



# REMUNERATION POLICY ČEZ, a. s.

## 1. Introduction

This Remuneration Policy is prepared on the basis of Section 121I of Act No. 256/2004 Coll., on capital market undertakings, as amended (hereinafter the “**ACMU**”) and builds on the current practice used for the remuneration of members of the Board of Directors and the Supervisory Board of ČEZ, a. s., ID No.: 45274649, having its registered office at Praha 4, Duhová 2/1444, postcode 14053, registered in the Commercial Register kept by the Municipal Court in Prague, ref. B 1581 (hereinafter the “**Company**”). The Remuneration Policy contributes to the implementation of the Company’s business strategy, protection of its long-term interests and support of its sustainability. At the same time, it helps in hiring, retaining and motivating members of the Company’s Board of Directors and the Supervisory Board in order to staff these positions in accordance with the Company’s needs, taking into account qualifications, abilities, experience, efforts and roles of these persons within the Company.

The Remuneration Policy relates to remuneration of members of the Company’s Board of Directors and the Supervisory Board (hereinafter the “**Body Members**”).

## 2. Remuneration Components

Remuneration of Body Members is agreed in a service contract concluded individually with each Company’s Body Member, approved by the Supervisory Board in case of members of the Board of Directors and by the General Meeting in case of members of the Supervisory Board.

The total remuneration of a Body Member consists of a **fixed remuneration component and a variable remuneration component**.

### 2.1 Members of the Board of Directors

Remuneration of members of the Board of Directors is based on the collaboration with the advisory firm Korn Ferry s. r. o. (formerly Hay Group) (hereinafter referred to as “**Korn Ferry**”) based on methodology which takes into account the evaluation of the given position in terms of demands, responsibility and authorities, authority to manage assets, headcount, responsibility for investments, amount of revenue, number of countries in which the Company operates, and/or market value of the Company, etc. Using this position evaluation methodology, the Company ensures comparison with comparable positions, through remuneration surveys carried out by Korn Ferry.

The fixed component of the remuneration includes, in case of members of the Board of Directors, a base salary (see 3.1), benefits (see 3.2) and pension schemes (see 3.3) (hereinafter collectively referred to as “the fixed remuneration component”). The variable component of the remuneration includes, in case of members of the Board of Directors, annual bonus (see 3.4), target-based bonus (see 3.5), long-term performance bonus (see 3.6) and royalty (see 3.7)(hereinafter collectively referred to as “the variable remuneration component”).

In addition to the above described remuneration components, members of the Board of Directors may exercise options to buy the Company’s shares, which originated before the termination of the share option program as at December 31, 2019 (see 3.8).

To calculate proportions of individual parts of the fixed remuneration component and the variable remuneration component compared to total remuneration of a member of the Board of Directors:

- Individual components of remuneration of a member of the Board of Directors, to which he/she is entitled, are taken into account in totals covering one calendar year;
- Target-based bonuses are not included, since the decision on their award is made by the Supervisory Board based on principles set out by an ad hoc decision of the General Meeting;
- Royalty is not included, as its award depends on ad hoc decision of the General Meeting;
- Income, if any, of the member of the Board of Directors resulting from the exercise of option related to purchase of Company's shares based on an option plan that has already been terminated, is not included, as the award of the right of option was carried out before the adoption of the Remuneration Policy and the payment of such an income to a member of the Board of Directors depends on the exercise of the option;
- Remuneration for the performance of duties in another business company belonging to the CEZ Group are not taken into account, as it does not represent remuneration paid by the Company;
- Indemnity (as defined in 5) is not included, as its utilization in time is not predictable;
- For a variable remuneration component (annual bonus, long-term performance bonus), a 100% fulfillment of all defined criteria is presumed.

The above-described variable remuneration components of members of the Board of Directors depend on the assessment of the defined criteria of the Company's financial and non-financial performance, as described in detail in sections 3.4 through 3.6.

Members of the Board of Directors are also provided material resources for the performance of their office and demonstrably incurred costs are reimbursed (see sections 3.9 and 3.10 below).

## **2.2 Members of the Supervisory Board**

Remuneration of the members of the Supervisory Board takes into account the responsibility related to the duties of the body with controlling authority, which - unlike the Board of Directors - bears responsibility neither for the business matters of the Company nor for the achievement of the defined economic goals of the Company.

In case of members of the Supervisory Board, the fixed remuneration component includes the monthly fee (see 4.1) and benefits (see 4.2). In case of members of the Supervisory Board, the variable remuneration components include the royalty only (see 4.3), which depends on the decision of the General Meeting.

