



Sustainability report 2020

Table of Contents

1. FOREWORD	4
2. SEVEN ENERGY GROUP PROFILE	6
- Group structure	8
- Main business activities	10
- History of the Group	14
- Mission, vision and Group strategy	16
3. ENERGY TRANSFORMATION	24
- Transformation in mining activities	26
- Reclamation, biodiversity protection and revitalization of impacted land	31
- Transformation in electricity and heat production	36
4. INTERNATIONAL EXPANSION	44
5. OUR BUSINESS OPERATIONS	50
- Our values	52
- Corporate governance	54
- Key people	56
- Risk management	60
- Legal compliance, ethics and transparency	66
- Supply chain and business relations	72
6. ENVIRONMENTAL IMPACT	80
- Emissions management	82
- Water management	89
- Waste management	94
7. SOCIAL IMPACT	98
- Occupational health and safety	100
- Our employees	104
- Regional support and philanthropy	112
TECHNICAL ANNEX	120
- Reporting principles and methodology	122
- Overview of key events and engagements	128
- Membership with professional organisations and associations	136
- Key legislation and regulations	137
- Overview of employee benefits	138
- Data annex	139
- GRI content index	148



FOREWORD OF CEO SEV.EN ENERGY GROUP

Dear Readers,

In the past year, like everyone worldwide, we faced one of the most serious threats in modern history, the COVID-19 pandemic. This difficult situation has affected us all and unfortunately for some people, it has even led to serious or tragic consequences.

Therefore, firstly, please let me thank to all our Group employees and colleagues for the resilience they have shown throughout the COVID-19 pandemic; they were able to cope with the pandemic's effects in their personal and working lives, they supported colleagues and friends. The support has helped the Group to smoothly continue with our daily business activities. Everyone deserves to be acknowledged for their personal contribution, commitment and teamwork.

In spring 2020 when the situation affected our country the most including a severe shortage of protective equipment, the Group, via the support of its ultimate beneficiary Mr. Pavel Tykač provided over 60 000 respirators to our current and former employees and their families, and also to medical offices and communities in region where we operate.

Despite the pandemic, we managed to achieve a number of key strategic and business objectives in 2020. In the Czech Republic, Sev.en Energy has acquired 100% interest in Elektrárna Počeradý, a.s.. We have successfully expanded into the US metallurgical coal sector through an acquisition of a 100% stake in Blackhawk Mining, LLC and an acquisition of a 17.1% stake in Corsa Coal Corporation. The Group also continued with the development projects for our key mining locations and in the environmentally driven modernisation projects in Elektrárna Chvaletice.

We have continued to monitor changes in the energy sector, both in the Czech Republic and in Europe. The conventional energy sector and mostly the coal-based segment, is under an increased pressure to reduce the mining and combustion of coal. Individual European states including Czech Republic have been gradually declaring their objectives in stepping away from coal. In 2019, the Government of the Czech Republic established the Coal Commission, which focuses on coal advisory. At the end of 2019, the Commission proposed the year 2038 as a realistic and achievable year for the phase out of coal in the Czech Republic. This is a key indicator of a targeted future position of the Czech Republic and as a result, Sev.en Energy plans to adjust its business strategy in line with these national targets.

Therefore, we have developed a transformation plan for the Group including specific new business activities, which will help us contribute to the gradual transition to a low-carbon economy and to the successful transformation of our lignite mining regions. In this Report, we present several projects that will develop the Group's business in new areas, maintain opportunities for existing employees and stabilise, or even improve, the economic situation of the regions in which we operate. For the Group, this is a new challenge that we must face – implementing transformation and integrating new trends in sustainable energy.

It is important to add, that substantial financial support is being allocated to the Czech Republic from various European and other funds to implement this major sectoral change. Sev.en Energy has

promptly initiated projects that may benefit from this support and at the same time will provide our employees and partners with new opportunities outside of the coal sector.

Until the transformation of the energy sector in the Czech Republic is completed, and the energy infrastructure, as well as economic and social stability in the coal regions is secured, we will focus on the efficiency and safety of our lignite mining activity, as well as on providing a stable supply of electricity and heat to our customers.

In 2020 Sev.en Energy was able to meet its long-term objectives, making the past year quite successful for the Group, despite all of the above mentioned challenges. I believe that the Group will be equally if not more successful in 2021, as we're slowly leaving the difficult COVID related period.

Yours sincerely

Luboš Pavlas
CEO, Sev.en Energy Group

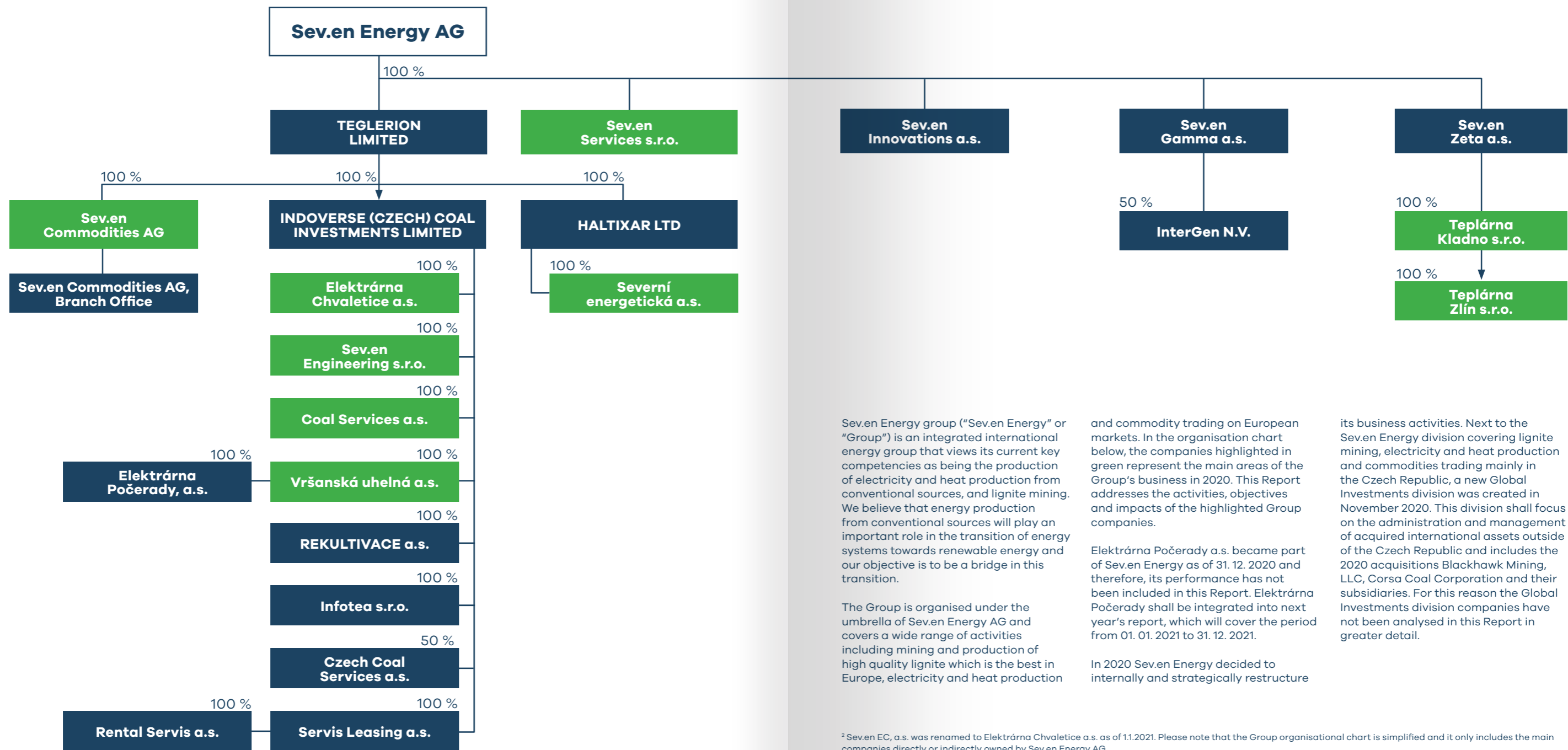


SEV.EN ENERGY GROUP PROFILE

SEV.EN ENERGY GROUP PROFILE

STRUCTURE OF SEV.EN ENERGY GROUP

Schematic 1: Group structure²



Sev.en Energy group ("Sev.en Energy" or "Group") is an integrated international energy group that views its current key competencies as being the production of electricity and heat production from conventional sources, and lignite mining. We believe that energy production from conventional sources will play an important role in the transition of energy systems towards renewable energy and our objective is to be a bridge in this transition.

The Group is organised under the umbrella of Sev.en Energy AG and covers a wide range of activities including mining and production of high quality lignite which is the best in Europe, electricity and heat production

and commodity trading on European markets. In the organisation chart below, the companies highlighted in green represent the main areas of the Group's business in 2020. This Report addresses the activities, objectives and impacts of the highlighted Group companies.

Elektrárna Počerady a.s. became part of Sev.en Energy as of 31. 12. 2020 and therefore, its performance has not been included in this Report. Elektrárna Počerady shall be integrated into next year's report, which will cover the period from 01. 01. 2021 to 31. 12. 2021.

In 2020 Sev.en Energy decided to internally and strategically restructure

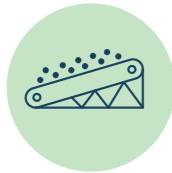
its business activities. Next to the Sev.en Energy division covering lignite mining, electricity and heat production and commodities trading mainly in the Czech Republic, a new Global Investments division was created in November 2020. This division shall focus on the administration and management of acquired international assets outside of the Czech Republic and includes the 2020 acquisitions Blackhawk Mining, LLC, Corsa Coal Corporation and their subsidiaries. For this reason the Global Investments division companies have not been analysed in this Report in greater detail.

² Sev.en EC, a.s. was renamed to Elektrárna Chvaletice a.s. as of 1.1.2021. Please note that the Group organisational chart is simplified and it only includes the main companies directly or indirectly owned by Sev.en Energy AG.

MAIN BUSINESS ACTIVITIES

MAIN BUSINESS ACTIVITIES

MINING



→ STRATEGIES AND PRINCIPLES

Ensuring safe, sustainable, and environmentally conscious mining operations.

→ KEY ACTIVITIES

We maintain a high standard for the management of the Group's coal services and customer relations, such that our services meet the expected environmental, health and safety standards.

We are compliant with the legal requirements relevant to our mining operations.

→ KEY INDICATORS FOR 2020

9,43 million tons
extracted coal

Mining on
3,400 ha of land

CZK 144,7 million
put towards reclamation

→ SEV.EN ENERGY GROUP COMPANIES



ELECTRICITY AND HEAT PRODUCTION



→ STRATEGIES AND PRINCIPLES

Effective generation of electricity and heat, with the aim of minimising negative environmental impacts.

→ KEY ACTIVITIES

We are in the process of renewing two of the four ECHAS generation blocks and we are also preparing for the repairs of the remaining two, such that they are operational by 2030.

We use relevant integrated and environmental management systems to increase the efficiency of our operations.

We are compliant with the legal requirements relevant to the environmental standards of our operations.

→ KEY INDICATORS FOR 2020

1.4 GW
installed electricity capacity

4 502 GWh
generated electricity and heat

→ SEV.EN ENERGY GROUP COMPANIES



COMMODITY TRADING



→ STRATEGIES AND PRINCIPLES

Using hedging strategies to trade coal, electricity and other commodities.

→ KEY ACTIVITIES

We effectively respond to market opportunities (coal, electricity, emission allowances and other commodities).

To help eliminate risk, we have hedging strategies in place for the Group's various positions within commodity trading.

We are compliant with the relevant national and international legal requirements for commodity markets.

→ KEY INDICATORS FOR 2020

45.6 TWh
of traded electricity

85.4 million tons
traded emission allowances

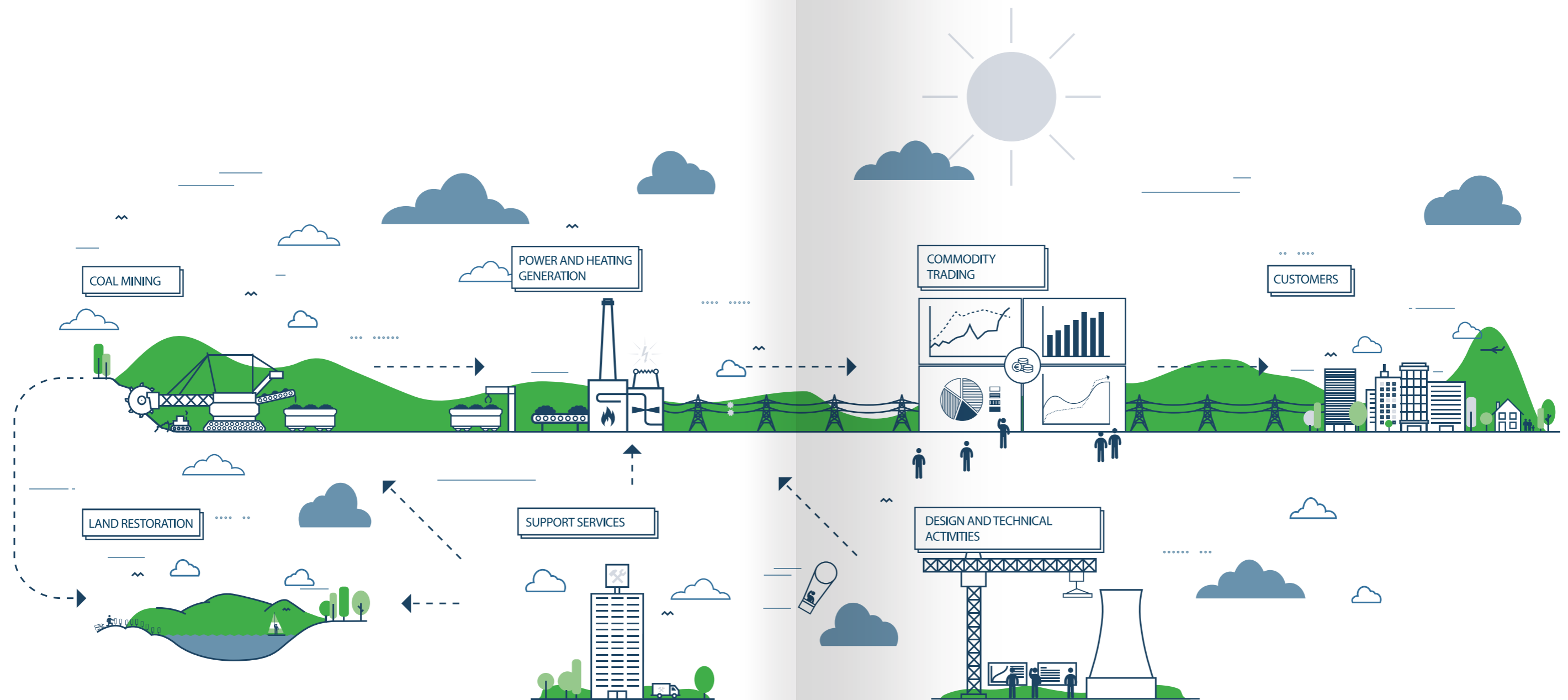
→ SEV.EN ENERGY GROUP COMPANIES



MAIN BUSINESS
ACTIVITIES

SEV.EN ENERGY GROUP VALUE CHAIN DIAGRAM

Figure 1: Diagram of Sev.en Energy Group's supply chain



HISTORY OF THE GROUP

HISTORY OF THE GROUP

2020
Preparing for the phase out of coal, continued decarbonisation of power and heating plants, and reclamation activities post mining operations. Acquisition of Elektrárna Počerady. Continuation of international acquisitions - 17% stake in Corsa Coal Corporation, a 100% stake in Blackhawk Mining LLC, and an acquired portfolio of mining leases and associated land from Wildcat coal fund (through its subsidiary Blackhawk Mining).

2019
Acquisition of a 50% stake in InterGen, a global leading power producer, which represents 4 gas power plants in the UK and has stakes in 2 power plants in Australia. Acquisition of a 100% stake in Alpiq Generation (CZ), which represents two cogeneration units in Kladno and Zlín.

2017
The beginning of an intensive focus on the acquisition of energy companies.

2016
Consolidation of the fragmented group under the name Sev.en Energy.

2013
Acquisition of a 100% stake in a coal company by Pavel Tykač.

2010
Beginning of Group formation. By concluding an agreement with other shareholders, Pavel Tykač becomes the sole beneficiary of the coal company. By gradually joining other companies, he begins the process that resulted in the formation of the Sev.en Energy Group in 2018.

2006
The entrance of Pavel Tykač According to Forbes magazine, the financier and investor, Pavel Tykač, becomes the sixth richest Czech. He invests in a minority stake in the Czech Coal company, which, among other things, owns the ČSA and Vršany lignite mines.



1905
In 1905, Ignatz Petschek acquired a majority stake in mining companies from the von Hohenlohe family, and nothing stood in the way of the development of the coal industry in northern Bohemia.

1920
The Petscheks emphasised long-term development. They invested heavily in the mines, which caused the Most company to become the most powerful mining company in the 1920s. And not only that, at the end of the decade, the Petschek financial group controlled half of Europe's coal mining, especially mines in Germany.

1939
The successful development of the empire, including the development of the family's coal business, interrupted the rise of Nazism to power and the subsequent Aryanization of their property after the occupation of Czechoslovakia.

1948
The nationalisation of property by the communist regime dealt another severe blow to the promising development. The mines became part of the state enterprise.

1993
As part of the so-called coupon privatisation, the state sold less than half of the coal company's shares to private owners. In the first decade of the new millennium, the company passed 100% into private hands.

1871
The beginnings and first development of lignite mining in northern Bohemia are connected with the Petschek family, namely Moses, who, at a time when most households were still heating with wood, recognised that coal is the heating medium of the future.



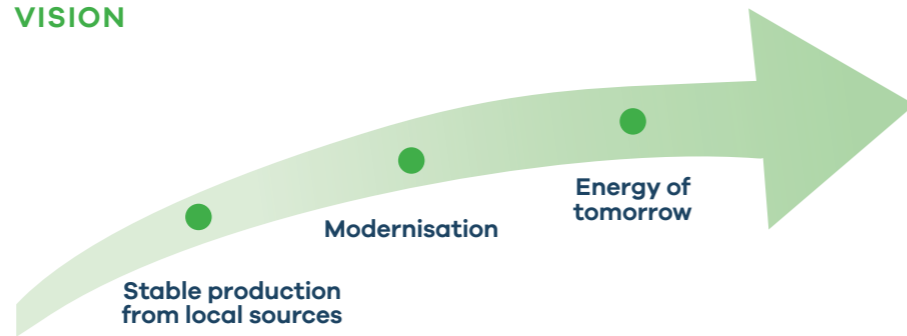
MISSION, VISION AND GROUP STRATEGY

MISSION, VISION AND STRATEGY OF THE SEV.EN ENERGY GROUP

MISE

OUR MISSION IS TO BRIDGE THE GAP BETWEEN THE WORLD OF TODAY AND THE ENERGY OF TOMORROW

VISION



THE GROUP'S GROWTH STRATEGY

Our goal is to share best practices across the Group, meet environmental standards, and look for investment opportunities in sustainable energy production. Additionally, we are focused on socially and economically responsible transformation, as well as decarbonisation.

We believe that through our strategic acquisitions, especially those focused on conventional sources, we provide a solid foundation for the transition of the energy sector and its future sustainability. In the following years, we will continue to focus on the Group's international expansion.

FOUR CHARACTERISTICS OF OUR BUSINESS

<p>1</p> <p>Deep-rooted technical knowledge</p>	<p>2</p> <p>Financial stability and independence</p>
<p>3</p> <p>Operational performance</p>	<p>4</p> <p>Entrepreneurial spirit</p>

<p>OPERATION</p>	<p>→ ADJ. EBITDA</p> <p>4,3 CZK billion</p>	<p>→ EXTRACTED COAL</p> <p>9,4 million tonnes</p>	<p>→ TOTAL NET PRODUCTION OF ELECTRICITY AND HEAT</p> <p>4 502 GWh</p>
<p>ENVIRONMENT</p>	<p>→ CO₂ EMISSION INTENSITY DECREASE IN IN THE LAST THREE YEARS</p> <p>5%</p>	<p>→ RECYCLED WATER IN THE PRODUCTION OF HEAT AND ELECTRICITY</p> <p>98%</p>	<p>→ INCREASED PRODUCTION EFFICIENCY</p> <p>0.4%</p>
<p>OUR PEOPLE</p>	<p>→ TOTAL NUMBER OF EMPLOYEES</p> <p>3 152</p>	<p>→ TOTAL NUMBER OF WORKED HOURS</p> <p>5 million</p>	<p>→ TOTAL NUMBER OF HOURS OF TRAINING</p> <p>46 404</p>
<p>OUR PARTNERS AND COMMUNITIES</p>	<p>→ TOTAL NUMBER OF SUPPLIERS OVER CZK 5 MILLION</p> <p>100</p>	<p>→ TOTAL NUMBER OF END CUSTOMERS</p> <p>726</p>	<p>→ ALLOCATED TOWARDS PHILANTHROPIC ACTIVITIES</p> <p>74 CZK million</p>

MISSION, VISION AND GROUP STRATEGY

GROUP STRATEGY

In the Czech Republic, the Sev.en Energy companies have c. 12% market share on the total energy production. The Group is also a key employer in the Ústí nad Labem region. Currently, Sev.en Energy faces a major business transformation task within with the European Union's climate change and environmental protection related efforts. As the second largest producer of electricity in the Czech Republic, the Group is responsible for the safe and stable supply of electricity and heat. Therefore, we believe that an early phase out the Group's operations is not an option but instead we have to gradually address and transform our operations towards lower emission technologies while retaining the employees and meeting the expectations of the regions in which we operate. For these reasons, Sev.en Energy participates in nationwide discussions related to sustainable and renewable energy production. We also conduct feasibility studies related to the possible reclamation of land after the mining activity is has ceased. We continue to progressively modernise the Group's power and heating production plants with the objective of remaining compliant with the relevant energy legislation. Our priority is to make informed decisions about the future trajectory of European energy markets, the future availability of financing sources (e.g. European funds) and the economic advantages of new energy projects and sources.



SEV.EN ENERGY'S TRAJECTORY: 2020 TO 2038

Sev.en Energy recognises its responsibility in the area of energy generation and has become part of the transformation in the energy sector, which is primarily in defined by the European decarbonisation goals and by the national goals in providing a sustainable energy production mix for the Czech Republic.

In response to the Group's strategy, the Ústí nad Labem region set its own decarbonisation goals for the year 2030, which are highlighted below:

- 1 A 50% CO₂ emission decrease, relative to 2019.**
- 2 A 25% emission decrease of sulphur dioxide and particulate matter, relative to 2019.**
- 3 Maintaining or slightly increasing the installed capacity of generated electricity, as well as RES transition efforts.**

At the same time, by 2030, the Group shall finalize the reclamation projects in the area of the newly built ČSA lake (to potentially replace the current ČSA mine location and associated industrial land). This project will also include the installation of solar panels on the lake itself and on other suitable reclaimed areas in the CSA location, together with the in, installation of electrolyzers for hydrogen production, and installation of battery storage units.

Sev.en Energy aims to complete the reclamation projects related to the

ČSA mine by the year 2033 including an installation of floating solar panels on the newly created ČSA lake, the integration of related accumulation systems and the construction of a pumped storage power station. Ultimately, these completed projects will support landscape and environmental restoration.

We believe that in line with the Czech Republic's current coal phase-out strategy, Sev.en Energy will terminate its mining operations at the Vršany mine, and the lignite fired energy

production at the Elektrárna Počeradý and other related operations by 2038. We also expect that around 2038 the construction of a pumped storage power station, which is currently under consideration by the Group, will be completed. As part of the CSA Green Mine revitalisation project we expect that by this time the main phase of the residential area project, which will create a self-sufficient energy municipality with zero energy requirements, will be completed.



MISSION, VISION AND
GROUP STRATEGY

THE KEY AREAS OF ENERGY TRANSFORMATION IN THE CZECH REPUBLIC AND EUROPE

The future development of Sev.en Energy will fundamentally be affected by the European decarbonisation goals, resulting in the continuous transformation of the Group's power and heating plants. In the long term the Group believes there is sufficient flexibility in our production portfolio to enable compliance with these decarbonisation goals even if the energy mixes and operational plans change in short term. Sev.en Energy's plans incorporate the main transformational topics in the Czech Republic related to the energy sector, which include:

- 01** The decision of the Coal Commission to phase out coal in the Czech Republic by 2038.
- 02** Supporting the decarbonisation goals through European and national financing tools.
- 03** Meeting the national 2030 decarbonisation goals and increasing the share of RES in the Czech energy mix.
- 04** Setting the future national energy mix, which will likely include nuclear, conventional, and natural gas as generation sources.
- 05** Long term sustainability of heating plants in response to increasing emission allowance prices.

The coal phase-out will have a significant impact on the European energy market and on the economy of regions which are heavily impacted by coal. It will require a Europe wide and nationwide transformation, which will have to be managed without causing significant social and economic losses, including unemployment or possible electricity and heat price increases for final customers.

Sev.en Energy emphasises compliance with its decarbonisation goals, but

at the same time, recognises the social and economic risks of an accelerated transformation. As a result, Sev.en Energy has carefully prepared transformation plans, taking account of its market intelligence, to be able to make a well informed decisions for the future of the Group's energy related operations.

Sev.en Energy plans the reclamation of land postmining activity to enable the affected areas to become versatile and usable as attractive environments for

future generations. Power and heating plants will face increasing costs mainly caused by the rising price of emission allowances in Europe, which are part of the emissions trading system (EU ETS). In the future, this price pressure will accelerate the need to pursue and implement alternatives to coal. Sev.en Energy is working on preliminary feasibility studies regarding the partial or full replacement of lignite with natural gas or other alternative fuels (e.g. biomass) in the Group's operations, with the focus on heating plants.



MISSION, VISION AND
GROUP STRATEGY

NATIONAL AND SUPRANATIONAL FINANCIAL SUPPORT FOR ENERGY TRANSFORMATION

National and supranational entities are aware of the current enormous pressure on coal miners, and employees working in the power and heat production sectors. As a result, they have created several organisations that offer financial support in the form of funds supporting projects aligned with the European Green Deal. The most prominent being the Modernisation Fund (MoFo), the Just Transition Fund (JTF), and the Recovery and Resilience Fund (RRF).

Sev.en Energy has prepared several applications for the MoFo and JTF funds, who support modernisation projects and policies relevant to employees in regions affected by the planned coal phase-out. Both funds focus on supporting the initial steps of decarbonisation, such as co-financing large investments linked to transformation (e.g. construction of

renewable energy technologies and infrastructure required to replace coal with gas or alternative fuels).

Sev.en Energy recognises the potential that these funds provide in the areas of land reclamation, conversion projects to lower emission fuels (e.g. gas), and where possible, using reclaimed land for renewable energy sources. These projects typically have significant investment costs and risks associated with implementing new technologies; the investment support helps us reduce these to some extent.

With regards to the Modernisation Fund, in 2020, Sev.en Energy submitted eight applications for the RES+ Programme and two applications for the HEAT Programme. In these funds only c. CZK 200 billion worth of nationwide funds are available to the Group. This amount

is derived based on the price of EUAs for a period of 10 years. The available funds are intended to co-finance electricity production projects including the construction of photovoltaic, and wind or hydro power plants. Sev.en Energy targets support for the installation of stationary and floating photovoltaics panels intended for its reclaimed mining sites.

The MoFo provides investment support, while the JTF offers support to regions reliant on fossil fuels. Sev.en Energy can apply for the JTF in the area of employee requalification programs, site preparation, or for projects focused on creating new job opportunities in the Group's regions of operation. These projects can also include the reclamation of land or industrial infrastructure on reclaimed land.

Given the above mentioned criteria, Sev.en Energy believes that the following projects will receive certain MoFo or JTF support:

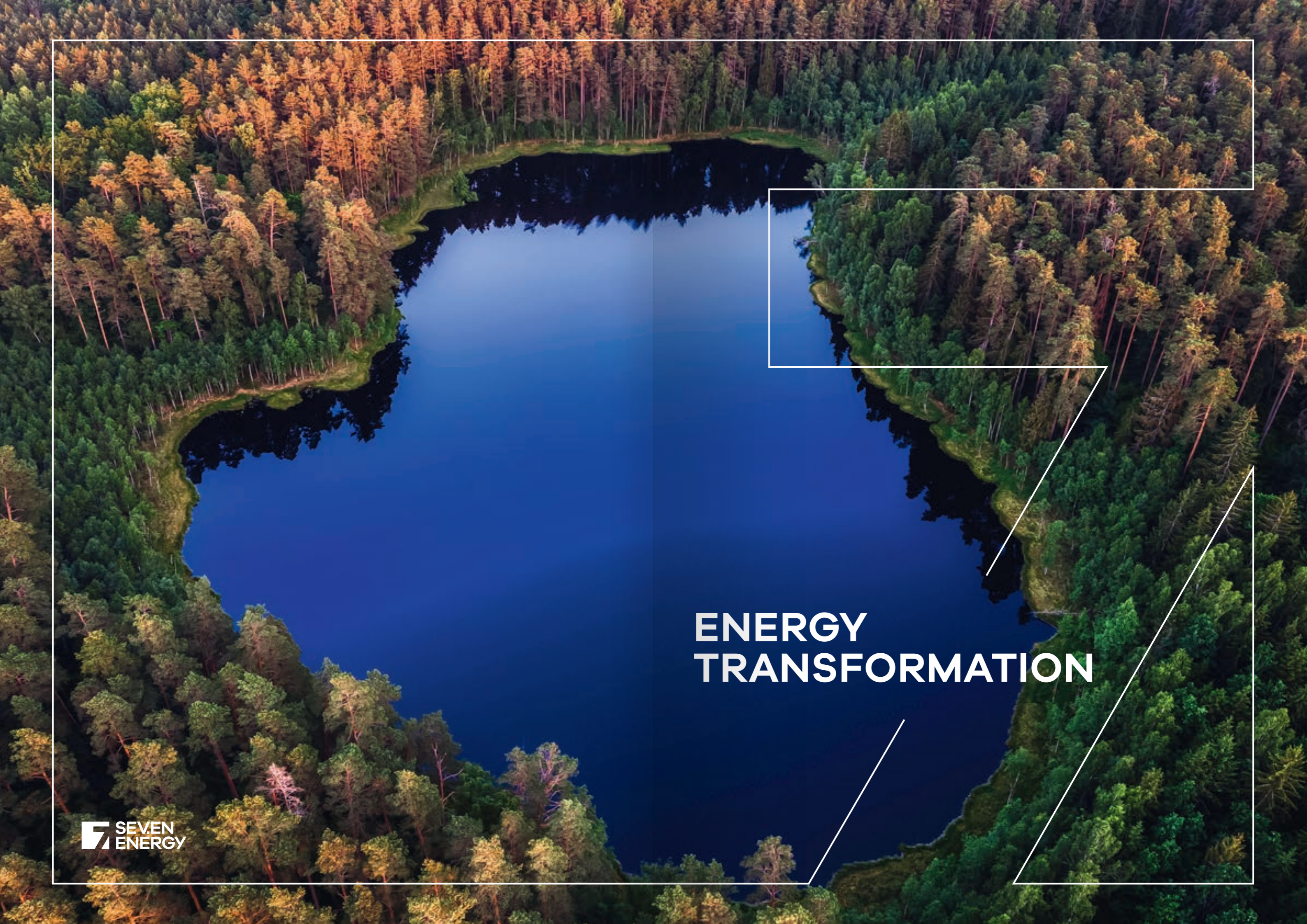
- 1. Projects after the mining activity at the ČSA mine is terminated - after reaching its mining limits, reclamation will begin, including the construction of new clean energy sources, i.e. an installation of c. 400 MW of solar panels, electrolysers with an estimated power of 100 MW or battery storage units with 200 MW are being considered.**
- 2. By 2038, support for ceasing operations at the Vršany mine and the termination of lignite-fired operations of the Elektrárna Počerady. This will include support in relation to the construction of a pumped storage power station on the newly created ČSA lake (reclaimed mine site), along with the necessary public sector partnership as the contracting authority for the project.**
- 3. Support for maintaining 80% of the Group's current labour force by creating jobs through new projects.**
- 4. Continued decarbonisation of power and heating plants, in accordance with current legislative requirements.**

Sev.en Energy aims to achieve these goals through the continual integration of new fuels and renewable energy sources in its energy mix. Our specific objectives include:

- The Group would leverage the benefits of the ČSA mine site, which uniquely offers the opportunity to combine hydrogen-based technologies and floating photovoltaics. This would improve diversification, as various technologies can be used simultaneously on the reclaimed land (e.g. terrestrial photovoltaics, floating photovoltaics and hydrogen production).
- By decarbonising our power and heating plants, the Group would strengthen its position as a leader in electricity and heat production.

Despite these benefits, our priority is to make informed decisions that respond to the dynamic and transformational nature of the energy market. As such, the Group will continue with its responsible operations at the ČSA mine (until mining limits are reached) and the Vršany mine. This will be followed by the reclamation of these sites in accordance with best practices. Simultaneously, Sev.en Energy will continue to gradually modernise and decarbonise its power and heating plants, this plan being integral to the Group's future success. As a result, the Group continually searches for alternative fuels to use in its operations, and to intensively discuss its overall trajectory with regards to its energy transformation journey.





ENERGY TRANSFORMATION

TRANSFORMATION IN MINING ACTIVITIES

TRANSFORMATION IN MINING ACTIVITIES

The transformation of lignite mining has been accelerated by the changing conditions in the energy market. The first factor is the increasing price of EUAs in Europe, especially during 2020 and 2021. The price has increased from EUR 23 per tonne of CO₂ in October 2020 to over EUR 50 per tonne of CO₂ in May 2021. The increased EUA price is reflected in an increase in the price of electricity and heat from coal-fired power plants, making them less competitive. The second factor is the EU decarbonisation goals, which directly support an increase in the price of EUAs because, in order to meet the goals, the number of allowances available in the market is planned to be gradually reduced. The final factor is the recommendation from the Coal Commission to phase out coal by 2038. This year represents the definitive end to coal mining and processing, which will lead to a decreased demand for coal in the Czech energy market. This decreased demand will also lead to an increase in the price of energy from coal, as companies will no longer be able to benefit from the related economies of scale. The combination of these three factors reduces, and will continue to reduce, the demand for coal as power and heating plants look for alternative fuels, such as gas.

Sev.en Energy recognises these developments and the limited long term future of energy from coal and is actively searching for fuel substitutes to use in its operations, including gas or alternative fuels (e.g. co-infused biomass). Replacing lignite will directly impact the Group's heating plants (Kladno and Zlín), and in the long-term also its power plants (Chvaletice and Počeradý).

The reduced demand for coal will impact the Group's individual mines. With regards to the ČSA mine, Sev.en Energy believes that mining will continue until its mining limits are reached, followed by reclamation of the site. Additionally, there is potential to use the ČSA site for other economic activities, including those related to energy. The Group aims to gather as much information as possible relating to the Czech state's future plans for the mine's locality, so as to make the best decision for the future of the mining site. Our goal is to prepare an updated reclamation plan for the ČSA mine which is aligned with reclamation best practices. The Group leads and conducts regular discussions with all concerned stakeholders, both at local and national level.

The youngest lignite mine in Czech Republic, the Vršany mine, may be required to close by 2038, i.e. before it exhausted its reserves due to the coal phase-out recommended by the Coal Commission. The expected life of the mine, if it is allowed to remain open, would otherwise be to around 2050.

Sev.en Energy Group is considering the following recultivation projects for its mining sites:

- installation of photovoltaic parks and wind parks on brownfields
- installation of a pumped storage power station for electricity storage, which can be used for the regulation of local electric networks (ČSA mine)
- construction of battery storage units
- introduction of agrovoltaic practices (combination of ecological agriculture and photovoltaics)
- installation of floating photovoltaics, with the production of green hydrogen
- construction of aquaponic greenhouses in combination with animal, plant and energy production
- cultivation of biomass for energy production
- allowing for natural succession to take place in the area after mining activity has ceased

The potential uses of reclaimed land are not limited to those listed above, as sites can also be repurposed for industrial activity or for a combination of industrial activity and the above mentioned projects.

