financing of projects authorized no later than 2040 by the competent authorities to extend the*

**Contribution**


[31] The Framework notes that the activities financed in this category will align with additional substantial contribution criteria as noted above.
[32] The Framework notes that the criteria will be verified by an independent third party following the guidance as noted above.
[33] The Framework notes that the activities financed in this category will align with additional substantial contribution criteria as noted above.
[34] Ibid.

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| *operating life of existing reactors that produce electricity or heat from nuclear energy and in compliance with the criteria as specified by the EU Taxonomy including:*[35]<br>▪ *Life cycle GHG emissions from the generation of electricity from nuclear energy are below 100 $gCO_2e/kWh$.*<br><br>*ČEZ confirms that activities financed within this category will align with the EU Taxonomy's Technical Screening Criteria 4.28, Electricity Generation from Nuclear Energy in Existing Installations.* | **Obstruction**[36] |  |
| **Clean Transportation**<br><br>*Purchase, financing, rental, leasing, development, operation, maintenance, and upgrades of low-emission and low-carbon transport projects as specified in the EU Taxonomy, including:*<br>▪ *Passenger transport with zero direct tailpipe $CO_2$ emissions.*<br>▪ *Infrastructure dedicated to the operation of vehicles with zero tailpipe $CO_2$ emissions: electric charging points, electricity grid connection, and hydrogen fueling stations.*[37] | **Contribution** |  |

[35] The Framework notes that the criteria will align with additional substantial contribution criteria including: (i) The project is located in a Member State and complies with the requirements as specified under the delegated act (EU) 2022/1214 and in accordance with regulation 2020/852; and (ii) The updated project implements any reasonably practicable safety improvement and from 2025 makes use of accident-tolerant fuel (the technology is certified and approved by the national safety regulator) iii) the project has been notified to the Commission in accordance with Article 41 of the Euratom Treaty or with Article 1(4) of Council Regulation 2587/1999 iv) The Member State concerned has committed to report to the Commission every 5 years for each project on the adequacy of the accumulated resources and the actual progress of the implementation of the plan v) the activity complies with national legislation that transposes the legislation referred to in point 1(a) and (b) vi) the activity fulfils the requirements of Directive 2009/71/Euratom, supported by the latest international guidance from the IAEA and WENRA contributing to increasing the resilience and the ability of new and existing nuclear power plants to cope with external natural hazards, including floods and extreme weather conditions vi) Radioactive waste (as referred to in the EU Taxonomy) is disposed of in the Member State in which it was generated unless there is an agreement between the Member State concerned and the Member State of destination, as established in Directive 2011/70/Euratom. In that case, the Member State of the destination has radioactive waste management and disposal programmes and a suitable disposal facility in operation in compliance with the requirements of Directive 2011/70/Euratom.

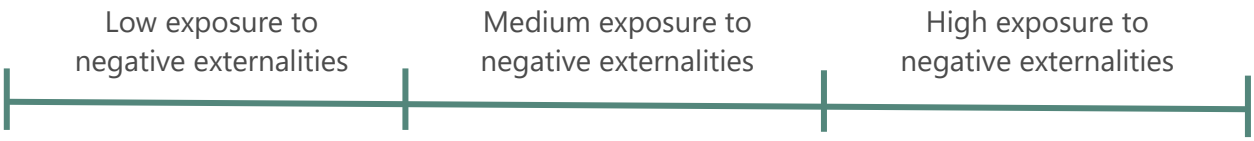
[36] The 'nuclear power generation' category is assessed according to ISS ESG's methodology applying to any nuclear power generation projects to date. The obstruction reflects uncertainties regarding the negative externalities of nuclear on water and biodiversity, in addition to its dependence on uranium which is a non-renewable resource of which mining is linked to many salient risks from an environmental and social perspective.

[37] ČEZ has confirmed to ISS-Corporate that parking lots will be excluded from financing within this activity.

## 2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or "operational impact improvement") resulting from the operational performance projects (re)financed by the UoP categories, as well as related U.N. SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities[38] in the Electric Utilities (to which ČEZ belongs) are the following:







The table below aims to display the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

| USE OF PROCEEDS (PROCESSES) | OPERATIONAL IMPACT IMPROVEMENT[39] | SUSTAINABLE DEVELOPMENT GOALS |
|---|---|---|
| **Energy Efficiency**<br>▪ *Development, installation or repair of energy efficiency equipment including individual measures, such as thermal insulation of buildings, installation and replacement of* | ✓ |  |

[38] Please, note that the impact of the Issuer's products and services resulting from operations and processes is displayed in section 3.B of the SPO.
[39] Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

*lighting, heating ventilation and air conditioning (HVAC), and water heating systems, replacement of existing windows and external doors with more energy efficiency equivalents as specified in the EU Taxonomy.*

- *Installation, maintenance and repair of renewable energy technologies on-site where the activity involves the installation, maintenance and repair of solar photovoltaic systems, solar hot water panels, heat pumps contributing to renewable energy in heat and cool, wind turbines, solar transpired collectors, thermal or electric storage units, high efficiency micro combined heat and power (CHP), or heat exchange recovery systems, solar hot water panels or ancillary technical equipment as specified in the EU Taxonomy.*

**Demolition**

*Operating expenses towards demolition of decommissioned coal power plants in line with location transformation plans.*

✓

- *Prior to the start of the demolition or wrecking activity, the following elements from Level 1 design concept of the Level(s) indicator 2.2, Construction and Demolition Waste and Materials are discussed and agreed upon with the client:*
  - *Definition of key performance indicators and target ambition level.*
  - *Identification of project-specific constraints that may compromise the target ambition level (such as time, labor and space) and how to minimize these constraints.*
  - *Details of the pre-demolition auditing procedure.*
  - *An outline waste management plan that prioritizes selective deconstruction, decontamination and source separation of waste streams. Where these actions are not prioritized, an explanation is provided to justify why selective deconstruction, decontamination or source separation of waste streams are not technologically feasible in the project. Cost or financial considerations are not an acceptable reason to avoid complying with this requirement.*
- *The operator of the activity conducts a pre-demolition audit in line with the EU Construction and Demolition Waste Management Protocol.*
- *All demolition waste generated during the demolition or wrecking activity is treated in accordance with Union waste legislation and the full checklist of the EU Construction and Demolition Waste Management Protocol.*
- *The preparing for reuse or recycling of the non-hazardous construction and demolition waste generated on the construction site is at least 90% (by mass in kilograms), excluding backfilling. This excludes naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Commission Decision 2000/532/EC. The operator of the activity demonstrates compliance with the 90% threshold by*

*reporting on the Level(s) indicator 2.2 using the Level 3 reporting format for different waste streams. Alternatively, at least 95% of the mineral fraction and 70% of the non-mineral fraction of the non-hazardous demolition waste is separately collected and prepared for reuse or recycled.*

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the selection criteria against issuance-specific KPIs. All assets are/will be located in Europe (France, Germany, Italy, Poland and Slovakia), in particular Czechia.

| ASSESSMENT AGAINST KPIs | |
|---|---|
| **All Categories** | |
| **Labor, Health, and Safety** | |
| ✓ | ČEZ has measures ensuring high labor, health and safety standards are in place for the financed assets in the Framework for its employees and volunteers. All the financed activities are located in France, Germany, Italy, Poland, Slovakia and in particular Czechia, countries with strong labor rights and high health and safety standards. In addition, ČEZ has an Occupational Health and Safety management system certified to the ISO 45001 standard for assets financed. |
| **Energy Efficiency, Renewable Energy** | |
| **Labor, Health, and Safety in the supply chain** | |
| ✓ | ČEZ currently has measures in place to ensure projects financed will systematically ensure high labor, health and safety standards in the supply chain.<br><br>The Issuer has an Ethical Code of Conduct covering suppliers and contractors, which supports and promotes human rights, environmental protection and workplace health and safety in business practices.[40] As part of the code of conduct, ČEZ has a zero tolerance policy for labor law violations, human rights violations and unlawful conduct considering all valid and effective laws, EU regulations, international treaties (ILO), and regulatory rules. |
| **All categories** | |
| **Environmental aspects of construction (or production) and operation** | |
| ✓ | ČEZ has measures ensuring assets financed under this Framework provide for a comprehensive environmental management system, as the Group's operations are ISO 14001 certified. |

[40] ČEZ Group Ethical Code of Conduct cez_zavazek-etickeho-chovani-201706_en.pdf

| Renewable Energy | |
|---|---|
| **Environmental aspects of construction (or production) and operation** | |
| ✓ | ČEZ currently has measures in place to systematically ensure assets financed under this Framework ensure low-impact methods during cable laying of voltage lines by placing protective elements such as plastic protectors over insulators and installing bracket structures to protect the bird population. |
| ✓ | ČEZ currently has measures in place to systematically ensure the financed Renewable Energy assets in this Framework will go through comprehensive life cycle assessments. During the project tendering stage, ČEZ requires suppliers to provide documentation on repair and maintenance plans, as well as decommissioning plans to minimize the environmental impacts throughout the assets' lifecycles. In addition, all operational phase assets are certified to ISO 14001 to mitigate environmental impacts throughout the assets' lifecycles.[41] |
| ✓ | ČEZ has measures in place to ensure the financed asset provides for a comprehensive Environmental management system. All the Renewable Energy assets are certified to the ISO 14001 standard to mitigate environmental risks during the operations. |
| ✓ | ČEZ has measures in place to ensure that the financed Renewable Energy assets from biomass, biogas, or bioliquids will adopt a combined heat and power (CHP) system to achieve maximum efficiency during heat production processes. |
| **Energy Efficiency** | |
| **Environmental aspects of construction (or production) and operation** | |
| ✓ | ČEZ has procedures in place to ensure projects financed under this Framework meet high environmental standards and requirements in the supply chain. Under the suppliers checklist for the project financed, ČEZ will require contractors with an Environment Management System implemented in accordance with ISO 14001 and accredited by a third party, or registration in the environmental management and audit system (EMAS). |

[41] CEZ Sustainabiltiy Report 2023, 3.11, Environmental Management System, https://www.cez.cz/webpublic/file/edee/esg/documents/sustainability-reports/zour-2023-en.pdf

| Renewable Energy, Clean Transportation | |
|---|---|
| **Community Dialogue** | |
| ✓ | ČEZ has measures in place to ensure community dialogue as an integral part of the planning process for the financed projects in this Framework. ČEZ has defined representatives and members of the local communities who meet regularly, and has a grievance mechanism in place. |
| **Biodiversity** | |
| ✓ | ČEZ currently has measures to ensure projects financed under this Framework systematically undergo Environmental Impact Assessments (EIA) at the planning stage. EIA is conducted in line with EU directive, with topics including a biodiversity and biological assessment, or a Natura 2000 assessment if required by local authority or conservation agency. If material impacts are identified in the EIA, repair and remedial measures will be identified by local or national conservation authorities and incorporated before or during the project permitting procedure to mitigate the identified risks. Furthermore, projects that are not subjected to EIA screening under the EIA Act[42] will be go through a regional spatial zoning permit process to mitigate any biodiversity impacts, in line with local regulations. |
| **Renewable Energy** | |
| **Biodiversity** | |
| ✓ | ČEZ currently has measures in place to systematically ensure assets financed under this Framework provide for measures to protect habitat and wildlife during operation. An EIA is conducted systematically for Renewable Energy projects. In addition, ČEZ applies plastic protectors over insulators, and bracket structures are also installed to prevent the electrocution of birds landing on power lines. ČEZ also monitors species listed on the IUCN Red List of Threatened Species and National Conservation List with habitats in areas affected by ČEZ's Operations. Topics covered under the assessment process also include protected areas and safety parameters zoning, soil quality, terrain and azimuth, and the length for shadowing. |

[42] Act No. 100/2001 Collective on the Environmental Impact Assessment and amending some related laws (the EIA Act), transposed from the EU's Environmental Impact Assessment (EIA) Directive (2011/92/EU as amended by 2014/52/EU), https://portal.cenia.cz/eiasea/dokumenty/dokumentSoubor/145/EIA%20Act%2001_2018%20ENG_amendments_clean.pdf?lang=en

| Energy Efficiency, Renewable Energy | |
|---|---|
| **On-site safety** | |
| ✓ | ČEZ has measures in place ensuring high operational safety standards are in place. The financed assets under this Framework are primarily located in Czechia, where high health and safety standards are adhered. In addition, ČEZ has an Occupational Health and Safety management system implemented and certified according to the ISO 45001 standard. |
| **Clean Transportation (electric and hybrid cars)** | |
| **User Safety** | |
| ✓ | ČEZ confirmed vehicles procured will meet high product safety, through procuring vehicles with only (New Car Assessment Programme) NCAP ratings above three stars. In addition, ČEZ's current corporate vehicle profiles only include vehicles that achieved four- or five-star safety ratings. |
| **Renewable Energy, Clean Transportation** | |
| **Energy Efficiency** | |
| ✓ | ČEZ currently has measures in place systematically ensuring that assets financed under this Framework, for which energy efficiency during operation is optimized, are targeted to obtain GHG emission intensity lower than 100 $gCO_2e/kWh$ and assessment will occur during the project design stage. The passenger transport vehicles financed will be exclusively electric. |
| **Renewable Energy, Transmission Line, Energy Efficiency** | |
| **Waste Management** | |
| ✓ | ČEZ currently has measures in place to systematically ensure assets financed under this Framework can be taken back and recycled at the end of their lives. ČEZ has a waste management system in place to ensure financed assets systematically adhere to a waste management hierarchy that focuses on minimizing the impact of waste on the environment.[43] ČEZ Recycling, a subsidiary of ČEZ, applies the principles of circular economy when taking back discarded photovoltaic panels. |

[43] ČEZ Sustainability Report 2023, Waste and Natural Resources, https://www.cez.cz/webpublic/file/edee/esg/documents/sustainability-reports/zour-2023-en.pdf

# PART III: ALIGNMENT OF THE SELECTION CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT AND ENVIRONMENTAL DELEGATED ACT

The alignment of ČEZ's project characteristics, due diligence processes, and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Substantial Contribution to Climate Change Mitigation, Transition to Circular Economy, and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Complimentary Climate Delegated Act[44] (March 2022) and EU Taxonomy Environmental Delegated Act[45] (June 2023), based on information provided by ČEZ. Where ČEZ's project characteristics, due diligence processes, and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

ČEZ's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 3.3 Demolition and wrecking of buildings and other structures (EU Taxonomy Environmental Delegated Act, Annex II).
- 4.28 Electricity Generation from Nuclear Energy in Existing Installations (EU Taxonomy Complementary Climate Delegated Act, Annex I).
- 4.29 Electricity generation from fossil gaseous fuels (EU Taxonomy Complementary Climate Delegated Act, Annex I).
- 4.30 High-efficiency cogeneration of heat/cool and power from fossil gaseous fuels (EU Taxonomy Complementary Climate Delegated Act, Annex I).
- 4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system (EU Taxonomy Complementary Climate Delegated Act, Annex I).

