

# ESG STRATEGY 2030

November 2024

# THE MAIN DRIVER FOR THE ESG STRATEGY 2030 IS TO ACCELERATE A JUST ENERGY TRANSITION



## Regulation

Since FY 2024, we are legally responsible for adhering to and reporting ESG in under the EU CSRD directive (Corporate Sustainability Reporting Directive) translated into the Accounting Act (Act No. 431/2022 Z.z.).



## Local & specific conditions

We tailor our strategy to reflect local conditions. This will lead to better integration in the organisation, and among our stakeholders, improved relationships, and reduced risks associated with regulatory frameworks.



## Competition

Our competition is moving forward. By demonstrating a strong ESG commitment, we can attract environmentally and socially conscious consumers.

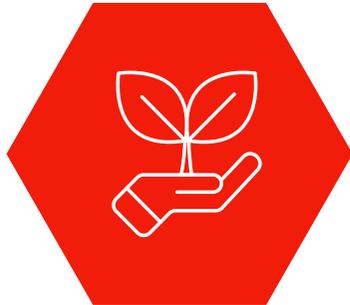


## Talent

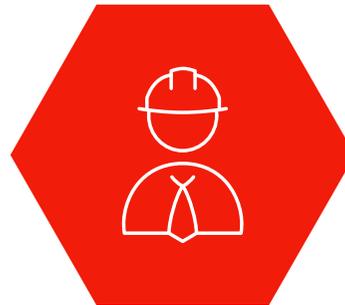
Embracing ESG serves as a powerful magnet for attracting and retaining top talents who share our values and seek purpose-driven workplaces with a positive social impact.

# OUR COMMITMENTS TO A SUSTAINABLE AND RESPONSIBLE BUSINESS CONDUCT HELP SHAPING THE MARKETS WE OPERATE IN

We are committed to achieve our sustainability goals to support a just energy transition and the United Nations Sustainable Development Goals (SDGs). In accordance with the Paris Agreement and the climate goals of the European Union, we want to contribute to slow down global warming and mitigate climate change.



Responsibility towards climate and nature are firmly embedded in our strategy as a commitment to future generations



Ensuring a supportive, fair and safe working environment satisfaction of our employees and partners



Compliance with regulation, national and international law is a default principle of our ethical business behavior

# WE HAVE DEVELOPED AND FORMALLY APPROVED A STRONG ESG GOVERNANCE MODEL

## Sustainability & Development Department

- Provides support for Sustainability Committee and business owners in implementing the ESG strategy
- Initiates and coordinates ESG reporting process, defines ESG targets and measures
- Methodically guides and defines key processes
- Serves as a key contact for management in ESG topics

## Sustainability Committee

- Provides an official platform focusing on supervision, implementation, operative management, and integration of sustainability into activities of ZSE and all companies within the ZSE Group
- The Sustainability Committee Chairman is the Chief Sustainability Officer (CSO), who is also the Chairman of the Board of Directors and CEO of ZSE
- Establishing a Human Rights Officer (HRO) as a member of the Committee demonstrates our commitment to protect human rights, not only of our workforce, but also of suppliers and external partners

## Board of Directors and Supervisory Board

- Acts within competencies defined by the Shareholders' agreement

### ESG business owners - Members of the Sustainability Committee

- Responsible for the implementation of legislative obligations within aspects of sustainability
- Submit necessary materials for approval
- Ensure compliance of the business strategy with the ESG strategy, define KPI target values for ESG strategic objectives
- Implement own measures & fulfill ESG targets
- Responsible for driving the ESG agenda in their units

# WE HAVE CLUSTERED THE ESG STRATEGY INTO 10 PRIORITIES WHICH ARE IN LINE WITH OUR MATERIAL IMPACT AND RESPONSIBILITY TOPICS

## Climate & Environment

1 Climate change mitigation and adaptation

2 Pollution decrease

3 Biodiversity and ecosystem protection

4 Circular economy

## People

5 Own workforce safety, well-being and development

6 Equality and inclusion

7 Responsible supply chain management

8 Consumer safety and access to information

## Corporate Governance

9 Ethical business conduct

10 Cybersecurity

# DEEPER INSIGHT INTO OUR ESG PRIORITIES (1/3)

Our impact	Strategic focus	Top priorities
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<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p> 	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 
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<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p><b>13</b> CLIMATE ACTION</p> 
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<p><b>14</b> LIFE BELLOW WATER</p> 	<p><b>15</b> LIFE ON LAND</p> 
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## Climate & Environment