Sev.en Energy is further considering auxiliary investments in renewables. The Group aims to build greenhouses (e.g. on repurposed land of the ČSA mine), with a connection, from a technical point of view, to the Elektrárna Počeradý. The Group also is evaluating the potential construction of a processing plant for energy-by-products, which would separate rare earth elements (e.g. lithium, titanium and germanium) used e.g. in construction or 3D printing. The processing of separated materials would take place in the Třískolupy industrial complex near the Elektrárna Počeradý. A feasibility study, in cooperation with project partners, the University of Johann Evangelist Purkinje (UJEP) and the Brown Coal Research Institute (BCRI), will be completed by the end of 2024. Preliminary estimates indicate that the project would create 222 new full time jobs, assuming that the project starts in 2029 and continues until the complete extraction of resources (approximately 20 to 30 years).



TRANSFORMATION
IN MINING ACTIVITIES

COAL MINING



ČSA MINE

The ČSA mine has the highest quality lignite in Europe, with an average calorific value of 17.5 MJ/kg, and up to 20 MJ/kg. In this respect, the lignite sourced from the mine is quite unique. At this site, the closure of the mine will not be influenced by the 2038 phase out of coal, but instead, by the environmental mining limits imposed by the Government Resolution 444/1991.

The Green Mine project is the overarching vision for the transformation of the ČSA mine. The selected 45 km² will be revitalised after the mining activity ceases. The Group aims to exceed its legal obligations related to remediation and wants to provide extended development opportunities to the area.

The revitalisation of the ČSA mine may require an update of the Comprehensive Reclamation and Remediation plan (SPSaR). The Green Mine project includes individual projects that will add substantial value to

the area, including the construction of greenhouses, the construction of a mill for energy-by-product, and the preparation of the required infrastructure for a scientifically industrial complex. Furthermore, the location could potentially be used for the construction of renewable energy sources and a pumped storage power station for electricity storage and network regulation. These projects would require external partners and have been part of ongoing feasibility studies since 2020.

The goal of the resocialisation of the ČSA mine is to galvanise the area affected by several forced resettlements. Our intention is to create conditions in the region to enable people to both live and work. Sev.en Energy is prepared to work with partners from industrial, scientific and governmental organisations on like-minded projects. These projects can include the construction of an industrial zone, building new residential areas or scientific research hubs.



VRŠANY MINE

The Vršany mine is the youngest lignite mine in the Czech Republic, with enough reserves for mining to continue until 2050. However, with the recommendations from the Coal Commission to phase out coal by 2038, as well as the

increasing price of emission allowances, which will only continue accelerating, mining activity is expected to cease by 2038.

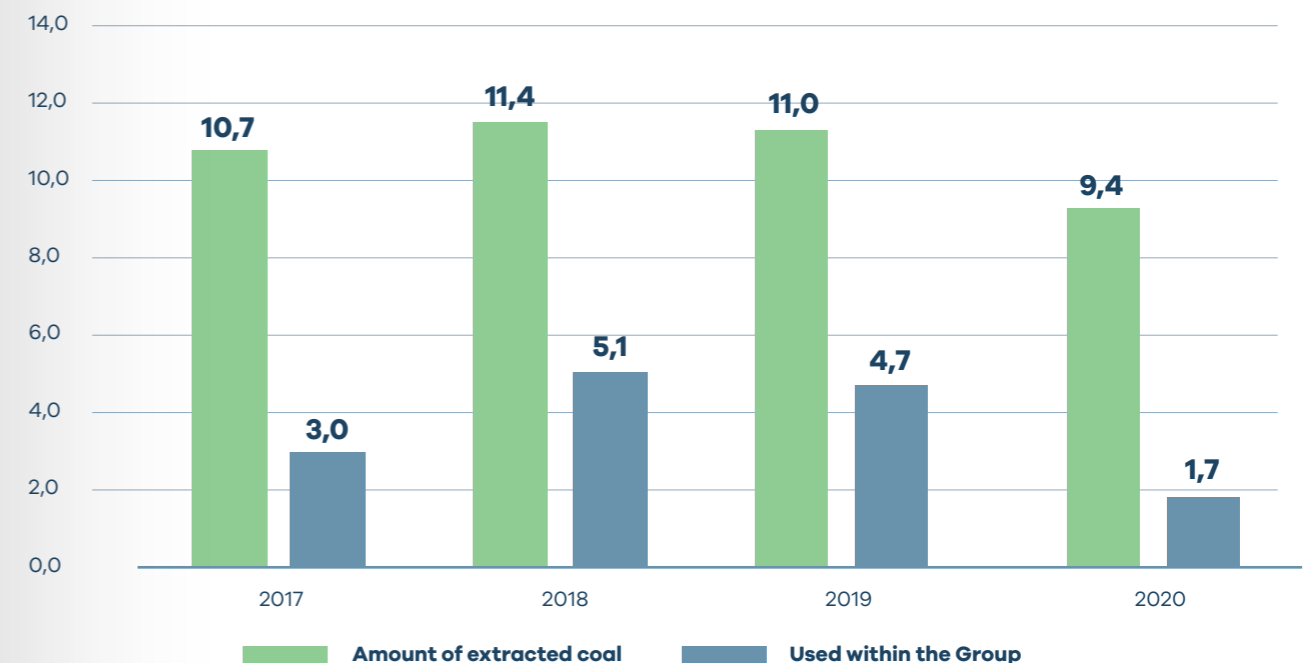
Figure 2: The ČSA and Vršany mines



IN RELATION TO REVITALISATION AND RESOCIALISATION OF THE ČSA MINE OUR GOALS GO BEYOND THE LEGAL OBLIGATIONS AND REQUIREMENTS.

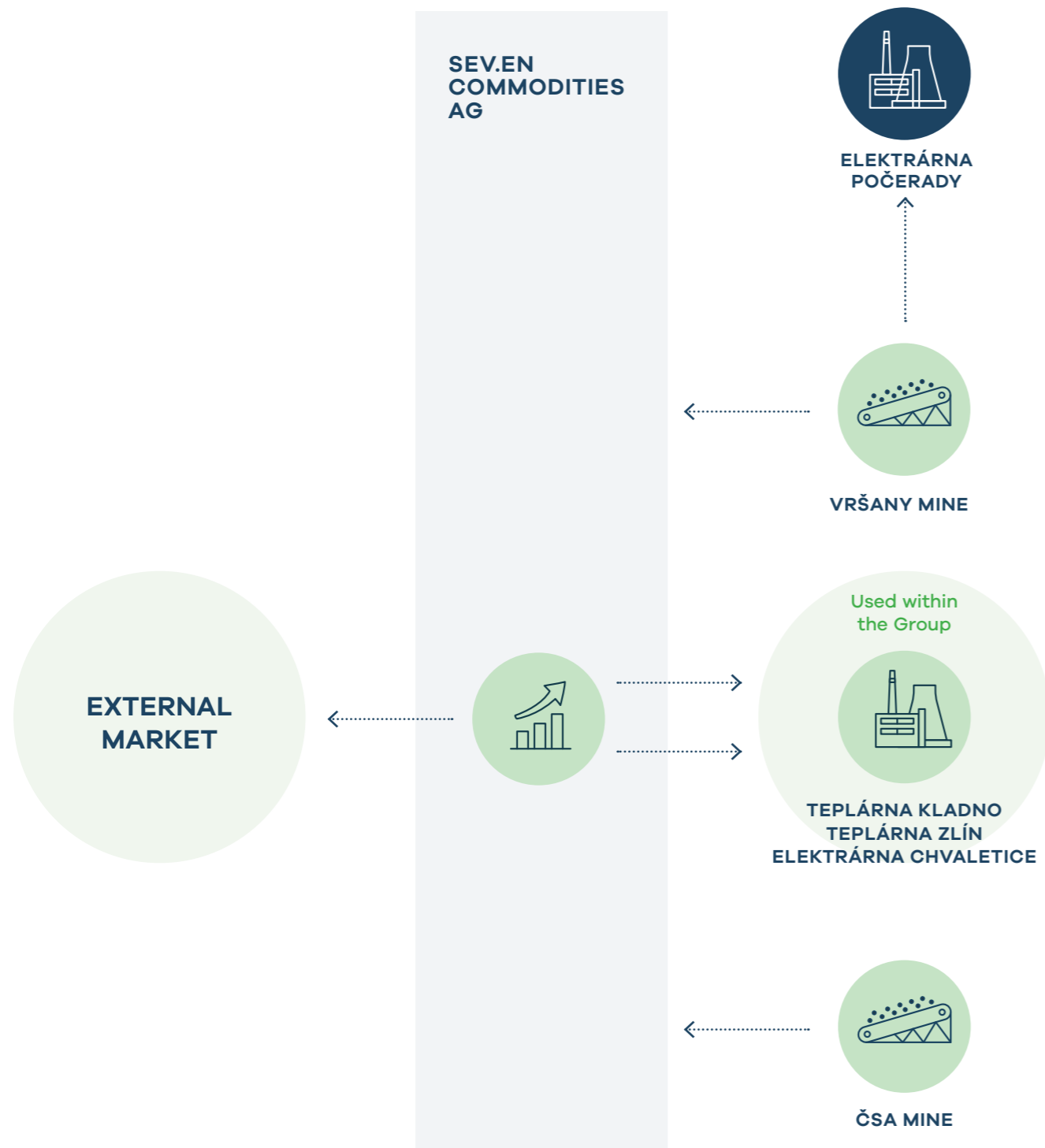
KEY MINING STATISTICS

Graph 1: The amount of coal extracted at the ČSA and Vršany mines



In 2020, the decrease in mining volumes was primarily caused by the decreased demand for lignite due to the COVID-19 pandemic.

↓ The Group's internal tolling scheme.



RECLAMATION, BIODIVERSITY PROTECTION AND REVITALISATION OF IMPACTED LAND

RECLAMATION, BIODIVERSITY PROTECTION AND REVITALISATION OF IMPACTED LAND

THE GROUP SEES BUSINESS OPPORTUNITIES NOT ONLY IN CONVENTIONAL ENERGY, BUT WE ALSO ACTIVELY EXPLORE THE POTENTIAL OF RENEWABLE ENERGY SOURCES.



The restoration of areas and landscapes affected by mining activity is an integral part of the mining business and a legal obligation for our companies. Sev.en Energy approaches reclamation with ultimate responsibility and has already restored over half of the areas affected by the Group's mining activities. Equally, the preservation of biodiversity and protection of landscapes is integral to the Group's activities. Biodiversity management in newly created landscapes is part of a complex solution incorporated within the framework of the Comprehensive Plan for Remediation and Reclamation.

With regards to the ČSA mine, the CSA lake reclamation plans for the site are

being finalised. In 2020, Sev.en Energy discussed the potential depth of the lake and estimated that following reclamation the lake would have a depth of c. 180 meters above the mean sea level, which is its natural level. The Group is also evaluating the impact of a potential natural succession [what does "natural succession" mean? New tenant? New use?] of the reclaimed land, or the possibility of using the land for future energy production. The decision is to be determined by the results of several expert studies, which began in 2020 and which have yet to be completed. In the Green Mine project, Sev.en Energy plans to go beyond the legal requirements for remediation and reclamation. Through revitalisation and resocialisation plans, the

Group aims to develop new ideas? for the growth and development for the ČSA mine, with projects that will focus on significant socio-economic value.

The reclamation and remediation plans for the Vršany mine will be further analysed, as they will likely need to adjust in line with the mine's projected closure date, whether it will be in 2038 or earlier due to market changes. Furthermore, the plans will need to consider the water management system of the region, which may still change before the mine's closure date.

The update of the SPSaR will consider the prepared reclamation and remediation plans for the ČSA mine and other affected areas.

RECLAMATION, BIODIVERSITY PROTECTION AND REVITALISATION OF IMPACTED LAND

REMEDICATION AND RECLAMATION PLANS

The discussions and evaluations related to the remediation and reclamation plans are multi-phased and interlinked with various interest groups and stakeholders. However, certain key documents have already been approved before mining began.

In the relevant phases of reclamation planning, Sev.en Energy considers the interests and needs of relevant legal and governmental bodies, and the regional interests of the affected areas.

The comprehensive remediation and reclamation plans emphasise the symbiotic interconnection of habitats that create healthy ecosystems. A study on the prevalence and concentration of biodiversity in the affected areas is being conducted. Based on the conclusions of the study, protective measures will be implemented. These measures will ensure that the new habitats will be able to connect with the current ecosystems, thereby supporting biodiversity.

During the implementation of comprehensive remediation and reclamation plans, environmental protection agencies monitor their progress; they must find the processes satisfactory. Following remediation and reclamation, land is returned to the owner (in cases where land is leased) or the land is utilised, as long as this aligns with relevant post-reclamation legislature (in cases of direct land ownership).

Every year, in an effort to create new landscapes, Sev.en Energy implements its remediation and reclamation plans. These efforts include preparing the land for potential new applications/ uses? and introducing new habitats, such as wetlands in the reclamation of forests and agricultural areas.

Reclaimed areas often result in better conditions compared to pre-mining activity, increasing the potential new uses for the land.

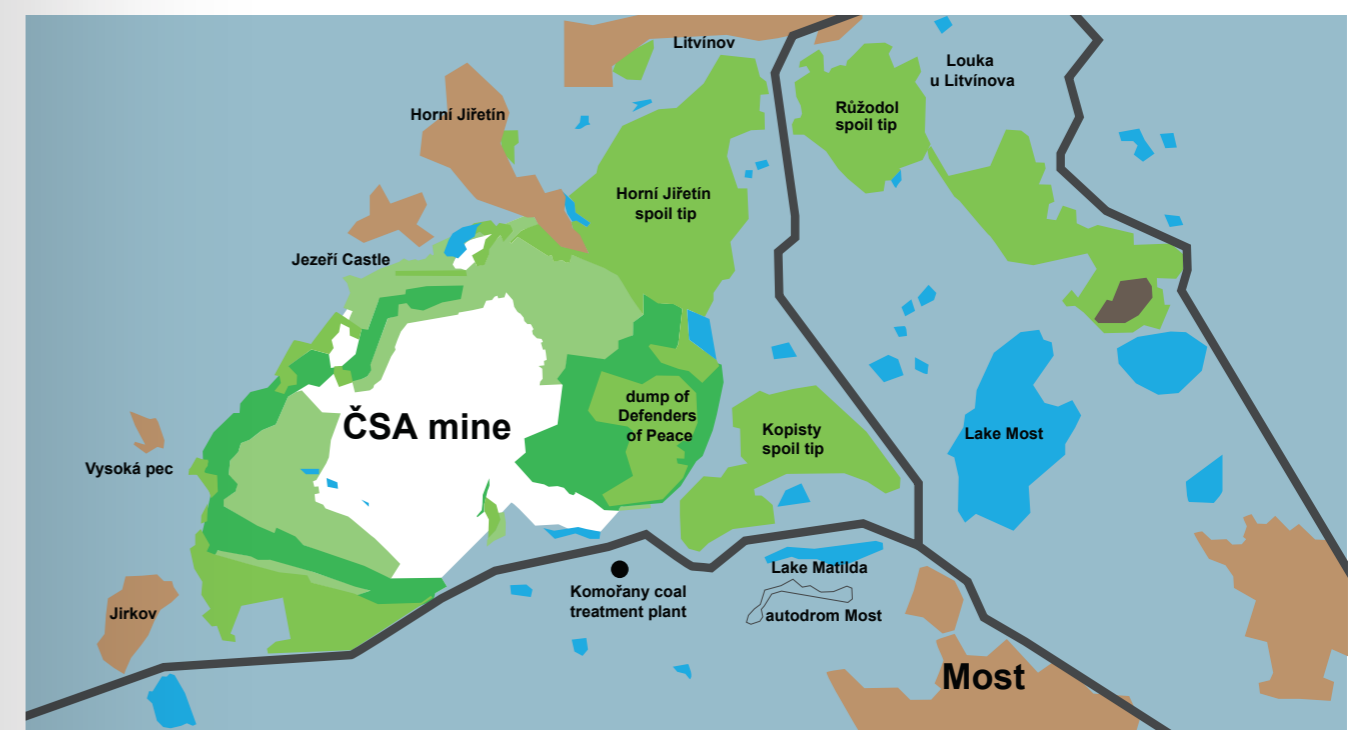
Unique and favourable habitats for rare species of animals and plants are being created. This includes monitoring areas suitable for natural production, allowing wild animals and plants to thrive, including endangered species. Similarly, it is possible to create nature-based communities that meet the requirements of nature conservation, with the objective to create a stable local ecosystem.

The area of the land affected by the Group's mining activities is over 9 600 ha. At the end of 2020, 5 341 ha were fully reclaimed and 1 177 ha were in the process of being reclaimed. Currently, the excavated segments of the ČSA and Vršany mines are being reclaimed.

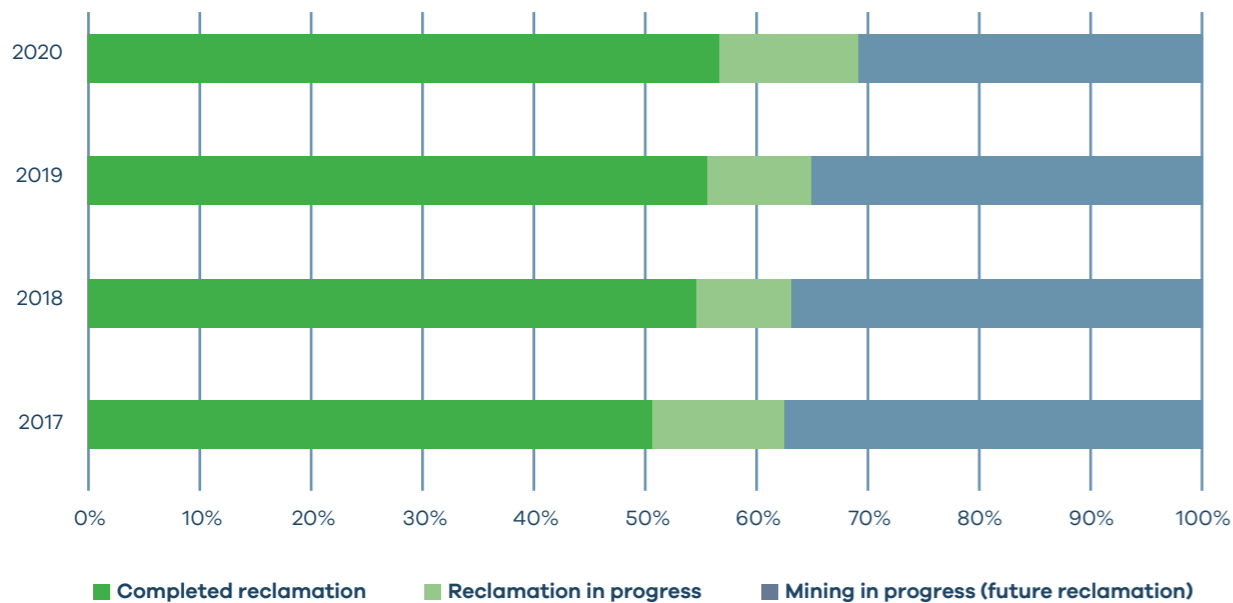
The most common type of reclamation is associated with forestry, which covers 2 565 ha. Notably, since 2015, the Group has planted over 4 million trees, as part of forestry associated reclamation, which can absorb 4 million tonnes of CO₂ during their 100 year life expectancy. Additionally, in an effort to combat drought, the Group has exceeded the legal requirements for growing resistant grass and tree species in the affected areas.

In 2020, Sev.en Energy invested CZK 144.7 million into reclamation, CZK 17.7 million of which was from state funds dedicated to ameliorating past environmental damages. The reclamation implemented within individual projects is conducted in accordance with relevant project documentation and contracts. With regards to reclamation, in 2020, there were no recorded complaints or incidents.

Figure 3: Reclamation of Sev.en Energy's mine sites



Graph 2: Phases of reclamation in areas affected by the Group's lignite mining



CASE STUDY



REVITALISATION ADDRESSES REGIONAL DROUGHTS

The new landscapes resulting from the reclaimed areas of the Vršany and ČSA mines can potentially help combat regional droughts. The revitalisation of both mines is designed to retain water to reduce the likelihood of drought. Overall, Sev.en Energy aims to restore land to its original state and aims to achieve sustainable water management and retention of the affected areas.

When modelling the terrain, initially the Group considers the natural water retention, taking into account dips, meanders, or wetlands. Water in these aquatic bodies is of high quality, which is supported by the highly diverse flora and fauna in the surrounding habitats. Planting native tree species and establishing woodland areas also helps retain water in the reclaimed areas, thereby improving the conditions for fertile growth of local flora. Sev.en Energy also sows special grass mixtures that quickly cover newly reclaimed areas and help the land to cope with drought through natural regeneration of meadows or smaller grass specie habitats.

CASE STUDY



GREEN MINE PROJECT: REVITALISATION AND RESOCIALISATION OF THE ČSA MINE

The Green Mine project is a strategic project at the ČSA mine, with great significance for the future development of the region, as it lies between the Krušné hory mountains and the key regional cities (e.g. Most or Litvínov) and is connected to national roads and railways. This important area of 45 km² has the potential for a significant transformation. Our Green Mine project consists of several smaller projects that are run by, or in partnership with, public and private entities. The project partners include UJEP, VÚHU, the city of Most, SMEs (Small to Medium Enterprises) and others. The projects will be financed by Sev.en Energy and by accessing EU funds.

Key individual projects include:

- New landscapes. This includes the natural recovery of existing landscapes, aquatic habitats, organic farming and agrivoltaic practices.
- New emission-free energy. This includes stationary and floating photovoltaics, and the storage of energy through hydrogen and pumped storage power stations.
- New entrepreneurial activities. This includes processing of energy by-products, circular economy, and industrial development (i.e. a smart industrial zone).
- New life for people. This includes new job opportunities in attractive professional areas, the development of residential areas, tourism and extracurricular activities.

The Green Mine project transformation is planned to take place between 2021 and 2038.



TRANSFORMATION IN ELECTRICITY AND HEAT PRODUCTION

TRANSFORMATION IN ELECTRICITY AND HEAT PRODUCTION

In the last three years, the price of emission allowances (EUAs) in Europe, as part of the emissions trading system, has more than tripled. In mid-2021, the price exceeded EUR 50 per tonne of CO₂. Emission allowances are a key variable cost for the production of electricity and heat, mainly for coal-fired plants. Given that Sev.en Energy relies on lignite as the main fuel for the electricity and heat production, the rising input costs could make our business model financially unsustainable. As such, the Group is currently reassessing its business model and is conducting intensive research on alternatives to coal for electricity and heat production; the recommendations from this reassessment will be implemented in early 2021.

As an EU member state, the Czech Republic is subject to compliance with the European decarbonisation goals. These goals include a decrease of greenhouse gas emissions by at least 55% by 2030, relative to 1990, and reaching carbon

neutrality by 2050. In response to these goals, the Czech Republic created a decarbonisation plan, the National Climate and Energy Plan (NKEP), with a target of 22% of the Czech energy mix to be derived from renewable energy sources by 2030. This should result in an additional 1.9 GW from photovoltaics and 0.3 GW from wind energy to the existing energy mix by 2030. Effective decarbonisation is a necessary step towards achieving these goals. The goals can also be achieved in part through the use of financial instruments.

In order for the Czech Republic to meet its current and future targets in relation to its share of renewable energy sources by 2030, it must make greater use of large photovoltaic parks, which can be developed relatively quickly. The most attractive sites for these parks are likely to be brownfield sites, reclaimed water areas, or low value land.



CASE STUDY



ELEKTRÁRNA POČERADY – PLANNED MODERNISATION

The Elektrárna Počerady is the largest power plant in the Czech Republic with a production capacity of 1 000 MW. For decades, the plant has reliably served households and businesses, supplying around 7% of annual electricity consumption in the Czech Republic.

The Elektrárna Počerady was acquired by Sev.en Energy on 31st December 2020, three years earlier than initially planned. This enabled the Group to accelerate the modernisation of the power plant, which is essential for our production flexibility and maintaining our market position as a key domestic energy producer, especially during day periods when the production from renewables fluctuates or is limited.

The capital investment required at Elektrárna Počerady will be in the order of CZK billions. Together with the modernisation of the Elektrárna Chvaletice the combined investments will be among the largest environmental related investments in the Czech Republic in the next few years. The key investment in the Elektrárna Počerady will give the Czech Republic additional time to facilitate a safe transition to alternative energy sources. In April 2021, Sev.en Energy began with the refurbishment of the B6 block, and in 2022 and 2023 the Group plans to modernise the remaining blocks. In addition to emissions reduction investments, Sev.en Energy aims to implement a better and more sustainable water management system, and a rigorous emission monitoring system. Modernisation of Elektrárna Počerady will utilise the experience of our specialists from Elektrárna Chvaletice, Teplárna Kladno and Teplárna Zlín.

CASE STUDY



MODERNISATION OF THE ELEKTRÁRNA CHVALETICE LEADS TO SIGNIFICANT EMISSIONS REDUCTIONS

While the modernisation upgrades of the B3 and B4 blocks at the **Elektrárna Chvaletice** has been completed, in 2020 the Group has continued the refurbishment of

the B1 and B2 blocks, which is expected to be completed in 2021. Fabric filters were also installed, as they were successful in reducing dust particle emissions at the Teplárna Kladno.

Sev.en Energy considers environmental protection to be of utmost importance for the future of the Group's operations, and therefore ensures that it complies with all relevant legal requirements. In 2020, this commitment was demonstrated by the scale of funds allocated to investments by the Group; over CZK 1 billion.

TRANSFORMATION IN ELECTRICITY
AND HEAT PRODUCTION

APPROACH TO THE TRANSFORMATION OF THE GROUP'S POWER AND HEATING PLANTS



ELEKTRÁRNA CHVALETICE

The Elektrárna Chvaletice is the third largest producer of electricity in the Czech Republic and is certified to provide ancillary services for the Czech transmission system. The power plant is also one of the youngest lignite power plants in the Czech Republic, and as an integral part of the country's critical infrastructure it helps ensure a stable supply of electricity. The power plant has undergone substantial modernisation related to its environmental impact, and further investments are planned to extend its operating life. Four blocks with a dynamic production of 100 – 820 MW produce electricity to meet both baseload and peak electricity demand. In 2020, an important, and ongoing project, was the modernisation of two other blocks of the power plant. By mid-2021, all four blocks of the power plant, totalling an installed capacity of 820 MW, will be repaired and will meet the strictest environmental regulations imposed on long-term power plant operations.

There are four identical coal-powered steam boilers at the Elektrárna Chvaletice. The boilers are membraned and use extrusion technology, with a direct application of coal powder into the combustion chamber. The three-bodied, steam-powered, condensation turbines power the 235 MVA and 15.75 kV alternators.

In the autumn of 2020, the installation of fabric filters in blocks B3 and B4 was completed. In Q1 2021, a series of operational and verification tests were conducted, and the project was

finalised by resolving some minor deficiencies in June 2021. Overall, the Group's experience with the fabric filters at the **Teplárna Kladno and the Elektrárna Chvaletice** demonstrates that this technology functions as expected.

In 2020 preliminary work was conducted on blocks B1 and B2 to extend operating life, including supplier contract negotiations for the first and most important part of the modernisation; the expected date of completion is September 2021.

At Elektrárna Chvaletice, there is an additional conversion opportunity in relation to gas-fired technology. The plant is uniquely suited for this technology. However, this would require 11 km of gas pipeline to be built. Sevens Energy's pre-feasibility study on the use of gas considers a variety of technical solutions. In parallel the Group is analysing possible sources of funding.

The Elektrárna Chvaletice supplies both electricity and heat.

Heat is supplied to the city of Chvaletice, the town of Trnávka and to two industrial complexes in the locality between the town of Chvaletice and the power plant. In addition, Chvaletice powers and heats its own operations.



TEPLÁRNA Kladno

The Teplárna Kladno has five production blocks (B4, B5, B6, B7, B8). Four of them are used for the cogeneration of electricity and heat, and the remaining block is a peak-load gas turbine. The primary fuel used by the heating plant is lignite, with an option for cogeneration with biomass (up to 10% of thermal production). The amount of cogenerated biomass, and therefore the share of energy in fuel (and subsequently produced sustainable energy), depends on the availability of biomass. The Teplárna Kladno currently has a total installed power capacity of approximately 524 MWe.

In 2020, Teplárna Kladno increased its share of energy produced from renewable sources by combining lignite and biomass combustion. The heating plant produced almost 19 GWh of sustainable electricity in 2020 and replaced almost 13 000 tonnes of lignite with biomass, which is equivalent to approximately 9 coal trains. As a result, the heating plant avoided producing more than 16 000 tonnes of CO₂ emissions. In conjunction with efficient desulphurisation, the heating plant, with considerable reserve, operated within its emission limits. In future years, the aim will be to continue to increase the share of biomass, and to utilise cogeneration in the gas turbine.

Teplárna Kladno also operates local distribution networks, which distribute heat, natural gas and electricity in the Kladno industrial complex. Furthermore, photovoltaic plants with smaller power capacities are

linked to the distribution network. The existing backbone of the system is well positioned for the future. Therefore, currently most operational activities are focused on the maintenance and renewal of key networks.

Teplárna Kladno is the primary supplier to the central heating system for the city of Kladno.

Our goal for Teplárna Kladno is to continue to use biomass, up to at least 10% of the combustion volume. In addition to the biomass related investments, further investment projects are being considered in the Kladno locality. For example, investments in renewable sources for the redevelopment of industrial (steelwork) brownfields, or for a data centre for the local electricity distribution network operated by Teplárna Zlín.



TEPLÁRNA Zlín

The Zlín heating plant has two main production blocks (B31 and B32), it also has three medium pressure boilers. The primary production units are two fluidised bed boilers connected with turbo generators (TG31 and TG32). These are mostly lignite-fired, but lignite can be combined with biomass or biogas. The heating plant utilises modern technology installed in 1996 and 2002, which meets both the strict environmental limits set by the Czech Republic and the new 2021 EU regulations.

The second production unit provides reserve heat supplies for nearby communities. The production unit consists of four hot water boilers powered by natural gas.

In 2020, the installation of a new device aimed at reducing nitrogen oxide emissions (NO_x), was completed successfully at Teplárna Zlín. As a result, the heating plant will meet the nitrogen oxide emission limits implemented in 2021. At the end of 2019, the Group received an occupancy permit from the Construction Department of the Zlín municipality to operate this emission-reducing technology. The total investment for the new technology exceeded CZK 43 million.

The technology used to reduce emissions utilises selective non-catalytic reduction, where essentially, an ammonium hydroxide solution is injected into the boiler's air-flue gas tract. The heating plant complies with the current emission limits for its fluidised bed boilers, which will become binding on August 1st, 2021 and set a NO_x limit of 200 mg/Nm³.

The installation of the device has been completed on the K31 boiler, while the K32 boiler already meets the limit.

Parts of the Teplárna Zlín operations include local distribution systems of electricity, heat and natural gas located on former Bat'a plant premises, and supplying heat to the city of Zlín. In future years, we plan that one of the boilers will be converted to biomass (currently lignite) and that gas-fired boilers will be utilised as well.

The main production units of the Kladno and Zlín heating plants are blocks fitted with boilers that have a circulating fluidised bed layer connected to condensing steam turbines. The Teplárna Kladno includes blocks that utilise gas turbines and the Zlín heating plant includes blocks that utilise gas boilers that serve as backup sources in cases of peak demand.

Teplárna Zlín continues to prepare for the transition from lignite-based technology to gas-based technology. The lignite-fuelled boiler FK32 will be replaced by a new gas-based boiler K23. The Group is in the process of selecting its subcontractor and expects K23 to be installed before the 2022 heating season. Until the new boiler is installed, FK32 will continue to run. The estimated investment is CZK 50–60 million and the project is included in Sevens Energy's MoFo applications. The current FK31 boiler will continue to be used, and in the long-term may be replaced. For example, a gas-based boiler can be introduced instead, however, this would depend on various factors, such as the development of customer demand. In 2020, the hot water system used to supply heat was modernised.

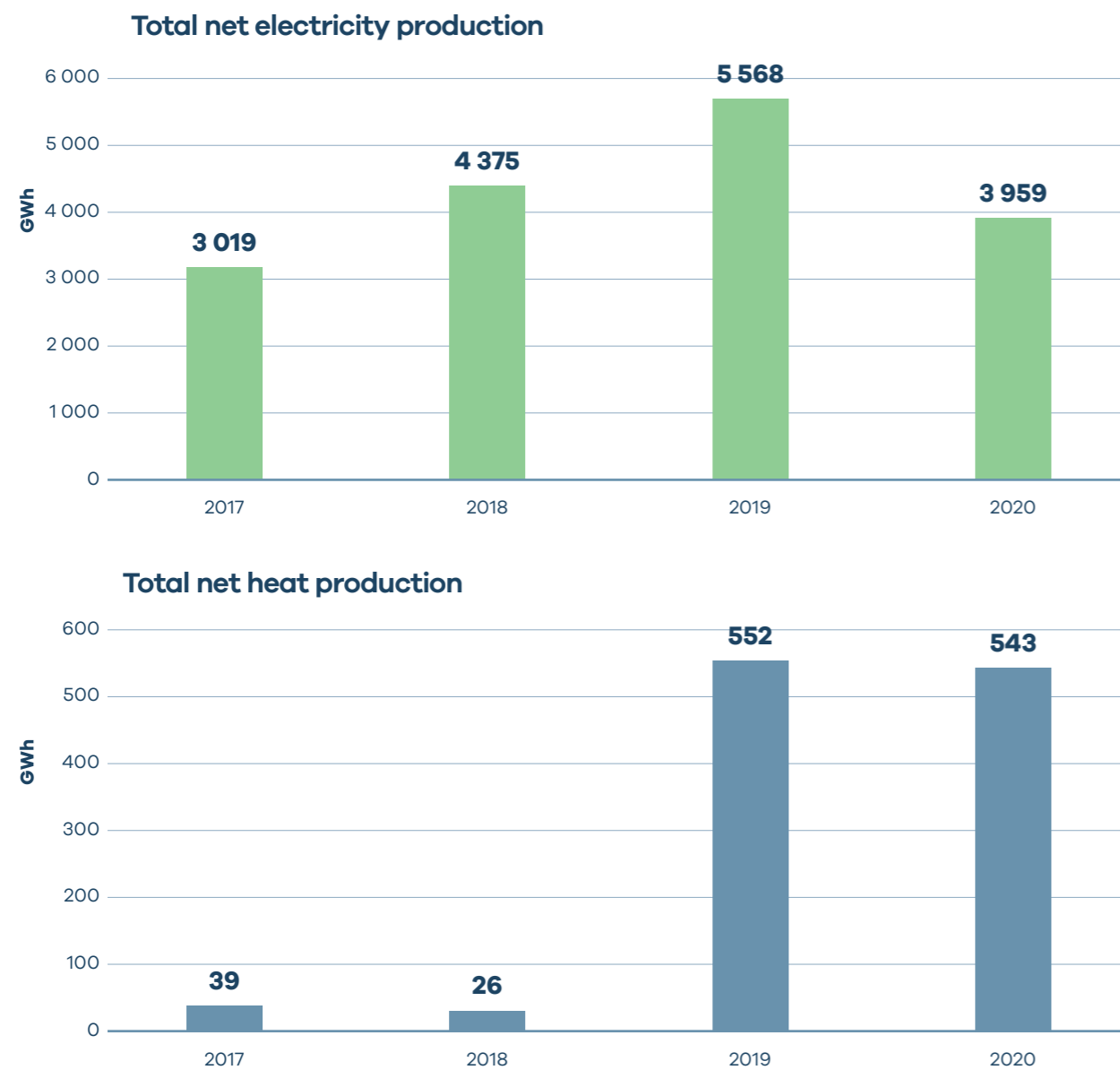
Table 1: Operational indicators for the production of electricity and heat in 2020

Operational data	Elektrárna Chvaletice	Teplárna Kladno	Teplárna Zlín	Sev.en Energy total
Installed capacity - electricity (MW)	820	524	64	1 408*
Installed capacity - heat (MW)	52	966	373	1 391
Total net production (GWh)	2 190	1 902	410	4 502
Electricity production (GWh)	2 158	1 678	123	3 959
Heat production (GWh)	33	234	287	543

* This is the sum for the producers in the Czech Republic.

