



gasnet.cz



Sustainability Report ^{'23}

gasnet.cz

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**“ IN 2023, WE
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THESE ARE
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FOLLOWING PAGES OF
THIS SUSTAINABILITY
REPORT. ”**

Martin Gebauer



Ladies and gentlemen,

I am very pleased to present this, our fourth Sustainability Report, which sets out details of all GasNet’s ESG activities.

2023 delivered a number of challenges related to the increasingly complex geopolitical and economic situation. Issues such as energy availability, security of supply and gas consumption continued to resonate strongly in the public arena and remained at the forefront of political, professional and general public interest.

Our company is the largest domestic natural gas distributor, and we are part of the Czech Republic’s critical infrastructure. I am therefore extremely pleased that even in this turbulent year we have not deviated from our high standards and that we have secured safe and reliable gas supplies for all our customers.

We also continued to successfully implement our long-term ESG strategy. The results of our persistent efforts have been confirmed by independent and international assessments. One excellent accolade is the fact that, for the third consecutive time, we were able to improve our ESG rating from the global agency

Sustainalytics. Our overall score increased to 14.6, moving us up to third place among gas companies globally.

This exceptional success was then topped by another prestigious award. After comparing our results with other companies, including companies in the electricity, water and renewable energy sectors, Sustainalytics came to a clear conclusion – GasNet is one of the best performers in the entire infrastructure sector. We were evaluated as Industry Top Rated.

We believe in the future of gas. Thanks to its unique features, gas is an irreplaceable part of the Czech energy sector. Natural gas will play a key role in the decarbonisation process, especially in the context of the Czech Republic’s shift away from coal. In this context, in 2023 we connected new heating plants and industrial enterprises that had decided to switch to low-emission operation without coal to our network. At the same time, we continued to prepare for the implementation of low- and zero-emission gases such as biomethane and hydrogen.

In the case of biomethane, we built on the previous year and connected new biomethane plants to our pipelines, increasing the share of this renewable gas in

our network. In addition, in 2023, we also succeeded in getting biomethane into the tanks of freight transport vehicles. We confirmed our position as a leader in LNG for road freight with another strategic milestone: we were the first domestic company to successfully launch sales of low-emission liquefied biomethane (bioLNG).

We have supported the development of hydrogen technology by making further investment in our grid. Every newly repaired or constructed metre of pipeline is hydrogen-ready. In addition, we have started construction of our own hydrogen test centre to train our gas engineers, and we initiated the Czech Republic’s first project for adding hydrogen to the natural gas in the local network. We have also joined the Moravian-Silesian Hydrogen Cluster, which brings together representatives of the region, universities and private companies. The aim is to create a functioning business model for the region’s system of hydrogen production and distribution within 10 years.

A modern, green, emission-free and sustainable energy industry cannot work without quality and structured data and automatically connected processes. Because we at GasNet are aware of this, we have continued our digital transformation over

the past 12 months to strengthen our efficiency and prepare for the challenges of the future.

Safety is an absolute priority for us. I am therefore pleased to announce that we met all our safety targets in 2023. Thanks to a well-established and functional control and feedback system, we also managed to improve the safety culture of our contract partners.

We have also stayed firmly on our path as a responsible and fair company. Thanks to the continuous improvement of our corporate culture and working conditions, we were awarded the 2023 Fair Employer with a Good Atmosphere award.

In 2023, we achieved a number of other significant milestones and improvements. These are showcased in the following pages of this Sustainability Report.

Martin Gebauer

Chairman of the Board of Directors of our parent company, Czech Grid Holding, and Chief Executive Officer of the GasNet Group

About this Report

The GasNet Group's annual sustainability report is used to report information on our impacts, processes and responsible ESG management. We aim to transparently disclose non-financial information primarily for the use of external stakeholders, investors, partners and the general public. This sustainability report also helps us assess potential risks and opportunities for sustainable business. By tracking the development of key indicators, we can make strategic decisions on the future direction of ESG across the GasNet Group. The entire report is prepared with reference to GRI ([Global Reporting Initiative](#)) standards.

This report was issued on 2nd September 2024 and provides consolidated non-financial data at GasNet Group level for the calendar year 2023. Financial results for the same period are reported separately in the annual reports of the two GasNet Group companies.

If you have any questions about this report, please contact GasNet Group's PR & Communications Department at komunikace@gasnet.cz.

About the GasNet Group

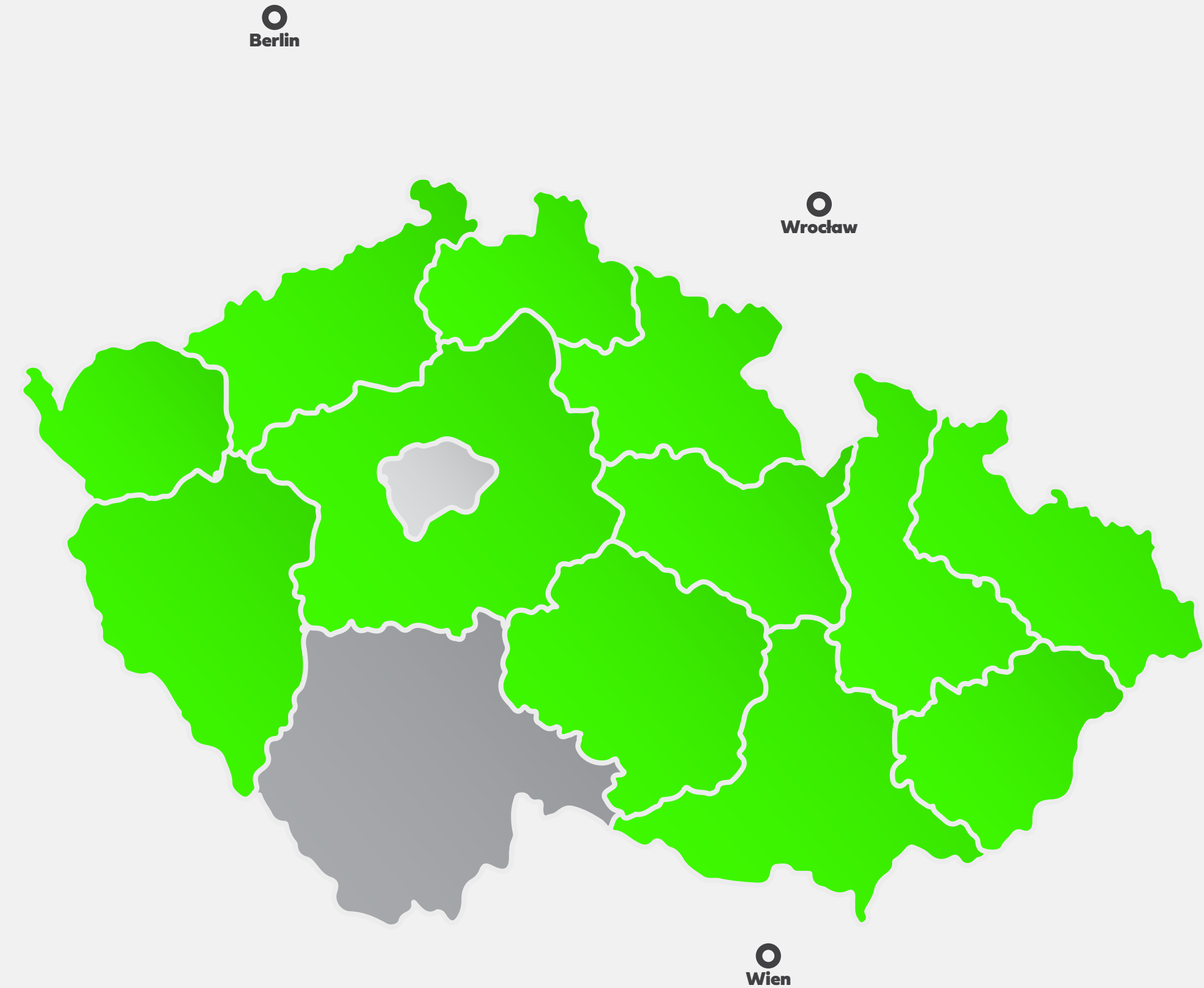
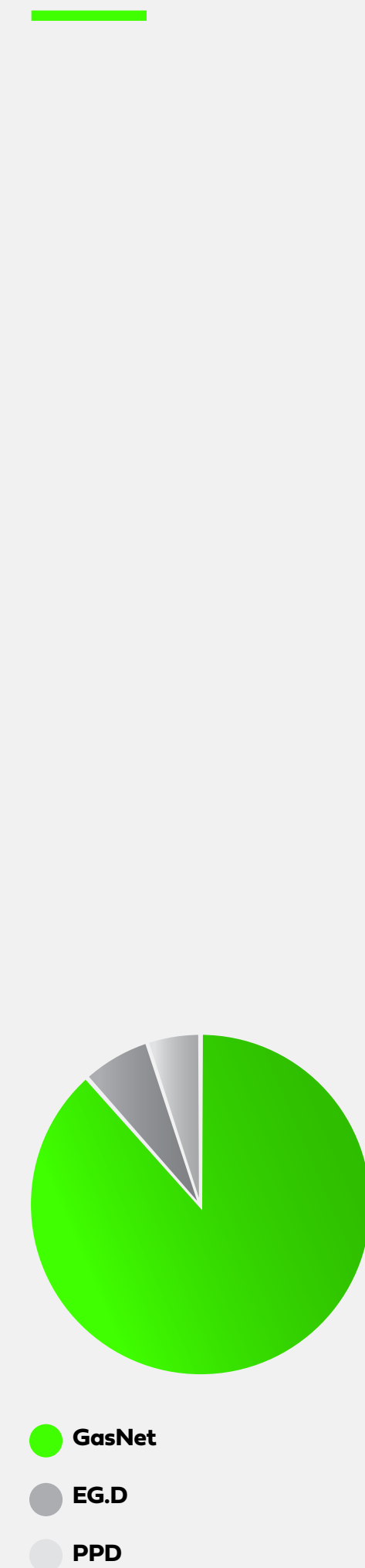
Who we are

We are the largest gas distributor in the Czech Republic. More than 2.3 million customers rely on our gas supply every day. We manage 65,000 kilometres of gas pipelines. We cover the entire territory of the Czech Republic – except Prague and South Bohemia. Every year, the Czech Republic consumes about 70 TWh of natural gas. As much as 80% of this energy is distributed by us to the end customers. We are indispensable to the operation of the Czech economy, and we are part of our country's critical infrastructure. Wherever people live and work, that's where we are.

What we do

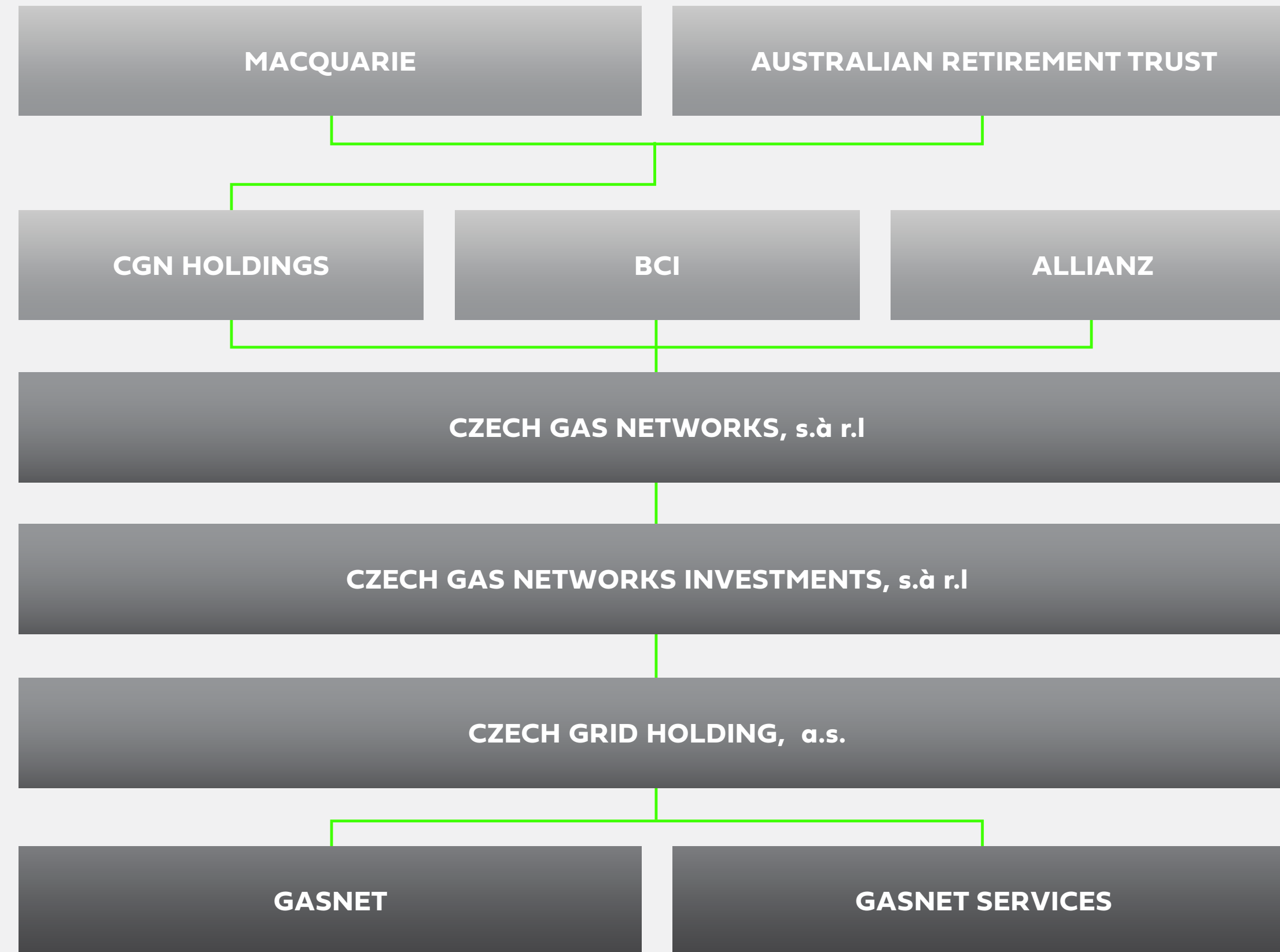
Natural gas provides energy that is indispensable for everyday life. It guarantees warmth, comfort, and convenience at home. It drives Czech industry, companies, and institutions. We take care of its safe and reliable journey to our customers - 365 days a year, 24 hours a day. We are also a leader in building LNG infrastructure for road freight transport in the Czech market. We provide LNG at the stations we operate, helping our customers reduce emissions.

Ratio of the length of the networks managed by distribution companies in the Czech Republic:



The GasNet Group is formally made up of two interconnected companies, GasNet, s.r.o. and GasNet Služby, s.r.o. While GasNet operates and owns the gas distribution system, GasNet Služby provides repair, maintenance, and development services for this network as a service company. The GasNet Group is wholly owned by a consortium of investors led by Macquarie Asset Management (MAM). The consortium includes British Columbia Investment Management Corporation (BCI) and Allianz Capital Partners representing Allianz Group insurance companies.

