

Internal Information

ČEZ Stock Option Program Canceled

The ČEZ Supervisory Board has approved the cancellation of the Stock Option Program for ČEZ management and has replaced it with a new, stricter system of long-term performance bonuses for members of the Board of Directors. This change was initiated by the Supervisory Board itself one year ago after its new members took up their offices. The new program of long-term performance bonuses improves the consistency of the interests of beneficiaries and shareholders and is linked to stock price, dividend distribution and performance of the company. Thus beneficiaries will, in the long run, participate in the growth or decline of shareholder value. The new system starts 1 .1. 2020.

This new system of long-term performance bonus is based on performance units that will be allocated to each beneficiary every year. The number of performance units allocated will be based on the defined yearly value of a given long-term bonus and the price of stocks before the allocation. The defined performance indicator (the Total Shareholder Return, or TSR) will be evaluated one year after the allocation of the performance units by an independent consultant selected by the Supervisory Board; this indicator will reflect changes in the market value of traded stocks over the review period plus the value of dividends paid out during the same period. This indicator will then be compared in relative terms with companies included in the current STOXX Europe 600 utilities stock index. The number of performance units allocated to a beneficiary will be adjusted based on the evaluation of the performance indicator, and a two-year holding period will follow. The long-term performance bonus will be paid three years after initial allocation, and the amount will be based on the adjusted number of performance units following the evaluation of the TSR performance indicator as well as on the stock price at the end of the holding period and the amount of dividends distributed during the holding period. The Supervisory Board will also have a chance to make partial changes in the program parameters every year so that they reflect the current situation of ČEZ as well as that of the stock market.

The current Stock Option Program was approved by the 2001 ČEZ General Meeting as a management stimulation tool that combines management's interests with those of the shareholders. None of the current members of the Board of Directors were a member of management at the time this decision was made. This system has been deemed obsolete. One of the arguments against it was that the beneficiaries of the Stock Option Program do not live the entire shareholder story – they benefit from stock price growth but, unlike shareholders, do not lose any value if the stock price declines.