In 2020, the overall production of electricity from conventional sources decreased by 1 599GWh, relative to 2019, to 3 932 GWh. Similarly, the production of heat from conventional sources decreased by 9 GWh, relative to 2019, to 543 GWh, which is still significantly higher than what was reported in 2018

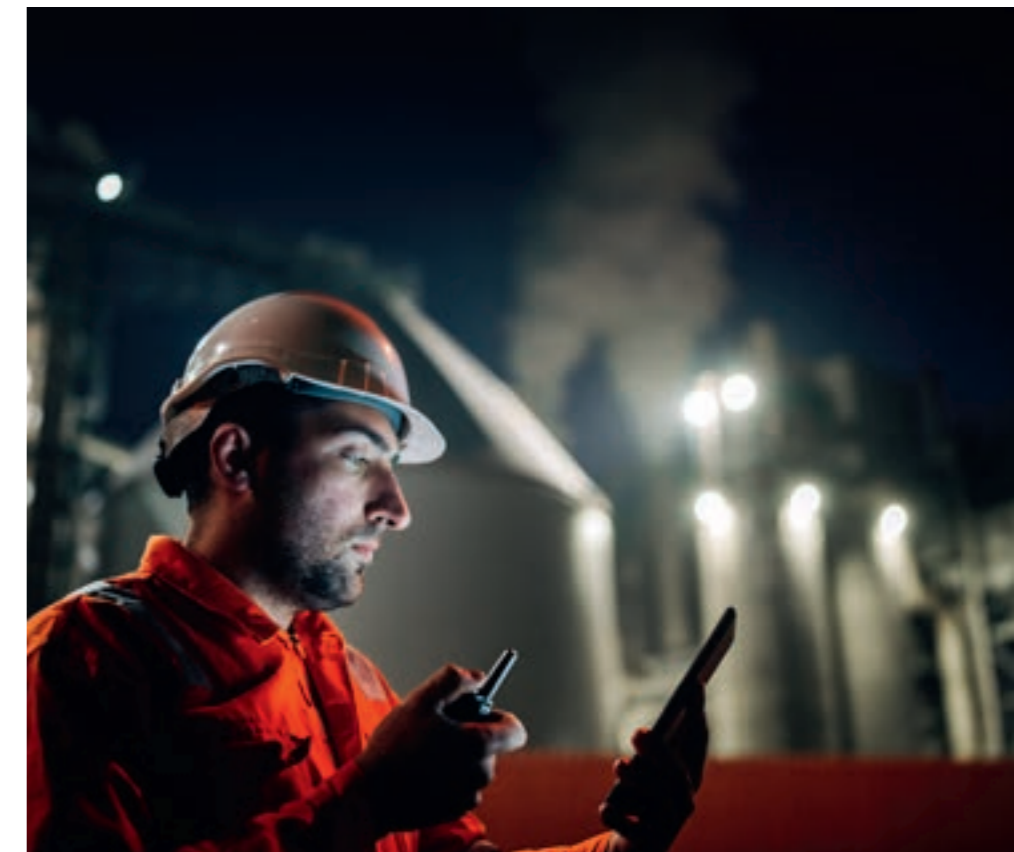
Graph 3: Total net production of electricity and heat³



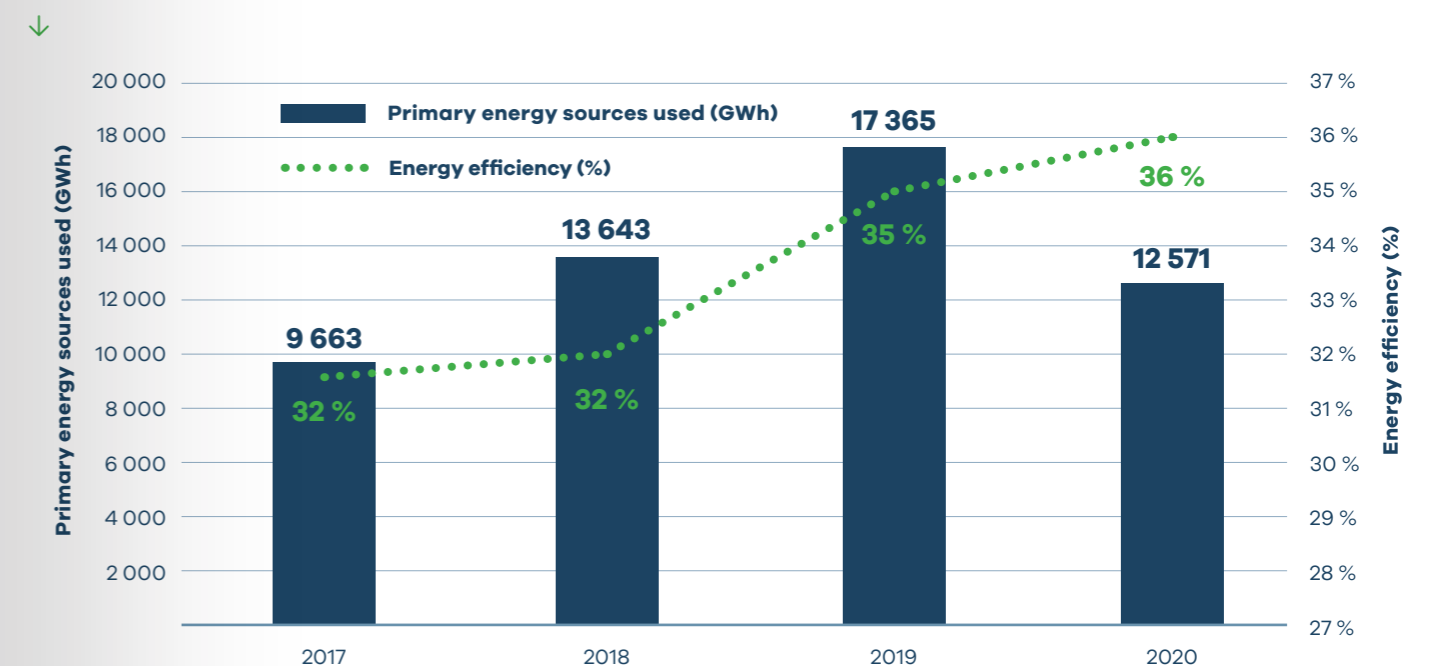
³ Net electricity production refers to electricity that is produced at generator terminals, minus the electricity for own electricity production, other purposes unrelated to electricity production, and for district heating.

Sev.en Energy values efficiency. We ensure efficient operation of our production facilities, whilst maintaining the highest safety standards.

The efficiency of the Group is demonstrated by the continual increase of energy and heat production efficiency. In the last four years, the energy efficiency of the Group's plants has increased from 32% in 2017 to 36% in 2020. This increase is the result of ongoing investment activities and operational improvements at the Elektrárna Chvaletice, and the highly effective operational regime at the Kladno and Zlín power plants.



Graph 4: Energy efficiency (GWh)



Note: Primary energy sources include lignite, black coal, natural gas, light fuel oil and biomass. A detailed list is available in the Technical Annex of this Report.



SEV.EN ENERGY
ACTIVELY
CONDUCTS
RESEARCH RELATED
TO MODERN
TECHNOLOGIES AND
IS OPEN TO THEIR
IMPLEMENTATION.

RECLAMATION AND BIODIVERSITY PROTECTION

Sev.en Energy monitors the environmental impact of its power and heating plants on neighbouring areas and aims to minimise both the negative effects and the Group's overall impact. Historically, the Group has reclaimed landscapes and has integrated them with surrounding environments. Before mining activities are terminated, the Group is legally obliged to provide details of its mine closure plans, as well as plans for subsequent reclamation, revitalisation or changes of use of the areas affected by mining. These projects must be approved by the respective regional authorities.

RECLAMATION OF THE CHVALETICE REGION

A separate project in the Pardubice Region is being implemented by the Elektrárna Chvaletice. The project focuses on reclaiming a former manganese calcite and pyrite mine (91 ha) using environmental stabilisers that will help connect the newly reclaimed land to the surrounding biodiversity.

The reclamation and modelling of the Chvaletice landscape to its original state before mining activity has already commenced. This includes the gradual restoration of landscape that was disturbed by the extraction of pyrite and manganese, which is planned by the use of stabilisers. The process occurs in phases, where individual areas are gradually integrated back into the landscape, progressing from the eastern part, which has already been completed and reclaimed, to the western part. Landfill reclamation is divided into technical and biological. In 2020, CZK 6 286 million was spent on the 7th stage of reclamation (out of 12 stages), and CZK 3 399 million was spent on closing a tailings pond and creating space for an 8th building. To date, 78% of the area has been reclaimed.

TEPLÁRNA KLADNO: ACTING AS AN ENERGY LABORATORY AND ALTERNATIVE FUEL SOURCE

In professional spheres, Teplárna Kladno is nicknamed the Energy Laboratory. This is due to the high technology standards expected from the plant's operations, as well as its continuous testing of innovative approaches and technical processes, including the development of alternative fuels with lower emission intensities.

At the Teplárna Kladno, our team considered and assessed the possibility of using treated components of industrial or municipal waste (solid waste) as one of their fuel sources. However, due to legislative barriers and uncertainties regarding the state of waste management in the Czech Republic, the research remained theoretical. The research team has also investigated the application of elephant grass and pistachio shells. However, these were deemed impractical due to their limited supply, making them inefficient energy sources.

The modernisation of block 7 was designed and completed to be able to use alternative fuels. The block has therefore been fitted with specific equipment used to unload and transport biomass.

Similarly, research related to the use of renewable energy sources is being conducted at Elektrárna Chvaletice; the utilisation of photovoltaics in surrounding industrial complexes is under investigation.





INTERNATIONAL EXPANSION

INTERNATIONAL EXPANSION

During 2020, Sev.en Energy Group continued to grow via international acquisitions. In November 2020, the Group established the Global Investments division which is focused on management of our international acquisitions in energy sector.

In 2020, we focused on a new market with strong growth potential – the metallurgical coal market in the United States and potentially Australia. Metallurgical coal (also called met coal) is the key ingredient for the worldwide production of iron and steel. The United States is a major world producer and Australia is the largest world exporter. Industry experts believe that metallurgical coal will keep its strong position for the next 20 years at least, before adequate substitutes become available (e.g. gas furnaces) - iron scrap is currently the only substitute.

We completed our met coal acquisitions during late spring 2020, during the COVID-19 driven market downturn. Since winter, the met coal markets have been growing, which has contributed to the successful growth of our newly acquired companies.

In May 2020, the Group acquired a 17.1% stake in **Corsa Coal Corporation**, a U.S. based metallurgical coal producer with mines in Pennsylvania and Maryland, and listed on the Toronto Stock Exchange. The company operates three underground and two surface mines with a total of 1.4 million tons of annual production (2019). Corsa Coal produces high quality Low-Vol metallurgical coal for use in steel production. This acquisition marked the entry of the Group into this highly interesting industry, where we can leverage our long-standing mining experience and participate in the global met coal commodity market.

As of June 2020, the Group acquired a 100% interest in **Blackhawk Mining, LLC (BHM)**, a metallurgical and thermal coal producer headquartered in Lexington, Kentucky. BHM operates eight mining complexes in West Virginia and Kentucky, with over 12 million tons of annual production (2019). BHM is the third largest producer of metallurgical coal in the United States. BHM provides met coal to all major U.S. steel producers, and also to many steel manufacturers in Europe and South America (e.g. Brazil). It also ships met coal to India and to customers in East Asia.

In December 2020, the Group acquired a **portfolio of mining leases** and associated land in Bridger, Black Butte and Kemmerer mining areas from Wildcat coal fund. This acquisition was executed via Blackhawk Mining, LLC.



CURRENT DEVELOPMENTS AT INTERGEN N.V.

In 2019, Sev.en Energy acquired a 50% interest in the independent energy provider InterGen N.V. InterGen operates four gas fired power plants in the United Kingdom and owns minority stakes in two coal-fired power plants in Australia. In the UK, InterGen plans to build a large-scale battery storage project.

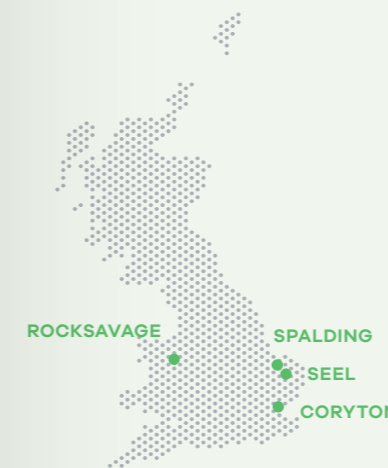
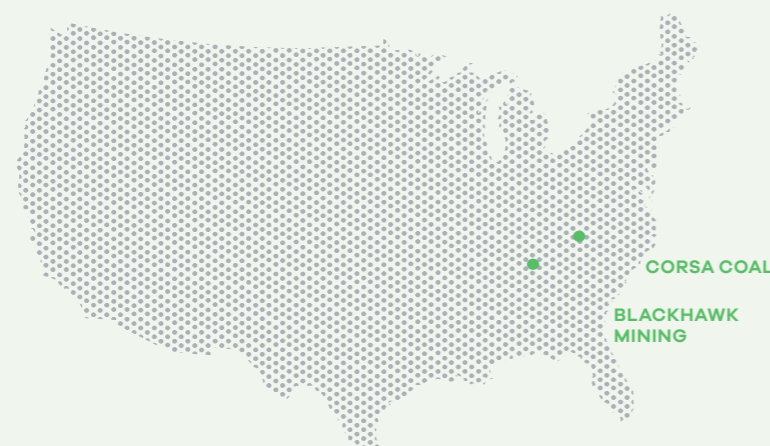
2020 was an important year for InterGen. Brexit, concluded in January, driving the debate around the opportunities and challenges for an independent United Kingdom, on its way to carbon neutrality, and the impacts of this journey on local independent energy producers. The future strategic opportunities for InterGen include battery storage projects, and investments in plants that can provide system services and inertia support to maintain grid stability as the proportion of intermittent wind and solar power generation increases in the UK.

The shareholders, jointly with InterGen, have evaluated a number of investment and acquisition opportunities, including gas-fired OCGTs and CCGTs, and certain alternative sustainable projects. In addition, InterGen executed an early buy-back of its outstanding GBP bonds maturing in 2021, and has further explored opportunities for refinancing of its USD denominated bonds maturing in 2021.

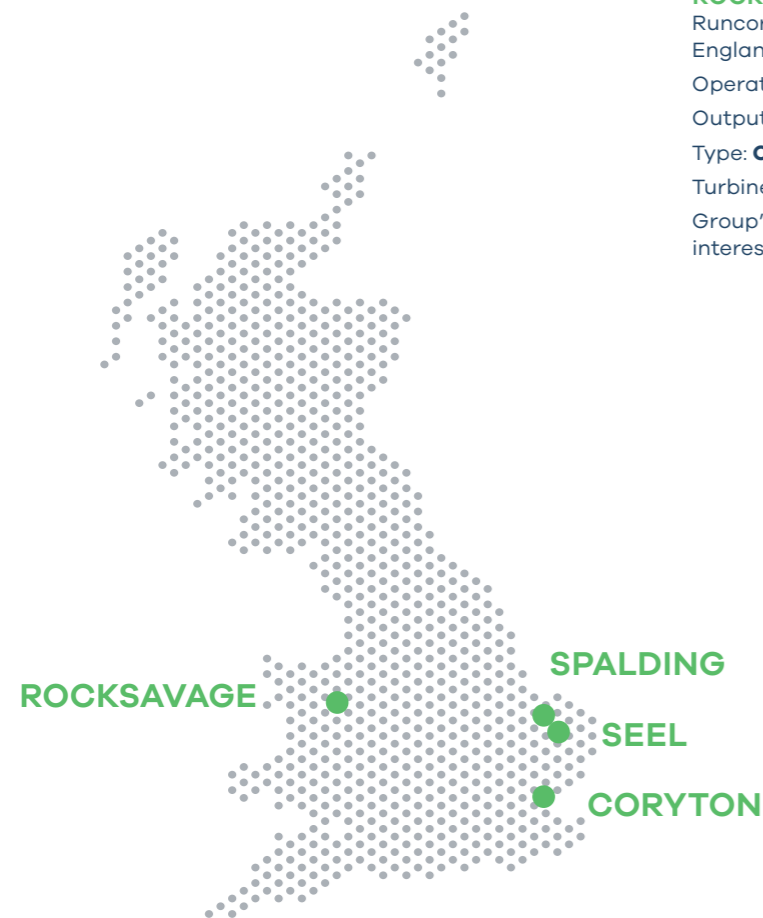
During 2020, through the COVID-19 pandemic, InterGen successfully leveraged its 25 years of operating experience in the UK energy sector, and its well diversified portfolio of energy generation assets, both in Great Britain and in Australia. Furthermore, InterGen managed to meet its business and investment objectives despite the energy market downturn and a decline in energy demand, without compromising the safety of its employees and stakeholders. Please see below a quick introduction to InterGen's production assets.

THE GROUP'S ADDED VALUE TO NEW ACQUISITIONS

The BHM acquisition was closed in June 2020. Takeover of BHM by Sev.en Energy has provided financial stability to BHM. In addition, Sev.en Energy also supported BHM in its internal restructuring. During the restructuring projects, certain high-cost thermal coal mines were closed, BHM has modified its mining technology at some locations and has closed some unprofitable thermal coal mines. BHM has also invested in increased production of profitable met coal products. Sev.en Energy, jointly with BHM, continues to search for further acquisition opportunities in the region, and the Group is assisting BHM in its preparation for the expected industry growth in 2021, which already has proven strength.



GAS-FIRED POWER PLANTS IN THE UNITED KINGDOM



ROCKSAVAGE
 Runcorn, Cheshire, England
 Operation launch: **1998**
 Output: **806 MW**
 Type: **CCGT**
 Turbine: **Alstom GT26**
 Group's ownership interest: **50%**



SPALDING
 Spalding, Lincolnshire, England
 Operation launch: **2004**
 Output: **880 MW**
 Type: **CCGT**
 Turbine: **General Electric 9FA**
 Group's ownership interest: **50%**



SEEL
 Spalding, Lincolnshire, England
 Operation launch: **2019**
 Output: **300 MW**
 Type: **CCGT**
 Turbine: **Siemens SGT5-4000F**
 Group's ownership interest: **50%**



CORYTON
 Essex, Thurrock, England
 Operation launch: **2002**
 Output: **779 MW**
 Type: **CCGT**
 Turbine: **Alstom GT26**
 Group's ownership interest: **50%**

AUSTRALIAN POWER STATIONS



CALLIDE C
 Biloela, Queensland, Australia
 Operation launch: **2001**
 Output: **920 MW**
 Type: **supercritical thermal**
 Turbine: **Toshiba**
 Group's ownership interest: **minority**



MILLMERRAN
 Millmerran, Queensland, Australia
 Operation launch: **2003**
 Output: **850 MW**
 Type: **supercritical thermal**
 Turbine: **Ansaldo**
 Group's ownership interest: **minority**

FURTHER DEVELOPMENT PLANS

In connection with the strategic objectives of our Group on its transformation journey from the energy of today to the energies of the future, our acquisition strategy targets are professionally managed, efficient and flexible assets in Central and Western Europe, North America, and Australia. Our objective is to acquire controlling equity stakes in our new Group companies.

In power production, the opportunities we are interested in range from coal-fired power plants to low-carbon technologies,

such as cogeneration, gas or biomass fired assets. We have a continued interest in metallurgical coal mining in the United States and Australia, including the acquisition of mining rights in these areas. Our new field of interest includes iron and steel markets, where we look for assets such as iron ore mines, and iron and steel plants which are well positioned to explore opportunities created by the ongoing market changes and recent growth. Last, but not least, we are also interested in evaluating new technologies with the potential to contribute to the transformation of the energy sector, while offering interesting returns on investment.



**OUR
BUSINESS
OPERATIONS**

OUR VALUES

OUR GROWTH IS DEPENDENT ON OUR VALUES

EFFICIENCY

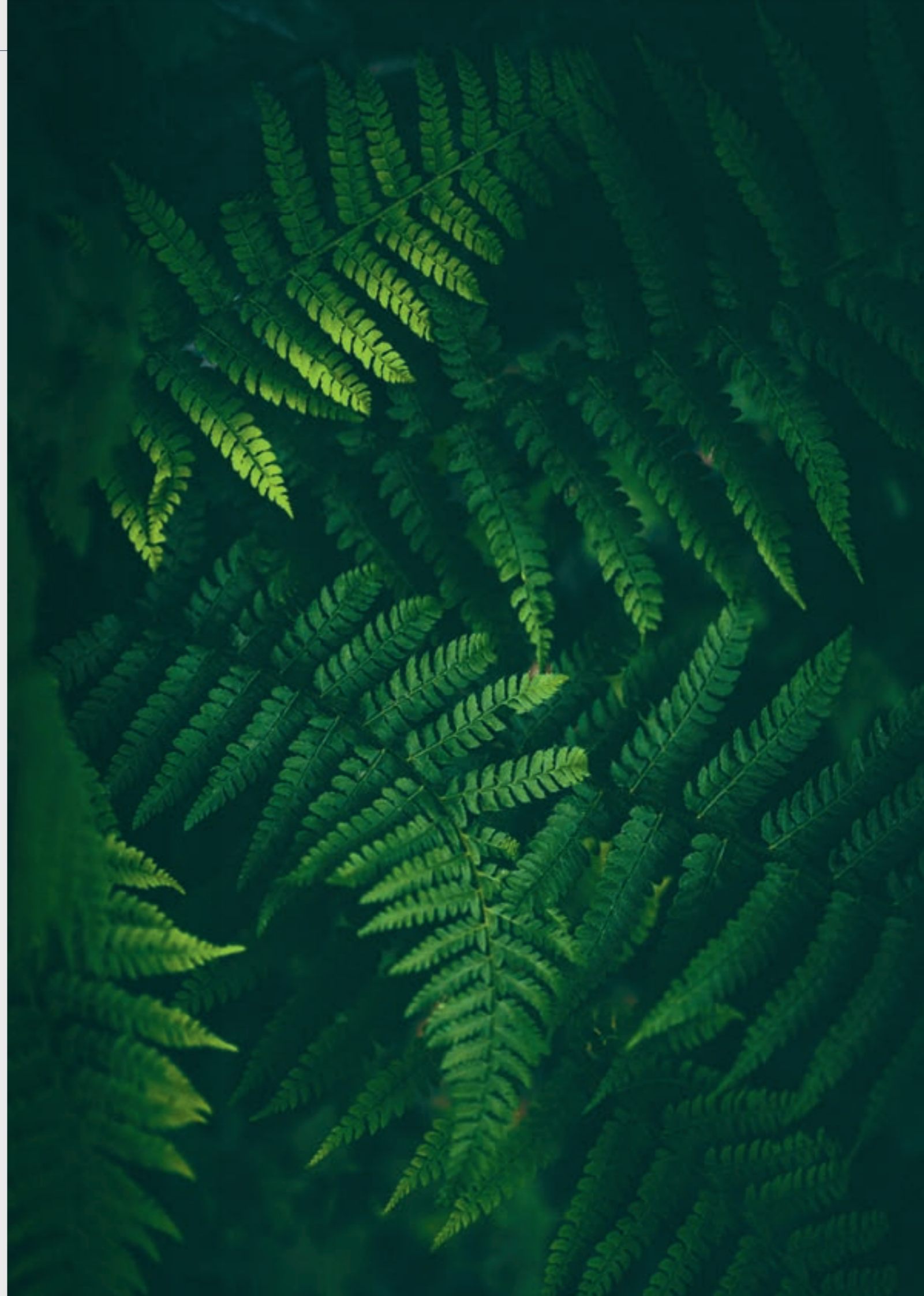
We believe in bold visions, however, we understand that significant work remains to be done to bridge the vision of tomorrow with today's reality. We truly believe that if we want to succeed in today's world, we must be able to respond to global developments in a timely manner, think creatively, and be willing to look for effective solutions and exploit synergies. Overall, there is no time to waste.

SUSTAINABILITY

We help to ensure that the basic needs of our society are met, so that we can still have light in our bedrooms, are able to prepare the morning coffee and heat our homes after a busy working day. We accomplish this using natural resources, while acknowledging our responsibility to reclaim land affected by our business activities, something in which we have become among the best at achieving. Overall, we strive to reclaim land to the best of our abilities and we will stay committed to this goal as we continue to move forward in our business activities.

RESPONSIBILITY

We are both professionals who responsibly run entrusted facilities, and also neighbours and citizens who understand the need to help and support one another. Our social responsibility programme covers a wide array of initiatives, ranging from our local engagements with communities to our international support of Czech language programmes, such as those at Oxford University.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Sev.en Energy believes that a sustainable business is founded on a well-developed and unified management system. Overall, the Group understands the impacts of its business activities, as well as the benefits we provide to the economies in which we operate and to their sustainable growth. This understanding is based on the implementation, monitoring and assessment of our management processes, as well as on our internal policies and regular stakeholder engagements. In addition, the Group recognises that a reliable management system builds trust amongst employees, customers, investors and the general public.

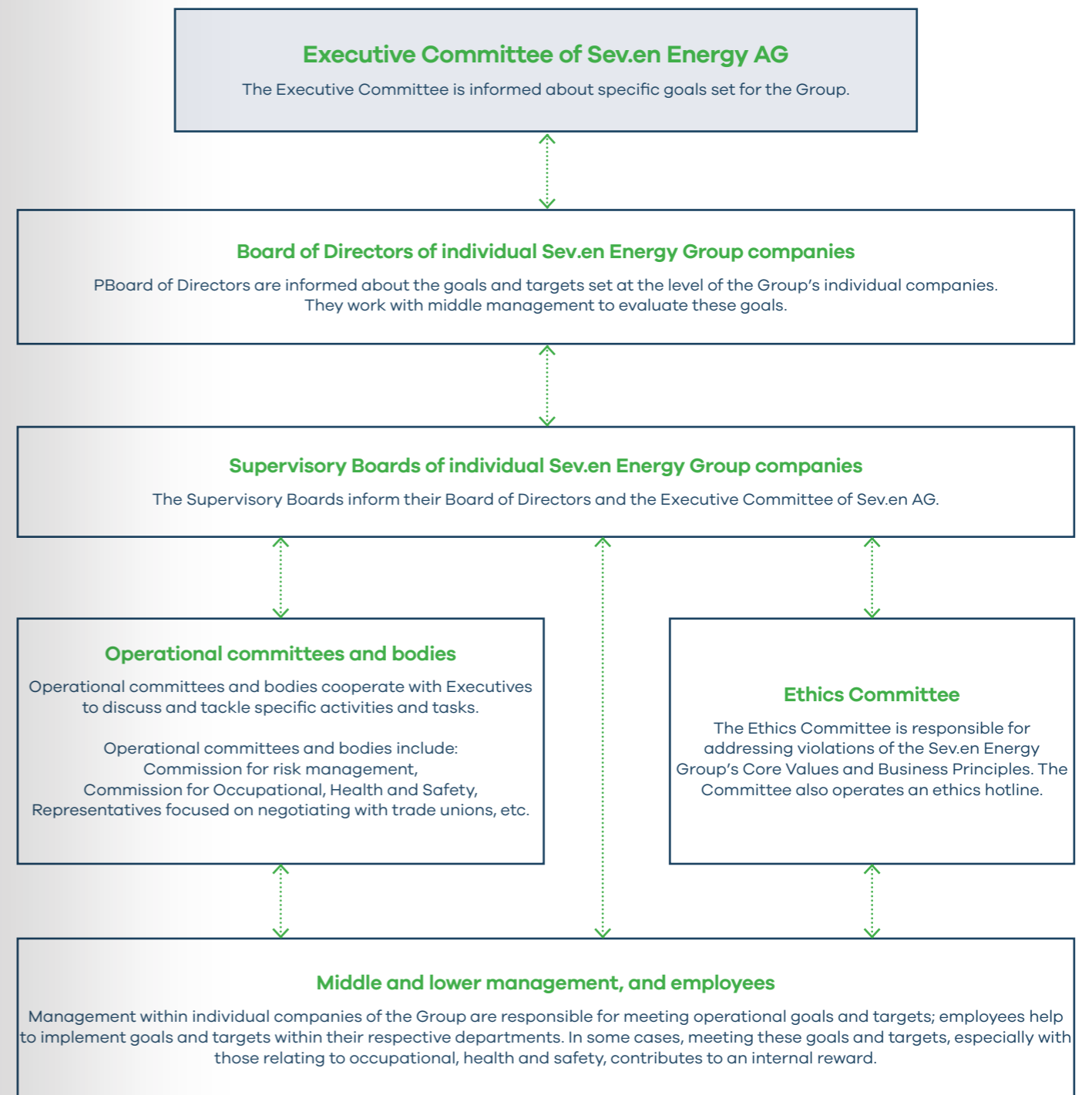
By creating business principles that are aligned with the Group's long-term strategy and by implementing internal policies that promote these principles, Sev.en Energy integrates its long-term strategy into its daily business activities. At the Group level we strive to centralise the management of sustainable development and set long-term goals. In 2020, this effort was supported by our introduction of six new internal policies.

A wide range of stakeholders are actively involved in the management processes of Sev.en Energy. These include employees, Supervisory Boards and the Boards of Directors of individual Group companies. Where relevant, employees and middle management initiate goals and activities associated with environmental protection, occupational health and safety, and social responsibility. Different bodies of management in the Group's individual companies are responsible for meeting the objectives of the business areas in which they specialise.

The Board of Directors of the Group's individual companies cooperate with middle management to set, assess, and distribute responsibilities for achieving jointly defined goals and targets. Supervisory Boards of individual Group companies inform the Board of Directors and the Executive Committee of Sev.en Energy AG. In 2020, an Ethics Committee was established at the Group level. This Committee oversees compliance with the Group's Core Values and Business Principles.



↓ Schematic 2: Internal management and responsibilities



KEY PEOPLE

KEY PEOPLE

**Pavel Tykač**

Ultimate Beneficiary

“Our experience is founded on the production of conventional energy, in which we have become an industry leader that provides the services necessary for the transformation of the energy systems.”

**Luboš Pavlas**

CEO, Sev.en Energy Group

Luboš was appointed as the CEO of Sev.en Energy in October 2018. He is responsible for the management and strategic development of the Group in the Czech Republic and Europe. Luboš has extensive expertise and experience in the energy sector in Czech Republic and Europe. He has spent the last ten years working in various managerial positions in Sev.en Energy. Previously, he worked as a manager in the ČEZ Group, and as the Chairman of the Board of Directors and CEO of Pražská teplotárenská, a.s.

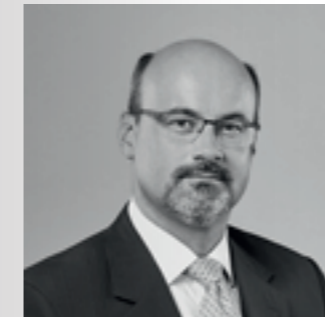
“We see potential for future growth in our consistency of employing highly skilled professionals and our track record of creating significant added value.”

**Jiří Postolka**

CFO, Sev.en Energy Group

Jiří leads the financial management of Sev.en Energy. He was appointed to the position of CFO of the Group and Director of Sev.en Services s.r.o. in December 2018. In his role, he manages the Group's financial operations and focuses on strengthening control activities. Jiří has over 23 years of financial experience, and in his previous role spent ten years managing various tax and accounting departments in the ČEZ Group.

“Over the last several years, Sev.en Energy has undergone major restructuring and consolidation. The aim of these changes was to streamline the entire system and prepare the Group for international expansion.”

**Alan Svoboda**

Director of Acquisitions, Global Investments

Alan is in charge of business expansion and heads the new Global Investments division. He is focused on identifying acquisition opportunities in Europe, United States and Australia, primarily in mining, generation, advanced energy savings, smart electricity supply and distribution. He also oversees the integration and long-term development of the Group's investments.

“In 2019 and 2020 we have successfully acquired and integrated businesses in energy and heat generation in the Czech Republic, co-generation in Great Britain, and metallurgical coal mining in the United States. We are ready to grow further.”

**Petr Lenc**

General Director of Mining, Sev.en Energy Group

Petr is the Director of mining companies Severní energetická and Vršanská uhelná. His job is to ensure that sufficient high quality lignite is mined at an affordable cost, as raw material for the production of electricity and heat, while respecting the environment and regions in which the Group's mining companies operate.

“The mining industry is currently going through an intense period. While we ensure that the Group's mining companies meet their goals and obligations, our ambition is to use our land efficiently, and to follow modern energy reclamation trends after mining activities have ceased. In addition, we aim to create a positive and meaningful living environment for the residents of the Ústí nad Labem region.”

**Václav Matys**General Director, Elektrárna Chvaletice²

Vaclav joined the Group in October 2018 and became the General Manager of Elektrárna Chvaletice in Eastern Bohemia. He is responsible for the production and supply of affordable electricity. At the same time, he is focused on the modernisation of the Chvaletice units. Prior to joining the Group Václav spent most of his professional life in various managerial positions in the ČEZ Group, especially in the areas of conventional energy production and renewable energy.

“In 2016 to 2019, we invested CZK billions into the modernisation of two units of the Elektrárna Chvaletice, with the objective of reducing emissions. The remaining two units will be modernised in 2021. Our strategy and plans are reasonable and transparent.”

²As of 1 January 2021, the company Sev.ec EC a. s. was renamed Elektrárna Chvaletice a. s.



Milan Prajzler

General Director,
Teplárna Kladno

Milan is the General Director of Teplárna Kladno and a Board Member of Teplárna Zlín. Both assets became part of Sev.en Energy in September 2019. He is responsible for managing the modern cogeneration units that produce both heat and electricity. At Teplárna Kladno, this also includes supplies of ancillary services.

“Our heating plants generate heat for more than thirty five thousand customers in the cities of Kladno and Zlín. We are a stable and socially responsible company focused on a fair and transparent relationship with our customers, employees and business partners. We protect the environment and strive to reduce the impact of our operations on the communities and regions in which we operate.”



Michal Skalka

Director,
Sev.en Commodities AG

Michal is the Director of Sev.en Commodities AG, which is responsible for energy commodity trading of Sev.en Energy. Commodities including lignite, electricity and EUAs, traded on commodity exchanges in the Czech Republic and on European commodity markets. Michal has extensive experience in commodity trading, especially in the regions of Central and Eastern Europe. In addition to commodity trading, his team provides market analyses and economic forecasting.

“Our centralised commodity trading is crucial for the Group’s effective utilisation of its mining and energy assets and maximisation of profit through active hedging and trading. Our trading team also plays an important role in the Group’s growth strategy – by expanding trading activities into acquired assets and contributing to their efficient operations.”



Daniel Opplt

Director,
Sev.en Engineering

Since 2018, Daniel has mainly focused on technical consultancy for potential acquisition projects and has led the Elektrárna Chvaletice modernisation projects. Since April 2021, he has acted as Director of Sev.en Engineering, where his main task is managing the modernisation projects at Chvaletice and Elektrárna Počeradys, and other Group operational projects.

“The technical competence and experience of our team allows us to achieve an optimal balance between the amount of energy produced and the need for environmental protection.”



Stanislav Klanduch

General Director,
Elektrárna Počeradý

Stanislav has been the General Director of Elektrárna Počeradý since January 2021, one of the largest lignite-fired power plants in the Czech Republic. His main task is to guide Elektrárna Počeradý through environmentally sound operations and prepare it for stricter BAT emission limits.