- 1 Climate change mitigation and adaptation
- 2 Pollution decrease
- 3 Biodiversity and ecosystem protection
- 4 Circular economy

**Focus on reducing emissions in company-owned facilities by innovating to cleaner technologies, improving operational efficiency, and integrating renewable energy sources. Develop low-emission energy products and services, including renewable energy use and energy efficiency solutions.**

- 50 to -75%\* by 2030 & -100% by 2040 in Scope 1 & 2 GHG emissions
  - 50% by 2030 & -100% by 2050 in Scope 3
  - Decarbonise our own assets
  - Provide low-emissions portfolio for our customers
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- Monitor and timely report on the air pollution parameters
- 
- Implement Ecological Corridor Management - ECM and avoid biodiversity loss
  - Protect species, especially birds
- 
- Embed circular economy principles and mindset across the company

\* -50% applies to the SBTi target approved by 2030 under the 1,5°C trajectory  
 -75% applies to the ZSE Group's ambition

# DEEPER INSIGHT INTO OUR ESG PRIORITIES (2/3)

Our impact	Strategic focus	Top priorities
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**3** GOOD HEALTH AND WELL-BEING

**4** QUALITY EDUCATION

**5** GENDER EQUALITY

**8** DECENT WORK AND ECONOMIC GROWTH

**10** REDUCED INEQUALITIES

**11** SUSTAINABLE CITIES AND COMMUNITIES

## People

**5** Own workforce safety, well-being and development

**6** Equality and inclusion

**7** Responsible supply chain management

**8** Consumer safety and access to information

**Prioritise health and safety, promote a supportive, diverse and inclusive workplace. Strengthen focus on regular employee surveys. Provide superior customer support by personalizing interactions and gathering feedback for continuous improvement.**

- Ensure health & safety
- Focus on physical and mental health
- Support skill development and personal growth
- Provide equal opportunities and support inclusion of all employee groups
- Create inclusive culture
- Evaluate and train supply chain on human rights protection and climate related topics
- Introduce responsible sourcing and procurement mechanisms and principles
- Provide excellent service to our customers
- Ensure data and product safety

# DEEPER INSIGHT INTO OUR ESG PRIORITIES (3/3)

Our impact	Strategic focus	Top priorities
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**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



**17** PARTNERSHIPS FOR THE GOALS



## Corporate Governance

**9** Ethical business conduct

**10** Cybersecurity

**Create strong values, integrity, ensure compliance and ethical business and proper ESG implementation. Implement strong compliance systems and integrate ESG into daily business conduct. Prevent harmful activities directed against the company and its customers in the online space.**

- Integrate strong ethics and transparency in the company’s governance and report on it
- Protect any harmful actions against the company and its customers in the online space

# OUR CLIMATE TARGETS AND ESG KPIs REFLECT MAIN SUSTAINABILITY TOPICS

## Climate targets (Emissions)

Scope 1	Power and heat generation
	Fugitive emissions
	Company vehicles
	Fuel combustion
Scope 2	Purchased power
	Power network losses
Scope 3	Purchased goods and services
	Purchased power sold to end-customers
	Combustion of natural gas sold to end-customers
	Upstream processes of leased assets
	Capital costs
	Employee commuting
	Business travel
	Waste

## ESG KPIs

Environment	Climate targets (Emissions)	Social	Share of female executives
	Share of green electricity (GoO)		Training for managers in DEI topics
	Smart energy meter installations		Employee satisfaction and engagement
	Installation of small and local RES		LTIF employees
	Public charging points for e-mobility		TRIF employees
	Reliable supply of electricity - SAIDI		Working conditions of supplier employees
	Emissions of pollutants in air and water		Customer satisfaction
	Share of ecological corridor management		Training in ethical and legal rules
	Protection of avifauna		Prevention of corruption
	Reduction of landfilling		Cybersecurity

# KEY REDUCTION MEASURES TO ACHIEVE CLIMATE TARGETS (1/2)

GHG Scope/Category	Measures to achieve climate targets	GHG Scope/Category	Measures to achieve climate targets
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## Scope 1