To calculate the defined proportion of individual remuneration components in the total remuneration of a member of the Supervisory Board:

- Individual components of remuneration of a member of the Supervisory Board, to which he/she is entitled, are taken into account in totals covering one calendar year;
- Royalty is not included, as its award depends on ad hoc decision of the General Meeting;
- Indemnity (as defined in 5) is not included, as its utilization in time is not predictable.

Members of the Supervisory Board are also provided material resources for the performance of their office and demonstrably incurred costs are reimbursed (see sections 4.4 and 4.5 below).

## **3. Members of the Board of Directors**

### **3.1 Base Salary**

Base salary belongs to the fixed remuneration component and is paid to members of the Board of Directors on a monthly basis, after the end of the respective calendar month. The amount of the base salary of members of the Board of Directors is decided by the Supervisory Board.

In a period of illness, parental or maternity leave, the respective member of the Board of Directors remains entitled to obtain the base salary in the amount of 100% of the base salary for the first 30 calendar days of the illness, parental or maternity leave, and in the amount of 50% of the base salary from the 31st day of the period of illness, parental or maternity leave.

In each calendar year, a member of the Board of Directors is entitled to use personal leave (“**personal leave**”). During the period of this personal leave, a member of the Board of Directors keeps all his/her entitlements and rights based on the service contract, including the right to obtain the base salary increased in such a manner that their total corresponds to average earnings, comparable to an employment relationship.

Share of the base salary for a calendar year in the total remuneration of a member of the Board of Directors may be at least 20% and no more than 50% of the total remuneration. This includes the base salary paid to the member of the Board of Directors for the period of personal leave increased in a manner corresponding to the compensation of average earnings, comparably to that of employment relationship.

### **3.2 Benefits**

A member of the Board of Directors may be provided with the following benefits representing other benefits pursuant to Section 121l(2)(a) of the ACMU:

- Use of mobile phone provided for office duties of a member of the Board of Directors and for private purposes;
- Use of vehicle provided for office duties of a member of the Board of Directors and for private purposes, including all-risk insurance and reimbursement of repair and maintenance costs;
- Comprehensive medical care for a member of the Board of Directors and his/her family members consisting of the provision of labor-related medical services in accordance with the applicable legislation and other medical services focusing primarily on prevention of civilizational diseases and musculoskeletal system problems;
- Contribution for a meal plan in the Company's canteen or in the form of meal vouchers in the same value and amount as it is common for employees in the given location, in the form of a contribution for one meal collected / meal voucher per a business day, when he/she performs activities related to his/her duties of a member of the Board of Directors;
- Contribution for the private life insurance;
- Financial resources allocated to the personal account of a member of the Board of Directors that can be used by the member of the Board of Directors and his/her family members for free-time activities (e.g. recreation, education, culture, sports, relaxation and health-related activities);
- Arrangement of a capital life insurance with the duration of insurance of 4 years;
- Accident insurance, and third-party liability insurance that can be used, in addition to claims related to the performance of office of a member of the Board of Directors, also in claims of personal nature.

The share of benefits in the total remuneration of a member of the Board of Directors must be between 1% and 15%.

### **3.3 Pension Schemes**

The Company provides the members of the Board of Directors with a contribution for supplementary pension insurance and/or additional pension savings. Provision of the contribution is conditioned by the conclusion of a valid contract on supplementary pension insurance (and/or additional pension savings) with a state contribution by the respective member of the Board of Directors, and a regular monthly co-payment by the member of the Board of Directors in agreed amount from his/her own resources.

When the term of the member of the Board of Directors commences during a calendar month, the contribution shall be paid from the first day of the following calendar month. The last contribution by the Company will be sent to the pension company for the month, in which the term of the member of the Board of Directors ended.

The share of pension schemes in the total remuneration of a member of the Board of Directors must be between 0 % and 1 %.

### 3.4 Annual Bonus

Annual bonus belongs to the variable remuneration component of members of the Company's Board of Directors and depends on the fulfillment of criteria (indicators) set out by the Supervisory Board for the calendar year in question. This is short-term variable remuneration component, the criteria (indicators) are set out for the period of one calendar year. The annual bonus shall be proportionally reduced if the term of office of a member of the Board of Directors does not cover the entire calendar year. During a calendar year, members of the Board of Directors are paid monthly recoverable advances against the annual bonus. The maximum annual bonus is set out in the service contract. The final amount of the annual bonus is set out for members of the Board of Directors based on assessment of fulfillment of criteria (indicators) by the Supervisory Board.

Criteria (indicators) for the annual bonus are set out so that they take into account key Company's indicators of financial and non-financial performance, are based on the applicable Company's strategy and business plan, in accordance with market- and legislation-based business conditions, in order that they reflect the area of responsibility of the respective member of the Board of Directors.

