



# BOARD OF DIRECTORS' POSITION ON THE DRAFT RESOLUTION SUBMITTED BY THE QUALIFIED SHAREHOLDER TO ITEM 14 OF THE GENERAL MEETING AGENDA, WHICH WAS SUPPLEMENTED TO THE GENERAL MEETING AGENDA AT THE REQUEST OF A QUALIFIED SHAREHOLDER

On June 15, 2020, a submission was delivered to the company pursuant to Section 369 (1) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act), as amended (hereinafter referred to as the “**BCA**”), by a group of company’s shareholders in the position of a qualified shareholder, which consists of Ing. Michal Šnobl and the companies J&T SECURITIES MANAGEMENT PLC, Tinsel Enterprises Limited and HAMAFIN RESOURCES LIMITED (hereinafter referred to as the “**Qualified Shareholder**”) marked as “Application for inclusion of a specified matter on the agenda of the General Meeting of the company ČEZ, a. s.” This submission contained a request from the Qualified Shareholder to supplement the agenda of the General Meeting with a matter determined by the Qualified Shareholder and designated by them as “Amendment of the Business Policy of the company ČEZ” (hereinafter referred to as the “**Request for Agenda Supplement**”). The company’s Board of Directors decided to supplement the General Meeting agenda according to the Request for Agenda Supplement in such a manner that the matter proposed by the Qualified Shareholder shall be included in the General Meeting agenda as a new item 14 marked “Amendment of the Business Policy of the company ČEZ”.

## Position on the overall proposed change in the Business Policy of CEZ Group and ČEZ, a. s.:

The Business Policy of CEZ Group and ČEZ, a. s. (hereinafter referred to as the “**Policy**”) is a document that is regularly evaluated and updated. Shareholders have made decisions at the General Meeting to update the Policy in the last few years in 2014 and also in 2019, when the General Meeting adopted the updated Policy in the wording as proposed by the Board of Directors. The absolute majority of shareholders present at the General Meeting, namely 98.042227% of the votes present (i.e. not only the majority of company’s shareholders, but also a very substantial majority of minority shareholders) voted in favor of the resolution approving this updated version of the Policy.

Since the adoption of the resolution approving the updated wording of the Policy, there have been no such fundamental changes in the activities of the company and CEZ Group or in circumstances affecting their business activities that would justify the adoption of further changes to the Policy within one year after approving the current version.

The revision of the Policy will continue in accordance with the company’s Articles of Association periodically every 4 years, which is sufficient from the point of view of updating the long-term direction of the company and CEZ Group.

## Position on individual proposed changes to the Policy:

1) Position on a Policy change proposed in item 1.3.1 of the Request for Agenda Supplement:

The part of the sentence proposed by the Qualified Shareholder to be included is already contained in the Policy in Article 3, in the chapter “Key Areas for Fulfilling Main Strategic Priorities” within the indent “Capital”, where it is

stated: “The objective is to ensure a long-term optimum return on the capital invested by shareholders, strive to sustain the growth of our market capitalization and maintain long-term financial stability.”

2) Position on a Policy change proposed in item 1.3.2 of the Request for Agenda Supplement:

In general, the requirement to carry out the company’s activities in the context of market capitalization is already contained in the Policy in Article 3, in the chapter “Key Areas for Fulfilling Main Strategic Priorities” within the indent “Capital”, where it is stated: “CEZ Group carries out all its activities with a view to financial effectiveness and considering the financial standing of all CEZ Group member companies, always ensuring a smooth cash flow and optimum capital structure in order to maintain a corresponding credit rating of the parent company.” The Policy’s purpose is not to set specific parameters/limits of individual investment projects. Deciding on the parameters of specific transactions is a decision of the Board of Directors on the company’s business management within the adopted Policy. This structure of corporate approvals of investment projects in the company is also reflected in the current wording of the company’s Articles of Association. The company’s shareholders also have the opportunity to exercise control over the exercise of the Board of Directors’ powers through the Supervisory Board, whose members are elected by the company’s General Meeting.

The main component of the company’s current market capitalization are nuclear power plants, which, however, have a finite lifespan, which is why the Policy envisages the development of nuclear energy. It is a source that provides a long-term perspective for the production of electricity by CEZ Group companies while maintaining a high level of generated cash flows. Looking at CEZ Group’s current cash flow, it is clear that both existing nuclear power sources enable further investments in development and the payment of dividends beyond what is common in the energy sector. In order to address the risks associated with the size and longevity of a new nuclear source, CEZ Group has negotiated agreements with the state that ensure the stability of the regulatory and market environment for this new nuclear source.

3) Position on a Policy change proposed in item 1.3.3 of the Request for Agenda Supplement:

The amendment proposed by the Qualified Shareholder is not in accordance with the logical structure of the wording of the Policy. This paragraph, the amendment of which is requested by the Qualified Shareholder, regulates the conditions under which the company should effectively manage power plants and prepare conditions for implementing a new nuclear source, not the framework for decarbonization of the company’s production sources. This topic is regulated in relation to all of the company’s production assets (in the Czech Republic and abroad) in the Policy under Article 3, whereas the company’s production assets abroad, which could be affected by decarbonization, are part of effective exit strategies, in which assets continue to be effectively operated and maintained to meet the necessary emission standards.

4) Position on a Policy change proposed in item 1.3.4 of the Request for Agenda Supplement:

The development of renewable sources as projects/investments that can be considered ecological is contained in Article 3 par. 3) New energy development in the Czech Republic, which is elaborated in more detail in the indent “Electricity generation from renewable sources” within the same article. Part of all CEZ Group’s business activities is also promotion of the principles of sustainable development and social responsibility, whereas all of CEZ Group’s activities are governed by applicable legal regulations, including regulations governing ecology and environmental protection.

From the above, it is clear that there is no reason to amend the Policy according to the request of the Qualified Shareholder.

**Conclusion:**

**The Board of Directors does not consider the submitted proposals to amend the Policy proposed by the Qualified Shareholder to be necessary or appropriate, i.e. it considers it appropriate to maintain the Policy wording adopted by the General Meeting on June 27, 2019.**