Prior to this role, he held various senior management positions in the Group.

“The modernised Elektrárna Počeradý will provide the Czech Republic with an additional time to a safe transition to other energy solutions including nuclear energy sources, and other reliable and environmentally friendly alternatives.”



Petr Antoř

COO, Sev.en Energy Group

Petr is the Chairman of the Board of Directors for Vršanská uhelná, Severní energetická and Coal Services. He is also in charge of a number of smaller service companies in the Group. Petr has extensive managerial experience in various industries, including banking and asset management in the Czech Republic and abroad.

“Our mission is to bridge the gap between the world’s energy of today and tomorrow.”



Gabriela Sáříčková Benešová

Director of HR and
Communications,
Sev.en Energy Group

Gabriela is the Director of Communications, and took overall responsibility for managing the Group’s Human Resources in May 2021. Her responsibilities include personnel development, which is founded on our strategy of optimising personnel processes across the entire Group.

“We have to set HR processes as best as we can, with the objective to maximise the Group’s efficiency in all aspects”

RISK MANAGEMENT

RISK MANAGEMENT

Sev.en Energy identifies and implements measures to minimise the risks associated with its business activities, while simultaneously ensuring that the Group's alignment with stakeholder interests. Overall, we approach these risks pragmatically to ensure the Group's sustainable and long-term growth.

The Group's monitored risks are divided into four categories: strategic, financial, operational and legislative risks. These risks are assessed based on the impact they have on our activities and the

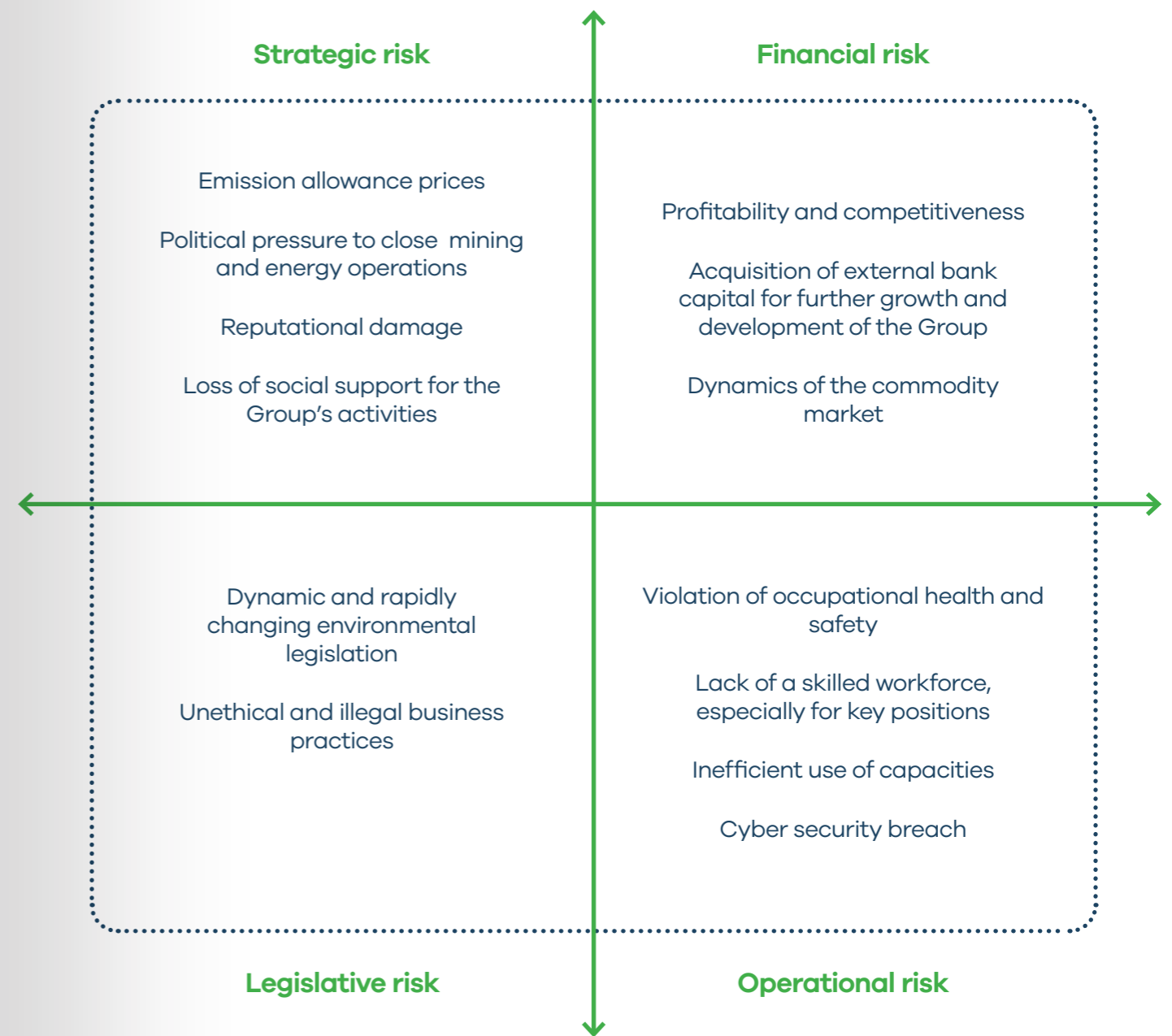
internal departments by which they are addressed. **Strategic risks** are analysed from a global and long-term perspective, and mainly addressed by the Board of Directors of the Group's individual companies. **Financial risks** are analysed from an economic perspective and are associated with the long-term operations of the Group; they are managed centrally at the Group level. Risks specific to commodity markets are managed by Sev.en Commodities AG.

Operational risks relate to daily operations. Because operations are

company specific, these risks are monitored and managed at a company level, with the exception of cyber security risks, which are managed by Infotea, a Sev.en Energy Group company. **Legislative risks** relate to compliance with relevant legislation and legislative changes, which are managed at both a company and Group level. For example, national legislation requirements are applied at a company level, but international discussions, such as those at the European Union level, are applied to the entire Group



↓ **Figure 4:** The Group's risk management matrix



STRATEGIC RISKS	Measures to mitigate risks	Opportunities
Emission allowances The continual rise of CO ₂ emission allowance prices and the subsequent threat it poses to the future of coal-related industries	Maximise market opportunities with cost effective electricity purchases, even with daily price fluctuations. Overall, the Group continually emphasises cost effectiveness.	Accelerating transformation and finding new market opportunities for the communities in which we operate. Analysing alternative fuels (e.g. biomass and gas) for our assets.
Political pressure to close mine sites and energy-based operations. The pressure to move away from coal, along with the rise in allowance prices, threatens the future of most operations	Strive for efficient operations and maximise the value and stability that our Group brings to the energy market. Prepare for energy transformation projects. Communicate with authorities regarding the safe operation of electric power systems, and the stable and affordable provision of energy supply. Address issues relating to the social impact of restricting coal mining and its associated processes, jointly with our stakeholders.	Use available funds and programmes to achieve transformational change in the Group, using existing employee know-how to attract and secure new business.
Damage to reputation and brand Even as we continue to grow, our corporate culture must be consistently applied throughout the Group and communicated to our stakeholders. This allows us to position ourselves in international markets as a key, consistent and trustworthy player.	Expand the Group's current portfolio of companies and services internationally. Regularly assess the media's perception of the Group and quickly react to inaccurate representations to minimise potential reputational damage.	In addition to regular communication with our stakeholders, it is also important to undergo regular monitoring of our activities. This will help the Group to continually improve and better communicate its current and future business activities.
FINANCIAL RISK	Measures to mitigate risk	Opportunities
Limitations to profitability and loss of competitiveness Failure to meet operational goals threatens the Group's long-term sustainability and profitable growth.	Minimise the uncertainties associated with achieving operational goals. Focus on value added investments, responsible cost management and cost-effective solutions, which can be accomplished through the incorporation of new technologies.	Achieving sustainable development through the Group's long-term strategy. This heavily relies on the strategic acquisitions of new operations and technologies.
Securing funds It is important to ensure external bank capital for further growth and development of the Group.	Offer investors the opportunity to invest in stable assets and modernisation projects focused on cleaner energy. Explain the Group's strategy and financial model to our financing partners, to bring further comfort to our investors. Explore further financing opportunities including access to capital markets and new financiers.	Responding to the increased investor demand for non-financial information through the Group's internal and thorough analysis of its ESG areas. Analyse other possible sources of private financing, such as capital markets and private banks.
Commodity market dynamics The volatility of energy markets, in particular the price of electricity and emission allowances, can pose a significant threat to the Group.	Monitor potential risks of energy commodity markets and mitigate them adequately. Continue to strengthen our market and credit risk management, including dynamic hedging, stop losses, a thorough examination of counterparty creditworthiness and a robust Value at Risk (VaR) model.	Reducing market exposure through dynamic hedging and emission allowance price negotiations. Optimising energy production and market participation.

OPERATIONAL RISK	Measures to mitigate risk	Opportunities
Threats to occupational health and safety Unpredictable phenomena (geological phenomena, disasters, etc.), can threaten the health and safety of employees, interrupt operations, cause economic and reputational losses, etc.	Monitor and continuously improve the Group's safety regulations, standards and employee training, as well as regularly update emergency response plans. All injuries are investigated and appropriate measures are taken to prevent similar incidents from reoccurring. The Group has systems in place to monitor geological phenomena in the mining localities that we operate (e.g. monitoring slope stability).	Ensuring the health of our employees. Growing support and trust in the Group's management. Increasing work efficiency through reduced absences.
Lack of skilled labour The energy sector is facing a shortage of young skilled professionals that will be required to fill key positions.	Develop training systems in the Group's companies. Allocate and maintain a high number of hours for training and educating employees. Provide scholarships and adequate time to those employees that need to study. Engage and actively cooperate with schools in the regions that we operate, support mining apprenticeships, and secondary and higher education. Additionally, provide incentives, such as courses, to those looking to enter the workforce.	Identifying employees with specialised skills, as well as providing employees with the opportunity to become coaches.
Inefficient use of capacities Both insufficient performance monitoring systems and overlooked internal policies pose a risk to the Group.	Setting performance indicators in all areas of the Group's operations ensures that we experience the full benefits of our financial, human and natural resources. By regularly setting and evaluating internal processes, we increase the efficient use of our capabilities.	Monitoring internal processes provides us with the opportunity to create new solutions alongside the use of modern technologies. Timely internal analyses also allow us to better understand the details of our operations, especially of newly acquired companies.
Cyber security This risk is particularly important for operations that are part of critical infrastructure and for commodity market traders. We must protect both the operation of our assets and the data of our employees, business partners and all of those who instil their confidence and trust in the Group.	Ensure that we maintain strong monitoring and control systems, follow safety and best practice policies, and rely on the most advanced tools for cyber threat detection. We also provide our employees, commodity traders and suppliers with awareness training on cybersecurity and its principles.	Monitoring and quickly reacting to cyber attacks allows us to continually improve our internal security systems, cultivate experts in this field of work and perform smarter IT controls.
LEGISLATIVE RISK	Measures to mitigate risk	Opportunities
Identifying and complying with environmental law We are part of a strict and rapidly changing regulatory environment that has a major impact on the Group's current and future operations.	Participate in public discussions and constantly monitor regulatory development and its respective activities. Invest further into new technologies and business solutions.	Investing in projects that will prepare the Group for the future, especially with regards to legal requirements. As a result, we are making our operations more efficient and are prepared for the future ahead.
Unethical and illegal business practices As the Group continues to grow, we will be further exposed to various legal frameworks. That is why we ensure that our ethical standards are upheld, regardless of when or where we conduct business.	Define the expected conduct for our employees and business partners through the Group's Core Values and Business Principles, company-level codes of ethics, and other internal documents. To prevent unfair business practices, money laundering and corruption, we emphasise employee training and the implementation of internal processes. This ensures that violations are detected and addressed in a timely manner.	Unifying the approaches used by the Group's individual companies by creating and applying policies and procedures at a Group level.



SEV.EN COMMODITIES AG RELIES ON A ROBUST AND CONSERVATIVE MANAGEMENT MODEL TO MINIMISE ITS EXPOSURE TO MARKET AND CREDIT RISK.

CLOSER LOOK: RESPONSIBLE RISK MANAGEMENT AT SEV.EN COMMODITIES AG

Sev.en Commodities AG, which focuses on optimisation and the business management of the Group’s mining and energy & heat production assets, requires a very robust and conservative risk model. In energy commodity trading, most manageable risks tend to fall under the market or credit risk categories.

Market risks are related to market exposure and subsequent market movements. For example, to minimise related risks, we use dynamic hedging; the Group’s traders have set volume limits and all trades have fixed stop loss limits. In 2019, Sev.en Energy established a Risk Management Committee (RMC) to develop a standard approach to setting trading parameters and subsequently securing our position in the market. The RMC conducts quarterly reviews of these parameters and modifies them accordingly. Additionally, we model

possible scenarios against historical market trends.

Credit risks are related to the ability of counterparties to meet their contractual obligations. To reduce the risks involved, we thoroughly verify our potential counterparties. For example, we analyse their ownership structure and financial health using an in-house process of evaluation. Counterparties are also required to complete our KYC questionnaire before entering into a business relationship with the Group. Additionally, we manage credit risk by selecting larger players as our counterparties and trade on stock exchanges where the risk of their failure is endured by the exchange instead.

Trading on energy commodity markets requires compliance with national and European legislation. In relation to European legislation, we follow regulations specific to:

- unauthorised practices and methods relating to market abuse (MAR),

- registering energy market participants, and the rules with regards to handling confidential information and their reporting (REMIT),
- reporting derivative transactions (EMIR),
- regulatory disclosure standards relating to investments and financial services (MIFID II).

We have control processes in place to ensure that the Group complies with these requirements. Additionally, we put the Group’s commodity traders through thorough training to ensure their understanding of the energy market.

SUSTAINABILITY MANAGEMENT

The Group’s sustainability goals and approaches are outlined in the mission, vision and strategy of Sev.en Energy chapter of this Report. This detailed strategy allows us to create internal management systems and processes that highlight the ESG (environment, social and governance) areas of the Group.

Table 2: Sustainability related activities in 2020

Topic	Activity	Progress
SUSTAINABILITY MANAGEMENT STRATEGY		
Unifying internal policies relating to ESG, and Core Values and Business Principles of Sev.en Energy	In 2019, as a result of new acquisitions, the Group initiated an extensive mapping exercise of internal policies. Simultaneously, management initiated the creation of new Group-wide policies, and the Group’s Core Values and Business Principles.	<ul style="list-style-type: none"> ✓ In 2020, internal policies were approved and implemented. This is further highlighted in the Ethical values, principles and internal policies section of this Report. ✓ Internal policies are available on the Group’s website.
Establishing an Ethics Committee and an Ethics Hotline	In 2020, the Group’s management discussed, planned and established an Ethics Hotline, where employees and external stakeholders can report violations of the Group’s Core Values and Business Principles, especially with regards to corrupt practices. Simultaneously, management of the Group established an Ethics Committee, which is responsible for addressing the cases reported to the ethics hotline.	<ul style="list-style-type: none"> ✓ Since 2020, the Ethics Committee has been an accessible resource for all Group employees, as well as external stakeholders. ✓ The Ethics Hotline is fully operational in the Group, and protects the identity of anyone who reports an offence or suspected violation (whistleblowing).
Unifying the Group’s non-financial reporting approach	As a result of new acquisitions, the Group’s management decided to unify the methodology used to approach non-financial reporting, especially with regards to quantifiable data.	<ul style="list-style-type: none"> ✓ In 2020, the Group unified its methodology for non-financial reporting, which has resulted in Sustainability Reports for the years 2019 and 2020.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Establishing an internal audit unit	As part of our risk management, a discussion was initiated amongst the Group’s management regarding the establishment of an internal audit unit.	<ul style="list-style-type: none"> ✓ We have started discussing the establishment of an internal audit unit.
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TRANSPARENCY

Tax transparency	We regularly publish the Group’s tax returns.	<ul style="list-style-type: none"> ✓ Since 2019, we have been annually publishing the Group’s tax returns.
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EVALUATION

Evaluating the Group’s sustainability goals	The Board of Directors of the Group’s individual companies assessed the level of achievement of their sustainability goals and targets. Based on the results, new goals and targets were put into place.	<ul style="list-style-type: none"> ✓ The Boards of Directors at the individual company level assess goals and targets, and the extent to which they have been achieved. ✓ The Group has agreed on next steps with regards to environmental protection, social development and governance. ✓ Managers and other relevant personnel are evaluated specifically in relation to these sustainability goals, which are approved by the Board of Directors.
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⁴ Know your customer (KYC). – Questionnaire used to identify counterparties to prevent money laundering and terrorism financing.

LEGAL COMPLIANCE, ETHICS AND TRANSPARENCY

LEGAL COMPLIANCE, ETHICS AND TRANSPARENCY

Sev.en Energy fully complies with relevant legal regulations in all areas of our business activities. Our business is founded on internationally recognised standards relating to ethical behaviour; the Group is aligned with the Code of Ethics implemented by the Confederation of Industry and Transport of the Czech Republic, and the 10 principles set out by the UN Global Compact, which focus on human rights, labour, environment and anti-corruption. These legal and ethical standards are incorporated into the Group's internal policies and processes, such as into our Code of Conduct, and Core Values and Business Principles. We aim to align our business with public expectations, while transparently communicating our responsibilities and commitments.



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The Sev.en Energy Group acts in accordance with relevant legislation in the Czech Republic and EU. Additionally, the Group is aligned with the Code of Ethics implemented by the Confederation of Industry and Transport of the Czech Republic, and the 10 principles set out by the UN Global Compact, which focus on human rights, labour, environment and anti-corruption.

Our commitments are integrated into our daily work through internal policies and operational processes.

We understand our responsibility when it comes to enforcing relevant laws, principles and ethical values throughout our Group and its operations.

We ensure that our communication with the public, and with institutions that hold public interest, is always transparent and timely.

DESCRIPTION OF ACTIVITIES

- We regularly provide our employees with training pertaining to relevant legislation, including environmental, anti-corruption and anti-bribery laws.
- We ensure that our employees and suppliers are familiar with the Group's Core Values and Business Principles, as well as internal policies, all of which are binding.
- We have anti-corruption laws and mechanisms in place to help prevent corruption within the Group.
- We have an Ethics Committee dedicated to addressing and resolving complaints regarding ethical conduct within the Group.
- We provide our employees with access to a hotline dedicated to addressing suspected ethics violations. We protect whistleblowers by providing the option of remaining anonymous.
- We ensure transparent communication with the public and those that hold public interest.
- We regularly monitor our compliance with relevant legislation and ethical standards.

KEY INDICATORS FOR 2020

Number of professional organisations and associations, both Czech and international, in which we are actively involved: 24

Number of state authorities that oversee mining activities: 10

Percentage of suppliers that passed internal and multi-criteria risk control analyses: 100%

LEGAL REQUIREMENTS AND CERTIFICATIONS

Sev.en Energy views the compliance with relevant legislation both as our commitment and as the respect we have for the public's interest in our business activities. We focus on the Group's compliance with all laws and regulations relating to mining, production of electricity and heat, and commodity trading. The most significant regulations in these individual business segments are listed in the Technical Annex of this Report.

Overall, we ensure adherence to the international standards relevant to the energy industry. All of our production facilities incorporate Integrated Management System measures and are fully certified, with audits conducted on an annual basis.



IN 2020, SEV.EN ENERGY HAD NO CONFIRMED CASES OF BREACHES IN LEGISLATION IN THE GROUP.

Table 3: Certifications related to the Group's electricity and heat production

Systems	Teplárna Kladno, Teplárna Zlín	Elektrárna Chvaletice
QMS system	ČSN EN ISO 9001: 2015	/
EMS system	ČSN EN ISO 14001: 2015	ČSN EN ISO 14 001: 2016
OHS system	ČSN ISO 45001: 2018*	The company is aligned with the Safe Business programme
EnMS system	Energy audit	ČSN EN ISO 50 001: 2018

* Until 2019, the ČSN OHSAS 18001: 2008 standard was valid.

Table 4: Certifications relating to technical competencies in the Group's mining companies

Systems	Severní energetická	Vršanská uhelná	Coal Services - laboratory
Technical standards	Certification for those sampling coal at treatment plants	ČSN ISO 13909 (1-8)*	ČSN EN ISO/IEC 17025: 2017

*This standard relates to the technical requirements for mechanical sampling in loading bins.

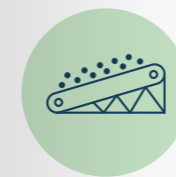
SYSTEM CONTROLS

As the Group operates in the energy sector, various public institutions frequently inspect our activities. These inspections cover a wide range of areas, such as accounting, safety at production

plants, internal risk control processes, operating conditions of the individual emission sources, and water and waste management facilities. With regards to verifying the Group's emissions, this is performed by laboratories authorised by the Ministry of the Environment of the Czech Republic. Along with these

compliance controls, which are based on legal requirements, our equipment is also physically inspected by appointed authorities. The Group also conducts in-house inspections to remain prepared for upcoming inspections and to ensure that any areas requiring necessary updates are identified in time.

Table 5: List of inspections performed by public institutions



MINING

- Inspections by mining authorities
- Inspections by the Ministry of the Environment
- Inspections by the Nature Conservation Agency of the Czech Republic
- Inspections by fire and rescue stations
- Inspections by tax authorities
- Inspections by regional public health authorities
- Inspections by the Czech Environmental Inspectorate
- Inspections by regional labour authorities
- Inspections by health insurance companies
- Inspections by the Czech Social Security Administration



ELECTRICITY AND HEAT PRODUCTION

- Inspections by the Czech Environmental Inspectorate
- Inspections by regional authorities
- Inspections by fire and rescue stations
- Inspections by tax authorities
- Inspections by regional public health authorities
- Inspections by regional labour authorities
- Inspection by health insurance companies
- Inspections by the Czech Social Security Administration



COMMODITY TRADING

- Inspections by the Energy Regulatory Office
- Inspections by regional authorities
- Inspections by tax authorities
- Inspections by Customs
- Czech National Bank
- Financial Market Authority Lichtenstein

INSPECTIONS

ETHICAL VALUES, PRINCIPLES AND INTERNAL POLICIES

As a leader in the energy industry, Sev.en Energy is fully aware of its importance and impact on the market, environment and regions in which we operate. Therefore, we ensure that our business is governed by our Core Values and Business Principles, as well as our other

internal policies, all of which are publicly available. We also provide a platform for complaints regarding the violation of these internal documents. Overall, we follow and respect these principles and values in all of our business activities and relations, including our partners, employees and other entities. We ensure the enforcement of our policies throughout Sev.en Energy.

In 2019, after acquiring new international assets, Sev.en Energy decided to expand and centralise its internal policies. As a result, the Group identified and extensively mapped its internal

principles, processes and regulations, from which internal policies were unified. Internal policies included those relating to occupational safety, environmental protection, human resources, procurement and corporate governance. Throughout 2020, these new policies were adopted and implemented by the individual companies of Sev.en Energy. Compliance with these values and principles will be regularly monitored and evaluated, at least on an annual basis.

These policies are further highlighted below.

Table 6: Internal policies implemented in 2020

Policy	Description
Core Values and Business Principles of Sev.en Energy	The policy highlights the Group's values, which include compliance with legislation, safety, environmental protection, respect and reliability, loyalty, openness, and equality. It also highlights the expected principles for interacting with stakeholders, such as employees, business partners, investors, communities, public administrations, and non-profit organisations. Preventive measures are also outlined in the policy, such as the process to raise violations or complaints.
Occupational Health and Safety (OHS) Policy	The policy highlights the key principles of occupational health and safety in the Group, including responsible risk management, prevention of workplace injuries and diseases, training of employees and suppliers, and ensuring regular certifications.
Environmental Protection Policy	The policy highlights the basic principles of environmental protection in the Group, which include air quality protection and pollution prevention, responsible climate change and related risk management approaches, efficient use of resources, waste minimisation, biodiversity conservation, effective reclamation, and reducing our impact on local communities.
Human Resources Policy	The policy highlights the principles relating to human resources in the Group, such as respecting human rights and ensuring equality, interacting fairly and transparently with employees, supporting employee development, providing employee benefits, and enabling freedom of association.
Governance Policy	The policy highlights principles relating to corporate governance in the Group, such as responsible risk management, zero tolerance towards bribery and money laundering, anti-competitive measures, accepting and receiving gifts or sponsorships, personal data protection, cooperation with public administration institutions, and transparent communication.
Procurement Policy	The policy highlights the Group's procurement processes, such as responsible and transparent business, and zero tolerance towards corruption and conflict of interest. The policy also incorporates parameters relating to sustainability and non-discrimination.

PREVENTING CORRUPTION AND ENSURING HEALTHY COMPETITION

Sev.en Energy complies with the principles of an open and competitive business environment, in conjunction with antitrust laws. Our greatest asset is the trust of our employees, clients and investors. To maintain this trust, we follow certain key principles:

- ✔ We continually work to improve our internal processes focused on preventing corrupt practices;
- ✔ All large transactions are subject to internal risk assessments;
- ✔ Supervisory and state authorities directly oversee commodity trading and electricity is traded on organised markets (PXE, EEX);
- ✔ All of our employees are trained in corruption and bribery prevention;
- ✔ Measures to prevent corrupt business practices and to safely participate in healthy business competition are incorporated into the Core Values and Business Principles of Sev.en Energy;
- ✔ Transparent and fair business conduct principles are incorporated into the Core Values and Business Principles of Sev.en Energy;
- ✔ We take suspected violations of these business principles seriously and address them through our Ethics Committee.

PUBLIC RELATIONS

Sev.en Energy respects the political rights of its employees and their freedom of association. At the Group level we do not support any political movements or parties and we do not engage in any political activities.

We engage in public affairs through professional organisations and associations.

The key professional organisations and associations in the Czech Republic include the Confederation of Industry and Transport of the Czech Republic, the Employers' Association of the Mining and Petroleum Industry, the Mining Union, the Czech Association of Energy Sector Employers, the Heating Association of the Czech Republic, and the Czech Chamber of Commerce.

The Group is also a member of major international organisations, which include the European Association for Coal and Lignite (EURACOAL), the Consultative Commission on Industrial Change (CCMI) of the European Economic and Social Committee (EESC), the IPPC Sevilla Joint Research Centre, the European Federation of Energy Traders (EFET), and VGB PowerTech e.v.

For the full list of the professional organisations and associations in which the Group participates please refer to Technical Annex of this Report.

CONFLICT RESOLUTION

In 2020, Sev.en Energy established the Ethics Committee, which investigates ethical and legal violations, and then determines the appropriate next steps required to address complaints. The Committee additionally works to ensure that their investigations do not adversely affect the people who submitted complaints (whistleblowers). The Committee consists of at least three people authorised by the Executive Committee of Sev.en Energy AG.

Following a complaint, representatives of the Ethics Committee inform the Board of Directors of the Group's company to

which it relates. In addition, following receipt of the complaint, it is brought up at the first meeting with the Executive Committee of Sev.en Energy AG. Violation, or suspicion of violation, of the Group's Core Values and Business Principles, is addressed by relevant management, which, in agreement with the Ethics Committee, proposes a procedure aimed at resolving the complaint. Complaints can be submitted in person, through incident reports via an internal mailbox, by telephone, email or an addressed letter to the Ethics Committee. All complaints are confidential and are treated as so throughout the entire resolution process.

In 2020, the Ethics Committee and Ethics Hotline were made available to all employees of the Group and, where relevant, to external stakeholders. Additionally, in 2020, a programme aimed at protecting whistle blowers at the Group level was also established.

In 2020, there were no reported violations of the law or internal Group policies.

PUBLIC INCIDENTS

Greenpeace at Elektrárna Chvaletice

In 2016, Greenpeace activists hung two banners on the cooling tower of Unit 2 at the Elektrárna Chvaletice. They purposefully vandalised the cooling tower by drilling and stapling into it to hang their banners. Additionally, they hung smokestacks in the inner mantle of the cooling tower, which, as a result, exploded. Since then, a lawsuit has been filed against Greenpeace claiming damage to public property. In 2020, the court found the activists guilty and imposed financial sanctions on all those involved.

Non-violent Klimakemp begins to violate the law at the Vršany mine site

In September 2020, and similarly to last year, activists occupied mining equipment at the Vršany mine. In these situations, the Group's priority is to always minimise the risk posed by the illegal activity and to ensure the safety of both activists and employees. In 2020, activists occupied the KU800 overburden machine, which is currently undergoing long-term maintenance and shutdown.

SUPPLY CHAIN AND BUSINESS RELATIONS

SUPPLY CHAIN AND BUSINESS RELATIONS

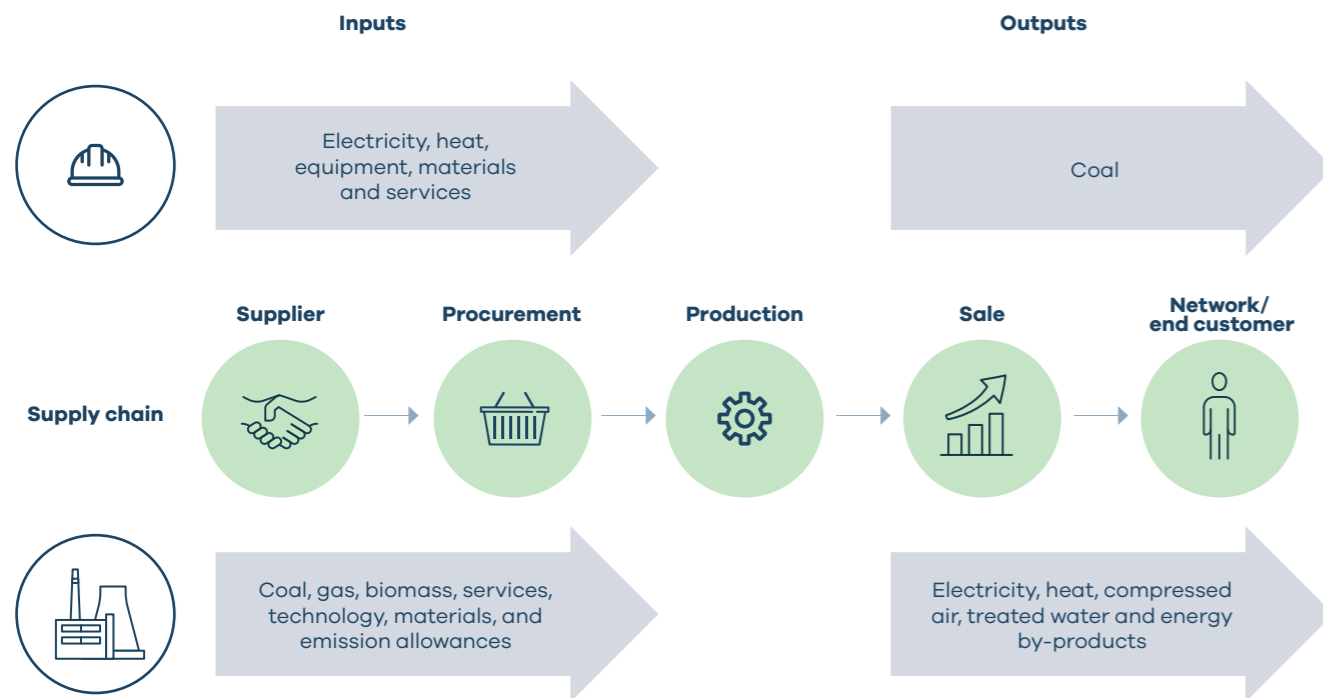
Our suppliers, customers and business partners play the key role in the Group's daily activities. We are committed to constantly improving the efficiency of our processes, developing long-term cooperation and working towards achieving common goals, together with our suppliers and business partners

SUPPLY CHAIN

Throughout the entirety of the Group's supply chain, we promote our Core Values and Business Principles and require supplier compliance with our internal

policies, such as those relating to conduct with employees, occupational health and safety, and environmental protection. Overall, we expect our counterparties to adopt our business approaches and principles as their own.

Schematic 3: Production supply chain



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The Sev.en Energy Group's business relations are based on principles founded on reliability, honesty and transparency. The purchasing process within the Group is clearly defined and every participant understands their role and responsibility. Additionally, the evaluation process of suppliers is not only based on technical and pricing measures, such as certifications pertaining to occupational health and safety, and environmental protection.

When trading commodities, the Sev.en Energy Group places great emphasis on adhering to all relevant regulations; all of our employees are thoroughly trained in these areas.

DESCRIPTION OF ACTIVITIES

We mine and sell lignite. Additionally, we purchase energy, mining equipment and their spare parts, and services mainly linked to their maintenance.

We produce heat, compressed air, treated water and electricity, all of which is supplied to the distribution network and end customers.

We mainly purchase materials and services related to maintenance and investment activities.

Additionally, we process and sell energy by-products generated from our operations.

We actively trade coal, electricity, emission allowances and currency derivatives. We purchase coal from our mines and primarily supply it to heating and power plants within the Group, which convert it into heat and electricity. Electricity is traded on the commodity market under bilateral agreements, where as heat is traded locally in the form of bilateral agreements.

KEY INDICATORS FOR 2020

42 Total number of suppliers over CZK 5 mill.

263 000 tonnes of lignite sold to retail customers

66 Total number of suppliers over CZK 5 mill.

718 326 tonnes of generated energy by-products

Total number of end customers:
440 Electricity
367 Heat

38% of extracted coal is used within the Group

4.5 mill. tonnes of coal sold

SUPPLIERS

VERIFICATION, SELECTION AND EVALUATION

The majority of our suppliers are local, from the Czech Republic or Slovakia, and our business relationships are founded on long-term cooperation. When purchasing abroad, such as spare parts for our equipment, we mainly use local distributors.

New suppliers are extensively verified, both with regards to their solvency and reputation references.

When selecting suppliers, we focus on long-term cooperation. Some of our suppliers even have workshops and offices directly at our plants.

Specific performance criteria can be agreed upon and incorporated into supplier contracts. For example, if there are energy savings as a result of construction or modifications of the existing technology, the supplier may be entitled to an incentive bonus if these savings are exceeded.

ENVIRONMENTAL AND SOCIAL CRITERIA DURING SUPPLIER SELECTION AND EVALUATION

Throughout the Group, we strive for safe and environmentally friendly operations. That is why our supplier selection process includes an internal Environmental Questionnaire. This allows us to determine where suppliers stand with regards to their own principles and practices relating to environmental protection and relevant certifications.

Since 2020 we require suppliers to have knowledge of the Group's internal policies, and their consent to comply with our Core Values and Business Principles.

In 2020, contracts with business partners were revised and adjusted to reflect these changes.

Existing suppliers are assessed annually on their overall cooperation, compliance with their contractual obligations and deadlines, and their occupational health and safety practices.

PROCUREMENT PROCESS

The key principles in the Group's Procurement Policy aim to ensure a fair purchasing process. This is especially important in building trust amongst our suppliers, employees, customers, investors and the general public.

The procedure for selecting suppliers differs based on the financial volumes of individual orders, where the boundaries are set by each Group company individually.

For low volume contracts, business inquiries are generally submitted through e-mail or an auction portal, which also serves as an archive of bids, and additionally ensures equal and transparent access to suppliers.

For high volume contracts, the process is more formalised and the supplier selection process occurs through an internal tender process. In these cases, at least three suppliers are always invited to participate. Their bids are evaluated by an independent committee, and ultimately, the statutory bodies of the relevant Group company (companies) approve the selected supplier. In the procurement process, the Group's financial and tax departments are also involved.

The Group's procurement department supports the production process ensuring fairness and transparency. In all of its processes, the procurement department follows internal Group guidelines and regularly uses updated contract templates and other relevant documents for tenders.

In 2020, with regards to purchasing, the Group began unifying the procedures, directives and contract templates used in in Elektrárna Chvaletice, Teplárna Kladno and Teplárna Zlín.