All projects financed under the Sustainable Financing Framework are and will be located in Czechia.

Note: To avoid repetition, the evaluation of the alignment of ČEZ's assets to the Do No Significant Harm Criteria (DNSH) to Climate Change Adaptation is provided in Section f. Similarly, the evaluation of the alignment of the DNSH to Sustainable Use and Protection of Water and Marine Resources in Section g, the DNSH to Pollution Prevention and Control Regarding Use and Presence of Chemicals in Section h, and Protection and Restoration of Biodiversity and Ecosystems is given in Section i.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can

[44] Commission Delegated Regulation (EU) 2020/852, URL https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214
[45] Commission Delegated Regulation (EU) 2020/852, URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2486

recover the original criteria at the following links: Complimentary Climate Delegated Act, Environmental Delegated Act.

### a) 3.3 – Demolition and wrecking of buildings and other structures

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[46] | ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA |
|---|---|
| 1. SUBSTANTIAL CONTRIBUTION TO THE TRANSITION TO A CIRCULAR ECONOMY | |
| 1) ČEZ's environmental management system and integrated permit department have oversight over demolition projects that are performed and contracted by ČEZ's directly managed subsidiary. ČEZ will fulfill the following aspects from the Level 1 design concept checklist of the Level(s) indicator 2.2 checklist prior to the start of demolition or wrecking activity, discussed and agreed upon with the contractor.<br>▪ Identification of project-specific threats and how to minimize such constraints.<br>▪ A pre-demolition auditing procedure conducted by qualified construction and waste management experts. The auditing procedure will also include the quantity and types of waste, and demolition work technologies employed.<br>▪ Definition of key performance indicators and target ambition level that are site- and demolition project-specific to reach required circularity levels.<br>▪ A waste management plan that prioritizes selective deconstruction, decontamination and source separation of waste streams. ČEZ has confirmed that for all demolition projects financed, the requirements for a precise waste management plan are part of a standard process in the demolition project documentation and are aligned with EU Taxonomy.<br><br>2) ČEZ will conduct a pre-demolition audit in line with the EU Construction and Demolition Waste Management Protocol. The process is to be ensured during taxonomy disclosure preparation and screened as part of the technical screening criteria requirement during annual reporting.<br><br>3) ČEZ will also conduct a waste audit through an independent auditor to ensure all demolition waste generated during the demolition or wrecking | ✓ |

[46] This column is based on input provided by the Issuer.

| | |
|---|---|
| activity is treated in accordance with Union waste legislation and the full checklist of the EU Construction and Demolition Waste Management Protocol.<br><br>4) ČEZ will also set a minimum 90% threshold for the reuse or recycling of non-hazardous construction and demolition waste generated on the construction site. The 90% threshold will also be verified through a waste audit, as part of the project documentation and contract requirement. | |
| 2. CLIMATE CHANGE MITIGATION – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ will ensure that during renovation, refurbishing or demolition, activities requiring the removal of foam panels, laminated boards installed in cavities or built-up structures that contain foams with Fluorinated greenhouse gases, saturated and unsaturated Hydrofluorocarbons and Ozone Depleting Substances (ODS), as defined in Czechia legislations, Act 73/2012 Collective "on substances that deplete the ozone layer and on fluorinated greenhouses gases" and regulation 243/2023 Collective "on the implementing regulation 243/2023 Collective "on the implementation of certain provisions of the Act on substances that damage the ozone layer and on fluorinated greenhouse gases" which transpose Regulation (EU) No 517/2014 and in Regulation (EU) No 1005/2009. ČEZ will only perform the above activities in Czechia, a member state of the EU Commission.<br><br>ČEZ will employ trained personnel of external service providers with issued permits and licenses to conduct the above activities. Subcontractors will be required to be licensed professionals and comply with the latest applicable regulations on fluorinated greenhouse gases and ODS within the contracts.<br><br>ČEZ will also identify the presence of the mentioned substances through pre-demolition audits, and based on existing sites there are no such substances identified. For future projects, documentation will be part of the contract agreement to ensure guidelines are followed. | ✓ |
| 3. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA | |
| See f)<br><br>ČEZ currently performs assessments on 11 current, phased-out, and soon-to-be-phased-out coal-power facilities and locations. Therefore, natural hazards are covered within the regular group risk management process, while the operating risks are included in the ČEZ group's climate risk assessment. For demolition activities, only time delay risk linked to natural hazards has been identified. | ✓ |
| 4. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA | |

| | |
|---|---|
| See g)<br><br>ČEZ will also conduct a mandatory hydrogeological assessment, which includes an assessment by an independent licensed remedial geologist. | ✓ |
| 5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ group will reduce the noise, dust and pollutant emissions during the demolition and wrecking process by acting in accordance with Czechia's demolition decree issued by the local building permitting authority and requirement by law-permitting office during the permitting process and/or in line with requirement set by 261 pf Building Act and requirements set by EIA statement or permit. | ✓ |
| 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA | |
| See i)<br><br>As demolition will only be performed on current generation or phased-out sites (Brownfield), ČEZ will only conduct biodiversity assessment and monitoring for the demolition sites if required by the permitting office, and meet the waste legislation requirement by obtaining a demolition permit, which includes site management requirements among other requirements. | ✓ |

## b) 4.28 – Electricity generation from nuclear energy in existing installations[47]

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[48] | ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA |
|---|---|
| 1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION | |
| ČEZ has confirmed that the financed activities will operate in the Dukovany and Temelin plants, which are in Czechia and comply with the following requirements (1,4,5,7) through Act No. 263/2016 Collective[49] of the July 14, 2016, Atomic Act, which transposes the relevant Euratom and EU regulations: | ✓ |

[47] Please note that the assessment is only limited to the refurbishment of two existing nuclear plants, Temelin and Dukovany in Czechia.
[48] This column is based on input provided by the Issuer.
[49] Act No. 263/2016 of Collective, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/zakony/Act_263_2016_web.pdf

1.(a) Czechia has fully transposed Council Directive 2009/71/Euratom and Council Directive 2011/70/Euratom through Act No. 263/2016 Collective[50] of the July 14, 2016, Atomic Act.

(b) Czechia complies with the Euratom Treaty and with legislation adopted on its basis, specifically Directive 2009/71/Euratom, Directive 2011/70/Euratom and Directive 2013/59/Euratom. Chechia also complies with applicable Union environmental law adopted under Article 192 TFEU, specifically Directive 2011/92/EU (transposed from Act No. 100/2001)[51] and Directive 2000/60/EC (transposed from Act No. 254/2001 Coll. Water Act and on Amendments to Certain Acts).[52]

(c) ČEZ has in place, as of the approval date of the project, a radioactive waste management fund and a nuclear decommissioning fund in accordance with the Policy for Radioactive Waste Management and Spent Fuel Management in the Czech Republic, Government Resolution No. 597/2019, ensuring compliance with EU and international requirements. ČEZ has set up an escrow account, in accordance with Trade No. 250/2020, as a financial reserve for nuclear facilities decommission and a nuclear account for radioactive waste management, both administered by the Ministry of Finance.

(d) ČEZ has demonstrated that it will have resources available at the end of the estimated useful life of the Dukovany and Temelin plants corresponding to the estimated cost of radioactive waste management and decommissioning. This is accomplished by accumulating compliant financial reserves in the nuclear and escrow accounts, respectively. The balance of the escrow account is subject to annual adequacy checks by SURAO, the Radioactive Waste Repository Authority,[53] which covers the expense on current and future nuclear spent fuel disposal. The Atomic Act, which requires the accumulation of decommissioning reserves, is also in compliance with Recommendation 2006/851/Euratom. The accumulated reserves for nuclear decommissioning are disclosed publicly in ČEZ's annual financial report,[54] while the account dedicated to permanent nuclear storage is shown on SURAO's website[55] with a balance of CZK 36.56 billion as of Dec. 31, 2022.

[50] Act No. 263/2016 of Collective, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/zakony/Act_263_2016_web.pdf
[51] Act No. 100/2001 Collective, https://portal.cenia.cz/eiasea/dokumenty/dokumentSoubor/145/EIA%20Act%2001_2018%20ENG_amendments_clean.pdf?lang=en
[52] Water Act No. 254/2001, https://www.fao.org/faolex/results/details/en/c/LEX-FAOC124878/#:~:text=Czechia-,Water%20Act%20No.,sections%20divided%20into%2011%20Parts.
[53] https://www.surao.cz/en/about-us/who-we-are/
[54] Unconsolidated accounts, p.34, ČEZ Group Annual Report 2022, https://www.ČEZ.cz/webpublic/file/edee/ospol/fileexport/investori/vz-2022/ČEZ-group-annual-financial-report-2022-pdf.pdf
[55] SURAO, https://www.surao.cz/o-nas/nase-poslani/

For potential future plants, decommissioning studies will be regularly updated to ensure that decommissioning costs will be in line with the expected costs.

(e) ČEZ has operational interim spent-nuclear storage for all very low-, low- and intermediate-level radioactive waste for both nuclear plants, constructed in 1987 and commissioned by 1995. At that time, no notification to the commission was required. ČEZ is in charge of interim spent-nuclear storage (Dukovany, an interim repository managed by SURAO), and radioactive waste will eventually be stored in a deep geological site that is currently under development by SURAO, and with an expected timeline no later than 2040 will be notified to the Commission under Article 41 of the Euratom Treaty or under Article 1(4) of Council Regulation 2587/1999 and included in the national program updated under Council Directive 2011/70/Euratom.

(f) For projects authorized after 2025, SURAO, the Radioactive Waste Repository Authority of Czechia, has assessed the possibility of operating a permanent deep geological repository until 2050 in accordance with the requirements of the Atomic Act 236/2016, transposing Directive 2011/70/Euratom:[56]

(i) ČEZ will remove and store the spent fuel in the spent fuel storage pools located in the main production blocks of both the Dukovany and Temelin plants for several years. The spent fuel will then be transferred to dry spent fuel storage facilities, where it will be put in transport and storage packaging sets. The Dukovany plant has a storage capacity of approximately 45 years from the start of operations in 1995. The Temelin plant has a storage capacity of approximately 30 years from the start of operations in 2010. A permanent deep geological repository is currently in the planning, with SURAO responsible for outlining the detailed steps leading to the construction of the repository beginning in 2041 and operations beginning in 2050.

(ii) The concepts or plans for the radioactive waste repositories post-facility closure will be determined by the requirements of obtaining a closure permit according to the Atomic Act, section 9, paragraph 3 (b) on the closure of radioactive waste repositories. Currently, technical studies in the pre-licensing phase of the deep geological repository development process, including repository decommissioning and closure planning, are in development by SURAO.

(iii) SURAO is responsible for the disposal capacity of the low- and intermediate-level waste repository, while ČEZ is responsible for the disposal

[56] Evaluation of the influence of the EU commission nuclear energy taxonomy regulation on the radioactive waste management in the Czech Republic, https://www.surao.cz/wp-content/plugins/surao-downloader/linker.php?file=9034&page=//www.surao.cz/dokument-kategorie/koncepcnidokumenty/

capacity of the high-level waste repository and spent fuel. SURAO is responsible for the development of the deep geological repository and the timeline, and the government of Czechia will be regularly updated on the progress of the initiatives.

(iv) SURAO is responsible for the disposal of radioactive waste, treatment, and disposal of spent fuel from ČEZ's nuclear plants according to the Atomic Act and regulation of the Government of the Czechia Republic No. 35/2017. ČEZ, the waste generator, is responsible for depositing funds into the nuclear account, which funds the cost of radioactive waste disposal.

2. ČEZ confirmed that both the Dukovany and Temelin plants' activities will use the best available technologies, following Euratom requirements to prevent accidents and, in the event of an accident, to mitigate its consequences and prevent: (a) early radioactive releases that would require off-site emergency measures, with insufficient time to carry them out; (b) large radioactive releases that would require protective measures that cannot be limited by location or time.[57]

The equipment of both the Dukovany and Temelin plants use the best available technologies in accordance with the requirements of the International Atomic Energy Agency (IAEA), especially the requirements of documents SSR 2/1, Rev.1 - Safety of Nuclear Power Plants: Design, [58]Commissioning, and Operation.[59] Both plants are subject to regular Operational Safety Review Team (OSART) audits organized by the IAEA. Both plants also use the best available methodologies according to the Western European Nuclear Regulators' Association (WENRA) requirements, in particular, the WENRA Safety Reference Levels for Existing Reactors.[60] In addition, ČEZ has committed to use accident-tolerant fuel (ATF) after 2025 if the technology is certified and approved by national safety regulators.

3. ČEZ has indicated that if the financed project concerns new installations and replacements or conversions involved in the industrial activities listed in Annex II of the Euratom Treaty, where such projects have a direct influence on production or productivity while respecting nuclear safety, the Commission will be notified accordingly. However, because only small-scale life-extension projects will be financed for both the Dukovany and Temelin plants, the Commission will not be notified.