Key indicators of non-financial performance of the Company are:

- Continuous improvement of safety of operation of nuclear and non-nuclear assets, in accordance with national standards and the best international practice (usually measured on the basis of cumulative safety-related criteria and of fulfillment of conditions and procedures of national and international regulatory authorities and through risk management and compliance internal systems) is a necessary precondition for a sustainable performance of business activities by the Company. Comprehensive risk management for operated assets contributes to the fulfillment of long-term interests of the Company, as it contributes to a long-term stability of income and high credibility of the Company, which is necessary to ensure its long-term financial stability.
- Availability of generation facilities - this indicator (usually measured through a standardized indicator "revenues from availability", i.e. a normalized value of hourly availability of a generating facility valued in CZK on the basis of historical values of gross margin and fixed costs of the given facility) contributes to the fulfillment of the Company's business strategy, long-term interests and sustainability by measuring a level of preparedness of individual generating facilities to ensure supplies of electricity and to allow efficient trading with the capacity. It therefore motivates to optimize capacities and costs to ensure maximum economic availability of individual generating facilities.

Criteria for the award of the annual bonus include summary safety indicators of the operation of nuclear and non-nuclear assets, fulfillment of conditions and procedures of national and international regulation authorities, standardized revenues from availability of generating facilities (derived from the annual budget of use of generating facilities and planned shutdowns for the entire year), maintenance of the operated facilities, ensuring of cyber-security, customer satisfaction (measured by a summary Customer Experience Index), losses within the distribution system, amount of exploitable supplies of coal, overdue receivables and adjustments for receivables, ensuring of construction or renovation projects (of generating facilities / distribution grids / ESCO investments in accordance with schedules, budget, target technical parameters, and/or with the current business plan), fulfillment of strategic targets and transformation measures, ensuring of communication strategy and target value of the brand perception index, ensuring of supplies of fuel and investment projects, ensuring of selection procedures and strategic purchase in accordance with the DtV principles, implementation of divest strategy, ensuring of financing, ensuring of conditions to operate facilities in compliance with regulations and legislation, care of customers and customer portfolios, quality and availability of services provided, ensuring of collective bargaining in accordance with the interests of the Company, ensuring of documents needed for proceedings before regulatory authorities, international institutions, creditors and government authorities, as well as other indicators (criteria) for individual areas whose management is entrusted to individual members of the Board of Directors motivating to fulfill the business strategy of the Company, protect its long-term interests and support its sustainability.

Key indicators of financial performance of the Company are:

- Operating cash flow - this indicator (usually measured through a standardized EBITDA indicator - Earnings before Interest, Taxes, Depreciation and Amortization) shows the primary cash generated from business activities after a settlement of all operating expenses for the period in question. It allows to clearly allocate responsibility of individual members of the Board of Directors for the business segments entrusted to them and for subsidiaries within those segments (usually quantified within the Company's annual budget). This comprehensive indicator contributes to fulfillment of the business strategy, long-term interests and sustainability

of the Company by motivating to adopting measures that maximize revenues of the Company while limiting expenses, to the extent needed to ensure revenues and to ensure security and regulatory requirements; it also motives to finding optimum structure off costs and revenues within the entrusted segment as well as across all the business segments.

- Capital expenses for maintenance and operation of selected assets - this indicator (usually measured through a standardized indicator CAPEX) contributes to fulfillment of the Company's business strategy, long-term interests and sustainability by limiting capital expenditure to assets of individual business segments within the middle-term asset management strategy for individual assets and the total debt capacity of the Company. It motivates investing limited resources to projects with the highest benefits for the long-term value for shareholders.

Criteria for the award of the annual bonus include Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), capital expenditure (CAPEX), fixed operating costs (usually measured through selected controllable part of fixed overhead costs), net profit, profitability of revenues achieved for a period, profitability of assets, contracted revenues for the subsequent period, maintenance of middle-term financial stability (measured on the basis of the target value of the EBITDA/net debt ratio or rating-based indicators), average financing expenses, average return from available resources, fulfillment of acquisition appetite in the area in question (measured e.g. through the target annualized annual value of EBITDA of new acquisitions while maintaining the defined requirements on capital return for individual segments and countries), management of investment and transformation projects on the OTIFOB (on Time, in Full, on Budget) basis, profit from trading with commodities (while maintaining risk limits and frames). And other indicators (criteria) for individual areas whose management has been entrusted to individual members of the Board of Directors, motivating to fulfill the Company's business strategy, protect its long-term interests and support its sustainability.