COMMODITY TRADING

The Group's electricity, lignite, emission permits and other energy commodities are traded and sold externally by Sev.en Commodities AG.

Summary of business activities performed by Sev.en Commodities AG:

The majority of the Group's produced electricity is traded on the wholesale market through Sev.en Commodities AG.

- Sev.en Commodities AG trades in electricity, emission allowances and other energy commodities on the European wholesale markets through energy exchanges (ICE, EEX, EPEX), brokers, and on the basis of EFET agreements with trading counterparties.

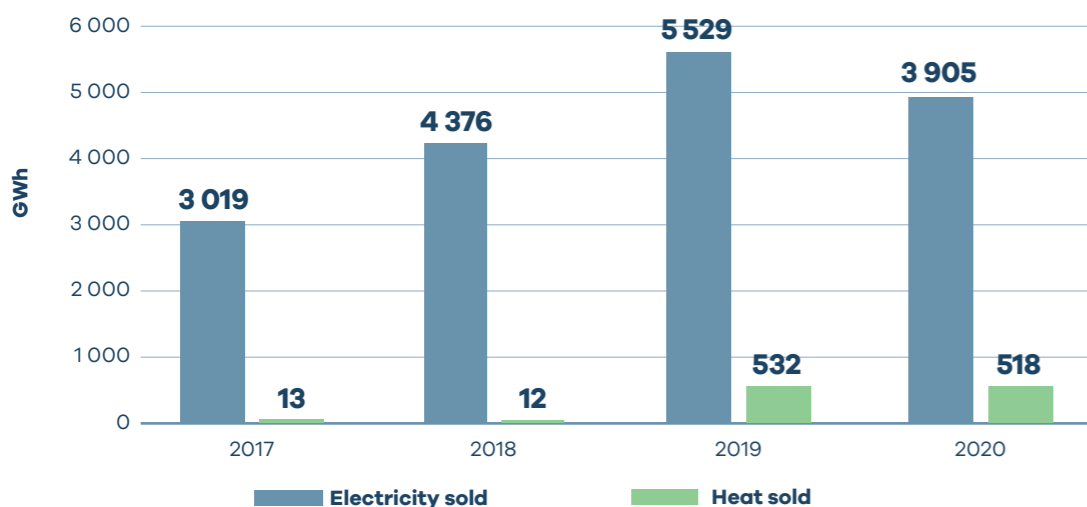
- Sev.en Commodities AG also performs production optimisation, hedging and dispatch management at Elektrárna Chvaletice, Teplárna Kladno and Teplárna Zlín.

- Sev.en Commodities AG is also an active coal trader and they provide trade, hedging and production optimisation to Vršanská uhelná and Severní energetická.

The heating plants at Kladno and Zlín also supply electricity, heat, gas, compressed air, and utility and drinking water to end customers. As a result of the acquisition of these plants, the number of Group's end customers for heat and electricity increased by 81 compared to last year. In 2020, these companies also became part of a tolling system for the production and sales of Sev.en Commodities AG.

The following graph shows the total amount of electricity and heat sold by Sev.en Energy. In 2020, there was a decrease in electricity sales, which was mainly due to the COVID-19 pandemic.

Graph 5: Produced electricity and heat sold by Sev.en Energy Group



CASE STUDY

PRODUCT CERTIFICATION

We ensure that all of the Group's products are certified, tested and meet our strict quality requirements.

In the Most region, a **lignite catalogue**⁶ is made available to customers, who can reference it to verify the value and quality of available lignite. Coal descriptions include calorific value and combustion characteristics, as well as ash, sulphur, hydrogen and water content.

Energy by-products

Energy by-products are also certified in the Group. They are mainly repurposed by the construction industry, which is why the Technical and Testing Institute of

Civil Engineering Prague s.p. issues the majority of these certificates based on the product's subsequent use. For example, fly ash has a number of different certificates which focus on its use in the production of cement, the production of aerated concrete, in road mixes, in concrete or as an aggregate substitute.

Energy by-products include materials that are produced from coal-fired heating and power plants, and result from operational activities including emission reductions, dust separation and flue gas desulphurisation. The most common types of energy by-products include fly ash, slag and energy gypsum, which differ in both origin and their subsequent use.

⁶ The lignite catalogue is available using the following link: <https://www.7energy.com/files/katalog-uhli2019.pdf>

Table 7: Types of energy by-products, their origins and subsequent uses

Fly ash	Slag	Energy gypsum
Origin		
Produced during dust particle separation from flue gases (in filters)	Produced during the first boiler intake (cooled and crushed)	Produced during the desulphurisation of flue gases (via limestone scrubber)
Use		
<ul style="list-style-type: none"> In the production of aerated concrete or mixed concrete As a cement binder (instead of natural limestone) As backfill in road construction As sealing and filling material used in the reclamation of old mines and landfills 	<ul style="list-style-type: none"> In shaping landscapes during reclamation In road construction Additive in the production of building materials In creating rough surface textures 	<ul style="list-style-type: none"> In the production of gypsum and plasterboard As a cement additive



SUPPLY CHAIN INCIDENTS

In 2020, there were no major supply chain incidents reported in the Group, nor were there any significant changes from previous years. The following case study summarises a long-term dispute with one of our former suppliers, Královopolská RIA, where we highlight the 2020 developments related to this incident.

CASE STUDY



KRÁLOVOPOLSKÁ RIA 2020 DEVELOPMENTS

A fundamental part of Sev.en Energy business investment plan was to repair and improve the Elektrárna Chvaletice from an environmental perspective. The project started in 2015.

In July 2015, Královopolská RIA was awarded the contract for repairing, refurbishing and implementing environmental upgrades to units 3 and 4 at the power plant. The contract was based on a public tender with a price of CZK 2.5 billion and, according to the Královopolská RIA's offer, work on the units would be completed in November 2016. In June 2017, management of Elektrárna Chvaletice withdrew from the contract with Královopolská RIA due to their repeated handover delays. Sev.en Energy decided to take over the work

on units 3 and 4 and, at the Group's expense, and to complete the upgrades.

Following the Group's withdrawal from the contract with Královopolská RIA in 2017, Elektrárna Chvaletice filed its receivables claim through insolvency proceedings against the supplier. The alleged receivables from Královopolská RIA were transferred to a third party; Elektrárna Chvaletice strongly denies all allegations made during these arbitration proceedings. At the same time, the Supreme Court is also deciding on a lawsuit against the Československá obchodní banka a.s., on which the final decision has not been issued so far.

ACTIVITIES RELATED TO THE COVID-19 PANDEMIC

In March 2020, the Group implemented a series of measures to help prevent power and electricity outages associated with the COVID-19 pandemic; our quick response demonstrated that we are a reliable Group in uncertain times. We have contingency plans in place for employees who contract the virus and we are constantly responding to the developments of the COVID-19 pandemic in the Czech Republic. Overall, the Group's top priority is to ensure the continued and stable supply of energy in all circumstances.

Preventative measures include:

- increased sanitary and hygiene measures,
- modifying working regimes and restricting trips abroad,
- restricting in-person meetings and replacing them with video conferencing,
- enforcing strict measures in common areas, especially in cafeterias and changing rooms,
- enabling our employees to work from home,
- cancelling public excursions in our operations (e.g. Coal Safari).



ENVIRONMENTAL IMPACT

EMISSIONS
MANAGEMENT

EMISSIONS MANAGEMENT

Sev.en Energy measures and manages the emission of greenhouse gases and other air pollutants, with the objective of their continuous reduction. Overall, the Group's objective is to be an exemplary neighbour in the regions that we operate.



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The objective of the Sev.en Energy Group, with regards to coal mining activities, is to lower emissions of solid air pollutants.

With regards to energy production, the Sev.en Energy Group aims to increase efficiency and reduce emissions from greenhouse gases and other air pollutants.

Due to the nature of this business activity, the impact of commodity trading with regards to this topic is negligible.

DESCRIPTION OF ACTIVITIES

Adhering to the emission limits of solid air pollutants within coal mining.

Continuously analysing different approaches to reducing emissions of solid air pollutants.

Adhering to the emission limits of air pollutants within energy production. Additionally, optimising operations, effectively developing and maintaining technical equipment, and reducing air pollutants and CO₂ emissions through organisational measures, which include the continuous improvement of monitoring systems.

KEY INDICATORS FOR 2020

Severní energetická and Vršanská uhelná decreased their emissions of solid air pollutants, by 41% a 19% respectively when compared to last year.

Compared to last year, there was a decrease of emissions from the production of electricity and heat. More specifically:
NO_x decreased by 27%
SO₂ decreased by 24%
PM decreased by 63%
CO decreased by 25%
CO₂ decreased by 27%

APPROACH TO CLIMATE CHANGE

As the Group mainly operates in the area of conventional energy production, we are fully aware of the risks associated with climate change. At the Group level we actively monitor our contribution to, and analyse our

SEV.EN ENERGY MONITORS THE MEDIUM AND LONG-TERM RISKS ASSOCIATED WITH CLIMATE CHANGE AND HAS IMPLEMENTED A NUMBER OF MITIGATION AND ADAPTIVE MEASURES TO LIMIT ITS NEGATIVE IMPACTS.



impact on climate, and we are focused on implementing the most appropriate mitigation measures and adaptation approaches.

OUR MITIGATION MEASURES:

We take active steps to reduce our impact on climate change. We focus on investment and operational measures that will reduce the Group's emissions of CO₂- and other air pollutants. At the Group's individual companies, managers and other responsible personnel have annual emission reduction targets set for greenhouse gases and other air pollutants, which are subject to evaluation.

We continually analyse the possible use of renewable energy sources in the Group, whether it be in the form of acquisitions or use in the current operations. For example, at the Teplárna Kladno, we successfully use biomass as an alternative fuel. At the Elektrárna Chvaletice we analyse a possible use of photovoltaic panels on warehouses.

We generate by-products, which are subsequently used in construction, such as energy gypsum, fly ash, slag and fluid ash. By replacing primary raw materials, we prevent their use and carbon footprint, which is associated with mining and

logistics. Additionally, when transporting fuel and raw materials, we generally try and opt for train transport.

OUR ADAPTATION APPROACHES:

We effectively reclaim areas post-mining activities, and in an effort to preserve or even improve the original natural biodiversity, we also strive to increase water retention in the landscape by, for example, creating wetlands and smaller bodies of water. In the future, the Group's mines will be flooded to create huge lakes, where the possibility of incorporating photovoltaic panels onto the water is being discussed.

With regards to risk management, the Group understands the direct impacts posed on its operations, such as water scarcity. This is why we actively research and implement measures to reduce the Group's water consumption.

As part of our efforts to go beyond the minimum statutory reclamation requirements, we plant trees, thereby creating a positive effect on the Group's overall carbon balance. Since 2015, the Group has planted over 4 million trees, making Sev.en Energy the most active company, with regards to tree planting, in the Czech Republic.

We regularly update crisis scenarios and monitor the climate change predictions related to the Group's developments and impacts. Solving crisis scenarios, addressing risks and analysing the possible developments occurs through a formal consultation process at Sev.en Energy's management level. Management respects the recommendations from these consultations and applies them into decision-making processes when deciding on the future direction of the Group.

REDUCING EMISSIONS DURING MINING ACTIVITIES

There are no direct greenhouse gas emissions that occur as a result of mining activities at the ČSA and Vršany mines. The focus in these operations lies more on practices that will minimise and eliminate solid air pollutants. For surface mining, there are recommended operating and technical measures that can be implemented to help reduce these emissions. Depending on the nature of the operational process, these measures can include, for example, covering up dusty areas, installing emission control equipment, storing dusty materials, and implementing dust control measures in transportation.

Reducing the air pollution that results from lignite mining and processing, as well as electricity and heat production, is an important goal for Sev.en Energy, as it has an immediate impact on the neighbouring communities in which we operate.

According to air protection legislation, the Vršany and ČSA mines are classified as stationary sources. In 2019, for the first time in the mining sector, solid air pollutant emissions from mining operations were payable?? Taxable? Reportable?. This is based on a methodology determined by the Ministry of the Environment. In 2020, solid air pollutant emissions at the Vršany mine amounted to 20 tonnes, and at the ČSA mine and coal treatment plant, they amounted to 7 tonnes.

Noise and dust from surface mining are monitored to ensure they do not exceed the permitted emission levels. The frequency at which they are verified and measured depends on the conditions set out in the Development, Preparation and Mining Plans. The results of the measurements are discussed annually and relayed to the relevant municipality representatives and public administrative bodies. The results show that the maximum permissible concentration of dust, at the municipal boundaries of sanitary protection zones, has not been exceeded. Additionally, in most cases, it was determined that the equivalent noise level measurements collected

near dwellings adjacent to surface mines, comply with relevant legislation. Overall, the Group implements preventive measures to reduce noise levels.

Investment project: implementing equipment that will reduce solid air pollutants caused by mining activities:

By 2022, the Group plans to invest over **CZK 15 million** into the so called Misting Walls project. The aim is to eliminate the production of dust, which occurs of moving lignite and fly ash (energy by-products) from LH rail wagons onto conveyor belts. It is also aimed at suppressing dust particles and eliminating resuspension from the surface of energy by-products.

A misting unit has already been built and implemented at PD 182. It is approximately 5m from the track and consists of 8 rotating misting units (RMJ 630), approximately 20 meters apart, on steel columns with a height of approximately 8 meters. It was installed in December 2020 and began operating in May 2021, at cost of CZK 5 491 000.

The Misting Walls DEPO I project is under preparation. This project will reduce the emission of solid air pollutants during coal operations, caused by conveyor belts PD 160, PD 161, PD 162, PD 163 and the landfill machine, USSK1. This project will involve the construction of ten misting units at a projected cost of CZK 10 000 000. The project is currently on hold until a new start date has been decided.

REDUCING EMISSIONS DURING ELECTRICITY AND HEAT PRODUCTION

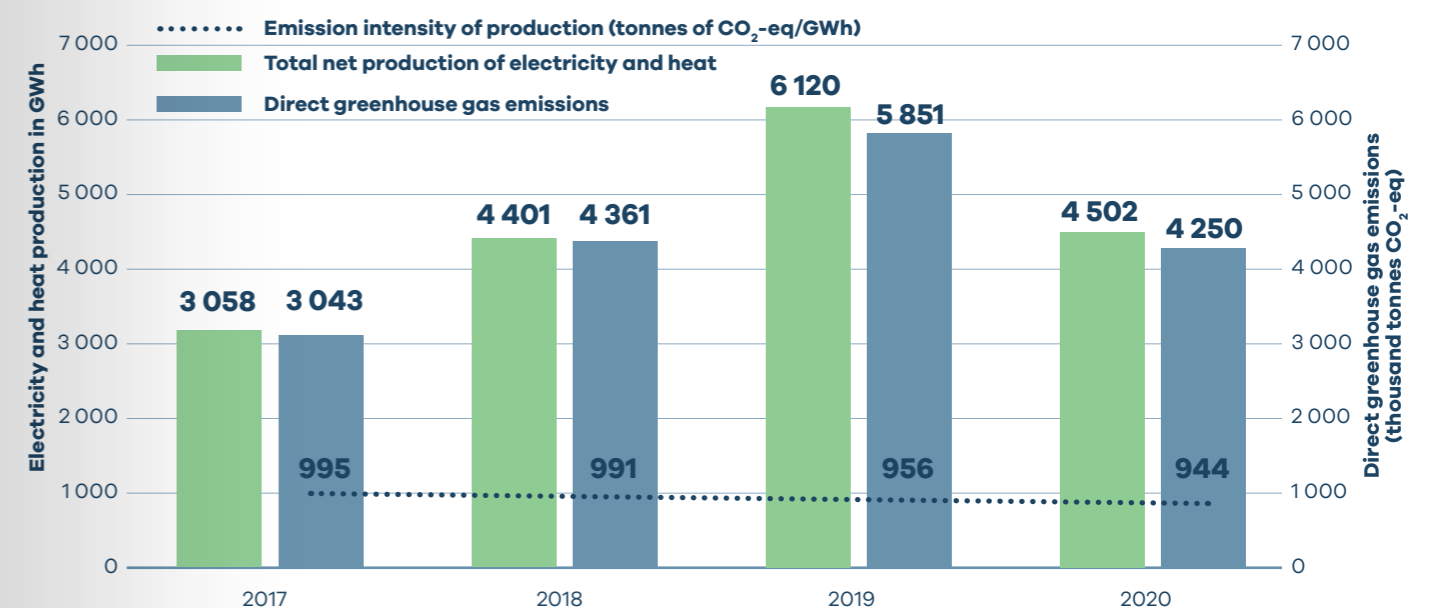
In the Group's production plants, CO₂, NOx, SO₂, solid air pollutants, dust and noise are monitored for the purposes of further reducing their emissions. Every year, based on Sev.en Energy's management systems, investment and operational measures are taken to reduce greenhouse gas and other air pollutant emissions.

All listed pollutants are monitored, along with their characteristics and emitted quantities. This allows the Group to implement measures that will successfully minimise their negative impacts.

In 2019, there was an increase of direct greenhouse gas emissions, which was mainly caused by the acquisitions of Teplárna Kladno and Teplárna Zlín. Since 2020, these emissions have decreasing trend, the direct greenhouse gas emissions decreased by almost 30% compared to last year. Overall, the Group's greenhouse gas emission intensity from energy production continues to experience a decreasing trend.

From 2017, Sev.en Energy's direct greenhouse gas emission intensity from energy production decreased by 51 tonnes CO₂-eq/GWh, which represents a 5% intensity decrease.

Graph 6: Direct greenhouse gas emission intensity (CO₂-eq) from electricity and heat production



Sev.en Energy's increase in operational efficiency is highlighted by the supporting data. Efficiency goals represent a key part of the Group's operational performance objectives.

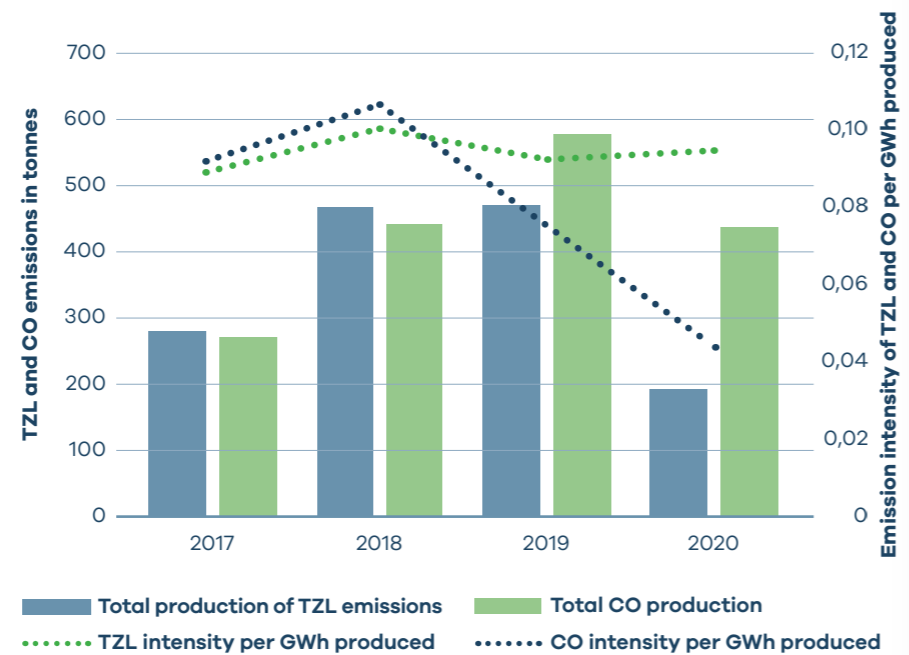
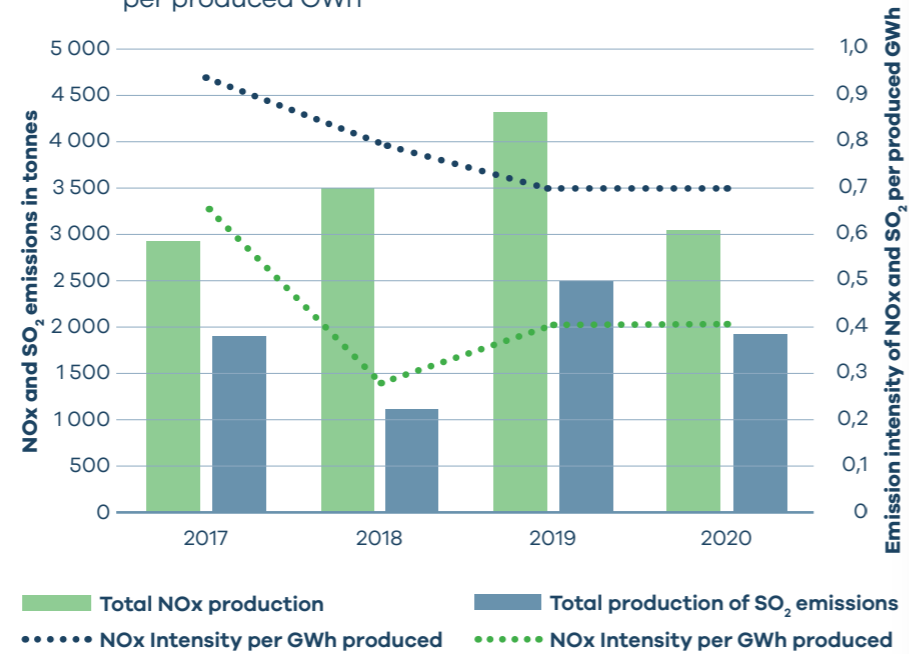
With the increasing efficiency for the conversion of primary fuel sources into electricity and heat, from 35% to 36%, the Group is constantly bringing greater improvements to its operations. The continual decrease in the Group's greenhouse gas emission intensity proves our strong commitment to reducing these emissions. (For more information please refer to the Transformation in electricity and heat production section of this Report).

Sev.en Energy rigorously monitors relevant emission limits and ensures that we comply with them by a significant margin. In 2020, as well as in previous years, air pollutant limits were complied with by all Group's operations.

Total production of all other air pollutants decreased compared to 2019. It is expected that this trend will continue with the gradual implementation of measures related to new emission limits. This includes the European Commission Implementing Decision (EU) 2017/1442 of July 31st, 2017, which established the Best Available Techniques (BAT), and the Industrial Emissions Directive 2010/75/EU implemented by the European Union, both of which are targeted at large combustion plants. At the Chvaletice power plant, the reduction of solid air pollutants is influenced by various factors including the implementation of fabric filters, the functionality of electrostatic precipitators and the installation of technology aimed at injecting SO₂ into flue gas before separators.

While the NOx emissions decreased only slightly, the solid air pollutants decreased by 50% compared to 2019. Selective non-catalytic reduction technology was installed at all of the Group's production assets and the optimisation of desulphurisation lines contributed to the reduction of NOx.

Graph 7: Emission intensity of NOx, SO₂, CO, and solid pollutants per produced GWh



NEW TECHNOLOGY FOR REDUCING NITROGEN OXIDE EMISSIONS AT THE ZLÍN HEATING PLANT

At the end of 2019, new technology was installed at the Zlín heating plant to reduce nitrogen emissions. In 2020, the heating plant met the emission limits for nitrogen oxides and will continue to meet these limits thanks to the newly installed technology. The total investment in new technology exceeded CZK 43 million.

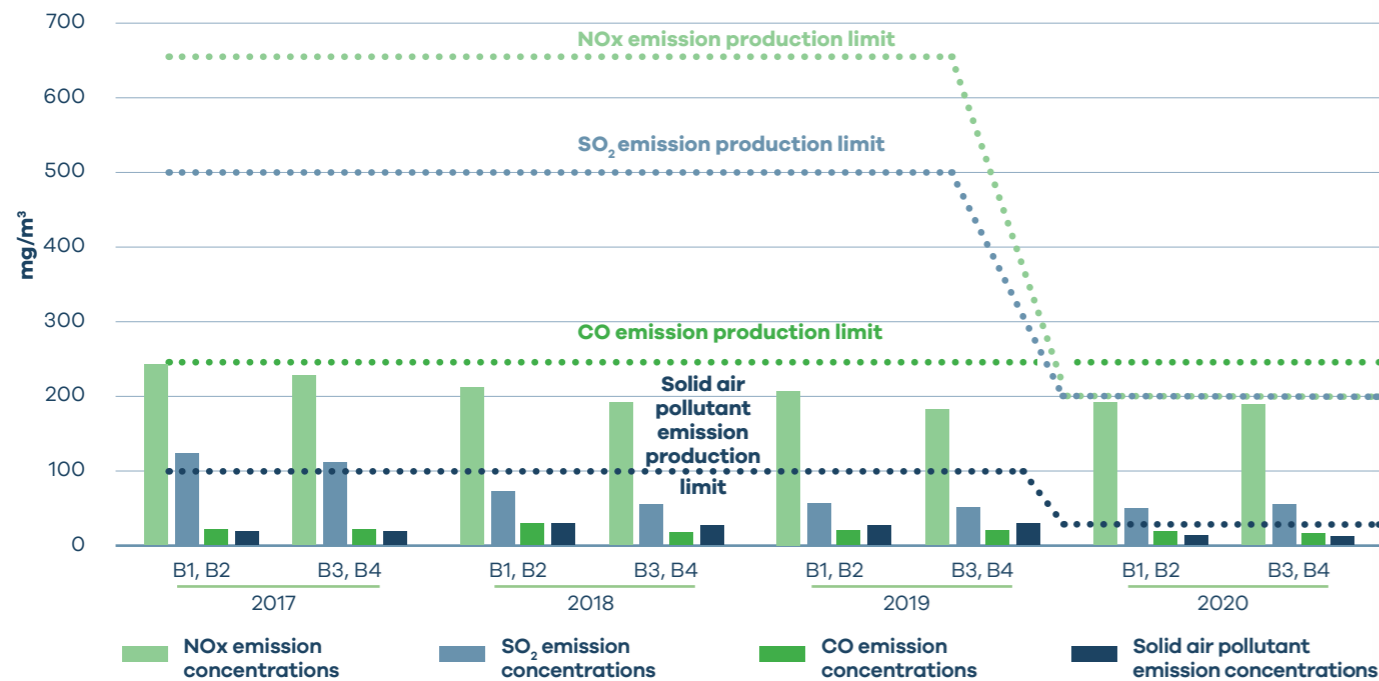
The new technology, known as selective non-catalytic reduction, essentially injects an ammonium hydroxide solution into the boiler's air-flue gas tract, where the whole process is controlled by an automated system. This technology is among the best available solutions for large combustion plants. As a result, the heating plant is already meeting the stricter emission limits for fluidised bed boilers, which will come into effect as of August 1st, 2021, with a maximum limit of 200 mg/ Nm³ for NOx.

EMISSION LIMITS

In 2020, fabric filters were installed at the Elektrárna Chvaletice, with the aim of meeting the new and stricter emission limits.

Teplárna Kladno has been actively preparing for the stricter emission limits being imposed on air pollutants for 2020 and 2021. The company has conducted gas desulphurisation tests and tests relating to the balance of mercury in fuel combustion cycles and air emissions, including the installation of mercury emission measurements on all fluid units.

Graph 8: Air pollutant emissions and limits in Elektrárna Chvaletice⁷



WATER MANAGEMENT

WATER MANAGEMENT

Sev.en Energy puts great emphasis on water management and purification efforts. With the help of technology and equipment, we focus on the efficient and economic management of water, as well as the Group's compliance with measures that protect surface and groundwater. The Group has no activities in regions at risk of water scarcity.



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The Sev.en Energy Group focuses on economic water management of surface and mine water, especially with regards to occupational safety and environmental protection. Additionally, complying with water discharge limits.

The Sev.en Energy Group focuses on economic and sustainable water management, compliance with measures that protect surface and groundwater, and water treatment quality control.

Due to the nature of this business activity, the impact of commodity trading with regards to this topic is negligible.

DESCRIPTION OF ACTIVITIES

Preparing for hydraulic reclamation, which follows ceased mining activities.
 Management of surface and mine water through pumping systems.
 Water treatment so that it may be discharged back into neighbouring systems.

Sustainable withdrawal of surface water.
 Recovering, cleaning and discharging water back into neighbouring systems.
 Regularly measuring water quality.
 Recycling water through closed circuits.

KEY INDICATORS FOR 2020

165 thous. m³
total water withdrawn

5 mill. m³
total water discharged

14.6 mill. m³
total water withdrawn

4.5 mill. m³
total water discharged

⁷ From January 1st, 2020, there was a change in emission limits and as a result, a change in the method of comparing measured values with new emission limits, i.e. emission limits are now compared with validated values. These are results achieved through a half-hour long measurement process, from which share percentage values are deducted based on the following results: 20% for sulphur dioxide, 20% for nitrogen oxides and 30% for solid air pollutants. For results higher than the emission limit, the percentage of the specific emission limit is deducted. Although the previous limits were still enforced until mid-2020, the graph shows the average annual values as reported by supervisory authorities.



WATER MANAGEMENT IN MINING ACTIVITIES

In the Group's mining operations approach the treatment of surface and mine water from an economic and environmental point of view, to ensure operational safety and environmental protection. We also focus on complying with the relevant limits imposed on discharged mine water and wastewater. The Group's mining companies have comprehensive remediation and reclamation plans, where hydraulic reclamation is a key focus, along with other water elements specific to the regions in which we operate.

Sev.en Energy's effective water management solutions contribute to mitigating the environmental.

The volume of treated water is influenced mainly by hydrogeological conditions and the amount of precipitation. Draining mine

sites and their neighbouring locations is important in ensuring safe working and operational conditions. Our aim is to capture water above the edge of the mine and discharge it as surface water discharged into public watercourses, in accordance with relevant regulation. However, water collected below the edge of the mine that has not come into contact with lignite, is discharged as mine water with no need for further treatment.

Water that is captured on sections of lignite in the mine, and as such does not meet the relevant discharge conditions, is directed to the main pumping station and subsequently pumped to a mine water treatment plant. At the treatment plant, this water is subject to chemical-mechanical processes before being discharged back into watercourses.

WATER WITHDRAWAL IN MINING ACTIVITIES

In the Group's mining operations, the amount of surface water that gets withdrawn every year remains relatively constant. In 2020, a total of 165 thousand m³ of water, both surface and underground, was withdrawn by Vršanská uhelná, Severní energetická and Coal Services. This is a much lower volume than the amount of water discharged.

In 2020, a total of 4.9 million m³ of water was discharged into watercourses from all mining pumping stations, which is almost 12% less than last year. From this total, 3 million m³ of water was treated at a mine water treatment plant before being discharged into public watercourses, which is 4% more than last year.

Individual wastewater treatment plants managed by the Group operate in compliance with the relevant regulations and issued decrees. In 2020, a total of 96 thousand m³ of water was cleaned in the Group's mining operations, before being discharged.

WATER MANAGEMENT IN ELECTRICITY AND HEAT PRODUCTION

The Group's water consumption in energy production is primarily used to supply boilers with feedwater and to cool heating and power plants, where the water is subsequently cleaned and discharged back into watercourses. The Group ensures the use, purification and discharge water to the highest standards of care. The Integrated Permit limits surface water withdrawal and wastewater discharge for the Group's power plants.

Sev.en Energy regularly inspects the operating conditions of its water management facilities and actively mitigates negative impacts on freshwater sources.

WATER WITHDRAWAL IN ENERGY PRODUCTION

The Group's power and heating plants withdraw surface water from various sources. At the Elektrárna Chvaletice water is withdrawn from the Labe River, at the Teplárna Kladno water is withdrawn from the Vltava River, and at the Zlín heating plant water is withdrawn from the Dřevnice River. The water withdrawn is mainly used to replenish the cooling circuits in the cooling towers, with treated water being used to supply boilers with feedwater and to replenish the heating networks. The volume of water withdrawn depends mainly on electricity production, as well as external influences, such as weather, temperature and the quality of the water withdrawn.

In water management, one of the main operational risks is water scarcity in the surrounding areas of our production sites. For the Group's operations, this could result in an insufficient amount of water required for cooling, supplying

boilers with feedwater and for cooling surface condensers of turbine systems. Ultimately, this could limit the amount of power generated by individual units and it could potentially cause production shutdown due to insufficient cooling. Therefore, we conduct regular discussions with representatives of the Vltava, Labe and Moravia river basins to discuss potential water supply prospects. We use this joint cooperation as an opportunity to find long-term solutions that will be sustainable both for the Group's operations and for the surrounding areas in which we operate.

In 2020, a total of 14 million m³ of surface water was withdrawn by the Group's energy production companies. Surface water withdrawal for the purposes of energy production remains relatively constant throughout the years. Deviations are mostly caused by fluctuations in water quality (e.g. level of pollutants) and meteorological conditions (e.g. temperature, precipitation and humidity), all of which affect the heat transfer process in cooling towers.

RECYCLING AND CLOSED WATER CIRCUITS

Due to the high water quality standards required by the Group's technologies, we recycle the maximum amount of raw water.

For the purposes of the Group's technology (cooling, replenishing cooling tower circuits, boiler feedwater supply, etc.), we use and treat raw water from neighbouring watercourses. Overall, drinking water is used minimally in the Group, accounting for a fraction of the water consumed. In our production. Drinking water is used for sanitation purposes etc.

WATER DISCHARGE

The Group regularly measures and evaluates the quality of water that we discharge. The wastewater that is discharged automatically is inspected and treated in our wastewater treatment plants (WWTP), which are an integral part of our operations (in Teplárna Kladno and Elektrárna Chvaletice), or it is discharged into the public sewage system, which continues to the WWTP (Teplárna Zlín).

In 2020, the total amount of water discharged decreased by 10%, which corresponds to an 18% decrease of total water withdrawn compared to 2019.

The Group complies with the regulations imposed on water management facilities. By doing so we achieve high efficiency of our WWTPs and we comply with the expected water qualities for discharged mine and wastewater. For example, at the Elektrárna Chvaletice, the 2020 mercury limits in the discharged wastewater containing particularly hazardous substances were only 2% of the maximum amount permitted. At the Teplárna Kladno, the order of magnitude is consistently smaller with respect to the detection limit.