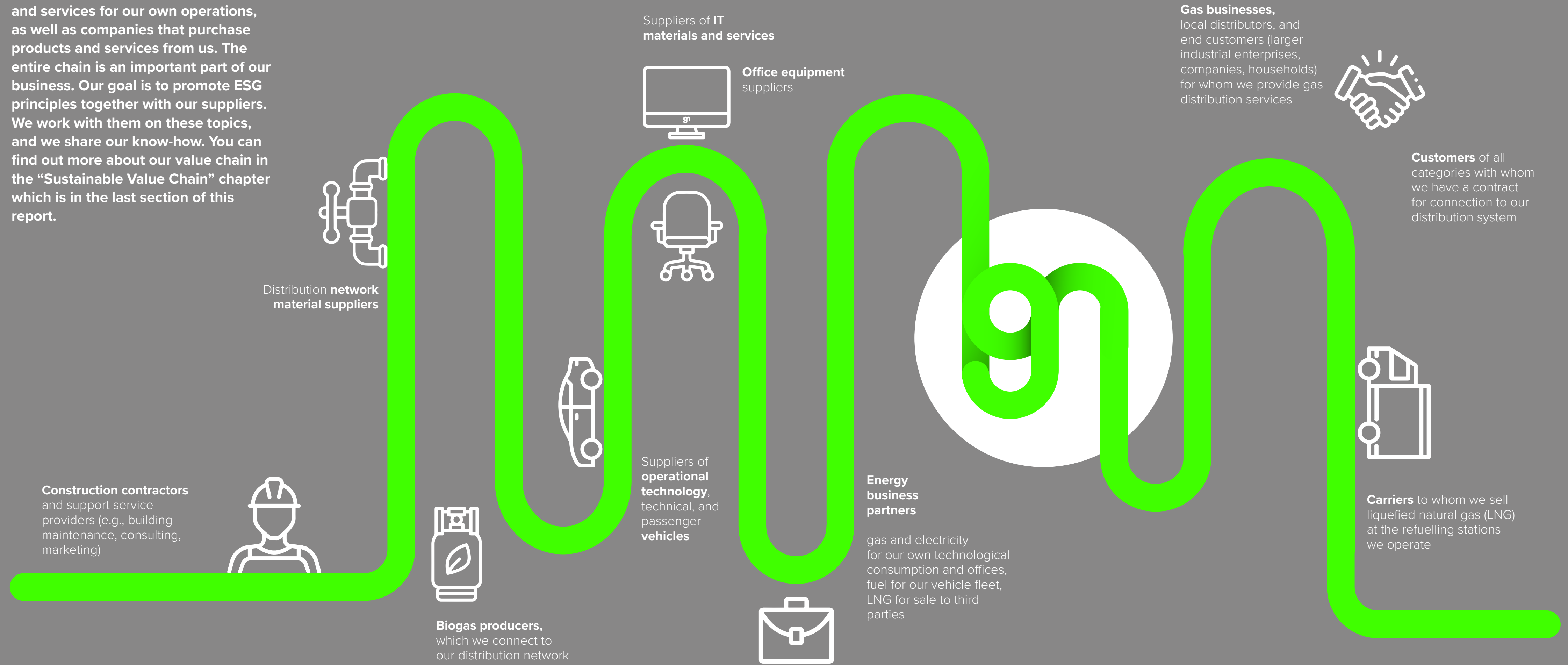
Ownership structure



Value Chain

Our value chain includes companies from which we purchase products and services for our own operations, as well as companies that purchase products and services from us. The entire chain is an important part of our business. Our goal is to promote ESG principles together with our suppliers. We work with them on these topics, and we share our know-how. You can find out more about our value chain in the “Sustainable Value Chain” chapter which is in the last section of this report.

← Upstream | Downstream →



Our corporate culture is based on core values

Our corporate culture is based on three values – safety, reliability, and respect.



Safety

is the way we think, the way we behave, the way we work. We anticipate risks. We follow the rules. We want to become the embodiment of safety standards.



Reliability

is trust. Our word is our bond. This is the foundation for our mutual cooperation and the way we work. It is proof of our professionalism. It is the essence of the commitment we have to the millions of people who rely on us every day.



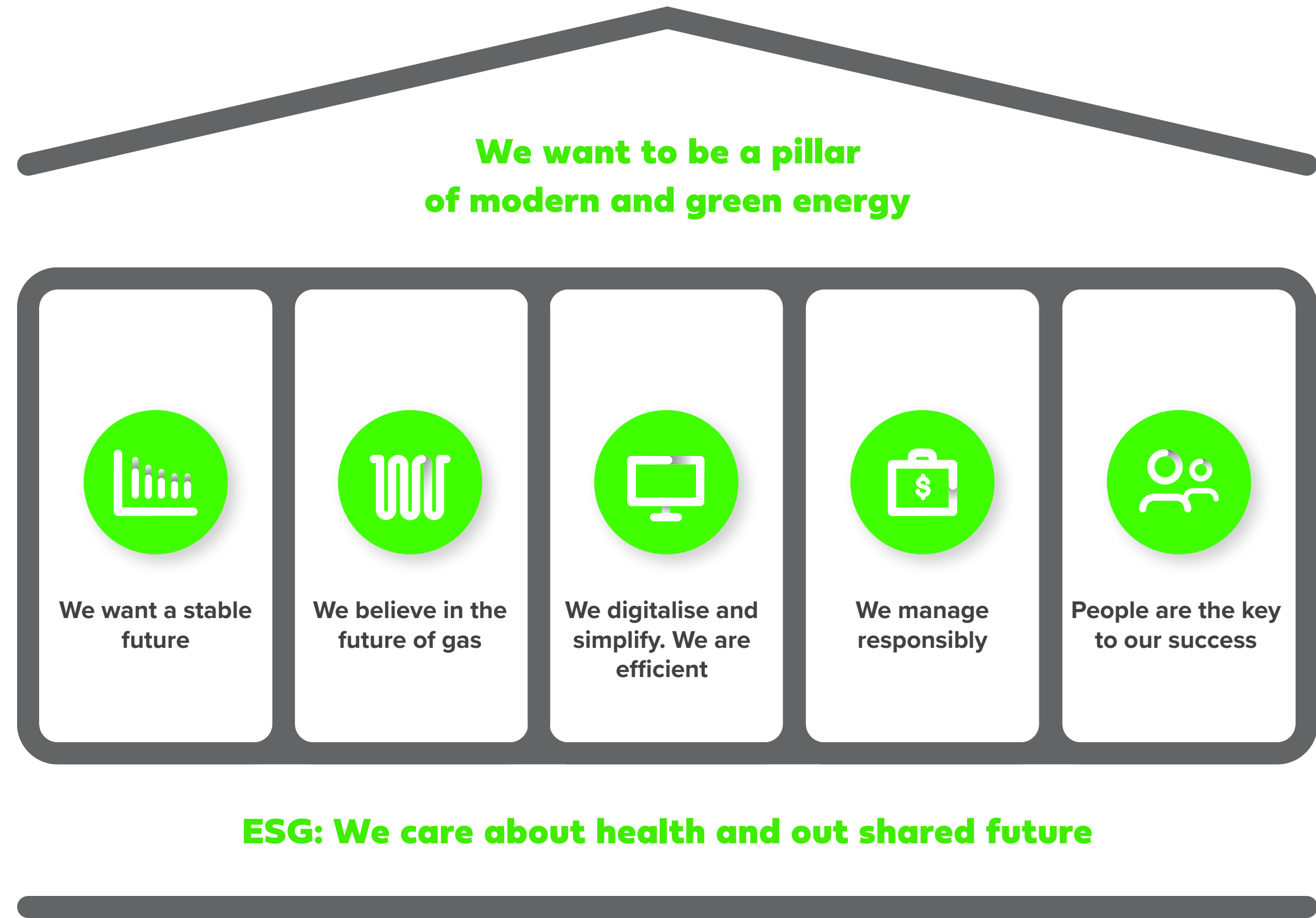
Respect

expresses our regard for each other, customers, shareholders, partners, and the environment. Respect for people, for diversity, for the environment, respect for our shared future. We respect safety. We respect the rules. We respect the energy we distribute. Without respect, there is no team.

Our direction is set by a corporate strategy based on the principles of sustainability and responsibility

Our corporate strategy determines where we want to go. **We want to be a pillar of modern and green energy.** That is our vision. That is our goal.

To help us explain our strategy in a clear and understandable way to our employees and also to the public, we have simplified it using the analogy of a house. Just like a real house, our strategy has a foundation, pillars, and a roof. The area of ESG is embedded in the very foundation of our strategic house. We build everything else on top of that foundation.



Our

ESG

commitment

We are a socially **responsible** company with a strong emphasis on **sustainability, the environment,** and **ethical management.**

We promote **digitalisation** and the use of **modern technologies** because we believe this is the path to sustainable business development.

We care about the future that we are shaping together with our **employees** and **partners.**

We are committed to helping **communities** and supporting **diversity.**

The four pillars of ESG

Our ESG strategy is based on our long-term commitment. It consists of four pillars, or four principles, which are also represented in the four chapters of this report.

We have also chosen to link our approach to ESG with the UN Sustainable Development Goals. These goals

provide a framework for companies to work with governments and other partners to ensure a more sustainable future. We are committed to making a significant contribution to achieving selected Sustainable Development Goals that are in line with our principles and corporate values.



#1

We embody safety standards and health protection

We are part of our country's critical infrastructure. Our work is our mission. Our absolute priorities are security of the energy supply, security of our gas facilities, and the safety of the general public, our employees, and suppliers. We do not compromise on safety, and we go above and beyond our legal obligations. GasNet equals safety. We want to be the epitome of safety standards. Our own health and the health of society as a whole always comes first.



#2

We believe in environmental sustainability and the future of gas

Gas will be part of a low-carbon, sustainable and green future. We strive to better understand the direct and indirect consequences of our activities and to minimise any adverse impact on the environment. We are committed to actively reducing our greenhouse gas emissions. We are already preparing for the future – we are readying our network for green gases. The future of energy is green. The future of the gas industry is sustainable and emission-free.



#3

We care about our people and our society

We care about our employees and our surroundings. That is why we create a fair and inclusive working environment and build on the foundations of open and regular communication with our people. We promote diversity in all its forms (age, education, experience, gender). We build working relationships with schools and other organisations through which we develop the people around us.



#4

We do business responsibly and with respect

We implement the principles of ethical corporate governance and our management firmly adheres to them. We always follow the clear rules that are given by the regulator and legislation. We transparently and regularly communicate our activities, results, and impacts. As part of our country's critical infrastructure, we ensure the resilience of our systems, and thanks to our risk management system, we are ready to deal with all potential threats.



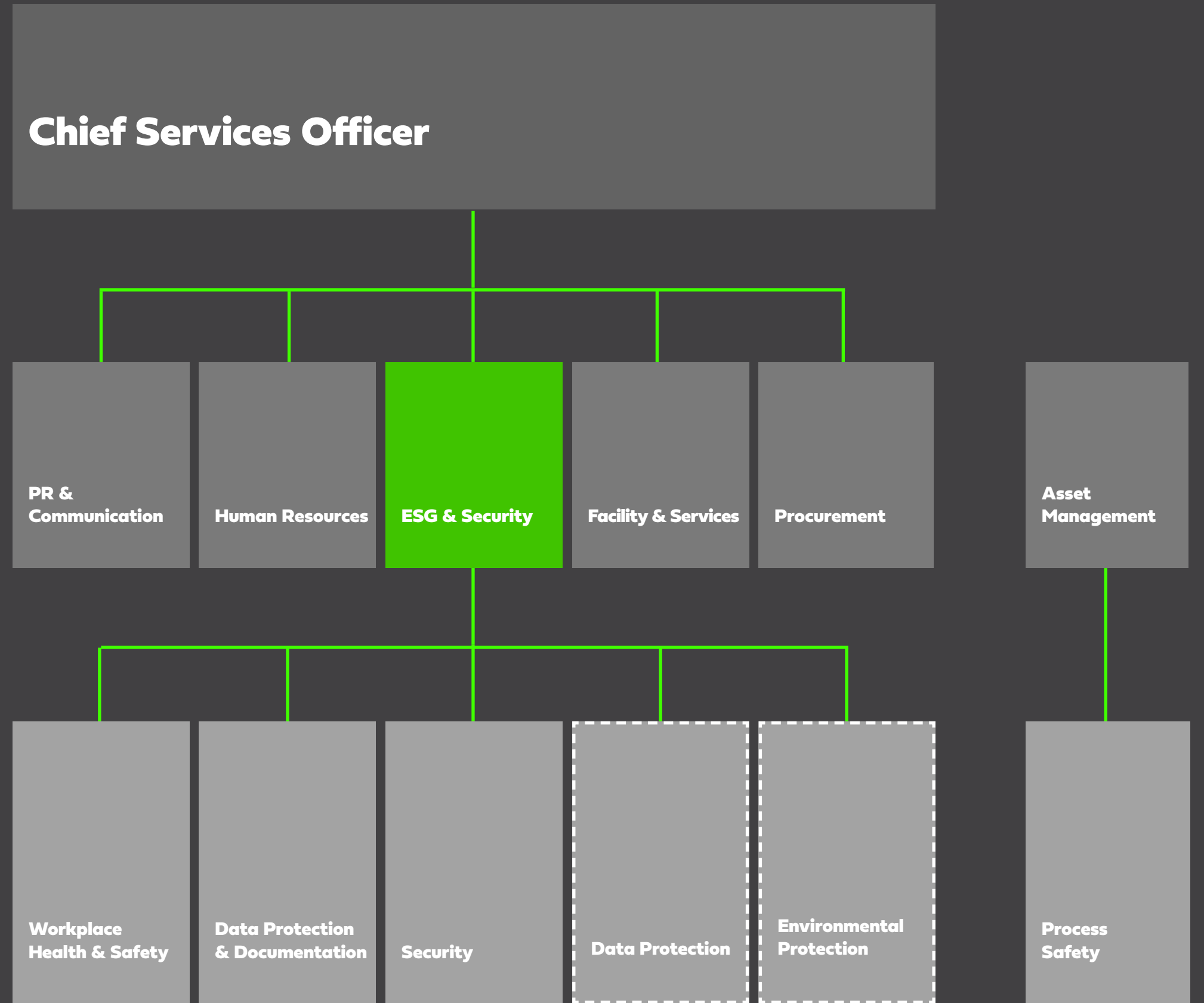
ESG organisational Structure

Our Chief Services Officer (CSO), as a member of the management board, is responsible for the strategic direction of the ESG agenda. The ESG & Security Department is responsible for the development and integration of ESG across the entire company. This includes units dealing with Workplace Health & Safety, Crisis Management & Documentation, and Security (including Cyber and Information Security, Business Continuity Management, and Physical Security). Our Head of ESG & Security directly manages personal data protection and environmental protection.

Our Asset Management Department (and its subordinate Process Safety unit), Human Resources, PR & Communications, Procurement, and Facility & Services work closely together with ESG & Security to contribute to the formation of ESG strategy and to help incorporate it into internal processes.

ESG covers a wide range of topical areas and effective implementation of activities requires constant coordination. We are succeeding in strengthening cross-departmental collaboration and embedding

sustainability into our day-to-day activities, even beyond specialised units. **This connection and involvement of staff at all levels is essential for us.**



* Dashed lines indicate that the area is managed directly by the Head of ESG & Security, rather than as a separate department.

Our stakeholders and their involvement in ESG



If we want to achieve our ESG strategy, the involvement of our stakeholders is essential. For that reason, we work with them on these topics, engage them in open dialogue, and collect feedback from them. Employees from across the GasNet group are involved in these activities via a wide range of channels – from articles and regular surveys to personal workshops, training, and conferences.

Shareholders and Investors

Our shareholders and investors are represented primarily by the consortium of MAM, BCI, ACP, and our bondholders. Their capital is crucial for the successful development of the GasNet group. Sustainability, the future of gas, and responsible management consistent with ESG principles are high priorities for our shareholders and investors. These priorities are reflected in all company activities and are one of the core topics at our quarterly strategic meetings.

Customers

Our customers include gas retailers, households, businesses, district heating, and also LNG, and now bioLNG customers. Our customers are key partners, and we maintain constant contact with them. We strive to meet their high expectations regarding the reliability and quality of our services. Long-term sustainability and the transition to green gases play an important role here.

Employees

Our employees are at the heart of our business because they participate in our everyday activities. Safety, health protection, and motivating working conditions are important factors for our employees, and so these things are also key priorities for GasNet. Through regular communication and activities, we are building a culture of sustainability in our company, through which we aim to promote responsible behaviour both at work and in our employees' private lives.