[57] See Directive 2009/71/Euratom of 25 June 2009, as amended by Directive 2014/87/EURATOM of 8 July 2014, Article 8a(1).
[58] Safety of Nuclear Powers: Design, IAEA, https://www.iaea.org/publications/10885/safety-of-nuclear-power-plants-design
[59] Safety of Nuclear Power Plants: Commissioning and Operation, IAEA, https://www.iaea.org/publications/10886/safety-of-nuclear-power-plants-commissioning-and-operation
[60] WENRA Safety Reference Levels for Existing Reactors, WENRA, https://www.wenra.eu/sites/default/files/publications/wenra_safety_reference_level_for_existing_reactors_2020.pdf

4. Czechia has committed to report to the Commission every five years for each project on each of the following through evaluation by SURAO, where the contribution to regular reporting of the national program will be implemented if necessary:

(a) The adequacy of the accumulated resources referred to in point 1(c);

(b) Actual progress in the implementation of the plan referred to in point 1(f).

Based on the reports, the Commission will review the adequacy of the accumulated resources of the radioactive waste management fund and the nuclear decommissioning fund referred to in point 1(c), as well as the progress in the implementation of the documented plan referred to in point 1(f), and it may address an opinion to the Member State concerned.

5. The operation of the Dukovany and Temelin plants complies with national legislation that transposes the legislation referred to in point 1(a) through Act 263/2016 the Atomic Act and (b), regarding the evaluation (through stress-tests) of the resilience of the Union plants against extreme natural hazards, including earthquakes. Accordingly, the activity takes place on the territory of Czechia, where ČEZ, the operator of a nuclear installation, adheres to the Atomic Act 263/2016, transposing requirements from Directive 2009/71/Euratom:

(a) has submitted a demonstration of nuclear safety, whose scope and level of detail is commensurate with the potential magnitude and nature of the hazard relevant for the nuclear installation and its site (Article 6, point (b), of Directive 2009/71/Euratom);

(b) has taken defense-in-depth measures to ensure, that the impact of extreme external natural and unintended man-made hazards is minimized (Article 8b (1), point (a), of Directive 2009/71/Euratom);

(c) has performed an appropriate site- and installation-specific assessment when the operator concerned applies for a license to construct or operate a nuclear power plant (Article 8c(a) of Directive 2009/71/Euratom).

In addition, the site suitability is assessed per Decree No. 378/2016 Collective, which considers natural and climate hazards. The recommendations of Safety Reference Levels WENRA (SRL WENRA) are also considered when assessing the suitability of the locations of the nuclear plants.

6. ČEZ's Dukovany and Temelin plants within this activity fulfill the requirements of Directive 2009/71/Euratom through site assessments in

accordance with Decree No. 378/2016 Collective,[61] which incorporates the 2009/71/Euratom legislation, supported by the latest international guidance from the IAEA and WENRA, contributing to increasing the resilience and the ability of new and existing nuclear plants to cope with extreme natural hazards, including floods and extreme weather conditions. Future nuclear plants will also be required to go through a regular licensing process with the State Office for Nuclear Safety (SUJB).[62]

ČEZ has Operation Safety Reports (PrBZ) for both the Dukovany and Temelin plants, which outline the resilience of the Nuclear Sources to natural and climate hazards. The suitability of these sites is continuously assessed and documented annually by a regulatory body[63] through the criteria listed in Decree No. 378/2016 Collective, which covers natural and climatic hazards risks. The resistance to both climatic and meteorological phenomena is also documented in the PrBZ of both the Dukovany and Temelin plants.

Furthermore, stress tests have been conducted on both the Dukovany and Temelin plants since 2011 to evaluate the safety and safety margins after the Fukushima Daiichi nuclear power plant was destroyed.[64] A one-off stress test was conducted and documented in the National Action Plan (NAcP) on Strengthening Nuclear Safety of Nuclear Facilities in the Czech Republic,[65] while the implementation of recommendations and following steps are ongoing and continual with ENSREG and SUJB control.

7. ČEZ states that radioactive waste referred to in points 1(e) and (f) is disposed in Radioactive Waste Repository Authority's (SURAO) facilities in Czechia, the country where it was generated, and it will only be transported out for the purpose of reprocessing before depositing in Czechia.

ČEZ has also confirmed that the life-cycle greenhouse gas emissions from the generation of electricity from nuclear energy are below the threshold of 100 $gCO_2e/kWh$ in the next 50 years. The Joint Research Center (JRC) Study on nuclear power declares that the two facilities will stay within the threshold even in the next 50 years, consistent with the conclusions in the IPCC (2014) and UNECE (2022) assessments. The emissions have been calculated through independent study from the University of Science and Technology in Ostrava

[61] Decree No. 378/2016 Collective of 7th November 2016 on siting of a nuclear installation, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/vyhlasky/Decree_378_2016.pdf
[62] State Office for Nuclear Safety, https://sujb.gov.cz/en/nuclear-non-proliferation/requirements-for-the-application-for-license-for-export-import-of-nuclear-items
[63] Evaluation of operational and safety indicators, SUJB, https://sujb.gov.cz/jaderna-bezpecnost/hodnoceni-jaderne-bezpecnosti
[64] National Report on "Stress Tests" NPP Dukovany and NPP Temelín Czech Republic-Evaluation of Safety and Safety Margins in the light of the accident of the NPP Fukushima, State Office for Nuclear Safety Czech Republic, December 2011, https://www.ensreg.eu/sites/default/files/CZ%20-%20National_Report_CZ.pdf
[65] Post Fukushima National Action Plan (NAcP) on Strengthening Nuclear Safety of Nuclear Facilities in the Czech Republic, Sate Office for Nuclear Safety, 2022, https://www.ensreg.eu/sites/default/files/attachments/stress_test_nacp_czech_republic_2022.pdf

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| (2017) and University of Chemistry and Technology and ÚJV Řež (2020), where the latter study used the EU Product Environmental Footprint (PEF) 2.0 methodology, a guideline according to the Recommendation 2013/179/EU. | |
| 2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA | |
| See f)<br><br>ČEZ also complies with Decree No.378/2016 Collective, which incorporates the requirements laid down in Article 6(b), Article 8b(1), point (a), and Article 8c(a) of Directive 2009/71/Euratom.<br><br>The site suitability of the Dukovany and Temelin plants is continuously assessed by the National Office of Nuclear Safety (SUJB) in accordance with No. 378/2016 Collective, which takes into account natural and climate hazards. Assessments are also conducted according to IAEA's Specific Safety Requirements No. SSR-1[66] and recommendations of Safety Reference Levels WENRA,[67] both of which cover measures relating to natural hazards, including floods and extreme weather conditions. | ✓ |
| 3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA | |
| See g)<br><br>ČEZ identified and addressed environmental degradation risks related to preserving water quality and avoiding water stress, in accordance with a water use and protection management plan and developed in consultation with relevant stakeholders. Independent assessment is performed as part of the permitting process through the State Office for Nuclear Safety (SUJB), and the results are publicly disclosed.[68]<br><br>ČEZ has confirmed that the Dukovany and Temelin plants do not use flow-through cooling of waste heat. Waste heat is evaporated in the cooling towers instead of being discharged through wet cooling by taking water from a river or a lake control, limiting thermal anomalies of wastewater discharge. There is a limit for the temperature of the discharged water for the Temelin plant, though there is no limit for the Dukovany plant as this is not a material topic identified by the river management authority. The temperature control is | ✓ |

[66] IAEA Safety Standards for protecting people and the environment, Site Evaluation for Nuclear Installations, Specific Safety Requirements No. SSR-1, International Atomic Energy Agency, https://www-pub.iaea.org/MTCD/Publications/PDF/P1837_web.pdf
[67] WENRA Safety Reference Levels for Existing Reactors 2020, WENRA RHWG, https://www.wenra.eu/sites/default/files/publications/wenra_safety_reference_level_for_existing_reactors_2020.pdf
[68] State Office for Nuclear Safety, Radiation of Radiation Situation, https://sujb.gov.cz/en/radiation-situation-monitoring

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| further monitored by T.G. Masaryk Water Research Institute[69] to be implemented in accordance with the specific operations.<br><br>The International Finance Corporation (IFC) has published an interinteroperability assessment concluding that the EUT DNSH Water and Marine Resources requirement is broadly in line with IFC's Environmental and Social Performance Standards.[70] In addition, ČEZ has confirmed that non-compliant IFC standard projects at the Dukovany and Temelin plants will not be financed under this framework. ČEZ ensures that both the Dukovany and Temelin plants operate in compliance with requirements on water intended for human consumption of Directive 2000/60EC (implemented in Water Act No. 254/2001 Collective)[71] and Directive 2013/51/Euratom (transposed from No. 422/2016 Collective),[72] outlining requirements for the protection of public health regarding radioactive substances in water intended for consumption. ČEZ will also abide by government regulation No. 401/2015 Collective,[73] which sets the limit for radioactive levels in water intended for human consumption. | |
| 4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ has environmental management systems certified with ISO 14001 Standard for non-radioactive waste, which promotes the maximal reuse or recycling of such waste at the end of life in accordance with the waste hierarchy at the Dukovany and Temelin plants.<br><br>ČEZ manages radioactive waste by following the Czech Republic National Report under the Joint Convention on the safety of Spent Fuel Management and on the Safety of Radioactive Management[74] to ensure maximal reuse or recycling of such waste at the end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners.<br><br>ČEZ will operate the intermediate nuclear waste repository (URAO Dukovany) for both the Dukovany and Temelin plants. The Dukovany repository site is operated by ČEZ, owned by SURAO, and is designed for low and intermediate | ✓ |

[69] T.G. Masaryk Water Research Institute, https://www.iahr.org/org-center/user?id=12234
[70] IFC, Promoting Interoperability Across Environmental and Social Risk Management Frameworks, https://www.ifc.org/content/dam/ifc/doc/2023-delta/ifc-epa-research-promoting-interoperability-across-es-risk-management-frameworks.pdf
[71] Water Act No. 254/2001 Collective, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/vyhlasky/422_Radiation_safety_fin.pdf
[72] No.422/2016 of 14th of December 2016 on Radiation Protection and Security of a Radioactive Source, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/vyhlasky/422_Radiation_safety_fin.pdf
[73] Government Regulation on indicators and values of permissible pollution of surface water and wastewater, requirements for permits for discharge of wastewater into surface waters and into sewers, and sensitive areas, https://www.zakonyprolidi.cz/cs/2015-401
[74] 2.2 Radioactive Waste Management and Spent Fuel Management Policy, The Czech Republic National Report under the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, https://www.iaea.org/sites/default/files/czech-republic-7rm.pdf

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| levels of radioactive waste, while there is no specific repository within the Temelin plant due to its volume of nuclear waste. The waste from the waste repository is then under storage by SURAO, organizational unit of state under contract No. 2603/12/1999/074.<br><br>ČEZ minimizes the amount of radioactive waste and maximizes the number of free-release materials during operation and decommissioning by complying with Act No. 263/2016, Atomic Act,[75] which incorporates the requirements of Directive 2011/70/Euratom, and radiation protection requirements outlined in Directive 2013/59/Euratom.<br><br>ČEZ also has a financing reserve in place to ensure adequate funding for all decommissioning activities and demolition activities for both the Dukovany and Temelin plants through contribution to a restricted bank account invested in government bonds and the Nuclear Account for the management of spent fuel and radioactive waste in accordance with Act No. 263/2016, Atomic Act, which incorporates the requirements of Directive 2011/70/Euratom and Recommendation 2006/851/Euratom.<br><br>ČEZ states that EIA has been conducted for the Dukovany[76]and Temelin[77] plants prior to construction in accordance with Act No. 100/2001 Collective,[78] transposing Directive 2011/92/EC, in which the mitigation and compensatory measures have been implemented to obtain permitting and licensing documentation.<br><br>The requirements in this section are also covered by Czechia's reports to the Commission in accordance with Article 14(1) of Directive 2011/70/Euratom, which is reported every three years. A sample report can be found here. | |
| 5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA | |
| See h)<br><br>Since both the Dukovany and Temelin Nuclear Power plants are not large combustion plants, hence only back up diesel generators are relevant and the requirement of non-radioactive emissions thresholds do not apply. No significant cross-media effects are expected. | ✓ |

[75] Act No.263/2016 of Collective. Atomic Act, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/zakony/Act_263_2016_web.pdf
[76] A new nuclear source in the Dukovany location, https://portal.cenia.cz/eiasea/detail/EIA_MZP469
[77] A nuclear source in the Temelin locality, including output to the Kocin substation, https://portal.cenia.cz/eiasea/detail/EIA_MZP230
[78] Act No. 100/2001 Collective of 20th February, 2001 on the Environmental Impact Assessment and amending some related laws (the EIA Act), https://portal.cenia.cz/eiasea/dokumenty/dokumentSoubor/145/EIA%20Act%2001_2018%20ENG_amendments_clean.pdf?lang=en

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| ČEZ states that the emission output from the backup diesel generators within both the Temelin and Dukovany plants complies with the emission limit set out in Annex II, Part 2, to Directive 2015/2193.<br><br>ČEZ obliges Decree 422/2016 on Radiation Protection and Security of a Radioactive Source[79] which transposes the requirement of Directive 2013/51/Euratom and Directive 2013/59/Euratom to ensure radioactive discharges to air, water bodies and ground (soil) comply with individual license conditions for the specific operations, where applicable, or national threshold values.<br><br>ČEZ ensures the spent fuel and radioactive waste from the Dukovany and Temelin plants are safely and responsibly managed by obliging to the Czech Republic National Report under the Joint Convention on the safety of Spent Fuel Management and on the Safety of Radioactive Management,[80] which covers the requirement of 2011/70/Euratom and Directive 2013/59/Euratom.<br><br>ČEZ operates the nuclear waste repository, owned by SURAO, (URAO Dukovany), designed for low and intermediate levels of radioactive waste from the Dukovany and Temelin plants. There is no specific repository within the Temelin plant due to its volume of nuclear waste. The waste from the waste repository is then sent under storage to SURAO, organizational unity of state under contract No. 2603/12/1999/074. In addition, ČEZ holds a nuclear account for the management of spent fuel and radioactive waste in accordance with Act No. 263/2016, Atomic Act, which incorporates the requirements of Directive 2011/70/Euratom and 2013/59/Euratom.<br><br>While the Dukovany repository site currently acts as an interim storage solution for the nuclear disposal, SURAO, the regulatory body of radioactive waste, is considering the possibility of operating a permanent deep geological repository, with a trial operation by 2050 in accordance with Directive 2011/70/Euratom. | |
| 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA | |
| See i) | ✓ |

