



gasnet.cz



Sustainability Report '20

gasnet.cz

Sustainability Report Contents



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**“WE CARE ABOUT HOW WE
TREAT EACH OTHER, OUR
COMMUNITIES AND THE
ENVIRONMENT. WE CARE
ABOUT OUR HEALTH AND
THE HEALTH OF OUR SOCIETY.
AND THAT’S WHY THE ONLY
THING THAT GIVES US PURPOSE
IS TO DO BUSINESS IN
A SUSTAINABLE, RESPONSIBLE
AND CONSIDERATE WAY.”**

Martin Gebauer



GasNet has made a big step forward. This is our first Sustainability Report

It is with great pleasure that I present to you our first Sustainability Report. I see its publication as another key milestone on our new path to sustainability. Together with the new owners and our employees, we have laid a solid foundation for a completely new direction for the GasNet Group.

Because a shared future is what matters to us, ESG (Environmental, Social, Governance) forms the very basis of our new strategy. We care about how we treat each other, our communities and the environment. We care about our health and the health of our society. And that’s why the only thing that gives us purpose is to do business in a sustainable, responsible and considerate way. Let me tell you the story of our Sustainability Report.

It is divided into four main chapters representing the four pillars of our ESG approach which clearly capture our policies, commitments, activities, projects and achievements in each area. We want to be as transparent as possible; we want to be open, and

we comply with international standards. We are committed to the UN Sustainable Development Goals – so at the end of each chapter you will find a brief overview of everything we have done to meet these goals in 2020.

We take ESG seriously. And we do it well. This has also been confirmed by the independent rating agency Sustainalytics, a global leader in ESG company ratings. An in-depth audit and a peer benchmark with other companies in the gas industry has given a clear result: the GasNet score of 19.4 (Low Risk) places it among the industry leaders (strong ESG management).

Yet we are still at the beginning and there are still many challenges on the horizon. The European energy sector is undergoing a fundamental change. The Paris Agreement and the Green Deal for Europe set ambitious targets. Europe wants to reduce net carbon dioxide emissions to zero and be climate neutral by 2050. As the domestic leader in natural gas distribution, we are aware of our responsibility and are

committed to playing a key role in the transformation of the Czech energy sector. We are convinced that, especially in the context of the Czech Republic, decarbonisation is not possible without natural gas – especially in road transport and in the heating sector, where it will be the only real and affordable replacement for coal which is on its way out. New and renewable gases such as biomethane or hydrogen will become increasingly important in the years to come. We are already actively preparing for this today. We welcome green energy and want to be a strong part of it.

We, however, see our contribution to a shared future in a broader context: supporting communities, diversity, children and their potential, working with schools, developing the skills of our employees, looking after their health and much more.

The year 2020 brought many great successes as well as challenges. Following the spin-off from the innogy Group, we have succeeded in laying a solid foundation for the already independent GasNet Group. Together,

we embarked on a new journey – with a new brand, a new corporate culture and a sustainable approach to our business. In doing so, millions of households and businesses have been able to continue to rely on us in these difficult pandemic times. Every day – safe and reliable delivery remained our priority. We helped our communities and each other.

You will find all this and more in our Sustainability Report. We have a lot to build on. You can see for yourself.

Martin Gebauer

Chairman of the Board of Directors
of the parent company Czech Grid
Holding and at the same time Executive
Chairman of the GasNet Group



Sustainability at a glance

Sustainability topics have been a part of our daily business for many years. However, after the separation from innogy Czech Republic, we have increased our focus on sustainability by setting a goal to implement an ESG framework into the core of GasNet’s business strategy. We have worked tirelessly to achieve this ambition since the beginning of 2020. Due to ongoing organisational changes, the first steps included revisions of internal processes and management systems, as well as setting up governance of ESG topics, which resulted in the establishment of our ESG & Security Department.

Another key milestone on our sustainability path in 2020 was to introduce ESG topics to our employees and management to ensure our company culture aligns with our long-term commitment to sustainability.

We understand that cultural changes require time. Therefore, throughout the last year, we organised multiple workshops for employees, and we initiated regular communication on environmental and safety topics to increase overall sustainability awareness.

We have done many things in 2020 and we strive to continue this trend this year and for years to come, until we ensure that sustainability is a key principle for all employees at GasNet.

Our 2020
ESG milestones



MARCH

ESG governance
& oversight

As a crucial step on our sustainability journey, we established a Work Health, Safety & Environmental Protection Committee to regularly discuss and align our ESG activities with company shareholders.



AUGUST

GRESB assessment

For the first time, we participated in the GRESB Infrastructure Asset assessment process to evaluate our ESG performance across multiple areas and benchmark us against our peers.



AUGUST

ESG Board Workshop

We organised an ESG workshop with Management Board members and shareholder representatives to solidify ESG as a bedrock for GasNet's corporate strategy and unify our sustainability vision.



SEPTEMBER

Safety Assurance
Programme

We launched a company-wide programme to improve our safety processes in operations and support safety as a core value within our company culture.



OCTOBER

Rebranding

GasNet rebranded with the sustainability theme as a key part of our new green identity.



NOVEMBER

ESG strategic
imperatives

The Management Board approved a first version of the overarching ESG strategic imperatives document, which identifies key focus areas on our sustainability path and will be further developed during 2021.

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**Our 2021
ESG milestones**



MARCH 2021

**Green GasNet
programme**

We launched an overarching programme to manage our environmental activities across GasNet with the aim to continuously reduce our carbon footprint and positively contribute to the protection of our planet.



MAY 2021

**Our first ESG rating
received**

We received our first ESG Risk Rating from the global rating agency Sustainalytics, which positioned GasNet among leading companies with low risk and strong management of ESG issues.



MAY 2021

**Signing the EU Diversity
Charter**

We became a signatory to the EU Diversity Charter and initiated further activities to support diversity and inclusion at GasNet through our partnership with Business for society as local D&I ambassador.



SEPTEMBER 2021

**Safety Management
System implementation**

We initiated the implementation of a robust Safety Management System based on ISO 45001 standard, which will improve safety processes for our employees as well as contractors.



ESG rating

Our efforts to improve the management of ESG areas during the past year have been extensive. Therefore, to better assess our progress and identify gaps for further improvement, we initiated discussions with ESG rating agencies to find out where GasNet stands among other companies and peers.

In 2021, we received our first ESG Risk Rating from the global rating agency Sustainalytics, which positioned GasNet among leading companies with low risk and strong management of ESG issues. Compared to our peers in the gas utility sector, GasNet was rated as the 3rd best performing company. The final rating surpassed all expectations and showed that the work in the past year has pushed us significantly towards our goal of becoming a responsible and sustainable company.

Despite this great result, we are still committed to improving our processes even further as we aim to become an ESG leader among gas distribution companies. We consider the past year a great learning experience, which we can leverage in our ongoing work and reflect additional improvements in the future ESG ratings.



Global Universe

2,634th out of 13,732
20th percentile



Gas Utilities

3rd out of 83
3rd percentile

Utilities

34th out of 606
6th percentile

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Company overview

We operate the largest gas distribution network in the Czech Republic by both grid length and number of connections. GasNet covers 80% of the country’s gas distribution and manages pipelines in all regions of the Czech Republic outside of Prague and the South Bohemian Region.

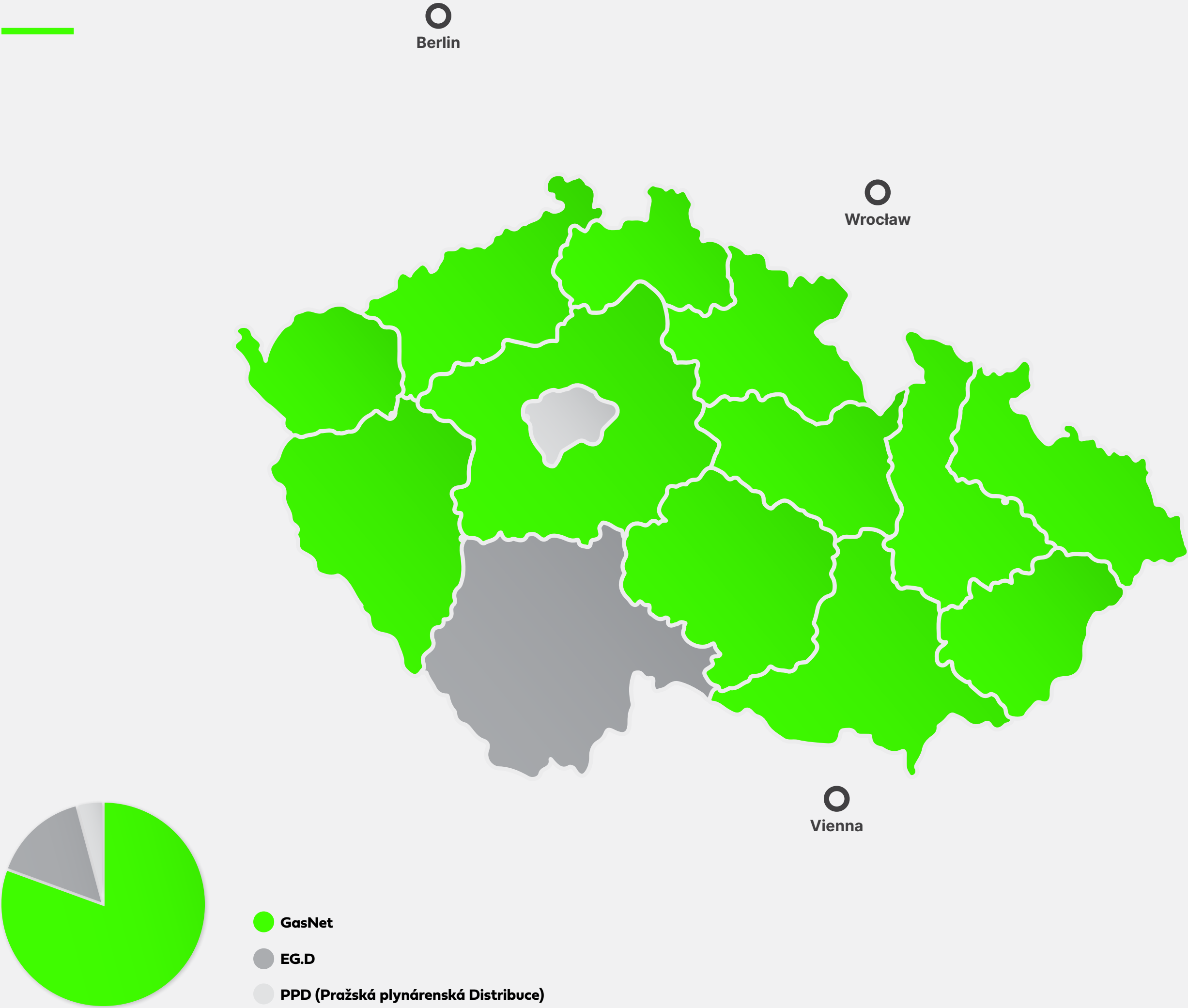
We are the first fully unbundled utility in the Czech Republic after our successful separation from innogy in 2020. As such, we are strategically positioned to support green transition of the entire Czech economy.



“Our pipelines carry vital energy to millions of people. They rely on us. We supply gas to 80% of the country. We are a proud part of the critical national infrastructure.”

Pavel Káčer,
Operations Director of the GasNet Group

Czech Gas Distribution Regions by Company / Operator



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Key facts
and figures:



of Czech gas
distribution
is covered by
GasNet

65,000 km
of gas pipelines

c.70 TWh / year
distributed gas

c.2.3 m
connections

552 EURm
revenue in 2020

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GasNet Group: background

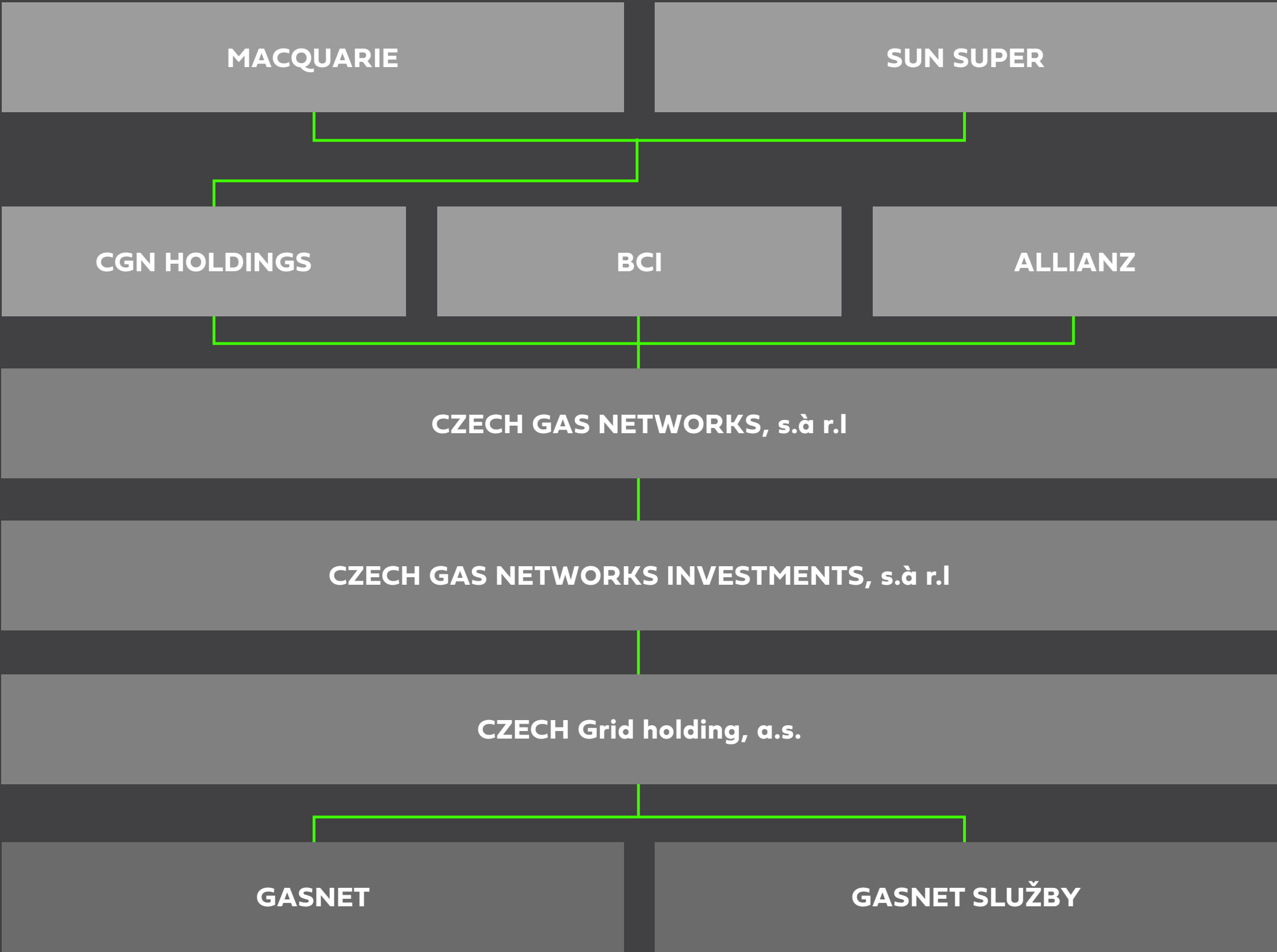
While GasNet owns and operates the distribution network, GasNet Služby functions as our service company. It provides efficient operations support for our network, enabling a reliable supply of natural gas to customers, high operational safety of our gas facilities, health, and people's property, as well as a focus on environmental protection.

GasNet and GasNet Služby are wholly owned by a consortium of investors led by Macquarie Infrastructure and Real Assets (MIRA), which includes the British Columbia Investment Management Corporation (BCI) and Allianz Capital Partners, representing the Allianz Group's insurance company.

In 2019, the European Commission approved E.ON's acquisition of innogy's distribution and consumer solutions businesses, as well as certain generation assets, during a complex asset swap with RWE AG. Due to competition concerns, innogy Czech Republic was not permitted to be part of this deal. As a result, innogy SE and RWE AG companies signed an agreement under which they sold their stake in innogy Grid Holding, a.s., and thus their Czech gas distribution companies. The shares in innogy Grid Holding were offered to a consortium of investors led by MIRA, which decided to exercise its pre-emptive right and increase its stake in the company from 49.96 to 100 percent.

Since October 2019, GasNet has become independent of the innogy Group, and the MIRA-led consortium has thus become the sole owner of Czech Grid Holding, parent company of GasNet and GasNet Služby.

Shareholders
Overview



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Planning and separation activities

Detailed preparation activities were underway prior to the transaction day and subsequent carve out of the business to be a standalone entity.

Writing and agreeing the Transition Service Agreement with innogy CZ was an important component to secure their reciprocal commitment to separation by the end of 2021.

The separation process was completed on time and on budget with:

- 297 employees transferred
- >500 contracts split or renegotiated
- 80 IT applications split or transferred
- 26,000 asset items transferred

Following separation, the Board focused on the new operating models for all areas as they became standalone, with an ambition to build internal optimisation across systems and processes as an independent Gas DSO.

Recent progress

Concluding the separation from innogy was the main focus for the last year.

Significant pressure was put on the business to achieve tight timescales and achieve changes to the operating model, systems and processes.

COVID-19 became an adverse circumstance posing a major challenge to delivery, requiring major mitigating measures.

Future work

Significant plans have been drawn up across the management team beginning to focus on future set up of a new optimisation of the standalone company including changes to operating models and IT changes.

Ongoing impact from COVID-19 exacerbates continued pressure to deliver across the teams while maintaining business as usual.

GasNet plans in advance for its key role in the energy transition with initiatives covering distribution of green gases (biomethane, hydrogen, LNG).

Key positions continue to be reinforced with experienced hires to bring additional expertise and perspectives into the management team.



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OUR LONG-TERM ESG COMMITMENT

We are a socially **responsible** company with a strong focus on **sustainability, environment,** and **ethical governance.**

We strive to **digitalise** and leverage **modern technologies** as we believe they enable sustainable business development.

We **care deeply** about the **future** that we shape together with our **employees** and **stakeholders.**

Our commitment is to help **communities** and support **diversity.**

We care about a sustainable future

With our long-term ESG commitment in mind, we have established four principles at the heart of GasNet. These four principles constitute the Sustainability Report as well:



We embody safety standards and health protection



We believe in sustainability and the future of gas



We care about our people and the communities around us



We conduct business in a responsible and considerate way

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#01

We embody safety standards and health protection

Maintaining the integrity of our gas networks without endangering the safety of the general public, our employees, and contractors, is always our foremost priority. Our Workplace Health and Safety policy outlines our commitment to safety and how it is integrated into our operations. Where we deem necessary to minimise risk for our people, we go beyond our legal requirements and lead as an industry role model. We will never compromise on safety.

We are trusted to provide customers with a safe and reliable supply every day of the year.

We recognise that this trust is dependent on our continued efforts to be transparent about our performance and operations, monitoring indicators and setting ambitious targets. We strive to minimise injuries and be proactive about reporting to ensure continuous review and improvement. We anticipate emergency scenarios and we are prepared to act immediately to resolve them.

#02

We believe in sustainability and the future of gas

Our commitment to sustainability is built upon our shared responsibility for the environment and our dedication to digitalise and leverage modern technologies. We believe it is vital to respond to a changing world and be a part of a low carbon, sustainable future. We strive to better understand both the direct and indirect consequences of our activities and to minimise the adverse environmental impact where possible.

At GasNet, we understand the importance of reducing Greenhouse Gas (GHG) emissions, whilst seeking every opportunity to innovate, improve and respond effectively to a changing world. Over the last decade our GHG emissions have been decreasing, but we hope to accelerate this trend by further reducing our key emissions sources in operations.

Our commitment to sustainability and the environment has been instrumental in the development of GasNet’s Future of Gas vision, enabling GasNet to become a green gas distributor by modernising and retrofitting our vast network.

The vision sets out a path for GasNet to optimise its operations and infrastructure, ensuring resilience, flexibility and preparedness for the green energy transformation.

#03

We care about our people and the communities around us

We care deeply about the wellbeing of our people and the communities around us.

The success of our business depends on the success and development of each and every one of our employees. Workforce development is at the heart of our business and we believe it is vital to build our business around a fair and inclusive work environment. Our employee brand is built on a foundation of honest and regular communication with our employees.

We continue to promote the reduction of inequality and the advancement of diversity through supporting Czechitas, the Pride Business Forum Memorandum, and we have become signatories of EU Diversity Charter in May 2021 alongside other diversity leaders in the Czech labour market.

We have built relationships with several schools, where we have collaborated on projects and competitions for students including the Energetic Olympics and the Duke of Edinburgh award. We seek to actively engage with schools to raise environmental awareness and provide support with environmental education.

For ten years, GasNet has been the general partner of the Volunteer Firefighter of the Year Award, which celebrates the 360,000 volunteer firefighters from all over the Czech Republic by highlighting their crucial contribution to public safety.

#04

We conduct business in a responsible and considerate way

Our leadership are committed to ensuring we are a responsible and resilient business. This is demonstrated through our regulatory compliance and extensive risk management. Alongside ensuring the resilience of our grid network business, we focus on physical and cyber security, supply chain management, risk management, and financial sustainability.

We are trusted by our stakeholders and shareholders to be transparent about GasNet’s operations and outcomes through our reporting. We hope to enhance our transparency through this report and strive to align all of our reporting over time **with internationally accepted GRI standards.**

TO THE 2ND CHAPTER



TO THE 3RD CHAPTER



TO THE 4TH CHAPTER



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GasNet's ESG strategy

Our ESG strategy acts as an internal tool to drive our sustainable development and progress along the “ESG maturity journey”. We are trusted by our stakeholders to be transparent about our operations. Measurable KPIs provide us with the visibility needed to make informed decisions. We employ standardised ESG frameworks to achieve such transparency and effectively prioritise material ESG themes. We also align our four key principles to the UN Sustainable Development Goals (SDGs).

We propose to tie our ESG journey to the UN SDGs which provide a framework for businesses to work together with government and other partners to ensure a more sustainable future for all. We have committed ourselves to making a significant contribution to achieving several of the sustainability goals that are in line with our principles.

GasNet's ESG strategy is underpinned by four sustainability principles representing our areas of focus, which are aligned to UN SDGs



#1

GasNet embodies safety standards and health protection

SUSTAINABLE DEVELOPMENT GOALS



#2

GasNet believes in sustainability and the future of gas

SUSTAINABLE DEVELOPMENT GOALS



#3

GasNet cares about our people and the communities around us

SUSTAINABLE DEVELOPMENT GOALS



#4

GasNet conducts business in a responsible and considerate way

SUSTAINABLE DEVELOPMENT GOALS



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Our ESG organisational structure

We recognise the importance of integrating ESG into every aspect of our business. That is why we have established our ESG engine which is responsible for the development of our ESG strategy and ensuring we operationalise ESG throughout our operations.

The ESG engine includes employees from a variety of business units and there are representatives from each of our 4 ESG pillars.

The ESG engine is overseen by overarching management which includes the Chief Services Officer (CSO), ESG & Security Director, the ESG Manager and our Communications team. They are responsible for establishing a strategic framework and ensuring stakeholder and business engagement. Furthermore, they evaluate and discuss ESG performance on a quarterly basis with both GasNet’s Management Board and shareholders.

The ESG Manager coordinates key ESG initiatives and leads reporting efforts including the 2020 Sustainability Report. Our communications team coordinate and execute both internal and external communication, ensuring we provide transparency to our stakeholders.

Our commitment to safety is vital to our business and our Work Health & Safety team drives GasNet to identify risks and seek opportunities to improve safety.

The Environmental Protection team covers environmental sustainability and the future of the gas agenda. They are responsible for specialist environmental initiatives and data collection including our energy management system, waste management and air pollution.

Our Human Resources team coordinate social initiatives with emphasis on development of our employees and company culture. They also support our people as well as local communities through several initiatives.

We take responsible business very seriously and we have representatives from Security & Data Protection, Cyber & Information Security, Crisis Management and Regulatory, Legal & Internal Audit.



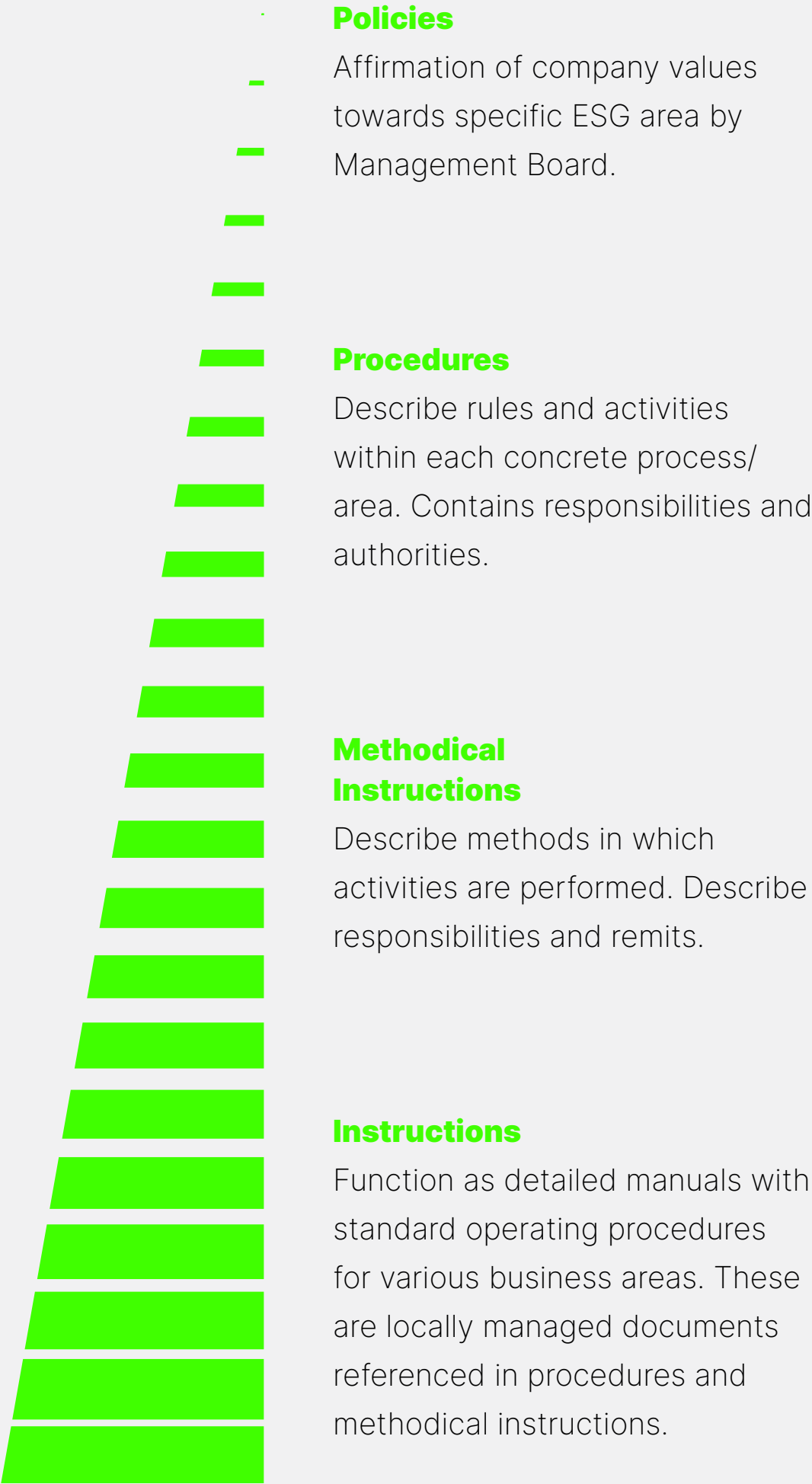
ESG management processes and policies in place

During the last few years ESG has been rolled out widely throughout GasNet with business departments owning individual areas to guarantee delivery. The ESG engine provides a strategic framework, coordinates initiatives and monitors progress.

ESG management processes and policies in place



Documentation hierarchy



Certifications:

- Aligned Management Systems
(not fully certified)
- ISO 14001 Environmental Management System
 - OHSAS 18001 Safety Management System

- National Gas Standards
- Technical Regulation for Gas (TPG)

Relevant policies:

- Code of Conduct
- Workplace Health and Safety Policy
- Environmental Protection Policy
- Energy Policy
- Information Security Policy
- Whistleblower Policy

Relevant procedures and methodical instructions:

- Environmental protection in the company
- Environmental emergency preparedness
- Environmental Management System (EMS) manual
- Air protection
- Chemical substances and mixtures
- Waste management
- Water protection
- Nature and landscape protection
- ADR (transport of dangerous goods by road)
- Remediation of old ecological burdens
- Collective agreement
- Remuneration and benefits
- Working conditions
- Cybersecurity
- Powers of attorney
- Insider trading
- Money laundering
- Personal data protection
- Audit & Risk Committee Terms of Reference
- WHS & EP Committee Terms of Reference



Key stakeholders

Stakeholder engagement is a key element in driving forward our sustainability performance. Each stakeholder group is interested in certain ESG issues and it is vital that we maintain open and transparent dialogue with our stakeholders. The following table looks at our primary stakeholder groups with respect to our priority areas. This analysis has defined which aspects are material for each stakeholder group.

Our customers include retail companies, end-users, businesses, district heating as well as customers of our LNG stations.

Our employees are at the heart of our business and act as the main internal stakeholders, engaged in day-to-day business activities. Safety & health protection are a key priority for our employees and therefore key priorities for GasNet.

Investors & lenders are mainly represented by the MIRA consortium, BCI, ACP and bond holders, whose capital is crucial for GasNet’s successful development. Sustainability and the future of gas is a high priority for this group of stakeholders as well as responsible governance.

