

**IN PERSON TO THE MAIL ROOM**

**ČEZ, a. s.**

Duhová 2/1444

14053 Prague 4

Czech Republic

**Attention: Daniel Beneš, Chairman of the Board of Directors**

In Prague on June 12, 2020

**Re: Application for inclusion of a specified matter on the agenda of the General Meeting of the company ČEZ, a. s.**

Dear Sirs,

We turn to you as a group of shareholders, which consists of **Ing. Michal Šnobl**, date of birth May 25, 1970, with permanent residence at Zvolenská 134, 386 01 Strakonice, Czech Republic, and **J&T SECURITIES MANAGEMENT PLC**, with registered office at Klimentos, 41-43 Klimentos Tower, 2nd floor, Fiat/Office 22, 1061 Nicosia, Republic of Cyprus, **TINSEL ENTERPRISES LIMITED**, with registered office at 41-43 Klimentos Tower, 2nd floor, Fiat/Office 23, 1061 Nicosia, Republic of Cyprus, and **HAMAFIN RESOURCES LIMITED**, with registered office at Akropoleos, 59-61 Sawides Center, 1st floor, Fiat/Office 102, 2012 Nicosia, Republic of Cyprus (hereinafter collectively the "**Qualified Shareholder**"), who own shares the number of which amounts to more than 1 % of the registered capital of the company ČEZ, a. s., with registered office at Praha 4, Duhová 2/1444, postcode 140 53, Czech Republic, company ID: 45274649, registered in the Commercial Register kept by the Municipal Court in Prague, Section B, Insert 1581, (hereinafter the "**company ČEZ**"), and are therefore a qualified shareholder of the company ČEZ in the meaning of the provisions of Section 365 (3) of Act No. 90/2012 Coll. , on Business Companies and Cooperatives (the Business Corporations Act) (hereinafter the "**BCA**"), in connection with the General Meeting of the company ČEZ, which will be held on June 29, 2020 from 10:00 am at the Prague Congress Center, at the address 5. května 65, Prague 4 (hereinafter the "**General Meeting**"). The notice on the General Meeting was published by the company ČEZ on the website [www.cez.cz](http://www.cez.cz). and included the agenda of the General Meeting proposed by the Board of Directors (hereinafter the "**GM Agenda**").

**The Qualified Shareholder hereby requests, in accordance with Sec. 369 (1) of the BCA and Article 9 (7) of the valid and effective Articles of Association of the company ČEZ, that the following matters be included in the GM Agenda (hereinafter the "Application").**

The Qualified Shareholder is submitting this Application for inclusion of the specified matter in the GM Agenda pursuant to the applicable provisions of BCA and the Articles of Association of the company ČEZ, in particular, Section 365 (3) of BCA, wherein a shareholder or shareholders holding shares whose aggregate nominal value or number amounts to at least 1 % of the registered capital are deemed a qualified shareholder. This fact can be verified from the list of shareholders maintained by the company ČEZ and also from extracts from the Central Securities Depository (hereinafter the "CSD"), which is attached to this Application, and also from the Czech National Bank's website.

The Qualified Shareholder hereby requests that the following matters concerning the company ČEZ be included in the GM Agenda:

## **1. CHANGE IN THE BUSINESS POLICY OF THE COMPANY ČEZ**

### **1.1 General Remarks on the General Meeting's Powers**

Pursuant to Article 8 (1) (p) of the Articles of Association of the company ČEZ, the General Meeting's powers include decisions on the company's business policy and changes thereto.

The Qualified Shareholder would like to add that the conceptual and strategic matters described below fall outside business management, as business management does not include making decisions on the company's long-term strategic goals, which are within the scope of powers of the General Meeting, as is also suggested by literature.<sup>1</sup> Apart from this, valid Articles of Association of the company ČEZ in Article 8 (1) (p) expressly place decisions on the business policy of the company ČEZ and changes thereto within the scope of powers of the General Meeting.

### **1.2 Rationale for General Meeting Agenda item**

#### **1.2.1 The current business policy of the company ČEZ**

An update of the business policy of CEZ Group and the company ČEZ was submitted to the General Meeting of the company ČEZ held on June 26, 2019 (hereinafter the "Policy").

As part of the voting on item No. 8, the General Meeting of the company ČEZ approved the Policy in the submitted wording, and it therefore fully replaced the business policy of the company ČEZ approved on June 27, 2014.

#### **1.2.2 CEZ Group's Mission and Vision**

The company ČEZ is a registered private company whose shares are actively traded on the Prague Stock Exchange and to which all corporate rules of capital companies enshrined in Czech law, in particular the Business Corporations Act, apply. For the sake of completeness, the Qualified Shareholder notes that ČEZ, a. s. is not a state or semi-state company, regardless of the fact that the Czech Republic has the majority shareholder status in it.

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<sup>1</sup>ŠTENGLOVÁ, Ivana, HAVEL, Bohumil. Sec. 435 [Position of the Board of Directors]. In: ŠTENGLOVÁ, Ivana, HAVEL, Bohumil, CILEČEK, Filip, KUHN, Petr, ŠUK, Petr. Zákon o obchodních korporacích. 2<sup>nd</sup> edition. Prague: C. H. Beck, 2017, p. 774. From January 1, 2021, identically Sec. 435 (3) of the BCA.