Suppliers

To ensure a safe and reliable energy supply, we work with a number of partners and suppliers. The services and products that they provide include construction and excavation work, the supply of gas equipment and materials, and IT services. We have been discussing sustainability with our suppliers for a long time and are working on how to incorporate our ESG approach in our relationships with these partners.

State and Regulatory Authorities

We operate in a regulated sector. As a result, our partners also include state and regulatory bodies such as the Energy Regulatory Office, the Ministry of Industry and Trade, the Ministry of the Environment, the Ministry of Finance, the Ministry of Transport, and selected EU institutions. The future of gas will play an important role in the transformation of the Czech energy sector, which is why we open both strategic and technical dialogues aimed at gaining the support of state authorities and accelerating the transition to green gases.

Community and Organisations

As we do business, we directly and indirectly influence various communities in the places we operate. Our goal is not just to minimise any negative impact but rather to have a positive influence through our values, or to create new opportunities in the areas of health, diversity, or the environment. We also engage in dialogues to promote sustainability with a diverse range of non-profits and sector associations which help us promote our vision and goals.

Partner organisations and initiatives

GasNet Group fulfils its ESG obligations not just through its own activities but also through membership of associations and organisations. These long-term strategic partnerships help us be more effective in meeting our ESG goals and multiply our positive impacts.



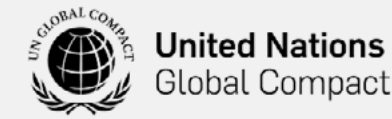
Czech Business Council for Sustainable Development

The Czech Business Council for Sustainable Development brings together leading Czech companies from various sectors that feel responsible for observing the principles of sustainable development and sustainable business. It is the Czech branch of the World Business Council for Sustainable Development, the world's largest private sector association focused on sustainable development. GasNet Group has been a member of the Council's Presidium since November 2023.



Business Leaders Forum

BLF is a national platform for responsible and sustainable business leaders who want to create long-term profit for their shareholders and to be inspired by the benefits of ethical and transparent practices. The platform is part of the international CSR Europe organisation.



UN Global Compact

The world's largest initiative to promote and advocate for sustainability. Founded by the United Nations in 2000. It brings together over 16,000 companies from 161 countries around the world.



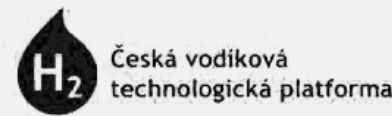
Climate & Sustainable Leaders Czech Republic

A Czech platform whose mission is to transparently monitor and report on the reduction of CO₂ emissions by the Czech Republic's largest companies, and to motivate key players in the Czech economy to initiate projects that contribute to sustainability and climate protection.



Business for Society

The Czech Republic's largest platform for responsible business. It helps companies, both large and small, to establish and develop ESG Principles.



Czech Hydrogen Technology Platform HYTEP

HYTEP aims to develop the hydrogen economy in the Czech Republic in connection with the climate ambitions of the European Union and its member states.



Czech Biomass Association CZ BIOM

CZ BIOM is a Czech association supporting the development and use of biomass, biogas and biomethane as renewable sources of bioenergy in the Czech Republic.



Ready4H2 project

The Ready4H2 Project aims to bring together expertise and experience in hydrogen technologies across European gas distribution companies. Its objective is to develop a unified approach to the question of how distribution companies can help harness the huge potential of hydrogen to reduce carbon dioxide emissions.



Moravian-Silesian Hydrogen Cluster

The mission of the cluster is to actively support the development of the hydrogen ecosystem of the Moravian-Silesian region and to apply hydrogen technologies in the economic transformation of the region. The Hydrogen Cluster brings together representatives of the region, universities and private companies, including GasNet.



Czech Circular Hotspot

The Czech circular hotspot was founded in 2021. Its mission is to create an active national platform for the introduction of circular economy principles by Czech companies. Within this group, Czech companies share good practice and ESG expertise and educate themselves on implementing sustainable principles into internal processes.



Czech Gas Association

This is an independent association of organisations and experts operating in the gas industry and related fields with a focus on technical regulations, legislation, strategy, and education.



Czech Chamber of Commerce*

The Chamber of Commerce is a business association which aims to create opportunities for business, and to promote and support measures that contribute to the development of business in the Czech Republic, and thus to the overall economic stability of our country.



Confederation of Industry and Transport of the Czech Republic

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



OGMP 2.0

The Oil & Gas Methane Partnership 2.0 is the United Nations Environment Program's (UNEP) flagship program for reporting and reducing methane emissions from oil and natural gas. It is the only comprehensive and measurement-based international reporting framework for the industry.



Eurogas*

is an association representing gas companies in negotiations with the EU institutions.



MARCOGAZ*

MARCOGAZ is an international non-profit association that represents the European gas industry in all technical aspects.



International Gas Union (IGU)*

The IGU is a global non-profit organisation that promotes gas as an integral part of a sustainable global energy.

* Through the Czech Gas Association

ESG milestones and ratings

Our 2023 ESG milestones

MORAVIAN-SILESIA HYDROGEN CLUSTER

JANUARY

We joined the Moravian-Silesian Hydrogen Cluster, which brings together representatives of the region, universities, and private companies. The aim is to create a functioning business model for the production and distribution of hydrogen within 10 years.

HEALTH AND SAFETY MANAGEMENT – INTERNAL AUDIT SYSTEM

MAY

With the help of our own staff, we launched an internal audit project of our Safety Management System in accordance with ISO 45001.

OPERATIONS STAFF MEETINGS

MAY-JUNE

We keep in close contact with our people. We held a series of eight regional discussion meetings between our operations employees and the senior management.

FAIR EMPLOYER OF THE YEAR 2023

JUNE

We were awarded first place in the Fair Employer of the Year competition, in the category of companies with more than 500 employees. The award is based on evaluations by current and former employees.

FIFTH BIOMETHANE STATION

SEPTEMBER

We connected our first biomethane-producing wastewater treatment plant to our grid. We continue to increase the share of renewable gas in our grid.

SCOPE 3 PILOT CALCULATION

OCTOBER

We presented the results of our Scope 3 emission calculations for the first time.

INDUSTRY TOP RATED COMPANY

NOVEMBER

We achieved a further improvement in our ESG rating from Sustainalytics – lowering the risk exposure score from 17.8 to 14.6. We also received the Industry Top Rated award from Sustainalytics.

CERTIFICATION FOR THE TRADING AND SALE OF BIOLNG

We were first in the Czech Republic to obtain ISCC EU certification for the sale of low-emission liquefied biomethane (bioLNG).

PEOPLE CULTURE BAROMETER

We placed first in this national ranking of companies on their promotion and development of intergenerational cooperation.

ESG ratings and evaluations

In a world where sustainability is becoming a core part of business, legislation and corporate valuation, regular assessments of our ESG performance are crucial to the future of our company. Independent agencies carefully rate the performance and risk immunity of companies in individual ESG areas. At GasNet we are able to use these ratings to check our progress with ESG. The ratings provide us with valuable feedback that helps us to further develop and improve.

ESG rating

In November 2023, we received our third ESG rating from the global rating agency Sustainalytics. They rated GasNet as a company with a high level of ESG management. This confirmed our position as an ESG leader in the gas industry. We achieved a best-ever score of 14.6 points in the overall assessment. GasNet was rated as the third best company worldwide. We also received the Industry Top Rated award from Sustainalytics. Worldwide, only 42 infrastructure companies have received this prestigious award. This places GasNet in the top 6.7% of companies globally, not only in the gas industry, but across all infrastructure including water, power and renewable energy operations.

GRESB

For the fourth consecutive year, we participated in the GRESB international ESG assessment. Last year, we scored 87 out of 100 possible points, maintaining our high rating. As a group, we received three out of a possible five stars.



Chapter

#1

**We embody health
and safety standards**

We embody health and safety standards

Safety is our top priority, which is why at GasNet we create safe conditions for everyone – our employees, partners, suppliers and the public. We want to become the safety leader in our industry.

Safety management system

Introducing our Safety Management System (SMS) was a strategic step in ensuring that we provide a safe and healthy working environment for all our employees while minimising the risks of occupational accidents and illnesses. It reflects the values which we have set for ourselves within the GasNet Group (Safety, Reliability, Respect). We have based our safety management system on the requirements of the international ISO 45001 standard. This provides an effective and sustainable model for occupational safety in our company. The system covers the activities of all our employees and the external workers (“contractors”) who help us build and maintain our gas pipeline network.

In 2023, we completed all the key projects needed to remove barriers to compliance with the standard. We also pilot tested our proposed **Internal Audit** process. As part of the internal Audit process, we have trained independent and competent experts (auditors) in the company to systematically evaluate whether our procedures and processes will be effective in the years ahead.

In 2023, we were able to complete our Health and Safety Risk Assessment project. We reviewed approximately 400 existing risks in detail. We also identified new risks, some of which we already secured, and some of which we will analyse in 2024. We introduced a Central Risk Register, which helps managers get their subordinates acquainted with the risks. The Risk Register is also available to all employees. The role of managers is not just to encourage their subordinates to be aware of and alert to risks, but to actively involve them in dealing with them. Employee participation makes it easier for us to detect and resolve risks in a timely manner. Together, we prevent damage and protect our health.

Structure of managed documentation for the Health and Safety agenda:

Policies	Health and Safety Policy
Guidelines	<p>The principles of workplace health and safety organisation in our company</p> <p>Fire Protection</p> <p>Occupational health services</p>
Certification and other documents	<p>Hazard identification and assessment of risks and opportunities</p> <p>Managing workplace safety incidents and discrepancies</p> <p>ISO 45 001 Occupational health and safety management system*</p>

* Management systems that are harmonised or in the process of being harmonised. These are not certified systems.

Safety management agenda

In the GasNet group, we divide the safety management agenda into two parts:

- 1. Workplace Health and Safety (WHS)**
- 2. Process Safety (Technological)**

Each part is managed by its responsible department.

A significant part of our approach to safety is based on legislative requirements set by state authorities and the **Czech Gas Association**. In order to ensure we comply with all directives and laws, we use an internal process to continuously monitor current legislation. In 2023, **we did not record any legislative non-compliance** in the areas of workplace health and safety or fire protection.

Since 2021 the implementation of our **Workplace Safety Management System** has been an important part of our agenda. This includes support projects that introduce additional systemic measures, particularly in risk management, inspection and control systems, and in audits of contractors.

One of our main goals is to improve safety culture across the GasNet Group as a whole. With this goal in mind, we regularly communicate safety topics through surveys and articles on the intranet, and we link financial rewards to safety targets and performance. To share information about occupational safety effectively, we have standardised our communication channels. These include Microsoft Teams, emails, personal contact at team meetings, and intranet as a company-wide communication platform.

We believe that a safe environment can only be created together with all our employees. For this reason, we established a **Safety Steering Committee** three years ago. This committee is a key decision-making body in the safety area. Its members include both management and employees as well as trade union representatives. The committee meets every month. In 2023, the committee oversaw all projects we undertook in implementing our Workplace Safety Management System.

Our objectives and results

In 2023, we achieved all our goals and operated both existing and new technologies safely and without any incidents. We achieved a lost time injury frequency coefficient (LTIF) of 0.82, well below our target of 1.4. There were zero fatal accidents among our employees or the employees of our suppliers. Our traffic accident coefficient for the entire year was 0.29, lower than our target of 0.5.

We strengthened our occupational safety culture, and we motivated our employees to report risks. Our top management has significantly increased the role of our senior employees in addressing safety through site inspections which are conducted as part of strategic safety objectives and reflected in the personal appraisals of all our senior staff. In 2023, our managers conducted more than 2,700 site inspections. Our top executives were involved in 250 of those visits. We also continued our program of shareholder representatives site visits. During these visits, we focus on various aspects of safety, such as compliance with safety procedures, the condition of equipment and

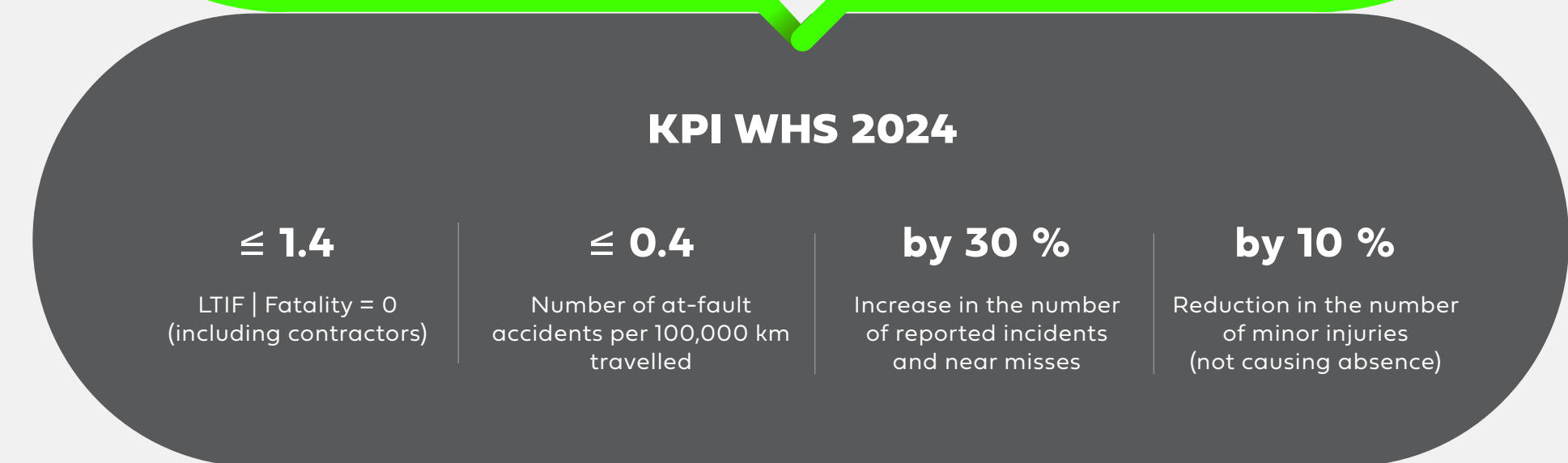
tools, as well as safe employee behaviour. In particular, we “calibrate” our activities so that they are consistent with the expectations and views of our owners. We broadcast these walkthroughs in real time and online so that those who cannot physically attend can also participate. Using video broadcasting, we allow our shareholders to remotely monitor and assess safety levels on construction sites. This is one of the many tools for digitising workplace safety in our company.

In the area of occupational health care, in addition to mandatory prevention through check-ups with contracted doctors, we organised **Health Days**. These covered a wide range of health topics and offered our employees preventive examinations. We also organised first aid courses for our emergency response staff and built awareness through a series of seasonal campaigns that helped us reduce injuries. Throughout the year, workshops were held between the operational teams and a contracted psychologist to develop the psychological readiness of our emergency response colleagues.

We have set strategic goals for 2024 based on the same parameters as for 2023. However, our ambition to improve and become a leader in safety is leading us to gradually tighten these criteria. We have published the 2024 goals on our intranet, so they are visible to our employees in real time. We will display key performance indicators in visual form throughout the period. Our WHS goals are also part of a special bonus scheme for selected senior employees as well as the bonus system for our other employees. These bonuses provide an incentive to meeting our goals.

The main pillars for achieving our strategic Workplace Health and Safety goals are:

- **Behaviour and People Management**
- **Management of suppliers**
- **Health protection**
- **Road safety**
- **Processes & Procedures**



Employee safety

Our employees' safety is one of the key pillars of the sustainable operation of the whole of GasNet. This is especially the case as new trends impact us and we plan the transformation of our industry. For that reason, not only do we measure performance in the field of safety, but we are also proactive, support preventive risk identification and collect suggestions. We provide support from top management. We value feedback. We are particularly interested in the needs of our employees, their perceptions of safety, and proposals for improvement.