The Government and regulator stakeholder group includes ERO, the Ministry of Industry and Trade, Ministry of Environment, Ministry of Finance, Ministry of Transport, and various EU institutions. In addition to these key groups, we have identified additional stakeholders and analysed the degree of materiality for each of the 4 ESG principles.

Transfer station Velké Němčice (Moravia)

Memberships in organisations

GasNet's commitment to it's four principles is demonstrated through memberships in several industry bodies and sustainability-focused global organisations. As a key player in the Czech energy sector, GasNet actively contributes and drives sustainability-related agendas especially at the local level. Through our membership in the Czech Gas Association, we also engage with other international stakeholders and organisations to ensure our involvement in key discussions that shape our future.



Business for Society

Largest plattform for ESG advocacy in the Czech Republic.



Eurogas*

Eurogas is an association representing the European gas wholesale, retail and distribution sectors towards the EU institutions.



Czech Gas Association (CGA)

The CGA is an independent association of organizations and experts operating in the gas and related industries.



Hospodářská komora (Czech Chamber of Commerce)*

The Czech Chamber of Commerce aims to encourage business development in the Czech Republic.



Svaz průmyslu a dopravy (Confederation of Industry of the Czech Republic)*

The Confederation of Industry is the leading business lobbying organisation in the Czech Republic providing a voice for employers at the national and international level.



MARCOGAZ*

MARCOGAZ is a non-profit international association that represents the European gas industry on all technical aspects of the gas system's full value chain.



International Gas Union (IGU)*

The IGU is a worldwide non-profit organisation that advocates gas as an integral part of a sustainable global energy system, and promotes the political, technical and economic progress of the gas industry



Global Real Estate Sustainability Benchmark (GRESB)

GRESB assess and benchmarks the ESG and other related performance of real assets, providing standardised and validated data to the capital markets

* via Czech Gas Association

Part

#2.1

**We embody safety
standards and health
protection**

2020
in numbers





We embody safety standards and health protection

At GasNet, we strive to provide a safe working environment for everyone – be it our own employees, partners, contractors, communities or the public. Through our continuous efforts, we ensure safe operation of GasNet’s distribution network without major disruptions and incidents and we aim to become a leader in safety standards among our peers. Our commitment to safety is also integrated in the overarching business strategy as GasNet’s core value.

Historically, we managed safety processes through scattered functions in individual business regions and our central Work Health & Safety department in line with safety standards described by OHSAS 18001. Since the separation of GasNet from the innogy Group, we are closing the first phase of our safety management and moving forward to gather all the processes under **one robust safety management system framework in compliance with ISO 45001** and continue to improve and sustain the system in the future.

A large part of our safety procedures are driven by legislative requirements set by national authorities and Czech Gas Association. To ensure compliance with all directives and laws, we employ an extensive risk management process and have developed new measures, which react to any legislative changes.

In the past years, our focus has been on improving technical aspects included in the Process Safety area, which are directed mostly towards our operational processes. However, in 2020, cultural and psychological aspects, as key aspects of safety, were prioritised to steadily improve safety culture in the company and develop into the leading company we strive to become.

RELATED SDG TARGETS →

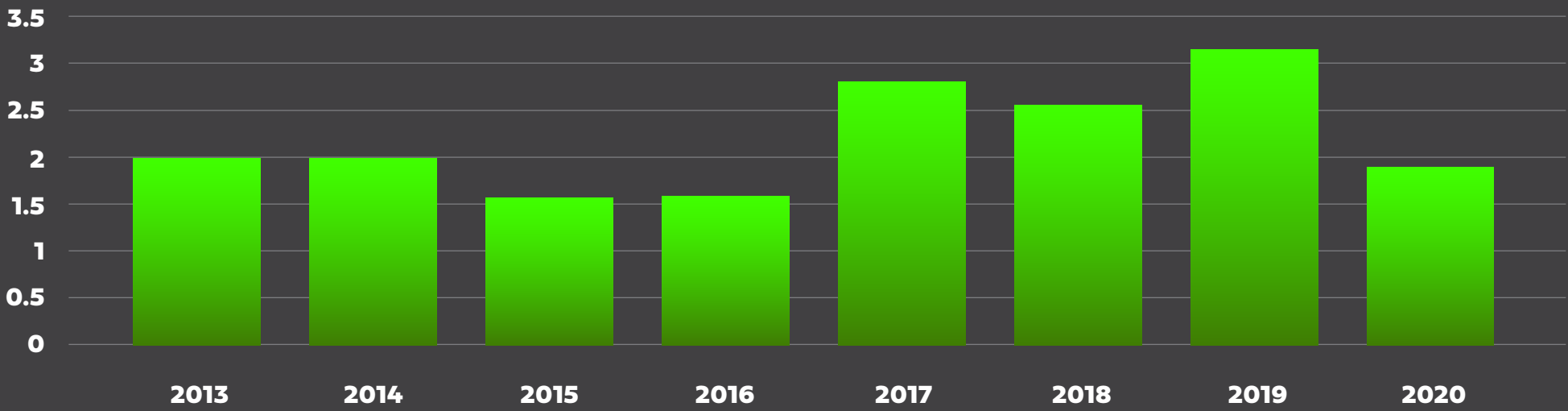


“We never compromise on safety.”

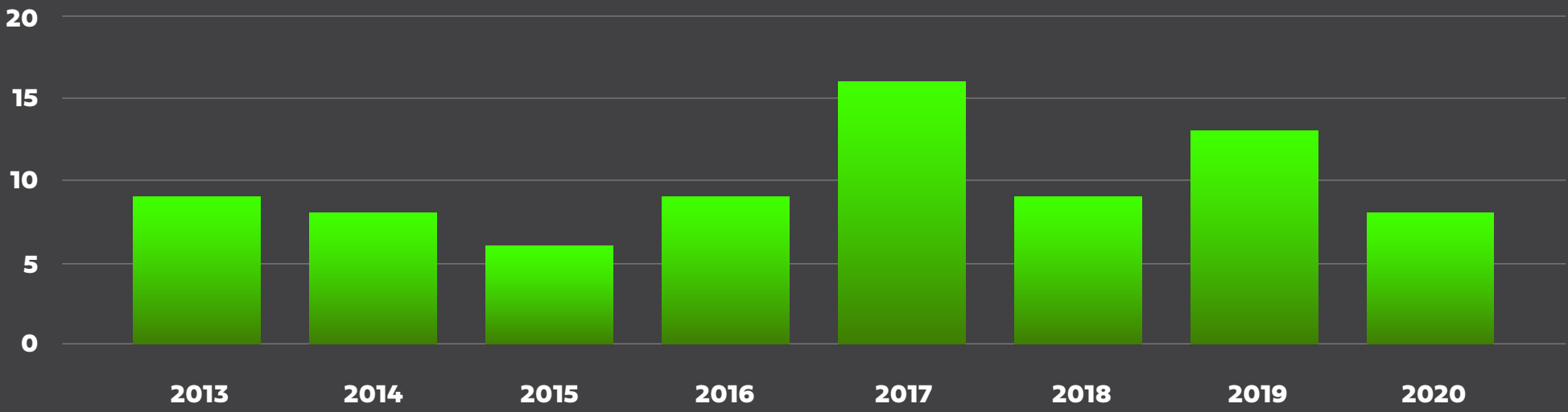
Pavel Káčer,
Chief Operation Officer

Lost Time Injury Frequency (LTIF) - Employees

Internal target for 2021: 1.8



Lost Time Injuries (LTI) - Employees



Employee Safety

Occupational safety is our top priority at GasNet. We are committed to ensure that our people can go about their day-to-day activities in the safest possible way without causing injury to themselves or others that result from the work activities they carry out.

2020 was a turbulent year and despite all transformational activities, we remained committed to provide a safe working environment for our employees. As a result of our increased focus on safety procedures and regular communication on safety topics, the number of accidents with injuries to our employees decreased compared to 2019. This positive development can be seen in both the number of Lost Time Injuries (LTI) and subsequently the Lost Time Injury Frequency (LTIF) decreasing to the lowest level in the past four years. **At GasNet, we aim to maintain this positive trend in the future as we set our goal for LTIF to 1.8 for 2021 and our ambition is to continuously reduce this target in subsequent years.** Additionally, no fatalities to our employees

occurred during the year and we also strive to keep this result in the future as a company-wide target.

We work closely with our employees to learn and understand the safety risks associated with their jobs, alongside monitoring safety performance metrics to learn from incidents. Targeted trainings are then delivered to best mitigate the possibility of future incidents and to further reiterate the importance of safety throughout our company. Structured best practice trainings are a key component of inductions for new staff but are also delivered yearly to existing employees.

Last year, 47,209 mandatory training qualifications, including WHS, fire protection and driver safety, were successfully obtained by our employees. Within our team, 100% of our managers and WHS employees are trained in safety leadership and 100% of quality inspectors are trained in the root cause analysis methodology.

Fatal injuries	2013	2014	2015	2016	2017	2018	2019	2020
Employees	0	0	0	0	1	0	0	0

Internal target for 2021: 0



0,7 CAR ACCIDENTS PER 100,000 KM

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Health and safety



Road safety is a key pillar of the GasNet safety approach, given the size of the network.

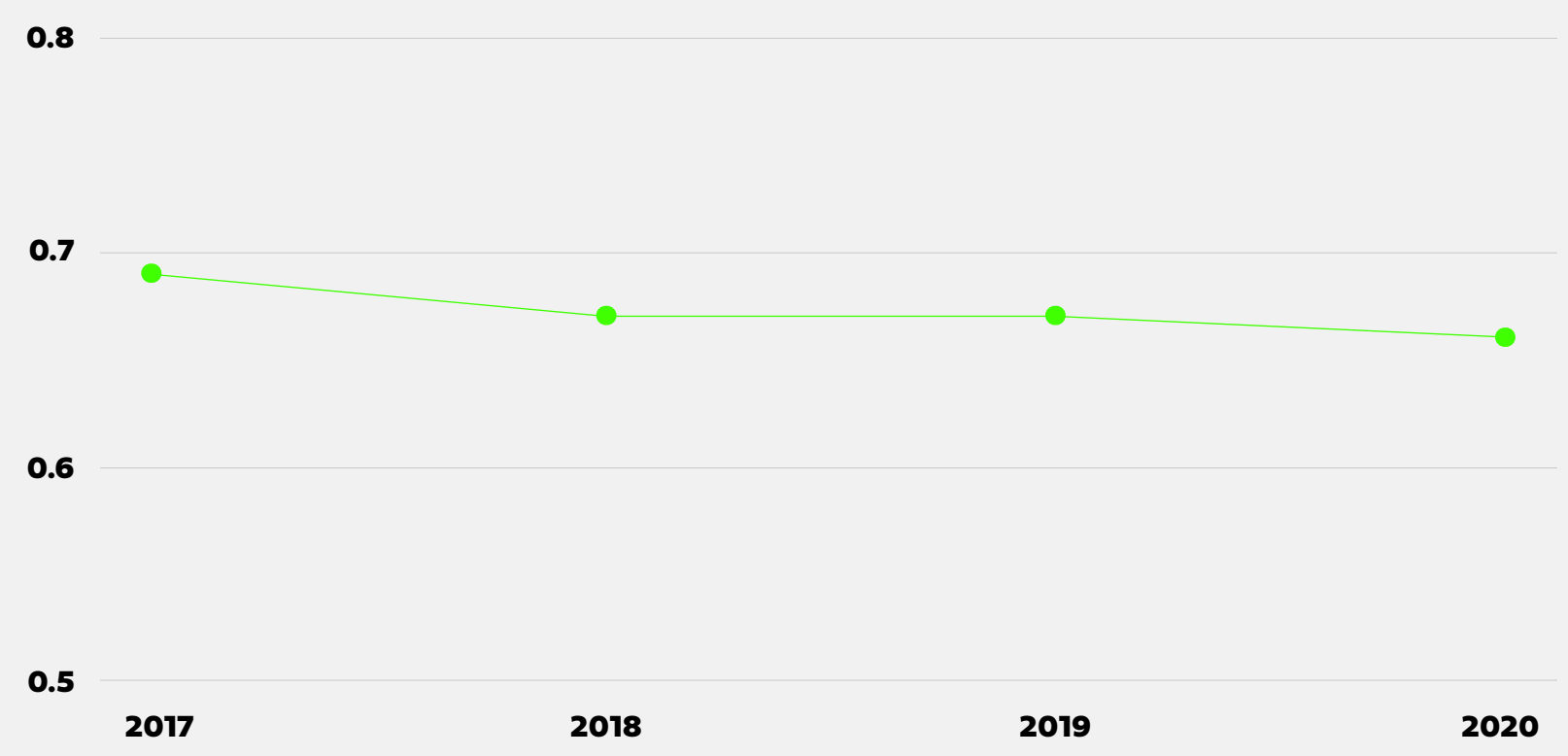
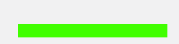
We have 1,511 road vehicles in operation with over 20 million kilometres covered each year.

All drivers are instructed to attend a defensive driver training course with 185 having completed it in 2020 despite COVID-19 restrictions. Based on these trainings and a regular driver evaluation, 'High risk drivers' are identified. Our target is to then decrease this trend through additional coaching and a monthly reporting system that monitors speeding on highways to help highlight any areas of concern areas and educate our employees on driving best practices.

Our aim is to continuously reduce the number of car/traffic accidents per 100,000 km, which in the past years has been relatively constant at around 0.7.

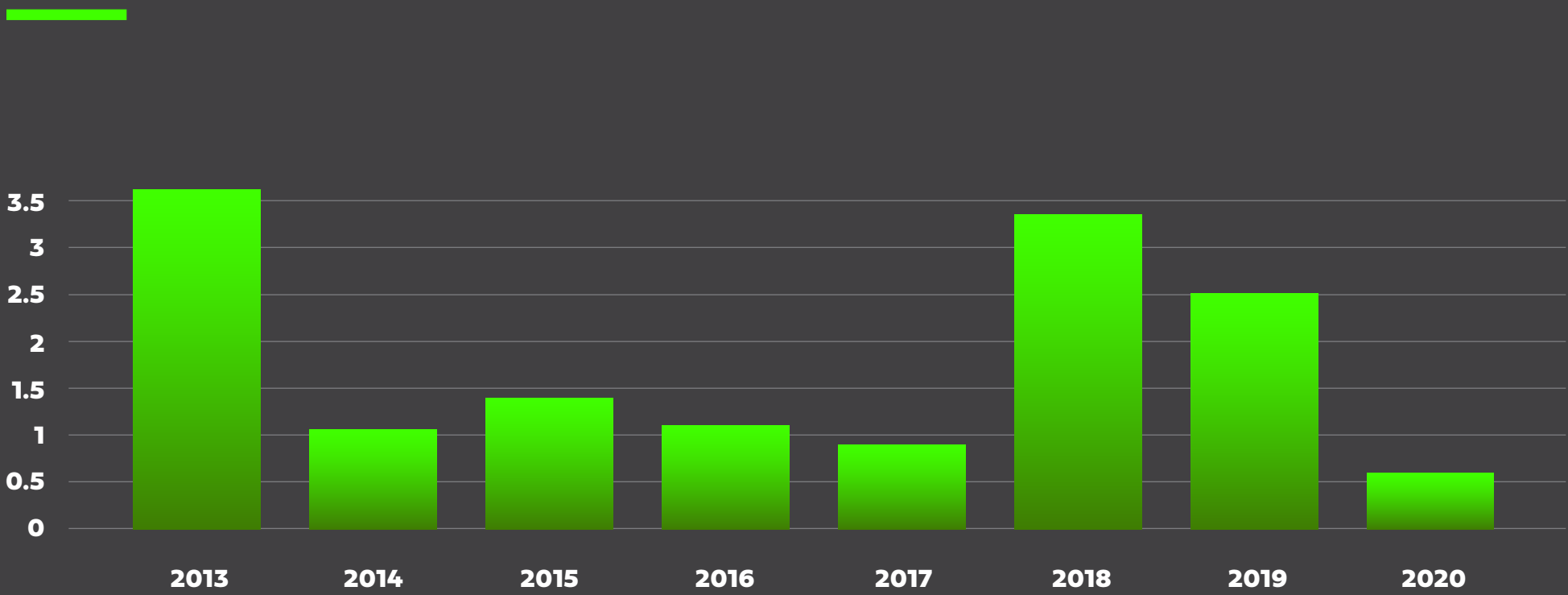
High quality personal protective equipment (PPE) is of utmost importance to GasNet, we ensure that our employees and partners feel safe and protected in the work they carry out. All PPE is regularly inspected by managers and employees are not allowed to work unless they have the correct safety tools for their work. More notably however, we continually check for innovation in PPE to ensure the latest technology and materials can be rolled out to our employees and partners.

Car accidents per 100.000 km

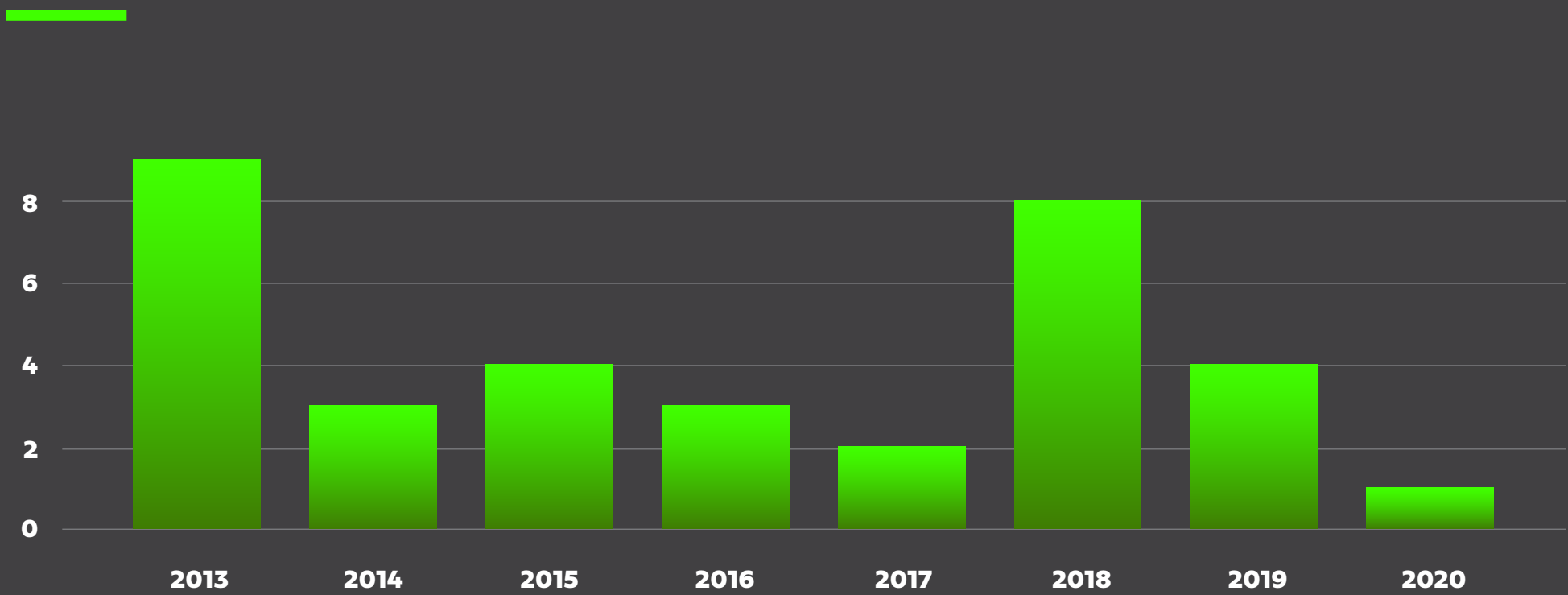


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Lost Time Injury Frequency (LTIF)
- Contractors



Lost Time Injuries (LTI)
- Contractors



Safety and management of business partners

With over 65,000 km of gas pipelines, GasNet's operations extend to most parts of the Czech Republic. Therefore, to optimise our capacities and maximise efficiency, we outsource most operational activities, such as constructions and repairs, to our contracted partners in individual regions.

As our business depends heavily on these activities, we need to ensure safety processes are respected by our contractors as well. GasNet's approach to the safety management of partners is to duplicate all internal safety procedures and guidelines and require compliance in the same way as from our own employees. This way, we aim to minimise uncertainties and increase uniformity in our safety management processes, which, together with clear communication, will help us on our path to zero incidents.

In 2020, our contractors reported only one Lost Time Injury, which is the lowest number in the past eight years, and that is also reflected in extremely low LTIF. However, this positive trend was heavily overshadowed by a severe incident on one of our

sites that resulted in the fatal injury of a construction worker. This tragic event has reoriented our focus to ensure we instil the same level of safety rigour for our partners as we do for our own employees. We have since moved away from the mindset that our partners will undertake the necessary safety precautions, and instead make it our responsibility to work with our partners to educate and train them on safety at GasNet.

Following the incident, extensive root cause analysis was triggered and identified that there had been insufficient risk evaluation and non-compliance with safety procedures, despite multiple inspections conducted on site.

Fatal injuries	2013	2014	2015	2016	2017	2018	2019	2020
Employees	0	1	0	0	0	0	0	1

Internal target for 2021: 0

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As an immediate step, we identified and implemented multiple corrective measures to prevent similar incidents in the future. This included revisions to specific WHS procedures, amendments to the risk management processes and enhanced training of contractors. Additionally, this incident triggered an internal analysis of our safety management system and revealed structural gaps which required systemic improvements. To address these issues, we initiated significant organisational change in the form of new hires in both occupational safety and process safety. This then led to developing a world-leading company-wide Safety Assurance Programme, which aims to improve safety management through various short- and long-term activities with increased focus on contractor safety (detailed description of the Programme in the Process Safety section).

We want to ensure that our partners have the necessary qualities and knowledge to safely carry out the work on our network. Although our legal obligation is to only provide safety trainings for our own employees, we go beyond and invite our contractors to participate, share their experiences and exchange information on best practices. Specifically in 2020, we organised **14 training sessions** to share the latest information on incidents, findings from past inspections and new safety procedures for **306 of our partner’s construction leaders**, sessions that were also joined by our internal technicians.

Furthermore, we conducted 7 standalone training sessions focusing on construction site safety for our partners last year, these were attended by 54 different companies with 482 attendees in total.

Lastly, we also regularly organise special trainings for both internal and external task leaders, where we describe detailed safety procedures and specific work requirements. In 2020, over 150 external task leaders participated.

Throughout 2020, we have initiated and completed multiple activities with direct influence on the safety of our contractors. Firstly, we focused on improving the risk management processes and educating contractors on evaluating potential risks during their tasks. In turn our team have developed a new document called Risk Pack to monitor risks starting from the planning phase then throughout the lifecycle of a construction.

Additionally, for identified constructions with high risk, we implemented special Risk Cards that highlight key hazards that must be considered. Secondly, we aimed to improve our prequalification and tender processes by including health and safety criteria, and we plan to verify all contractors’ responses through our internal audits during 2021. Lastly, we revised our communication system with external partners to improve clarity and identified specific contact people to ensure important safety requirements reach all external partners and their employees.

At GasNet, we take every safety incident very seriously, in line with our commitment to provide a safe environment for all internal and external employees, our safety performance last year was below our standards. However, these issues did not change our ambitions, and as we continuously improve our safety processes, the lessons learnt from last year will be used to educate and change GasNet positively in the future.



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Process safety

Ensuring safety during our day-to-day processes at GasNet is crucial as most activities revolve around the operation and maintenance of our gas distribution network. **At GasNet, the operational and safety processes are set and certified according to the Technical Regulation for Gas (TPG) documentation, which describes all legal requirements for companies working with gas and is under management of the Czech Gas Association.** Mandatory TPG trainings are also provided on an annual basis to all employees in operations to re-familiarise themselves with process safety requirements.

In line with our ambition to become a leader in safety standards, we go beyond legislative requirements and constantly improve and develop our procedures in close cooperation with our partners. In 2020, as a reaction to safety incidents and identified systemic gaps, we have initiated a company-wide **Safety Assurance Programme** that describes our efforts to create a safe working environment. We have ambitious health and safety targets and proactively monitor key indicators to assess the efficiency of our approach. Amongst others, we aim to minimise the number and severity of injuries to everyone we employ, contract, and serve. The programme has three clear objectives and six core workstreams.

Safety Assurance Programme

Objectives

- ➔ **Embed changes in both the GasNet and Contractor workforces, promote continual safety improvement and eliminate risks at all stages of work**
- ➔ **Drive improvements through leading and lagging key performance indicators**
- ➔ **Develop actions to gradually change employees' behaviour and positively reinforce the expected safety culture**

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Safety Assurance Programme
Workstreams

1

Database of hazards

Our database of hazards initiative is in place to create a source database of hazards with common terminology and links to specific tasks in our processes. The ambition is to ensure this catalogue is used for various work planning activities and it guides risk assessors effectively throughout the whole activity lifecycle. In 2020, we initiated the development of the first version of the database with the aim to implement the improved version into processes throughout 2021.

2

Policies, Procedures, Technical
& Process Standards

The policies, procedures, technical and process standards workstream ensures that all standards are based on risk assessments and best practice operating methods following the ERICPD hierarchy of control. We also ensure that the detail of all processes are readily available to all employees and partners when conducting a workplace activity. Our key initiatives in 2020 focused mostly on improving clarity and uniformity of work procedures and WHS standards, defining responsibilities in change management processes and setting process steps for inspections and approvals before the initiation of work.

3

Project Planning, Design
& Construction

The project planning, design and construction workstream are focused on the identification and management of risks at the early stages of the project and to ensure they are also managed proactively throughout the whole project lifecycle. Before the start of the new construction season in 2021, we implemented two key risk management tools that ensure all potential risks are defined and properly managed by all involved parties. Risk Cards were included in project documentation for selected constructions with the highest identified risks and highlight the need for proper evaluation. On the other hand, Risk Pack was implemented to manage hazards for all planned technological activities starting with the planning phase and ending with construction completion.

4

Management of Contractors

Management of contractors is a focus of ours with many activities sub-contracted to partners, we ensure that all partners are systematically selected, audited and are WHS pre-qualified. They must have a clear understanding of the risks associated with the work they are carrying out and be aware of the best operational practices to minimise the chances of any incidents occurring. In 2020, we initiated activities to revise our prequalification criteria, improve our tender process and provide clarity into communication with our partners.

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Safety Assurance Programme Workstreams

5

Auditing,Inspections & Reporting

Our auditing, inspections and reporting workstream are focused on ensuring there is the right level of emphasis on safety measures that make a difference as well as performing root cause analysis assessments that then drive lessons learnt trainings and events. Key to this workstream are detailed inspection checks and more general site visits.

Inspection checks have been crucial in our recent safety improvement efforts, we continually perform process inspections on two main levels. On the primary level, we conducted over 10,000 inspections of construction processes on 847 different construction sites in 2020, which significantly increased from the previous year.

On the secondary level, more than 200 process safety compliance inspections were completed

with a reducing trend of non-compliance findings, driven by the increasing efficiency of the primary level checks. Together, both types of inspections focus on ensuring compliance with work procedures and that appropriate risk evaluation and documentation were performed to ensure work is being carried out correctly and safely. At the beginning of last year, we initiated special inspection checks on both employees and contractors for work with increased risk with an annual target of 500 combined inspections conducted. In 2020, we exceeded the target and completed 622 inspections in total, three times more than we completed in 2019. When considering the overall number of checks, only a few inspections identified non-compliance or other issues, these were mostly related to incorrectly secured sites or excavations, loading of excavation edges, improper PPE or missing

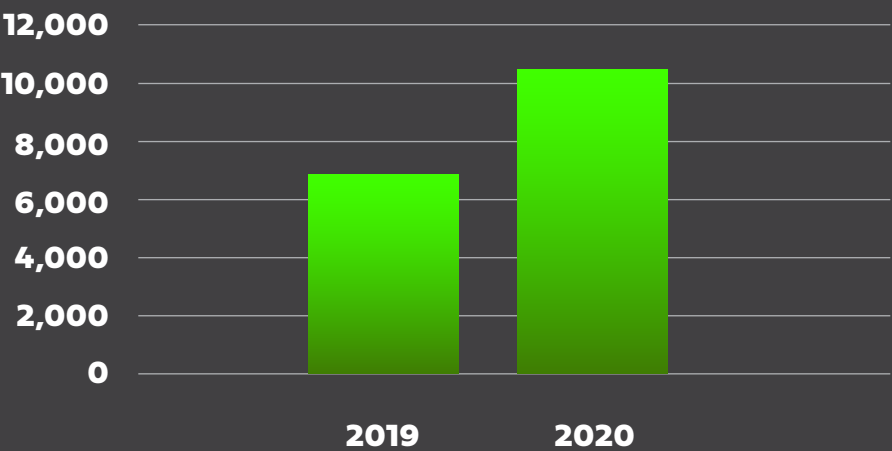
authorisations. All findings are analysed and corrective measures are implemented individually or as a part of the Safety Assurance Programme.