[79] No.422/2016 on Radiation Protection and Security of a Radioactive Source, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/vyhlasky/422_Radiation_safety_fin.pdf

[80] 2.2 Radioactive Waste Management and Spent Fuel Management Policy, The Czech Republic National Report under the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, https://www.iaea.org/sites/default/files/czech-republic-7rm.pdf

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| ČEZ states that EIA has been conducted for the Temelin[81] and Dukovany[82] plants prior to the construction of new nuclear power plants in accordance with Act No. 100/2001 Collective,[83] transposing Directive 2011/92/EC, in which the mitigation and compensatory measures have been implemented to obtain permitting and licensing documentation.<br><br>As the Dukovany plant is located in or near biodiversity-sensitive areas, appropriate biological surveys and assessments have been conducted in accordance with Directives 2009/147/EC and 92/43/EEC. Based on the results, mitigation measures have been implemented if required. | |

### c) 4.29 – Electricity generation from fossil gaseous fuels

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[84] | ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA |
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| 1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION | |
| ČEZ will construct natural gas power plants, for which construction permits are granted by Dec. 31, 2030, with the following requirements:<br><br>(i) Annual direct greenhouse gas emissions of the activity do not exceed an average carbon budget of 550 kg$CO_2$e/kW of the facility's capacity over 20 years, where the carbon budget will be used with frontloading during the operating period for natural gas until 2035. During the project design stage, ČEZ will set carbon budgets and trajectories for facilities to calculate allowed emissions and the residual carbon budget to meet the 550 kg$CO_2$e/kW budget for 2035 and beyond. The company also commits to and plans for fuel switch by 2035.<br><br>(ii) The power to be replaced cannot be generated from renewable energy sources, based on a comparative assessment with the most cost-effective and | ✓ |

[81] A new nuclear source in the Temelin locality, including output to the Kocin substation, EIA Information System, https://www.ČEZ.cz/en/energy-generation/nuclear-power-plants/new-nuclear-power-sources/temelin-ii/environment-impact-assessment-of-temelin-ii

[82] A new nuclear source in the Dukovany location, EIA Information System, https://www.ČEZ.cz/en/energy-generation/nuclear-power-plants/new-nuclear-power-sources/dukovany-ii/environment-impact-assessment

[83] Act No. 100/2001 Collective of 20th February, 2001 on the Environmental Impact Assessment and amending some related laws (the EIA Act), https://portal.cenia.cz/eiasea/dokumenty/dokumentSoubor/145/EIA%20Act%2001_2018%20ENG_amendments_clean.pdf?lang=en

[84] This column is based on input provided by the Issuer.

technically feasible renewable alternative for the same capacity identified. ČEZ will publish the comparative assessment and publicly discuss it with permitting procedures (Environmental Impact Assessment (EIA) or Integrated Permitting Procedure (IPPC)) with local and public engagement. The stakeholder consultation will be part of the permitting procedure and is part of a formal process. If the power replaced is generated from renewable energy, the project will not be reported within the green capex portfolio.

(iii) The activity replaces an existing high-emitting electricity generation activity that uses solid or liquid fossil fuels. ČEZ will replace the existing 11 coal-firing plants with new natural gas installations within a period of +/- three-years to time of coal asset decommissioning.

(iv) The newly installed natural gas power plant's production capacity does not and will not exceed the capacity of the replaced coal-firing power plant's facility by more than 15%. Through project design and transition trajectories, the Company will ensure that the installation's size limit and the metric is controlled and reviewed before installing the Natural Gas plants.

(v) The facility is designed and constructed to use at least 10% hydrogen gas and the switch to full use of hydrogen gas takes place by Dec. 31, 2035, with a commitment[85] and verifiable plan approved by the management body of the undertaking. The plan is submitted during the tendering process, which includes the technology and layout solution, including the definition of hydrogen proportion in the mixture with natural gas. The plan will be shared as part of the public tender document before the procurement process. ČEZ ensures that the new natural gas plants under this activity will be ready for hydrogen gas conversion by 2035, and the plants are designed with such conversion considered.

(vi) The replacement leads to at least a 55% reduction in greenhouse gas emissions over the lifetime of the newly installed production capacity. ČEZ will ensure the new natural gas installation will reduce emission by 55% via 1) emission intensity comparison, where the new facility will have an emission intensity at or lower than 45% of the original coal firing plants (calculated by operation and permit data by ČEZ and verified by its external ESG auditor) or 2) calculating the outlook of co-combustion of natural gas and hydrogen gas until 2035 (calculated by ČEZ and verified by an ESG external auditor), and the production using 100% hydrogen gas from 2036 onward compared to the existing coal firing plant greenhouse gas emission.

[85] P.32 ČEZ Group plans to increase generation in renewables, nuclear and gas, https://www.ČEZ.cz/webpublic/file/edee/ospol/fileexport/investors/investment-stories/2023-12-investment-story-published-en.pdf

(vii) Where the activity takes place on the territory of a member state in which coal is used for energy generation, that member state has committed to phase out the use of energy generation from coal and has reported this in its integrated national energy and climate plan, referred to in Article 3 of Regulation (EU) 2018/1999 of the European Parliament and of the Council or in another instrument. ČEZ's assets under this activity are located within the Czechia territory, where the Government has approved a coal phase-out plan by 2033.[86] Such commitment is also integrated into the Just Transitions Plans and Funds from the European Commission[87] and the proposed version of the State Energy Policy and Climate Protection Policy. The government of Czechia is also the majority owner of ČEZ.

ČEZ will verify the above compliance through an independent third-party verification by Deloitte, with a statement certifying the information in the annual sustainability report. The report will consist of:

- Certifying the level of direct greenhouse gas emissions referred to (i) above.
- Where applicable, assessing whether annual direct greenhouse gas emissions of the activity are on a credible trajectory to comply with the average threshold over 20 years referred to in (i) above.
- Assessing whether the activity is on a credible trajectory to comply with (v) above.

In addition, ČEZ will ensure that methane leakage measurement and monitoring equipment is installed during the construction phase, where such requirement is documented in the design criteria for public tender.[88]

ČEZ has indicated that the replacement plants are intended for hydrogen gas conversion. The gaseous fossil fuels that blend with gaseous or liquid biofuels are not currently in use; however, if biomass will be used, the plants will be certified by Directive (EU) 2018/2001, on the promotion of the use of energy from renewable sources.[89]

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

[86] Coal mining in Czech Republic to be phased out by 2033, Radio Prague International, https://english.radio.cz/coal-mining-czech-republic-be-phased-out-2033-8739143

[87] The Just Transition Mechanism: making sure no one is left behind, European Commission, https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en

[88] Construction of steam-gas heating source 1 in the heating locality of Mělník, National Infrastructure for electronic public procurement (NIPEZ), Výstavba paroplynového teplárenského zdroje 1 v teplárenské lokalitě Mělník | Národní elektronický nástroj (nipez.cz).

[89] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.328.01.0082.01.ENG&toc=OJ:L:2018:328:TOC

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| See f)<br><br>In addition, ČEZ states that the current coal-firing plants within the scope of this activity are subject to robust risk management processes, and the planned locations were under groupwide assessment for climate risks under different scenarios. | ✓ |
| 3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA | |
| See g)<br><br>In addition to the DNSH generic requirement, ČEZ has indicated that the natural gas plants financed will undergo an Environmental Impact Assessment (EIA) and/or Integrated Permitting Procedure (IPCC). River basin managers will participate in the water impact assessments. | ✓ |
| 4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA | |
| N/A: There is no EU Taxonomy criteria for the category | |
| 5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA | |
| See h)<br><br>In addition, ČEZ will assess the natural gas power plant installations against the best available techniques (BAT-AEL) as part of the integrated permit procedure to ensure the emission will be lower than the standard required. The permit is issued at the commissioning and is reviewed in regular periods by regional authority, and the reports regarding compliance with the IPPC permit will also be issued regularly for the permitting authority.<br><br>ČEZ will also ensure no significant cross-media effects will occur through obtaining the IPPC permit. It is also noted that the IPCC Permit will be renewed according to Art. 20 of the EU Directive 2010/75/EU for any substantial change of operation.<br><br>ČEZ has confirmed that financed projects will be over 50MW and the emission levels will be within the best available techniques (BAT) threshold.<br><br>ČEZ states that the current permitting process will apply to current and future projects to ensure criteria are met systematically. | ✓ |
| 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA | |
| See i) | ✓ |

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| In addition, EIA and a biological assessment will be conducted by environmental and conservation specialists during the construction permit process. The EIA document is usually prepared by an independent third party and the EIA process is steered by regional authority. | |

### d) 4.30 – High-efficiency co-generation of heat/cool and power from fossil gaseous fuels[90]

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[91] | ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA |
|---|---|
| 1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION | |
| ČEZ will construct natural gas power plants for which the construction permit is granted by Dec. 31, 2030, to comply with the following:<br><br>1.b(i) the new natural gas plants will achieve primary energy savings of at least 10% compared with the references to separate production of heat and electricity. The primary energy savings are calculated on the basis of the formula provided in Directive 2012/27/EU. The assessment is conducted internally and will be available for external audit. The saving percentage is also subjected to annual testing. In addition, the parameters of cogeneration and fuel combustion are reported monthly.<br><br>1.b(ii) direct greenhouse gas emissions of the natural gas plants are and will be lower than 270 $gCO_2e/kWh$ of the output energy, with design values for the plant installations in the range of 220-270g/kWh. These design and operational values are within the plant tendering procedures and will be subjected to external audit.<br><br>For requirements 1. b(iii)-(ix), and 2. please refer to section 4.29 1. b(ii)-(vii) and 2. above. | ✓ |
| 2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA | |
| Please refer to section 4.29 #2 | |
| 3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA | |

[90] The activities under this taxonomy alignment only concern the new installation of natural gas power plants.
[91] This column is based on input provided by the Issuer.

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| Please refer to section 4.29 #3 |
| 4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA |
| N/A: There is no EU Taxonomy criteria for the category |
| 5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA |
| Please refer to section 4.29 #5.<br><br>In addition, for combustion plants with thermal input greater than 1 MW but below the thresholds for the BAT conclusions for large combustion plants, the new installations for 1-50 MW will require a permit in accordance with EU Directive 2015/2193 transposed by Annex II of decree No. 415/2015 Collective,[92] on medium combustion plant installation from the national authority to comply with the requirement. |
| 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA |
| Please refer to section 4.29 #6 |

### e) 4.31 – Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling systems

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[93] | ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA |
|---|---|
| 1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION | |
| ČEZ will construct natural gas power plants for which the construction permit is granted by Dec. 31, 2030, to comply with all of the following:<br><br>1.b(i) The thermal energy generated by the activity is used in an efficient district heating and cooling system as defined in Czechia's legislation Act. 165/2012 Collective, transposable to Directive 2012/27/EU, verified annually by the Czech Energy Regulatory Office.<br><br>1.b(ii) direct greenhouse gas emissions of the activity are lower than 270 $gCO_2e/kWh$ of the output energy, with design values for the plant installations | ✓ |

[92] Decree No. 415/2012 Collective, https://www.zakonyprolidi.cz/cs/2012-415#
[93] This column is based on input provided by the Issuer.

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| in the range of 219-222 g/kWh. These values are currently within the plan tendering procedures and will be subjected to external audit.<br><br>1.b(vii) ČEZ has conducted an emission intensity comparison between the new natural gas plant and the original coal firing plant, the new facility will achieve 45% of the original greenhouse gas emission intensity ($CO_2e$/kWh of output energy). The calculation is completed on the project level by ČEZ's technical and engineering team using design values in the tendering procedures. Both the design and operational values will be subject to external audit. The reduction represents a reduction in emission intensity since Year 1 after switching from coal firing to natural gas plants.<br><br>1.b(viii) The refurbishment will replace the existing coal-firing facility with hydrogen gas-ready natural gas plants, which are ready for combustion of hydrogen gas at a level of 17%, and will be converted to 100% of hydrogen gas by the end of 2035. The facility size threshold is a design element requirement in the tender process to ensure the refurbishment will not lead to an increase in production capacity compared to the existing facility. In addition, there are internal processes planned within ČEZ to dedicate CAPEX towards fuel switch to meet this requirement.<br><br>For requirements 1. b(iii)-(vi), (ix) and 2. please refer to section 4.29 1. b(ii)-(v), (vii) and 2. above. | |
| 2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA | |
| Please refer to section 4.29 #2 | |
| 3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA | |
| Please refer to section 4.29 #3 | |
| 4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA | |
| N/A: There is no EU Taxonomy criteria for the category | |
| 5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA | |
| Please refer to section 4.30 #5 | |
| 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA | |
| Please refer to section 4.29 #6 | |

## f) Generic Criteria for DNSH to Climate Change Adaptation

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[94] | ALIGNMENT WITH THE EU TAXONOMY |
|---|---|
| 2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ uses the Task Force on Climate-Related Financial Disclosures[95] (TCFD) to identify, manage, and report climate risks. Regarding acute physical risks, the exposure to an increased frequency and severity of climate hazards — specifically water stress, heatwaves, and cold waves — will impact production capacity of the plants and the health and safety of the workforce. Extreme weather events might also lead to reduced production capacity, disruptions in the supply chain, and higher costs from negative impacts on workforce. ČEZ has also identified chronic physical risks such as changes in precipitation, changes in weather patterns, and rising mean temperatures as risks to the assets. Moreover, physical risks affecting water supply can also disrupt hydroelectric power generation and cooling for thermal and nuclear power generation.<br><br>ČEZ has also conducted a material physical climate risk assessment in short- (current exposure until 2025), medium- (three to seven years, until 2030), and long-term (after 2030, with outlook to 2040 and 2050, depending on the lifetime of assets) time horizons. In the long run, the risk of rising mean temperature can impact power plant efficiency through warming and availability of cooling water. To mitigate such physical climate risks, ČEZ has adopted alternative cooling systems in several plants to avoid once-through cooling. According to ČEZ, there are no potential high physical climate risks, such as flood and drought risks, identified in the planned locations for the natural gas plant installations. However, flood and drought risks persist in other locations such as the Hodonin biomass plant. For all coal locations subject to demolition activity, ČEZ has risk screening in place. However, for the actual demolition activities, only potential impact in temporary delay in timeline with subject to potential natural hazards is relevant.<br><br>The projected lifespan of generation assets in the activities is over 10 years. ČEZ has also screened the top 100 power plant installations using climate scenarios including the Intergovernmental Panel on Climate Change's Representative Concentration Pathways (RCP) RCP2.6/RCP4.5/RCP 8.0, and Shared Socioeconomic Pathways (SSP): SSP1/SSP2/SSP5 in short-, medium-, | ✓ |

[94] Ibid.
[95] ČEZ Group Task Force on Climate-Related Financial Disclosures (TCFD), https://www.ČEZ.cz/webpublic/file/edee/esg/documents/reports/tcfd.pdf

and long-term time horizons.[96] In addition, ČEZ has conducted 30-year climate projection scenario for current assets using RCP 2.6/4.5/8.5 concentration pathways. ČEZ has also performed an assessment for all 1,023 reference locations using RCP4.5. For Global Climate Models (GCM), ČEZ has used RCP 2.6-RCP 8.5 scenarios with assessment provided by S&P Global's Sustainable1 service. For Regional Climate Models (RCMs), ČEZ has used the RCP4.5 scenarios with assessment provided by CRIF, Synesgy and REDrisk.