CASE STUDY



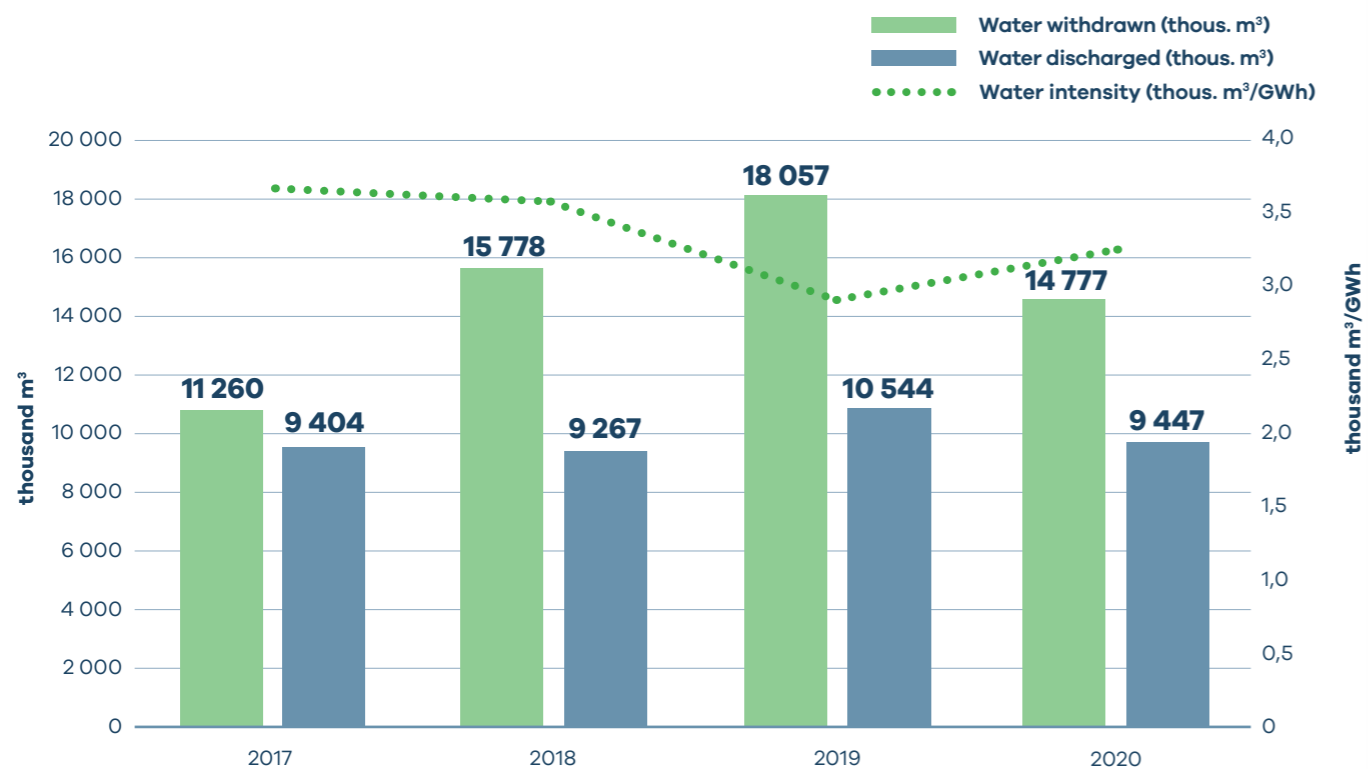
CLOSER LOOK: WATER MANAGEMENT AT TEPLÁRNA KLDADNO

The Teplárna Kladno has two cooling circuits. The system for units 4 and 5 consists of a pumping station, a natural draft cooling tower and an induced auxiliary draft cooling tower. In connection with the construction of the new unit, unit 7, a second independent cooling circuit was built. It consists of a natural draft cooling tower, a cooling water pumping station and a device providing continuous treatment to part of the circulating cooling water called side filtration. In the area, a wastewater treatment plant was built with sufficient capacity to dispose of all rainwater and water from operations.

Approximately 95% of the water is withdrawn from the Vltava River. When the water is withdrawn, it first travels to a pumping station located on top of a hill above the river where it is treated, filtered and pumped through an 18km long feeder to tanks above the heating plant. From here, the water travels freely, with the help of gravity, to the circuits of cooling towers and to chemical treatment plants.

On the way back to the river, the water must go through two stages of treatment, which consist of optimising sedimentation, and a mechanical and chemical treatment (rapid flocculation, clarification). This two-stage treatment process positively affects our operating costs and surrounding environment. Following thorough purification, the water is discharged into a restored stream that allows the treated water to flow back into the Vltava River. The formerly dry stream now has a flow of about 1.5 million m³ per year.

Graph 9: Total water withdrawn and discharged



Overall, in 2020, the Group withdrew less water, however still experienced a slight increase in water intensity.



WASTE MANAGEMENT

WASTE MANAGEMENT

In waste management Sev.en Energy focuses on minimising the production of waste. In the Group, we prefer that waste be reused, recycled or used as an energy source. Each of the Group's operations has its own waste management plan, which clearly defines the types of waste produced and their proper handling.



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The Sev.en Energy Group aims to reduce waste production and increase the share of waste reused. Additionally, we hire specialised companies to dispose of waste that does not have a subsequent use, thereby ensuring that the Group acts in accordance with relevant legislation set out by the Czech Republic.

TYPES OF WASTE PRODUCED

Hazardous waste: Consists of asbestos, and waste resulting from the handling of lubricants and petroleum based substances.

Non-hazardous waste: Consists of common industrial waste and waste from maintenance, investment activities, etc.

Non-hazardous waste: Consists of typical office waste.

WASTE MANAGEMENT

Waste with subsequent uses: waste oils, waste from the take-back system (e.g. electrical equipment and tires), waste sorted into recycling, waste received from sources outside of the Group, etc.

Waste with subsequent uses: Waste sorted into recycling, and waste from the take-back system (e.g. toners and electrical equipment).

KEY INDICATORS FOR 2020

A total of almost 11 000 tonnes of waste was produced, which consisted of 382 tonnes of hazardous waste and 10 315 tonnes of non-hazardous waste.

79% of hazardous waste produced was reused.

77% of non-hazardous waste produced was reused.

HAZARDOUS WASTE

Hazardous waste production is mainly linked to activities in which substances, such as petroleum and lubricants, are handled. These include, for example, sludge, diluents and detergents, and contaminated sorbents. All hazardous waste is handled with the utmost care, ensuring safe and closely monitored disposal.

Sev.en Energy proactively monitors hazardous substances before they enter our operations. This is accomplished through our procurement process. Overall, this approach helps to reduce the amount of hazardous substances used in the Group, and also minimises the subsequent production of hazardous waste.

New products available on the market are regularly monitored by the Group's individual companies' procurement departments, with the aim of identifying product composition and properties. In instances when safer alternative products exist, they are thoroughly assessed.

NON-HAZARDOUS WASTE

Non-hazardous waste generated in the Group is characterised as ordinary industrial waste. This waste can be separated and often recycled (e.g. paper and cardboard, plastic, glass, metal, concrete, etc.).

WASTE MANAGEMENT

Waste production and composition, and thus its subsequent use, depends on the cycle of repairs and maintenance in the Group in a given year (e.g. production of demolition waste, non-recyclable insulation, etc.).

Sev.en Energy engages in waste management discussions with its suppliers.

It is common for waste disposal methods to be defined in a supplier contract before a project commences.

Through the Group's take-back system, we strive to minimise waste and its subsequent impacts. In this system, original product manufacturers reclaim materials after their use. These materials include oils, fluorescent lamps, batteries, accumulators and electrical equipment.

Metal materials are sold as scrap, which includes discarded machinery and its parts, dismantled load-bearing structures, and cables. Rubber conveyor belts are sold for further processing (renovation).

The Group's waste is collected by persons authorised to dispose of waste under Act No. 541/2020 Coll. Disposal procedures for certain categories of waste also have to obtain the relevant licenses and consents from regional authorities.

Collection bins are used to store hazardous and non-hazardous waste. They protect waste from unwanted degradation, misuse, theft, leakage, and any other unwanted environmental impacts.

We accept waste generated from other sources when we can further apply it in the Group. Generally, this consists of construction and demolition waste, and excavated soils, which can be used to backfill roads or improve the stability of mine surfaces.

To reduce hazardous and non-hazardous waste production, the individual companies of Sev.en Energy set internally binding goals, which are aligned with the goals and programmes of the Integrated Management System. Additionally, these goals are adopted by respective managers and approved by the Board of Directors of individual Group companies.



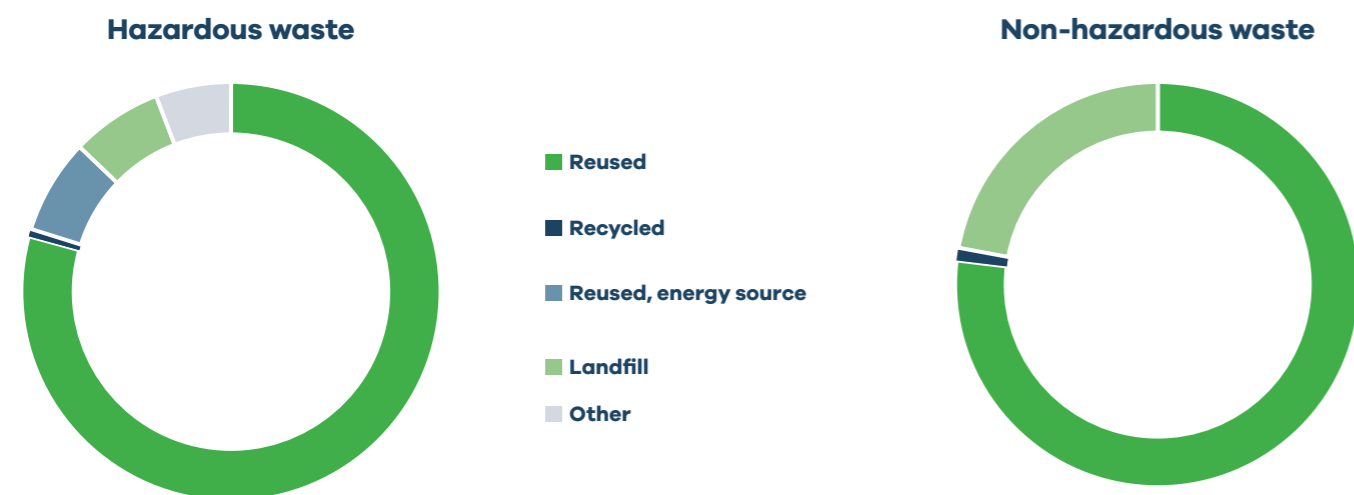
WASTE MANAGEMENT DURING POWER PLANT RECONSTRUCTION

For each large project, one disposal company is contracted to ensure the appropriate handling of all waste produced; waste treatment costs are included in the project's budget. Individual suppliers are only required to sort (separate) the waste and store it in specifically allocated places on site (e.g. containers and scrap yards).

Thanks to our centralised approach we are able to optimise waste disposal costs and to ensure that it is appropriately and safely handled. If, instead, each supplier disposed of their waste independently, the control of procedures would be overly complex and difficult to manage.

In 2020 Sev.en Energy produced a total of 10 697 tonnes of waste, which is an increase of almost 12% compared to the previous year. Overall, the Group aims to reuse as much of its produced waste as possible, as well as increase its share of recycled waste and reused waste as an energy source.

Graph 10: Waste disposal methods in 2020*



*The data does not include items that are subject to take-back system, such as light sources or discarded electrical equipment.

° The total amount of waste produced in 2019 was restated. Further information and restated figures can be found in the Technical Annex of this Report.

CASE STUDY



ENSURING QUALITY OIL FOR MINING EQUIPMENT

In the Group's mining operations, the quality of oil used to run equipment is regularly inspected in a laboratory. Subsequently, oil that is deemed suitable gets filtered in a treatment device (MICAFIL), to extend its use. If oils no longer meet the required parameters, they are sold for further use.

REUSABLE WASTE

Waste with further use mainly includes:

- waste oils (95% used to produce base oils and the remaining 5% is appropriately disposed of),
- tires,
- iron and steel, non-ferrous metals (cables, etc.), obsolete electrical equipment, control system components, sensors and transducers, electric drives, substation components, etc. - due to the precious and rare earth metal content),
- separate components of municipal waste,
- construction and demolition waste, and others.



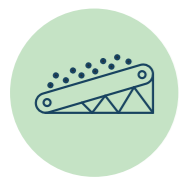


SOCIAL IMPACT

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety (OHS) is one of the top priorities in Sev.en Energy. We continuously strive for zero employee injuries and equipment failures, which is reinforced by our awareness programmes, regular equipment maintenance and quality management. In the Group, OHS is jointly monitored and addressed by company management committees and trade union representatives.



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The Sev.en Energy Group ensures a safe working environment for employees. We accomplish this through regular inspections, and through or cooperation with trade unions, doctors and the Group's internal Fire and Rescue Service. As a result, we are able to reduce the risk of work related injuries and illnesses.

DESCRIPTION OF ACTIVITIES

- According to mining legislation, employees are regularly trained and assessed on their understanding of occupational health and safety within their respective roles.
- In cooperation with departments, we regularly evaluate occupational safety and related internal procedures.
- Internally, we have a Fire and Rescue Service, and a Main Mining Rescue Station, which is also a part of the Integrated Rescue System (IRS).
- The Main Mining Rescue Station, which is continually in standby mode, supports all coal mines and ČSA.
- According to relevant legislation, employees are regularly trained and assessed on their understanding of occupational health and safety within their respective roles.
- Trade unions work closely with management to update emergency response plans, fire guidelines, and other internal documents and processes.
- In the event of an emergency, we have specialised organisational units, along with emergency response teams, at our disposal.
- We uphold occupational health and safety practices.
- We care about healthy work-life balances.

KEY INDICATORS FOR 2020

- 1 injury per 157 000 hours worked**
- Total number of hours worked : 5 mill.**
- Total number of injuries at Teplárna Kladno in the last 16 years: 0**
- 100% of our employees received occupational health and safety training**

ACTIVITIES RELATED TO THE COVID-19 PANDEMIC

Protective equipment

In March 2020, the Group provided its employees and their families with protective equipment against COVID-19, which at the time was difficult to obtain due to its high demand; the equipment was secured by the Group's Ultimate Beneficiary, Mr. Pavel Tykač; the equipment was distributed to both the existing and former employees.

Crisis communication

We believe that in unexpected and unfamiliar situations, communication needs to be transparent and timely. The Group's relationship with its employees is built on trust; we have maintained open and honest communication throughout the COVID-19 pandemic. This was achieved through various measures, such as a dedicated telephone line and a Facebook group.

In March 2020, the Group created a toll free crisis hotline for its employees, which operated between 7am and 5pm. This provided the employees with a trustworthy platform for up-to-date information regarding the COVID-19 pandemic. Additionally, a short message system (SMS) was created to further distribute relevant information. Employees with work phones received messages automatically, while other employees had the option of subscribing to the short message system.

In the spring of 2020, a Facebook group titled **7Together** was created for employees. The goal was to create a platform that could replace some of the standard communication tools used within the Group prior to the COVID-19 pandemic. By March 2021, almost a quarter of the Group's employees became members.

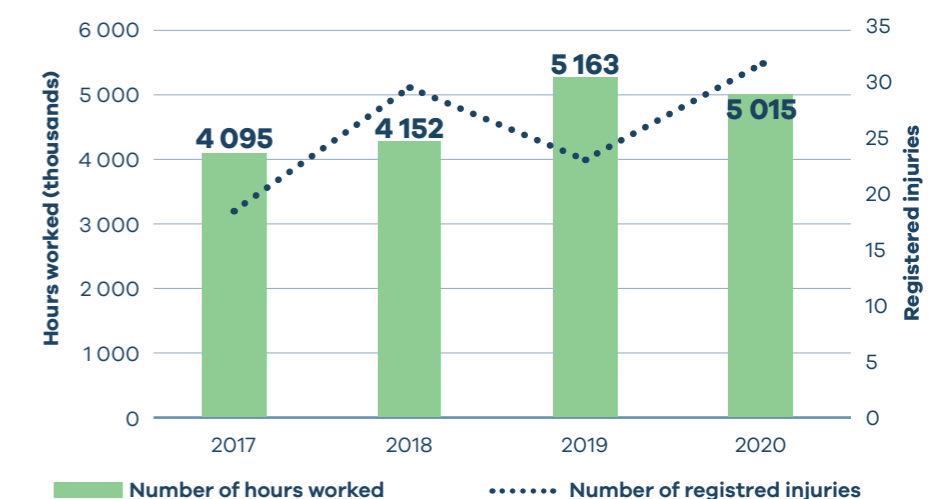
LEGAL COMPLIANCE

With regards to employee safety at work, we ensure that the entire Group is compliant with national and international legislation. This includes

legislation relating to OHS and mining, and stems from various sources, such as EU labour laws, the EU Charter of Fundamental Rights, and standards set by the International Labour Organisation. This legislation is incorporated in the Group's internal policies and processes.

In 2020, there was a slight increase in the number of registered workplace related injuries (by nine cases). This was mostly due to human error and unpredictable risk. Unfortunately, in 2020, the Group also experienced one fatality at Coal Services, which occurred during track related work.

Graph 11: Number of hours worked and registered injuries



All of our employees go through a regular OHS training, with each employee completing at least 12 hours of training per year.

IN 2020, THE GROUP'S MAIN MINING RESCUE STATION DID NOT HAVE TO ADDRESS ANY EMERGENCIES. 100% OF THE GROUP'S OPERATIONS HAVE EMERGENCY PLANS IN PLACE.



OCCUPATIONAL RISK EVALUATIONS AND INSPECTIONS

We regularly evaluate occupational risks and incorporate them into the Group's internal policies, such as those relating to our mine sites. We also closely work with trade union representatives, who jointly oversee the implementation of safety measures with the Group's management committees.

Occupational risk prevention and emergency response are highlighted and regularly updated in the Group's emergency plans, fire regulations and fire alarm guidelines. Additionally, we ensure the incorporation of occupational safety targets into the Group's Integrated Management System. These documents are regularly reviewed and consulted with relevant stakeholders, and as a result, are appropriately updated.

All of the Group's workplaces undergo regular inspections by state authorities who specialise in occupational health and safety controls.

OCCUPATIONAL SAFETY AT MINE SITES

The Main Mining Rescue Station, which also includes a Fire and Rescue department, is the primary emergency response unit for the Group's mines and ČSA. These emergency departments are continuously operational and they work tirelessly to prevent unsafe activities in the Group, while ensuring appropriate and professional responses when required. Medical care is provided through the Integrated Rescue System.

All employees that work at the Group's mine sites are regularly trained

and undergo extensive evaluations pertaining to their understanding of occupational safety specific to mining legislation. Employees that work in high-risk areas are additionally covered by internal benefits and insurance.

In the last three years, there has been an average of 9 registered injuries per year in the Group's mining companies.

OCCUPATIONAL SAFETY AT HEATING AND POWER PLANTS

Similar to employees at the Group's mining companies, employees that work at our heating and power plants undergo regular training and extensive evaluations in the area of occupational safety specific to OHS legislation. In Elektrárna Chvaletice, Teplárna Kladno and Teplárna Zlín, trade union representatives, in cooperation with the Group's management committees, regularly assess occupational safety and update internal processes and plans relating to OHS. Their assessments consist of internal reviews of OHS documents and processes, such as emergency plans and fire guidelines. Additionally, in Teplárna Kladno and Teplárna Zlín, occupational safety is incorporated into regular internal inspections, which is a part of the Integrated Management System.

There have been no workplace injuries for more than 16 years in Teplárna Kladno.

Production companies in the Group have specialised response units that are equipped to intervene in the event of an emergency, while additionally having the skills to assess high-risk situations and apply the appropriate preventative measures. Elektrárna Chvaletice operates its own Fire and Rescue department.

Specialised technicians and employees that work in high-risk areas are additionally covered by internal benefits and insurance.

OCCUPATIONAL SAFETY IN OFFICE ENVIRONMENTS

OHS at Sev.en Commodities AG and Sev.en Services is driven by protocols that address occupational safety in an office environment. In the last three years, there have been no reported injuries in these Group companies.

Cyber security is managed through a centralised risk process. Compliance with the General Data Protection Regulation (GDPR) has ensured that all Sev.en Energy Group companies protect the personal information of their employees, suppliers and business partners.

EMERGENCY PREPAREDNESS

The Group's management, and management at our individual companies, are all committed to being adequately prepared for emergency situations. That is why we consistently create and consult our emergency plans in cooperation with trade union representatives. As part of the Group's emergency preparedness, we create action plans for specific emergency scenarios, which are inspected and approved by representatives of the Czech Mining Authority.

In the event of an emergency, we respond quickly and effectively, and we are able to communicate calmly and clearly with the Group's Integrated Rescue Service.

OUR EMPLOYEES

OUR EMPLOYEES

The Group's fair employment processes incorporate sustainable practices built into our daily activities. As a result, the Group's talent pool comprises responsible, skilled and hard-working professionals, who are both compensated fairly and are also provided with a safe working environment in which to professionally grow and develop their skills.



MINING



ELECTRICITY AND HEAT PRODUCTION



COMMODITY TRADING

STRATEGIES AND PRINCIPLES

The Sev.en Energy Group provides employees with a safe working environment, as well as opportunities that will allow for their further professional growth and development.

As an energy leader, we enjoy sharing our industry expertise with students and professionals, so as to support their growth within these traditional fields of work.

DESCRIPTION OF ACTIVITIES

As part of our role in the energy transformation, we continuously support our employees in developing their skills for the future needs of the industry. We do this through various employee training programs and in cooperation with educational institutions.

We provide our employees with specialised technical training pertaining to mining, electricity and heat production, and commodity trading.

We support the professional development of our employees. Not only do we enjoy watching them grow with us, but we believe in rewarding our talent with opportunities that will further support their professional goals.

We ensure to provide our employees with fair pay and benefits.

We are actively engaged in trade union dialogues and proactively solve any problems that arise.

We are committed to helping our employees maintain a healthy work-life balance by providing them with employment options that best suite their needs, such as part-time contracts and flexible working hours.

KEY INDICATORS FOR 2020

Total number of hours worked:
3.69 mill.

Number of employees: 2 313

Total number of hours worked:
1.26 mill.

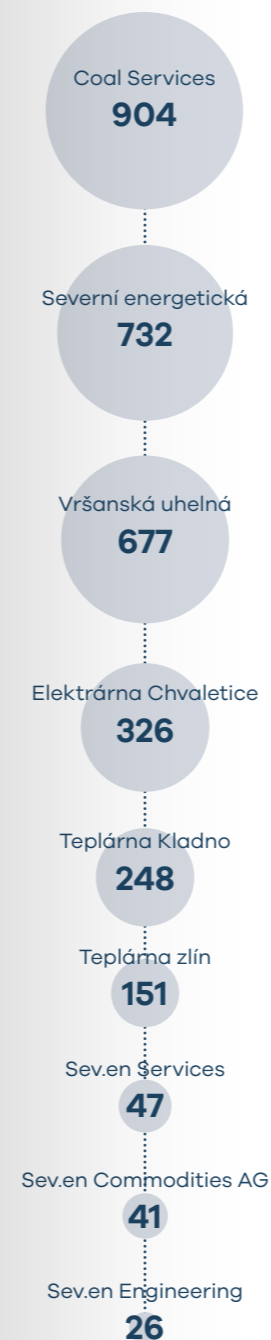
Number of employees: 798

Total number of hours worked:
0.07 mill.

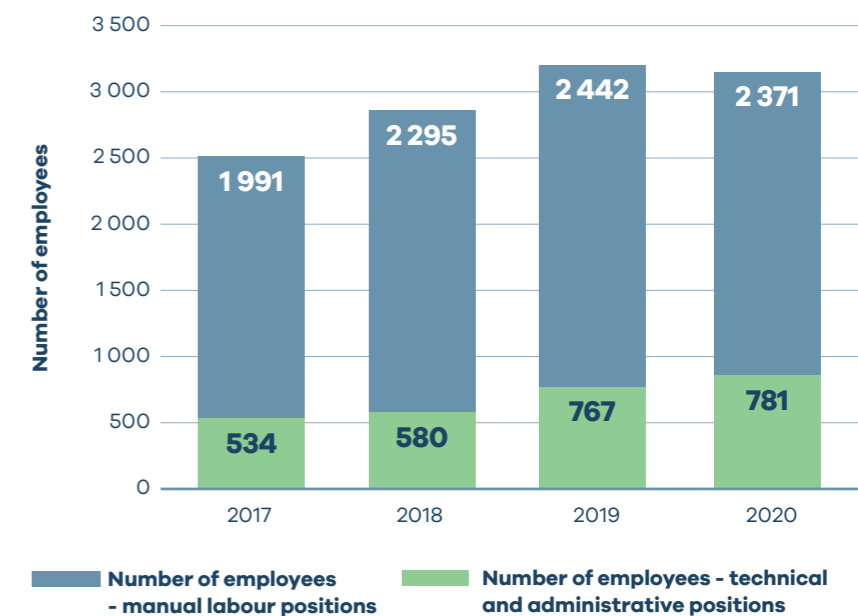
Total number of employees: 41

In 2020, the total number of 3 152 employees decreased by 57 positions. Over 90% of our employees have contracts for indefinite periods of time, while approximately 1% of our employees work on part-time contracts.

Figure 5: Number of employees by the individual Group companies in 2020



Graph 12: Number of employees by positions



EMPLOYEES BY REGION

The Group is a major employer in regions that are known for historically high unemployment rates. The majority of the Group's employees work in the Ústí nad Labem region, where the Group's companies Severní Energetická, Vršanská uhelná, Coal Services and others operate. Elektrárna Chvaletice is located in the Pradubice region. It employs the second largest number of the Group's employees. Other employees work with Teplárna Kladno in the Central Bohemian region and in Teplárna Zlín in Eastern Moravia. Sev.en Commodities AG, which is located in Prague, employs the lowest number of the Group's employees. In all the regions in which we operate, the Group supports regional development through philanthropic activities and actively participates in local community discussions.

Impact of energy transformation on regional employment

Sev.en Energy understands that people are the key to successful regional change. We also understand that today's energy transformation and modernisation is slowly starting to demand professionals with completely new skill sets, ones that still need to be developed.

The Group intends to retain at least 80% of its current employees to ensure a smooth transition into the future. Some of our employees will continue to work in their respective fields of energy and reclamation, and others we will need to be retrained to qualify to work in the future fields of the energy industry, such as in the installation and maintenance of photovoltaics and other renewable energy sources, and clean mobility. With the gradual creation of new projects, it can be expected that the total employment in new fields will exceed the number of jobs that the Group currently offers.

Creating jobs and providing retraining courses

Stable jobs that will be in demand for at least a decade shall be created by planned construction of our new administrative buildings. We expect that forestry, water management and agriculture related jobs will be in demand for the longest period of time.

In cooperation with state and social partnerships and with the participation of trade unions the Group expects to implement re-training courses. We also want to help less qualified professionals, those who have historically been rejected

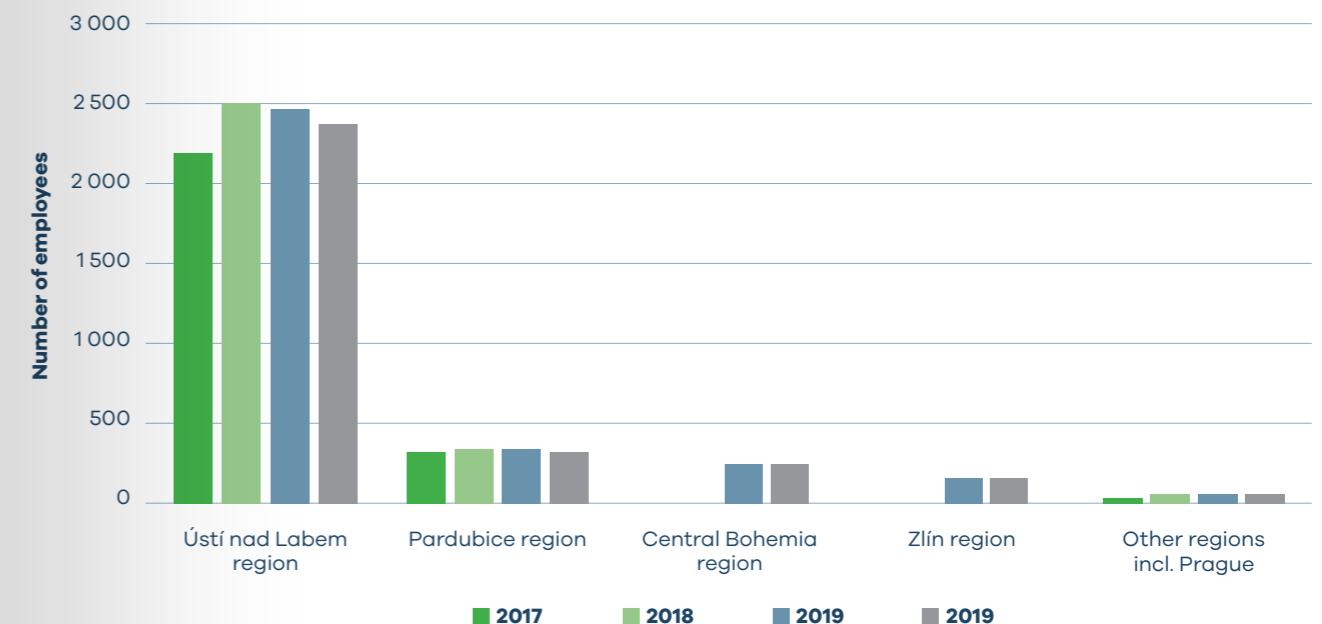
from jobs, to get involved in projects that complement their skills, such as work relating to reclamation and water management. We also aim to attract and retain young professionals that enjoy working on complex and technical projects, from all parts of Central Europe.

The role of high schools and universities

Creating new re-training and educational employee programs remains an important aspect of our HR work. We aim to accomplish it in cooperation with state authorities and private investors. It is expected that existing secondary schools and the Jan Evangelista Purkyně University in Ústí nad Labem will be involved in this project. The Group's cooperation with the Czech Technical University in Prague, the Brno University of Technology and the University of Mining in Ostrava, will enable us to provide studies pertaining to renewable energy. An important partner of the project could also be the University of Chemistry and Technology in Prague - Unipetrol Litvínov in Záluží, Litvínova. Additionally, in the future, it may also be possible to establish a Sev.en Energy University Centre in the Most region or to work in new areas of reclaimed land.



Graph 13: Number of employees by regions in the Czech Republic



DUE TO SEV.EN ENERGY'S EXTENSIVE ECONOMIC AND SOCIAL IMPACT, THE GROUP IS A SIGNIFICANT EMPLOYER IN THE REGIONS THAT WE OPERATE.



EMPLOYEE TURNOVER

The average employee turnover rate in the Group's monitored companies is 6.34%. If employee downsizing occurs due to reduced or ceased operations, the Group's management works with affected employees to help them find jobs with a similar job description and remuneration.

COLLECTIVE BARGAINING AGREEMENTS

The Group understands the importance and value in appropriately negotiating with employees and respecting their

interests. As a result, we encourage employees to express their opinions and suggestions, as they have the ability to highlight the different opportunities in the Group; we ensure to always respond transparently and through our internal processes. In most of the Group's production companies, a member of the Supervisory Board is an employee representative. This system enables quick and smooth communication between employees and management, and allows for their participation in management control. From 2017 to 2019, negotiations pertaining to the scope of collective bargaining agreements were held in most of the Group's individual companies. In 2020, further negotiations were conducted regarding adjustments to the

agreements, which were subsequently approved and implemented. The current agreements in the Group are valid until the end of 2021.

PROFESSIONAL GROWTH AND DEVELOPMENT IN SEV.EN ENERGY GROUP

In Sev.en Energy, we support the growth of our employees. This is why the Group prefers to focus on internally selecting and promoting employees when filling vacant managerial positions. Through our internal succession planning

approach, we are able to extensively prepare soon-to-be managers with comprehensive training programmes, which include topics relating to legislation, personal development and environmental protection.

Creating equal opportunities

Sev.en Energy does not condone discrimination of any sort and instead promotes diversity in the workplace. As a result, management in the Group focuses on creating a purely meritocratic culture, where both women and men are evaluated only on the merit of their work.

We support parental leave for women and men, and when possible, we provide them with flexible working hours.

As part of the Group's Core Values and Business Principles, we have a zero tolerance policy towards discrimination. Any cases regarding workplace discrimination are directed towards our Ethics Committee, who carefully addresses the issues.

Even though the Group's individual companies ensure inclusion in their workplaces, most of them still face the reality of the energy industry, which is the limited number of women working, or studying towards, this technical field. This trend is most prominent in the mining industry and therefore predominantly affects the Group's mining companies, such as Vršanská uhelná and the Důl Kohinoor. Alternatively, in Elektrárna Chvaletice, about a quarter of the employees are women, which is comparable to the industry's average.

Employee training

The Group continually supports its employees in their personal and professional growth, and we provide them with opportunities in which they can further strengthen their knowledge and skills. Overall, we provide employees with access to training courses that are targeted towards their positions and professional focus.

Employees in manual labour positions generally participate in the highest number of internal training courses, with a particular focus on occupational safety, legislation relevant to their positions, and technical know-how. In the Most and Pardubice regions, internship and training opportunities in the Group lead to greater success rates in qualifying individuals in fields not offered by secondary schools. We provide training through the Group's internal courses or in cooperation with selected secondary schools, such as training courses related to technical supervision. Overall, the Group believes that investing internally in training and education, allows us to maintain the professional know-how required for our success and the prosperity of the energy industry.

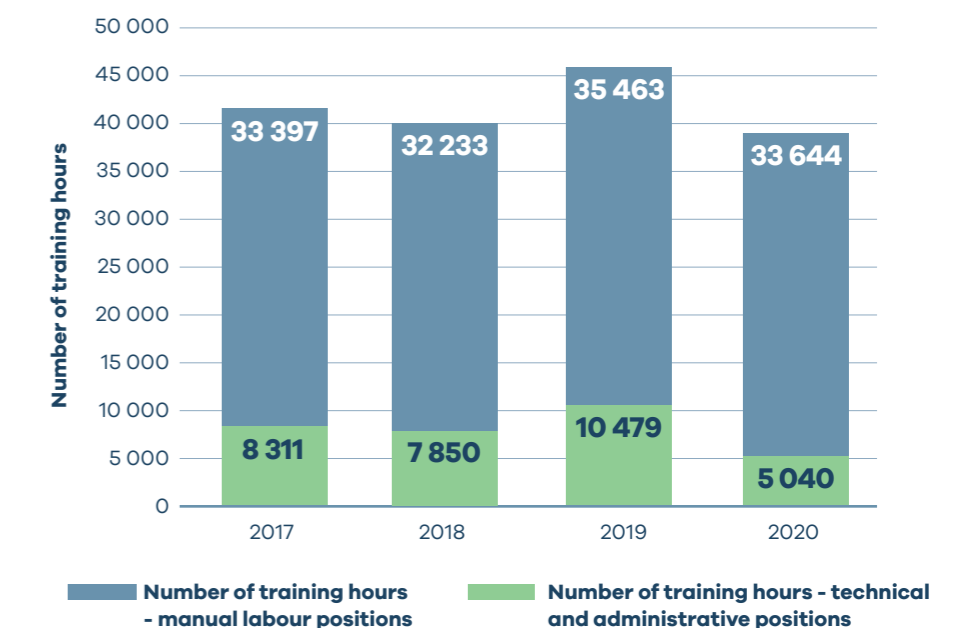
In 2020, Sev.en Energy's employees spent over 38 000 hours on trainings.

In 2020, due to the COVID-19 pandemic, the Group experienced a slight decrease in the number of hours employees spent on training courses. Generally, the decrease is a result of the training that could not have been transferred onto an online platform.



IN 2020, 98% OF SEV.EN ENERGY'S EMPLOYEES WERE COVERED BY COLLECTIVE BARGAINING AGREEMENTS.

Graph 14: Number of training hours by position





CASE STUDY

FURTHER DEVELOPING CZECH TECHNICAL EDUCATION SYSTEMS IN COOPERATION WITH EDUCATOR

In 2020, the Sev.en Energy Group became a general partner of Educator. This independent initiative focuses on adapting the Czech educational system, the institutions operating in it and on student lives, to the reality and opportunities of the 21st century.

SUPPORTING TECHNICAL RESEARCH AND EDUCATION

As an energy leader, we understand that our future depends on qualified and skilled individuals. However, we continue to witness the average age of our skilled workforce increase, while opportunities in the formal education systems remain inadequate. In the Czech Republic, there is only one mining university, from which only a limited number of students graduate. Therefore, the Group is committed in collaborating with students that have technical interests and fields of study (secondary education and higher), with the purpose of recruiting and providing research assistance.

More specifically, in August 2020, the Group began cooperating with the Jana Evangelisty Purkyně University in the Ústí nad Labem region. The Group's role is to support research projects relating to energy and emission reductions.

BENEFITS

Sev.en Energy ensures that employees have access to social funds and benefits through collective bargaining agreements and various other commitments. Some employee benefits are also made available to key professions that are at risk of longer-term staff shortages. Qualified employees are offered incentives in the form of professional courses and recruitment allowances.

Historically, the Group has found that employees prefer benefits targeted towards recreation, supporting healthy lifestyles and their personal medical supplies. In the Group, 99% of our employees have pension insurance.

For the full list of benefits and their employee coverage please refer to the Technical Annex of this Report.