Beyond the targeted inspection checks, we complete regular Gemba walks and site visits to have discussions with our employees to better understand the nature of their work to then identify ways of reducing incidents. Each year, all GasNet board members are committed to conducting four site visits. In May 2020, we re-defined our site visits methodology by laying out a framework to make visits more objective and ensure they take place with a regular cadence. We identified priority visit areas driven by the incident KPIs and started to prepare training materials for the managers conducting the visits. Throughout 2020, top management

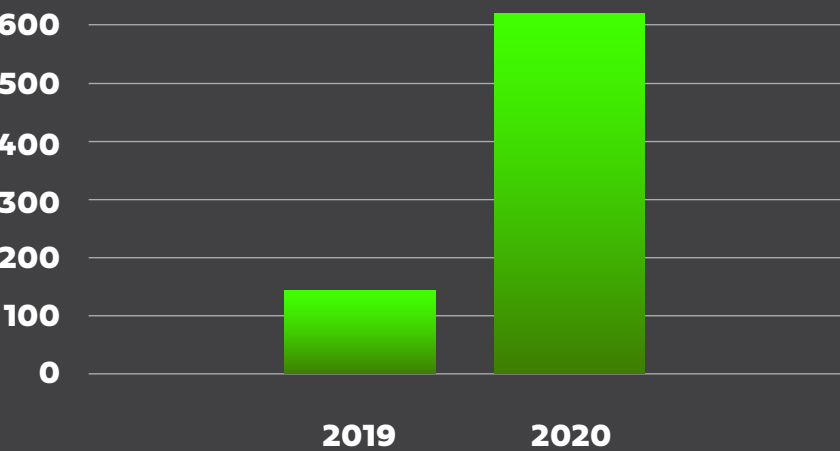
went through site visit training which focused on promoting safety culture in GasNet through following workplace instructions and using a new safety app. The COVID-19 pandemic limited the number of visits we could conduct last year, therefore we piloted an innovative virtual site visits initiative with a focus on construction works. These virtual visits emphasised the importance of regular risk assessment and gave colleagues the opportunity to ask questions and share workplace safety learnings. In 2020, driven by social distancing rules, we were able to complete only 6 visits (3 in person from board members, and 3 virtual from investors (including MIRA, BCI and ACP). However, our plan for 2021 is to further develop both site visit concepts and fulfil the agreed visit cadence.

OVER 10,000 INSPECTIONS ON 847 SITES IN 2020

Inspections of construction processes



Inspections of works with increased risks



Safety Assurance Programme Workstreams

6

Safety Culture, Communication & Responsibilities

Safety culture, communication and responsibilities is the final workstream within our safety assurance programme, they are tasked with setting up key health and safety activities that will shift our culture to one where safety is at the front of all employees' and partners' minds. Last year, we initiated regular safety culture surveys, developed an action plan to improve the safety perception of our employees, improved our reporting system that monitors drivers' safety and revised our WHS KPIs and targets (further detail described in the Safety Culture section).

Beyond the core workstreams, at GasNet we are also continually striving to find new solutions to improve safety using technology, towards the end of 2020 we started the planning for workplace simulation training to be rolled out at the beginning of 2022. Using virtual reality, we can create trainings to simulate emergency situations such as fires, explosions or landslides with additional external influences from weather and traffic. Furthermore, we plan to create a new physical training center in one of our regions with polygon for employees experience practically various situations on site. This way, we can further improve our trainings and make sure our employees are better prepared for any potential danger during their day-to-day work.



Public safety and network security

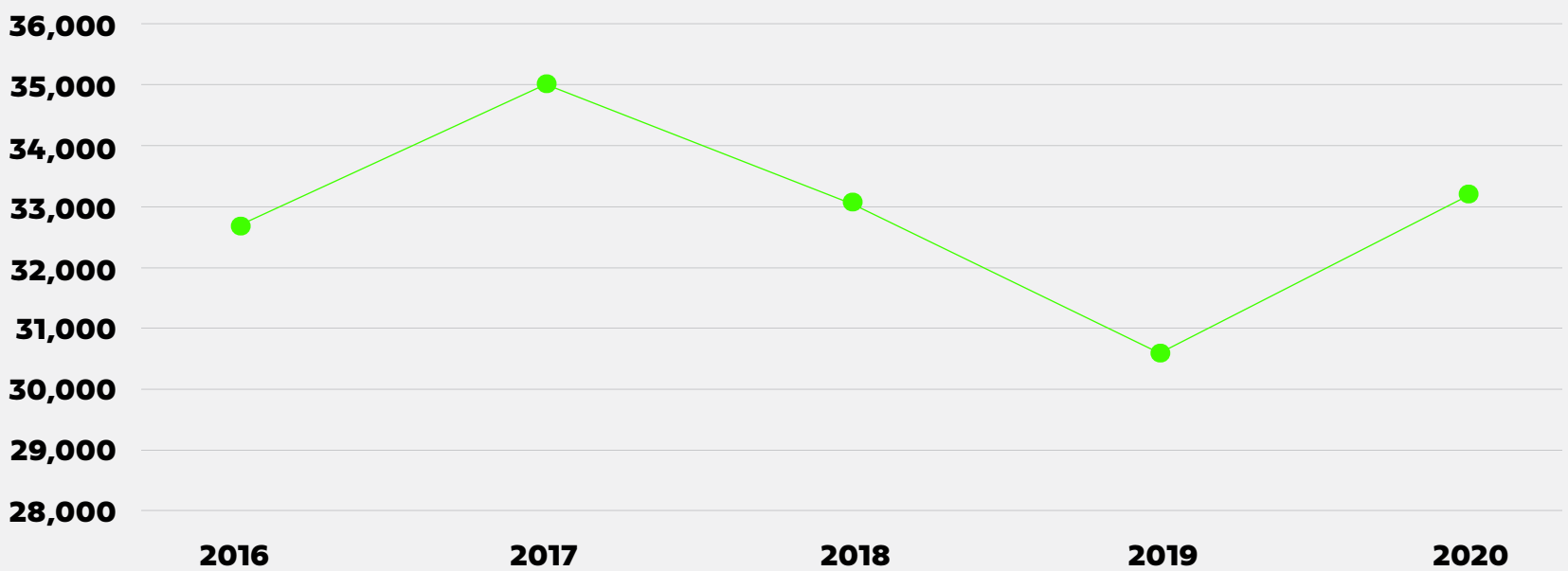
At GasNet we are responsible for keeping the public safe from injury whilst we work on our gas network, including the ensurance to our customers that we will keep them safe by using state of the art gas detection and inspection techniques to ensure we provide a reliable gas service around the clock. In 2020 we had over 33,000 calls by external parties reporting incidents and **0 injuries** to members of the public, further evidenced by a history of no legal violations and no monetary fines.

We operate a **24-hour emergency public hotline** (1239) for any gas incidents, irrespective of GasNet liability. In case of an incident on our network, our emergency team are ready to respond immediately and resolve any issues in close cooperation with

the fire brigade if required. The team responds to emergency calls with extremely short planning and execution cycles, they utilise the Plan, Do, Check, Act (PDCA) framework and follow strict safety rules applicable to the concrete situation.

Linked to our safety assurance programme, we have a deep focus on ensuring that we conduct any maintenance or construction to our gas network in the safest possible way. A thorough risk assessment is carried out ahead of any works and the necessary mitigation measures are put in place to prevent incidents to the public, these measures include signage, lighting, barriers and around the clock surveillance of open sites.

Number of calls by external parties reporting incidents that we successfully solved

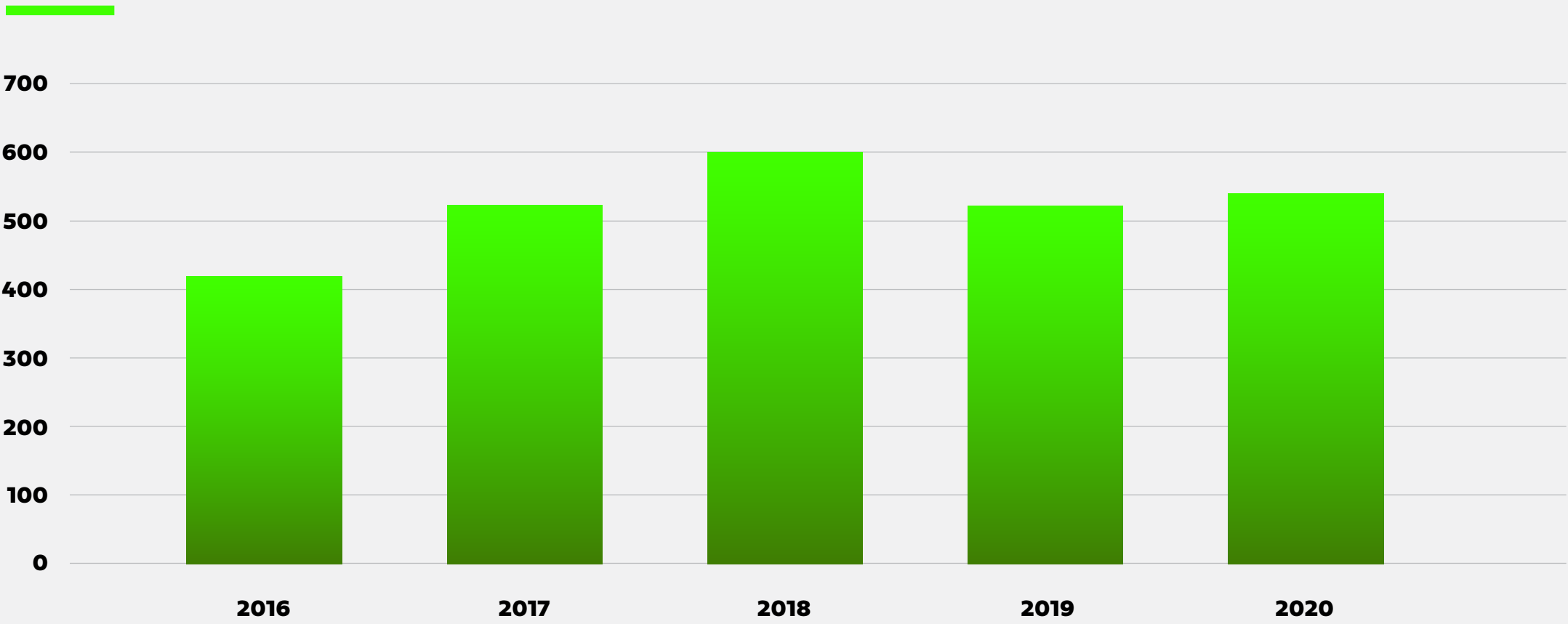


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Linked closely to public safety is ensuring our gas network is resilient and reliable, in turn providing a convenient service, but also safeguarding our vulnerable customers that rely on gas. In 2020 we successfully managed the COVID-19 situation with zero major disruptions, across the board there were 11 outages caused by internal operational activities and 537 outages caused by 3rd party incidents, all of which were responded to and resolved in a timely manner. Controlling and mitigating outages is managed through the measures we take to enhance the network security. Namely, regular inspection and

maintenance is carried out, good progress is being made in replacing our steel pipelines for more resilient polyethylen lines, and also we ensure that any new greenery planted in the Czech Republic is not within the GasNet protected zones where we need 24-hour access to our network in case of an emergency. **Regarding new initiatives, at the end of 2020, we upgraded our gas leak inspection vehicles to increase the speed of network inspection to identify issues earlier that could impact the security of our network and safety of the public.**

Number of outages caused by 3rd party incidents



GasNet provides locating and marking of buried pipelines for free



Employee health

At GasNet we care deeply about the health of our employees and look to support them in order to promote health and wellbeing in the workplace. Regular medical check-ups are offered to all employees, and in some cases, check-ups are required to conduct certain activities such as driving or operation and maintenance of electrical and gas equipment. **Last year, our employees successfully completed 20,054 mandatory medical qualifications to verify their health fitness.**

In 2020, we ran a number of initiatives to promote health through events such as first aid trainings or cancer prevention information sessions. For 2021, we plan to organise all initiatives under an Employee Health Event, whereby we will continually distribute videos and leaflets on healthy behaviour. We will also offer health consultations and share various training materials. Some of the key topics within these initiatives include stress resilience, ergonomics, nutrition and muscle strains.

We are continually monitoring sickness metrics to proactively reduce companywide sick leave. During 2020, 2.5% of the total available working hours were lost due to sickness. In order to reduce the frequency of sick leave, we monitor the root causes that could trigger sickness. Mental health and psychological welfare are of utmost importance to us, and we want to ensure our employees are confident to ask for help in times of need, especially during the reduced

social contact and extended remote working periods throughout 2020. To help combat this, all of our colleagues have access to welfare consultants to provide impartial advice. Other measures include regular manager check-ins with their teams as well as monitoring their utilisation to ensure that no one is being over worked, we also consider workplace ergonomics in both the offices and the field to mitigate repetitive strain injuries. Lastly, we actively encourage a non-smoking, non-substance consumption workplace, and offer our employees support to overcome these habits.

In addition to actively supporting and addressing the more typical sickness incidents, during the challenging circumstances of the COVID-19 pandemic, we have been committed to ensuring our employees are fully supported.

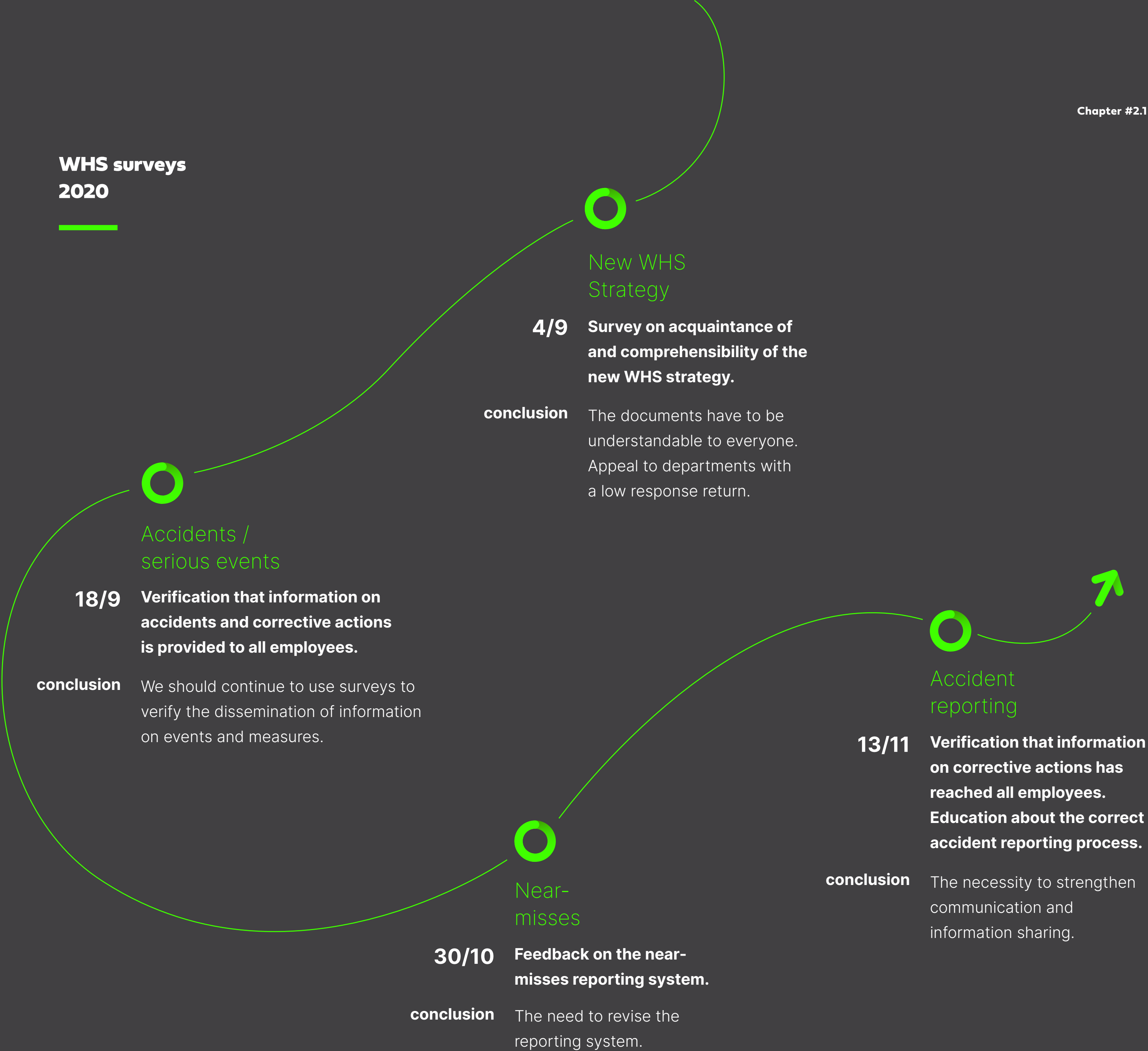
Several steps have been taken including compassionate terms on COVID-19 related sickness, offering significant support for vaccinations, and providing all employees and partners with high quality personal protection equipment to ensure GasNet are responsible and contribute to overcoming this global pandemic.

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Safety culture in the workplace

At GasNet we believe that safety culture is core to the long-term improvement of safety performance indicators, having our colleagues approach tasks with a safety-centric mindset is key to reducing the overall incidents observed. Regular companywide and manager-led communications are circulated to all employees, these are distributed regularly and designed to highlight safe working practices. **The communications include regular (twice monthly) Arnold surveys that encourage feedback, this helps to make the safety conversation two-way to avoid the feeling of safety culture being imposed. In 2020, we received a very high response rate of 83% to these surveys.**

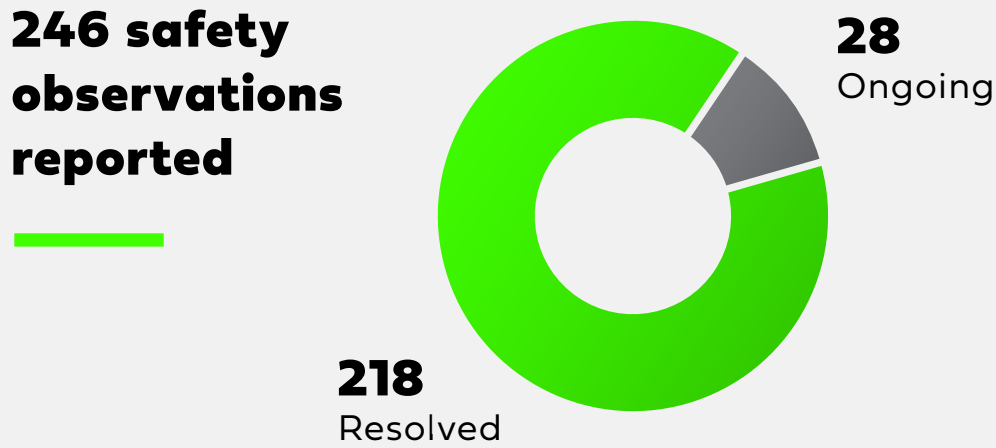
At the end of 2020, we conducted a company-wide Safety culture survey to assess the overall safety perception of our employees and identify areas for improvement. **The survey uses NOSACQ 50 methodology, which covers questions across 7 safety dimensions and provides peer benchmarking.** With 2113 employees participating, which corresponds to a 90% response rate, the results showed above average levels of safety culture compared to GasNet's peers. However, we still have a long journey ahead of us, as many safety aspects were not viewed positively. To further improve our safety culture, we developed a long-term action plan focusing on creating collective responsibility and increasing employee engagement with the intention to verify our progress by conducting this survey regularly every two years.





Chatbot Arnold is a tool for surveys among employees. It is available also on mobile devices. Response rate of Arnold surveys is 83 %.

Another way, which we use to monitor the safety culture at GasNet, is the number of reported safety observations of our employees. Last year, we received in total 246 reports and 90% of them were immediately resolved through implemented corrective measures or communication to our employees. However, we aim to further increase the number of observations as it reflects the overall safety perception and helps us resolve issues before they escalate into incidents and injuries. To support these efforts, we launched our redesigned mobile application that provides an easy platform for employees to report incidents. The application also provides safety advice and manuals to give employees quick access guides giving them the confidence when carrying out a task.



Our employees are also encouraged to look out for their colleagues, in an initiative we call Peer-to-Peer Care which is designed to ensure that all GasNet employees look out for each other. Additionally, to give many employees the knowledge to consider safety, all managers will participate in Healthy Leadership training, which is then cascaded throughout the teams and improves the overall culture of safety. In 2020, 90 out of 270 managers participated with the rest being trained during the first quarter of 2021.

ARNOLD surveys

Arnold is our conversational robot (chatbot) specialised in online employee surveys and since September 2020, we have conducted surveys twice a month to gather feedback regarding health and safety. **Each employee can decide whether to respond by name or anonymously, with the chatbot algorithm ensuring that the respondent cannot be identified by the team leader, even within small teams.**

The first survey in 2020 focused on the introduction of Arnold and contained mainly general questions about the possibilities of surveys. **The response rate of the surveys was 83%**, and 53% of respondents also expressed an interest in addressing issues of overall satisfaction and motivation. These are important stimuli which we decided to address at the beginning of 2021.

Training materials were created based on the survey results and managers at all levels have since completed the respective trainings.

Looking beyond 2020

In 2020, we overhauled our safety efforts at GasNet and introduced new initiatives across the board which will continue to be developed in 2021. The newly conceived Safety Assurance Programme is set to deliver a new safety focus at GasNet with six workstreams ready and organised to embed safety principles within all of the work we do and continue the positive trend on key performance indicators.

In 2021, the new Safety Assurance Programme will provide a foundation for all safety efforts, bolstered by additional activities including the revised site visits initiative with the objective of carrying out regular in-person and virtual visits that have already proved immensely useful to capture what our people learned. Additionally, building on the company wide safety specific trainings delivered in 2020, we will continue to develop new simulation trainings to give our employees and partners the most realistic exposure to possible incidents.

2021 will see the roll out of an uprated fleet of gas leak inspection vehicles and paired with the continual improvements to our pipelines through the replacement of steel pipes with PE ones, we will be able to deliver a more secure network with fewer outages.

We are also immensely excited to see the increasing uptake of our new mobile application which is designed to provide our employees with greater access to safety instructions, as well as streamlining the task of reporting safety observations. Lastly, the now organised effort to promote a healthy culture at GasNet is in full swing with regular communications being sent out to continually touch base with our employees on safety topics and promote a mindset with safety as a first thought.



- SAFETY ASSURANCE PROGRAMME
- NEW FLEET OF GAS LEAK INSPECTION VEHICLES
- REPLACEMENT OF STEEL PIPES WITH PE ONES
- NEW MOBILE SAFETY APP

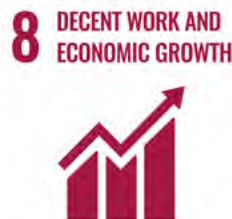
Looking beyond 2020 highlights

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#2.1 SDG targets summary



Ensure healthy lives and promote well-being for all at all ages



Promote sustained, inclusive and sustainable economic growth,full and productive employment and decent work for all

Our contribution to selected SDGs



Target 3.6.

- Defensive driver training courses offered to all of our employees.
- Monitoring of company fleet data to identify drivers who partake in dangerous practices (e.g. speeding) and put mitigating measures in place (e.g. additional safe driving courses).
- Regular inspections of vehicles and requiring medical qualifications from all drivers.

Target 8.8.

- Policies and internal guidelines updated in health and safety areas with most up-to-date practices. Operationalisation of improved practices through manuals, broad training portfolio, and safety culture surveys.
- Management of safety processes through our Work Health & Safety department, historically aligned with safety standards described by TPG and OHSAS 18001. Ambition to be broadly aligned with ISO 45001 requirements.

- Emphasis of Safety Assurance Programme to continuously improve our safety management system.
- Safety performance monitoring and compliance with our health and safety processes with regular reporting to WHS & EP Committee.
- Assurance of consistent safety practices by contractors. Duplication of internal safety procedures and guidelines and requiring compliance, while also sharing best practices.

An aerial photograph of a dense forest, likely a coniferous forest, with a river or stream flowing through it. The trees are lush green, and the water is a dark, calm blue. The perspective is from directly above, looking down on the canopy.

Part

#2.2

**We believe in
sustainability and
the future of gas**



“We are gasmen, and we believe in the future of gas. Gas has a place in the modern and green energy industry, whether in the form of natural gas or in renewable forms such as biomethane or hydrogen.”

Thomas Merker,
CFO



We believe in sustainability and the future of gas

Environmental sustainability is at the heart of our business and our commitment is built upon our shared responsibility for the environment and our dedication to a low carbon future. In line with the basis of our corporate strategy, we strive to minimize the negative impacts of our activities on the environment and support the decarbonisation of the Czech energy and industrial sectors.

Due to geographical constraints and the limited availability of renewable and hydrogen solutions so far, natural gas will play an essential role in the Czech energy transition in the next decades. The share of gas is expected to increase due to the coal phase-out in power generation and other key industry sectors. In 2020, coal and oil accounted for 54% of primary energy consumption in the Czech Republic, mainly in the heating, industrial and transport sectors. The Czech government initiated activities to support the transition and we can already see the increased interest in natural gas as 45% of new registrations with the State Environmental Fund of the Czech Republic (SFŽP) and the Ministry of Industry and Trade (MPO) are attributed to gas projects.

The transition from coal to alternative fuels enables GasNet to promote natural gas as a mean to facilitate the energy transformation of key energy and industrial sectors and support the government in the delivery of Net Zero targets by 2050. Our ambition is to support the decarbonisation process by connecting heating customers to replace their coal-based technologies and offering low-carbon substitute (LNG) in the transport sector. Furthermore, we aim to continuously connect new biomethane plants to our

network to enable distribution of low carbon gases in the near future, while adjusting our assessment strategy to be hydrogen ready by gradually retrofitting our current network. Lastly, we focus on the creation of a convenient ecosystem with appropriate market rules and legal frameworks to support the future hydrogen distribution.

To achieve the aforementioned ambitions, we initiated a **Future of Gas programme** that we describe in more details in a separate section. However, we are also committed to reduce our environmental impact, especially caused by our own business activities. For that purpose, we initiated a company-wide **Green GasNet programme**, which coordinates all activities to minimise not only our emissions, but also other pollution sources impacting our planet and people. To ensure our efforts are operationalised and translated to all our processes, we implemented and maintained a robust Environmental Management System (EMS) aligned with ISO 14001. Through EMS, we ensure all GasNet’s activities are compliant with legislative requirements and processes are managed responsibly to protect our shared future.

RELATED SDG TARGETS →

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Greenhouse Gas Emissions

Climate change is one of the biggest challenges the world faces today. The Paris Agreement signed in 2015 at the COP21 Climate Change Conference sets a target to limit global warming well below 2°C (preferably 1.5°C) compared to pre-industrial levels.

Global situation

The Intergovernmental Panel on Climate Change (IPCC) has stated that a rise in temperatures of 2°C above pre-industrial levels will have devastating effects of the climate, the environment, and natural systems as we know it. As a result, it is imperative that we decarbonize the energy and heating sectors, both sectors making up a significant proportion of our national emissions.

The European Commission announced the European Green Deal in December 2019, providing an action plan for Europe to be carbon neutral by 2050. On a national level, the Czech Republic has also published a draft National Energy and Climate Plan (NECP) setting out a concrete 30% GHG emission reduction target by 2030 compared to 2005 and further indicative ambitions up to 2050. The Czech Republic has committed to a target of 22% RES in consumed energy by 2030, including segment target of 14% in transport.

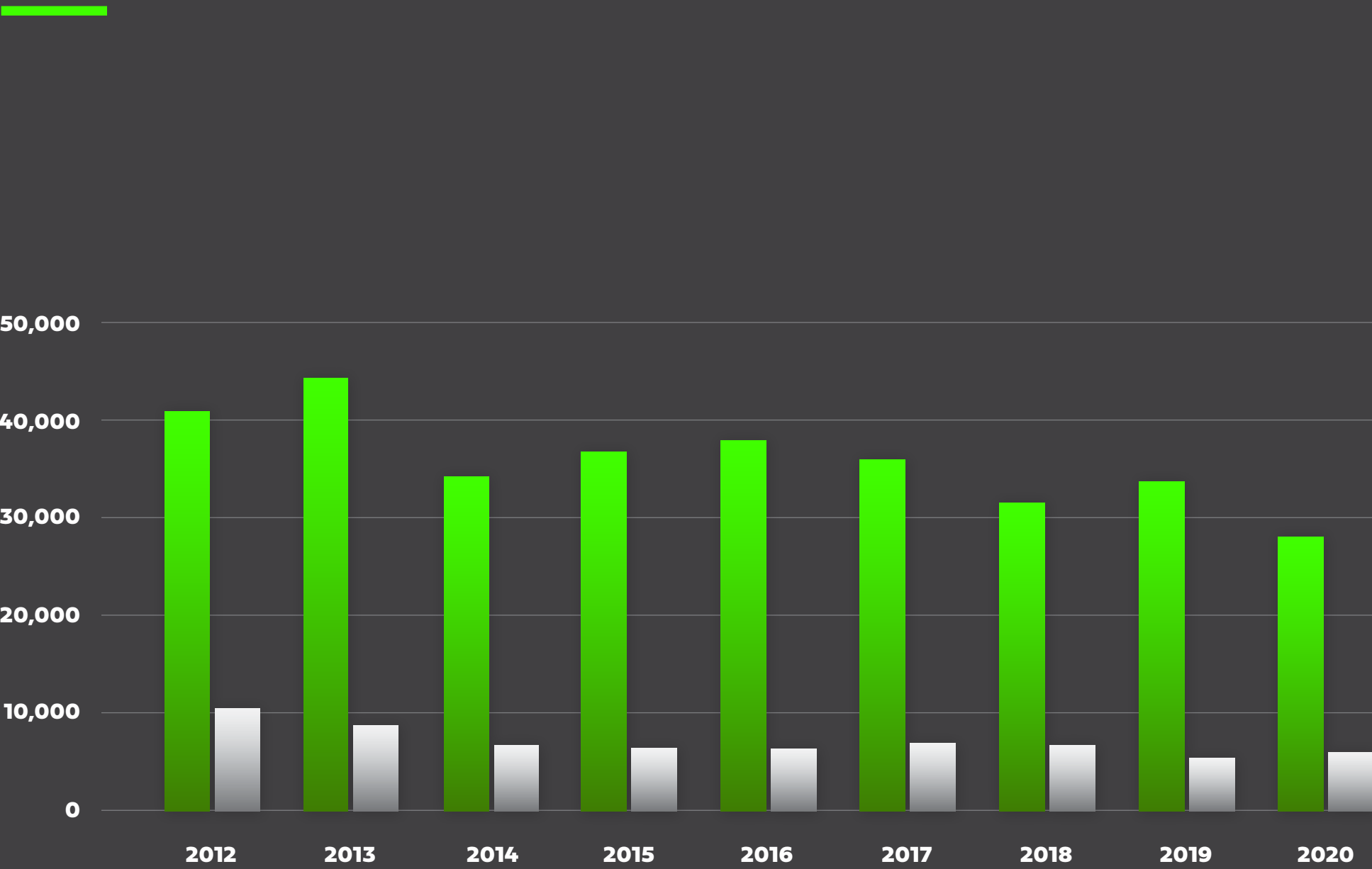
GasNet’s approach

GasNet takes on a proactive role in shaping a clean energy future, especially as gas plays an essential role in the broader transformation of the Czech economy, which is vastly reliant on coal electricity and heat generation technologies. Biomethane also takes on an important role, originating from renewable sources and blended with natural gas to be injected into our grid network for distribution. The role and our pathway to a hydrogen-driven economy is also being assessed in the Czech Republic, while we closely monitor trials elsewhere in Europe to better understand the possible implications of using hydrogen admixtures, as well as pure hydrogen.