When assessing the fulfillment of the indicators decisive for the annual bonus, the Supervisory Board assesses the specific defined indicators against predetermined criteria, following the evaluation of economic results of the Company for the given year and after its financial accounts are verified by an auditor. Such an assessment of fulfillment of specific tasks is decisive for the determination of the amount of annual bonus of individual members of the Board of Directors for the calendar year in question.

If the sum of the paid advances exceeds the amount of annual bonus, the member of the Board of Directors is obliged to return the difference to the Company no later than by the end of April of the year following the year to which the remuneration relates, unless another agreement between the member of the Board of Directors and the Company is made (after an approval by the Supervisory Board).

For a calculation of the share of annual bonus in the total remuneration, all defined indicators (criteria) are presumed to be 100% fulfilled, as mentioned in section 2.

The share of annual bonus in the total remuneration of a member of the Board of Directors must be between 25% and 50%.

### **3.5 Target-Based Bonus**

The target-based bonus is a variable remuneration component of members of the Company's Board of Directors and depends on the fulfillment of tasks set out by the General Meeting. Details, including the amount and payment date of target-based remuneration, are specified by the Supervisory Board, subject to principles laid down by the General Meeting. Tasks that are decisive for the determination of the target-based bonus of individual members of the Board of Directors will be assessed by the Supervisory Board. The amount of the target-based bonus is limited by the sum of six base salaries.

Tasks related to the target-based bonus are defined by the General Meeting in accordance with the concept of business activities of the Company in such a way that they support the strategic direction of the Company. Such a task may be e.g. a task fulfilling a specific strategic priority of the Company of the CEZ Group.

### **3.6 Long-Term Performance Bonus**

The long-term performance bonus belongs to variable remuneration components of members of the Company's Board of Directors and depends on the long-term development of share prices, payment

of dividends and fulfillment of predetermined performance indicators specifically set out by the Supervisory Board for each calendar year. This is long-term part of the variable remuneration component. Dependence of the long-term performance bonus on key financial indicators of the Company, i.e. on the development of share prices and generated dividends, creates a connection between the motivation for members of the Board of Directors and long-term interests of shareholders, in compliance with the OECD Code (G20/OECD Principles of Corporate Governance).

Increase or decrease in market price of a share clearly reflects the dynamics of the total value for the shareholders and the attractiveness of the Company and its business for investors and shareholders. Dependence of the remuneration on the multi-annual development of the Company's share price contributes to the support of the Company's business strategy, its long-term interests and sustainability particularly by motivating members of the Board of Directors to determine and fulfill the Company's strategy in compliance with shareholders' interests, to manage the Company to achieve long-term profits and increase the Company's value for shareholders.

The long-term performance bonus is based on a three-year period commencing by the allocation of a certain amount of performance units and ending by the creation of entitlement to its payment. Its amount depends on the long-term development of the market price of the share, payments of dividend and assessment of fulfillment of criteria (indicators) decided by the Supervisory Board. Criteria (indicators) for the award of the long-term performance bonus (performance indicators) are defined by the Supervisory Board so that they reflect the long-term fulfillment of the Company's business strategy, while protecting its interests and supporting its sustainability. The Supervisory Board may operatively decide on the most suitable (usually financial) indicators that reflect best in the calendar year in question the Company's long-term strategy, e.g. on the basis of the total annual shareholder return (TSR) or on the basis of indicators of profitability of assets or another suitable share-based indicator, including a relative comparison of the selected indicator within the industry.

As at January 1 of each calendar year, a member of the Board of Directors is allocated a certain quantity of performance units. It is calculated as a share of the annual value of the long-term performance bonus specified by the Supervisory Board and agreed with the member of the Board of Directors in the service contract and the average market price of the Company's share for the last month of the preceding calendar year. The Supervisory Board will also define performance indicators, including their values and weights, before the respective calendar year (performance measurement period). After the expiry of the calendar year (performance measurement period), the Supervisory Board will assess the fulfillment of performance indicators and calculates their weighted average (the so-called assessment weighted average), which will be used for the recalculation of the allocated quantity of performance units, resulting in an adjusted allocation. The long-term performance bonus becomes payable upon the expiry of the so-called holding period, which is two years after the end of the calendar year (performance measurement year, i.e. the year, for which the long-term performance bonus should be paid). The long-term performance bonus is paid in wage payment date set out by the Company for the payment of wages of employees for the first month following the expiry of the holding period. The amount of the long-term performance bonus consists of two parts, specifically (i) the product of the adjusted allocation and the average market price of the Company's share for the last calendar month of the holding period and (ii) the product of the adjusted allocation and the sum of all dividends paid for 1 Company's share during the holding period. The paid amount of the long-term performance bonus must not exceed 200% of the annual value of the long-term performance bonus set out by the Supervisory Board upon its allocation.