In the GasNet Group in 2023, we had no fatal, serious, or other high-risk accidents that could have resulted in serious health damage. During this time, none of our employees developed an occupational disease or is at risk of such a disease. We can see positive trends and the positive impacts of our changes.

We express our accident rate using the LTIF (Lost Time Injury Frequency) accident rate coefficient. In 2023 we achieved LTIF of 0.82 compared to our target of 1.4 (lower is better). One of the most encouraging things was that not a single accident was related to core GasNet activities, i.e. repairs, maintenance and operation of the gas system. The three injuries causing absenteeism were caused by falls while walking. We also saw two absentee injuries which did not affect LTIF (an animal attack and an insect bite). In response,

we are working on a targeted campaign in 2024 focusing on the risks associated with inattention and walking obstacles. **Our LTIF target for 2024 is below 1.40.**

As well as occupational accidents which impact on the LTIF coefficient, we also recorded 13 other non-absentee occupational accidents. These were minor injuries incurred in connection with work.

Safety training

Our employees who work in operations receive regular annual training that covers current safety related legislative requirements and the Technical Gas Rules (TPG). This training also provides an opportunity to learn from real situations and incidents that have occurred in the company. In 2023, we successfully provided **in-person training to 100% of relevant operational staff**. We trained our remaining employees through e-learning. We recently included the topic of traffic safety in our training. This training was attended by 1,960 active driver employees in 2023. The aim of the course is to reduce the company's traffic accident rate by analysing statistics and comparing them with the national accident rate.

Another new addition was an e-learning first aid course targeted at our operations employees. 1,442 colleagues attended this training.

Lost Time Injury Frequency (LTIF) - GasNet



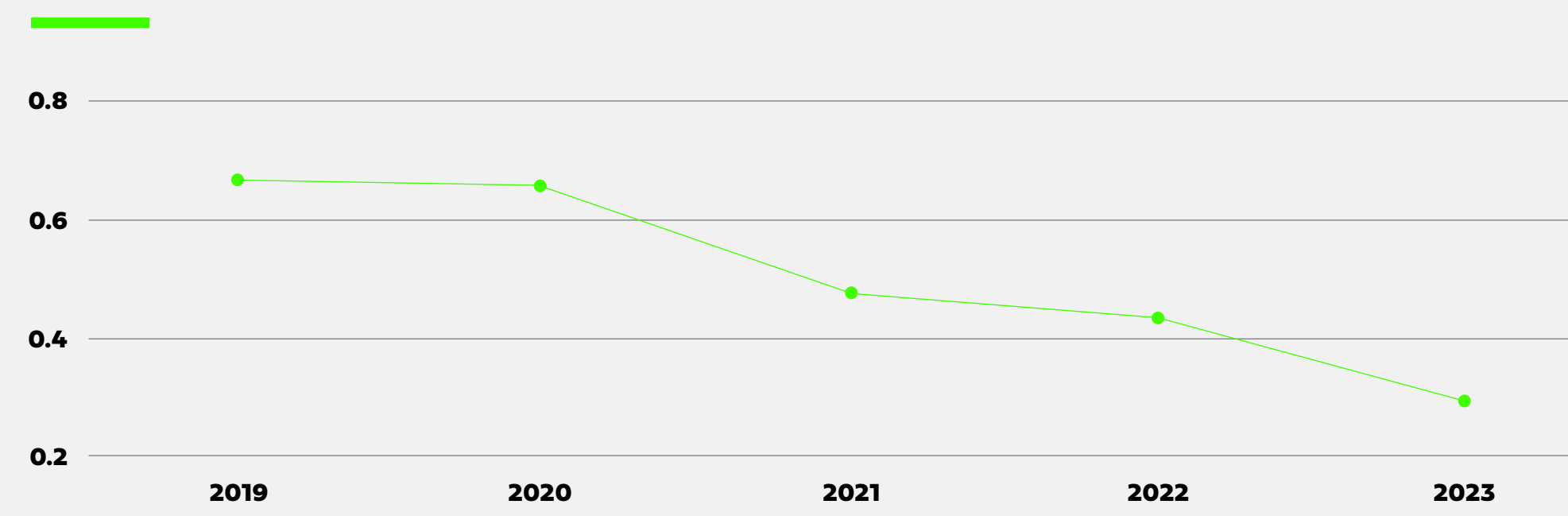
Safety behind the wheel

Our employees drove over 20 million km during which they caused 58 traffic accidents. This is a Traffic Accident Rate of 0.29 per 100 thousand km travelled – compared with our pre-set limit of 0.50. Defensive driver training, evaluation of accident causes, follow-up corrective measures, and constant education, feedback and communication in this area all helped us meet this goal.

In 2023 we continued our motivational program aimed at reducing road traffic accidents by focusing on speeding. Teams were evaluated based on the average results of their members. We rewarded the four best teams with training in handling crisis situations at a traffic training facility. A total of 291 employees completed defensive driving courses and experienced driving in extraordinary conditions in both passenger and commercial vehicles at traffic training facilities.

In addition to mandatory defensive driving courses, which we mention in the chapter *Training as the key to the future of the gas sector* (p. 74), we are working to improve safety on Czech roads in cooperation with the **Start Driving** project. This is a preventive program for novice drivers which is focused on improving driving skills. This free course teaches novice drivers to drive safely and with respect. You could call this program a ‘university for drivers’. It involves entire families in improving driving skills by means of courses at top driver training circuits throughout the Czech Republic. The Association of Driving Schools organised 80 sessions as part of the Start Driving project which GasNet employees could attend, either as students or as parents in a mentoring role. We will continue this driving training program in 2024.

Number of Car Accidents per 100,000 km



Process safety

Process safety (sometimes referred to as operational safety or system safety) deals with the establishment of processes, control mechanisms and safety elements to effectively prevent risky situations from arising in our distribution system. An important element is also creating protection mechanisms that reduce the negative consequences if other preventive protection mechanisms and barriers fail. We continue to apply the “safety by design” concept, where we try to eliminate key risks through technical and procedural measures at an early stage – in the project design phase.

In the last two years, our Process Safety team, (organisationally part of our Asset Management Division), has stabilised its responsibilities and authorities and defined the key areas of operational safety that the team is dedicated to. These areas are:

- Risk activity control system
- Bow-tie analysis of the company's main security risks
- Safety elements of the gas system
- Management of activities associated with intervention in the gas network
- Assessment of the technical condition of the gas system
- Emergency services
- The operation of LNG filling stations
- New technologies (expanders, compressors, etc.)
- H₂ projects
- Testing area

We monitor the performance of these areas so that we can identify problems early and set a higher protection level. We strive to constantly improve processes and thereby reduce our company's risk profile.

We constantly refine our view of key operational safety indicators so that we can effectively manage preventive and corrective measures in the following areas:

- Leadership
- Incident management
- Change management
- Employee competence
- Managing deficiencies
- Operations
- Emergency
- Distribution network reliability
- Control and auditing system

We are digitalising and automating our system so that we have better quality data to warn us of potential deviations. The task of Process Safety is to analyse these deviations and take appropriate corrective measures so no incidents occur.

If an incident occurs, we investigate based on an assessment of the risk severity of the incident. **We always investigate high-risk incidents using RCA (Root Cause Analysis).** This method involves analysis not just of the direct causes, but also emphasises the identification of systemic and root causes. In 2024, we will introduce a digital tool to manage all incident and non-conformity investigation.

In 2023, we recorded **three incidents** that we categorised as high risk. We conducted root cause investigations for these incidents. None of the incidents involved personal injury.

The first incident was the burn-through of a VTL¹ pipeline which happened while a supplier company was welding a stop fitting. We worked with the contractor to eliminate this risk very quickly by sealing and securing the resulting opening with the subsequent cutout of the fitting. The second incident occurred during testing of a new expander concept as part of the reconstruction of the Velké Němčice transfer regulation station. Natural gas penetrated through the sealing system into an area which is not adapted for it. The test was immediately stopped, and the problem was corrected conceptually. The third incident was a natural gas intrusion with subsequent initiation into our transfer regulation station due to a fault in a NET4GAS VVTL² pipeline. The area was

immediately extinguished and ventilated. At the same time, systemic corrective measures, both procedural and technical, were taken to prevent repetition of the incident.

Working closely with GasNet project groups, our Process safety team contributed to the opening of three new LNG filling stations at Jažlovice, Hradec Králové and Klecany. At these stations, we were able to increase safety levels, including elements that protect the LNG storage tank from overpressure, and better protection of the station against methane leaks. We reviewed the new LNG stations from the point of view of process safety and minimised the potential risks that may occur (HAZOP – Hazard and Operability Study). For this, the Bow-tie method was also used. This method reveals the causes of hazardous scenarios and the likely consequences. This allowed us to examine and mitigate the risks on our LNG stations.

In 2024, we will continue to work with the relevant departments to further improve processes related to process safety (e.g. in planning “self-loading” of LNG to the stations or in the construction of new LNG stations). We will also monitor and evaluate the overall operation of LNG stations from a process safety perspective.

¹ High pressure gas pipeline
² Very high-pressure gas pipe

Safety and the management of contractors

Our contractors' safety is just as important to us at GasNet as our own safety. We do not differentiate between workplace accidents involving our own employees and those of our contractual partners. For this reason, our Safety Management System covers 100% of our partners' employees. We constantly dedicate extra effort to this area and want to set an example for other companies.

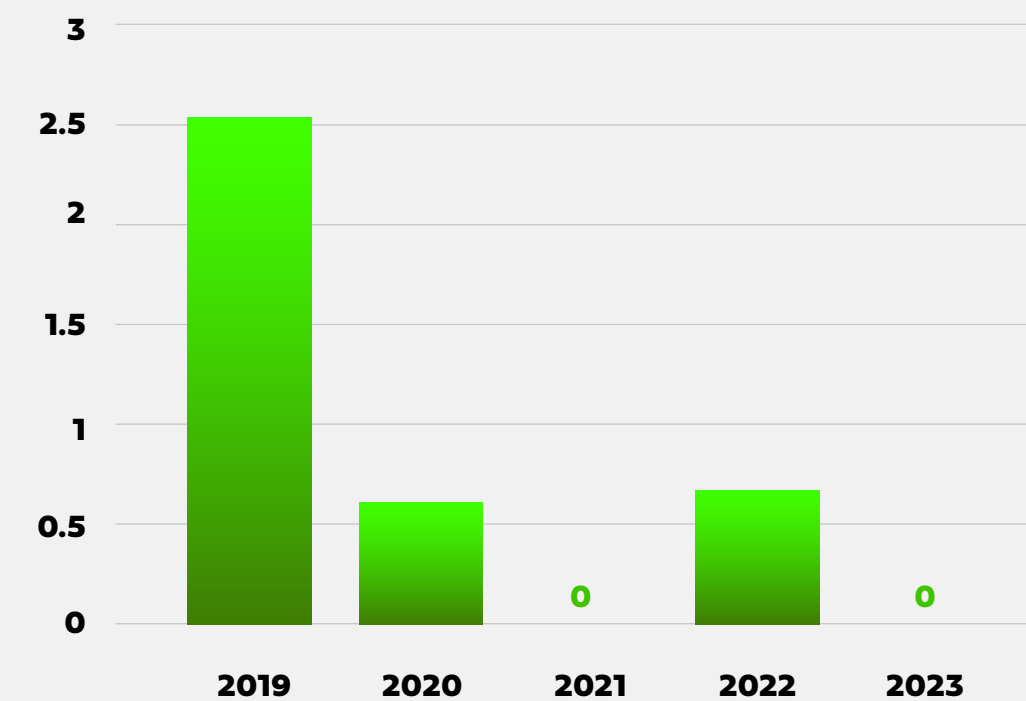
In 2023, we had 54 active direct contractors who were authorised to perform various work on our gas facilities. This includes work on the local network, the medium-pressure network, and the high-pressure network, and work with shut-off devices for high-pressure pipelines. Each of these activities is subject to authorisation and certification in accordance with TPG norms. You can learn more in the section on the *Contractor Prequalification System* (p. 28).

We have long tracked the LTIF value for our contractors. In 2023 this covered all 784 of our contractors' workers. Because no lost days were recorded, the LTIF value for our contractors was 0.

From the perspective of contractor safety, 2023 was an exceptionally successful year. As in the previous year, there were no serious or fatal injuries among contractors. In addition, we achieved a zero LTIF indicator. We consistently promote transparent reporting of all injuries, including minor ones. Improving the safety culture of our partners is a high priority for us. We originally began this process in 2021 with the goal of overcoming established patterns of behaviour. Such changes can take several

years. When assessing the safety culture of our contractors, we emphasise openness and transparent communication.

Lost Time Injury Frequency (LTIF) – Suppliers



Training and development system for contractors

In 2023, we held eight training sessions for construction managers and 23 two-day training courses for site managers. In total, we trained over 1,200 professionals from internal staff and contractors. The training was held in the first quarter of the year so that we could familiarise everyone involved with legislative as well as internal procedural changes before the construction season. The training also presented incidents and non-conformities from the previous year and the measures taken to address them.

We continue to deepen our mutual partnership and understanding with our partners through workshops in the area of PZN. In 2023, we held 4 such workshops, which focused on the technological equipment and procedures applied in the maintenance and reconstruction of gas equipment (e.g. PE compression, morning daily logging, disposal of old connections, preventive fire watches, etc.).

In 2023, we published four Lessons Learned and shared them with our contractors. These lessons summarise events that occurred and describe the best practice methods used to resolve them. In 2024, we want to strengthen the sharing of best practice and procedures, not just with our partners, but also with other distribution companies. This mutual sharing of good practice can advance our safety without having to admit failings in our own gas system.

As a result of the way that we have worked with our contractors to improve work safety and the safety culture itself, we managed to get through the 2023 construction season without any serious accidents.

As in the field of occupational safety, we are also deepening our partnerships in the area of reporting and reducing emissions. In 2023, we devoted a significant part of our annual meeting with contractors (Brno 03/2023) to the ESG area and to a closer understanding of the issue, goals and deadlines needed to fulfil mandatory steps. In targeted workshop, we guided contractor representatives through the topic of ESG legislation, explained the motivation of the goals and presented ways to reduce waste in construction. We will continue with further cycles of workshops on the ESG topics in 2024.

In our **Green GasNet** program, we are implementing pilot projects to **reduce technological losses by pumping methane with a compressor and pushing it with nitrogen**. Part of the long-term transition plan are lighthouse projects. These include permitting the implementation of a hydrogen and methane mixing project in the village of Hranice u Aše, which we will complete for launch in 2024. We have successfully installed **gas and electric heat pumps at pilot sites to preheat gas** at regulation stations. The results have been very positive and there has been a reduction in gas consumption and thus CO₂ emissions.

Further cooperation in the areas of work procedures, work on PZN and the general rules of construction and design is continuing with construction contractors and suppliers of project documentation for gas facilities. This is being facilitated by joint solution teams under the auspices of the Association of Gas Pipeline and Product Pipeline Builders and the Association of Gas Facility Designers.

Contractor prequalification system

We have introduced a prequalification system that sets requirements for contractual partners in terms of their expertise, technical resources, and their experience with specific technologies. The prequalification requirements also include ISO 14001 and 45001 certifications. We regularly work with Certification and registration body GAS Ltd. and the Czech Product Welding Society to assess the preparedness of our contractors using TPG audits (based on TPG 923 01). Experienced members of the GasNet audit team participate in these checks.

Due to the significantly higher volume of investment construction and the use of new technologies and procedures, we continuously adjust our prequalification conditions. We also try to attract additional partners for gas construction. In this sense, we are also working not only on the modification of our prequalification rules, but also on the revision of the general certification regulations according to TPG 923 01. However, an understanding and ability to promote a high safety culture among our construction partners remains an absolutely essential condition.