Both 2020 and 2021 have been eventful in GasNet’s wider response to national and EU commitments. First, the company has launched **Green GasNet**, a new programme co-ordinating all key initiatives in the environmental area with emphasis on GHG emissions sources and their reduction. The transition role of natural gas and its greener alternatives including biomethane and hydrogen also requires news skills and commercialisation of cutting-edge technologies. With an eye on the coming years, GasNet has initiated the **Future of Gas programme** (as a part of Green GasNet), examining the future frontier of the Czech gas industry.

At GasNet, we understand the importance of reducing Greenhouse Gas (GHG) emission whilst seeking every opportunity to innovate, maintain safety and reliability, and respond effectively to a changing world. Over the last decade, our GHG emissions have been steadily decreasing and we aim to accelerate this trend by further reducing technological losses and gas leakages from our pipeline, as well as optimizing energy consumption.

Greenhouse Gas Emissions (tCO₂e)



Scope 1 emissions sources

- Technological losses
- Natural gas consumption in operations
- Natural gas consumption in buildings
- Car fleet consumption



Scope 2 emissions sources

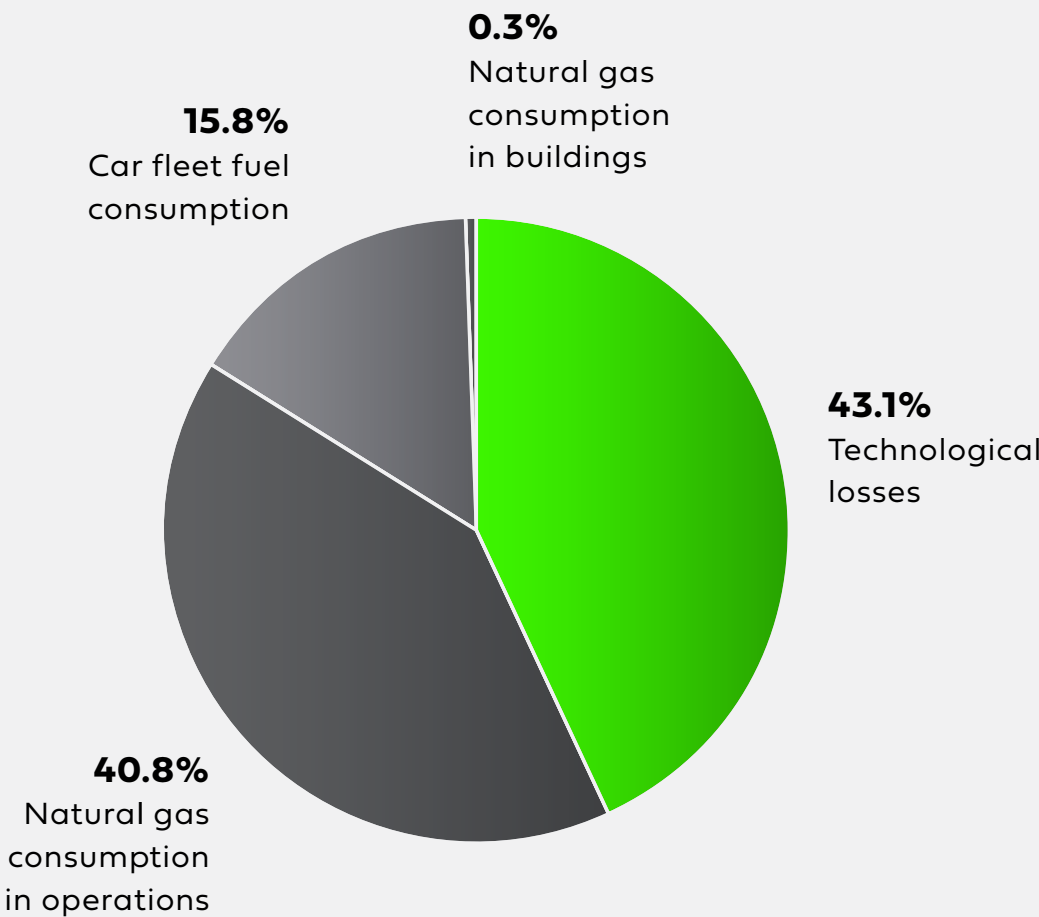
- Electricity consumption in operations
- Electricity consumption in buildings

Disclaimer: Our GHG emissions were calculated according to global standardised framework established by Greenhouse Gas Protocol and using local, IPCC and US EPA emission factors. Due to ongoing development of more accurate GHG emissions methodologies and baseline setting after asset transfers, the provided data currently do not include fugitive leakages from our network and energy consumption from multiple newly acquired GasNet facilities. Consequently, we expect a relatively significant increase in both Scope 1 and 2 emissions for years 2021 onwards as we make our emissions inventory more accurate.

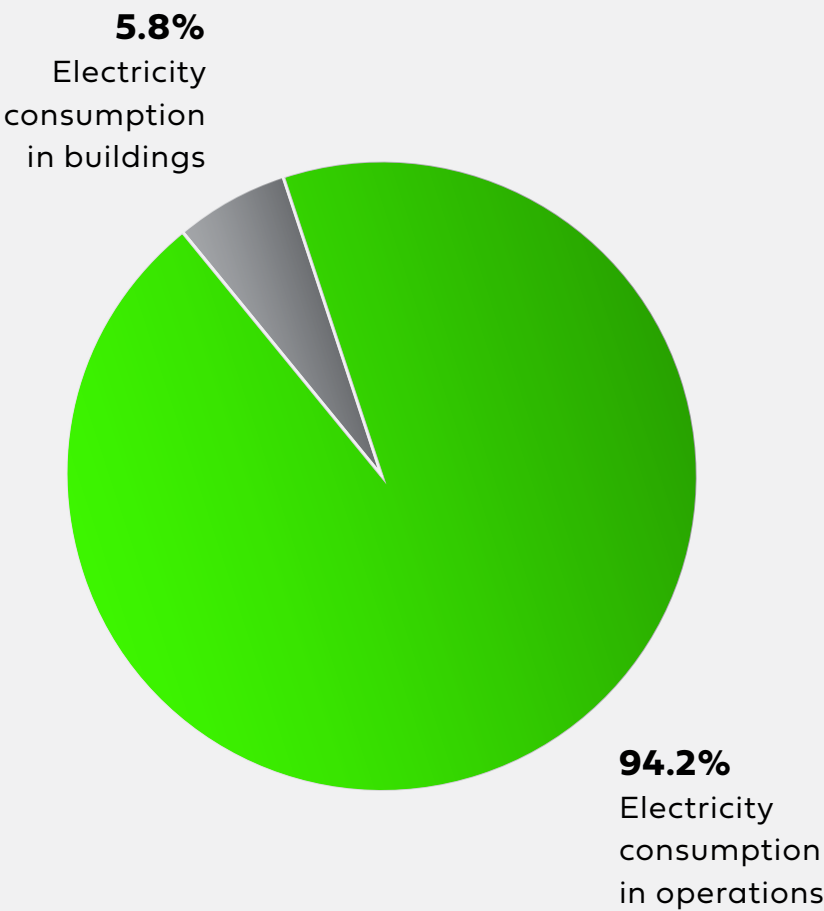
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IN THE PAST
9 YEARS, WE
MANAGED TO
REDUCE OUR SCOPE
1 EMISSIONS BY
32% AND SCOPE 2
EMISSIONS
BY 42%.

2020 Scope 1
Emissions (tCO₂e)

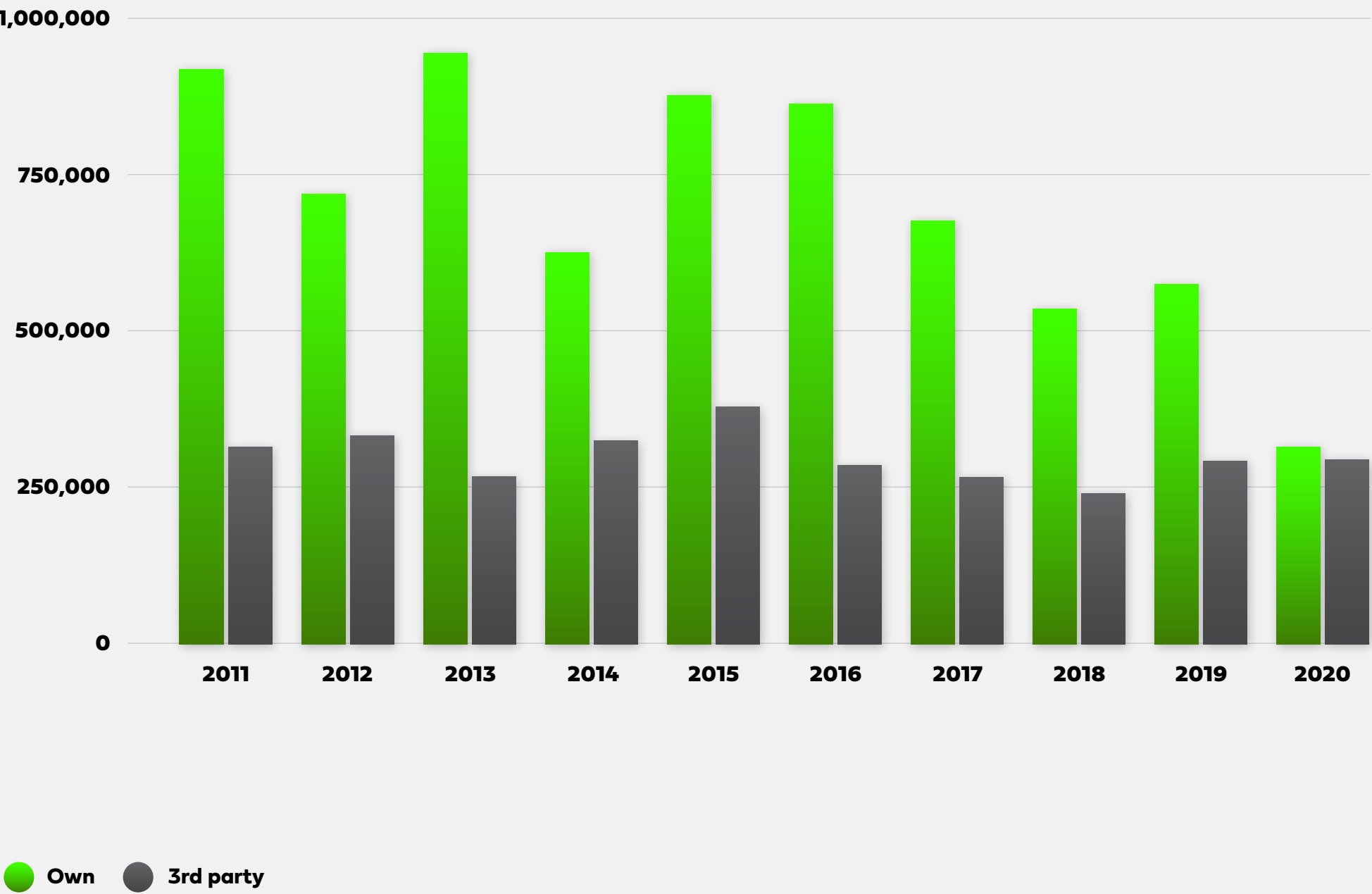


2020 Scope 2
Emissions (tCO₂e)



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Technological Losses (m³)



Greenhouse Gas Emissions in detail

Technological losses & fugitive leakages

A significant source of process emissions comes from technological losses and leakages. Major leakages are usually identified and repaired in a very short amount of time, primarily to protect the public and our employees. Our average time to eliminate leakages historically overperforms regulatory requirements thanks to focus on optimized emergency response processes. However, we also measure our network losses and strive to reduce their volumes and thus overall emissions.

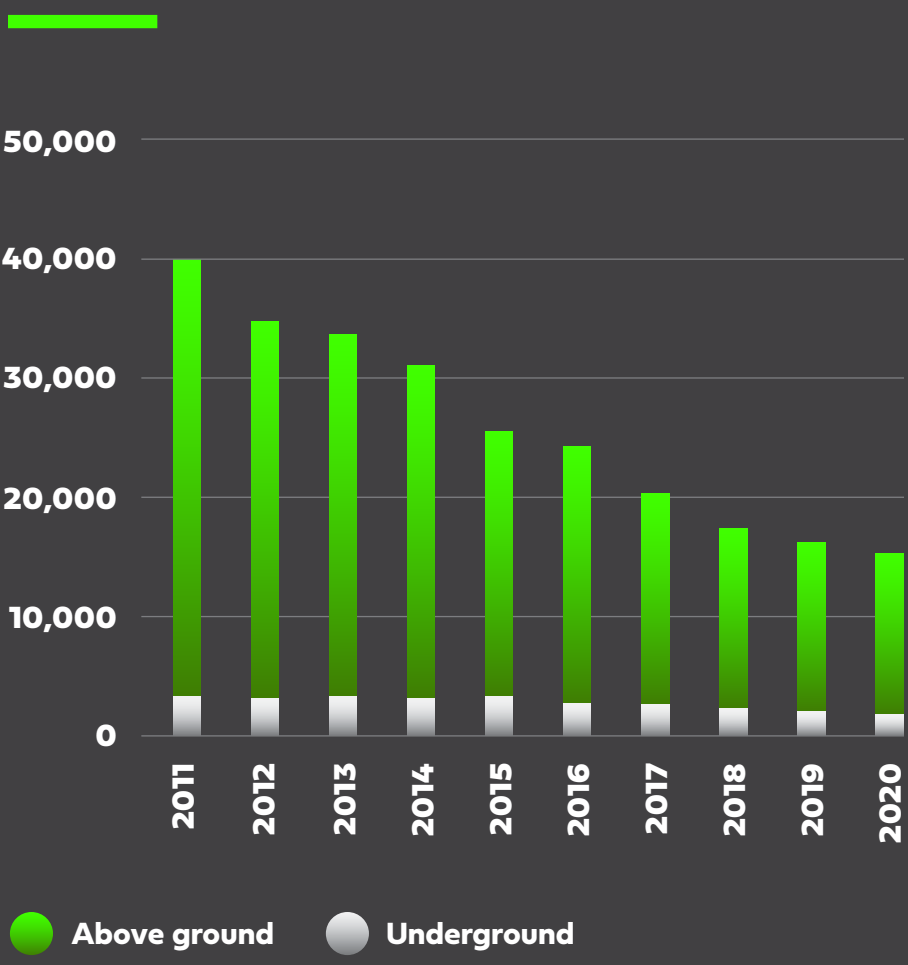
Technological losses (TL) include the total volume of vented and leaked gas resulting from technological operations (construction, maintenance, repairs) on our network and major incidents requiring immediate action. We distinguish between own and 3rd party TL. Own TL include vented gas during depressurisation or filling of gas pipelines and leaked gas resulting from incidents caused by own employees, whereas 3rd party TL include leaked gas resulting from depressurisation or disruption of the pipeline caused by external companies. As these gas losses require proper oversight and monitoring, we have developed robust processes to calculate and continuously reduce volumes of technological losses in our operations by employing latest leak-free technologies, such as stopping and ballooning devices or bypass. **In the past ten years, we have successfully decreased**

our own technological losses by 56% and we strive to continue this trend by setting more and more ambitious reduction targets every year.

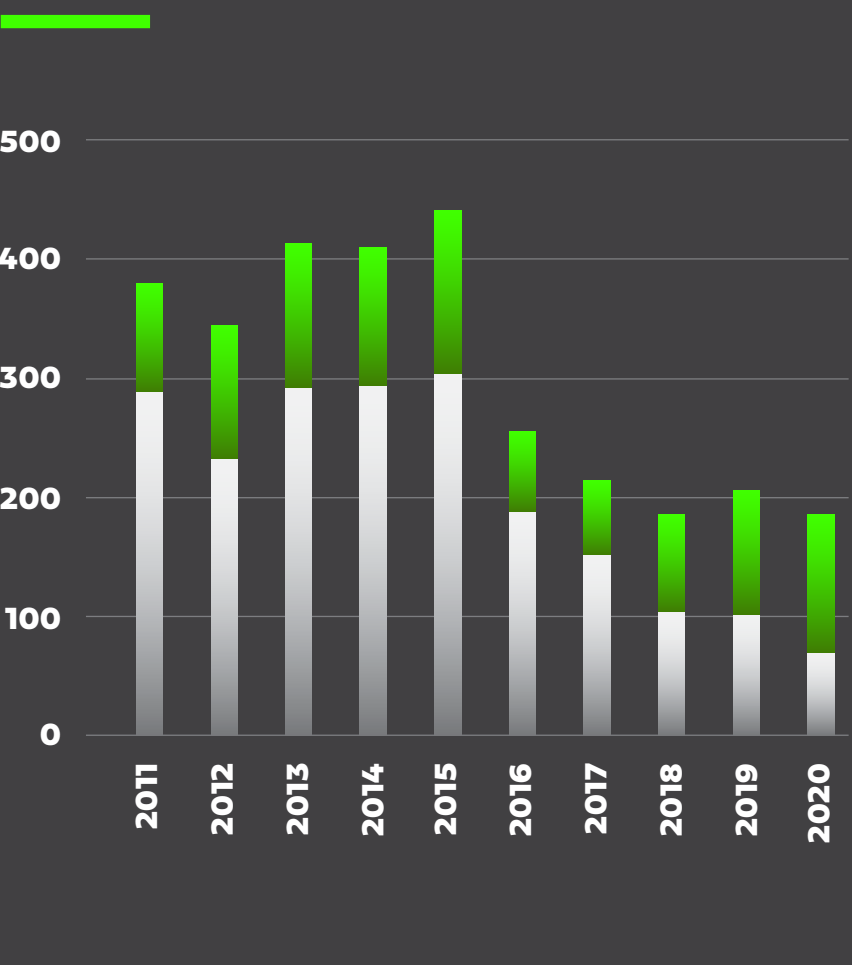
Fugitive leakages, mostly smaller in volume, are primarily caused by tightness failures or general ageing of pipelines due to corrosion or cracking and are divided into two groups – underground and above ground – according to their location. Though we carry out regular checks as part of our daily business while also leveraging modern detection methods, not all leakages can be easily identified. Small underground pipeline failures are particularly difficult to detect. Due to challenging detection and subsequently higher complexity of potential measurement of leakage volumes, we currently monitor and report only on the absolute number of identified and repaired leakages.

Nevertheless, we have started developing a method for calculating fugitive methane emissions in the last quarter of 2020, intending to improve the accuracy of reported emissions and more importantly to identify further measures to reduce leakages. Since natural gas is composed of mostly methane (over 95%), an extremely potent greenhouse gas with global warming potential higher than that of CO2, GasNet’s key lever in contributing to Europe’s green future is by eliminating leakage volumes.

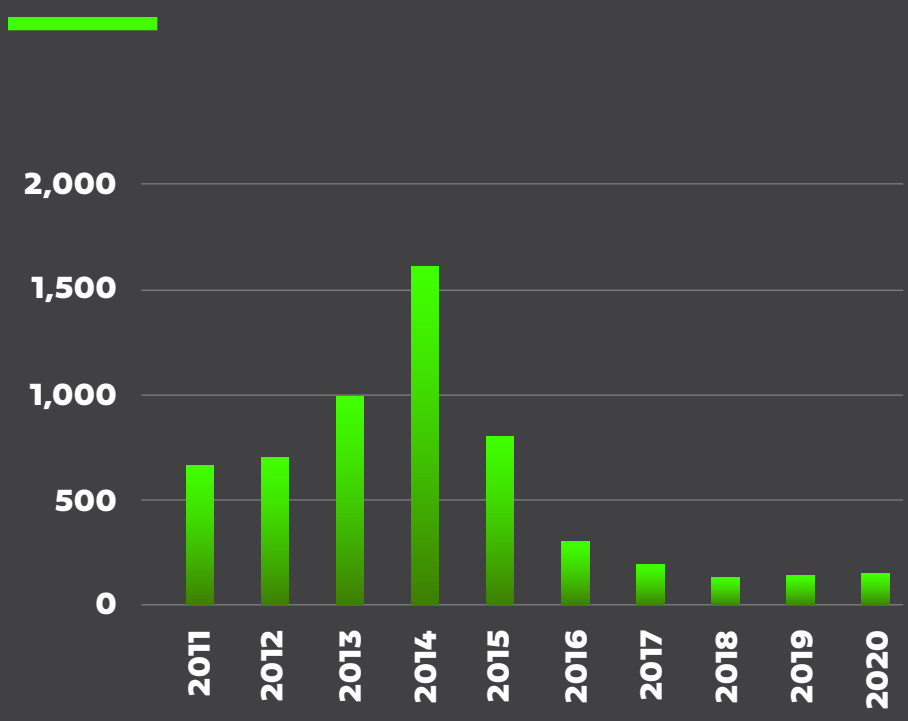
Number of leakages from low-pressure pipeline



Number of leakages from high-pressure pipeline



Number of leakages from regulation stations



63%

DECREASE OF LEAKAGES
BETWEEN 2011 AND 2020

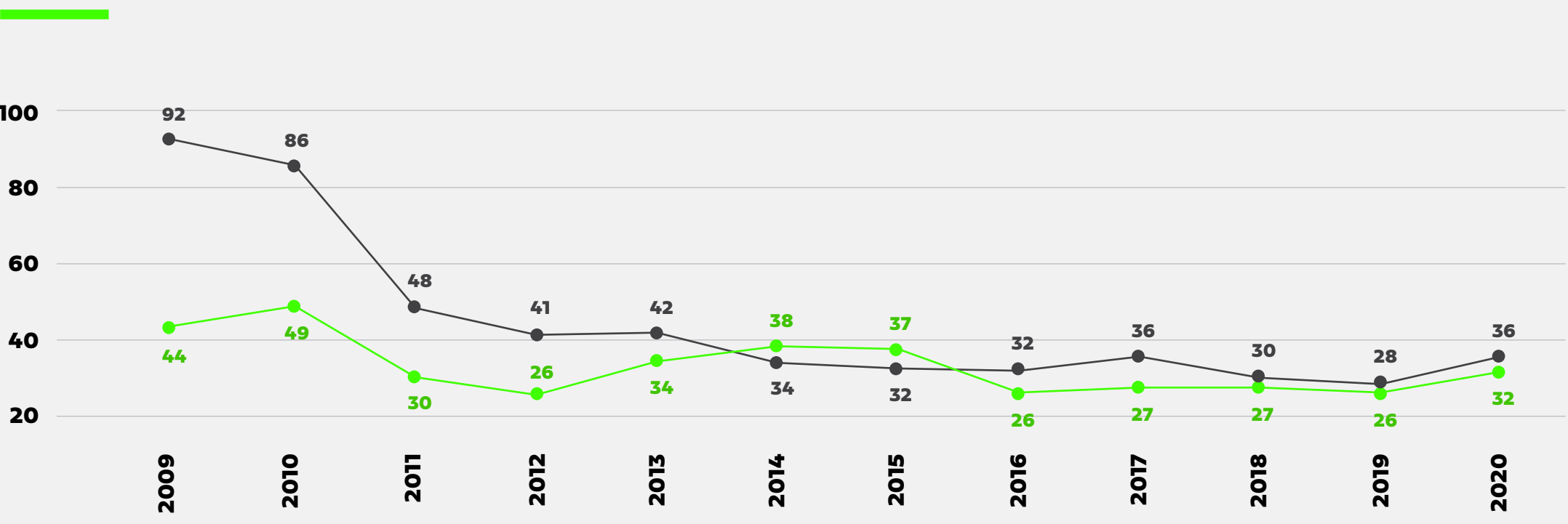
GasNet has been steadily increasing the share of polyethylene (PE) pipelines to replace the legacy network consisting largely of steel pipes with a high failure rate. PE is a more reliable and safer pipeline material, which is clearly reflected by a decreasing number of leakages from both low-pressure and high-pressure pipelines, as well as regulation stations, all adding up to a 63% decrease between 2011 and 2020. We expect to build on this positive trend with continued improvements to our infrastructure.

Physical resolution of leakages is at the core of our commitment to safe delivery of gas. Following risk evaluation of each detected leakage, we strive to repair the damaged pipeline segment as soon as possible based on risk level prioritization. While making sure communities are unaffected by any leakage, quick resolution also reduces the volume of leaked methane into the atmosphere. We have been gradually

reducing leakage elimination time, going beyond our legislative requirements and achieving an average of 36 days for underground and 32 days for above ground leakages. While the average resolution is denominated in days, dangerous leakages in inhabited communities are resolved within a matter of hours. Such situations are rare.

Technological losses and fugitive leakages are and will remain our key focus area. By the end of 2021, we aim to finalise our methodology to calculate the volume of fugitive leakages and identify concrete methane emission reduction targets for the next years. Minimization of vented and leaked gas volumes is a firm part of our core business and Board-level commitment to identify further reduction measures that will significantly help us move towards our GHG emissions reduction ambitions.

Average time to eliminate leakages (days)





Czech Deputy Prime Minister and Minister of Industry and Trade (right side) signing Energy Efficiency Agreement with GasNet representatives Martin Gebauer and Thomas Merker

Energy efficiency agreement with the Ministry of Industry and Trade

In March 2021, GasNet entered into a voluntary agreement on energy efficiency with the Ministry of Industry and Trade. This agreement sees GasNet, the Czech leader in the distribution of natural gas, contribute to the Ministry's efforts to promote energy savings and thus the sustainable future of the Czech economy. Besides support for PR campaigns, we look to provide advisory support to industries that consider transitioning away from unsustainable fuels such as coal.

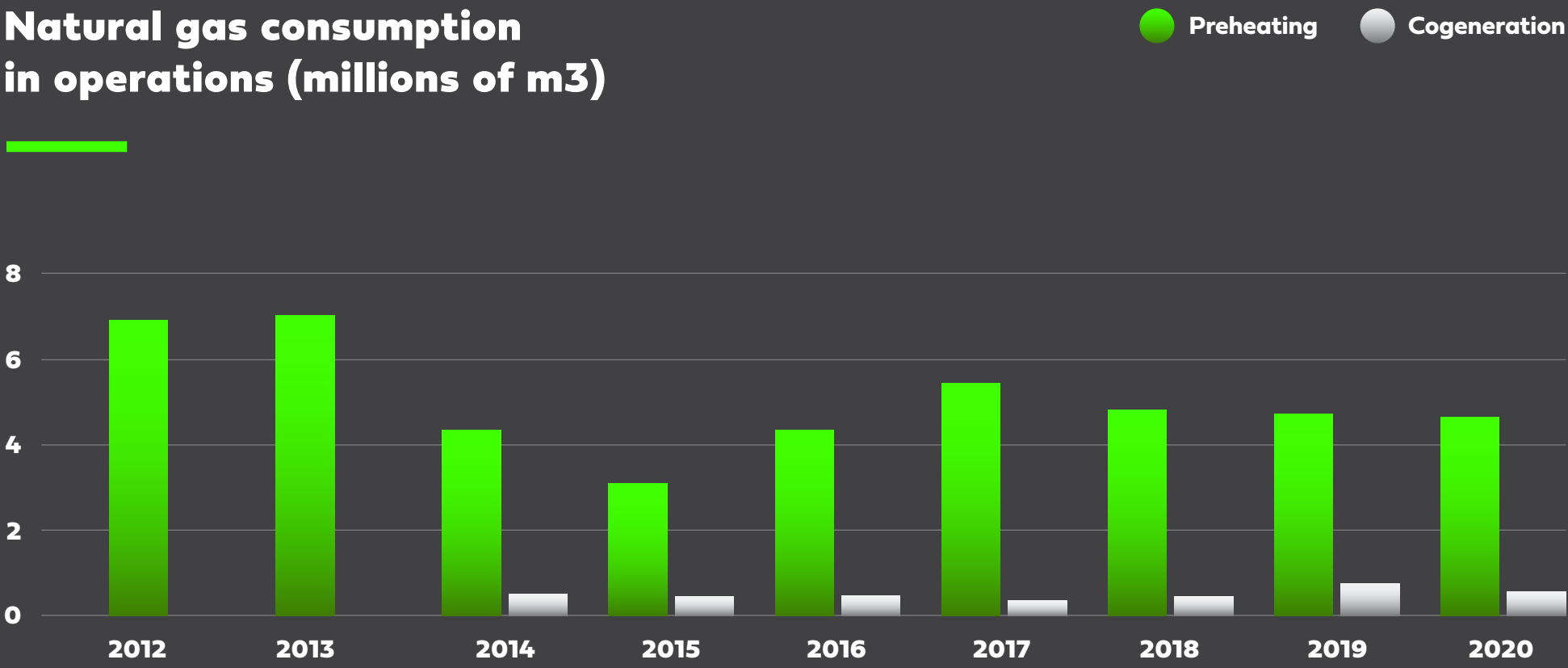


“GasNet is an important energy market player and I am pleased that the company has entered into a voluntary agreement on energy efficiency. We hope that other firms, which care about the environment and sustainable development, will follow suit.”