For the Dukovany and Temelin plants, physical risks are assessed and reported to the regulatory body annually. As part of the reporting requirement to the European Nuclear Safety Regulators Group (ENSREG), adaptation solutions and resilience upgrades are checked and documented. For potential new nuclear plant sites and enlargement of both the Dukovany and Temelin plants, natural characteristics including climatic and meteorological phenomena are assessed as part of the regulation under Decree No. 378/2016 Collective.[97] Specific natural hazards and assessments are documented with track record provided to regulators.

For current natural gas plant sites, ČEZ has robust risk management in place which includes screening against natural hazards and international reference with stress tests. The current natural gas plants are not negatively impacted by climate risk. Within the natural gas plants at the Melnik site, EIA was conducted and measures such as water retention to soil and water tanks have been set up on-site as part of upgrade on flood protection measures and water protection measures to avoid spills during extreme precipitation. Construction materials are also selected by technical standards to minimize and prevent the effects of potential heat stress in the area. Any future improvement of the natural gas assets will be part of the Environmental Management System and operational risk management.

ČEZ has also confirmed that future adaptation solutions, subject to independent audit within the EIA, are in line with national and regional adaptation plans, and national flood prevention plans which meet regulatory planning requirements.

[96] Short-term: current exposure until 2025, Medium-term: 3-7 years until 2030, Long-term: after 2030 with outlook to 2040 and 2050.
[97] Decree No. 378/2016 Coll, on siting of a nuclear installation, https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/vyhlasky/Decree_378_2016.pdf

## g) Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[98] | ALIGNMENT WITH EU TAXONOMY |
|---|---|
| 3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ has confirmed that environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential during the permit process as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council.<br><br>A water use and protection management plan is developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. The plan is part of the water permit process, which includes authoritative bodies such as the city authority, river basin authority, regional authority, national authority, conservation agency, mining regulatory body, construction permitting authority and other stakeholders with reasonable declared interest.<br><br>Currently, both the Dukovany and Temelin plants oblige by specific parameters for water abstraction as part of the water permitting process after consultation with the Department of Environment of the Municipality of Týn nad Vltavou No. 08915/2010 of 14.6.2010 (valid until 31.12.2026), and Department of the Environment and Agriculture of the Regional Authority Vysočina Ref. No. KUJI 56462/2018, file No. Zn. OŽPZ 1146/2018 PP-5, dated Aug. 14, 2018 (valid until Dec. 31, 2025) respectively:<br><br>Temelin has the maximum permitted amount of raw water abstracted from the waterworks: minimal residual flow in the downstream river, physio-chemical indicators in wastewater from the operation.<br><br>Dukovany has maximum permitted amount of raw water abstracted from the water works, emission limits for pollution of discharged wastewater from the operation.<br><br>Both plants have an independent professional organization, T.G. MASARYK, to monitor and assess the impacts of the operations to the environment, where | ✓ |

[98] Ibid.

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|---|---|
| reports of "Nuclear Power Plants on environmental protection" are published each year.<br><br>In addition, ČEZ has Environmental Impact Assessments (EIA) carried in accordance with Directive 2011/92/EU of the European Parliament and of the Council, and includes an assessment of the impact on water in accordance with Directive 2000/60/EC during the permitting process for activities 4.29 to 4.31, and lifetime extension projects for 4.28. For activities within 4.28, since there are no new installations and no substantial changes in location and technology for the nuclear plants, full EIA will not be conducted.<br><br>ČEZ has confirmed the activities will not hamper the achievement of good environmental status of marine water or do not deteriorate marine waters that are already in good environmental status as defined in the Water Framework Directive,2000/60/EC,[99] as part of the permitting structure that covers Point 5 of Article 3 of Directive 2008/56/EC of the European Parliament and of the council. | |

## h) Generic Criteria for DNSH to Pollution Prevention and Control Regarding Use and Presence of Chemicals

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[100] | ALIGNMENT WITH EU TAXONOMY |
|---|---|
| 5. POLLUTION AND PREVENTION CONTROL – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ confirmed that the financed activities do not lead to the manufacture, placing on the market or use of the following substances:<br><br>▪ substances listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant.<br>▪ mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council.<br>▪ substances listed in Annexes I or II to Regulation (EC) No. 1005/2009 of the European Parliament and of the Council, whether on their own, in mixtures or in articles. For the construction of Natural Gas Plants, the supplier will be required to provide a proof of compliance assessment with EUT as part of the tendering documentation. | ✓ |

[99] Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive), https://eur-lex.europa.eu/eli/dir/2008/56/oj
[100] Ibid.

| | |
|---|---|
| ▪ substances listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, whether on their own, in mixtures or in articles, except where there is full compliance with Article 4(1) of that Directive. For the construction of Natural Gas Plants, the tendering documentation will require the supplier to provide documentation for compliance assessment with EUT.<br>▪ substances listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, whether on their own, in mixtures or in articles, except where there is full compliance with the conditions specified in that Annex. Potential asbestos use will be handled in line with requirements, and only handled by licensed professionals.<br>▪ substances, whether on their own, in mixtures, or in articles, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential to society.<br><br>In addition, ČEZ states that for potential cases of regulated substances to be used in operating conditions within the nuclear power plants, there is chemical management in place to ensure regulatory oversight, and no spillage or entrance to outer area and environment. | |

### i) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[101] | ALIGNMENT WITH EU TAXONOMY |
|---|---|
| 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA | |
| ČEZ confirmed that Environmental Impact Assessments (EIA) or screening has been completed in Act No. 100/2001 Coll.[102], fully transposed to Directive 2011/92/EU. ČEZ also confirmed that the required mitigation and compensation measures will be in place to reach construction for protecting the environment and are implemented accordingly, and the nuclear power plants also have biological monitoring in place throughout the construction period. Mandatory measures defined by EIA are implemented to obtain construction permit and/or water permit and integrated permit. In addition, biological assessments are conducted by an independent third party every three to four years. A sample of EIA conducted for the Dukovany plant can be | ✓ |

[101] Ibid.
[102] Act No. 100/2001 Coll., of 20th February, 2001 on the Environmental Impact Assessment and amending some related laws (the EIA Act), https://portal.cenia.cz/eiasea/dokumenty/dokumentSoubor/145/EIA%20Act%2001_2018%20ENG_amendments_clean.pdf?lang=en

| | |
|---|---|
| found here. For nuclear plants, there will be continuous monitoring and active cooperation with ornithologists and conservation specialists in place after the site starts operation. At both nuclear plants, there are currently endangered species identified in the surrounding areas and beekeeping activities are in place. Activities in localities always take into account conservation requirements of protected species of animals and plants.[103]<br><br>For sites/operations located in or near biodiversity-sensitive areas, an appropriate assessment will be conducted. Based on the results, mitigation measures will be implemented if required.<br><br>For small-scale installations without new impact on zoning and soil, ČEZ can obtain a first phase EIA decision without scoping. All activities financed under activities 4.29 to 4.31 are subject to EIA in accordance to Act. No 100/2001. For activities under 4.28, since only life-extending activities will be completed on both existing plants, no new nuclear plants will be installed, therefore EIA will not be conducted. | |

## Minimum Safeguards

The alignment of the project characteristics and selection processes with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation[104] has been assessed. The results of this assessment are applicable for every Project Category financed under this Framework and are displayed below:

| PROJECT CHARACTERISTICS AND SELECTION PROCESSES[105] | ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT |
|---|---|
| ČEZ has incorporated into its Code of Conduct and the Ethical Conduct Policy the principles of the Universal Declaration of Human Rights, the U.N. Global Compact,[106] and the core conventions of the International Labour Organization (ILO) to establish measures on anti-discrimination, forced and child labor, standards of health and safety, and fair working conditions. Additionally, the Group also has a policy for the Ethical Conduct of Suppliers (the "Commitment") in place, which ensures that suppliers are also prescribing to the standards established for occupational health and safety and working conditions.[107] | ✓ |

[103] CEZ's Sustainability Report 2023, 3.5. Biodiversity and Ecosystems, https://www.cez.cz/webpublic/file/edee/esg/documents/sustainability-reports/zour-2023-en.pdf
[104] EU Taxonomy Regulation, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852
[105] This column is based on input provided by the Issuer.
[106] UN Global Compact, ČEZ Group, https://unglobalcompact.org/what-is-gc/participants/150200-ČEZ-Group
[107] ČEZ, "Business Conduct", at: https://www.ČEZ.cz/sustainability/en/governance/business-conduct

To ensure compliance with the commitment, ČEZ performs remote or onsite audits of the suppliers following the auditing principles of ISO 19011 (Guidelines for Auditing Management Systems). The Company's Compliance Department is responsible for routine compliance checks. The compliance checks are valid for six to 12 months, depending upon the materiality and the risk assessment of the outcome. With respect to suppliers in the nuclear industry, ČEZ continuously conducts initial and repeated audits.[108] Additionally, all ČEZ sites that are certified to ISO 14001 (Environmental Management System) have routine EMS inspections and records of supplier environmental factors.

Regarding human rights due diligence, the Group reports publicly on its human rights practices and disclosures through annual reports. In addition, ČEZ will regularly monitor risks related to their operations on human rights to conform with the requirements of the EU Corporate Sustainability Due Diligence Directive (CSDDD). Such requirements are implemented via in-depth interviews of key departments and careful analysis of internal process documentation in cooperation with an external partner. The Group upholds stakeholder relationships through its Community Relations Policy, aiming for trust, open communication and transparency among stakeholders. The ČEZ Group upholds further transparency and accountability in its operations, communicating human rights and ethical performance indicators, processes, and actions within its annual Sustainability Reports. Additionally, Data management with regards to addressing security incidents and data breaches is compliant with GDPR.

ČEZ operates within a well-established Compliance Management System (CMS) that incorporates human rights and ethics. The Audit and Compliance Department plays a central role in this system, executing several critical functions. Firstly, it maps, evaluates, and reports risks of breaches of the Code of Ethics through a meticulous Compliance Risk Assessment process. Subsequently, it ensures the implementation of corrective measures for compliance incidents, including conducting compliance audits of selected ČEZ Group suppliers to verify the existence and effectiveness of their compliance management systems. Additionally, it facilitates the reporting of events related to ethical agenda implementation and specific breaches, contributing to regular Compliance Reporting to the Board of Directors. Remedial measures, such as the introduction of procedural or systemic mechanisms to prevent compliance incidents, are implemented based on risk area maps derived from the Compliance Risk Assessment process.

[108] ČEZ, "Sustainability Report", at: https://www.ČEZ.cz/webpublic/file/edee/esg/documents/sustainability-reports/ČEZ-zour-aj-2022.pdf

The Issuer employs a comprehensive approach to track the implementation of these actions, ensuring ongoing effectiveness and adherence to ethical standards. The Corporate Compliance Committee evaluates current and potential compliance risks, assessing their impact and management level. Regular communication with the Board of Directors ensures transparency and oversight. Moreover, compliance activities undergo regular review based on compliance risk analysis, approved by the Board of Directors, ensuring continuous improvement and alignment with organizational goals. The Corporate Compliance Committee provides regular reports on CMS status and activities to the Board of Directors, fostering accountability and strategic decision-making. Processes for responding to compliance checks, including risk evaluation, recommendation evaluation, and notification of measures taken, are documented meticulously, ensuring transparency and adherence to established protocols. Additionally, in cases of unacceptable risk, communication with relevant authorities or management is prioritized, and decisions regarding measures taken or not taken are duly recorded, maintaining accountability and compliance with regulatory requirements.

The Group has a Compliance Management System ("CMS") in place that adheres to international compliance standards and requirements, such as ISO 37001 Anti-Bribery Management System and ISO 370301 Compliance Management System. The ISO 37001 system provides organizations with a framework to prevent, detect, and address bribery through an anti-bribery policy, and conducting compliance, training, risk assessments, and due diligence on projects and relevant stakeholders.[109] The ISO 37301 system provides guidance such as the promotion of ethical business practices, reducing the risk of non-compliance, and corporate governance and responsibility.[110] The CMS undergoes external reviews to incorporate all elements of prevention, detection and response to risks.

ČEZ provides a whistleblowing hotline for concerned stakeholders (i.e., employees, customers and business partners) to report violations of the Code of Conduct.[111] Upon receiving a report through the hotline, ČEZ's Audit and Compliance Department conducts an investigation. Based on the findings, the Group takes corrective action.