The Company is entitled to request that the long-term performance bonus is returned if it was calculated incorrectly, resulting in a payment of a larger long-term performance bonus than the actual entitlement of the member of the Board of Directors.

For the calculation of the share of the long-term performance bonus in the total remuneration, the annual value of the long-term performance bonus set out by the Supervisory Board and 100% fulfillment of all defined indicators (criteria) is presumed.

The share of the long-term performance bonus in the total remuneration of a member of the Board of Directors must be between 10% and 30%.

### 3.7 Royalty

A member of the Board of Directors is entitled to be paid royalty, if it is decided to do so by the Company's General Meeting and in the amount determined by the General Meeting. Royalty is payable within thirty days from the date of the General Meeting, which decided upon it, unless the authority to specify the amount of royalty for a member of the Board of Directors is delegated by the General Meeting to the Supervisory Board; In such a case the royalty shall be payable within thirty days from the date of adoption of the respective decision by the Supervisory Board.

Entitlement for royalty by a member of the Board of Directors who could not perform his/her duties due to illness or long-term unavailability shall be decided by the Supervisory Board, provided it is allowed by the respective decision of the General Meeting and unless the individual entitlement for royalty has not yet been decided upon by the General Meeting of the Company.

### 3.8 Share Option Plan

The Share Option Plan has been discontinued in the Company as at December 31, 2019. For members of the Board of Directors, it was replaced by the long-term performance bonus described above. After the termination of the Share Option Plan, members of the Board of Directors are not allocated new Company's share options. After January 1, 2020, members of the Board of Directors can only exercise their Company's share options, which belong to them from the period before December 31, 2019. The period during which shares acquired through such options cannot be alienated has not been set out.

The remuneration in the form of shares supported (and, taking into account the possible use of options in future, it still supports) the Company's business strategy, its long-term interests and sustainability, as it motivated members of the Board of Directors to ensure a long-term increase in the share price.

During the period of the Share Option Plan, members of the Board of Directors were allocated options (rights of option) for a certain number of shares, as defined in their service contracts. A member of the Board of Directors is entitled to exercise his/her options no sooner than after two years from allocation of options and no later than in the half of the fourth year. In case of exercise of his/her option, a member of the Board of Directors will pay for each Company's share the purchase price, which is set out as a weighted average of prices for which the Company's shares were traded in the Czech regulated market during the period of one month before the allocation of options. The purchase price shall be paid by the member of the Board of Directors within 30 days of the transfer. The right of option of a member of the Board of Directors is limited in such a way, that the appreciation of the Company's shares on a public market on the date of exercise may be no more than 100% over the purchase price applicable to the option grant in question.

### 3.9 Material Resources for the Performance of Office Duties

Material resources for the performance of office duties by members of the Board of Directors include in particular:

- Suitable working environment and conditions to perform duties of a member of the Board of Directors to the usual extent taking into account the importance of the office and in compliance with the mandatory legislation, including a provision of office space with a suitable technical facilities and aids, provision of secretarial services and/or other services needed for a proper performance of duties of a member of the Board of Directors, provision of a mobile phone for the performance of duties of a member of the Board of Directors;
- Vehicle to be used for office duties of a member of the Board of Directors;
- Travel insurance for short-term foreign business trips related to the duties of a member of the Board of Directors;
- Accident insurance, and third-party liability insurance.

### 3.10 Reimbursement of Costs

Particularly the following costs incurred by the Members of the Board of Directors can be reimbursed:

- Travel expenses (meal expenses, pocket money, travel expenses, accommodation expenses and other necessary expenses incurred during domestic and foreign trips) and expenses incurred by a member of the Board of Directors in connection with performance of his/her duties in relation to domestic or foreign trips to places other than those of regular performance of duties of a member of the Board of Directors (hereinafter the “**Business Trips**”) or for educational, promotional or other similar activities carried out by the member of the Board of Directors for the benefit of the Company and approved by the Board of Directors;
- Travel expenses when using own vehicle for Business Trips as part of his/her office duties;
- Costs of educational and other courses related to the duties of a member of the Board of Directors and costs of training for qualification requirements (including related medical examinations) set out for the office entrusted to the member of the Board of Directors;
- Other costs reasonably incurred in relation to the performance of duties of a member of the Board of directors, to the extent approved by the Supervisory Board.

Reimbursement of costs is included in neither the fixed nor the variable component of remuneration of a member of the Board of Directors provided by the Company.

## 4. Members of the Supervisory Board

Members of the Supervisory Board are provided with the remuneration specified below. This remuneration cannot be provided to members of the Supervisory Board or can be provided to them to a reduced extent, if its provision is not allowed or is limited by a law.