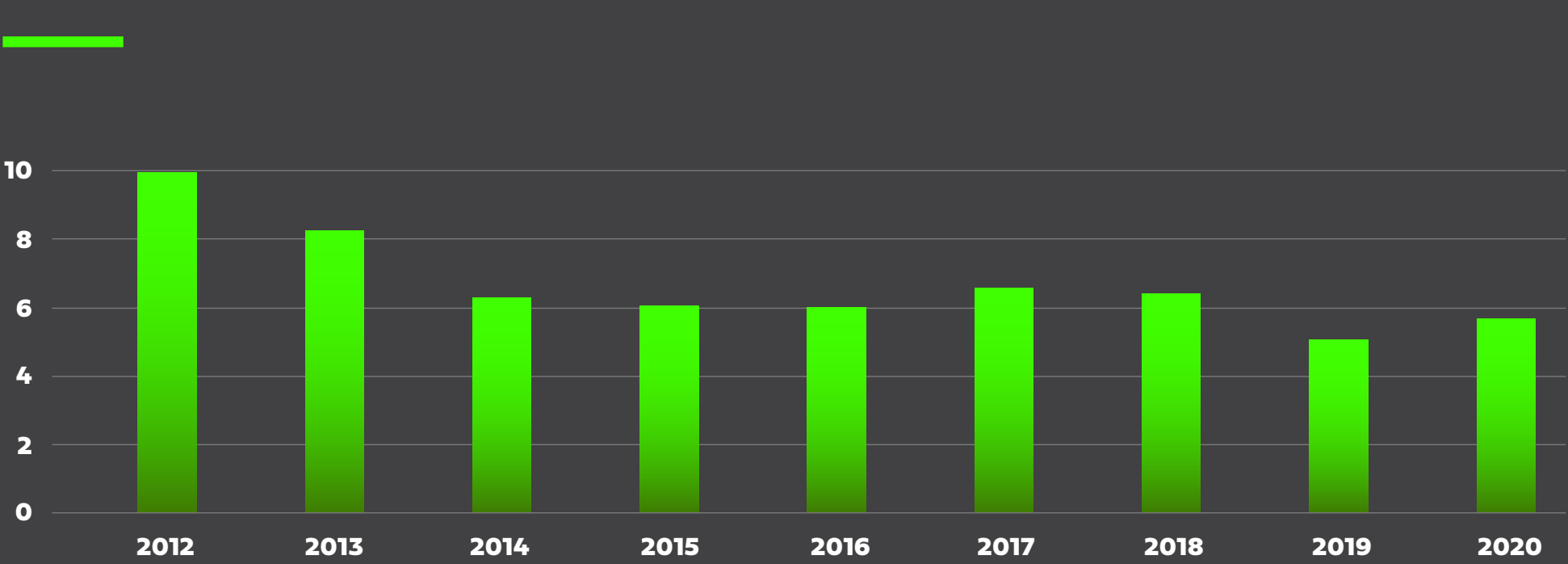
Karel Havlíček,
Deputy Prime Minister
and Minister of Industry and Trade

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Natural gas consumption
in operations (millions of m3)



Electricity consumption
in operations (GWh)



Energy consumption in operations

We strive to minimize the environmental impact in our operations, where our main emission sources are consumption of natural gas and electricity. These energy sources are mainly used to power electric and gas boilers for preheating in our pressure regulation stations. Preheating is an essential process that increases the temperature of gas in the network to prevent it from freezing while the network pressure decreases.

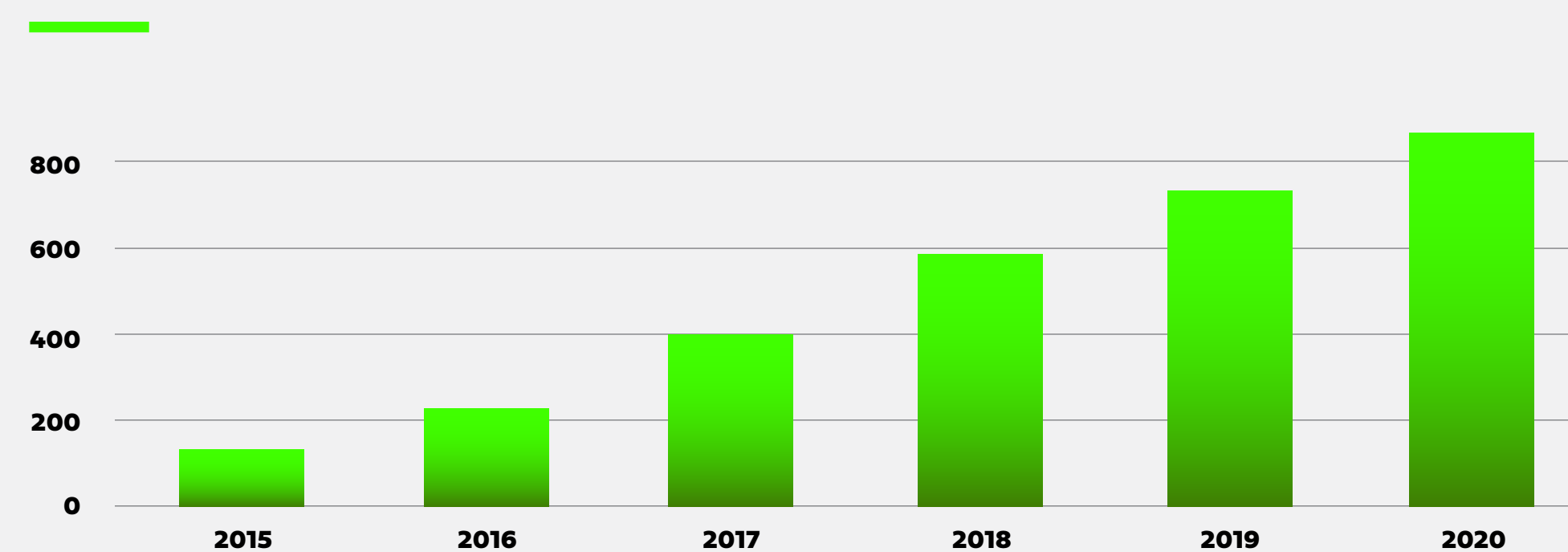
Additionally, the GasNet Group currently operates **three co-generation units** at selected large-scale regulation stations. Two units in Velké Němčice have been replaced by more efficient units just last year. Third co-generation unit in Turgeněvova has been running since 2018. Co-generation does not only serve our operating purposes by producing heat, but also generates electricity, which positively impacts the Czech energy mix by reducing the share of coal in an efficient and more environmentally-friendly way. In the future, we plan to install additional co-generation units at suitable regulation station sites.

Weather is a key factor for energy consumption in our operations given the correlation between outdoor temperatures and distributed volumes of gas each year. This external factor together with other activities aimed at optimizing energy use resulted in a large swing between years 2014 and 2018. Despite that, both our electricity and gas consumption have been steadily declining since 2017 thanks to an initiative started in 2014 that focuses on the increasing efficiency of boilers for preheating. Poised to continue at least until 2026, this impactful initiative focuses on the replacement of smaller gas boilers by electric ones and the retrofitting of large gas boilers to increase energy efficiency and lower air pollution emissions.

The end of 2020 also saw us sign a major procurement deal with ČEZ ESCO, securing 8.5 GWh worth of green electricity certificates to cover our total consumption in operations and thus reduce our scope 2 carbon emissions. Additionally, we will be implementing a new Energy Management System with ISO 50001 certification throughout 2021, which will further improve our energy efficiency and optimize consumption.

44% FEWER CO AND NO_x EMISSIONS DUE TO REPLACEMENT OF 819 BOILERS

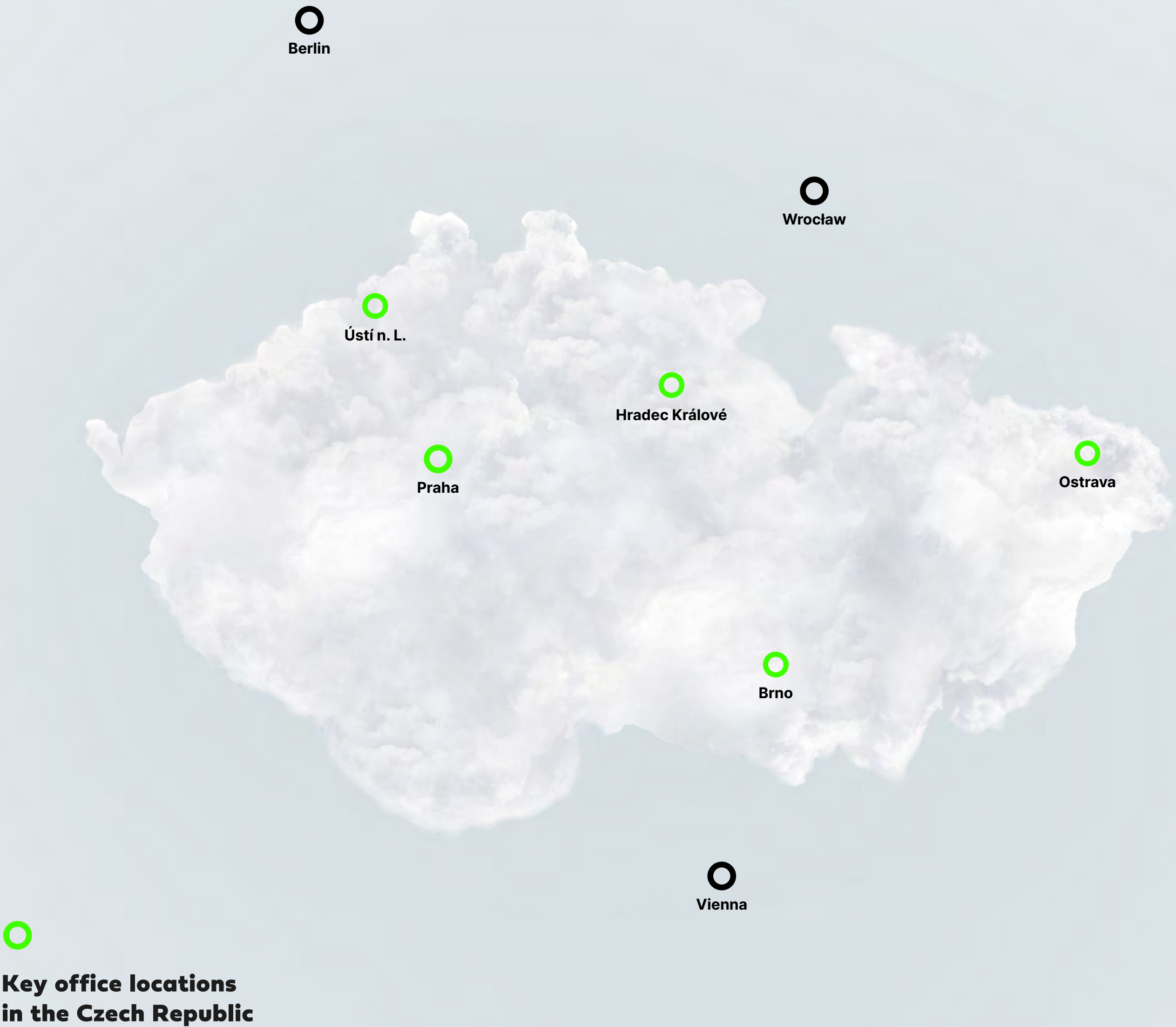
Cumulative number of gas boiler replacements carried out



Energy consumption in buildings

We have been exploring various ways to reduce energy consumption in both our own buildings and rented ones. However, due to the recent carve-out of GasNet from innogy Group, multiple facilities and buildings were transferred in July 2020 into our ownership or, in case of rented offices, under our management. As a result, the processes for monitoring energy consumption in all our premises are currently being set up and action plans with optimization activities that will be finalized in 2021 in conjunction with the implementation of an ISO 50001 certified Energy Management System.

In order to decarbonise our electricity consumption, we are setting ambitious targets to use more green energy. We will cover 100% of purchased electricity through renewable resources in 2021, which includes the entire consumption in all of our office buildings. The procured green power comes through public distribution networks with a guarantee of origin covering hydro, solar, and wind power plants. We are also exploring additional ways to meet our energy demand through distributed generation by installing photovoltaics (PVs) and battery storage at our premises.



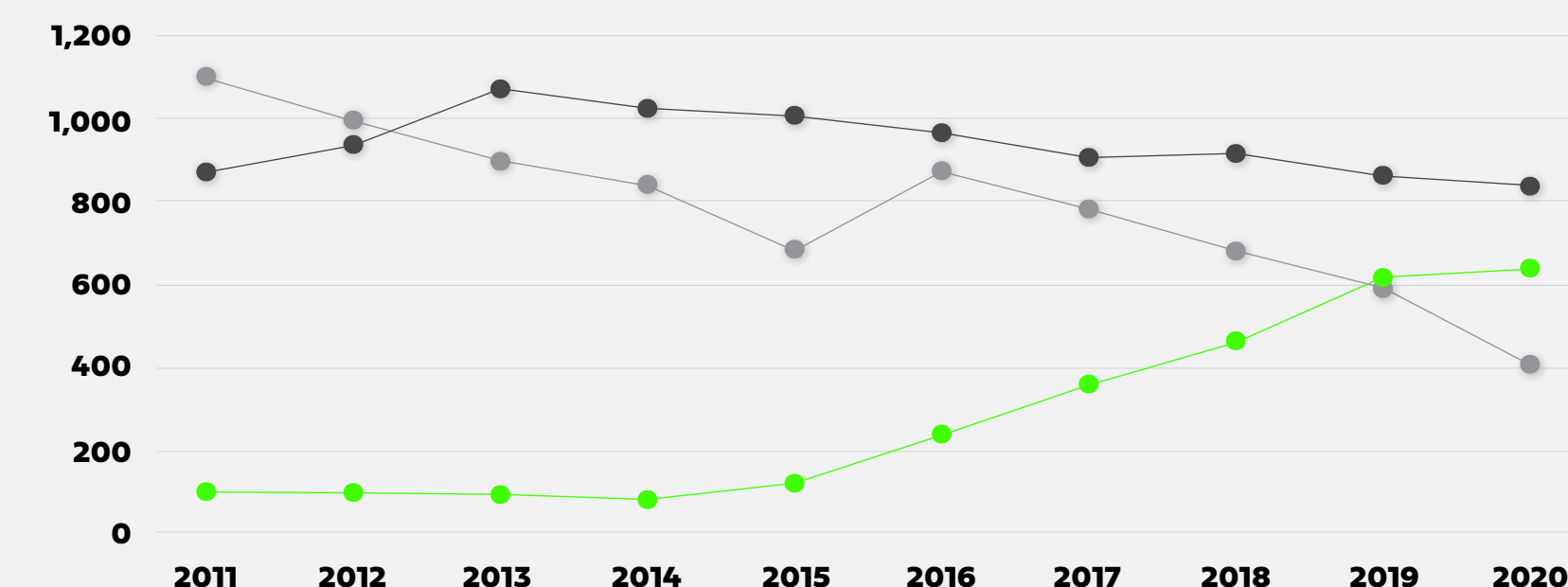
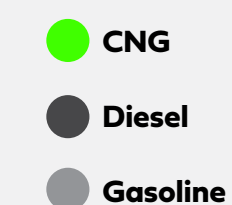


Fleet consumption

GasNet’s car fleet is essential to day-to-day operations, enabling efficient maintenance of our vast pipeline network in the Czech Republic. As such, we are advancing large-scale optimization of fuel consumption and increasing use of alternative fuels where possible. While we are still dealing with asset transfer as a result of our carve-out activities in 2020 and thus incomplete data sets, we are developing a robust data base to help us set ambitious targets.

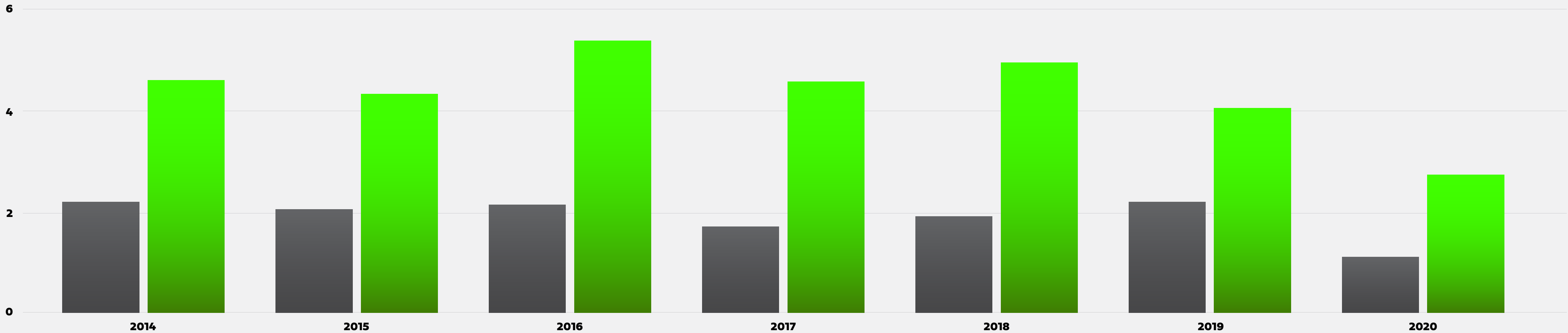
As a natural gas distributor, we support the use of gas in transportation as a more sustainable fuel compared to conventional ones. We are therefore gradually transitioning our fleet to CNG, with a significant increase to our fleet share since 2014. This shift to CNG-fueled vehicles noticeably decreased our fossil fuel consumption and thus CO2 emissions. **At the end of 2020, we operated 614 CNG cars and 12 electric vehicles, making up 41% of our total car fleet. To further reduce our car fleet emissions, we purchased certificates worth 8.5 GWh of bio-CNG produced from waste to cover our total CNG fleet consumption in 2021.**

Car fleet fuel consumption



CO and NOx Emissions
(tonnes)

CO
NOx

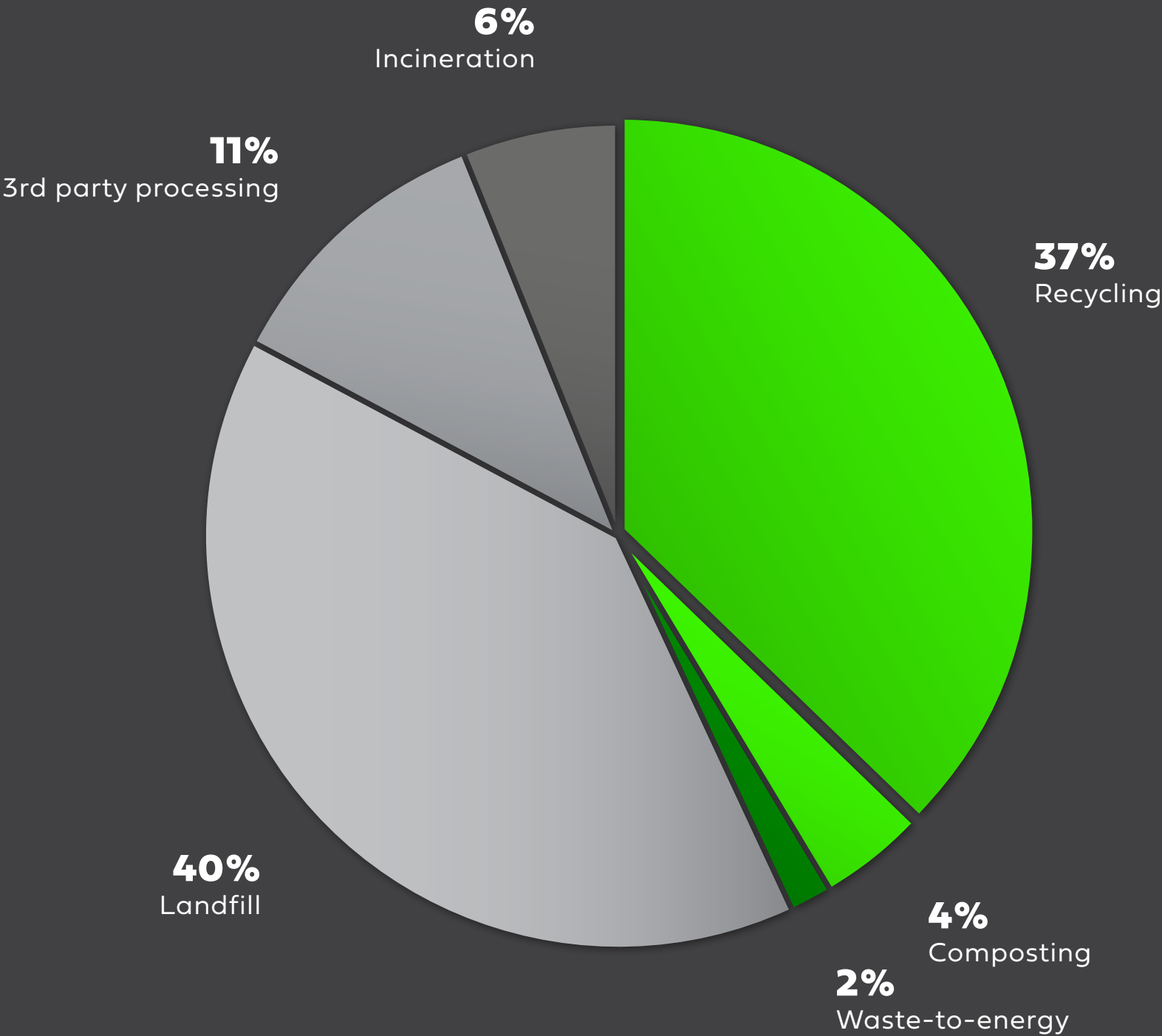


Air pollution

GasNet operates 2,729 pressure regulation stations with preheating boilers, comprising 1,659 stations that run on natural gas and emit air pollutants. We therefore strive for continued reduction of nitrogen oxides (NOx) and carbon monoxide (CO) emissions in operations through optimisation of the preheating process to meet legislative requirements and reduce impact on air quality.

Over the last six years, we have managed to significantly reduce CO and NOX emissions at regulation stations, which are covered by legislative obligation to measure emissions, by 44% (from 6.79 ton/year to 3.83 ton/year). This sizeable decrease has been achieved through modernisation and replacement of 819 gas preheating boilers, which lowered overall gas consumption and improved effectiveness of emission filters. Since this initiative is still ongoing and will run at least until 2026, we expect to maintain this positive trend in the future.

Waste processing

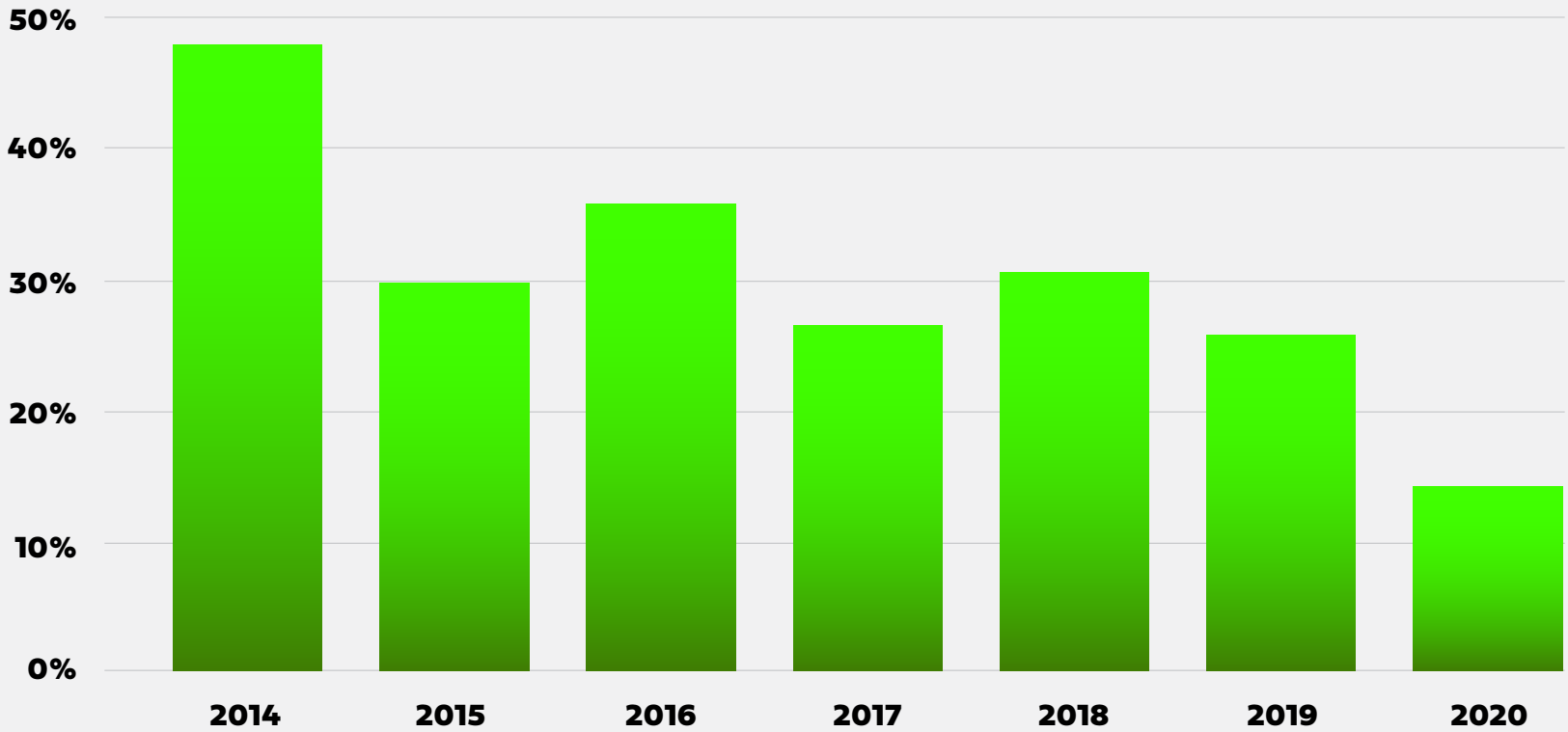


Waste management

Throughout 2020, we have continued working on the optimization of our waste management. We regularly monitor the frequency of waste removal and processing of different types. The end of 2020 saw us preparing for new waste regulation, which came into effect on January 1st, 2021. One of our strategic goals for 2021 is to redefine environmental requirements for our suppliers in cooperation with our procurement department, revising contractual obligation to prevent waste where possible. To reduce the volume of paper waste, are also preparing an e-signature roll-out for internal and external use to avoid unnecessary document printing.

In 2020, 43% of waste was diverted from landfill, incineration and third-party processing to recycling, composting, and waste-to-energy. **Additionally, the share of hazardous waste was significantly reduced by 34% since 2014.** Due to the transfer of new office buildings to GasNet from innogy, we expect a sizeable increase of non-hazardous waste from administrative activities in 2021. Nevertheless, this increase should not affect our recycling and landfill diversion efforts.

Share of hazardous waste





GasNet volunteers remove non-native and harmful
dyer's woad from Pálava hills in Moravia.

Community & biodiversity support

In line with our long-term commitment, we strive to continually supporting our communities to tackle environmental issues in the locations of our business activities and to ensure the protection of biodiversity beyond simple compliance. In our operations, we are trying to minimize the usage of herbicides and follow strict legislative requirements to ensure no harm is done to the environment. We also conduct regular training for our employees and ensure the required certifications according to legislative standards. In 2020, we had 384 operations workers certified regarding the handling of herbicides.

A key initiative earmarked for 2021 is establishing cooperation with selected non-profit organisations or local communities in various parts of the Czech Republic that support biodiversity. Our objective is to then develop an environmental programme for our employees to take part in together with this external partner. Our contribution will encompass financial support and more importantly, employee pro-bono engagement centred on environmental protection activities (for example tree planting or waterway cleaning). We are currently in talks with multiple organizations and already scheduled a few volunteer actions for our employees to support biodiversity in Q2 2021.

Since last year, we have also been developing educational materials that will increase the environmental awareness of the wider public. The first published material will be a guideline focusing on greenery planting within gas pipeline protection zones, as every year a high number of trees must be removed due to the safety considerations of the network. We therefore aim to spread the information to our stakeholders and ensure higher preservation of biodiversity in the future by compensating for the missing greenery through our volunteer activities.

GasNet as the largest gas distributor in the Czech Republic also owns a large amount of land, which is currently used only for our day-to-day operations. To ensure the sustainable future of our business, a detailed land use analysis will be conducted to determine possibilities for activities contributing to our sustainable vision, such as the installation of solar panels or wetland restoration.

Case study:

Remediation of old environmental burdens

The Czech Republic as a historically fossil rich country, has been dealing with contaminated land left as a 19th and 20th century legacy of inappropriate management of hazardous wastes and chemicals mining and extraction. After privatisation in the early 1990s, new land owners were tasked by state regulators to remediate contaminated areas and ensure future usability of soil and surface or ground water.

GasNet deals with old environmental burdens at two of its sites – Uherské Hradiště and Javorník. The contaminated soil in Uherské Hradiště is now fully restored, however, remediation of ground water was stopped in 2020 due to requirements for further contamination analysis. We are monitoring the situation in the meantime. Javorník's remediation is partially complete, but new contamination deposits have appeared and the remediation process will likely have to continue. Based on the Czech legislation, a vast majority of remediation expenses are covered by the state.