Public safety and gas network reliability

In 2023, the team on our 1239 emergency line handled **over 33,000 calls**. Each of these calls was evaluated by our central distribution dispatchers. When necessary, the dispatcher sends a service response worker for field intervention. In 2023 we undertook nearly 19,000 such interventions. We observe a higher number of calls and emergency interventions during what we call our regular “odorization surges”. An odorization surge is when we increase the level of odorant in the gas at the beginning of the heating season. This alerts us to even minor leaks, and every year the entire operation contributes to the increased safety of gas supplies.

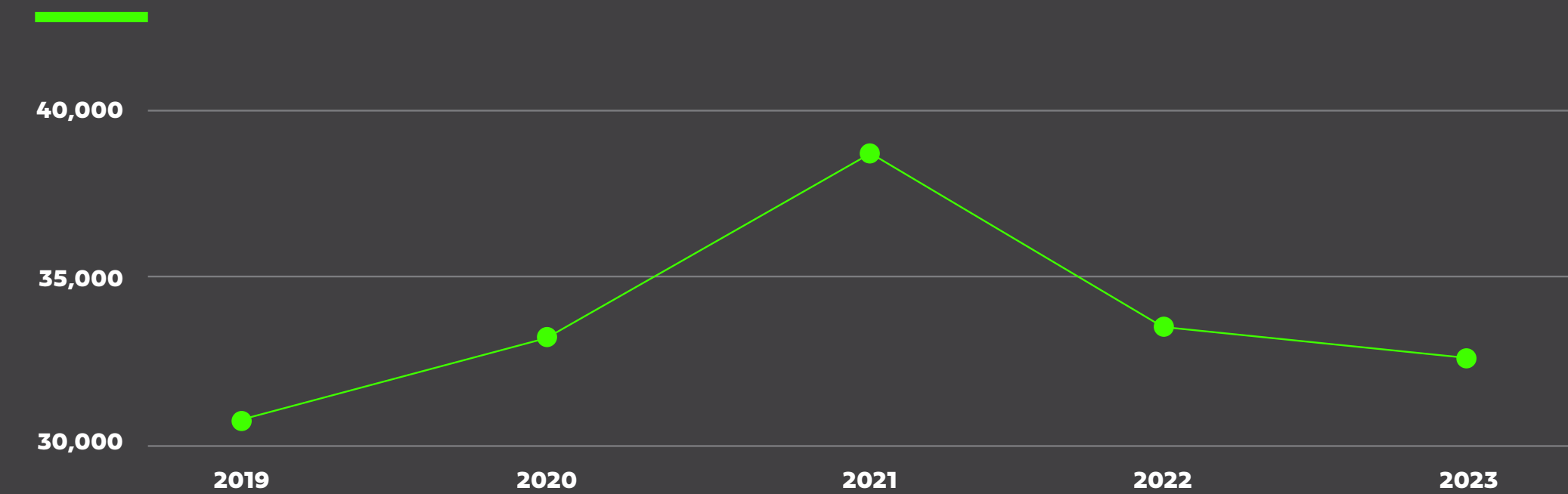
In 2023, 154 of our rapid response employees underwent regular training focused on incident procedures, accident resolution, applicable legislation, cooperation with Fire and Rescue Services and other areas.

Our long-term focus is on minimising unplanned disconnection of customer supply due to malfunctions or our own activity on gas equipment. In 2023, there were six such events which resulted in the unplanned disconnection of 1,937 customers. Compared to 2022, this is a higher number of events and disconnected customers.

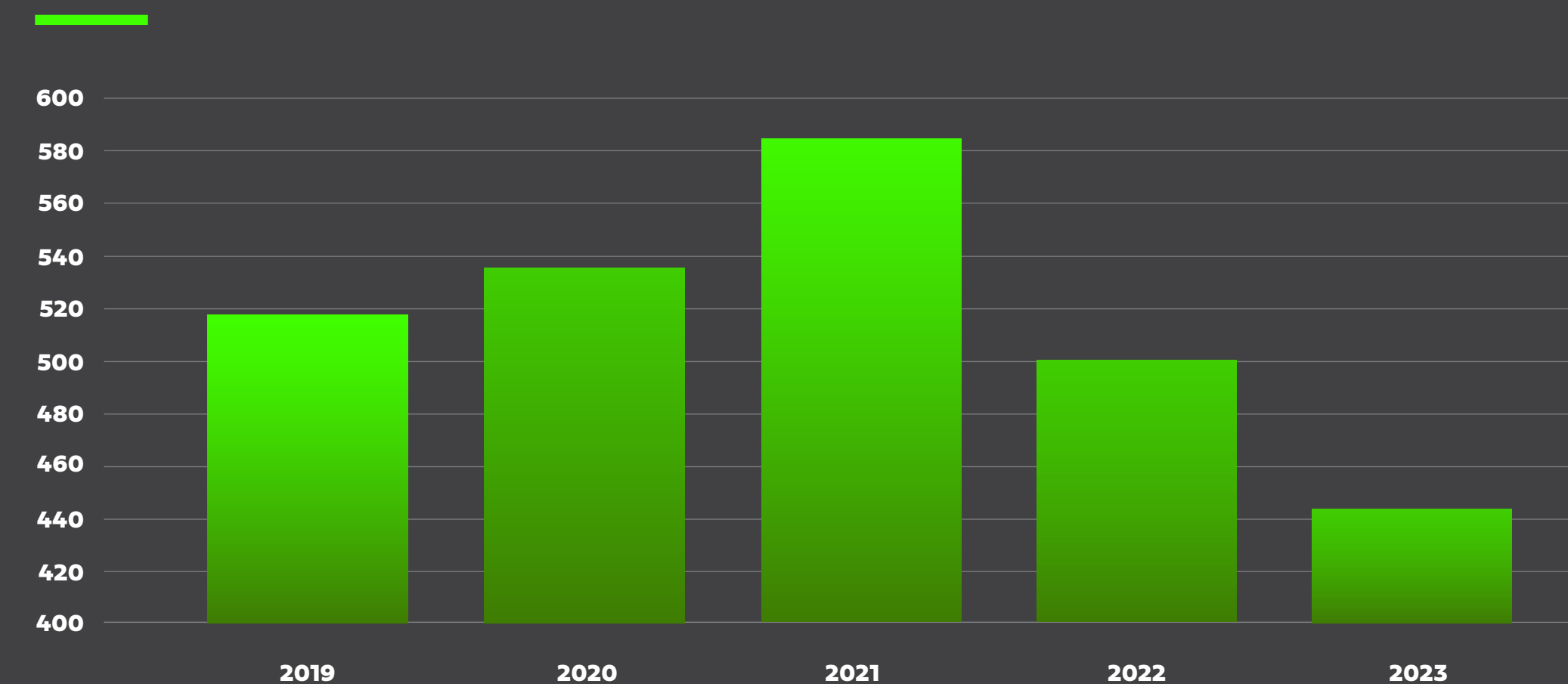
The number of third-party disruptions of our gas network is **gradually decreasing** – in 2023, we recorded 444 such cases, of which 351 were connected with gas leaks. We continuously strive to prevent these incidents through targeted communication with construction companies and the general public. In 2022, we conducted a communication campaign to protect domestic gas pipelines during property renovations which we continued in 2023. Among other things, we also used the media and social media posts to raise awareness. In 2023 we worked with the Ministry of Agriculture, to develop measures to reduce the number of network disruptions caused by agricultural works. We will start test implementation of these measures in 2024. At the same time, we continue to communicate with construction companies and building authorities regarding the need for marking out the gas network before work begins. This is a service that we provide free of charge.

In 2023, we recorded **three extraordinary incidents**: in two cases, these were gas equipment incidents caused by internal influences, one incident was caused by a third-party disruption, and one accident occurred on the higher VVTL system NET4GAS with spill over to our distribution network.

Number of successfully resolved inbound telephone reports



Number of network disruptions caused by third party activities



Inspection system

Internal WHS Audits

As part of our Safety Management System (SMS), we launched the Internal **Workplace Health and Safety Audit System** project in 2023. The goal of the project was to establish a functioning system of internal company controls for the SMS in accordance with the ISO 45001 standard. Internal Workplace Health and Safety Audits comprehensively assess our WHS management system and identify weaknesses and opportunities for improving the SMS. The WHS internal audit process mainly specifies the criteria and subject matter of the audit, frequency, format, responsible persons, planning, recording, evaluation and suggestions for improvement.

Internal employees from across the company

were selected as auditors. We initially promoted this opportunity to them through an article on our intranet and they volunteered to participate in the project beyond their job responsibilities. In order to be able to act as internal auditors, all **eleven colleagues completed the ISO 45001:2018 Internal Auditor training**, culminating in successful certification.

The project team created a sample WHS Internal Audit evaluation checklist with open questions and a rating scale. The process determines the subject of the audit. When conducting these audits, we follow the ISO 19011 standard for conducting internal audits.

We approached ten senior employees from various departments, with whom we subsequently implemented a program of pilot audits. No deficiencies were identified during the interviews we conducted. However, we did identify opportunities for improvement that will be discussed and reviewed by management.

In 2024, we will continue with another program of internal WHS audits and plan to further develop the competencies of our internal auditors.

PZN and construction inspections

As part of our internal control system, we now inspect work with increased risk (PZN). We also inspect construction sites. For these inspections, we also distinguish two levels of inspections. 1st-level inspections are conducted by operational staff. 2nd-level inspections are carried out by independent experts such as WHS specialists, welding technologists, etc..

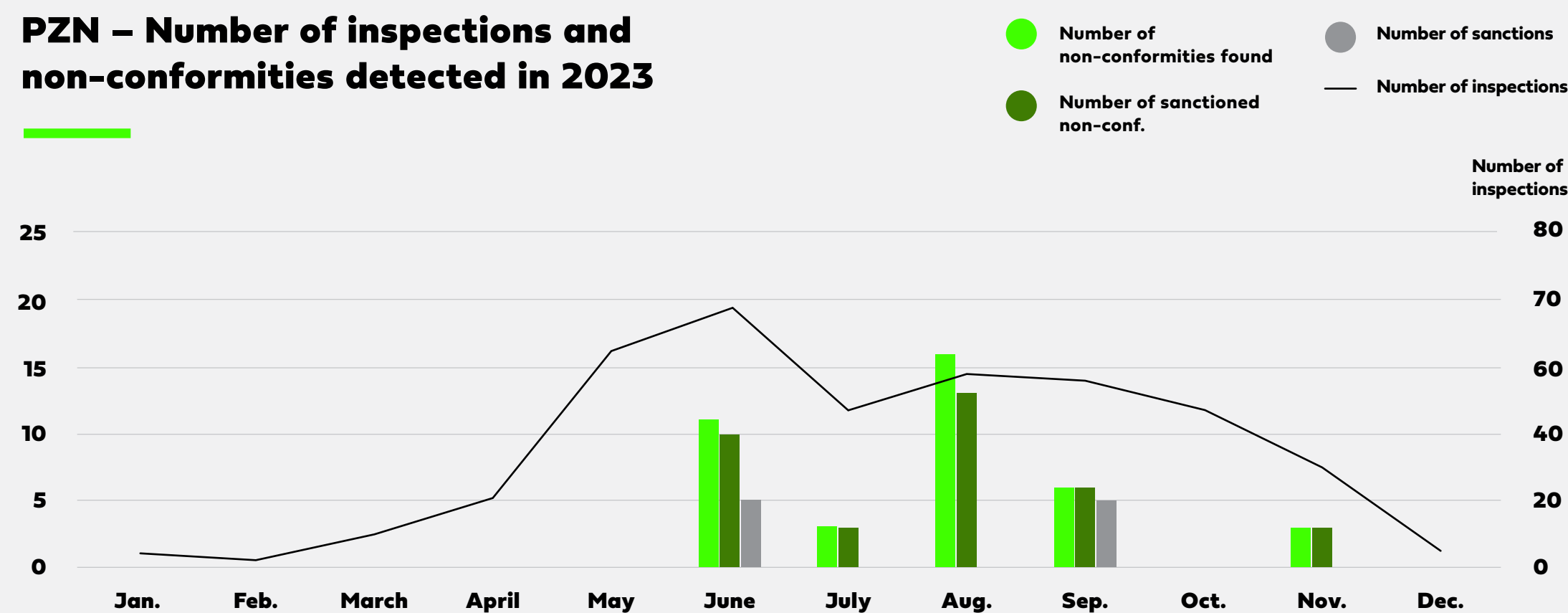
In 2023, we carried out a total of **368 inspections of work with increased risk** (including 218 level 1 inspections and 150 level 2 inspections) and a total of **9,292 site safety inspections** (including 9,153 level 1 inspections and 139 level 2 inspections). The results of all these inspections are assessed by the Building Inspection Commission/PZN, which determines the severity of non-conformities and how they should

be addressed. The Commission also subsequently approves corrective measures. Thanks to our efforts dedicated to educating our employees, we have noticed a reduction in the most frequent non-conformities on construction sites, even during work with increased risk. We also worked systematically with inspectors in workshops, so that we have better inspection records and can work with a larger number of less serious defects.

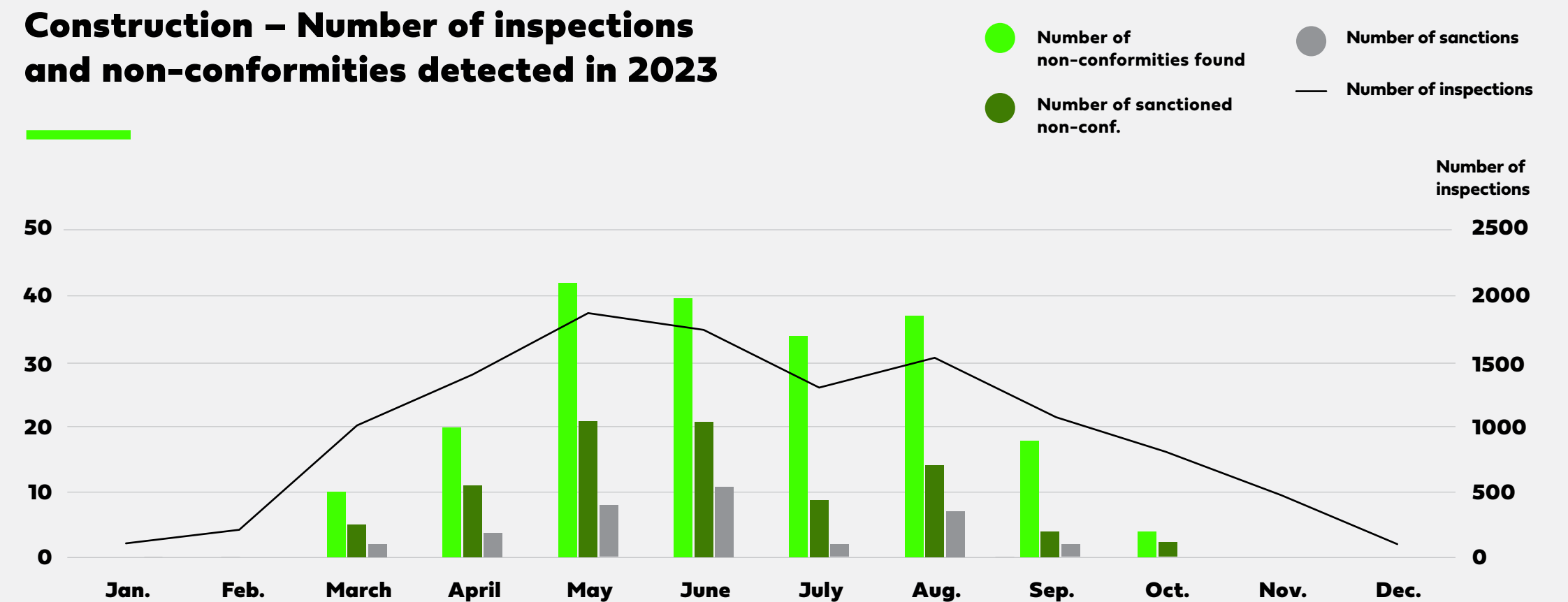
In addition to our own network development work we also monitor the gas construction work of external parties. In 2023, GasNet construction technicians performed a total of 2,591 inspections and visits on 751 external constructions aimed at ensuring compliance with the requirements for technology and construction quality of gas facilities. These controls contribute significantly the safety and reliability of our distribution network.