Members of the Supervisory Board elected by employees, who are concurrently employed by the Company, are paid - in addition to the remuneration specified below - their regular wage / compensation and variable wage components, as described in their employment contract in accordance with the Labor Code and the Company's collective agreement. They are also paid benefits in accordance with the Company's collective agreement. This remuneration, which is payable to members of the Supervisory Board in relation to their labor-related relationship with the Company, is included neither in the fixed nor in the variable remuneration component of a member of the Supervisory Board provided by the Company.

### 4.1 Monthly Fee

Monthly fee belongs to the fixed remuneration component and is paid to members of the Supervisory Board on a monthly basis, after the end of the respective calendar month. The amount of the monthly fee of members of the Supervisory Board is decided by the General Meeting. The amount of the monthly fee depends on whether the respective member of the Supervisory Board is a member, Vice-Chairman or Chairman of the board.

In a period of illness, parental or maternity leave, the respective member of the Supervisory Board remains entitled to obtain the monthly fee in the amount of 100% of the monthly fee for the first 30 calendar days of the illness, parental or maternity leave, and in the amount of 50% of the monthly fee from the 31st day of the period of illness, parental or maternity leave.

The share of monthly fee in the total remuneration of a member of the Supervisory Board must be between 40% and 100%.

### 4.2 Benefits

A member of the Supervisory Board may be provided with the following benefits representing other benefits pursuant to Section 121I(2)(a) of the ACMU:

- Use of mobile phone provided for office duties of a member of the Supervisory Board and for private purposes;



- Use of vehicle provided for office duties of a member of the Supervisory Board and for private purposes, including all-risk insurance and reimbursement of repair and maintenance costs;
- Arrangement of a capital life insurance with the duration of insurance of 4 years.

The share of benefits in the total remuneration of a member of the Supervisory Board must be between 0% and 60%.

### 4.3 Royalty

A member of the Supervisory Board is entitled to be paid royalty, if it is decided to do so by the Company's General Meeting and in the amount determined by the General Meeting.

### 4.4 Material Resources for the Performance of Office Duties

Material resources for the performance of office duties by members of the Supervisory Board include in particular:

- Work equipment required for his/her service as a member of the Supervisory Board (a mobile phone, a desktop or laptop computer, etc.);
- Vehicle to be used for office duties of a member of the Supervisory Board;
- Travel insurance for short-term foreign business trips related to the duties of a member of the Supervisory Board.

### 4.5 Reimbursement of Costs

Particularly the following costs incurred by the Members of the Supervisory Board can be reimbursed:

- Travel expenses (meal expenses, pocket money, travel expenses, accommodation expenses and other necessary expenses incurred during domestic and foreign trips) and expenses incurred by a member of the Supervisory Board in connection with performance of his/her duties in relation to domestic or foreign trips to places other than those of regular performance of duties of a member of the Supervisory Board (hereinafter the "**Business Trips**");
- Travel expenses when using own vehicle for Business Trips as part of his/her office duties;
- Costs of educational and other courses related to the duties of a member of the Supervisory Board, promotional or other expert activities for the benefit of the Company;
- Expenses incurred in relation to participation in a meeting of the Supervisory Board and/or in relation to the performance of duties of a member of the Supervisory Board at the place of regular service.

Reimbursement of costs is included in neither the fixed nor the variable component of remuneration of a member of the Supervisory Board provided by the Company.

## 5. Other Benefits and Other Forms of Remuneration for members of the Company's Bodies

In addition to the remuneration for the performance of office duties in the Company, body members may be eligible to obtain remuneration for the performance of duties in other business corporation of the CEZ Group, which can include a monthly fee and royalty in particular. Such a remuneration is included in neither the fixed nor the variable component of remuneration provided by the Company.

Body members are entitled to obtain a compensation of costs reasonably incurred in relation to any actual litigation (the so-called Indemnity), after:

- They get a justified impression that their right to protection of person, civic honor, professional reputation, or human dignity has been infringed by a third party by means of the press, radio, television, or other mass media in connection with their service in the body or termination thereof; or

- In relation to criminal proceedings or any acts by law enforcement activities initiated or carried out against a body member in relation to his/her service in the body or termination thereof.

These costs include fees for legal or other professional advisors, court and administration fees and/or other payments approved by the Company. A body member can request an advance payment by the Company after he/she becomes obliged to pay such costs. Compensation of costs is included in neither the fixed nor the variable component of remuneration provided by the Company.