CASE STUDY

PARTNERING WITH TECHNICAL EDUCATION SYSTEMS AND INSTITUTIONS

Sev.en Energy Group employs numerous experts who regularly use their technical know-how to enlighten and guide students at different levels of their technical education. Our experts regularly assist in various activities in the Czech Republic and internationally. These activities include teaching at secondary and primary schools, supervising students' doctoral theses, leading technical excursions or internships directly in the Group's facilities, participating in research, participating in the examination of doctoral theses, and conducting professional lectures.

For example, Teplárna Kladno owns unique technologies that are amongst some of the most advanced across Europe and which were established in collaboration with several institutions, such as the Czech Technical University, the Institute of Chemistry and Technology, and the Mining

University in Ostrava. These technologies include fabric filters, combustion tests of solid alternative fuels and emission control systems during the combustion of energy by-products.

The Group has also long supported technical education in the regions in which we operate. For example, in the Most region, we cooperate with the Most Ecological Centre and we contribute to their grant programme Smart Heads, where schools and social group founders can obtain financial support for their technical projects. In the Pardubice region, we have also long supported the science and technically based social group Energy Differently.

<http://www.ecmost.cz/>
<http://www.energiejinak.cz/>
<https://chytrelavvy.cz/2019/>

The Group hosts local tours of our sites in an effort to educate students and the general public on the processes behind mining operations and energy production.

REGIONAL SUPPORT AND PHILANTHROPY

REGIONAL SUPPORT AND PHILANTHROPY

Sev.en Energy has long been perceived as an important regional employer and partner. We focus on regular dialogue with the mayors of the municipalities surrounding our operations, to keep them better informed on the current status of the Group's activities and future plans. In 2020, Sev.en Energy's mining companies continued partnering with the Union of Municipalities in the Ore Mountains. This partnership unites the Group's mining municipalities, supports their development and it also helps to

prepare the affected regions for the future transformation of lignite mining.

In addition to Sev.en Energy's financial support, which is allocated mainly for education, youth activities, and philanthropic projects, we are also actively involved in public affairs. We enjoy participating in activities that help solve regional development issues, educating the general public, and participating in professionally oriented groups and discussions, such as those held at professional seminars and

conferences. We actively contribute to projects that are aimed at restructuring lignite mining regions and supporting the energy transformation as a whole, both of which are reinforced by the Ústí nad Labem region, the Government of the Czech Republic and the European Commission. As a member company of the Hydrogen Platform in the Ústí nad Labem region, we are involved in preparing and implementing activities that support the use of hydrogen as a source of clean energy.

ACTIVITIES RELATED TO THE COVID-19 PANDEMIC

Regional support

In the Ústí nad Labem region, the Group donated CZK 20 000 to the Jan Evangelista Purkyně University and distributed 10 000 respirators. The donation made to the university was used to purchase components required to mass produce disinfectant, which they subsequently distributed. The Group distributed respirators in the municipalities surrounding Elektrárna Chvaletice. They were distributed to medical doctors, senior citizens, volunteer firefighters and others in areas that were insufficiently equipped. Another 14 700 respirators were distributed throughout local heating plants, which included Kladno and Zlín. They were distributed amongst doctors and other medical staff, social service workers, and kids in kindergarten.

In addition to the protective equipment, Sev.en Energy donated two lung ventilators, worth around CZK 1 million, to the intensive care unit in the municipal hospital of Žatec.

In May 2020, the Group also provided 10 000 FFP2 respirators to the Ministry of Labour and Social Affairs of the Czech Republic. Additionally, another 5 000 respirators were distributed to Czech and Moravian seniors in the Beauty of Help Foundation, of which Taťána Gregor Kuchařová is the Chairwoman of the Board of Trustees.

When the COVID-19 pandemic started, our employees immediately got involved and began sewing and donating masks for medical professional.

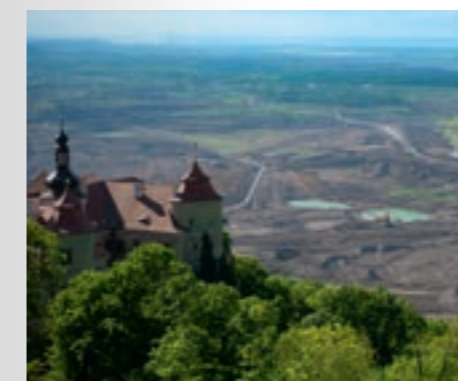
In 2020, Sev.en Energy distributed a total of 60 000 respirators.



PUBLIC PROGRAMMES

Coal safari

For the eleventh year in a row, we have invited visitors to view the reclaimed areas of our ceased operations and the current operations at our Vršany and ČSA mine sites. For example, the visitors have the opportunity to familiarise themselves with commonly used technology in lignite mining and see what restored landscapes can look like after the life of a mine ceases. Since the commencement of this project, almost 30 000 people from all over the Czech Republic and abroad have had the opportunity to visit our sites.



Due to the COVID-19 pandemic, the Group had to temporarily close our sites to external visitors. In the meantime, however, we have added three new sightseeing routes to our site tours. The Group now offers a tour of the massive RK5000 bucket chain excavator. This piece of machinery is unique to the Czech Republic. It is the the largest surface excavator, it stopped operating in 2016. We offer guided tours of no more than 10 people to the roof of the excavator, which is approximately the height of an eight-story building.

<https://uhelnesafari.cz/cz/>



EnergyTour

Aside from the year-round tours held for both schools and the general public, Elektrárna Chvaletice organises an Open Day at the Elektrárna Chvaletice every year as part of their EnergyTour project. Teplárna Kladno also regularly hosts school field trips.

In 2020, due to the COVID-19 pandemic, the Group had to restrict access to its operations for external visitors. As soon as it is permitted, and the safety of our employees and guests are no longer at risk, the Group will gladly continue hosting visitors again.





PHILANTHROPY

The Group values good work and skilled people, which is why we support a number of regional and international activities that we believe have positive impacts. We are in regular contact with the organisations that we support, we frequently participate in public meetings and we continually focus on building long-term relationships that are founded on mutual trust.

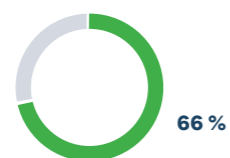
In 2020, Sev.en Energy contributed a total of CZK 74 million to projects with significantly positive impacts on regional development and education.

PROJECTS FOCUSED ON SUPPORTING REGIONAL ACTIVITIES

The Group maintains long-term relationships with the cities, municipalities and regions in which we conduct business activities, such as the Ústí nad Labem, Pardubice, Central Bohemia and Zlín regions.

- ✔ **EDUCATOR**
 Since 2020, we have been a general partner of an independent initiative, which aims to improve education, especially in technical fields.
www.educator.cz
- ✔ **Black angels**
 We are a general partner of an all-women's handball club.
www.dhk-banikmost.cz
- ✔ **HC Dynamo Pardubice**
 We sponsor a hockey club in the Pardubice region.
www.hcdynamo.cz
- ✔ **We support a number of smaller regional projects and associations**

Graph 15: Regional support



In 2020, the Sev.en Energy Group contributed a total of **CZK 48.5 million** towards regional programs and projects. This accounts for approximately **66%** of the Group's total financial support.

PROJECTS FOCUSED ON SUPPORTING NATIONAL ACTIVITIES

We get involved in matters that are most important to the Group; when possible, we like to support a good cause. For example, the Group enjoys creating opportunities for youth, supporting single parents, planting trees and sponsoring children that come from disadvantaged families.

- ✔ **Sev.en Hockey Cup**
 We support young hockey players, including their tournaments in the Litvínov, Zlín, Kladno and Pardubice regions.
www.7hc.cz
- ✔ **Women for Women o.p.s. (W4W)**
 We support social work and the assistance provided to single parents.
www.women-for-women.cz
- ✔ **Sev.en Energy for Bikers**
 We support electromobility through our Sev.en Energy for Bikers project (74b), which aims to build a network of charging stations for electrobikes. Gradually, this project will join the Cycloregion Krušnohoří project initiated by the Ústí nad Labem region, which will focus on promoting sites targeted towards tourism in between charging stations.
www.74b.cz
- ✔ **Planting the future**
 We participate in the Partnership Foundation project, with the aim of planting 10 million trees in the Czech Republic.
www.sazimebudoucnost.cz
- ✔ **7 Grant**
 We support the associations, organisations and projects in which our employees or their families are involved.

CASE STUDY

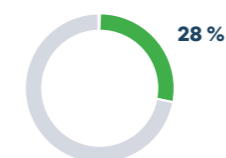
ELECTROMOBILITY

In mid-2020, the Group launched the Sev.en Energy for Bikers project (74b), which aims to create a network of user-friendly electrobike charging stations. By the end of 2020, the Group implemented and began operating 27 charging stations, 22 of which are located in the Ústí nad Labem region.

Each charging station has the capacity to power up to six electrobikes at a time. Additionally, they are equipped with a classic outdoor electrical socket with a voltage of 230 V, thereby ensuring compatibility with 100% of the electrobikes on the market.

Through this project, the Group aims to transform the electrobike culture in the Czech Republic. So far, no one in the country has started building such an extensive network of charging stations. The stations allow for the expansion of the electrobike community and also help to further advertise restaurants and hotels on maps used by the bikers.

Graph 16: National support



In 2020, the Sev.en Energy Group contributed a total of **CZK 21 million** towards national support. This accounts for approximately **28%** of the Group's total financial support.



IN THE LAST FIVE YEARS, WE HAVE USED OUR OWN RESOURCES TO PLANT MORE THAN 4 MILLION TREES. WE PROUDLY SEEK EXPERT ADVICE TO ENSURE THE QUALITY OF OUR PLANTING SCHEMES AND AFTER CARE PROCESSES.

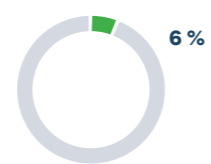


PROJECTS FOCUSED ON SUPPORTING INTERNATIONAL ACTIVITIES

The Group aims to spread the use of the Czech language, which is why we support its teachings internationally, specifically in the UK.

- ✔ **Ivana and Pavel Tykač Fellowship, University College, Oxford University**
 As part of a scholarship programme, we support that the Czech language be taught at prestigious British universities.
[University College](#)
[Oxford University](#)

Graph 17: International support

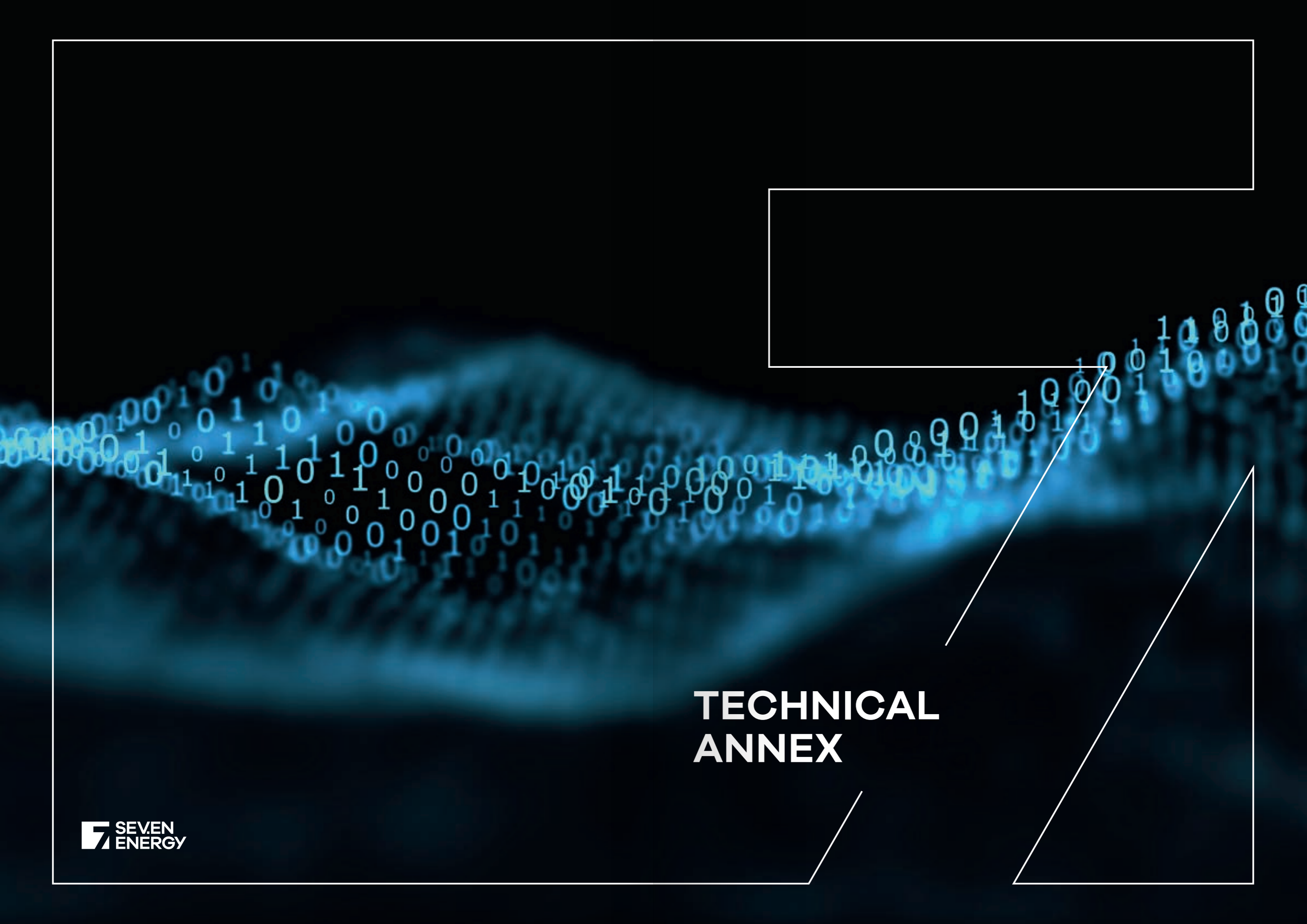


In 2020, we allocated **CZK 4.5 million** towards supporting those that teach the Czech language abroad. This accounts for approximately **6%** of the Group's total financial support.



LIST OF TABLES, GRAPHS AND FIGURES

Table 1: Operational indicators for the production of electricity and heat in 2020.....	40
Table 2: Sustainability related activities in 2020.....	65
Table 3: Certifications related to the Group's electricity and heat production.....	68
Table 4: Certifications relating to technical competencies in the Group's mining companies.....	68
Table 5: List of inspections performed by public institutions.....	69
Table 6: Internal policies implemented in 2020.....	70
Table 7: Types of energy by-products, their origins and subsequent uses.....	77
Figure 1: Diagram of Sev.en Energy Group's supply chain.....	12
Figure 2: The ČSA and Vršany mines.....	29
Figure 3: Reclamation of Sev.en Energy Group's mine sites.....	33
Figure 4: The Group's risk management matrix.....	61
Figure 5: Number of employees by the individual Group companies in 2020.....	105
Graph 1: The amount of coal extracted at the ČSA and Vršany mines.....	29
Graph 2: Phases of reclamation in areas affected by the Group's lignite mining.....	34
Graph 3: Total net production of electricity and heat.....	40
Graph 4: Energy efficiency.....	41
Graph 5: Produced electricity and heat sold by Sev.en Energy Group.....	76
Graph 6: Direct greenhouse gas emission intensity (CO ₂ -eq) from electricity and heat production.....	85
Graph 7: Emission intensity of NO _x , SO ₂ , solid air pollutants and CO per GWh of production.....	86
Graph 8: Air pollutant emissions and limits in the Elektrárna Chvaletice.....	88
Graph 9: Total water withdrawn and discharged.....	92
Graph 10: Waste disposal methods in 2020*.....	96
Graph 11: Number of hours worked and registered injuries.....	101
Graph 12: Number of employees by positions.....	105
Graph 13: Number of employees by regions in the Czech Republic.....	107
Graph 14: Number of training hours by position.....	109
Graph 15: Regional support.....	114
Graph 16: National support.....	115
Graph 17: International support.....	116
Schematic 1: Group structure.....	8
Schematic 2: Internal management and responsibilities.....	55
Schematic 3: Production supply chain.....	72



TECHNICAL ANNEX

TECHNICAL ANNEX

The technical annex contains detailed information on the preparation of the 2020 Sustainability Report, the methodology used, and the principles followed with regards to its compilation. The Sev.en Energy Group's 2020 Sustainability Report was prepared in accordance with the GRI 2016 standards, 'Core' version.

For the preparation of this Report, we followed the set of principles used for defining content and quality according to the GRI methodology. In addition to covering all mandatory indicators from the General Disclosures, we also ensured to report at least one specific indicator for each defined material topic.

REPORTING PRINCIPLES AND METHODOLOGY

Content definition principles help companies identify which issues are significant to them from an operational and global sustainability context, which impacts need to be measured, monitored and reported, and which stakeholders to engage in joint dialogues.

STAKEHOLDER ENGAGEMENT

As a reporting organisation, we have identified and regularly review our key stakeholders, which include individuals or groups that significantly affect, or are affected by, the activities of our Group companies. In Table 1, we present an overview of our stakeholder groups,

their frequency and the form in which dialogues take place. Additionally, we list specific topics that are key to each of these stakeholder groups.

Dialogues were help with Group employees responsible for specific material topics, notably for the preparation of this Report; the results of the stakeholder dialogues are aligned with the defined material topics.

Management of stakeholder and Sev.en Energy Group relations are subject to the following principles:

- Relations with all stakeholders are developed under strict compliance with legal obligations.

- The Group's principles of sustainable development are reflected in the relations with all stakeholders, i.e. the relations between the Group and individual stakeholders are based on the exchange of mutual information and transparency of negotiations.

- We believe that published data can highlight the intersection of joint preferences amongst stakeholders; therefore, we perform non-financial reporting in accordance with the GRI standards.

Table 1: Stakeholder dialogues

Stakeholder group	Communication platform	Key topics	Chapter in which key issues are highlighted
Customers and suppliers	<ul style="list-style-type: none"> – Company website – ProEbiz – Professional seminars – Energy conferences 	<ul style="list-style-type: none"> – Purchasing process (technical and other requirements) – Fair and transparent approach to supplier selection – Fair communication with customers, safe goods 	Supply chain and business relations
Employees and their organisations	<ul style="list-style-type: none"> – Direct superiors and governance bodies of individual companies within the Group – Trade union meetings – Intranet – Internal newspapers – Ethics hotline – Regular management meetings with employees 	<ul style="list-style-type: none"> – Safe and stable work environment – Equal opportunities – Work-life balance – Professional development – Freedom of association – Open dialogue with trade unions – Compliance with legislative requirements 	Our employees Occupational health and safety
Local communities and authorities	<ul style="list-style-type: none"> – Regular meetings with municipal representatives – Communications department – Consultations with local government representatives in the realm of regional cooperation – Communication with the public (ex. mail, in person and electronically) – FAQ on websites 	<ul style="list-style-type: none"> – Providing transparent information on the Group's business activities and impacts – Crisis management – Land reclamation and restoration – Reducing negative impacts on local communities – Supporting cooperation with regions 	Risk management Regional support and philanthropy Regional support and philanthropy
State administration and supervision institutions	<ul style="list-style-type: none"> – Communicating the specialised departments with specific levels of authority 	<ul style="list-style-type: none"> – Occupational safety (mining supervision) – Human resources management – Environmental protection 	Legal compliance, ethics and transparency Corporate governance
Non-profit organisations	<ul style="list-style-type: none"> – Conferences and seminars – Discussions and meetings – Dialogues with organisations that focus on environmental issues 	<ul style="list-style-type: none"> – Accountability and transparency – Safety of operations – Reducing impacts on the environment 	Environmental impact Our employees Regional support and philanthropy
Partners in education and research and professional organisations	<ul style="list-style-type: none"> – Cooperating on and supporting primary, secondary and higher education projects 	<ul style="list-style-type: none"> – Expertise for technological research – Project partnerships 	Our employees Regional support and philanthropy
Media	<ul style="list-style-type: none"> – We respond to media questions with quality information and in a timely manner 	<ul style="list-style-type: none"> – Timely and transparent communication – Information relating to ongoing projects 	This Report (entirety)

Note: A detailed overview of major events and stakeholder discussions can be found in the data annex of this Report.

SUSTAINABILITY CONTEXT

In this Report, we seek to present our results in a broader context of sustainable development and its goals. We draw on objectively available information and take into account sectoral, regional, and global standards. We communicate our impacts and benefits to local communities in an appropriate geographical context. Our aim is to highlight how defined economic, environmental, and social issues relate to the Group's long-term strategy, risks, opportunities, and goals, including their role in the organisation's value and supply chains.

MATERIALITY

The organisation faces a number of topics that can be included in the Sustainability Report. In order to select the relevant (material) topics for our

Group, we must take into account our economic, environmental, and social impacts, as well as the views and expectations of relevant stakeholders. Not all material topics are equally significant. This relative prioritisation is also taken into account, primarily by the scope of information and data presented on the issues.

Both internal and external factors play a role in the selection of material topics. By internal factors, we refer to, for example, the company's mission and strategy, history, and governance structure. External factors include the general expectations of stakeholders, the company's influence within supply chains, and obligations specified by law or internationally set standards. Lastly, key issues and future challenges identified by peers and competitors are taken into account in the process of identifying significant topics.

The horizontal axis in Graph 1 shows the objective measure of the company's impact in a given area or for a given topic. An analysis of these impacts is performed at both local and regional level. This dimension includes both internal factors, such as strategy or management processes, and external factors, such as the role of the Group in the overall context of sustainable development, within the industry and when compared to competitors.

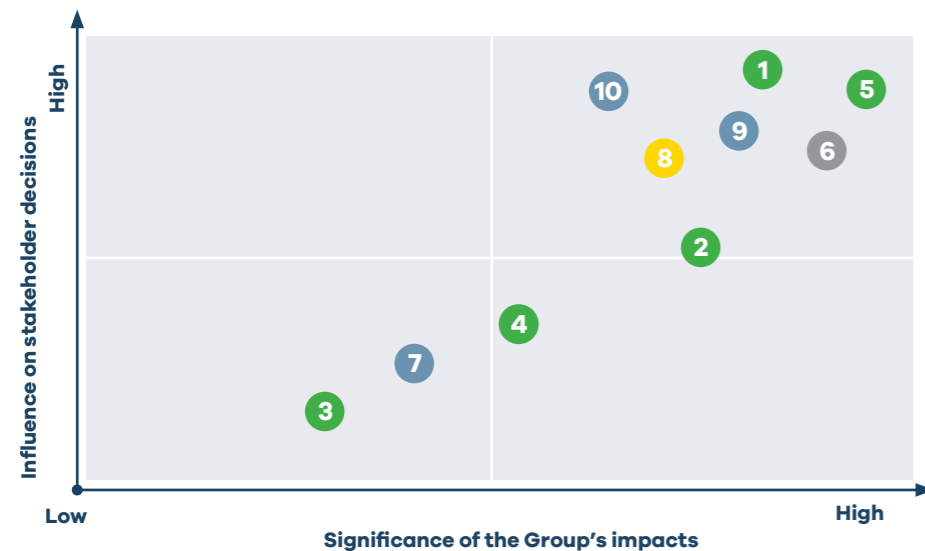
The vertical axis represents the influence of the given topics on the assessment and decision-making of stakeholders. The position of the topics is based on dialogues with stakeholders and reflects their concerns and expectations. The Sev.en Energy Group companies conduct these dialogues regularly and as often as needed. For the purpose of this Sustainability Report, mainly internal stakeholders were interviewed.

In 2020, the materiality matrix was updated based on the discussions held with internal and external stakeholders. As a result, two new material topics were incorporated within this Report: emissions management, and the Group's approach to climate change and energy transformation.

COMPLETENESS

This Report takes into account the Group's direct impacts that contribute to, or are directly related to, business activities within the Boundary (specified below). It covers and prioritises all material information based on the Materiality, Sustainability Context and Stakeholder Inclusiveness principles. In the Report, we include all significant impacts that occurred during the reporting period, and in the Risk Management section, we outline the foreseeable impacts that we actively prepare for. We rely on transparency and therefore do not intentionally omit relevant information that could in any way influence stakeholder assessments or decisions relating to the Sev.en Energy Group.

Graph 1: Materiality matrix



Operational management

- 1 Climate change
- 2 Water management
- 3 Energy consumption and management
- 4 Waste management
- 5 Energy transformation
- 6 Occupational health and safety

Group relations

- 7 Supply chain and business relations
- 8 Legal compliance
- 9 Responsible employer
- 10 Regional partnerships

PRINCIPLES FOR DEFINING THE QUALITY OF THE REPORT

The purpose of the Principles for defining the quality of the Report is to ensure that reported data meets a unified standard across countries, industries and companies. Companies that prepare reports in accordance to the GRI methodology have an obligation to follow and respect these principles.

ACCURACY

Indicators that were measured in the reported period are published in the Data annex of this Report. The margin of error for quantitative data is set in a way that does not significantly affect the conclusions of the stakeholders. Where relevant, the Report states which data was estimated, based on which assumptions, what techniques were used for the estimation and where this information can be found.

BALANCE

In the Report, we present all relevant favourable and unfavourable indicators, results and topics. The information and data are presented in a format that allows users to follow trends and are compared on a year-to-year basis. The emphasis on individual topics and their coverage in the Report reflects their priority.

CLARITY

The aim is to present information at the level required by stakeholders, while avoiding excessive detail. Therefore, data relevant to our story is in the body of the Report, with supporting data in the Data annex of this Report. This approach allows stakeholders to easily find specific and relevant information. For better orientation, the GRI Content index and other navigation tools within this Report can be used.

We purposefully avoid technical terms and the use of abbreviations. If technical terms or abbreviations are used, they are explained in the text.

In an effort to reach the majority of our stakeholders, we publish this Report in both the Czech and English language.

COMPARABILITY

For the majority of the data provided in this Report, we provide a comparison period of three years. In some cases, this length of comparison is not available. This is mainly due to a later acquisition or adjustments made to the reporting scope (data collected for the first time this year). If it contributes to greater misunderstanding, we compare the data against larger measures, such as industry measures. If there are discrepancies or inconsistencies within the data, we highlight them while providing further explanations. When collecting, measuring, and presenting data, we generally follow applicable industry standards and the requirements set out by the GRI Standards 2016.

RELIABILITY

All original sources of information in this Report have been internally verified and, upon request, we can provide reliable evidence for estimates and calculations that are more complex. All data is listed under their internal owners, who are responsible for collecting and confirming its accuracy. At this time, we do not externally verify the Group's Report.

TIMELINESS

The information within this Report is published at a time when it is relevant to the time period for which the Report is issued. The information in the Report clearly indicates the time period to which it relates, when updates will be completed and when the last updates were conducted. In individual sections of the Report, where relevant, restatements of information have been individually commented on.

ORGANISATIONAL BOUNDARIES

Schematic 1: Group structure



The organisational boundaries determine which subsidiaries of the Group will be included in the Report. The structure below represents all entities of the Sev.en Energy Group that were considered significant for compiling this Report. The indicators presented in the Report and in the Data annex were gathered at the level of individual Group companies, outlined in the schematic below, and consolidated at the Group level.

REPORTING BOUNDARIES

Reporting boundaries describe where the impacts occur for a material topic, and an organisation's involvement with those impacts. Impacts can be linked to an organisation's own activities or they can be a result of their business relationships with other entities. Reports that are prepared in accordance with the GRI Standards not only include impacts caused by the organisation, but they also include those to which they contribute and that are directly linked to an organisation's activities, products or services through a business relationship (e.g. relationships with business partners and entities in their value chain).

The Group has chosen the Czech Republic as the geographical boundary for all key topics because all of the operations mentioned in this Report are situated within this boundary. We monitor impacts within the supply chain, especially within our primary suppliers. For each key topic, we clearly identify whether significant impacts occur inside or outside of the Group and how we approach their management

OVERVIEW OF KEY EVENTS AND ENGAGEMENTS WITH STAKEHOLDERS IN 2020

The Group's mining and service companies within in the Ústí nad Labem region		
Period	Key events in 2020	Stakeholders
January	Inspection conducted by the regional mining authority focused on a specific area of the ČSA mine	Mining authority of the Ústí nad Labem region
	Inspection conducted by the regional mining authority focused on the drainage of ČSA's main pumping stations	Mining authority of the Ústí nad Labem region
	Update of risks at Severní energetická a.s.	Sev.en management and trade unions
	Inspection conducted by the regional public health authority on the commencement of control activities, with a focus on job classification according to Act No. 258/2000 Coll. – Sev.en/ coal treatment plants	Public health authority of the Ústí nad Labem region
	Evaluation of the collective agreement for 2019	Trade unions, employees

	Regular meetings with trade unions – information sharing, deliberations	Trade unions, employees
	Announcement of a financial "Internal Grant" to support the regional activities of employees	Employees
February	Inspection conducted by the regional mining authority focusing on drifts, excavations and mining equipment – Sev.en/ Důl Kohinoor a.s.	Mining authority of the Ústí nad Labem region
	Inspection focused on drainage at the Vršany mine	Mining authority of the Ústí nad Labem region
	The mining companies of the Sev.en Energy Group became a partner of the Union of Municipalities in the Ore Mountains	Media, public, mayors of SORKH municipalities
	New classrooms as a result of the Smart Heads project – blacksmith workshop in Most, computer room in Most, and technical club in Litvínov	Region
	Inspection of social security payments – Vršanská uhelná – no defects	Social Security Administration in the Most region
	Employees meeting the General Manager of the Group's mining companies	Management, employees
	March	Inspection conducted by the regional fire and rescue station relating to the Group's internal Fire and Rescue department – Sev.en
Inspection conducted by the regional public health authority with a focus on classifying jobs according to Act No. 258/2000Sb. – Sev.en/ Main Mining Rescue Station		Public health authority of the Ústí nad Labem region
Inspection conducted by the regional public health authority, with a focus on classifying jobs according to Act No. 258/2000Sb – Sev.en/ Fire and Rescue department		Public health authority of the Ústí nad Labem region
From 15.03.2020 to 30.04.2020 inspection activities were restricted due to the first wave of the COVID 19 pandemic		Government of the Czech Republic
Inspection focused on specific electrical equipment – Vršany mine		Mining authority of the Ústí nad Labem region
Establishment of a Crisis Management team - response to the COVID-19 pandemic		Management
All excursions were cancelled throughout the operations of the Sev.en Energy Group companies - until further notice – due to the COVID-19 pandemic		Management
Inspection of social security payments – Renogum a.s. liquidation – no defects		Social Security Administration in the Most region
A crisis hotline was created for employees in response to the COVID-19 pandemic		Employees
An short message system was created for employees in response to the COVID-19 pandemic		Employees
A Facebook group titled 7Together was created for employees in response to the COVID-19 pandemic		Employees
Completion of the Sev.en Hockey Cup project – youth focused tournaments		Employees
April	Regular meetings with trade unions – information sharing, deliberations	Trade unions, employees
	Notification of changes in mining activity to the regional mining authority – Sev.en/ Důl Kohinoor a.s.	Employees
	Partnership with STŠ Velebudice	Regions
	Donations - respirators, ventilators, monetary donations for the production of disinfectant (Jana Evangelisty Purkyně University in the Ústí nad Labem region)	Regions
May	Inspection by the regional public health authority of emergency vehicle drivers due to their job classification according to Act No. 258/2000 Coll. – Sev.en	Public health authority of the Ústí nad Labem region
	Technical inspection focused on the compliance with regulation for rail transport – Sev.en/ Coal Services	Employees
	Inspection by the regional mining authority, with a focus on specific electrical equipment and its safe operation and maintenance – Sev.en/ drainage	Mining authority of the Ústí Region

June	Inspection by the regional mining authority, with a focus on specific electrical equipment and its safe operation and maintenance - Sev.en/ surface mining	Mining authority of the Ústí nad Labem region
	Inspections by the regional mining authority, with a focus on management of data documentation (metrics) at the ČSA mine – Sev.en	Mining authority of the Ústí nad Labem region
	Inspection by the regional mining authority, with a focus on generated and exhausted financial reserves with regards to land reclamation affected by mining activities in 2019 – Sev.en	Mining authority of the Ústí nad Labem region
	Inspection by the regional mining authority, with a focus on drainage of the ČSA mine – Sev.en	Mining authority of the Ústí nad Labem region
	Inspection focused on specific electrical equipment - Vršany mine	Mining authority of the Ústí nad Labem region
	Inspection by the regional public health authority of the Ústí nad Labem region, focusing on job classification and responsibilities of the employer - Vršany mine	Public health authority of the Ústí nad Labem region
	Inspection focused on transportation via long-distance conveyor belts - Vršany mine	Mining authority of the Ústí nad Labem region
	Inspection focused on the condition of assembly and completed general repairs, including changes to the KU 300.S-26/K85 machine - Vršany mine	Mining authority of the Ústí nad Labem region
	OENE - inspection focused on electrical equipment and compliance with its safe operation - SBS/22580/2020 – no defects – Coal Services	Mining authority of the Ústí nad Labem region
	Inspection of the POVEZ project - controlled entity Severní energetická - no defects	Labour authority of the Czech Republic
	Inspection of the POVEZ project - controlled entity Vršanská uhelná - no defects	Labour authority of the Czech Republic
	Individual meeting – General Manager of mining companies with mayors of partner municipalities	Management, mayors of municipalities, media
	Launch of the Sev.en Energy for Bikers project (74b); charging stations	Public
July	Inspection focused on ensuring the security of the mines against the entry of unauthorised personnel – Sev.en	Mining authority of the Ústí nad Labem region
	In accordance with Article 7(6) of the EU Commission Regulation No 445/2011, inspection to verify that the entity continues to meet the criteria set out in Annex III of this Regulation to the extent of the certificates issued – transport maintenance DUCR-41184/20/Kd – no major defects – Coal Services	Railway Authority
	Regular meetings with trade unions – information exchange, deliberations	Trade unions, employees
	Introducing a series of concerts for employees "Cultural Summer in Třebívlice"	Employees, public
August	Inspection focused on the condition of the assembly and completed repairs, including changes to machinery – Vršany mine	Mining authority of the Ústí nad Labem region
	Meeting with faculty of the Jana Evangelisty Purkyně University in the Ústí nad Labem region regarding potential cooperation in the field of modern energy and emission reduction	Academics
	Inspection focused on ensuring the security of the mine against the entry of unauthorised personnel - Vršany mine	Mining authority of the Ústí nad Labem region
September	Inspection focused on ensuring the security of the mines against the entry of unauthorised personnel – Sev.en	Mining authority of the Ústí nad Labem region
	Inspection by the regional mining authority with a focus on specific electrical equipment and compliance with the conditions for its safe operation – Sev.en/ coal treatment Komořany	Mining authority of the Ústí nad Labem region
	Inspection focused on ensuring the security of the mine against the entry of unauthorised personnel - Vršany mine	Mining authority of the Ústí nad Labem region
	Laboratories - inspection of workplaces and personnel at the Komořany and Hrabák operations - KHSUL 48349/2020, no defects	Public health authority of the Ústí nad Labem region
	Inspection of health insurance payments at Důl Kohinoor a.s - without defects	Health insurance company of the Most region (VZP)
	Exhibition from students in the Faculty of Architecture at the Czech Technical University in Prague "Summer Bank of Most" - presentation of 13 models reflecting on the future use of surroundings following the flooding of ČSA mine; within the realm of the Regional Office of the Ústí nad Labem region	Public, academics, management, journalists
	Crisis communication during the Klimakemp protest	Mayors, media, public, employees