In 2023, we carried out 378 Workplace health and safety inspections.

PZN – Number of inspections and non-conformities detected in 2023



Construction – Number of inspections and non-conformities detected in 2023



Supporting health

At GasNet, employee health is part of our overall Safety strategic pillar. We have a zero-tolerance policy towards accidents, and every employee should leave work as healthy as when they arrived. This approach is reflected in everything we do, including internal and external communication and investment policies. We are proactive and organise a range of preventive activities related to our employees' scope of work. We believe that caring for health positively affects the satisfaction and quality of our employees' personal and family lives (work-life balance and wellbeing).

Our employee health care agenda also includes mandatory medical examinations. These are a standard part of our system for monitoring and overseeing our employees' health. In this area, **we go beyond the statutory requirements** by performing medical examinations more frequently. In this way we can identify potential employee health problems earlier and detect the initial symptoms of illness. This in turn enables earlier and more effective treatment of more serious illnesses. The positive impact of prevention and education in the field of health was reflected in the **low level of employee illness** in the past year, which we reduced to 2.4% of the total working time pool.

Our 2023 activities included Health Days. These events offered our field employees the opportunity to have their musculoskeletal systems examined. They also had the chance to discuss their results on the spot with experts. Our Health Days also included webinars, which always provided our employees with valuable advice. For example, they learned about how a healthy balanced diet can prevent the effects of ageing, and how to strengthen their natural immunity. In 2023, our employees registered for a total of **532 activities**, including individual in-person consultations and examinations, as well as online educational webinars on health and disease prevention.





We worked with the medical team from First Aid Live to organise **eight intensive experiential first aid courses** for our employees. As well as theory, these full-day courses include practical and interactive demonstrations of various first aid techniques. As a result, employees were able to practically attempt resuscitation. A total of 113 employees acquired practical skills such as performing CPR correctly, how to deal with gas poisoning and collapses as well as treating open wounds and severe injuries. Our field and rapid response colleagues were enrolled on these courses.

We consistently place significant emphasis on our employees' mental health and on supporting their psychological well-being. In this area, we also focus on prevention, and we offer our employees numerous educational activities on related topics. Our proactive approach to promoting mental health is also reflected in our internal intranet communications. During the year

we published articles focusing on managing stress, including stress caused by work pressure, emergency situations and changes in biorhythms. Because mental health needs to be given the same attention as physical health, all our employees have access to a **psychosocial first aid and crisis intervention line at any time, 24 hours a day, 7 days a week.**

We have held **eight psychological preparedness courses** across our regional areas for our rapid response staff. The courses focused on all phases of a crisis event – from explaining the principles of the emergency services response and how to communicate with them, to what options are available to support the team members during a field response and how to work with stress, including how to manage emotions after a mentally challenging day. A total of 105 employees attended these courses.

Workplace safety culture

Safety culture is an integral part of our overall company culture. We focus not only on our own employees but also on our contractual partners and suppliers. A strong safety culture is a prerequisite for continuously improving our safety standards. We consider it essential for creating an injury-free environment that safety permeates throughout the GasNet group. Each employee acknowledges their personal responsibility, is proactive, and understands the targeted safety behaviour.

In this area we focus on staff at two levels:

- Leadership
- Regular employees

We believe that our senior employees are the messengers and models of our safety culture. We focus on their education. In 2023, 11 senior employees attended “Health Leadership” training. This focused on leadership in workplace health and safety. We also expanded our system of safety walks from our management board to the next managerial level. The goal of these walks is to promote a change in the level of safety culture at work by calibrating between managers and rank and file in the context of safety requirements, mutual expectations, clarifying questions, identifying needs and standardising attitudes, support and behaviour.

In 2023, in order to promote safe behaviour and awareness, we introduced the principle of starting internal team meetings with what we call a **WHS impulse**. Employees perceive the topic of safety as a natural part of their work and have the opportunity to bring a safety contribution to the meeting. In this way they can draw attention to existing work risks or risks that extend into their private lives. As a result, employees perceive the atmosphere and the needs of other colleagues, and thus broaden their perception of the field of health and safety in a wider context.

In 2023, we continued our intensive internal communications on health and safety. During the year, we published 27 articles on safety and health. In addition to stand alone articles, we publish articles as part of various campaigns responding to seasonal risks or current issues. For example, in winter we traditionally run articles on safe driving, walking or protection from cold temperatures.

At the same time, we respond to current issues with campaigns. Articles from the “Walking” campaign had more than 4,000 views. They helped to stop the negative and growing trend of fall-related injuries. Separately, we communicated on the topic of traffic accidents and introduced employees to the principles of safe driving. We regularly report the results of internal traffic statistics on our intranet and present the most common causes of at-fault traffic accidents.

We have been making heavy use of an internal employee engagement tool; our “Arnold” chatbot survey. In 2023, we launched five surveys focused on safety and health. In the surveys, employees could comment on topics such as fire protection, including their practical experience with firefighting, how to avoid microsleep and on their attitude to online health advice. We also asked how they work with the results of the company-wide safety culture survey and how satisfied they were with process safety training.

Eight regional meetings of the Network Operations and Maintenance Division were held in May and June 2023 and **attended by a total of 1,350 operational staff**. Workplace safety was one of the key topics discussed at the meetings. In addition to a WHS impulse at the beginning of each meeting, participants were introduced to safety topics in a playful way. They saw the inside of a fire extinguisher, tried a simulation of walking under the influence of alcohol (with the help of special goggles) or matched the correct names to safety signs in a competition.

In 2023, we organised two working trips for our wider management team. These traditionally always include at least a half-day ESG program. In April this was linked to the theme of wellbeing. Managers discussed the importance of prevention and health care in an expert lecture, and in subsequent workshops they were able to explore a range of prevention techniques such as

exercises for a healthy back, hardening, relaxation, self-examination to prevent breast and testicular cancer and more. In October, the ESG program was held in cooperation with the Fire and Rescue Service of the Czech Republic. Our managers were able to try putting out a fire with a fire extinguisher, see firefighting equipment, participate in special cage training exercises and discuss topics such as first aid in traffic accidents, joint interventions of gas workers and firefighters, etc.

Our regular employees are a crucial group for us because they bring our plans and visions to life. In 2023, our employees used **the GasNet Safely application** to make **more than 300 suggestions** with the aim of reporting hazards and preventing workplace accidents. The application is available to all our employees, and it allows them to easily submit suggestions with photo documentation, propose possible solutions, and track the progress of their suggestions. This effectively drives forward our risk management system. Each quarter, we evaluate and recognise the authors of the most valuable suggestions. Last year, we rewarded over twenty employees. In 2024, we plan to fully digitalise our process for solving root cause analysis and determining corrective measures for incidents or reported WHS events

We have continued to make intensive use of our intranet communication platform to familiarise all our employees with the outputs of the Safety Management System implementation project.

2022 Safety survey follow-up

Our 2022 survey gave us suggestions that we implemented in 2023. We communicated the results of the survey in more detail at the beginning of the year and have addressed them throughout the year. One area of the survey was risk acceptance. We have introduced a Risk Register which we have made available to all staff. We have also familiarised all our managers with this tool. Another area identified by the survey was fair management. In 2023, we focused on developing a methodology for incident investigation and identified key staff who will implement this methodology in practice. We also focused on the area of employee engagement. We involved senior staff through field walks. We also worked with the results of the survey as part of our Master Development and "Blue-Collar" Program. We simplified the system for entering WHS complaints and reduced the time to close complaints to less than a month.



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System for evaluating contractual partners' levels of safety culture

In 2020, we launched a system to assess the safety culture of the contractual partners included in the GasNet Group's construction partners database. We piloted this audit tool with a team of internal assessors in 2021 with a selected group of 20 contractors. In 2022, we had already managed to assess our entire portfolio of suppliers, i.e. 54 entities.

In 2023, we set ourselves the **target of improving the safety culture score by 10% for the 10 weakest companies** from the 2022 assessment. We continue to use a robust team of internal auditors for the assessment. During assessments at contractors' headquarters and during visits to their sites, we identified incremental improvements in the areas we examined. It is clear that companies have implemented various partial system and organisational measures based on feedback from our previous assessments, leading to continuous improvement. **The companies concerned improved by 27%** (from an average of 44.2% to 56%). The lowest was 46.1% and the highest was 63.6%. The areas of improvement for the companies we evaluated included in particular; Procedures and control system, Emergency plans and Emergency preparedness, Hazard and incident reporting and Risk management. In addition to the standard evaluations, we performed enhanced evaluations of three technology suppliers for control systems (remote transmissions) with a higher average

evaluation of 61% and evaluation of three suppliers of special services (e.g. replacement supply) with an average evaluation of 56.4%.

The strengths of our suppliers continue to include the qualifications and training of employees, cooperation with subcontractors, waste management on construction sites and in plants in the context of compliance with and application of ISO management systems. Our inspections also confirmed that the means available to ensure safety on the construction site are in good condition and are applied in accordance with the manufacturers' recommendations and according to risk analysis.

Opportunities for improvement remain in the area of reporting and recording hazards, near misses and accidents, including root cause analysis. We are ready to support and work with our partners in all areas of safety.

We plan to continuously evaluate the safety culture in the following years, especially for those suppliers that had a weaker score. Each year, we plan to evaluate approximately one-third of the supplier portfolio in order to maintain a **three-year evaluation cycle for each supplier**.

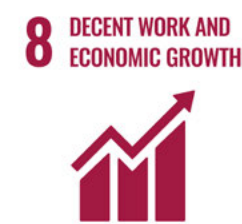


UN Sustainable Development Goals

Ensuring a safe working environment is our top priority. We devote special effort and attention to safety. In this way we contribute to the Sustainable Development Goals in the areas of health and occupational safety.



SDG 3: Ensure healthy lives and promote well-being for all at all ages



SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Our contribution to selected UN SDGs

Safety culture is an integral part of our company. We focus not only on our own employees, but also on suppliers' employees. We invest time and resources in courses, training and communication.

We strictly comply with the legislation when handling chemical substances and so far we have not registered any case of occupational disease.

We are introducing measures to reduce the frequency and severity of traffic accidents. We positively motivate our employees to follow the principles of safe driving. We teach them a defensive driving style and we are also a partner for the public on the topic of road safety.

We are implementing a revised safety management system based on international standards and practices. We strengthen the operational safety of our own employees and our contractual partners. We carefully identify risks. We constantly strive to improve the working environment and technological processes. We carry out regular inspections of workplaces – involving the entire company, including top management. Our principles of workplace health and safety protection are anchored in a separate policy. All parties involved monitor compliance with that policy.



An aerial view of two workers in high-visibility yellow and grey uniforms and blue hard hats inspecting a large black pipe in a trench. The pipe runs diagonally across the frame. The ground is brown dirt with some green grass on the left side.

Chapter

#2

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

We believe in environmental sustainability and in the future of gas

Environmental sustainability is at the core of our business. Our commitment stems from our shared responsibility for the environment and our determination to strive for a low-carbon future. We aim to minimise the negative impacts of our activities on the environment and to continuously support the decarbonisation of the Czech energy and industrial sectors.

Environmental and energy management system

To manage all our environmental impacts and related aspects, we have an **environmental management system (EMS)** which is based on the principles of the ČSN EN ISO 14001 standard and on our key management documents. As part of our EMS, we maintain a register of legal requirements to help us make sure we are always legally compliant. Our EMS system is regularly reviewed to ensure its continued adequacy and effectiveness. Within the framework of the EMS, there is a designated person who is responsible for EMS issues. This person ensures the maintenance, functionality and integrity of the system.

We report our environmental performance quarterly to our top management and we report publicly to you every year in this report. We also regularly communicate internally on the status and results of environmental management on the intranet. On environmental issues, we encourage information exchange and open dialogue with all stakeholders.

Our energy management goals and objectives are in line with European goals and all relevant legislative requirements. In order to achieve these objectives, we have introduced an **energy management system**

(EnMS) in accordance with the requirements of the ČSN EN ISO 50001:2019 standard. We also allocate all the necessary resources, and we build the ISO principles of energy management into our work processes, work procedures and our decision-making. As part of our internal audits, EnMS requirements are regularly checked, and the results of those checks are logged. We also constantly work on our company culture and on raising employee energy management awareness. Our rules using energy sparingly are summarised in our “Energy Ten”. At the same time, we always welcome suggestions from our people to improve energy consumption in the work environment.

The **ESG & Security Department** is responsible for meeting our requirements in the field of environmental protection and for meeting goals over and above the scope of our legislative obligations. Also responsible for the same thing at a local level are our POEs. These are GasNet Služby employees who are responsible for ecology and who are appointed and responsible for defined areas. The management of our energy management system also falls under the competence of our ESG & Security Department, which works closely with our Facility & Services team and our Technological Equipment Operation and Maintenance Section (ÚPÚTZ) on the creation of action plans.

At GasNet, we have set out our commitments to environmental responsibility in two core documents – our **Environmental Policy** and our **Energy Policy**. Since 2023, these core policies have been complemented by our **Waste Management Policy** and our **Biodiversity Protection and Support Policy**.

- Our **Environmental Policy** reflects our highest commitment to build environmental protection into company decision-making and work processes. Our

goal is to prevent, reduce and mitigate our indirect impacts on the environment and natural resources. The policy is the core document for our environmental management system. This includes identifying and regularly assessing our impacts, defining objectives in accordance with significant environmental aspects and establishing indicators for evaluating our progress in implementing projects and strategies.

- Our **Energy Policy** reflects our commitment to efficiently and fully utilise the potential of energy and to manage energy in accordance with European goals and relevant legislative requirements. We also focus on efficiency when working with external providers. In addition to the policy, our **Energy Management Handbook** is another key document. Together, these documents provide a framework for our energy management activities.
- Our **Waste Management Policy** reflects our company’s commitment to use, manage and dispose of waste in such a way that – to the maximum possible extent – we eliminate negative impacts on the environment.
- Our **Biodiversity Protection and Support Policy** commits us to meeting further requirements in the areas of nature, landscape, and natural biodiversity conservation. You can find more detail about this area in the [chapter Supporting Biodiversity](#) (p. 63).

Each of our employees is obliged to act in accordance with our policies and to contribute to meeting our company’s goals and strategy.

Our EMS and EnMS policies, the goals we have achieved, and our operational results are periodically reviewed and communicated at all levels of our company and to relevant stakeholders.

Our environmental protection agenda

At GasNet we measure our carbon footprint and manage environmental aspects. We have set ourselves specific long-term goals. We have created programs focused on the areas which have the greatest impact on the environment and are consistent with the management systems mentioned above.

Meeting our legal obligations is part of our **Corporate Environmental** Agenda, which is at the foundation of all our environmental protection measures. The most important areas that we are obliged to manage by law are; air and water protection, waste management, nature and landscape protection, chemical substances, and environmental emergency preparedness. Our compliance with these legal obligations is confirmed by internal audits lead by our corporate ecologists based on a pre-set Internal Audit Plan.

Our environmental management system is a tool for correctly managing and meeting our legal obligations. We draw on **a set of guidelines, manuals and methodological instructions** for each of the areas we mention above. In particular, our Environmental Emergency Preparedness Guideline provide rules to reduce risk during environmental emergencies. It includes measures to deal with leaks and releases of hazardous materials into the environment.

In 2023, we did not experience any legal sanctions in the area of environmental protection.