In accordance with Section 61 of Act No. 90/2012 Coll., on business corporations and cooperates, as amended, (Business Corporation Act), body members may be also provided other forms of remuneration than those that are provided on the basis of legislation, approved service contract or internal regulation approved by the respective Company's body authorized to approve service contracts (i.e. the General Meeting for members of the Supervisory Board and the Supervisory Board for members of the Board of Directors), provided it is presumed and described in the Remuneration Policy and if such a provision is approved by the body that approves the service contract of the respective member of the body, with an opinion by the Supervisory Board.

No body member will be provided such remuneration, if the performance of duties of the respective body member contributed to an adverse economic result of the Company, unless the authority that approved the service contract decides otherwise.

## 6. Duration and Termination of Service

Term of office of body members is 4 years. The term of office of a substitute member who substituted the member of the Supervisory Board elected by employees terminates as at the date when the term of office of the original member of the Supervisory Board should have terminated. If the number of members of the Supervisory Board does not decrease under one half, the Supervisory Board may nominate substitute members instead of members of the Supervisory Board elected by the General Meeting, with terms of office limited by the next General Meeting. The term of office of a substitute Supervisory Board member shall be included in the total term of office of the member of the Supervisory Board.

The term of office terminates:

- a) By the expiry of the term of office
- b) When a resignation from office becomes effective
- c) By a death
- d) When a withdrawal from office becomes effective
- e) In other cases set out in the Articles of Association and legislation, particularly the Business Corporations Act or the Civil Code.

The office of a member of the Supervisory Board elected by the General Meeting ceases to exist by an election of a new member of the Supervisory Board by the General Meeting, if the decision of the General Meeting clearly states, which member of the Supervisory Board should be replaced.

For contracts effective before January 1, 2020: if the term of office of a member of the Board of Directors is terminated pursuant to point (b) through (d) above, the Company shall pay to the member of the Board of Directors [or to his/her heirs in case of point (c)] a severance payment agreed in the service contract for each calendar month remaining until the end of the term of office (hereinafter the "severance payment").

The Company is not obliged to pay the severance payment to the member of the Board of Directors if:

- a) The member of the Board of Directors is elected a member of the Board of Directors of the Company again; the new service contract is concluded and under comparable conditions as set out in the previous service contract within 60 days from the termination of the previous service contract;
- b) For the term of his/her service contract, the member of the Board of Directors has been lawfully convicted of an intentional crime consisting in a breach of obligations of a member of the Board of Directors or in relation therewith;

- c) By his/her acts or omission directly in relation with his/her duties of a member of the Board of Directors, he/she caused a damage to the Company resulting in a decrease in the Company's equity;
- d) A law stipulates so.

A non-compete clause is included in service contracts of members of the Board of Directors. In contracts that became effective from January 1, 2020 the duration set out in the non-compete clause is 6 months, in contract that became effective earlier, the duration is 12 months after the completion of the term of office. By agreeing with the non-compete clause, a member of the Board of Directors undertakes that he/she will refrain from carrying out gainful activity identical to the business activities of the Company, as well as other activities that would present a competition for the Company, as well as a performance of duties of a member of an elected body of another legal person, whose business activities are identical with business activities of the Company or would present a competition for the Company. For this restriction, a member of the Board of Directors is entitled to obtain a financial compensation for each month of the restriction, in the amount corresponding to the average earnings calculated in a comparable manner as in an employment relationship in a service contract.

### **7. Information on the Company's Right to Reclaim the Variable Remuneration Component or a Part Thereof**

The right to reclaim the variable remuneration component or a part thereof (unless specified otherwise at the specific variable remuneration component in the Remuneration Policy) results from legislation, particularly the Section 62(1) of the Business Corporation Act, with effect until December 31, 2020; from January 1, 2021, this will be Section 66(1) of the Business Corporation Act.

Remuneration pursuant to the service contract or other remuneration pursuant to Section 61(1) of the Business Corporation Act shall not be provided to a body member, if the performance of duties of the respective body member contributed to adverse economic results of the Company, unless the Supervisory Board (for members of the Board of Directors) or the General Meeting (for members of the Supervisory Board) decides otherwise.

### **8. Pay and Employment Conditions of Employees**

Conditions for remuneration of employees are set out on the basis of principles that are comparable to those of members of the Board of Directors. Employees' jobs are assessed in the same manner by Korn Ferry as those of members of the Board of Directors. This method of job evaluation allows to efficiently manage internal fairness and external competitiveness of remuneration, by a comparison with conditions of remuneration prevailing in the labor market through remuneration research carried out by Korn Ferry, while taking into account the need of maintaining a social peace between the employer and employees (their representatives).

Similarly to that of members of the Board of Directors, remuneration of employees is divided into the fixed and variable components. Similarly to members of the Board of Directors, the variable remuneration component of employees depends on the fulfillment of predetermined criteria.