	Establishing a partnership with Educator in the development of technical education	Regions	
	Inspection by the regional mining authority with a focus on "eliminating vapour and fire" – Sev.en	Mining authority of the Ústí nad Labem region	
	Inspection focused on emergency preparedness - quarry Inspection focused on emergency preparedness – Vršany mine	Mining authority of the Ústí nad Labem region	
	Inspection focused on specific electrical equipment - Vršany mine	Mining authority of the Ústí nad Labem region	
October	OENE - inspection focused on electrical equipment and compliance with its safe operation - SBS/38233/2020 – no defects – Coal Services	Mining authority of the Ústí nad Labem region	
	Inspection of the POVEZ project - controlled entity Severní energetická - no defects	Labour authority of the Czech Republic	
	Inspection of the POVEZ project - controlled entity Vršanská uhelná - no defects	Labour authority of the Czech Republic	
	2020 Energy Forum the Ústí nad Labem region - online	Experts within the public	
	Regular meetings with trade unions – information exchange, deliberations	Trade unions, employees	
	Technical inspection focused on the compliance with regulation for rail transport - Sev.en/ Coal Services	Employees	
	Inspection for occupancy permit – product pipelines and pipeline networks (long distance petrol and diesel pipelines) – Vršany mine	Labour Inspectorate for the Ústí nad Labem and Liberec regions	
	Inspection for construction permit - product pipelines and pipeline networks (gas pipeline) – Vršany mine	Labour Inspectorate for the Ústí nad Labem and Liberec regions	
	November	Inspection focused on rail transport in accordance with the management plan, control and legislative activities - SBS/45449/2020/OBÚ-04 - no major defects detected – Coal Services	Mining authority of the Ústí nad Labem region
		Regular workplace inspections focused on identifying and evaluating risk factors and health risks according to §2 para. C) Decree No. 79/2013 Coll. -no major defects detected – Coal Services	IATRI CAUTI
Employees meeting the General Manager of the Group's mining companies (virtual/online)		Management, employees	
Collective bargaining with trade unions - changes to the provisions within the existing agreement		Management, trade unions	
Completion of underground mining at the ČSA mine - entrances to the mining drifts were sealed with concrete		Public, media, mayors	
Meeting with the new Governor of the Ústí nad Labem region		Region, management	
Inspection of the emergency plan at the ČSA mine and the Severní energetické a.s. coal treatment plant.		Employees	
Inspection of the generated and exhausted financial reserves with regards to reclamation activities and mining damage - Vršany mine – no defects		Mining authority of the Ústí nad Labem region	
Inspection of the emergency plan at the Vršany mine		Main Mining Rescue Station	
December		Surveillance visit - analysis of solid fuels, water content, ash, heat combustion, calorific value, flammable substances, carbon, hydrogen and nitrogen, trace elements and determination of ash composition – no defects – Coal Services	Czech Institute for Accreditation
	Inspection of health insurance payments at Vršanská uhelná a.s. – no defects	Health insurance company in the Most region (VZP)	
	Inspection of health insurance payments of Coal Services a.s. employees – no defects	Health insurance company in the Most region (VZP)	
	Control of the Počerady power plant by the Sev.en Energy Group - as of 31. 12. 2020	Public, media, mayors	
	Continued cooperation with the Brno Partnership Foundation relating to the project "Betting on the future"	Public, media, mayors	

Elektrárna Chvaletice		
Period	Key events in 2020	Stakeholders
January	Approved participation of Elektrárna Chvaletice on the presidium – Mr. Kusebauch was selected as the point of contact	Association for the Use of Energy Products
	Management meeting employees of the 1. double block	Employees
	Officials from the Regional Office of the Olomouc region visit the power plant	Regional Office of the Olomouc region
	Officials from the Czech Environmental Inspectorate visit the power plant	The Czech Environmental Inspectorate
February	Skating for employees at the Enteria arena in Pardubice, in cooperation with HC Dynamo Pardubice	Employees and their families
	Amount of CO2 released for the 2020 calendar year 2020 was verified; auditing completed by BUREAU VERITAS CZECH REPUBLIC spol. s.r.o.	BUREAU VERITAS CZECH REPUBLIC spol. s.r.o.
March	Donation of approximately 10 000 respirators to surrounding municipalities	Mayors of surrounding municipalities
	Crisis Management team put into action to address the COVID-19 pandemic	Company management
	Establishment of a Facebook group for employees called 7Together in connection with the COVID-19 pandemic	Employees
	Establishment of a crisis hotline for employees in connection with the COVID-19 pandemic	Employees
April	Donation of approximately 1 460 respirators to surrounding municipalities	Mayors of surrounding municipalities
May	Temporary closure of block B3 - construction of fabric filters	All stakeholders
	Meeting of journalists at the Chvaletice power plant regarding the introduction of fabric filter technology	Media
	Providing data relating to emissions to the Integrated Pollution Register of Environmental Pollution (public information)	Media
	Decision on the 24th amendment of the integrated permit	All stakeholders
	Recertification audit of EnMS and EMS carried out by BUREAU VERITAS CERTIFICATION CZ, spol. s.r.o.; valid until May 2023	BUREAU VERITAS CZECH REPUBLIC, spol. s.r.o.
June	Temporary closure of block B4 - construction of fabric filters	All stakeholders
	Employees working in the control room met the Group's Supervisory and Management Board	Employees
	Meeting with trade unions and presenting the economic results for 2019	Trade unions
	The first part of the ESG project was successfully completed, where the Supervisory and Management Board of the Sev.en Energy Group approved all of the 6 proposed Group policies	All stakeholders
	New Group career page https://7energy.jobs.cz/	Public
	Launch of a web application: central database of chemical samples, energy by-products and oils	Employees

July	Meeting with mayors of surrounding municipalities	Mayors of surrounding municipalities
	Further educational opportunities through the SEDUO program (virtual video courses)	Employees
	Change in emission limits of air pollutants	Media, employees
	Decision on the 25th amendment of the integrated permit	All stakeholders
August	Employee trip to the Coal Safari	Employees
	Employees working in the control room met the Group's Supervisory and Management Board	Employees
September	Crisis Management team put into action to address the COVID-19 pandemic	Company management
	Decision on the 26th amendment of the integrated permit	All stakeholders
	Meeting employees working in the control room of the 1. double block	Employees
	Inspection conducted by the State Office for Nuclear Safety	State Office for Nuclear Safety
	Decision on the 27th amendment of the integrated permit	All stakeholders
	Phasing in of block B3 after the construction of the fabric filter was completed; test operations began	All stakeholders
October	Start of collective bargaining	Employees, trade unions, management
	Inspection from the Czech Environmental Inspectorate	The Czech Environmental Inspectorate
November	Participation of the guarantor from 7EC in the Energy Olympics	Public, schools
	Phasing in of block B4 after the construction of the fabric filter was completed; test operations began	All stakeholders
	Implementations for the ESG project finalisation were approved	All stakeholders
	The second part of the ESG project was completed – the final version of the 2019 ESG report was released	All stakeholders
December	Discontinuation of collective bargaining; collective bargaining agreement at Elektrárna Chvaletice, for 2021, reached completion	Employees, trade unions, management
	Donation - automatic defibrillator to the city of Chvaletice	Residents of Chvaletice, media

Teplárna Kladno		
Period	Key events in 2020	Stakeholders
January	Starting preparations for transitioning the Zlín heating plant into its own company	Management, employees
February	Meeting with the Mayor of Kladno	Management, municipalities
March	Terminating the collective bargaining agreement for the period of 01. 04. 2020 to 31. 03. 2021; concluded by its signing	Management, employees
April	Call for TEPO s.r.o. to undergo negotiations without publicity – heat supply for TEPO s.r.o. (JŘBU), city of Kladno	Management, public
	Wage adjustments made under the new collective bargaining agreement valid for the period from 01. 04. 2020 to 31. 03. 2021	Employees
	Merging a separate part of the Zlín heating plant with Teplárna Zlín s.r.o.	Management, employees
May	Auditing of the opening and closing balance sheets of Teplárna Zlín and Teplárna Kladno, as of 31. 3. 2020, was approved by the Supervisory and Management Board	Management
June	All necessary licenses were received from the Energy Regulatory office for the independent operation of Teplárna Zlín s.r.o.	Management
	Fuel test carried out with coal from Vršanská Uhelna on blocks 4/5	Management
	Compliance control with the conditions set out by the Czech Environmental Inspectorate	Management
August	Preparing for the sale of Teplárna Zlín s.r.o.	Management, employees
	Successful re-certification of ISO standards	Management, employees
September	Reaching 16 years of no workplace injuries at the Kladno heating plant	Employees, media
	Completing the annual repair of block 7	Employees, management
	Fuel test carried out with coal from Vršanská Uhelna on block 7	Management
	Meeting of the company management with employees	Management, employees
October	Meeting with the new Mayor of Kladno	Politicians, regions
	Starting collective bargaining for the period following 01. 04. 2021	Employees
November	Submitting the final offer with the drafted contract for TEPO s.r.o. (JŘBU) heat supply	Customers and business partners
December	Signing a contract for a period of 10 years for the supply of heat - TEPO s.r.o. (JŘBU), city of Kladno	Public, employees, management
	Signing of the collective bargaining agreement at Teplárna Kladno and Teplárna Zlín s.r.o. for the period from 01. 04. 2021 to 31. 12. 2021	Employees
	Deciding to terminate the sale process of Teplárna Zlín s.r.o., thereby keeping the company within the Sev.en Energy Group	Management, experts within the public, municipalities
	Terminating the long-term contract with OKD, HBZS for the collection of ash	Management, municipalities, media

Teplárna Zlín		
Period	Key events in 2020	Stakeholders
April	Merging a separate part of the Zlín heating plant with Teplárna Zlín s.r.o.	Management, public, employees
May	Auditing of the opening and closing balance sheets of Teplárna Zlín and Teplárna Kladno, as of 31. 3. 2020, was approved by the Supervisory and Management Board	Management
June	All necessary licenses were received from the Energy Regulatory office or the independent operation of Teplárna Zlín s.r.o.	Management
	Meeting with the Mayor of Zlín	Management
July	Corporate spin-off followed by merger - Teplárna Zlín	All stakeholders
August	Preparing for the sale process for Teplárna Zlín	Management, employees
	Successful re-certification of ISO standards	Management, employees
September	Management meeting with Teplárna Zlín employees	Management, employees
	Meeting with the Mayor of Zlín	Management
October	Starting collective bargaining for the period following 01. 04. 2021	Employees, management
	Management presentations and tours of Teplárna Zlín s.r.o. for those interested in the sale process	Employees, management
December	Meeting with the Mayor of Zlín	Management
	Signing of the collective bargaining agreement at Teplárna Kladno and Teplárna Zlín s.r.o. for the period from 1. 4. 2021 to 31. 12. 2021	Employees, management,
	Deciding to terminate the sale process of Teplárna Zlín s.r.o., thereby keeping the company within the Sev.en Energy Group Discontinuation of HU supplies from Expol Energy for Teplárna Zlín	Management all stakeholders

MEMBERSHIP WITH PROFESSIONAL ORGANISATIONS AND ASSOCIATIONS

Table 2: Involvement with central business and economic organisations

Central business and economic organisations
Confederation of Industry and Transport of the Czech Republic
Employers' Association of the Mining and Petroleum Industry
Mining Union
Czech Association of Energy Sector Employers
Heating Association of the Czech Republic

Table 3: Involvement with Chambers of Commerce

Chamber of Commerce
Chamber of Commerce of the Czech Republic
Regional Chamber of Commerce of the Pardubice region
Regional Tripartite of the Pardubice region
District Chamber of Commerce of the Kladno region
District Chamber of Commerce of the Most region
Regional Chamber of Commerce of the Ústí nad Labem region
Economic and Social Council of the Most region
Economic and Social Council of the Ústí nad Labem region

Table 4: Involvement with professional and related organisations

Trade unions and related organisations
Integrated Pollution Prevention and Control (IPPC): Czech Republic technical working group for waste management
Association for the Use of Energy Products
Association of Energy Managers
Czech Association of Local Distribution System Operators
Czech Treasury Association
Professional Association of Instructors Working at Heights
Association of Commanders of Fire Rescue Corps
Czech Chamber of Authorised Engineers and Technicians in Construction
Society of Mine Surveyors and Geologists
Czech Institute of Internal Auditors
Heating Association of the Czech Republic
PR Club

Table 5: Involvement within international organisations

International organisations
European Association for Coal and Lignite (EURACOAL)
Consultative Commission on Industrial Change (CCMI) of the European Economic and Social Committee (EESC)
IPPC Sevilla Joint Research Centre
European Federation of Energy Traders (EFET)
VGB Power Tech e.v.

KEY LEGISLATION AND REGULATIONS

Table 6: List of legislative regulations



MINNING

- Mining Act, Act No. 44/1988 Coll., and its implementing regulations, including the Decree on Mining Design No. 369/2004 Coll., and the Decree on Mining and Technical Records No. 29/2017 Coll.
- Act on Mining Activities, Explosives and the State Mining Administration, Act No. 61/1988 Coll., and its implementing regulations, including the Decree No. 447/2001 Coll., on the Mining Rescue Service
- Act on Geological Works, Act No. 62/1988 Coll.
- Water Act and Amendments to Certain Acts, Act No. 254/2001 Coll.
- Waste Act and on the Amendment of some other laws, Act No. 185/2001



ELECTRICITY AND HEAT PRODUCTION

- Energy Act, Act No. 458/2000 Coll.
- Energy Management Act, Act No. 406/2000 Coll.
- Government Order on Occupational Health Protection, Government regulation 361/2007 Coll.
- Air Protection Act, Act No. 201/2012 Coll.
- Water Act and Amendments to Certain Acts, Act No. 254/2001 Coll.
- Waste Act and on the Amendment of some other laws, Act No. 185/2001



COMMODITY TRADING

- Act on the Protection of Competition, Act No. 143/2001 Coll.
- European Market Infrastructure Regulation (EMIR), EU regulation No. 648/2012
- Market Abuse Regulation (MAR), EU regulation No. 596/2014 (MAR)
- Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), EU regulation No. 1227/2011

OVERVIEW OF EMPLOYEE BENEFITS

Table 7: List of benefits in 2020

Basic benefits	% employees
Contribution towards meal allowances	100
Transportation to work (bus)	73
13th pay (end of the year bonus) dependent on a company's economic performance	98
Company catering	85
Cash rewards and gifts	97
Remuneration for on-call duty	99
Social assistance	100
Extension for annual holidays (employees are entitled to one to two weeks beyond the regular statutory leave, as granted by the state)	100
Entitlement to interest-free loans	100
Health and family	% employees
Program titled "Health" – each of our employees holds a personal account that allows them to distribute an allocated amount of credit towards various benefits of their choosing, such as for medical support, purchases from pharmacies and sports	98
Contribution towards holidays specifically for children	97
Contribution towards family vacations	100
Insurance	% employees
Contribution towards pension plans beyond the legal requirements	99
Disability insurance	36
Life insurance	11
Life insurance for managers, with health insurance	24
Education	% employees
Contribution towards university studies	87
Culture and sport	% employees
Contribution towards cultural and sport related activities	99
Organisational changes	% employees
Entitlement to increased severance pay after termination of employment due to organisational change	100
Loyalty rewards	% employees
Milestone bonus	100

DATA ANNEX

Table 8: Total number of customers and volume of energy supplied

	2017	2018	2019	2020
Total number of end customers of heat	18	17	329	367
Total number of end customers of electricity	130	127	397	440
Total number of end customers of coal - retail	0	0	0	0
Volume of electricity supplied KZ [GWh]	3 158	4 508	6 247	4 672
Volume of heat supplied KZ [GJ]	149 328	134 477	1 971 681	1 874 548

Table 9: Volume of coal extracted and sold [mill. t]

	2017	2018	2019	2020
Amount of extracted coal	10.72	11.43	11.05	9.43
Total sale of coal products	8.31	7.18	7.03	9.41
Used within the Group	3.02	5.13	4.67	1.70
Retail market for brown coal (lignite)	0.62	0.88	0.66	0.26

Table 10: Volume of heat supplied to the CZT network [GJ]

	2017	2018	2019 ¹	2020
Heat sold to the CZT network	43 732	40 830	2 085 030	2 039 354
Heat distributed within the CZT network	0	0	2 043 740	1 998 891
Losses within the CZT network	0	0	249 608	247 224
Total heat supplied	48 305	44 261	1 916 658	1 865 836
Length of managed CZT network [km]	0	0	160	160

Table 11: Consumption of materials that are part of the final product

	2017	2018	2019	2020
Limestone [t]	4 224	6 419	3 688	3 095
Limestone for desulphurisation [t]	76 647	114 011	189 725	139 744
Approximate consumption of coal per 1 GJ of energy produced [t]	0.075	0.077	0.075	0.199
Transport of limestone [%]	100	100	100	100
Produced coal that was transported by rail [%]	100	100	100	100

¹ V roce 2019 bylo dodané teplo celkem vykazováno za Teplárny Kladno i Zlín, ačkoli Teplárna Kladno byla součástí skupiny až od září 2019.

Table 12: Total fuel consumption (energy) [GWh]

	2017	2018	2019	2020
Black coal	0.0	0.0	38.9	27.4
Brown coal (lignite)	9 643	13 622	17 127	12 385
Natural gas	0.4	0.7	18.9	30
Light fuel oil	0.0	0.0	10.5	5.5
Purchased electricity	286	272	858	910
Purchased heat	58	54	54	32
Biomass	0.0	0.0	139.4	105.6
Other	19.4	19.8	30.7	18.0
Total	10 006	13 969	18 277	13 514

Table 13: Total energy consumption within the Group [GWh]

	2017	2018	2019	2020
Electricity	428	500	705	550
Heat	55	47	51	61
Cooling	0.0	0.0	0.0	0.0
Steam	0.0	0.0	0.0	0.4

Table 14: Sale of energy commodities [GWh]

	2017	2018	2019	2020
Electricity	3 019	4 376	5 529	3 905
Heat	13	12	532	518
Cooling	0	0	0	0
Steam	0	0	0	0

Table 15: Reclamation, including revitalisation projects [ha]

	2017	2018	2019	2020
Total area affected by mining, including external dumping areas, for reclamation	9 628	9 628	9 628	9 628
• completed reclamation	85	382	102	96
• reclamation in progress	1 154	851	897	1 177
• area directly affected by mining (future reclamation)	3 617	3 538	3 391	3 014

Table 16: Type of reclamation applied to mined areas: ČSA, Vršany, Centrum mine [ha]

	2017	2018	2019	2020
Total reclaimed land	4 778	4 863	5 259	5 341
• Agricultural	590	612	700	798
• Forest	2 367	2 406	2 565	2 565
• Aquatic	126	126	142	128
• Other	1 695	1 720	1 852	1 850

Table 17: Reclamation costs [CZK thous.]

	2017	2018	2019	2020
From the Group's financial reserve	270 109	330 018	252 440	126 977
From other sources (State resources)	34 317	42 545	28 074	17 700

Table 18: Withdrawn, used, treated and discharged water [thous. m³]

	2017	2018	2019	2020
Total volume of water withdrawn	11 260	15 778	18 057	14 777
Surface water	10 502	15 109	17 366	14 087
Wastewater withdrawn from organisations other than 7EC	14.6	16.0	19.4	40.9
Consumption of drinking water from the municipal water supply or other water supply	148	152	214	189
Collected and reused rain water within the Group	0.0	0.0	0.0	0.0
Total volume of water discharged	9 404	9 267	10 544²	9 447
Total amount of water that did not require treatment before being discharged into a watercourse	5 521	5 681	5 918	4 852
Total amount of sewage water treated before being discharged	170	172	1 378	1 354
Total amount of treated mine water before being discharged into a watercourse	3 388	2 539	2 919	3 028
Total volume of water consumed	10 972	15 483	17 787	14 483

² The total volume of water discharged for 2019 was restated due to additional data from the Kladno and Zlín heating plants..

Table 19: Waste by type and disposal method [t]

	2017	2018	2019	2020
Total waste production	4 182	6 866	9 553	10 697
Hazardous waste	560	654	421	382
• Reused	546	632	277	303
• Recycled	0.0	0.0	5.4	2.2
• Reused, energy source	13.0	5.0	31.7	27.9
• Landfill	0.5	17.7	35.1	26.9
• Other	0.0	0.0	71.3	22.2
Non-hazardous waste	3 623	6 212	9 132³	10 315
• Reused	1 880	4 315	2 307	7 932
• Recycled	0	0	275	104
• Reused, energy source	0	0	0	1
• Landfill	1 743	1 897	2 393	2 278
• Other	0	0	4 156	0

Table 20: Greenhouse gas emissions [t CO₂-eq]

	2017	2018	2019	2020
Direct greenhouse gas emissions	3 042 731	4 360 766	5 851 070	4 250 279

Table 21: Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions [t]

	2017	2018	2019	2020
Total production of NOx emissions	2 867	3 478	4 290	3 151
Total production of SO ₂ emissions	1 932	1 231	2 498	1 910
Total production of solid air pollutant emissions	282	472	476	188
From this, airborne dust (PM ₁₀)	218	364	353	130
Total production of CO	272	439	576	432
Arsenic and compounds (similar to As)	1.0	1.9	1.6	0.1
Cadmium and compounds (similar to Cd)	0.0	0.0	0.0	0.0
Lead and compounds (similar to Pb)	0.5	0.6	1.0	0.5
Mercury and compounds (similar to Hg)	0.1	0.2	0.6	0.1

³ The total non-hazardous waste reported in 2019 was restated for consistency reasons. The total now includes waste which was produced as a result of construction at the Kladno heating plant, with a total amounting to 4 156 tonnes

Table 22: Installed capacity, by primary energy source and control system (electricity) [MW]

	2017	2018	2019	2020
Total installed capacity	820	820	1 408	1 408
• Conventional sources	820	820	1 408	1 408
• Black coal	0	0	0	0
• Brown coal (lignite)	820	820	1 284	1 284
• Gas	0	0	124	124
• Light fuel oil	0	0	0	0
• Other	0	0	0	0
Renewable sources	0	0	0	0
• Wind	0	0	0	0
• Photovoltaic	0	0	0	0
• Hydro	0	0	0	0
• Biomass	0	0	0	0

Table 23: Installed capacity, by primary energy source and control system (heat) [MW]

	2017	2018	2019	2020
Total installed capacity	52	52	1 396	1 391
• Black coal	0	0	0	0
• Brown coal (lignite)	52	52	1 192	1 190
• Gas	0	0	204	201
• Light fuel oil	0	0	0	0
• Other	0	0	0	0
• Biomass	0	0	0	0

Table 24: Production of electricity [GWh]

	2017	2018	2019	2020
Total gross production	3 300	4 735	6 095	4 373
Total net production	3 019	4 375	5 568	3 959
Gross production – conventional sources	3 300	4 735	6 055	4 344
• Black coal	0	0	6	4
• Brown coal (lignite)	3 300	4 735	6 040	4 331
• Gas	0	0	4	6
• Light fuel oil	0	0	4	2
• Other	0	0	0	0
Net production – conventional sources	3 019	4 375	5 531	3 932
• Black coal	0	0	6	4
• Brown coal (lignite)	3 019	4 375	5 518	3 920
• Gas	0	0	3	6
• Light fuel oil	0	0	3	2
• Other	0	0	0	0
Gross production – renewable sources	0	0	40	29
• Wind	0	0	0	0
• Photovoltaic	0	0	0	0
• Hydro	0	0	0	0
• Biomass	0	0	40	29
Net production – renewable sources	0	0	36	27
• Wind	0	0	0	0
• Photovoltaic	0	0	0	0
• Hydro	0	0	0	0
• Biomass	0	0	36	27

Table 25: Production of heat [GWh]

	2017	2018	2019	2020
Total gross production	39	31	684	682
• Black coal	0	0	20	14
• Brown coal (lignite)	39	31	629	633
• Gas	0	0	4	6
• Light fuel oil	0	0	0	0
• Biomass	0	0	29	28
• Other	0	0	1	2
Total net production	39	26	552	543
• Black coal	0	0	15	10
• Brown coal (lignite)	39	26	511	507
• Gas	0	0	3	4
• Light fuel oil	0	0	0	0
• Biomass	0	0	22	20
• Other	0	0	1	1

Table 26: Total energy production (electricity and heat) [GWh]

	2017	2018	2019	2020
Gross production	3 339	4 766	6 779	5 055
Net production	3 058	4 401	6 120	4 502

Table 27: Energy by-products [t]

	2017	2018	2019	2020
Production of energy by-products	576 936	926 360	991 744	718 326
• Ash	343 843	562 599	465 889	328 079
• Slag	87 640	143 337	118 739	79 014
• Energy gypsum	145 453	220 424	169 654	99 551
• Other	0	0	237 462	211 683

Table 28: New hires

	2017	2018	2019	2020
Total number of employees	2 525	2 875	3 209	3 152
Total number of new hires	297	404	264	235
Males	220	318	198	187
• Under the age of 30	59	59	53	36
• Between the ages of 30-50	84	126	96	105
• Over the age of 50	77	133	49	46
Females	77	86	66	48
• Under the age of 30	8	11	17	8
• Between the ages of 30-50	34	38	38	26
• Over the age of 50	35	37	11	14

Table 29: Work-related injuries

	2017	2018	2019	2020
Total number of fatalities	0	0	0	1
Total number of registered injuries (resulting in a minimum of 3 lost working days)	19	30	23	32
Total number of serious injuries (leading to hospitalisation for more than 5 days)	1	2	0	0
Total hours worked [mill. hrs]	4.10	4.15	5.16	5.02
Injury per mill. hours	0.22	0.14	0.22	0.16

Table 30: Diversity of top management

	2017	2018	2019	2020
Number of employees in top management positions (only Board of Directors)	19	23	30	30
Males	19	23	30	30
• Under the age of 30	0	0	0	0
• Between the ages of 30-50	5	6	5	5
• Over the age of 50	14	17	25	25
Females	0	0	0	0
• Under the age of 30	0	0	0	0
• Between the ages of 30-50	0	0	0	0
• Over the age of 50	0	0	0	0

Table 31: Employee diversity – technical and administrative positions

	2017	2018	2019	2020
Number of employees in technical and administrative positions	534	580	767	781
Males	388	431	579	592
• Under the age of 30	19	18	25	26
• Between the ages of 30-50	148	163	229	236
• Over the age of 50	221	250	325	330
Females	146	149	188	189
• Under the age of 30	6	8	12	11
• Between the ages of 30-50	66	59	76	79
• Over the age of 50	74	82	100	99

Table 32: Employee diversity – manual labour positions (production, maintenance)

	2017	2018	2019	2020
Number of employees in manual labour positions (production, maintenance)	1 991	2 295	2 442	2 371
Males	1 576	1 870	2 008	1 956
• Under the age of 30	134	135	140	129
• Between the ages of 30-50	619	680	748	732
• Over the age of 50	823	1 055	1 120	1 095
Females	415	425	434	415
• Under the age of 30	13	10	22	20
• Between the ages of 30-50	165	164	163	153
• Over the age of 50	237	251	249	242

Table 33: Disabilities

	2017	2018	2019	2020
Total number of employees with disabilities	46	62	66	68

Table 34: Overview of financial indicators [CZK mill.]

	2017	2018	2019	2020
EBITDA				
Aggregated Group	3 412	3 285	3 231	
7TK from 2020			-329	
Total	3 412	3 285	2 902	3 945
EBITDA adj.				
Aggregated Group	3 459	4 713	3 946	
7TK from 2020			815	
Total	3 459	4 713	4 761	4 260
Total revenues (turnover)				
Aggregated Group	14 604	20 233	19 465	
7TK from 2020			4 642	
Total	14 604	20 233	24 107	24 518
Equity				
Aggregated Group	6 358	7 790	8 781	
7TK from 2020			5 136	
Total	6 358	7 790	13 917	12 674
Total assets (net)				
Aggregated Group	21 285	22 036	24 484	
7TK from 2020			11 032	
Total	21 285	22 036	35 516	40 143

GRI CONTENT INDEX

GRI 102 GENERAL DISCLOSURES 2016

Profile of the Group

GRI Standard	Title	Chapter in the Report	Page
102-1	Name of the organisation	Foreword of the Director	5
102-2	Activities, brands, products and services	Main activities of the Group	10-11
102-3	Location of headquarters	Structure of the Sev.en Energy Group	8-9
102-4	Location of operations	Structure of the Sev.en Energy Group	8-9
102-5	Ownership and legal form	Structure of the Sev.en Energy Group	8-9
102-6	Markets served	Structure of the Sev.en Energy Group	8-11; 46-49
102-7	Scale of the organisation	Our mission, vision and group strategy	10-11; 17
102-8	Information on employees and other workers	Our employees	104-111
102-9	Supply chain	Supply chain and business relations	72-29
102-10	Significant changes to the organisation and its supply chain	Supply chain and business relations	72-79
102-11	Precautionary Principle or approach	Risk management Corporate governance	60-65; 54-55
102-12	External initiatives	Regional support and philanthropy	112-116
102-13	Membership of associations	Legal compliance, ethics and transparency	136

Strategy

GRI Standard	Title	Chapter in the Report	Page
102-14	Statement from senior decision-makers	Foreword of the Director	5
102-15	Key impacts, risks and opportunities	Risk management Technical annex	60-65; 122-135

Ethics and integrity

GRI Standard	Title	Chapter in the Report	Page
102-16	Values, principles, standards and behavioural norms	Our mission, vision and group strategy	16-17; 52; 66-71
102-17	Mechanisms used for seeking advice and raising concerns relating to ethics	Legal compliance, ethics and transparency	66-71

Corporate governance

GRI Standard	Title	Chapter in the Report	Page
102-18	Governance structure	Corporate governance	54-55
102-19	Delegating authority	Corporate governance	54-55
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate governance Sustainability management	54-65

Stakeholder engagement

GRI Standard	Title	Chapter in the Report	Page
102-40	List of stakeholder groups	Technical annex	122-135
102-41	Collective bargaining agreements	Our employees	108
102-42	Identifying and selecting stakeholders	Technical annex	122-135
102-43	Approach to stakeholder engagement	Technical annex	122-135
102-44	Key topics and concerns raised	Technical annex	122-135

Reporting practice

GRI Standard	Title	Chapter in the Report	Page
102-45	Entities included in the consolidated financial statements	The Group does not issue consolidated financial statements using the same approach that was used for this Report	-
102-46	Defining report content and topic Boundaries	Technical annex	122-135
102-47	List of material topics	Technical annex	122-135
102-48	Restatements of information	Technical annex	122-135
102-49	Changes in reporting	Technical annex	122-135
102-50	Reporting period	1.1. 2020 – 31.12. 2020	-
102-51	Date of most recent report	July 2020	-
102-52	Reporting cycle	Annual	-
102-53	Contact point for questions regarding the Report		-
102-54	Claims of reporting in accordance with the GRI Standards	Technical annex	122-135
102-55	GRI content index	Technical annex	122-135
102-56	External assurance	The Report is not externally verified	-

GRI 200 ECONOMIC, 300 SOCIAL AND 400 ENVIRONMENTAL DISCLOSURES (2016)

Energy

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Transformation of electricity and heating generation	36-42
103-2	Management approach and its components	Transformation of electricity and heating generation	36-42
103-3	Evaluation of the management approach	Corporate governance	54-55
302-1	Energy consumption within the organisation	Transformation of electricity and heating generation Data annex	36-42; 140
302-3	Energy intensity	Transformation of electricity and heating generation Data annex	36-42; 139-145
302-4	Reducing energy consumption	Transformation of electricity and heating generation Data annex	36-42; 139-140
EU1	Installed capacity, by primary energy source and the control mode	Data annex	36-42; 143
EU2	Net energy output by primary energy source and country	Data annex	36-42; 144-145

Water

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Water management	89
103-2	Management approach and its components	Water management	89
103-3	Evaluation of the management approach	Corporate governance	54-55
303-3	Water withdrawal	Water management Data annex	89-93; 141
303-4	Water discharge	Water management Data annex	89-93; 141
303-5	Water consumption	Water management Data annex	89-93; 141
306-1	Water discharge by quality and destination	Water management Data annex	89-93; 141

Waste management

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Waste management	94
103-2	Management approach and its components	Waste management	94
103-3	Evaluation of the management approach	Corporate governance	54-55
306-2	Waste by type and disposal method	Waste management Data annex	94-97; 142
306-3	Significant spills	No significant spills within the reporting period	-

Emissions

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Emissions management	82-83
103-2	Management approach and its components	Emissions management	82-83
103-3	Evaluation of the management approach	Corporate governance	54-55
305-1	Direct (Scope 1) GHG emissions	Emissions management Data annex	82-88; 142
305-4	GHG emissions intensity	Emissions management Data annex	82-88
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant emissions	Emissions management Data annex	82-88; 142

Compliance with economic, social, and environmental laws

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Legal compliance, ethics and transparency	66-67
103-2	Management approach and its components	Corporate governance	66-67
103-3	Evaluation of the management approach	Corporate governance	54-55
307-1	Non-compliance with environmental laws and regulations	Legal compliance, ethics and transparency	66-71
419-1	Non-compliance with laws and regulations in the social and economic area	Legal compliance, ethics and transparency	66-71

Anti-corruption

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Legal compliance, ethics and transparency	66-67
103-2	Management approach and its components	Legal compliance, ethics and transparency	66-67
103-3	Evaluation of the management approach	Corporate governance	54-55
205-2	Communication and training relating to anti-corruption policies and procedures	Legal compliance, ethics and transparency	66-71; 109
205-3	Confirmed incidents of corruption and actions taken	Legal compliance, ethics and transparency	66-71
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Legal compliance, ethics and transparency	66-71

Reclamation

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Biodiversity, Reclamation and Revitalization	32-35
103-2	Management approach and its components	Biodiversity, Reclamation and Revitalization	32-35
103-3	Evaluation of the management approach	Corporate governance	54-55
304-1	Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside of protected areas	Biodiversity, Reclamation and Revitalization Data annex	32-35; 140-141
304-3	Protected or restored habitats	Biodiversity, Reclamation and Revitalization Data annex	32-35; 140-141

Employees

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Our employees	104
103-2	Management approach and its components	Our employees	104
103-3	Evaluation of the management approach	Corporate governance	54-55
401-1	New hires and employee turnover	Our employees Data annex	104-111; 145
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our employees Data annex	104-111; 138
401-3	Parental leave	Our employees Data annex	104-111; 138
402-1	Minimum notice periods regarding operational changes	Our employees Data annex	104-111
405-1	Diversity of governance bodies and employees	Our employees Data annex	104-111; 146
406-1	Incidents of discrimination and the corrective actions taken	Legal compliance, ethics and transparency	66-71

Safety

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Occupational health and safety	100
103-2	Management approach and its components	Occupational health and safety	100
103-3	Evaluation of the management approach	Corporate governance	54-55
403-9	Work related injuries	Occupational health and safety Data annex	100-103; 145
403-1	Occupational health and safety management system	Occupational health and safety Data annex	70; 100-103; 137
403-3	Occupational health services	Occupational health and safety Data annex	100-103
403-8	Workers covered by an occupational health and safety management system	Occupational health and safety Data annex	70; 100-103; 137

Training and educating employees

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Our employees	104
103-2	Management approach and its components	Our employees	104
103-3	Evaluation of the management approach	Corporate governance	54-55
404-1	Average annual training hours per employee	Our employees Data annex	109
404-2	Programs for upgrading employee skills and transition assistance programs	Our employees	104-111
403-5	Worker training on occupational health and safety	Occupational health and safety	100-103

Local community engagement

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Regional support and philanthropy	112-116
103-2	Management approach and its components	Regional support and philanthropy	112-116
103-3	Evaluation of the management approach	Corporate governance	54-55
413-10	Operations with local community engagement, impact assessments and development programs	Regional support and philanthropy Technical annex Legal compliance, ethics and transparency	112-116; 122-135; 66-71

Marketing and product labelling

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Supply chain and business relations	72-73
103-2	Management approach and its components	Supply chain and business relations	72-73
103-3	Evaluation of the management approach	Corporate governance	54-55
417-1	Requirements for product and service information and labelling	Supply chain and business relations	72-79

Supply chain

GRI Standard	Title	Chapter in the Report	Page
103-1	Explanation of the material topic and its Boundaries	Supply chain and business relations	72-73
103-2	Management approach and its components	Corporate governance	72-73
103-3	Evaluation of the management approach	Corporate governance	54-55
301-1	Materials used by weight or volume	Supply chain and business relations	72-79; 139
308-2	Negative environmental impacts within the supply chain and actions taken	Supply chain and business relations	72-79
414-2	Negative social impacts within the supply chain and actions taken	Supply chain and business relations	72-79