We consider it our responsibility to ensure the impact on environment and biodiversity is minimized and we take all necessary measures to ensure no contaminated land or water will result from our operations.



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Future of Gas

We want to be part of the green energy transformation. Environmental performance will be defining for GasNet's business, and thus we see increased investment into our distribution network as a necessary step towards preparedness for the energy transformation in the Czech Republic.

GasNet forms one of the central backbones in the Czech energy business, connecting thousands of industrial and household customers. Therefore, the initiated decarbonisation of the Czech Republic allows us to play a key role in the transition towards Net Zero. As a response to the changing environment, we launched the **Future of Gas programme**, which aims to enable a green transformation in key industrial segments of the Czech economy. The initiative has three main objectives – connect heating customers to our distribution network, promote LNG as a lower-emission substitute in the transport sector and ultimately prepare our current network for the distribution of green gasses – biomethane and later hydrogen.

To ensure the Czech Republic can achieve the ambitious emission reduction targets, the heating sector must move away from carbon intensive fuels, such as coal, to more environmentally-friendly energy sources. Coal currently fuels 50% of existing central heating sources, which creates the opportunity for natural gas to help with the transition. At GasNet, we will support the transformation of the heating sector in the Czech Republic by promoting natural gas as a transitional fuel and **connecting heating customers**, especially central heating plants, to our distribution network to replace their coal-based technologies.

Green gases, such as **biomethane** and **hydrogen**, are becoming more technologically and economically viable. In the long term, particularly post-2040, we expect affordable imports of hydrogen to Europe in sufficient volumes, industry-led demand for green hydrogen and emergence of a European hydrogen transmission backbone. As the largest Czech gas distributor, we want to drive and facilitate the transition by preparing our business as well as the market environment for this significant change.

Our current focus is to enable distribution of low carbon gases already in the near future by connecting biomethane plants directly to our network and analysing technical possibilities of blending with natural gas. Meanwhile, we adjust our assessment strategy to ensure our business is hydrogen ready by investing heavily into the retrofit of our current network to cover the industry's future hydrogen demand. We have already made significant progress in the preparation of our network. **At the moment, we service approximately 54,000 km of local networks, of which approximately 74% is made from PE and will allow the distribution of hydrogen. Additionally, this implies that 60% of all municipalities connected to our distribution network are already 99% prepared for green gas distribution in the future.**

Additionally, new opportunities for the application of low-carbon gases appeared. Since last year, we have been working on ways to disrupt and transform the transport sector through the distribution of LNG and later bio-LNG, since both provide the opportunity to significantly reduce emissions compared to traditional fossil fuels. Currently, we are working on the operations and delivery of mobile and stationary LNG stations and liquefaction stations to provide more sustainable products and services to the public and play a strategic role in the decarbonisation of freight transport in the Czech Republic.

At GasNet, we actively drive legislative changes as sectoral leader and strive to become a key player in the decarbonisation process of the Czech Republic. Therefore, to motivate and enable the future low-carbon gas world, we must also focus on the creation of a convenient ecosystem, providing appropriate market rules and legal frameworks to invite both current and new players to form the future hydrogen world together with us.



Case study:

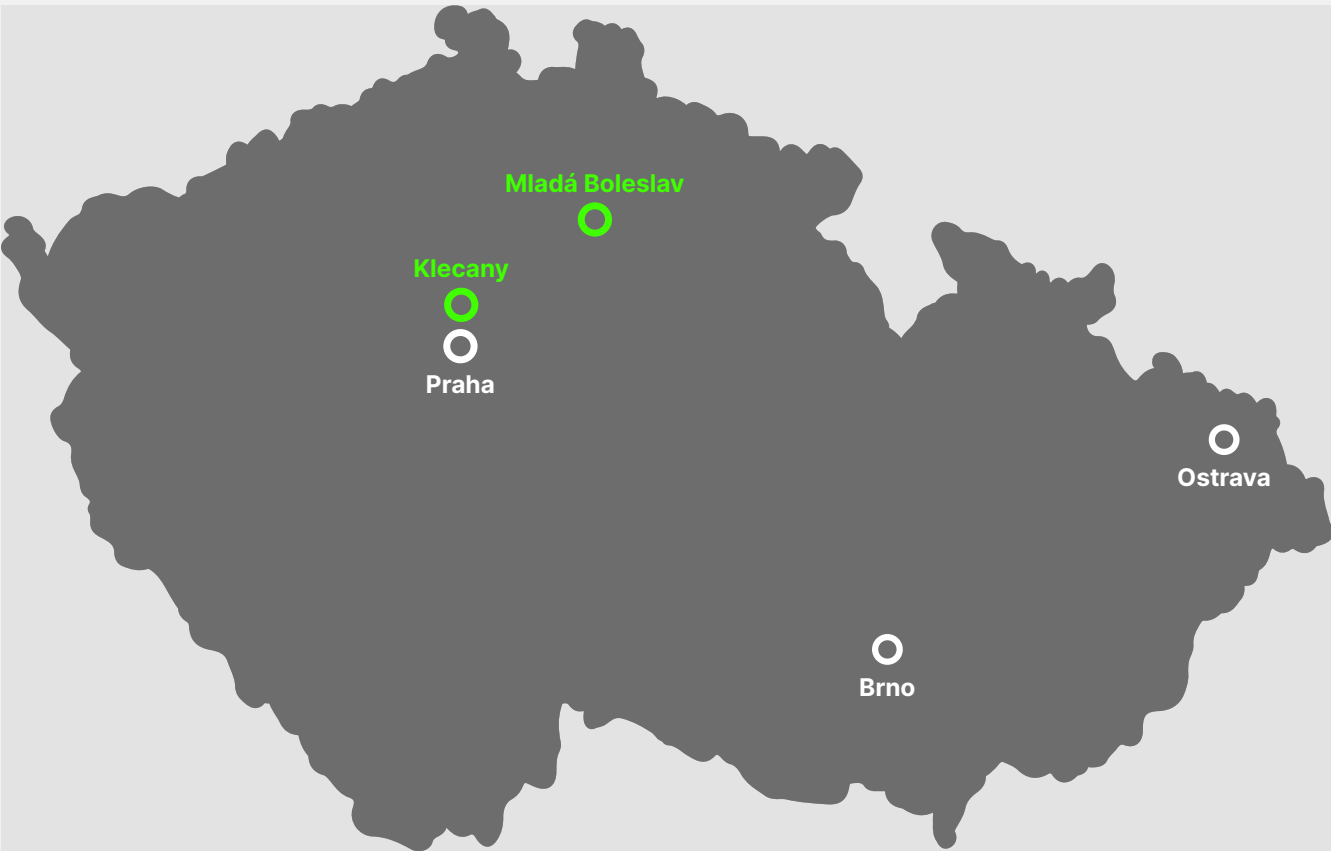
2020 as a breakthrough year for the development of LNG in freight transport

In July 2020, GasNet opened the first public mobile LNG station in the Czech Republic (in Klecany, nearby Prague). In May 2021, we followed up with a second LNG station in Mladá Boleslav we are fulfilling our ambition to shape the market with this ecological fuel. We believe that opening the first public LNG filling stations will be an important driver for LNG's future development in the country.

The stations are equipped with one of the most advanced technologies: they can refuel all brands of trucks that currently offer an LNG version, i.e. VOLVO, Scania, and IVECO. To promote LNG as a safe commodity, we co-authored multiple studies focusing

on safe and sustainable development and operation of LNG stations. Lastly, we also provide certified training for LNG filling, which has been completed by 132 drivers.

The signing of a memorandum between Škoda Auto and the Czech Gas Association in November 2020 was another positive signal for LNG's role in transport. As the largest domestic carmaker, Škoda Auto has committed itself to motivating subcontractors to use LNG, which we see as a huge opportunity to increase our LNG operations. Therefore, we are working intensively on our plan to build 8 stationary LNG stations in strategic locations by the end of 2022.



GasNet LNG stations in the Czech Republic

Case study:

The first biomethane station connected to the distribution network

In October 2019, for the first time in the Czech Republic, biomethane was injected into our distribution system. Biomethane is one of the best-positioned fuels for reaching net zero emissions. It has the lowest greenhouse gas emissions and the lowest lifecycle energy consumption compared to other conventional biofuels, especially if it is produced from biodegradable waste.

This modern renewable energy source is produced by the Energy Recycling Centre (ECR) in Rapotín, northern Moravia, as a project of the Energy Financial Group (EFG).

The ECR has a maximum annual processing capacity of up to 30,000 tons of biowaste. Both of its products, biogas and organic-mineral fertilisers, are fully utilised.

Part of biogas is converted to biomethane and injected into the gas distribution system. The rest is converted into electrical and thermal energy through a cogeneration unit. The energy produced is used for ECR's own operational functions, as well as water heating for the municipality. Any excess heat and electricity is then supplied to the distribution system.

Importantly, biomethane is identical in composition to natural gas, so any device that runs on natural gas will also run on biomethane without the need for technical modifications or other further investments. At GasNet, we seek potential partners to increase the volume of biomethane injected into our network and we will actively promote this trend together with our partners at the Czech Gas Association in the future.

APPROXIMATELY 450 BIOMETHANE STATIONS HAVE THE POTENTIAL TO BE CONNECTED TO OUR DISTRIBUTION NETWORK. AT THE MOMENT, WE HAVE SIGNED CONTRACTS FOR THE FUTURE CONNECTION OF 8 BIOMETHANE STATIONS AND ARE IN DISCUSSION WITH 14 MORE.

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Looking beyond 2020

In 2020, we laid down the foundation for our environmental activities and initiatives, which we will continue to develop throughout 2021 as a part of our environmental programmes.

We have already initiated multiple workstreams of the **Green GasNet programme**, aiming to launch additional measures to continue minimising the environmental impact of our own operations. Monitoring and reducing our emissions from leakages remain our key priority, while energy usage will be covered through green electricity and biomethane. We also continue our long-term commitment to energy efficiency at our regulation stations. Additionally, we are committed to reducing the volume of waste through discussions with our suppliers and setting new environmental requirements.

As a part of our **Future of Gas programme**, we will advance preparations for distribution of green gases, such as biomethane or hydrogen, by further accelerating the replacement and retrofit activities on our network. Living up to our commitment of becoming a key partner in the decarbonisation of the Czech energy sector, we will continue our efforts to promote natural gas and LNG as suitable options for the transformation of the heating and transport sectors.

At GasNet, our goal is to continue finding new ways to protect our planet and ensure long-term stability for our company and everyone around us. We believe that our efforts in 2020 will begin materialising throughout 2021 as we implement numerous planned initiatives, which we will share in our next Sustainability report.



- GREEN GASNET PROGRAMME AND FUTURE OF GAS PROGRAMME
- MINIMIZATION OF THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS
- PREPARATIONS FOR DISTRIBUTION OF GREEN GASES
- REDUCING EMISSIONS
- DECARBONISATION OF THE CZECH ENERGY SECTOR

Looking beyond 2020 highlights

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#2.2 SDG targets summary



7

AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all

9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

11

SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable

12

RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

13

CLIMATE ACTION

Take urgent action to combat climate change and its impacts

Our contribution to selected SDGs



Target 7.2.

Integration of renewable energy targets and initiatives into business strategy through Green GasNet programme.

Green electricity and bio-CNG procurement.

Regular monitoring and reporting of energy consumption, as well as our environmental footprint to reflect the impact of our business.

Target 7.3.

Increasing energy efficiency in operations through retrofitting and replacement of preheating boilers.

Installation of co-generation units in pressure regulation stations.

Voluntary agreement with the Czech Ministry of Industry and Trade to promote energy efficiency management.

Target 9.1.

Launch of LNG filling station and further promotion of LNG in freight transport as a more sustainable alternative.

Target 9.4.

Preparation of our network for distribution of green gases and support for sector coupling in key industrial segments of the Czech economy.

Modernisation of our distribution network to decrease leakages, improve resilience and ensure safety of operations.

Target 11.4.

Addressing environmental challenges in our business activity locations and ensuring protection of biodiversity beyond compliance.

Continual remediation of old environmental burdens.

Target 12.2.

Developing methodologies to report and continuously reduce volumes of fugitive emissions as a result of methane leakages.

Target 12.4

Monitoring waste management, diversion from landfill and incineration to recycling, composting and waste-to-energy.

Target 12.6

Establishing and maintaining a proactive environmental management system in line with ISO 14001 standards.

Target 13.2.

Voluntary agreement with the Czech Ministry of Industry and Trade to improve energy efficiency management.

Supporting decarbonization of the Czech Republic through sector coupling in the heating and transportation sectors.

Developing methodologies to report on fugitive emissions in line with EU methane strategy.

Part

#2.3

**We care about
our people and the
communities around us**



“GasNet is our people – our employees who really love what they do. They are professionals in their own right, passionate about their work. Without them, there is no GasNet. Our people come first, they are the key to our success.”

Erika Vorlová,
CSO



We care about our people and the communities around us

We care deeply about the wellbeing of our people and the communities around us. The success of our business depends on the success and development of each and every one of our employees.

The COVID-19 pandemic has brought several challenges and new ways of working, and it is vital that we support our people and the wider community through these challenging times. We have adapted effectively to a digital way of working, supported by our **Digital Ambassadors** – an integrated programme to support our staff with any IT issues. **Our employee culture is built on a foundation of honest and regular communication, where we regularly seek feedback from our Arnold survey platform.** At the heart of our efforts, is our commitment to fight inequality and embrace diversity as part of our principal value of “Respect”.

We have continued to support existing partnerships in the local community and deepen relationships with selected vocational schools and the wider education system. Our focus on youth is manifested through close collaboration with the **Duke of Edinburgh award** and sponsorship for student competitions promoting STEM subjects including the Energy Olympics. The COVID-19 pandemic also prompted us to support wider communities such as fire rescue services and care homes with personal protective equipment (PPE) supplies.

Digital Ambassadors milestones in 2020



COVID-19 Impact and GasNet's response

In response to the COVID-19 pandemic that began in 2019 and has had a significant global impact, GasNet has put in place several support initiatives to help our employees and the communities.

COVID-19 accelerated our process of digitalization

Due to the sudden consequences of the pandemic, many of our employees were asked to work from home with immediate effect. This presented several challenges and it was vital that we supported our people through this sudden change to the way we work. As well as responding to the pandemic, we also want to strengthen GasNet as a technologically advanced company.

The efforts to encourage digitalisation at GasNet have been active for many years, however the pandemic presented a new demand to accelerate digitalisation within our workforce. We therefore set up a new supporting team to aid this transformation, the Digital Ambassadors.

The Digital Ambassadors (DA) is a team of 30 colleagues who support our employees with any technological problems they may face. They run events and training sessions via our education portal to help employees adapt to new virtual platforms. Our Digital Ambassadors are located across the entire country in a variety of different business departments and employees are encouraged to contact an ambassador directly if they have a question.

During 2020, 40% of employees were trained by our Digital Ambassadors.

In 2021, we intend to invite digital influencers popular on social media to speak to our employees, supporting a culture of digitalisation by sharing their outside experiences.

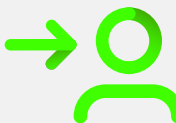


"We are the leader in natural gas distribution in the Czech Republic. We also want to be a digital leader in the Czech energy sector. COVID-19 pandemic proved that we were ready and accelerated our process of digitalization. We know that it is only through digitalization that we can be as efficient as possible and better manage our resources."

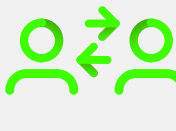
Jiří Nováček
Chief Digital Officer


This is Nicole & Michal

and this is what they do together with their
28 Digital Ambassador colleagues:

 Provide tailor-made trainings

 Hold group trainings

 Give advice, share, support projects

 Offer sessions with digital influencers



Digital Ambassador
& IT Business Analyst
Nicole

Digital Ambassador
& Grid Development Specialist
Michal

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COVID-19: Support for local communities

The pandemic has been a huge adjustment for the communities around us. We acted quickly to identify initiatives that could help these communities in responding to a new way of life.

Some of these initiatives included:

Providing facemasks

and personal protective equipment (PPE) in care homes based on employee initiative and their own contribution to local communities

Supplying IT equipment

to children so they could continue their studies

Donating 130,000 nano-filters

to professional firefighters amounting to 1,3 mil CZK



COVID-19: Support for our employees

It has been of huge importance to support our employees during the pandemic in order to preserve their wellbeing and health. Taking employee feedback into account has helped us to adjust to the changing circumstances and understand the needs of our people. Our online survey platform, Arnold, collects information directly from our employees and helps us identify any emerging concerns.

We have also been holding webinars on a monthly basis covering topics such as stress management, mental wellbeing, preventive and general health awareness, and continuing such engagement throughout 2021. Around 70 participants attend these webinars, including our employees and their family members, as well as our business and community partners.



Our employees

Our employees are at the heart of our business and even before the pandemic, we have put numerous measures in place to support our employees, embrace diversity, and promote workforce development.

Rebranding & Culture

Following separation from innogy, GasNet introduced a rebranded visual identity embodying values of safety, reliability, and respect. The service company GridServices, s.r.o., which has been renamed to GasNet Služby, s.r.o. also operates under our new brand.

All steps taken to become a fully-fledged stand-alone entity are related to the change in the ownership structure and subsequent creation of a separate GasNet distribution group. The new appearance of the GasNet brand is an important milestone in the process of building a completely independent and distinctive company, which is a domestic leader in the field of natural gas distribution.

At the same time, this step met the legislative requirements for distinguishing our natural gas distribution brand from those of companies engaged in the production or trade of gas.

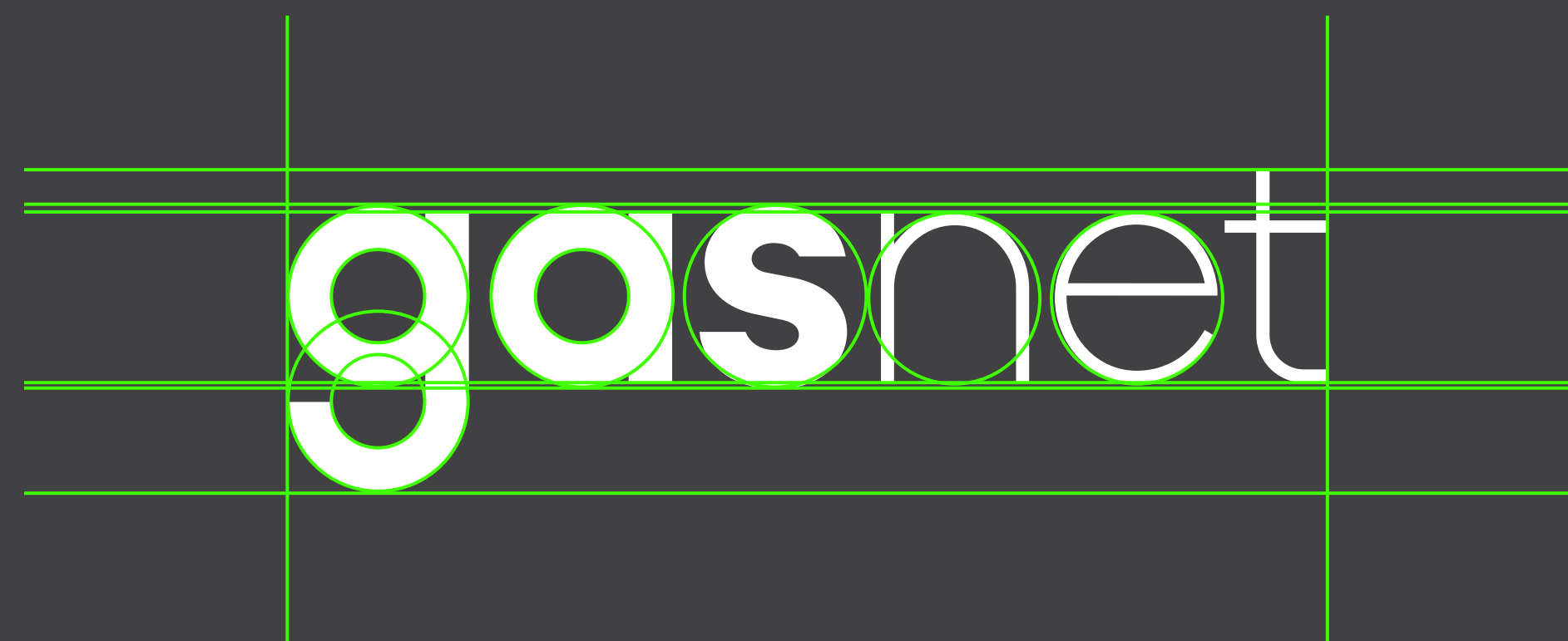
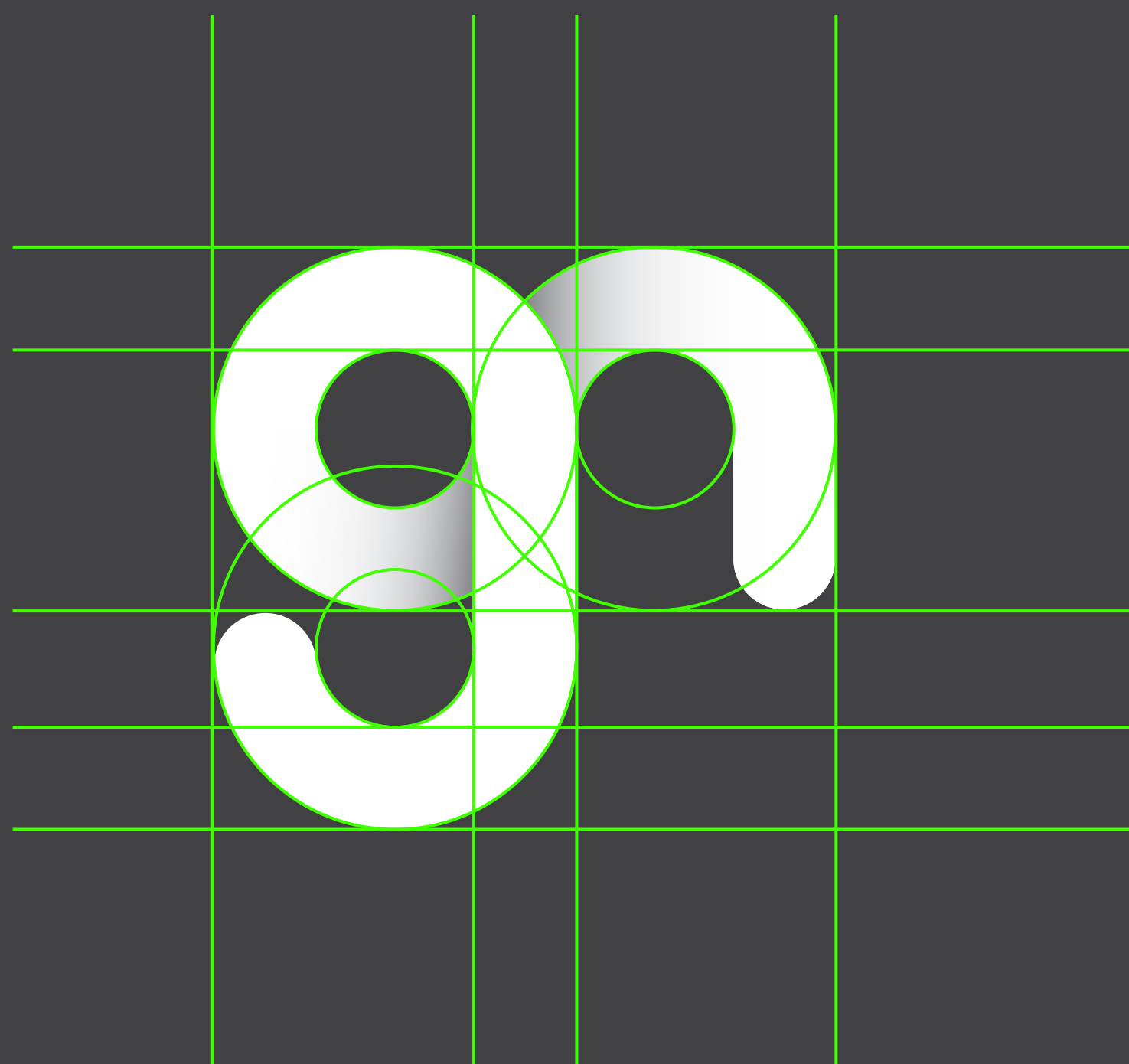


“Our brand and visual identity are deeply rooted in our values and culture. They communicate clearly who we are and what we do: We are GasNet and we do business in a sustainable, responsible and considerate way.”

Martin Gebauer

Chairman of the Board of Directors of the parent company Czech Grid Holding and at the same time Executive Chairman of the GasNet Group

Our new logo construction



Our brand reflects who we are. The design is composed of precise, geometric shapes with the same precision and professionalism with which we build and care for the distribution gas network. The letters gn are drawn in a single stroke, which symbolizes the basic element of our infrastructure, our business - the gas pipeline.

The brand stands for strength, pride, confidence and friendliness.

GasNet’s three core cultural values:



Safety

Safety is at the heart of our business. We predict risks, adhere to rules and never make compromises. We want to become a leader in effective, top-tier safety practices.



Reliability

Reliability is about trust and professionalism. We strive to be as open and dependable as possible in order to honour our commitment to serve the millions of people who rely on us every day - 365 days per year, 24 hours per day.



Respect

Respect expresses our consideration to each other, our customers, shareholders, partners, and the surrounding environment. We care deeply about people, diversity, communities and, our shared future. We respect safety, we respect rules, and we respect the energy which we distribute.

New culture

We are rebuilding our company culture. Its main standard-bearers are our managers and all our employees. It is therefore important to involve them in key topics that follow the company’s strategy and that are directly related to changes in the corporate culture.

During our rebranding, we have dedicated much attention to our corporate culture. It is at the core of our business, and the rebrand allowed us to revisit our company values and develop a stronger culture. To enable this, our management and division heads nominated a Culture Team, whose members were tasked with developing a new company culture in line with GasNet’s revised corporate strategy and vision.

In 2020, the first members of the Culture Team focused on diagnosing the company’s cultural environment. At the end of the year, the team gained more members and prepared for its 2021 kick-off. The team’s role is, among other things, to review values, to be a communication link between the management and the lower level, and to make sure corporate culture remains on the Board’s regular agenda.

The team cuts across different roles, departments, service regions, seniority, and tenure.

The people of GasNet



Employee surveys

It is very important that we receive regular feedback from our employees to identify areas that we can improve or support more. We use the chat bot Arnold to have regular chats with our employees, to collect and deliver feedback into reports.

Although Arnold was originally intended to gather feedback in the field of work health and safety, we find the chat bot a suitable tool for surveys on another important topic – employee satisfaction. This gives our managers more insight into their teams, they see what issues there are to address which helps them grow as team leaders.

All surveys are prepared by the HR department in cooperation with LMC, s.r.o., an external partner which operates the chatbot itself. After obtaining answers, managers are invited to a meeting where HR presents the data, helps to evaluate it and advises

on how to work with the results. The managers can then share reports with their teams and work with incentives to improve the work environment.

In the aftermath of COVID-19 restrictions, regular “Friday 6” digital surveys were rolled out to monitor the level of engagement and satisfaction of our employees, allowing us to react flexibly to emerging needs. An extensive COVID-19 survey in autumn 2020 then aimed to gather more detailed feedback on communication and comprehensibility of COVID-19 health and safety measures, as well as GasNet’s approach. The result pointed at 4 key focus areas: preventive measures, explanation of purpose pertaining work restrictions, comprehensibility of our measures, and general pandemic strategy. The employees also stressed the need to have more communication (either through the Intranet or via their superiors).

Surveys
in figures

7

SURVEYS SINCE
SEPTEMBER 2020

90%

A NOTABLE RETURN
ON AVERAGE

230

TEAM LEADERS INVITED TO
EVALUATION MEETINGS

Surveys
in future

2021

FROM 2021, SURVEYS WILL BE
CONDUCTED TWICE A MONTH
ALTERNATING BETWEEN HEALTH
AND SAFETY AND OTHER
GENERAL TOPICS.

The planned survey areas are:

- Diversity & Inclusion
- Performance management
- IT skills and general set-up
- Motivation
- Company strategy
- Sub-areas of our ESG strategy

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Diversity & Inclusion

Diversity & Inclusion (D&I) are integral to our corporate strategy. They stand at the forefront of our ESG topics and are a key element of our company values. We commit to creating a culture of respect and acceptance in an environment where everybody feels valued on the basis of talent, knowledge, and capabilities. The kind of workplace where each individual is able to work and learn in an atmosphere of tolerance and understanding.

Recognising and celebrating diversity is key to fostering long-term relationships with our employees, customers, and partners. We are convinced that only diverse teams can achieve great results. Our efforts already address workforce gender imbalance and we are putting measures in place to facilitate greater female representation in managerial positions.

With “Respect” being one of our main three cultural values, a more structured framework around diversity and inclusion is currently being developed.

At the highest level, our HR department is developing an extensive Diversity & Inclusion strategy, holding an intensive dialogue with GasNet’s Management Board to assure broad implementation across the entire organisation. The emerging D&I strategy builds on proactive monitoring of selected KPIs across relevant employee processes, such as recruitment, development, or succession planning.

The D&I push also takes place internally to help employees understand tangible impacts and benefits of prioritising these aspects in our HR approach. As such, we are looking to increase comprehension of the topic within our employee population through employee surveys and workshops. We also invite external speakers to come and speak on the topic of diversity through a long-standing Brain and Breakfast series.