### Reduction of emissions in Scope 1 by 50 - 75 % by 2030 and by 100 % by 2040

#### Power\* and heat generation

- Expansion of the customer segment for low-emission and energy-efficient solutions (BK, Ekoterm, VSE Solutions)

#### Fugitive emissions

- Technical design and technological standards for HV lines to allow the use of SF6 exclusively for switching purposes at the 110 kV level, i.e. for switching off/ extinguishing the electric arc.
- Installations of the so-called primary switchboards for HV at electrical stations based on technologies without SF6 gas for insulation and extinguishing purposes
- Installations of the so-called secondary compact switchgears for HV based on SF6 technologies are gradually replaced with technologies without SF6 gas.
- Gradual transition to low-emission cooling. Replacing commonly used high GWP refrigerants (R-407C) with low-emission alternatives

#### Fleet

- Electrification of the company fleet by 2030 in detail for individual vehicles categories:
  1. 75% of passenger vehicles
  2. 7% of operational vehicles (all-terrain vehicles)
  3. develop plan for trucks and mechanisms
- Definition of the approach to ensure business continuity within distribution companies & definition of priority of vehicles where we focus on the transition to e-cars
- Expansion of the company e-mobility charging infrastructure
- Support of home charging for employees
- Support of sustainable and alternative transportation, e.g. building bike rooms

#### Fuel combustion \*

- Replacing gas boilers with highly efficient condensing boilers or heat pumps

\* Due to the divestment process, implementation steps related to the decarbonisation of the Malženice CCGT Powerplant were suspended

# KEY REDUCTION MEASURES TO ACHIEVE CLIMATE TARGETS (2/2)

GHG Scope/Category	Measures to achieve climate targets	GHG Scope/Category	Measures to achieve climate targets
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## Scope 2

Reduction of emissions in Scope 2 by 50 -75 % by 2030 and by 100 % by 2040

### Power network losses

- Redesign of the planning principles will consider minimizing technical losses and Total Cost of Ownership (TCO) principle
- Elimination and prevention of unauthorised consumption, so-called non-technical or commercial losses
- Innovations and new approaches for sustainable solutions to energy poverty - smart credit systems that eliminate unauthorised consumption

### Purchased power

- PV installation on own buildings meeting the legislative requirements of URSO regarding ZSD and VSD facilities
- Modernisation by LED lightening
- Insulation of own buildings
- Identification of wind turbine system

## Scope 3

Reduction of emissions in Scope 3 by 50 % by 2030 and by 100 % by 2050

### Purchased power sold to end-customers

- Increase the share of electricity covered by guarantees of origin of electricity from RES
- Effectively manage business with GoOs from RES and other low-emission sources of electricity e.g. nuclear power
- Expand the range of products supporting sustainable economy within commodity and non-commodity businesses

### Combustion of natural gas sold to end-customers

- Provide energy consulting for customers in transition to low-emission heating methods, primarily transition from gas or solid fuel heating to high-efficiency electricity heating
- Include in the portfolio GoO of gas from renewable sources
- Create products associated with the transition from natural gas to biogas or gas with hydrogen admixtures

Measures for the categories Purchased goods and services, Leased assets, Capital costs, Business travel, Employee commuting and Waste will be set in 2025.