Benefits provided to employees in compliance with the collective agreement of the Company are provided to members of the Board of Directors as well, while their amounts do not exceed amounts applicable to the Company's employees.

### **9. Decision-Making Process**

The Board of Directors prepares the Remuneration Policy and updates it. When doing so, it takes into account primarily the Company's business strategy, its long-term interests and payroll and employment conditions of Company's employees. Before presenting the Remuneration Policy or its updates to the General Meeting for approval, the Board of Directors is obliged to discuss it with the Supervisory Board and request its opinion in advance. The Board of Directors will present the Remuneration Policy to the General Meeting for approval upon any significant change thereof or at least once in 4 years. Adoption of the decision to approve the Remuneration Policy by the General Meeting requires a simple majority of votes of all shareholders present.

If the General Meeting does not approve the presented Remuneration Policy, the Board of Directors will present an amended Remuneration Policy to the next General Meeting.

Without any undue delay after the date of the General Meeting, the Company will publish the Remuneration Policy approved by the General Meeting (hereinafter the “**Approved Remuneration Policy**”) together with the date of its approval and information pursuant to Section 120b(2) of the ACMU on its website, free of charge, and will leave it published for the entire period of its application.

The Board of Directors shall ensure regular reviews of the Approved Remuneration Policy by the HR Department and the Department of Legal Services from the point of view of adherence to it and its compliance with the current legislation. Results of such a review shall be presented for discussion to the Company’s Board of Directors and Supervisory Board, including proposed remedies, if any.

If the Board of Directors or the Supervisory Board finds that this Remuneration Policy is not properly observed or that it violates legislation, the obligation to adopt necessary remedies shall be imposed without any undue delay by the Board of Directors on the head of the HR Department or the head of the Department of Legal Services or by the Supervisory Board on the Board of Directors.

Conflicts of interest are prevented by the above-described procedure applicable to discussing, approving and reviewing this Remuneration Policy.

Preparation of any service contract with a body member must be based on the Approved Remuneration Policy. In case of any disagreement between the service contract and the approved Remuneration Policy, the approved Remuneration Policy takes precedence and the provisions of the service contract which are contrary to the approved Remuneration Policy shall not be taken into consideration. Body members are paid remuneration only in compliance with the approved Remuneration Policy. If there is any disagreement between a service contract and the approved Remuneration Policy, the Board of Directors will prepare an amendment to the service contract in order to eliminate such disagreement.

In preparation of a service contract, its amendment, Remuneration Policy or its update, the Board of Directors will adopt measures to eliminate any conflict of interest between those of the Company and of body members. If any such conflict of interest occurs, the respective body member shall be obliged to immediately notify the body, whose member he/she is. External advisors may be invited to prepare service contracts, their amendments, Remuneration Policy or its updates, however, their independence must be ensured.

In special and exceptional cases (e.g. during a major economic crisis), it is possible to derogate temporarily from this Remuneration Policy by providing other remuneration components, derogating from the conditions set out for individual remuneration components or by derogating from the defined shares of individual components in the total remuneration, if it is necessary from the point of view of long-term interests of the Company and its sustainability, or from the point of view of maintenance of the Company’s business. Any such derogation from the remuneration policy in relation to remuneration of the members of the Board of Directors shall be decided by the Supervisory Board. For members of the Supervisory Board, such decision is made by the General Meeting.

### Information under Section 121k (4) of Act No. 256/2004 Coll., on Capital Market Undertakings

This Remuneration Policy ČEZ, a. s., was approved by the General Meeting of the Company on 29. 6. 2020.

Voting was taken by shareholders owning shares in the nominal value of CZK 42,593,668,500 which are attached to 425,936,685 votes, and which represent 79.54% of the registered capital of ČEZ, a. s., reduced by shares in the nominal value of CZK 251,624,000, which were held by the company and with which it was not possible to exercise voting rights. The General Meeting was quorate at the time of the voting. Every CZK 100 of the nominal value represents one vote.

During the voting on the proposed resolution 424,959,026 valid votes were cast, which are attached to 424,959,026 shares of ČEZ, a. s., in the total nominal value of CZK 42,495,902,600, which represents 79.36% of the registered capital of ČEZ, a. s., reduced by shares in the nominal value of CZK 251,624,000, which were held by the company and with which it was not possible to exercise voting rights.

Regarding the proposed resolution presented by the Board of Directors, the shareholders voted as follows:

% of votes of the shareholders present  
(rounded to 6 decimal points)

---

Approval of the Remuneration Policy of ČEZ, a. s. as presented to the General Meeting by the Company's Board of Directors

FOR	386,481,617 votes	90.736870%
AGAINST	38,477,409 votes	
ABSTAINED	977,659 votes	

---