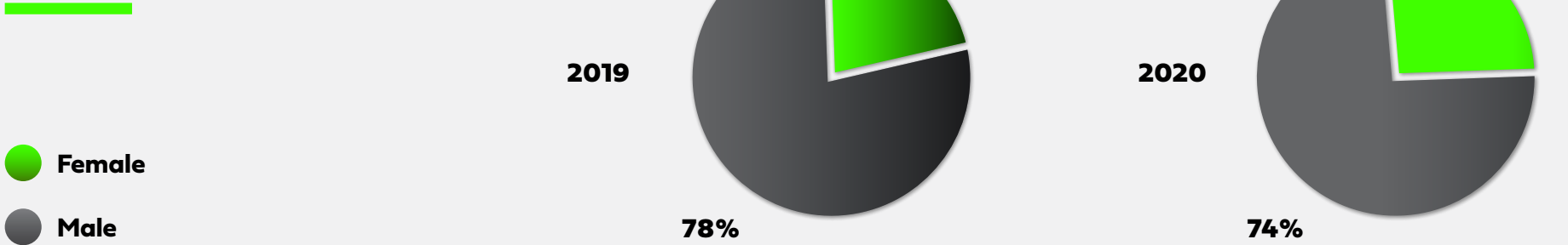
Codification of D&I and proper governance accountability are also at the forefront of our thinking. GasNet’s HR department will dedicate large part of 2021 to preparing trainings and internal guidelines, while our Culture Team has started developing behavioural norms representing each of the 3 core values of Safety, Reliability, and Respect. Our values are not an empty statement and our ultimate aim is to make topics of Diversity & Inclusion relevant and applicable in day-to-day business.



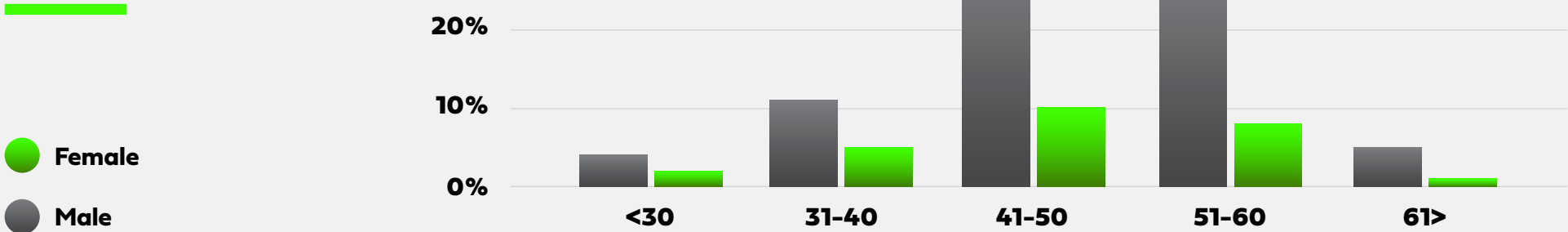
Erika Vorlová, CSO GasNet, signing EU Diversity Charter

Diversity at GasNet:
2020 summary

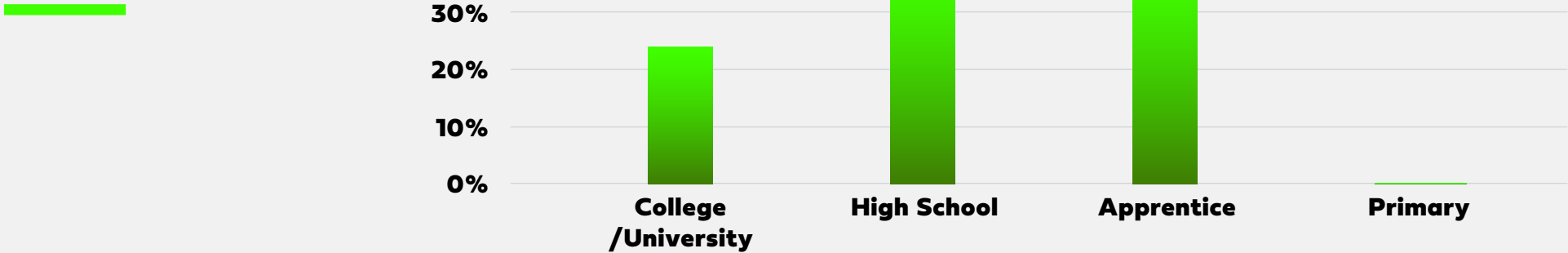
Gender distribution



Age structure



Education



Health & Wellbeing

We care about our people and understand that health and wellbeing go far beyond providing a safe work environment. Protecting the wellbeing of our employees is a non-negotiable principle, and we support employees in achieving a healthy work-life balance. We aim to create a positive work culture, where employees are encouraged to speak openly about challenges or stresses so we can find ways to support them. Each of our employees have regular one-to-one sessions with their line managers and have options to promote open conversations, going beyond the formalities of the workplace. The aforementioned Arnold surveys or Culture Team ambassadors are an additional channel to raise such debates.

We understand that the pandemic has been a very stressful and uneasy time for many of our employees, so we have held several workshops to help our people cope with stress and working from home. We also hold workshops and webinars to promote early detection of serious diseases such as cancer. This health awareness series is offered to our employees as well as the wider community.

Workforce development

As part of our workforce development, we run a customised learning scheme consisting of both in-person sessions and e-learning. These include digital trainings for both top and lower level management, trainings on various ESG topics like health & safety or environmental protection, and managerial skills courses. Certain training sessions are mandated by compliance or certification needs.

A tailored approach to professional growth is a guiding principle for us, as employees are encouraged to discuss individual education and development needs with their managers. As such, many pursue the likes of language courses, professional certifications, or external soft-skills modules. Moreover, internal mentoring is available alongside coaching both by selected certified employees and external partners. Employees with high managerial potential are identified early on to partake in trainings as part of GasNet's wider Succession Planning programme.



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Workforce Development: 2020 summary



Digital learning

In the aftermath of COVID-19, we have been supporting transition to remote working by greater focus on digital upskilling, especially in core areas like virtual co-operation via MS Teams. To achieve greater competence, we have leveraged both an external partner, as well as internal Digital Ambassadors to roll out a wide-reaching training programme.

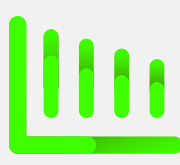
24 sessions
240 attendees



Management training

We have started a new initiative focused on the improvement of our Performance Management processes. All managers will be trained up to the new standard by September 2021.

Revised Performance Management – Kick-off: Introductory session for the entire L-suite management



Presentation skills

A new development programme focused on Presentation Skills has been initiated for selected managers and key employees. The programme consists of 3 modules focusing on audience psychology, online storytelling, and creation of business presentations.

12 sessions
32 participants



Brain and Breakfast

Brain and breakfast are online webinars with inspirational personalities open to all employees.

18 sessions



Safety culture

Safety culture is a key pillar on which our new corporate culture stands.

Health leadership and defensive driving courses covered in further detail in the safety section of this report.

THE SAFETY SECTION





Communities

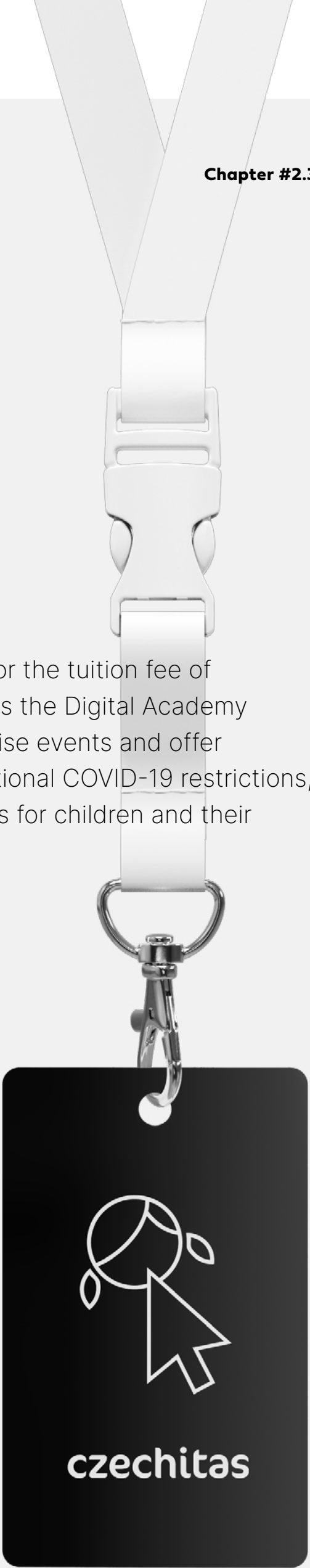
We strive to make a positive and lasting difference to the communities we serve. Charitable and volunteer activities are primarily dedicated to supporting under-represented or disadvantaged communities, youth, and fire rescue services. We also provide financial donations for healthcare and education as a way of giving back to our local communities.

Skills development for women in IT

Since 2020 we have been supporting Czechitas, an NGO promoting and developing women in IT. Czechitas Digital Academy is aimed at women’s requalification to build important IT skills which can translate to better employment opportunities. The COVID-19 pandemic has resulted in an accelerated transition to more virtual working and Czechitas have supported women through this change.

GasNet supports the **Czechitas Digital Academy** financially, by providing mentorship and skills training, and also through an open dialogue on diversity in IT from an employer perspective. Digital Academies take place twice a year, each focused on concrete skills (e.g. web development, data analytics) and each educating 30+ participants. Our colleagues hold workshops on various digital topics and invite Czechitas to GasNet for excursions. Up to 60% of the participants manage to switch to new, more IT-focused roles upon completion.

In 2021, we hope to sponsor the tuition fee of one student who completes the Digital Academy successfully. We will organise events and offer lectures. Depending on national COVID-19 restrictions, we hope to organise events for children and their families as well.



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Fair employment

At GasNet, we care about fair employment and equality, which is why we have signed up to the Pride Business Forum Memorandum. The memorandum promotes equality of the LGBT community in the workplace through conferences, workshops, training, mentoring and professional planning. We participate in conferences and support the memorandum financially as well. We have developed a company culture that embraces diversity and mutual respect, irrespective of one's sexual orientation or gender identity.

We will also be supporting the Equal Pay Day in 2021, a symbolic day to raise awareness about the gender pay gap. The initiative helps empower women to develop self-confidence and necessary skills with the long-term focus of promoting gender equality.



“We create a tolerant environment at GasNet. We are open to the world. We draw our strength from the diversity of professional experience, education and opinions.”

Erika Vorlová,
CSO

2020 milestones



June

Signing of the Pride Business Forum Memorandum



October

Attendance at a conference on diversity in the workplace

With our participation, we contributed to the LIFE 90 project.



November

Attendance at a conference COMINGOUT



May

EU Diversity Charter

2021 milestone



Education

At GasNet, we understand the importance of education and we are proud to support the next generation of energy professionals. We work with several schools to promote employment in the gas industry. We sponsor several educational initiatives which focus on modern industry innovation.

Co-operation with Vocational Schools

We cooperate with four vocational schools (Pardubice, Bosonohy, Šumperk, Frýdek-Místek) focusing on education and development of the gas craft.

We help with the promotion of study programmes at secondary schools and financially support teaching of vocational subjects. Our employees deliver lectures and demonstrate gas activities and technologies to students. We also offer students work opportunities at GasNet through apprenticeships. We support the connection of DofE with schools in Pardubice and Bosonohy and we are striving to continue developing our relationship with another school in Šumperk.



Students of Gas Vocational School in Pardubice which is supported by GasNet

We support students and young talents

Duke of Edinburgh Award

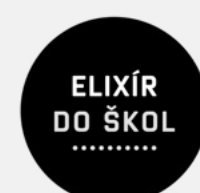
GasNet helps to connect schools with the Duke of Edinburgh International Award (DofE). Together with DofE, we help children from socially disadvantaged families by providing digital equipment for online learning as a result of COVID-19 restrictions, for example. DofE is a development program for anyone between the ages of 14 and 24. The purpose is for each participant to engage in activities they enjoy and obtain an internationally recognised certificate. There are 1.3 million young people in the world who complete the DofE programme annually. GasNet encourages its employees to become DofE mentors, supporting kids in need, and giving fair chances to everyone to enhance their skills.

We also support the initiative financially and provide office space for the DofE staff in our Brno offices.



Elixir for Schools (Elixír do škol)

We also support Elixír do škol, a non-profit organisation which supports secondary school teachers in the area of physics and digital technologies to promote early interest in STEM. The platform brings innovative methods to teaching and participants engage in debates, attend workshops, and share inspiration.



Energy Olympics

Energetická olympiáda is an educational competition focused on promoting current energy industry topics among youth. The competition, which is organised annually, is designed for high school and grammar school students who are interested in studying energy subjects at the Faculty of Electrical Engineering of the Czech Technical University in Prague, Brno University of Technology, or Technical University of Ostrava.

Up to 30 student teams select a challenge facing the energy industry and look to develop creative and innovative solutions that are also technologically feasible. As one of the main industry partners, we provide financial sponsorship, prepare questions and topics for the competition, support the teams with industry knowledge (mentorship), and provide judges for the final round.



Start driving

Many of our employees drive vehicles as part of their role at GasNet. Start Driving is a GasNet initiative helping to instil good practices and skills in our drivers and in the wider community. Safety is always our priority and it is important to us that we train our employees to drive in a safe manner. We hold workshops and trainings for our employees and the wider community, including young adults and family members of our employees. There is high degree of interest in the initiative amongst our employees, as many of them have children who are new drivers. Our partners include Škoda Auto and the Ministry of Transport.



Support of volunteer firefighters

For ten years, GasNet has been the general partner of the Volunteer Firefighter of the Year Award, which celebrates the 360,000 volunteer firefighters from all over the Czech Republic by highlighting their crucial contribution to public safety. We support the competition for most impressive firefighting interventions and every year contribute to this key subset of Czech civil society by purchasing equipment for 50 volunteer firefighter units.

At last year's 10th annual awards ceremony, the patrons presented awards to the best fire brigades of 2020, who were recognised for their crucial life-saving interventions during traffic accidents and fires. Various brigades also received awards for their help in combating the COVID-19 pandemic and for working with children and by providing preventive education in their communities. This year, the finalists received financial and material contributions from GasNet worth more than 1,300,000 CZK.



“We are proud to have been the General Partner of the award from the very beginning. We have a number of joint interventions with firefighters every year, and we know how professionally and selflessly they work. In this difficult year, this was doubly true. We appreciate that we can praise their work in this way,”

Pavel Káčer,
Operations Director
of the GasNet Group

The ceremony of Volunteer Firefighter of the Year Award is broadcast on Czech Television, the public service broadcaster in the Czech Republic, in primetime.

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Looking beyond 2020

Despite the challenges of 2020, we have set up several new development initiatives including our Digital Ambassadors. Looking forward, we are planning a new series of events featuring digital influencers and we are identifying additional non-profit partners. The Digital Academy will continue in the spring and autumn of 2021, involving our mentors and our own participants. The academy programme will be enriched with additional webinars about cancer prevention and we will send selected employees to the Equal Pay Day conference.

We will also continue to support Prague Pride in 2021 with planned attendance at its annual Business Forum Conference. Focus on diversity will also materialise in financial support for the COMINGOUT helpline. An

interview with Ester Janečková is scheduled as part of our D&I strategy, discussing her personal story and patronage of non-profits aimed at providing mental support for LGBT communities. GasNet also co-operates with Klára Kolouchová, the first Czech women to have ascended the world’s three highest mountains. Klára and GasNet have much in common on topics such as performance, safety, and diversity. We are therefore committed to supporting her latest project, an international women’s expedition to climb Dhaulágirí and support mothers in disadvantaged communiites in Nepal. She will also hold a speaker series for our employees on topics close to her heart upon returning.



- D&I STRATEGY DEVELOPMENT
- THE DIGITAL ACADEMY
- PRAGUE PRIDE IN 2021


Looking beyond 2020
highlights

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#2.3 SDG targets summary





Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Strengthen the means of implementation and revitalize the global partnership for sustainable development

Our contribution to selected SDGs



Target 4.4

Support for various schools and educational competitions. Energy industry promotion amongst students while studying and provision of apprenticeship opportunities to gain practical experience upon graduating.

Upskilling in the IT area for women and children with Czechitas. Involving our own employees and external communities in teaching additional technical skills.

Target 5.1.

Addressing workforce gender imbalance through more inclusive recruitment and appropriate skills trainings.

Signature of Prague Business Forum Memorandum, promoting a diverse workforce.

Target 5.5

Supporting women in leadership roles by proactively monitoring management composition and identifying high potential employees.

Promotion of active participation of our female employees in important processes and decision making – e.g. Culture Team.

Target 8.2

Continuous workforce development to equip employees with skills and knowledge relevant for the future (e.g. digitalisation, energy transformation, cross-industry initiatives).

Digital Ambassadors ensuring best practices in ways of working, especially in the online environment.

Listening to our employees carefully in order to provide the support they need. Using Arnold as a useful tool for gathering feedback.

Target 17.17

Encouragement and promotion of a wide range of effective public, public-private and civil society partnerships.

Co-operation with communities through partnership with actors from different areas (education, IT, health and wellbeing) as well as with the Czech Gas Association and other industry bodies to ensure a stable future of the whole industry.



Part

#2.4

**We conduct business
in a responsible and
considerate way**



We conduct business in a responsible and considerate way

Natural gas in the Czech Republic is offered by many different companies with varying prices and service quality. However, our role at GasNet is different – we do not sell the commodity, our mission is to ensure safe and reliable delivery of natural gas through our distribution network to the end customers every day.

GasNet does not compete with other gas distributors, but we play by a set rules defined by European and national institutions. **The main regulatory body – the Czech Energy Regulatory Office (ERO) – oversees the energy market in the Czech Republic and defines requirements and economic conditions, which shape the way we conduct our business.**

The energy sector, GasNet, and all our stakeholders require long-term stability. This clear purpose enables us to focus our resources on the sustainable development of the business. Therefore, we will always engage in negotiations to support rules and conditions that will be the basis for a stable and sustainable future.

At GasNet, we are aware of our role and our responsibility towards customers and business partners as well as our shareholders and employees. Therefore, we have a set of clear principles that define how we conduct our business and social activities.

These are laid down in our fundamental document – the **Code of Conduct**. Our actions reflect GasNet’s core cultural values – safety, reliability, and respect. These values ensure that we have a common identity, shared across all GasNet companies. Our main goal is to facilitate economic prosperity by providing customers with the services they need. We constantly strive to improve the quality of our products and services. Every employee at GasNet is expected to act in a responsible, honest, loyal manner, with personal integrity, respect toward others, and consideration for the environment.

We are committed to represent a high standard in our company’s governance. **We subscribe to the United Nations Global Compact initiative, which means we are committed to recognising, supporting, and putting into practice the UN Global Compact’s 10 principles pertaining to human rights, labour standards, environmental protection, and anti-corruption in our area of influence.** We manage our finances and resources responsibly because careful and strategic planning of our investments, expenses, and income are an integral part of our business strategy.

RELATED SDG TARGETS →

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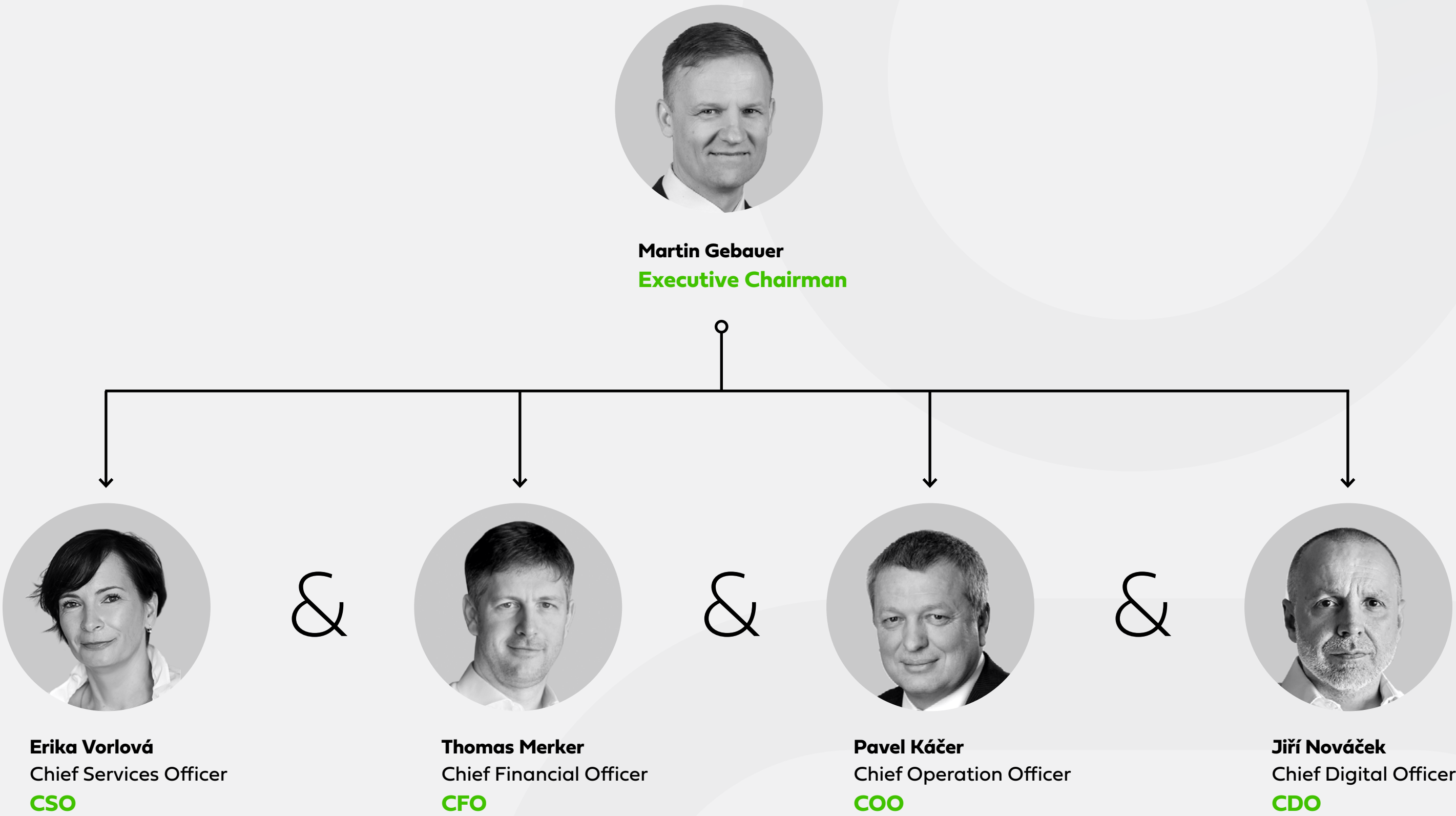
Governance management

To fulfil our commitment towards a responsible and sustainable business, we have set up a robust governance on multiple levels with company Boards and shareholder Committees as the highest supervisory bodies. This way we ensure all business decisions are properly discussed and evaluated in the context of our company values and strategy.

On the company level, the GasNet Management Board fulfils the role of the highest oversight and decision-making body, setting the company's purpose, values and business strategy. Additionally, GasNet Board members oversee communication with key stakeholders, especially with the company's shareholders and investors. Currently, GasNet Board consists of 5 C-suite managers.

The **Executive Chairman** represents the company in public and is responsible for setting the overall direction and business strategy. The **Chief Financial Officer** (CFO) is in charge of the Financial and Regulatory, Legal, and Internal Audit departments, and leads key transitional activities under the Business Development unit (such as Future of Gas initiative). The **Chief Services Officer** (CSO) governs all management support functions and directly oversees the ESG & Security department. The **Chief Operating Officer** (COO) is responsible for the company's operation and maintenance activities under GasNet Služby with more than 1,500 employees.

GasNet Management Board



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Lastly, the **Chief Digital Officer** (CDO) ensures the functionality of our IT systems as critical infrastructure and leverages modern technologies for further digitalisation of GasNet. The Management Board meets every week to approve, make decisions, and provide guidance in all business areas including ESG. Additionally, all GasNet Board members’ performance is regularly evaluated and have their compensation linked to specific ESG targets depending on individual relevance to their delivery. These targets are monitored on an annual basis and reflect our commitment to ensure safe, reliable and sustainable operation of our business.

As previously mentioned, our business is highly dependent on the regulatory and legal environment of the energy sector. Therefore, our Regulatory, Legal and Internal Audit department continuously monitor new developments, engage in negotiations and ensure compliance with all requirements and laws.

Selected business areas with high impact on GasNet’s operations are further discussed during various shareholder and Management Board Committees, organised regularly with the aim to provide guidance and reach agreement on key decisions, Committee members are nominated based on expertise and knowledge of the underlying topics.

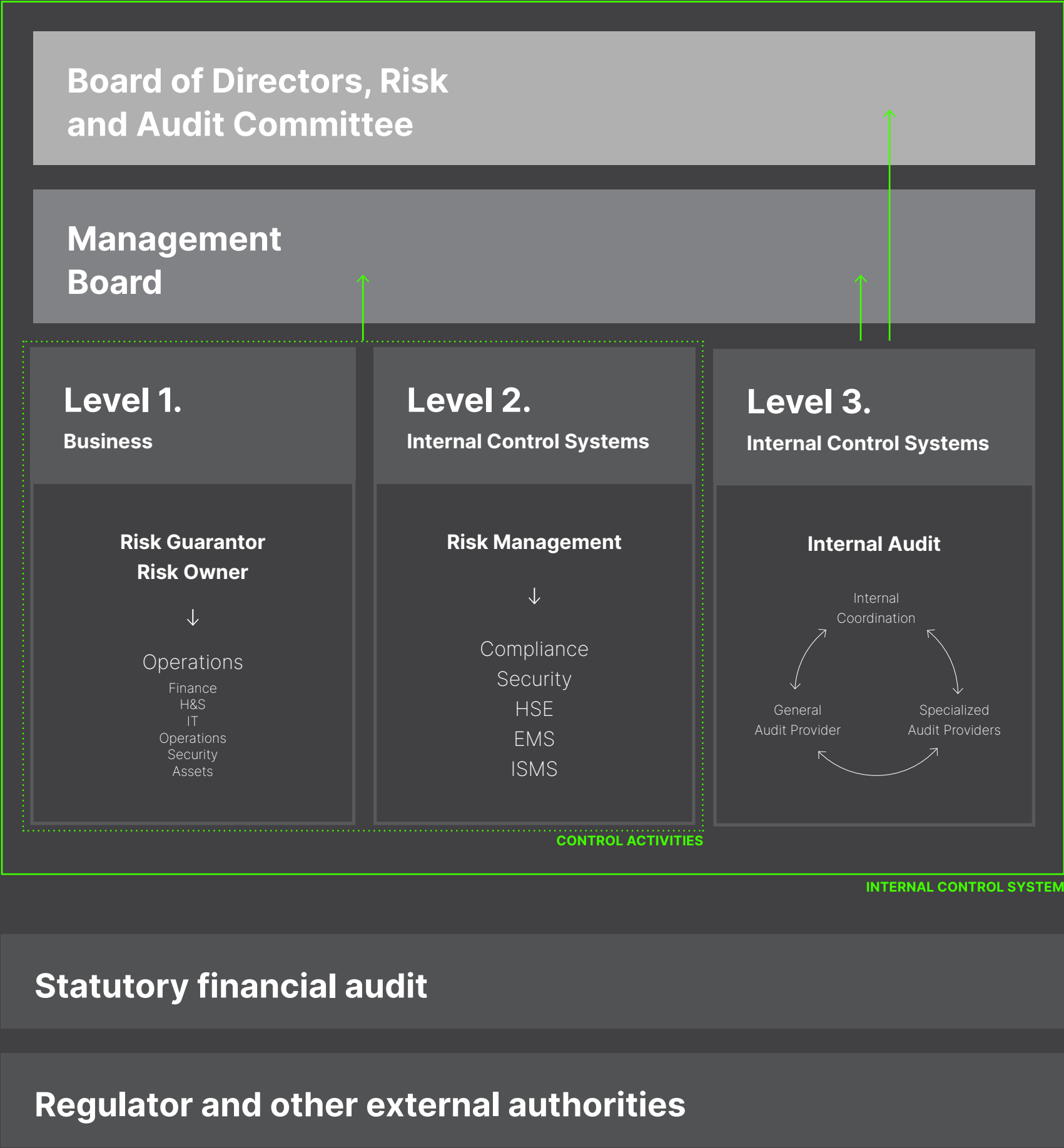
In 2020, we set up a quarterly Work Health, Safety, and Environmental Protection (WHS & EP) Committee, where we discuss key ESG topics with increased focus on safety and environmental activities. All major audit findings and planning, together with evaluation of GasNet’s risks and internal controls are reviewed during the Risk & Audit Committee meeting at least four times a year. Since December 2020, information security topics have been steered quarterly by the Cyber & Information Security Committee, which reports directly to the WHS & EP Committee as one of the fundamental ESG areas.

A LEVEL ABOVE, THE CZECH GRID HOLDING (CGH) THE BOARD OF DIRECTORS (BOD) IS MANDATED TO DISCUSS STRATEGIC TOPICS AND COMPANY PERFORMANCE WITH SHAREHOLDER REPRESENTATIVES. THE BOD HAS 7 MEMBERS INCLUDING GASNET’S EXECUTIVE CHAIRMAN AND 6 MEMBERS OF THE BOARD ELECTED FOR A PERIOD OF 5 YEARS REPRESENTING SHAREHOLDERS FROM MIRA, ACP, AND BCI. THE CGH BOD MEETS REGULARLY EVERY 6-7 WEEKS WITH EIGHT MEETINGS IN TOTAL PER YEAR.



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**Risk management
process scheme**



Risk management

GasNet has a robust risk management system in place that feeds directly into our Management Board and Risk & Audit Committee. Rigorous processes are in place to increase risk management awareness at all management levels to then actively mitigate and reduce risk across our organisation.

Our risk management process sits upon three key process pillars of risk assessment, risk analysis, and risk response: the three pillars span a wide range of actors from risk owners and guarantors through to auditors to ensure a holistic viewpoint on business risk is taken.