Additionally, the Group organizes regular meetings among relevant stakeholders, including local governments, NGOs, municipalities and local communities to address issues arising from community grievance mechanisms.

[109] ISO, ISO 37001 Anti-Bribery Management Systems", at: https://www.iso.org/iso-37001-anti-bribery-management.html
[110] ISO, "ISO 37301:2021 Compliance Management Systems", at: https://www.iso.org/standard/75080.html
[111] ČEZ, "Whistleblowing Hotline", at: https://www.ČEZ.cz/sustainability/en/governance/whistleblowing-hotline

In reference to nuclear activity specifically, suppliers must comply with the requirements of the Atomic Energy Act No. 263/2016,[112] and the decrees of the State Office for Nuclear Safety. Nuclear suppliers must undergo initial and repeated audits to continue monitoring compliance with the noted legislation. Furthermore, suppliers' human resources management must also be verified in line with the Atomic Energy Act, which stipulates that only authorized supplier personnel with confidential security clearance can enter vital zones in nuclear power plants. The Group regularly conducts meetings with suppliers to communicate requirements and identify remediation actions when necessary.

[112] The Government of Czech Republic, "Act No. 263/2016 of Coll. Of 14th July 2016 Atomic Act", at https://sujb.gov.cz/fileadmin/sujb/docs/legislativa/zakony/Act_263_2016_web.pdf

# PART IV: KPI SELECTION & SPT CALIBRATION

## 1. Selection of KPI 1

| KPI 1 is defined as 'Scope 1 and 2 Greenhouse Gas (GHG) Emissions intensity ($tCO_2e/MWh$)' | |
|---|---|
| **Opinion** | *The KPI is relevant, core and partially material to the Issuer's overall business, and of strategic significance to the Issuer's current and/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers Scope 1 and 2 GHG emissions, which represent 59.7% of the Company's total GHG emissions.*[113] |

| **Assessment**[114] | Not Aligned | **Aligned** | Best Practice |
|---|---|---|---|

| | | |
|---|---|---|
| **KPI 1**<br><br>**Characteristics and Features** | **KPI definition:** | Direct Greenhouse Gas Emissions Intensity (carbon emission intensity of electricity and heat generated, Scope 1&2)[115] measured in $tCO_2e/MWh$. It includes:<br><br>▪ $CO_2$<br>▪ $CH_4$ and $N_2O$ emissions from the combustion of fossil fuels for electricity and heat generation<br>▪ $CO_2$ emissions from transport<br>▪ $CH_4$ emissions from coal mining<br>▪ HFC, PFC, and $SF_6$ emissions from leaks (complete Scope 1 GHG emissions) |
| | **Scope and perimeter:** | For SPT 1.a and SPT 1.b, the KPI scope and perimeter are transparently defined as it covers Scope 1 and 2 GHG emissions of all ČEZ operations. In 2022, Scope 1 and 2 GHG emissions represent 59.7% of the Company's total GHG emissions. In line with the GHG protocol methodology, Scope 1 GHG |

[113] The scope share excludes the emissions from the Pocerady power plant and activities in Romania, which were sold, as well as the activities in Poland, which are planned to be sold. Up to 2022, Scope 1 and Scope 2 GHG emissions amounted to 59.7% of the company's total GHG emissions. Since KPI1 covers both Scope 1 and Scope 2 GHG emissions, it represents 59.7% of the company's total GHG emissions. More information is available at ČEZ's Decarbonization, https://www.ČEZ.cz/sustainability/en/environmental/decarbonization

[114] The KPI selection assessment is classified on a 3-level scale: 'Not Aligned', 'Aligned' or 'Best Practice'. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

[115] In accordance with the GHG Protocol and to minimize double counting of emissions between Scope 1 and Scope 2, ČEZ Group treats grid consumption as if it were supplied by its own facilities (when production in a given state exceeds the supply), which means they are already reported under Scope 1.

| | | |
|---|---|---|
| | | emissions linked to biomass power plants (about 6% of total GHG emissions) are not included in the scope of the KPI. Scope 2 GHG emissions are treated by ČEZ as though the indirect emissions associated with the consumption of purchased energy were supplied by its own facilities,[116] which means they are already reported under Scope 1, in accordance with the Greenhouse Gas Protocol methodology. For SPT 1.c, Scope 1 and 2 represent 56% of the Company's total GHG emissions in 2022. The perimeter covers ČEZ Group without activities in Poland, Bulgaria, Romania, and the Počerady coal plant as these activities have been subject to divestment or are in the process of divestment. |
| | **Quantifiable/Externally verifiable:** | The KPI is quantifiable, since it is calculated as the emission intensity of electricity and heat generation, Scope 1 and 2 GHG emissions, measured in $tCO_2e/MWh$.<br><br>It is externally verifiable because GHG emission intensity of electricity and heat generation is a widely disclosed and standardized KPI in the market. The Issuer refers to key reporting and accounting protocols for GHG emissions such as the Greenhouse Gas Protocol (GHG Protocol) and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. |
| | **Externally verified:** | As detailed in the Framework, the KPI (Scope 1 and 2 GHG emissions) is comprised of several gases from different sources. The fossil fuel combustion-related $CO_2$ emissions from the Company's fossil fuel power generation, which fall within the EU Emissions Trading System (ETS) scheme, are externally verified as part of the EU ETS scheme. This data, which is reported as an intensity metric in the Company's annual reports, has also received external verification as part of the annual reporting's overall verification by the Company's auditor. However, the data for non- |

[116] This occurs when production in a given state exceeds the supply, with the purpose to minimize double counting of GHG emissions between Scope 1 and Scope 2.

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|---|---|---|
| | | $CO_2$ emissions prior to 2021 were not previously verified externally. As $CO_2$ emissions forms the bulk of the KPI (which is reported as $CO_2e$), an approximation is taken that the historical data is externally verified. ČEZ received external verification of the KPI beginning in 2021. |
| | **Benchmarkable:** | By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation to this KPI has been analyzed below. |

| | |
|---|---|
| **KPI 1**<br><br>**Analysis** | The KPI considered is: |

**Relevant** to ČEZ's business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions. Climate change mitigation is considered a key ESG issue faced by the Electric Utilities industry according to key ESG standards[117] for reporting and ISS ESG assessment. According to the IEA tracking report,[118] the sector's transformation is critical to clean energy transitions, as power generation accounts for 90% of power sector emissions and electricity is increasingly being used to meet end-use energy demand, expected to reach 50% of the final energy consumption by 2050.

**Core** to the Issuer's business as Scope 1 and 2 GHG emission reduction measures affect key processes and operations that are core to the business model of the Issuer (e.g., phasing out coal-based electricity and heat generation, transitioning to lower-carbon technologies). The Company will gradually phase out coal-fired plants, reduce coal capacity and repurpose coal locations for lower carbon activities. Concurrently, steam-to-hot water conversion projects and a heat pipeline will be implemented. Additionally, there is a concerted effort to transition toward renewable energy sources, with plans to increase capacity through large-scale projects primarily centered around solar power. The organization is also fostering energy solutions, including smart distribution networks and energy storage technologies. In the nuclear energy sector, the emphasis is on increasing generation volume while extending the operating life of existing nuclear power plants. The Company is also looking to utilize carbon offsets for residual emissions to achieve carbon neutrality by 2040.

[117] Key ESG Standards include SASB and TCFD, among others.
[118] https://www.iea.org/reports/electricity-2024/executive-summary

**Moderately Material**[119] to ČEZ's business model and sustainability profile from an ESG perspective:

- The KPI selected covers 94% of ČEZ's Scope 1 and 2 GHG emissions, which meets the threshold coverage for Scope 1 and 2 GHG emissions included in the Science-Based Target initiative (SBTi) guidance for target setting.[120]
- The KPI covers Scope 1 and 2 GHG emissions, which correspond to 59.7% of ČEZ's total Scope 1, 2 and 3 GHG emissions in 2022. The Company's biomass combustion emissions are not included in these figures, as per the GHG Protocol.
- As the selected KPI represents less than 60% of total Scope 1, 2 and 3 GHG emissions, the KPI is considered material to the direct operations, but not to the whole Corporate Value Chain as it does not cover ČEZ's Scope 3 GHG emissions (which represented approximately 40% of the Company's total GHG emissions in 2022). The SBTi general methodology[121] requires that companies with Scope 3 GHG emissions greater than 40% of their total GHG emissions set a Scope 3 target, but Scope 3 has not been integrated as part of a KPI in the case of the Issuer. Although not included under this scope of work, it is worth noting that the Issuer has set absolute targets for Scope 3 GHG emissions from the use of sold products and commits to reducing them by 58.8% by 2033 and by 90% by 2040 from a 2019 baseline, in line with the 1.5°C SBTi scenario.

**Strategic significance** to ČEZ's current and future operations as the KPI is consistent with the Company's overall sustainability strategy and business model. ČEZ has publicly disclosed the target to achieve climate neutrality in its operation by 2040 with intermediate targets for 2025, 2030 and 2033. The definition of a GHG emission reduction KPI is consistent with ČEZ's long-standing strategy of mitigating climate change. In 2015, ČEZ committed to generating electricity with a neutral carbon footprint by 2050. Together with other European energy groups, ČEZ registered its commitments to reduce GHG emissions under the Non-State Actor Zone for Climate Action (NAZCA), formed before the Paris Climate Conference in 2015. At the same time, ČEZ committed to reducing $CO_2$ emissions per MWh of electricity generated by ČEZ in Czechia by 46% by 2020 compared to 2001. This commitment has been exceeded for 2020, as a 54% reduction in the $CO_2$ emission intensity of electricity generation in Czechia was achieved compared to 2001, and the production of emissions in Czechia from electricity generation was reduced by more than 3.6 million metric tons (i.e., by more than 15% year-on-year).

As part of its sustainability strategy, ČEZ defined strategic objectives for 2030 and 2033 to reflect its long-term strategic objectives, one being transforming the high-emission electricity

[119] ISS ESG bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

[120] As per criteria c5 of Science-Based Target Setting Manual (October 2021), SBTs should cover at least 95% of company-wide scope 1 and 2 emissions. SBTi-criteria.pdf (sciencebasedtargets.org)

[121] SBTi Criteria and Recommendations for Near-Term Targets, C17, p.13, https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf

generation portfolio to a low-emission one and achieving climate neutrality by 2040. In light of recent developments, ČEZ has revised its decarbonization strategy and intends to decrease its carbon intensity from 0.38 $tCO_2e$/MWh in 2019 to 0.16 $tCO_2e$/MWh in 2030 and 0.056 $tCO_2e$/MWh in 2033.[122]

[122] VISION 2030 "Clean Energy of Tomorrow" https://www.cez.cz/webpublic/file/edee/ospol/fileexport/investors/investment-stories/2023-12-investment-story-published-en.pdf

## 2. Calibration of SPT 1

| **SPT 1 is defined as reaching** |
|---|
| **SPT 1.a** 0.26 $tCO_2e$/MWh Scope 1&2 GHG intensity emissions by 2025 from a 2019 base year |
| **SPT 1.b** 0.16 $tCO_2e$/MWh Scope 1&2 GHG intensity emissions by 2030 from a 2019 base year |
| **SPT 1.c** 0.056 $tCO_2e$/MWh Scope 1&2 GHG intensity emissions by 2033 from a 2019 base year |

| | |
|---|---|
| **Opinion** | *SPT 1.a (i) is not ambitious against the Company's past performance, (ii) there is limited information to assess the SPT against industry peers,[123] and (iii) is calibrated to be in line with the Paris Agreement using the Transition Pathway Initiative (TPI) approach.*<br><br>*SPT 1.b is (i) not ambitious against the Company's past performance, (ii) in line with industry peers, and (iii) in line with the Paris Agreement.*<br><br>*SPT 1.c is (i) ambitious against the Company's past performance, (ii) in line with industry peers, and (iii) in line with the Paris Agreement.*<br><br>*The targets are set in a clear timeline and are supported by a strategy and action plan disclosed in the Company's Framework.* |

| | | | | |
|---|---|---|---|---|
| **Level of Ambition of SPT 1.a[124]** | **No Evidence** | **Moderate** | **Good** | **Robust** |
| **Level of Ambition of SPT 1.b[125]** | **No Evidence** | **Moderate** | **Good** | **Robust** |
| **Level of Ambition of SPT 1.c[126]** | **No Evidence** | **Moderate** | **Good** | **Robust** |

| | | |
|---|---|---|
| **SPT 1** | **SPT definition:** | SPT 1 is divided into three sub-SPTs: |

[123] ISS-corporate assessed SPT1.a as limited information to assess against industry peers since a 2025 target is not widely adopted among the peer group
[124] The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.
[125] Ibid.
[126] Ibid.

| | | |
|---|---|---|
| **Characteristics and Features** | | SPT 1.a is defined as the reduction of direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2) from 0.38 $tCO_2e$/MWh in 2019 to 0.26 $tCO_2e$/MWh by Dec. 31, 2025.<br><br>SPT 1.b is defined as the reduction of direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2) from 0.38 $tCO_2e$/MWh in 2019 to 0.16 $tCO_2e$/MWh by Dec. 31, 2030.<br><br>SPT 1.c is defined as the reduction of direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2) from 0.334 $tCO_2e$/MWh in 2019 to 0.056 $tCO_2e$/MWh by Dec. 31, 2033. |
| | **Baseline performance and year:** | SPT 1.a and SPT 1.b: 0.38 $tCO_2e$/MWh in 2019<br><br>SPT 1.c 0.334 $tCO_2e$/MWh in 2019[127] |
| | **Target performance and observation date:** | SPT 1.a: reach 0.26 $tCO_2e$/MWh by 2025 (30.8%)<br><br>SPT 1.b: reach 0.16 $tCO_2e$/MWh by 2030 (57.4%)<br><br>SPT 1.c: reach 0.056 $tCO_2e$/MWh by 2033 (83%)<br><br>The observation date is set for Dec. 31 of each target year. |
| | **Trigger event:** | All Sustainability-Linked instruments issued under this Framework will feature a Sustainability-Linked aspect, resulting in a coupon step-up or a |