The core obligations of our company covered by our Corporate Environmental Agenda are supplemented by our long-term **Green GasNet** program. This program includes additional ESG topics which take us beyond the scope of legislation and our basic obligations. As part of this program, we are dedicated to meeting global and national environmental obligations and aspirations, especially in the area of climate. Even though climate is not covered by legislation in the Czech Republic it is one of the most important issues for the world economy and global prosperity. The results of the Green GasNet program are covered in the *Decarbonisation chapters* (p. 40-52).

Structure of managed documentation for the Environmental Protection Agenda

<p>Policy</p>	<p>Environmental Protection Policy</p> <p>Energy Policy</p> <p>Waste Management Policy</p> <p>Biodiversity Protection and Support Policy</p>
<p>Guideline</p>	<p>Environmental Emergency Preparedness Guideline</p> <p>Energy Management Handbook</p>
<p>Certification and other documents</p>	<p>ISO 50001 Energy Management System</p> <p>ISO 14001 Environmental Management System*</p> <p>Energy Ten Principles</p> <p>Chemical substances and mixtures</p> <p>Waste management</p> <p>Air protection</p> <p>Water protection</p> <p>Environmental protection in company</p> <p>Environmental Management System Handbook</p>

* Management systems that are harmonised or in the process of being harmonised. These are not certified systems



Decarbonisation strategy

Why are we in the business of reducing emissions

The European Union’s goal is to achieve climate neutrality by 2050. At GasNet, we fully agree with this goal. For this reason, we want to actively contribute to the reduction of greenhouse gas emissions. We subscribe to the UN’s climate goals in line with the Paris Agreement, and mitigating climate change is one of the key pillars of our strategy. However, we recognise that this will be a long and difficult journey. That is particularly the case for us as a natural gas distributor since methane leaks, which have a high global warming potential, are among our biggest emission sources.

How then, can we work towards minimising gas industry emissions?

Our new strategy, **Net Zero: Our Path to Climate Neutrality**, sets out our path towards this goal. Our approach has two parts. First, we strive to reduce the environmental impact of our current activities. These initiatives and goals are part of our Green GasNet program.

The second part of our plan involves the **long-term transformation of our business**. Just reducing emissions from our current operations will not be enough to achieve Net Zero. This transition plan (formerly known as our **Future of Gas** program) represents a transformation to green gases and new

technologies. This transformation will fundamentally change the future, not just for our core business, but also for the entire energy sector and the use of resources in the Czech Republic.

We are conscious of the fact that these changes will affect all of our employees, whether they work in our offices or in the field. As a result, we also understand the need to transform our overall company culture so that every individual’s behaviour helps achieve goals on the path to Net Zero.

Since 2023 we have understood the opportunities and risks linked to climate change. We can now manage this very important additional area.

In 2023, we initiated our **Climate Risk and Opportunity (CRO) Management** project. Our goal was to identify and evaluate specific climate risks and to link those risks with both mitigation measures and responsible owners. As part of the project, we identified opportunities and risks, assessed their significance and probability of impact. The project also included scenario analysis of the most significant risks and opportunities, including an assessment of their financial impact. An output of the analysis was a new set of indicators for the purposes of CRO management. We are now regularly monitoring and evaluating these indicators. Ultimate responsibility for the management of CRO rests with our company’s top management. For the coming year, our goal is to incorporate climate risk management into GasNet’s managed documentation in the form of formal policies, procedures, or guidelines. We will also work to link the CRO results to the goals and measures of our Net Zero strategy.

Our greenhouse gas emissions

Which emissions do we calculate?

At present, we track and actively manage our direct emissions (Scope 1) and our indirect emissions from the energy we purchase (Scope 2). We report these emissions using both location-based and market-based approaches. We also monitor other indirect emissions within our supply chain (Scope 3).

The largest sources of our Scope 1 GHG emissions come from the operation of our gas network from what are known as ‘fugitive emissions’ and technological losses. A fugitive emission is gas that escapes from aging gas pipelines. Technological losses occur as we repair and maintain gas pipelines or as a result of breaches to the network, for example during excavation work.

The source of our Scope 2 emissions is the energy we consume in our operations (at our transfer, regulation and LNG stations) and in our office buildings where we consume electricity and gas. It also includes the fuel for our car fleet, which we actively use in our operational activities.

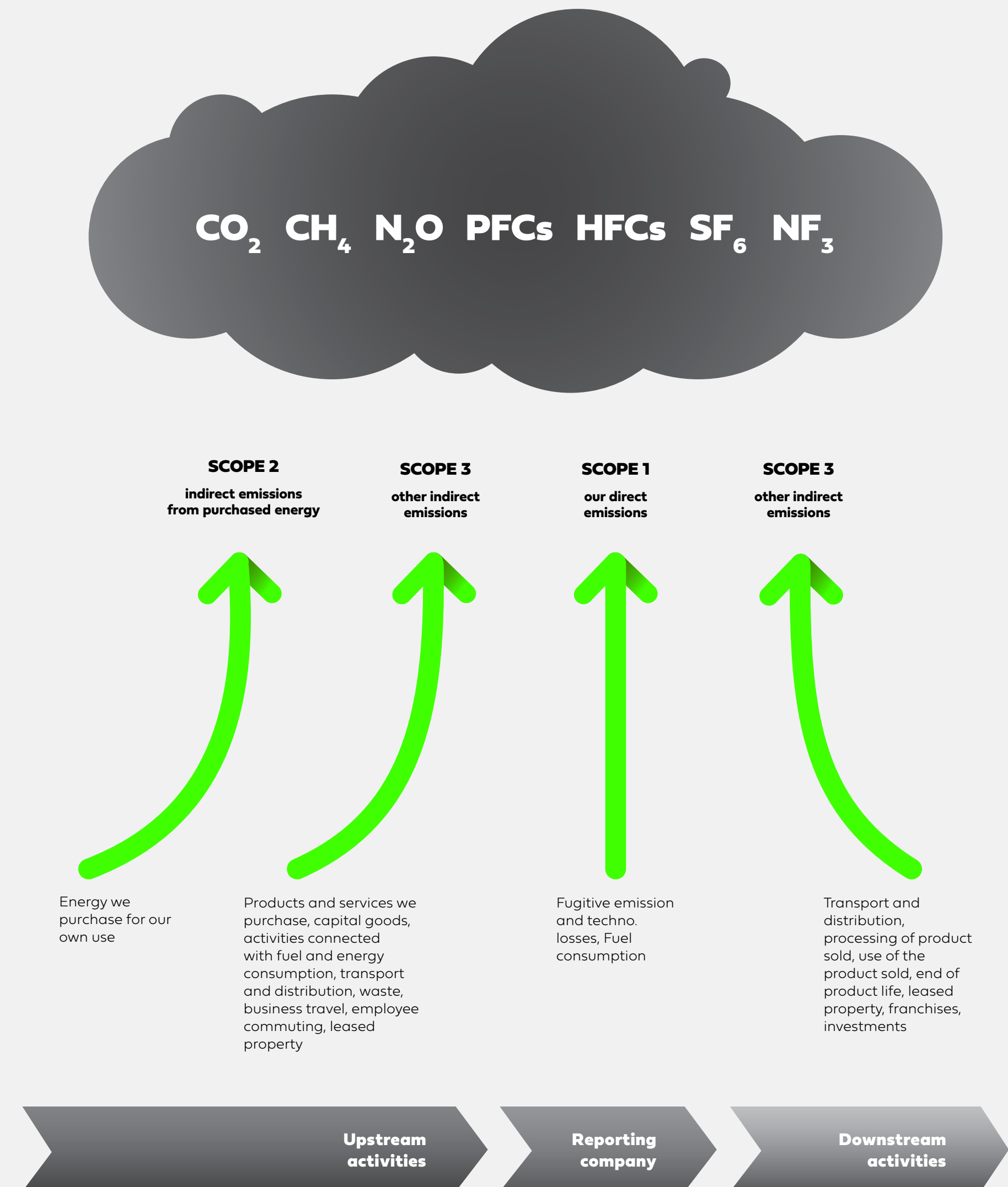
Our monitoring of Scope 3 emissions is focused mainly on emissions arising from our largest suppliers – from the production and transport of materials and from the provision of services. We also evaluate emissions from activities related to fuel and energy consumption and waste

management. The emission footprint of the LNG sold by us is part of the so-called downstream chain. We are gradually expanding our monitoring of Scope 3 sources in order to complete our total direct and indirect emissions by 2025 at the latest. The year 2025 will therefore set a Scope 3 emissions baseline against which we will be able to set quantitative targets and plan the next steps in our journey towards climate neutrality (Net Zero).

How we calculate emissions?

We calculate our greenhouse gas emissions using the international standard Greenhouse Gas Protocol. We also use emission factors and global warming potentials (GWP) from sources such as IPCC, the US EPA, energy suppliers, and Czech legislation. The calculation includes the primary greenhouse gases that are relevant to our emission sources: carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). Due to sector-specific considerations we also calculate ethane (C₂H₆). To consolidate greenhouse gas emissions at group level, we use the operational control approach.

We use a combination of two methods to calculate our Scope 3 emissions. For most emission categories, calculations are used according to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard and based to the associated Technical Calculation Guidance issued by the GHG Protocol. In the investment category only, we calculate using a spend-based method. This method is based on a calculation of the emission intensity of the activities within the supply chain, with the input being level of cost incurred on these activities. In our case, the construction work category.



Fugitive gas leaks

Fugitive natural gas leaks are an inherent part of the operation of the gas distribution system. We divide them into three categories for the purposes of calculation, monitoring and reporting:

- Underground gas leaks caused by the natural deterioration of the technical condition of equipment. This deterioration is a result of external influences (corrosion and changes in the internal structure of the material, including pipe joints – welded and mechanical)
- The permeability of plastic distribution systems made of high-density polyethylene (PE),
- Above-ground leaks at removable connections, for example, at fittings, technological components, and gas meters.

Technological losses

As we construct and operate our gas network, a certain amount of natural gas is delivered to the distribution system that is not subsequently transported to the customer. Such losses are technological losses. If part of this gas is released into the atmosphere, it becomes an emission. Our goal is to minimise natural gas emissions.

Technological losses and emissions are broken down depending on who caused them:

- Own Losses – gas escapes during the depressurisation or filling of gas pipelines as part of operational, maintenance and investment actions on the network, and gas that leaks as a result of malfunctions and accidents.
- Third Party Losses – depressurisation or pipeline breaches caused by external entities (most commonly leaks resulting from third-party breach of our network and during pipeline relocations while undertaking third-party works).

Emission baseline is our starting point for target setting and selection of measures

We have established a baseline for our Scope 1 and Scope 2 emissions to which we have linked to our goals. The baseline is set on our 2020 emission, when we separated from the innogy group. Our data collection and calculation methodology, including the default value of emissions for 2020, was verified by an independent audit in 2022. The audit also confirmed our compliance with the requirements of the GHG Protocol standard. Our methodologies are constantly being refined and thus the quality of data for calculations is improving.

We calculate our emissions based on input data related to fugitive natural gas or based on energy consumption. Due to GasNet's large scale and scope there is always some uncertainty which arises from the complexity of calculating fugitive emissions, as well as delays in billing and meter readings. We are gradually working to reduce these inaccuracies. We are adjusting contractual conditions, introducing new technologies, and updating methodologies. Another factor which influences the accuracy of calculations is data quality. We are improving this as part of our Data Platform program.

In 2023, we were able to refine our data collection and calculation methodologies. As a result, we have included new emission sources in Scope 1. As a result, the chart below should not be compared to our 2020-2022 emissions trend, which does not yet include these new sources.

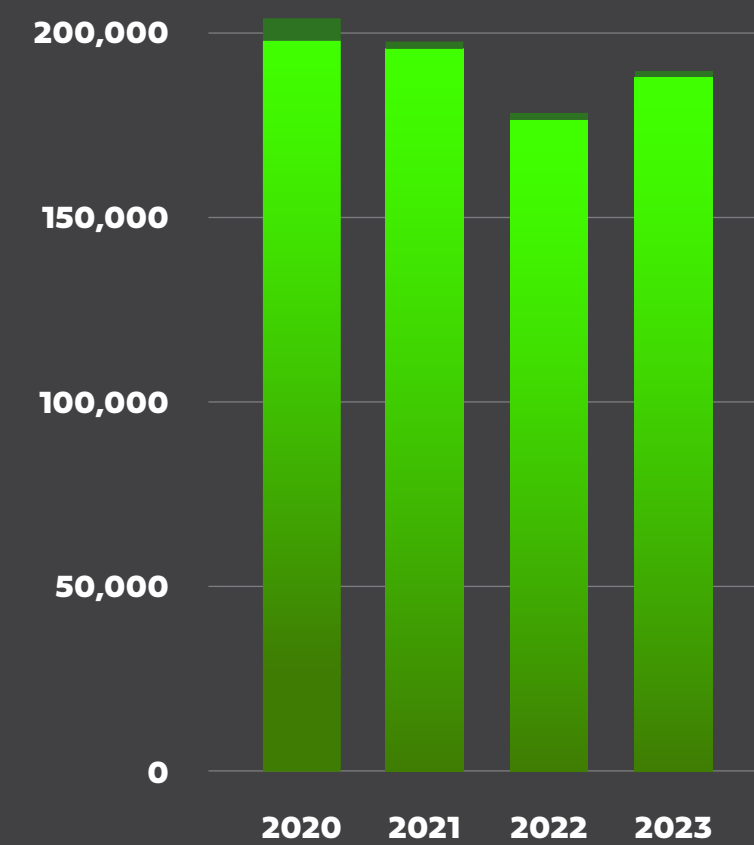
Emission trends

In 2023, our total Scope 1 and Scope 2 (market-based) emissions increased by 7.8% compared to 2022. This increase was due to more accurate detection, measurement and recording of fugitive leaks. In addition, we included new categories in our fugitive leak calculations, which were not included in previous years. Another factor affecting the year-on-year trend was a higher volume of work carried out on our distribution system. Despite the deployment of new and effective measures, this higher work level resulted in an increase in technological loss emissions. However, a comparison with our base year of 2020 shows that we are maintaining a downward trend, with our emissions falling by more than 9%. This reduction is due to a range of measures including continuous network renewal and replacing steel pipelines with plastic ones, reducing the amount of gas released during repairs and investment actions using stoppling technologies, increasing the operational efficiency of gas preheating boilers, and lowering the heating curve for our administrative buildings. We plan to maintain this trend in 2024 in order to meet our Net Zero strategy goals for 2025 and 2030.

In this report, for the first time, we are presenting values for the emissions generated by our supply chain. For the past two years we have been working hard to develop computational models and on data acquisition. Our current system allows us to collect data with a yearly interval. That means that we will not be able to ascertain the 2023 value until later in 2024. For us, this year's report is a pilot release of the Scope 3 emission data that we have available. The increase in our Scope 3 emission footprint between 2021 and 2022 is mainly caused by the availability of new data, refining calculations and enriching the model with new calculation categories. We are continuing to work on and refine the model. It is essential for us to be able to provide complete reporting of GHG emissions, including Scope 3, by 2025.