Significant progress was made in 2020 to ensure the risk management process is valuable and objective across the business, this was supported by the hiring of a new risk management specialist with finance experience. Many achievements were made throughout the year including the incorporation of all risks that were previously managed by innogy CZ into our risk process, followed by the development of a risk map. Many workshops were carried out to align the role of risk management across the interfacing departments such as internal audit which resulted in a new risk categorisation approach that was then endorsed by the Management Board and a subsequent shortlist of the top 7 company risks for 2021 were identified.

Our priorities for 2021 have been identified including the necessary next steps. This year we plan to update and improve the risk ranking process to factor in a financial valuation and better understand the likelihood and past occurrences of each risk. We also plan to develop our key risk indicators (KRI's) in

line with the ISO 31000 standard to better identify the early warning indicators. Additionally, we plan to strengthen the impact of risk management on our contract structures through procurement and legal departments to help identify risks at the earliest possible stage. To bring the 2021 updates together, communication and information cascading between the Management Board and risk owners will be important to ensure targets are transparent and the necessary actors are accountable for the risks they own.

2021

**YEAR OF IMPROVING RISK
RANKING PROCESS, DEVELOPING
OUR KEY RISK INDICATORS AND
STRENGTHENING THE IMPACT OF
OUR RISK MANAGEMENT**

Defence structure

1st

Line of Defence

Physical Security
Operation Functions

Alarm Receiving Centre
Central Distribution Dispatching
Facility Services

Other Business
Roles

Asset Owners / Administrators of buildings
All employees and external parties

2nd

Line of Defence

ESG &
Security

Physical Security Governance
function

3rd

Line of Defence

Regulatory/Legal
& Internal Audit

Information & Cyber Security
Internal Audit

Security

Security is of unequivocal importance to GasNet in ensuring our critical infrastructure is protected so we can continue to operate and fulfil our customers’ demands.

Security is important to us in multiple contexts, however we have organised our efforts to cover three fundamental categories: cyber & information security, personal data protection, and physical security.

Our cyber & information security process is organised using a risk-based approach with a three lines of defence model consisting of risk owners, risk control & compliance, and risk assurance. All actors have a direct reporting route into senior management by utilising the aforementioned risk management process, as well as the board members having oversight of the entire process.

Regarding the risk owners who provide the first line of defence, specifically in the context of digital and information technology security, our functions include: cyber security architecture, operational IT security and software & hardware asset management. The first line of defence is also supported by the business application owners who provide access to assets and applications, as well as our employees and partners who are responsible for observing the security policies. Acting as the second line of defence is the risk control and & compliance function that aligns regularly with the risk owners, this area provides the

foundations for the risk owners to ensure security is instilled,a few of their activities include developing the overarching cyber and information security strategy and associated policies & processes, implementation of the SCADA infrastructure, and orchestrating the incident management process. This second line of defence is then audited by the risk assurance pillar (the third line of defence) that provides regulatory, legal and internal audit and compliance checks.

In the context of cyber and information security at GasNet, we also rely on our dedicated Data Protection Officer (DPO) function that ensures General Data Protection Regulation (GDPR) compliance is achieved through specifying the necessary requirements to protect personal data and provides expertise and guidance to other defence areas. Throughout 2020, the DPO office worked intensively with the business and IT to assure GDPR compliance during the carve-out from the innogy Group and its IT systems in particular. In 2021, DPO’s key activities will focus on revision of technical and organisational measures in relation to our supplier chain, employee awareness and enhanced trainings, as well as continuous support for the ongoing IT transformation.

Physical security at GasNet is addressed with the same level of objectivity as cyber and information Security, again following a three lines of defence model. Firstly, we have our facility services function that manage the physical security services in our administrative buildings (i.e. physical guards, reception desk etc.). This team are then supported by our partner provided physical security operations function that deliver 24-hour patrols and response

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to all alarms and incidents who then link into the central distribution dispatch team that handle the internal capacity coordination required to respond to any incidents, as well as initiate the necessary communications to incident solvers or the Crisis management team. Important to this first stage of defence is that our employees and partners observe secure behaviour and report incidents accordingly to protect our assets. These front-line defence actors are organised by our ESG and security function who design, implement and refresh the necessary policies concerning physical security, this function is then audited to ensure compliance by our regulatory/legal and internal audit team.

Being part of the Czech critical infrastructure, we need to ensure robust emergency response processes are in place to avoid any serious impact on our business operations and employees.

Therefore, the crisis management process is established at GasNet to define key concepts of crisis management and ultimately protect our employees, stakeholders and the company during emergencies. Its essential part is the **Crisis Management Team (CMT), which currently includes all GasNet Board members, ESG & Security Director, Crisis Management Senior Specialist and representatives of five key functions (Asset Management, HR, Communications, Facility & Services, Legal).**

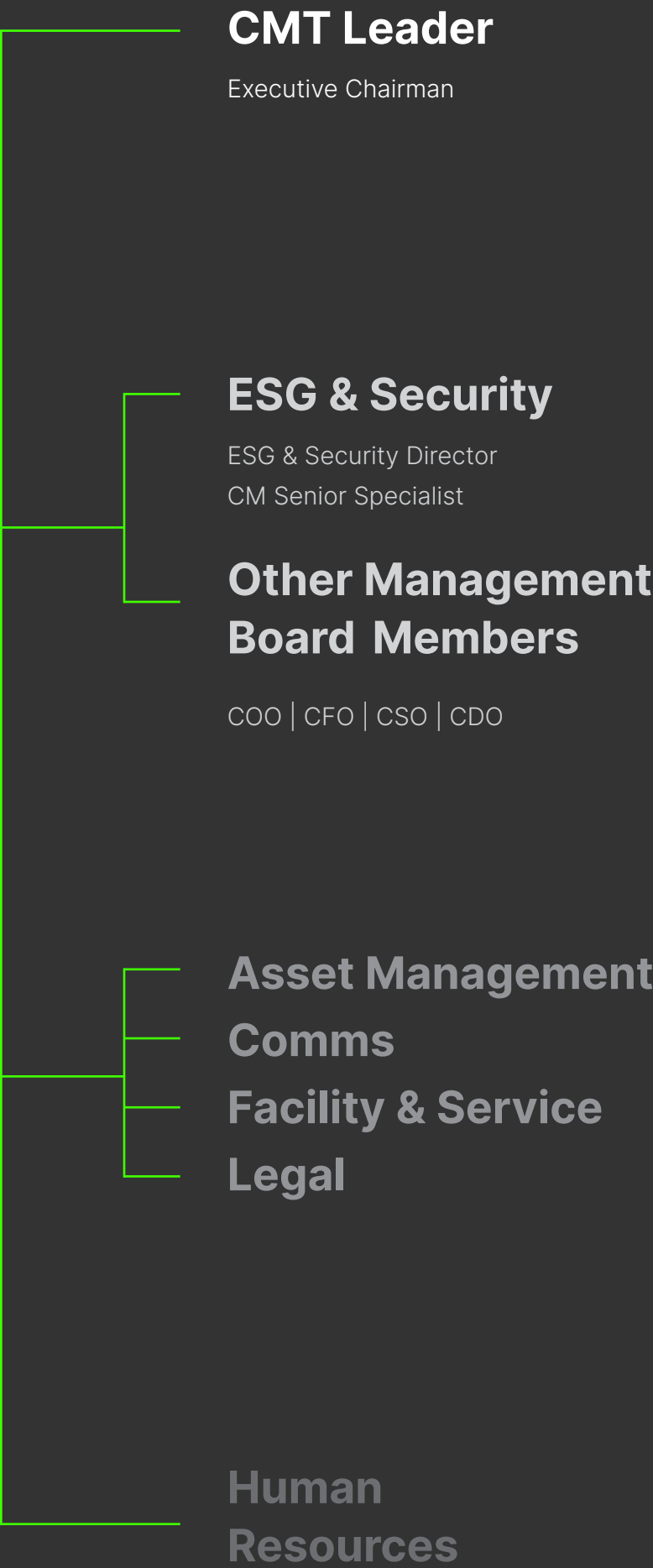


“We take the threat of cyber-attacks seriously. We have the management of our distribution network under our control at all times. We protect our systems and data at the highest possible level.”

Jiří Nováček,
CDO

Individual roles and responsibilities of the CMT members together with criteria for the activation of crisis management processes are described in our internal documentation under Crisis management plan. In direct response to the COVID-19 pandemic that disrupted much of the world in 2020, we have quickly established a Pandemic Plan that defines fundamental procedures and reaction systems to the latest development of the situation in the Czech Republic. By following this guideline, we aim to mitigate the effects of a pandemic or epidemic on the health of our employees and stakeholders and ensure continuity of key business activities.

Crisis management composition for the current situation





Business Model Resilience

GasNet operates in a highly regulated business, which requires long-term stability of distributed volumes and increased resilience against market disruptions to ensure continuity of operations. Due to recent global developments, the transformation of the energy sector is inevitable and new ways to provide sustainable and environmentally-friendly commodities will be necessary even for gas distribution companies.

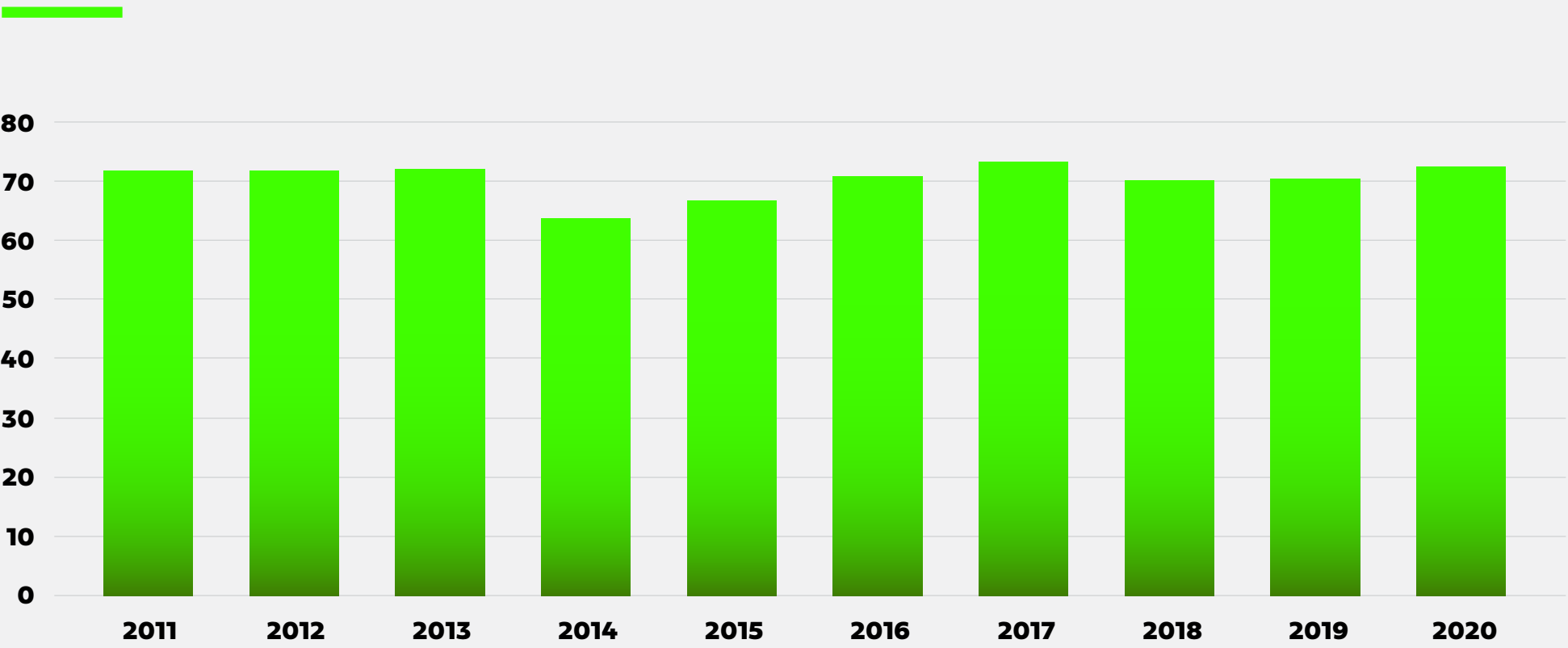
Despite our increasing efforts to support a sustainable future through green gases, we must still maintain the reliability of our current distribution network, because natural gas will play a crucial role as a transitional commodity in the Czech Republic. Government support including subsidies for gas symbolise the continuous importance of gas on the Czech market in both the B2C and B2B segments. **Therefore, we expect gas consumption to remain stable in the long-term with slight fluctuations due to weather conditions.**

We regularly monitor the performance of our business model and take the necessary steps to maintain the resilience of our operations through planned investments into our network. An extensive Asset Management system is in place to react to various external and internal factors and ensure continuous maintenance and development of the pipeline according to the Plan, Do, Check, Act (PDCA) framework. Selected key performance indicators are regularly monitored and carefully evaluated to make investment decisions that contribute towards core Asset Management goals – safety, reliability, efficiency, sustainability.

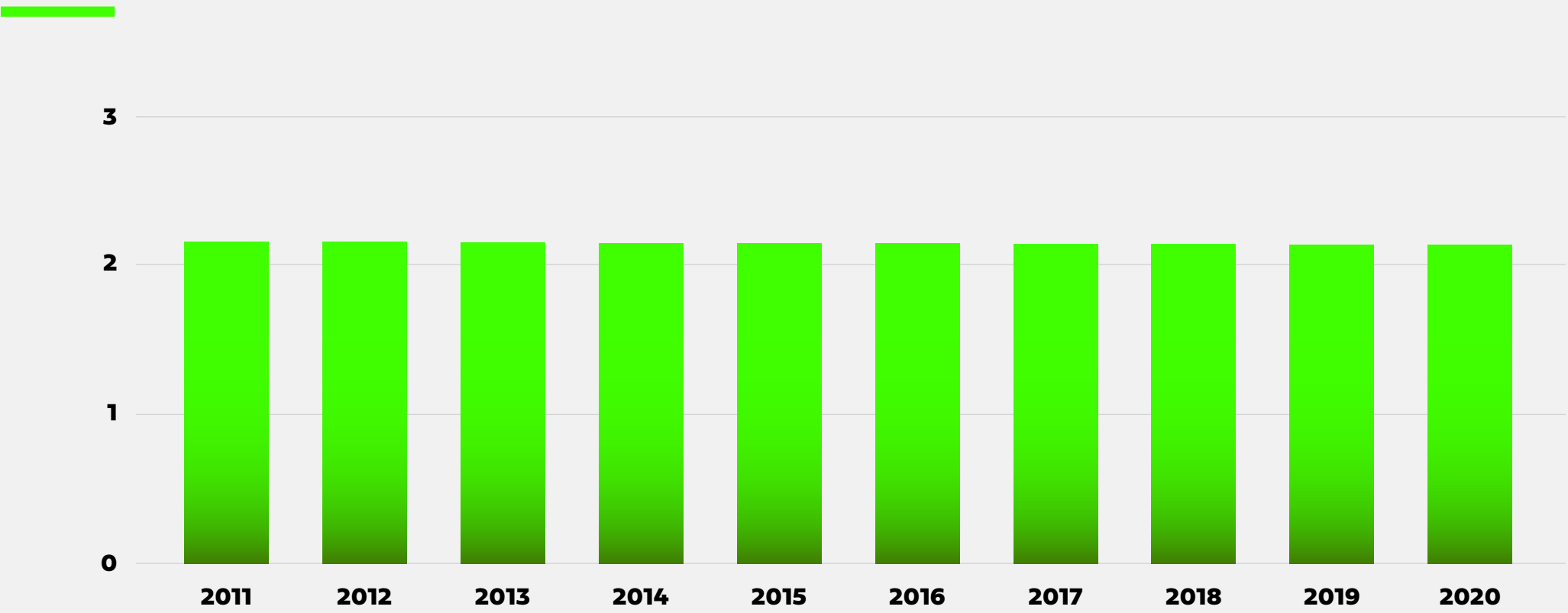
A key indicator reflecting the market stability for natural gas is the total distributed volume per year. **Except for 2014 and 2015, we consistently distribute around 70 TWh of natural gas to end customers through our network. In 2020, we saw an increase of distributed volume to more than 72 TWh.** We expect a similar trend to continue in the future with potential increase in distributed volumes due to ongoing policy support and our efforts to facilitate energy transition in the Czech Republic. Additionally, the number of offtake points that we oversee for end customers have remained stable over the past 10 years. This once again demonstrates our strong and stable position as a natural gas distributor.

Furthermore, our business resilience is reflected by the consumption of households and small businesses. To properly evaluate the trend, we focus on gas consumption normalised for any weather effects. Although normalised consumption was slowly decreasing, the recent trend shows the opposite development and in 2020, we reached the highest point in the past 6 years. Similarly, maximum daily volume distributed to large businesses has been above 14 millions m3 for the past 7 years.

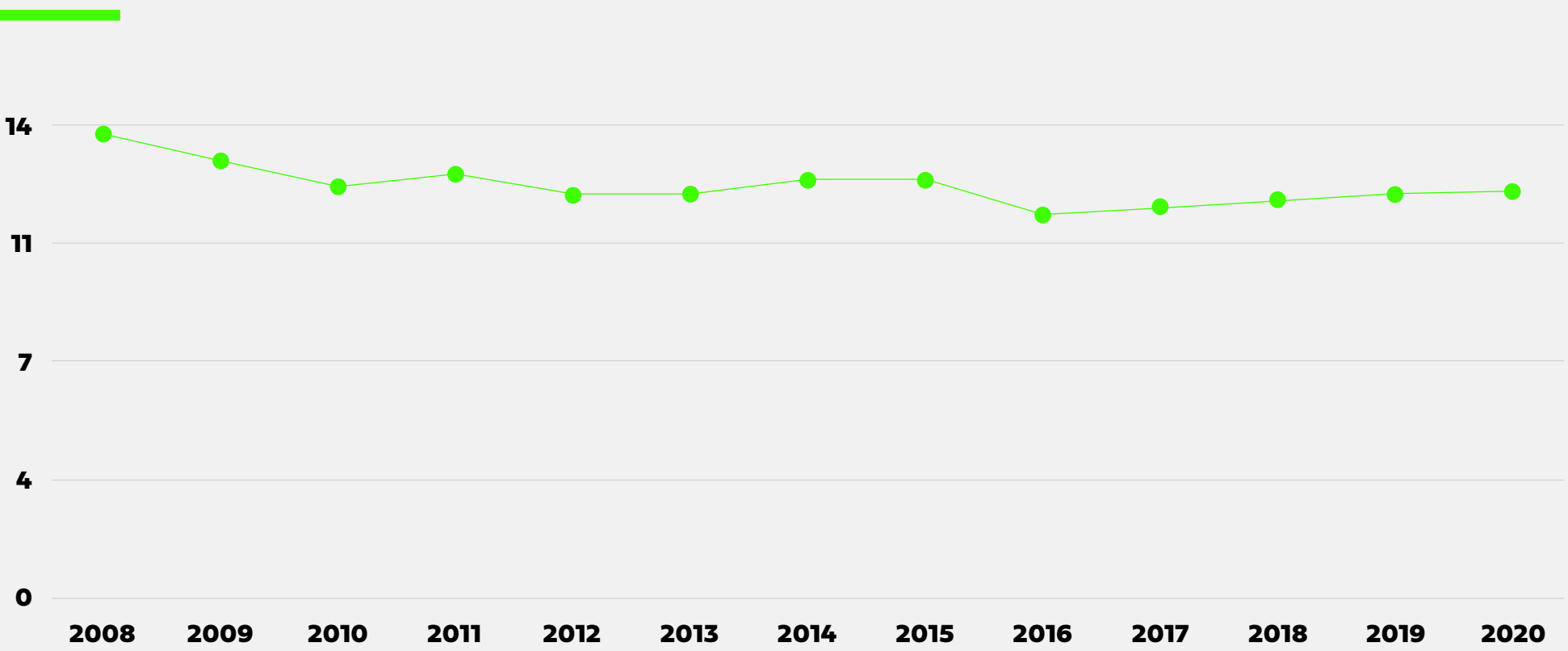
Distributed volume of natural gas [TWh]



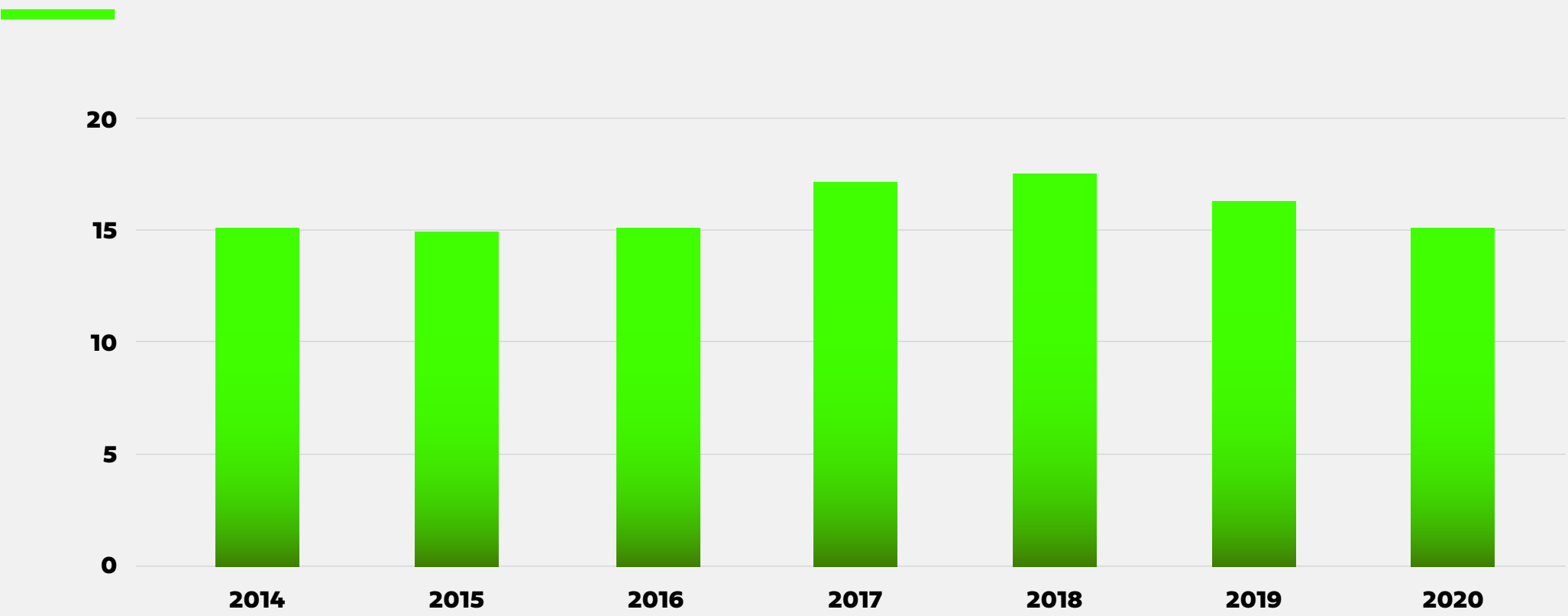
Number of offtake points (millions)



Normalised consumption of households and small businesses (GWh/Degree day score¹)



Maximum daily distributed capacity for large businesses (millions of m³)



¹ Degree day score is the sum of the difference between the daily reference temperature (15° C) and the actual daily temperature in the given year



Supply chain

We are committed to conducting business so as to set an example for promoting GasNet’s principles and core values. Thus, we expect that companies entering into a business partnership with us will embrace the same principles and values as the basis for our partnership. To achieve this goal, we incorporate our company principles laid down in the Code of Conduct into all contractual arrangements. Wherever incompatible internal policies result in a conflict or the application of the principles laid down in the Code of Conduct is not possible in the framework of a business partnership, we strive to agree on a common set of standards that corresponds, as a minimum, to the level of the UN Global Compact. If it becomes known in the public domain that our business partners violate these principles, we reexamine our partnership with such a partner, and take any appropriate measures that we deem necessary.

We regularly engage with our supply chain to promote sustainable and responsible business partnerships. Our procurement process is continually evolving and last year, we started an initiative to include additional ESG-specific requirements for the prequalification and selection of our suppliers. This activity will continue in 2021 by revising current contracts as well as setting new requirements for our internal processes to support environemntal-friendly products and services.

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Looking beyond 2020

2020 has been a significant year for GasNet, and our deep-rooted processes have enabled us to achieve our goal of providing our customers with the services they need, as well as constantly striving to improve the quality of our products and services in the years to come.

Our business is heavily dependent on ongoing energy transition, as well as associated regulatory and legal environment changes throughout the energy sector. It is therefore essential to ensure we continuously monitor new developments, engage in negotiations, and ensure compliance with all requirements and laws. We have therefore organised ourselves through the aforementioned governance boards to ensure we are ready to respond to any changes beyond 2020. Specifically, the newly installed Cyber & Information Security Committee, which monitors information security topics that feed directly to the WHS & EP Committee as one of the key ESG areas.

In terms of overall business risk, we made great progress in 2020 with many new initiatives and the new appointment of a risk specialist. Looking towards 2021, we have clear plans to update and improve the risk ranking process, to further develop our key risk

indicators (KRI's), and to strengthen the impact of risk management on our contract structures. To ensure we achieve this, there is a real focus on communication and information cascade between the Management Board and risk owners to ensure targets are transparent and the necessary actors are accountable for the risks they own. From an overall market stability perspective, in the context of total gas distributed per year, we have shown good consistency in previous years with around 70 TWh of natural gas supplied to end customers. In 2020, we saw this increase to over 72 TWh and we expect a similar trend to continue. Looking ahead, we could even see a further increase in distributed volumes driven by ongoing policy support and our concerted efforts to facilitate energy transition in the Czech Republic.

GasNet will also become a member of Business for Society in 2021, a leading organisation advancing ESG activities in the Czech Republic. We strive to act as a positive change agent in our society and we are hoping to leverage this cross-industry platform for advocacy of social and environmental responsibility, as well as for co-operation with other leading companies to multiply our collective impact.



- COMPLIANCE WITH ALL REQUIREMENTS AND LAWS
- RISK RANKING PROCESS
- INCREASE IN DISTRIBUTED VOLUMES DRIVEN BY ONGOING POLICY SUPPORT
- MEMBERSHIP IN BUSINESS FOR SOCIETY

Looking beyond 2020 highlights



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#2.4 SDG targets summary





8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

Our contribution to selected SDGs



Target 8.4.

Revising contractual conditions with our suppliers to reduce our environmental footprint, especially from waste generation.

Formalising sustainability issues in sustainable procurement policies and supplier codes of conduct.

Setting sustainable criteria for the selection of suppliers and incorporating requirements in the Code of Conduct into contractual arrangements.

Target 9.1.

Focus on resilience of our gas distribution network and monitoring of gas distribution volume trends to ensure access for all of our end customers.

Target 12.7.

Revising contractual conditions with our suppliers to reduce our environmental footprint, especially from waste generation.

Formalising sustainability issues in sustainable procurement policies and suppliers’ own codes of conduct.

Setting sustainable criteria for the selection of suppliers and incorporating requirements in our Code of Conduct into contractual arrangements.



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Abbreviations

List of abbreviations

ACP	Allianz Capital Partners	ECR	Energy Recycling Centre	LTI	Lost Time Injuries
ADR	Agreement International Carriage of Dangerous Goods by Road	EFG	Energy Financial Group	LTIF	Lost Time Injury Frequency
BCI	British Columbia Investment Management Corporation	EMS	Environmental Management Systems	MIRA	Macquarie Infrastructure and Real Assets
CDO	Chief Digital Officer	EP	environmental protection	MPO	Ministry of Industry and Trade of the Czech Republic
CFO	Chief Financial Officer	ERICPD	Eliminate, Reduce, Isolate, Control, Personal Protective Equipment, Discipline	NECP	National Energy and Climate Plan
CGA	Czech Gas Association	ERO	Energy Regulatory Office	NGO	non-governmental organization
CGH	Czech Grid Holding	ESG	Environmental, Social and Governance	NOSACQ 50	Nordic Occupational Safety Climate Questionnaire
CGN	Czech Gas Networks	EU	European Union	NOx	nitrogen oxides
CGNI	Czech Gas Networks Investments	EUR	Euro (currency)	OHSAS	Occupational Health and Safety Assessment Specification
CMT	Crisis Management Team	GDPR	General Data Protection Regulation	PDCA	Plan, Do, Check, Act
CNG	compressed natural gas	GHG	Greenhouse Gas	PE	polyethylene
CO	carbon monoxide	GRESB	Global Real Estate Sustainability Benchmark	PPE	personal protective equipment
CO2	carbon dioxide	GRI	Global Reporting Initiative	PV	photo-voltaic
COO	Chief Operating Officer	GWh	gigawatt-hours	RES	renewable energy source
COP21	Conference of Parties 21	H&S	Health and Safety	SDG	Sustainable Development Goals
COVID-19	coronavirus disease 2019	HR	Human Resources	SFŽP	State Environmental Fund of the Czech Republic
CSO	Chief Services Officer	HSE	Health and Safety Executive	STEM	science, technology, engineering, and mathematics
CZK	Czech koruna (currency)	IGU	International Gas Union	TL	technological losses
D&I	Diversity and Inclusion	IPCC	Intergovernmental Panel on Climate Change	TPG	Technical Regulation for Gas
DA	digital ambassador	ISMS	Information Security Management System	TWh	terawatt-hours
DofE	The Duke of Edinburgh´s International Award	ISO	International Organization for Standardization	UN	United Nations
DPO	Data Protection Officer	KPI	key performance indicator	WHS	Work, Health & Safety
DSO	Distribution System Operator	LNG	liquefied natural gas		

Safety Responsibility Respect