This means, among other things, that duties of the members of the Board of Directors of the company ČEZ include the proper performance of their functions consisting mainly in the proper management of assets of the shareholders of the company ČEZ and their appreciation, and in ensuring financial stability of the company ČEZ.

With regard to the fact that the Qualified Shareholder considers certain steps of the Board of Directors of the company ČEZ to be in conflict with the aforementioned considerations, it is appropriate to enshrine these considerations in the Policy.

For the draft resolution on this item see 1.3.1 hereof.

#### 1.2.3 investments of the company ČEZ

The company ČEZ is a registered company, so it is necessary to perceive the context of any planned investments with the market capitalization of the company ČEZ. If there is a clear disparity between the planned investments and the market capitalization of the company ČEZ, then this fact destabilizes the market valuation of the company ČEZ on public markets. In the event that such an investment is to take place (especially if it is publicly presented by the majority shareholder of the company ČEZ), the Board of Directors must strive timely and in advance to meet and ensure the basic parameters of financial stability of the company ČEZ and demonstrable assurance of profitability based on the principle of generally perceived financial and capital market rules. The Qualified Shareholder's conclusion is also underlined by the proposal of the company ČEZ to amend the Articles of Association, which explicitly assumes the almost uncontrolled use of the surcharge as an instrument for financing of an directly controlled entity, without the General Meeting having or being able to comment on it.

For the draft resolution on this item see 1.3.2 hereof.

#### 1.2.4 Effective operation, optimal use and development of power generation portfolio

The company ČEZ currently is and will undoubtedly continue to be the owner of production assets abroad. The Qualified Shareholder believes that the foreign part of ČEZ's portfolio cannot be omitted from the concept and completely neglected. Therefore, not only in relation to Czech assets, but also to ČEZ's foreign assets, the pressure to reduce carbon intensity per 1 kWh of electricity generated within the entire production portfolio should continue. This is especially true in a situation where the approach to decarbonisation is one of the parameters monitored by the market, having the potential to significantly affect ČEZ's market valuation (regardless of another parameter, which is ČEZ's rating, i.e. the company's social acceptability).

For the draft resolution on this item see 1.3.3 hereof.

#### 1.2.5 Development of business activities that are not compatible with the greening of production processes

From a professional item of view, the considered mining and processing of lithium in Krušné Mountains can be considered an ecological disaster. This activity involves the use of significant amounts of water and chemicals for lithium separation. In addition, it should be emphasized that the technology for processing mined rock in the Krušné Mountains only works in laboratory conditions, and the consequences of practical

use, including economic calculation, pose a huge risk for the company ČEZ. The Qualified Shareholder emphasizes that the mission of the company ČEZ is not to “secure” the state's raw materials policy in any area in the long run.

For the draft resolution on this item see 1.3.4 hereof.

### 1.3 Draft resolution

For the above reasons, the Qualified Shareholder proposes that the General Meeting adopts within the meaning of Article 8 (1) (p) of the Articles of Association of the company ČEZ the following decision to change the Policy:

- 1.3.1 The business policy of the company ČEZ approved on June 26, 2019 is amended and supplemented in Article 1 (CEZ Group's Mission and Vision) as follows:

The following is inserted after the words “the entire society”: *“while ensuring the maximizing the market value of shareholders' invested capital, sustained growth in market capitalization and maintaining long-term financial stability.”*

- 1.3.2 The business policy of the company ČEZ approved on June 26, 2019 is amended and supplemented in Article 3 (Business Concept and Strategic Priorities of CEZ Group), Chapter “Key Areas for Fulfilling Main Strategic Priorities,” indent “Capital” as follows:

The following is inserted after the last paragraph: *“No investments are in compliance with the business policy of the company ČEZ if the expected cumulative value of such investment (including all costs for assessment and preparation of such investment) shall exceed CZK 20,000,000,000 and if such investment is to be made on the basis of a contractual agreement with the majority shareholder or to implement requirements of the majority shareholder.”*

- 1.3.3 The business policy of the company ČEZ approved on June 26, 2019 is amended and supplemented in Article 3 (Business Concept and Strategic Priorities of CEZ Group), point 1 “Effective operation, optimal use and development of power generation portfolio” as follows:

The following is inserted after the words “decarbonize the power generation portfolio of the Czech Republic”: *“but also within all of ČEZ's production assets.”*

- 1.3.4 The business policy of the company ČEZ approved on June 26, 2019 is amended and supplemented in Article 3 (Business Concept and Strategic Priorities of CEZ Group), as follows:

A new point 5) is inserted after point 4 “Energy service development in Europe” as follows: *“**Development of business activities and actions with regard to tightening ecological criteria.** Development of only such projects, investments, or implementation of capital investments that can be considered ecological and proportionately harmless to the environment.”*

Signature:

Name: Ing. Michal Šnabr  
personally and under a power of attorney

Annexes:

1. Powers of attorney
2. Certificates of Registered Office for J&T SECURITIES MANAGEMENT PLC, TINSEL ENTERPRISES LIMITED, and HAMAFIN RESOURCES LIMITED
3. Certificates of Incorporation for J&T SECURITIES MANAGEMENT PLC, TINSEL ENTERPRISES LIMITED, and HAMAFIN RESOURCES LIMITED
4. Certificates of Directors and Secretary for J&T SECURITIES MANAGEMENT PLC, TINSEL ENTERPRISES LIMITED, and HAMAFIN RESOURCES LIMITED
5. Extracts from the CSD