[127] SPT 1.c has been established after the establishment of SPT 1.a and 1.b and therefore ČEZ has ensured to reflect amended perimeter, accounting for activities in Poland, Bulgaria, Romania and the coal powerplant Počerady that have been subject to divestment or are in the process of divestment.

| | | |
|---|---|---|
| | | premium payment, depending on the case, if a trigger event occurs.<br><br>A trigger event occurs if the KPI does not achieve the respective SPT(s).<br><br>In the case of a Sustainability-Linked Loan, the trigger events are to be specified in the instruments' documentation. |
| | **Long-term target:** | Achieve climate neutrality by 2040 |
| | **Strategy and action plan to reach the target:** | The SPT aligns with ČEZ's VISION 2030 – Clean Energy for Tomorrow strategy of reducing GHG emissions intensity in line with the Paris Agreement 1.5-degree scenario by 2033. The methodology for calculating the SPT is in line with the GHG Protocol and IPCC Guidelines for National Greenhouse Gas Inventories.<br><br>ČEZ focuses on three specific core action items to reach the above-mentioned objectives:<br><br>▪ Coal decommissioning.<br>▪ The safe increase in Nuclear Energy generation volumes in compliance with the EU Taxonomy.<br>▪ The increase in renewable energy generation volumes. |
| | **Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:** | ▪ Inherent carbon intensity of energy generation.<br>▪ Exposure to energy transition risks and opportunities, such as the increasing costs of coal-fired energy generation and falling costs of renewables.<br>▪ Geopolitical risks related to energy supply and financial |

| | | |
|---|---|---|
| | | risks due to RES projects being non-economical. |
| | **Historical data verified:** | ČEZ provides relevant historical data by setting the baseline year of its SPT to 2019 and providing yearly GHG emissions intensity data going back to two years prior to the baseline. Overall, six years of historical data are provided and verified in line with the EU ETS.<br><br>The Issuer commits to engage with an external auditor to provide limited assurance on the KPI performance information. |
| | **SPT set with Borrower/Lender Group:** | The annual SPTs have not been determined as ČEZ currently does not intend to issue a SLL. Should it be the case in the future, ČEZ commits to developing interim annual targets and setting them between the borrower and the lender group for each transaction. |
| | **Recalculations or pro-forma adjustments of baselines** | The Sustainable Financing Framework includes a recalculation policy. |

| | |
|---|---|
| **SPT 1**<br><br>**Analysis** | The level of ambition of the SPT is assessed as follows: |

### (i) Against past performance:

The Issuer provided six years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the Issuer has achieved an average yearly reduction of 6.69% between 2017 and 2022 for direct GHG emissions intensity from electricity and heat generation (Scope 1 and 2).

| TABLE 1. | 2017 | 2018 | 2019 – BASE LINE | 2020 | 2021 | 2022 | 2025 –SPT 1.A | 2030 – SPT 1.B |
|---|---|---|---|---|---|---|---|---|
| **GHG Scope 1&2 emissions ($tCO_2e$/MWh)** | 0.41 | 0.40 | 0.38 | 0.34 | 0.29 | 0.29 | 0.26 | 0.16 |
| **CAGR 2017 – 2019** | | | -3.73% | | | | | |
| **CAGR 2017 – 2022** | | | | | | -6.69% | | |
| **CAGR 2019 – 2022** | | | | | | -8.62% | | |
| **CAGR 2019 – 2025** | | | | | | | -6.12% | |
| **CAGR 2022 – 2025** | | | | | | | -3.57% | |
| **CAGR 2019 – 2030** | | | | | | | | -7.56% |
| **CAGR 2022 – 2030** | | | | | | | | -7.16% |

*Source: ČEZ Sustainable Financing Framework*

For SPT1.c covering ČEZ Group activities without activities in Poland, Bulgaria, Romania, and the Počerady coal plant, the Issuer has achieved an average yearly reduction of 4.5% between 2017 and 2022. Table 2 below accounts for the perimeter after the divestment process of ČEZ plants.

| TABLE 2. | 2017 | 2018 | 2019 – BASE LINE | 2020 | 2021 | 2022 | 2033 – SPT 1.C |
|---|---|---|---|---|---|---|---|
| **GHG Scope 1&2 emissions ($tCO_2e$/MWh)** | 0.36 | 0.34 | 0.334 | 0.30 | 0.29 | 0.28 | 0.056 |
| **CAGR 2017 – 2019** | | | -3.51% | | | | |
| **CAGR 2017 – 2022** | | | | | | -4.60% | |
| **CAGR 2019 – 2022** | | | | | | -5.32% | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **CAGR 2019 – 2033** | | | | | | | -11.98% |
| **CAGR 2022 – 2033** | | | | | | | -13.72% |

*Source: ČEZ data and Sustainable Financing Framework*

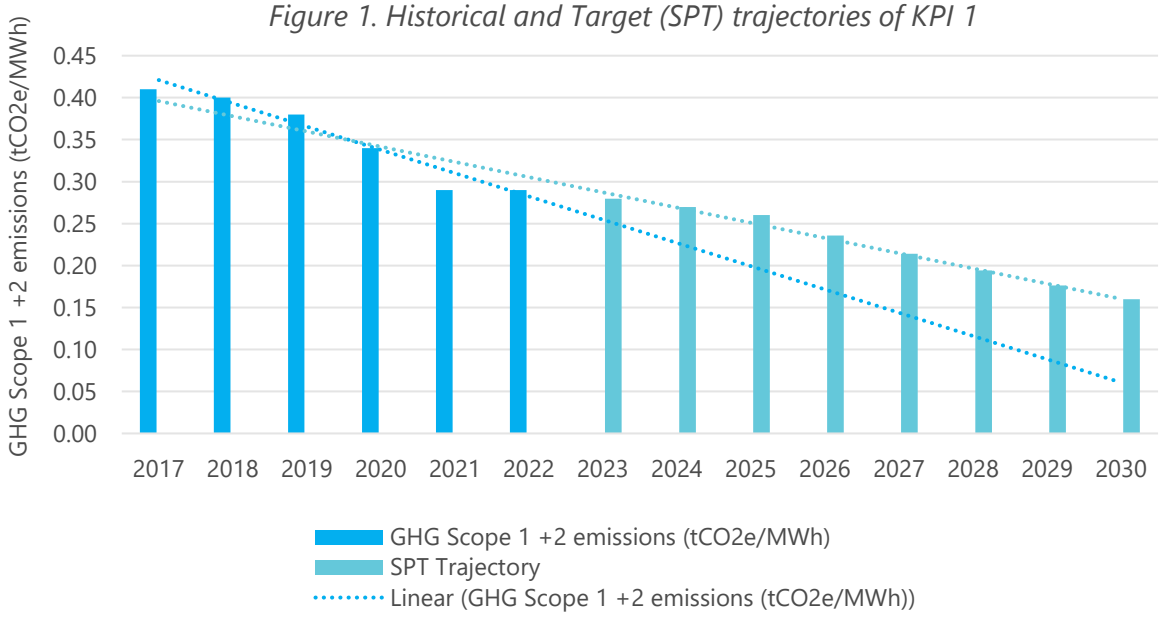
ČEZ sets SPT 1.a and SPT 1.b to achieve a reduction of specific Scope 1 and 2 GHG emissions per MWh of electricity and heat generation by 30.8% in 2025 and by 57.4% in 2030 compared to a 2019 baseline. Calculating the CAGR, SPT 1.a amounts to an average annual reduction of 3.57% between 2022 and 2025. Calculating the CAGR, SPT 1.b amounts to an average annual reduction of 9.25% between 2025 and 2030. When combining SPT 1.a and SPT 1.b trajectories in one decarbonization pathway, as shown in Figure 1, the steepness of the SPT trajectory is lower than the steepness of the historical trajectory.[128] Therefore, we conclude that SPT 1.a and SPT 1.b are quantitatively not ambitious against past performance.

It is worth noting that the Issuer intends to decommission coal plants by 2033 while quadrupling the electricity and heat generation from gas horizon 2030. However, the 2033 coal phase-out target is less ambitious compared to the 2030 coal phase-out target set out for OECD countries.[129] In the event that gas supplies cannot be ensured at affordable prices within the EU, the Company is ready to extend coal plant operations. Therefore, from a qualitative point of view, ISS-Corporate cannot consider the SPT trajectory as ambitious against past performance.

ČEZ persists in the decarbonization efforts of its electricity generation without jeopardizing its commitments to provide a stable and affordable supply of electricity and heat. In addition, decarbonization trajectories in most industries, and especially in the utility industry, are likely to be nonlinear between years. Decarbonization trajectories consist of consecutive steps distributed unevenly over time, because utility facilities (e.g., coal facilities) are only shut down once substitute energy sources are constructed.

[128] The steepness methodology was preferred against the CAGR methodology to assess SPT 1.a and SPT 1.b as a single decarbonization pathway rather than assessing them as separate independent targets.
[129] OECD countries 2030 timeline, https://press.un.org/en/2023/sgsm21840.doc.htm

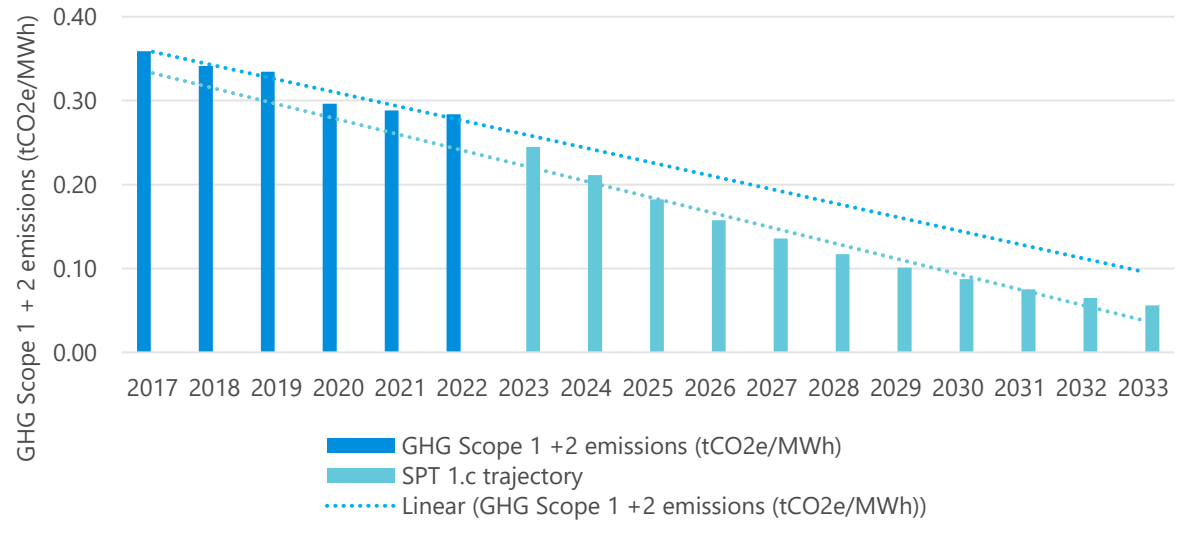
*Figure 1. Historical and Target (SPT) trajectories of KPI 1*




*Source: ČEZ data and Sustainable Financing Framework*

ČEZ sets SPT 1.c to achieve a reduction of Scope 1 and 2 GHG intensity emissions per MWh of electricity and heat generation without activities in Poland, Bulgaria, Romania, and the Počerady coal plant by 83% in 2033 compared to the 2019 baseline. Calculating the CAGR amounts to an average annual reduction of 13.72% between 2022 and 2033. When comparing the steepness of reduction of the SPT 1.c trajectory against the historical trajectory as portrayed in Figure 2, we notice that the steepness of the SPT trajectory is higher than the steepness of the historical trajectory. Therefore, we conclude that the SPT is quantitatively ambitious against past performance.

*Figure 2. Historical and Target (SPT 1.c) trajectories of KPI 1*




*Source: ČEZ data and Sustainable Financing Framework*

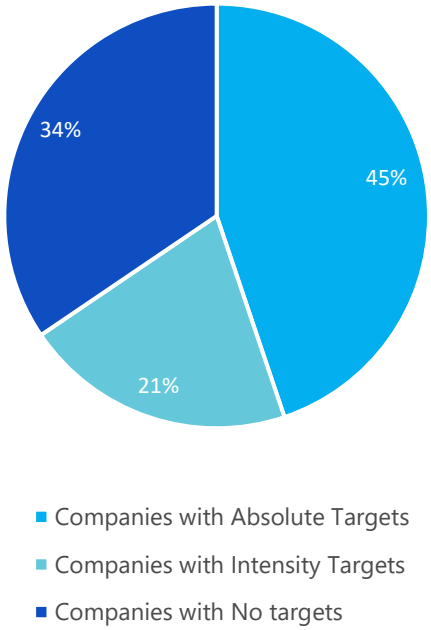
### (ii) Against peers:[130]

ISS-Corporate benchmarked the SPT set by ČEZ against the electric utility provider peer group of 29 listed companies (including the Issuer), as per the ISS ESG Universe.

Besides ČEZ, 19 other peers have also set GHG emissions reduction targets. Within this subgroup, 13 companies have set an absolute target and five companies, excluding ČEZ, have set intensity targets. The assessment was calculated by comparing the Issuer with peers that have set an absolute and intensity target. This is due to the Issuer's assumption that the denominator of its intensity target (MWh) will remain constant over time, thus enabling the comparison with both absolute and intensity targets.

*Source: ČEZ data and Sustainable Financing Framework*

*Figure 3: GHG emissions target setting amongst industry peer group*




According to the Climate Change questionnaire conducted by the Carbon Disclosure Project (CDP),[131] Scope 2 GHG emissions only represent 1.26% of total Scope 1, 2 and 3 GHG emissions in the Electric Utilities sector. Therefore, setting only a Scope 1 GHG emissions target is not considered to be less ambitious compared to peers setting a Scope 1 and 2 GHG emissions reduction target.