# ESG KPIs (1/3)

Material topic	ESG KPI	Baseline	Target
		2024	2030
E1 Climate change - mitigation	CO <sub>2</sub> e emission in Scope 1	432,499 tCO <sub>2</sub> e	216,250 tCO <sub>2</sub> e - with an ambition of 108,125 tCO <sub>2</sub> e (decrease by 50 - 75 %)
E1 Climate change - mitigation	CO <sub>2</sub> e emission in Scope 2	254,654 tCO <sub>2</sub> e (market)	127,327 tCO <sub>2</sub> e market - with an ambition of 63,664 tCO <sub>2</sub> e (decrease by 50 - 75 %)
E1 Climate change - mitigation	CO <sub>2</sub> e emission in Scope 3	3,668,610 tCO <sub>2</sub> e (market)	1,834,305 tCO <sub>2</sub> e market (decrease by 50 %)
E1 Climate change - mitigation	Increasing the share of electricity in the portfolio covered by guarantees of electricity from renewable sources	17.4 %	25 %
E1 Climate change - mitigation	Installation of smart metering systems at all supply points with a high level of electrification and decentralised electricity generation	15,000	18,000
E1 Climate change - mitigation	Supporting the installation of small and local renewable energy sources (photovoltaics) in the residential segment 1. Cumulative performance of installed RES (PV) solutions in the residential segment. 2. The share of the volume of electricity stored in the Virtual Battery and the volume of shared electricity in the total volume of electricity supplied to the household segment.	1. 17 MW 2. 2.2 %	1. 40 MW 2. 10 %
E1 Climate change - mitigation	Increasing the number of public charging points in the ZSE Drive network	250	750
E1 Climate change - adaptation	Decreasing SAIDI (System Average Interruption Duration Index) This index captures the average duration of power interruption for one customer per year	120	112

## ESG KPIs (2/3)

Material topic	ESG KPI	Baseline	Target
		2024	2030
<b>E2 Air and water pollution</b>	<ol style="list-style-type: none"> <li>Monitoring and disclosing air pollutant emissions at the ZSE Elektrárne (Malženice CCGT power plant) site</li> <li>Continuous Monitoring and disclosing wastewater quality at the ZSE Elektrárne (Malženice CCGT power plant) site</li> </ol>	<ol style="list-style-type: none"> <li>100% if all months of the year were published on time (measurement 1.)</li> <li>purchase of a measuring box and measurement from 2025</li> </ol>	100% if all months of the year were published on time (measurements 1. + 2.)
<b>E4 Biodiversity and ecosystems</b>	Applying ECM on HV overhead powerlines	15.30 %	100 %
<b>E4 Biodiversity and ecosystems</b>	Installing protective elements on HV and MV overhead powerlines to protect avifauna	3,957 km	4,745 km
<b>E5 Resource use and circular economy</b> - Waste	Support recycling, reuse and recovery of waste Increase the recovery rate of construction waste	90 %	92 %
<b>S1 Own workforce</b> - Equal treatment and opportunities for all	Increasing the representation of women in leadership positions. Gender equality in management functions	27 %	30 %
<b>S1 Own workforce</b> - Equal treatment and opportunities for all	Participation in and completion of training for managers on diversity, equality and inclusion (DEI) topics	50% Division Directors and Department Heads	70% Division Directors and Department Heads and 20% Team Leaders
<b>S1 Own workforce</b> - Working conditions	Employee satisfaction and engagement. Implementation of a regular employee opinion survey (2025/2026)	Supplier selection and instrument calibration	tbd
<b>S1 Own workforce</b> - Working conditions	Monitoring the frequency of work-related injuries that lead to loss of working time/disability for employees (Lost Time Injury Frequency/LTIF) and reducing the value of this indicator	2.0	1.8
<b>S1 Own workforce</b> - Working conditions	Monitoring the total number of recorded work incidents and injuries (Total Recordable Incidents Frequency/TRIF) and reducing the value of this indicator	3.0	2.8

## ESG KPIs (3/3)

Material topic	ESG KPI	Baseline	Target
		2024	2030
S2 Workers in the value chain	Improving working conditions of suppliers' workers through extended social criteria in procurement and tendering procedures	24 %	34 %
S4 Consumers	Customer satisfaction with provided products and services	Common survey Difference +1 (36 vs. 35)	Difference in a (-5/+5) interval
G1 Governance	Regular employee training in the Code of Conduct and compliance rules	At least 90% of all employees	At least 90% of all employees
G1 Governance	Prevention of corruption/bribery among employees who are exposed to increased risk of corruption and bribery by providing them with special training	Drafting an education concept for employees exposed to increased risk of corruption and bribery	At least 90% of all employees exposed to increased risk of corruption and bribery
Entity specific topic: Cybersecurity - Data protection	Completion of e-learning at the required level in the areas of data protection and cybersecurity	80 %	80 %

The baseline values of the ESG indicators for 2024 were set as expected or planned values, as the preparation and approval of the strategy took place during 2024. The expected values remain in the strategic framework as a reference point for the creation of the strategy, but for further monitoring and evaluation of the goals, we will be guided by the current data for 2024.