For SPT 1.a, only three companies have set either a 2025 or a 2026 target, which is considered insufficient to perform peer assessment. Therefore, for SPT1.a, we conclude that there is limited information available to assess the level of ambition against peers.

For SPT 1.b, out of the 19 peers that have set GHG emissions targets, only 16 companies have comparable targets.[132] Calculating the CAGR of all the peers, ČEZ's CAGR amounts to an average annual reduction of 7.56% between 2019 and 2030. Therefore, ČEZ ranks in the top nine companies or the top 35% of the industry group. However, it is worth remembering that 10 peers have not set targets. As a result, SPT 1.b is concluded as in line with industry peers.

For SPT 1.c, 16 companies have set comparable targets. Calculating the CAGR amounts to an average annual reduction of 11.98% between 2019 and 2033. Therefore, ČEZ ranks in the top six companies or the top 23% of the industry group. As a result, SPT 1.c is concluded as in line with industry peers.

[130] ISS-Corproate assesses the ambitiousness of the Issuer/Borrower by computing the magnitude of yearly reduction/ compound annual growth date (CAGR) of the SPTs and the targets publicly announced by Issuer's sectorial peers. The calculation assumes that there will be a linear trajectory to achieve the targets set by the Issuer/Borrower and its sectorial peers.
[131] CDP Technical Note: Relevance of Scope 3 Categories by Sector, https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf
[132] Comparable targets are targets that have similar GHG emissions coverage (Scope 1 and/or Scope 2) and have comparable target years.

### (iii) Against international targets:

**Paris Agreement**

For SPT 1.a, ČEZ does not have an SBTi-validated target of reducing Scope 1 and 2 GHG emissions per kWh of electricity and heat generated. However, the target is calibrated to be in line with the Paris Agreement using the Transition Pathway Initiative's (TPI) approach, according to which resulting GHG emissions will likely limit global warming to 1.5°C.[133] Because the target is not externally verified but based on a proprietary methodology developed by a third party, alignment with the Paris Agreement cannot be drawn. Therefore, ISS-Corporate concludes that SPT 1.a is calibrated to be in line with the Paris Agreement using IEA scenarios that likely limit warming to 1.5°C.

For SPT 1.b, ČEZ has had an SBTi-validated target of reducing Scope 1 and 2 GHG emissions per kWh of electricity and heat generated by 57.4% by 2030 from the 2019 base year. This target had been confirmed by the SBTi to be consistent with the reductions required to keep the global average temperature increase to below 2°C. Therefore, ISS-Corporate concludes that the SPT 1.b target is in line with the Paris Agreement.

For SPT 1.c, ČEZ has an SBTi-validated target of reducing Scope 1 and 2 GHG emissions per kWh of electricity and heat generated by 83% by 2033 from the 2019 base year. This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global average temperature increase to 1.5°C. Therefore, ISS-Corporate concludes that SPT 1.c is in line with the Paris Agreement.

**Consistency with the Issuer's sustainability strategy:** ČEZ Group's GHG emissions target is consistent with its strategic vision for decarbonization and sustainability, aligning with long-term goals such as achieving net-zero climate neutrality by 2040 and actively participating in global initiatives like the SBTi and the Business Ambition for 1.5°C.

[133] This scenario is consistent with a carbon budget that limits the global mean temperature rise to 1.5°C with a 50% probability

# PART V: CONSISTENCY OF SUSTAINABLE FINANCING INSTRUMENTS WITH ČEZ GROUP'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

| TOPIC | ISSUER APPROACH |
|---|---|
| **Strategic ESG topics** | The Issuer has developed Vision 2030, which has identified four main environmental priorities: Decarbonization; Waste, Emissions, and Pollution; Environmental Conservation; and Energy Transition.[134] |
| **ESG goals/targets** | ČEZ has developed the following environmental targets to further progress on its Vision 2030:[135]<br>▪ Reduce $CO_2$ emissions (Scope 1) in line with the Paris Agreement's 2°C pathway.<br>▪ Reduce the emissions intensity (Scope 1) from 0.38 $tCO_2e$/MWh in 2019 to 0.26 $tCO_2e$/MWh in 2025, and to 0.16 $tCO_2e$/MWh in 2030.<br>▪ Reduce the share of coal-fired electricity generation from 39% in 2019 to 25% by 2025, and to 12.5% by 2030.<br>▪ Reduce GHG emissions (Scope 1 and 2) by 83% per MWh by 2033 and 97.3% by 2040 relative to a 2019 baseline. Reduce Scope 3 emissions by 58.8% by 2033 and 90% by 2040 relative to a 2019 baseline.<br>▪ Reduce the quantity of $NO_x$ from 23 kt in 2019 to 13 kt by 2025 and 7 kt by 2030.<br>▪ Reduce the quantity of $SO_2$ from 21 kt in 2019 to 6.5 kt by 2025 and 3 kt by 2030.<br>▪ Install 1.5 GW of Renewable Energy Sources (RES) by 2026 and 6 GW by 2030. |
| **Action plan** | ČEZ has defined the following two main strategic environmental objectives and identified action strategies under the objectives to achieve the targets listed in Vision 2030: |

[134] ČEZ, "Environmental, Vision 2030", at: https://www.cez.cz/sustainability/en/environmental
[135] Ibid.

1. Transform the current electricity generation portfolio to a low-emission generation portfolio, and achieve climate neutrality by 2040 through:[136]

   - Coal Phase Out: The Group has committed to reducing the share of coal-fired electricity generation to 12.5% by 2030 and completing the phasing-out of coal generation by 2033 through ceasing investments in new coal plants, and transitioning existing coal sites to new activities such as hydrogen, biomethane ready natural gas plants, solar and biomass plants.
   - Increasing Renewable Energy Generation: The Group intends to develop additional renewable energy generation capacity of 1.5 GW by 2025, and 6 GW by 2030. ČEZ also commits to increasing the installed capacity for electricity storage by at least 300 MWe by 2030.
   - Increasing Nuclear Energy Generation: The Group intends to increase the generation of nuclear energy from existing sources to over 32 TWh. Furthermore, ČEZ is currently constructing small modular reactors (SMRs) with a total capacity of 1,000 MW to be launched by the end of 2032.

2. Providing cost-effective energy solutions in the market:

   - Building Smart Digital Electricity Grid: The Group intends to invest in smart grids and decentralization by developing digital distribution grids, including fiber optic networks. ČEZ has set corresponding 2030 digitalization targets such as ensuring that 80% of the consumption will be covered by smart meters and ensuring that 80% of the remotely measured transformer stations and 11,000 km of fiber optic networks have been set up.

[136] ČEZ, ČEZ Group Sustainability Report 2022", (2022), at: https://www.cez.cz/webpublic/file/edee/esg/documents/sustainability-reports/cez-zour-aj-2022.pdf

| | |
|---|---|
| **Climate Transition Strategy** | ČEZ has established science-based targets that are verified by the SBTi and aligned with the Paris Climate Agreement 1.5-degree pathway.[137] |
| **ESG Risk and Sustainability Strategy Management** | The Group has established a risk management system that categorizes risks into credit risks, operational risks, business risks and sustainability risks. ČEZ monitors the impact of climate-related physical risks and the impacts on both the environment and climate and categorizes them into critical, high, medium or low levels. Additionally, the Group's Risk Committee monitors the overall impact of risks on the ČEZ group and identifies policies to manage the risks.<br><br>In line with the TCFD recommendations, ČEZ also recognizes both transition and physical risks and identifies corresponding investments to manage and mitigate such risks, such as increased investments in renewables, smart grids and nuclear energy. |
| **Top three areas of breaches of international norms and ESG controversies in the industry**[138] | Failure to Prevent Water Pollution, Strike Action and Anti-Competitive Behavior. |
| **Breaches of international norms and ESG controversies by the Issuer** | At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified. |
| **Sustainability Reporting** | The Issuer reports on its ESG performance and initiatives annually. The report is prepared according to the Global Reporting Initiative (GRI) guidelines, the Sustainability Accounting Standards Board (SASB), and the World Economic Forum (WEF) index.[139] Furthermore, ČEZ discloses information on governance, strategy, risk management, metrics and targets in line with the recommendations of the Task Force on Climate-Change Related Disclosures (TCFD).[140] |

[137] ČEZ, "Investors Welcome Validation of ČEZ Group's Carbon Reduction Targets", at: https://www.cez.cz/en/investors/corporate-governance/investors-welcome-validation-of-cez-groups-carbon-reduction-targets-185817

[138] Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Electric Utilities industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

[139] CEZ, "CEZ Group Sustainability Report 2022", (2022), at: https://www.cez.cz/webpublic/file/edee/esg/documents/sustainability-reports/cez-zour-aj-2022.pdf

[140] ČEZ, "ČEZ Group TCFD Report (2021/2022)", at: https://www.cez.cz/webpublic/file/edee/esg/documents/other/tcfd.pdf

| | |
|---|---|
| **Industry associations, Collective commitments** | - |
| **Previous sustainable/sustainability-linked issuances or transactions and publication of Sustainable Financing Framework** | ČEZ has previously issued a EUR 600 million Sustainability-Linked Bond in 2022 with a commitment to reach GHG emissions intensity target of 0.26 $tCO_2e$./MWh by Dec. 31, 2025.[141] |

*Rationale for issuance*

ČEZ 's issuance of sustainability financing instruments directly supports the Group's targets to decarbonize its operations. The expenditures financed through ČEZ 's Framework support ČEZ's initiatives, such as increasing the capacity of installed renewable energy sources, increasing the energy efficiency of its operations and reducing the emissions intensity of its operations through divesting from existing coal power plants.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Financing and Sustainability-Linked instruments are clearly described by the Issuer. All project categories financed are in line with the sustainability objectives of the Issuer.*

[141] ČEZ, "EMTN Bond Issue (2022), Sustainability-Linked Bonds", at: https://www.cez.cz/en/investors/bonds/bonds-news/emtn-bond-issue-2022-sustainability-linked-bonds-157227

## DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): as long as ČEZ's Sustainable Financing Framework and benchmarks for the Sustainability Performance targets remain unchanged.
2. ISS-Corporate, a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
3. Second Party Opinion are based on data provided to ISS-Corporate by the contracting party and may change in the future, depending in part on the development of market benchmarks and ISS-Corporate's methodology. ISS-Corporate does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. ISS-Corporate will not have any liability in connection with the use of these Second Party Opinion, or any information provided therein. If the Second Party Opinion is provided in English and other languages, in case of conflicts, the English version shall prevail.
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# ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf

## EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainable Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Complementary Climate Delegated Act (as of March 2022) and EU Taxonomy Environmental Delegated Act (as of June 2023).

The evaluation shows if ČEZ Group's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by ČEZ Group (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

# ANNEX 2: ISS-CORPORATE SUSTAINABILITY-LINKED BONDS AND SUSTAINABILITY-LINKED LOANS METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: https://www.issgovernance.com/file/publications/SPO-Sustainability-Linked-Bonds-and-Loans.pdf

## Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer's business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and SLLP and using a proprietary methodology, the KPI selection assessment is classified on a three-level scale:

| Not Aligned | Aligned | Best Practice |
|---|---|---|
| The KPI is not aligned if one of the core requirements from the SLBP and SLLP selection of KPIs section is not satisfied. | The KPI is aligned if all the core requirements from the SLBP and SLLP selection of KPIs section are satisfied. | The KPI follows best practice if all the core requirements from the SLBP and SLLP selection of KPIs section are satisfied and if the KPI is fully material and follows best-market practices in terms of benchmarkability. |

The ambition of the SPT has been analyzed against the Issuer's own past performance (according to Issuer's reported data), against the Issuer's industry peers (for example per ISS ESG Peer Universe data), and against international benchmarks such as the Paris Agreement (based on data from the Transition Pathway Initiative or Science-Based Targets initiative). Finally, the measurability and comparability of the SPT, and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and SLLP and using a proprietary methodology, the SPT selection assessment is classified on a four-level scale:

| No Evidence | Moderate | Good | Robust |
|---|---|---|---|
| If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed. | If the SPT is ambitious against only one of the three dimensions. | If the SPT is ambitious against two of the three dimensions. | If the SPT is ambitious against all the dimensions. |

# ANNEX 3: QUALITY MANAGEMENT PROCESSES

## SCOPE

ČEZ commissioned ISS-Corporate to compile a Sustainability-Linked Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Financing Framework aligns with the Sustainability-Linked Bond Principles, Sustainability-Linked Loan Principles, Green Bond Principles, Green Loan Principles, and to assess the sustainability credentials of its Green Financing and Sustainability-Linked Instruments, as well as the Issuer's sustainability strategy.

## CRITERIA

Relevant Standards for this Second Party Opinion:

- Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2023)
- Sustainability-Linked Loan Principles, as administered by the LMA (as of February 2023)
- Green Bond Principles (GBP) as administered by ICMA (June, 2021, with June 2022 Appendix I)
- Green Loan Principles (GLP) as administered by LSTA, LMA, APLMA (February, 2023)

## ISSUER'S RESPONSIBILITY

ČEZ Group's responsibility was to provide information and documentation on:

- Sustainable Financing Framework
- Selection criteria
- Documentation of ESG risks management at the asset level

## ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainability-Linked Instruments to be issued by ČEZ has been conducted based on a proprietary methodology and in line with the ICMA Sustainability-Linked Bond Principles, Green Bond Principles, and the LMA Sustainability-Linked Loan Principles and Green Loan Principles.

The engagement with ČEZ took place from February to May 2024.

## ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

# About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Sustainability-Linked Bond Principles/the LMA Sustainability-Linkd Loan Principles), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond and loan from a sustainability perspective.

Learn more: https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/

For information about SPO services, please contact: SPOsales@iss-corporate.com

## Project team

Project lead
Allen Ng
Associate
Sustainable Finance
Research

Project support
Anchal Verma
Senior Associate
Sustainable Finance
Research

Project lead
Marika Peressoni
Analyst
Sustainable Finance
Research

Project support
Lucas Deschenes
Analyst
Sustainable Finance
Research

Project supervision
Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance
Research