Total Scope 1 and Scope 2 greenhouse gas emissions (tCO₂e)

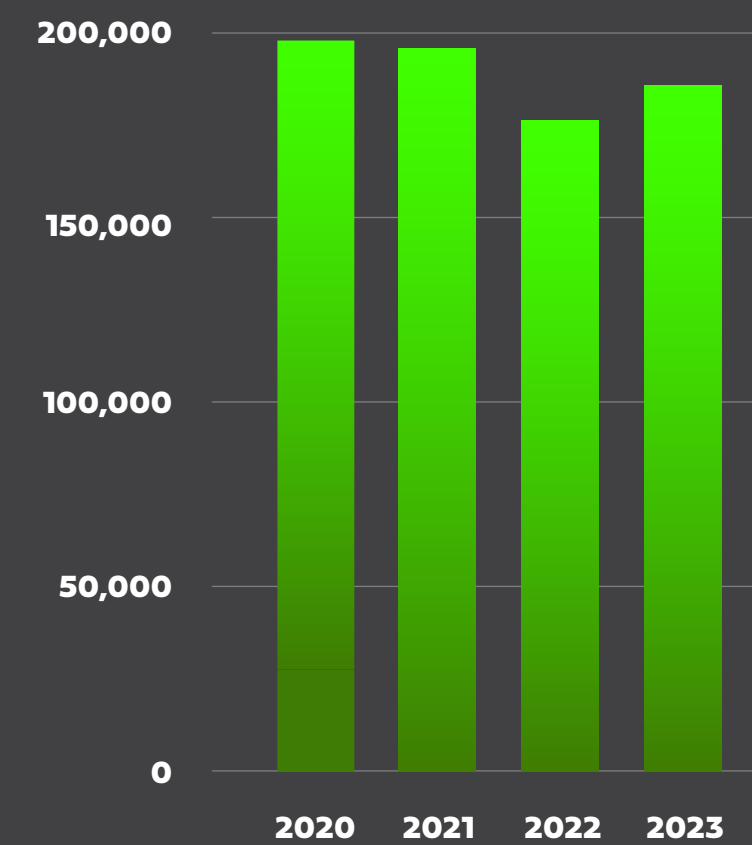
- Scope 1
- Scope 2



Scope 1 greenhouse gas emissions (tCO₂e)

Scope 1 Emission Sources

- Technological gas losses
- Fugitive gas leaks
- Natural gas consumption in operations
- Natural gas consumption in office buildings
- Fuel consumption by our vehicle fleet

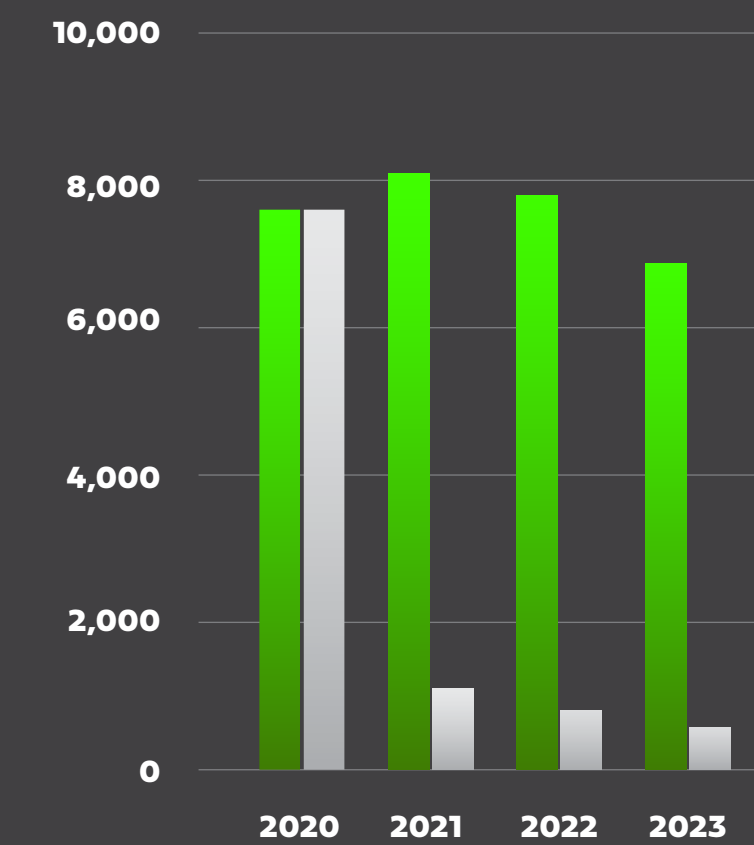


Scope 2 greenhouse gas emissions (tCO₂e)

Scope 2 Emission Sources

- Electricity consumption in operations
- Electricity consumption in office buildings
- Electricity consumption at LNG stations
- Heat consumption in office buildings
- Cooling consumption in office buildings

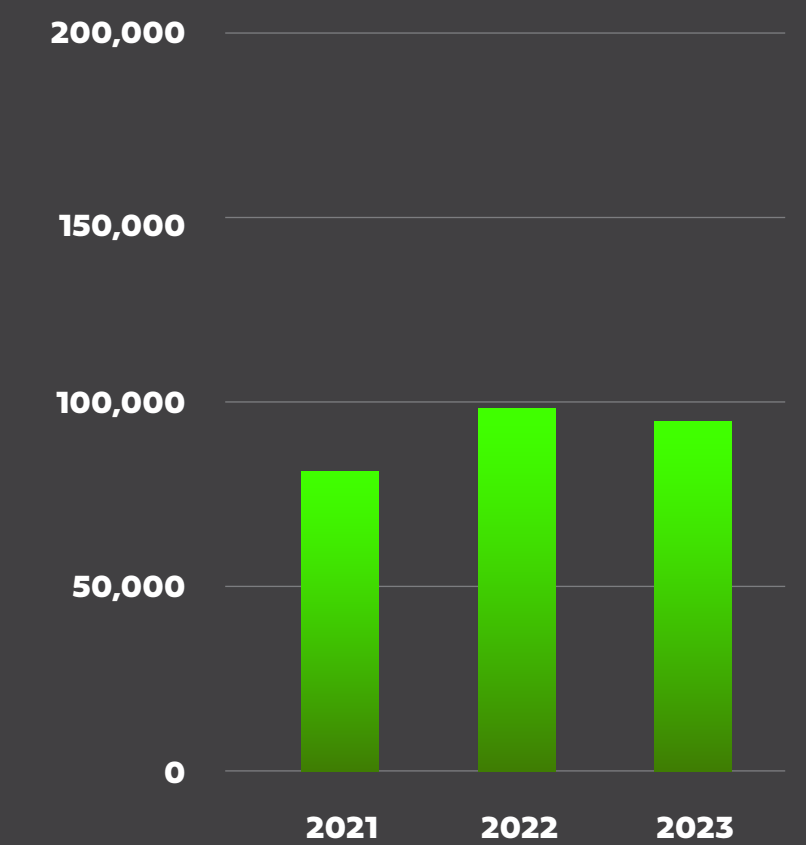
- Location-based
- Market-based



Scope 3 greenhouse gas emissions (tCO₂e)

Scope 3 Emission Sources

- Purchased goods and services
- Consumption of fuels and energy not included in Scope 1 and 2
- Transport and distribution *upstream*
- Waste *downstream*
- Use of the product sold
- Investment

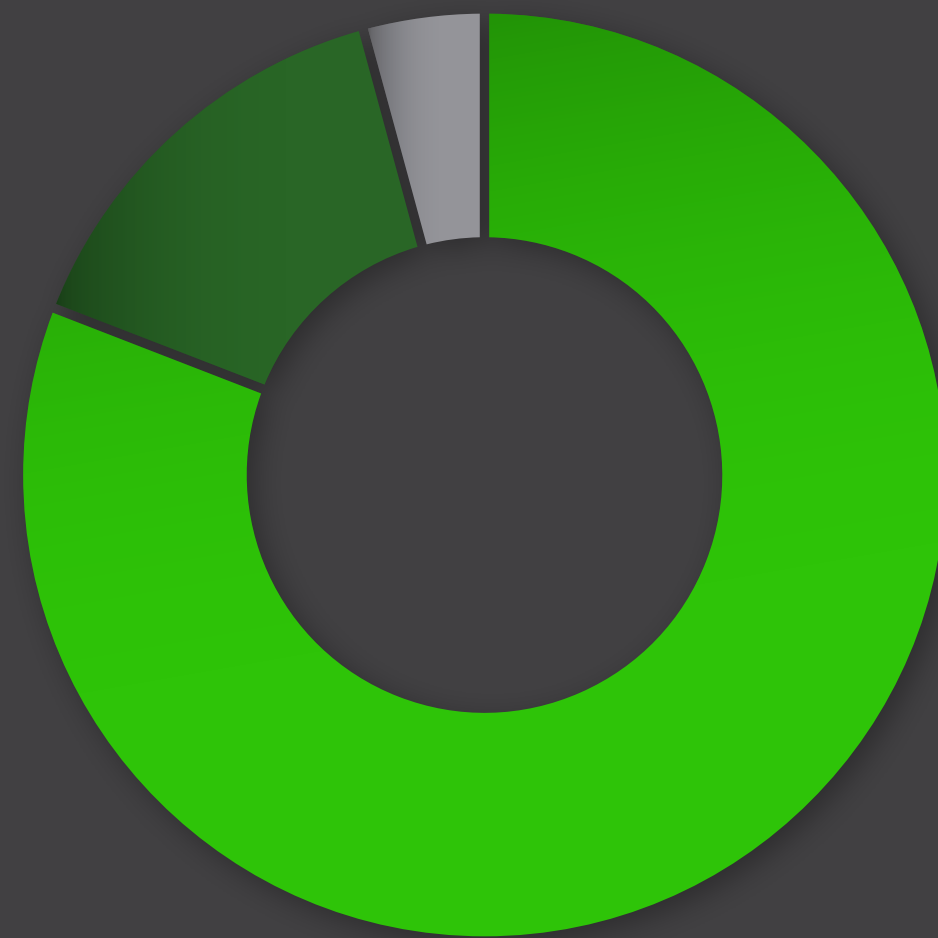


Scope 1 emission sources in 2023



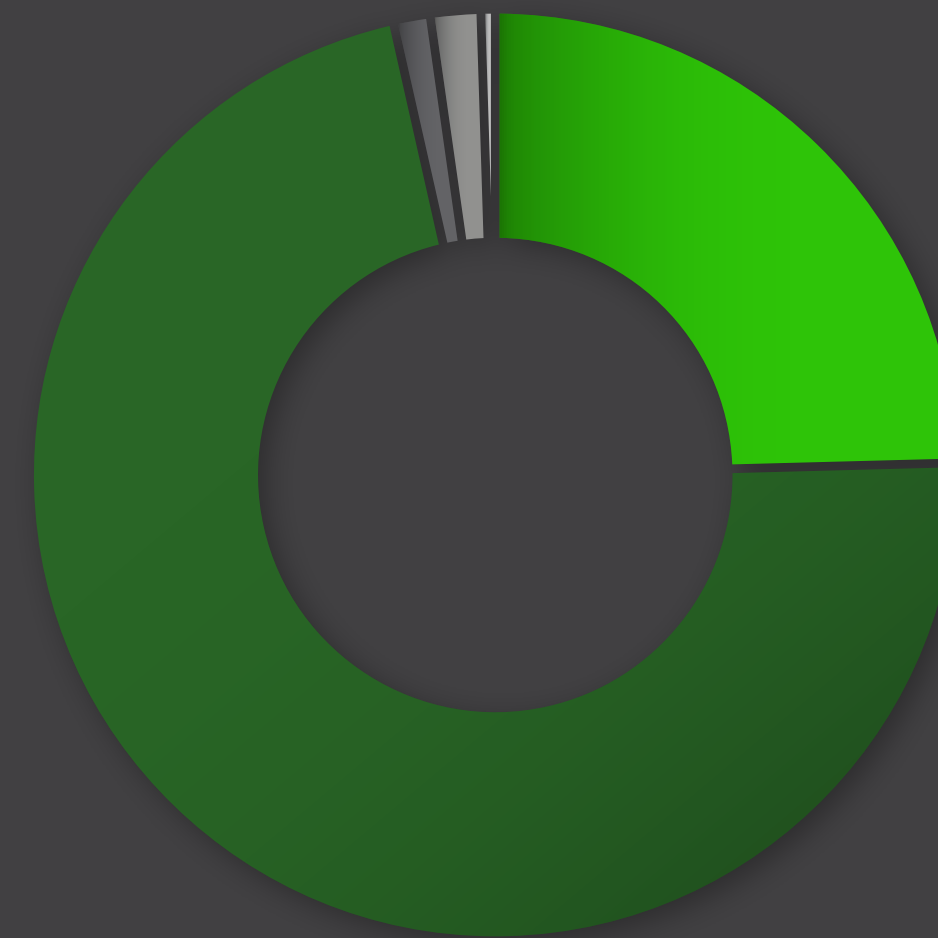
- 84.6% Fugitive losses
- 7.2% Technological losses
- 5.1% Natural gas consumption – operations
- 2.3% Fuel Consumption
- 0.8% Natural gas consumption – buildings

Scope 2 market - based emission sources in 2023



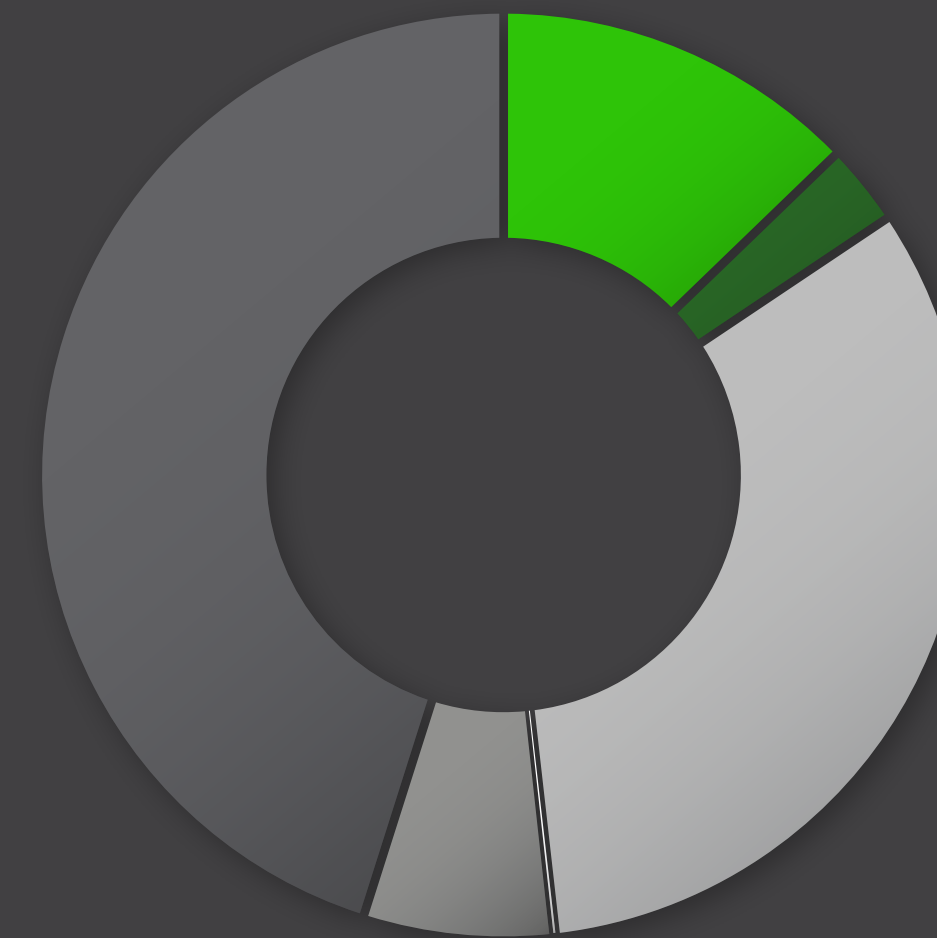
- 80.9% Electricity consumption – buildings
- 14.9% Heating – buildings
- 4.2% Cooling – buildings

Scope 2 location - based emission sources in 2023



- 71.9% Electricity consumption – operations
- 24.6% Electricity consumption – buildings
- 1.7% Heating - buildings
- 1.3% Electricity consumption – LNG stations
- 0.5% Cooling - buildings

Scope 3 emission sources in 2023



- 45.1% Investment
- 32.6% Transport and distribution
- 12.8% Purchased goods and services
- 6.6% Use of the product sold
- 2.8% Consumption of fuels and energy not included in Scope 1 and 2
- 0.1% Waste

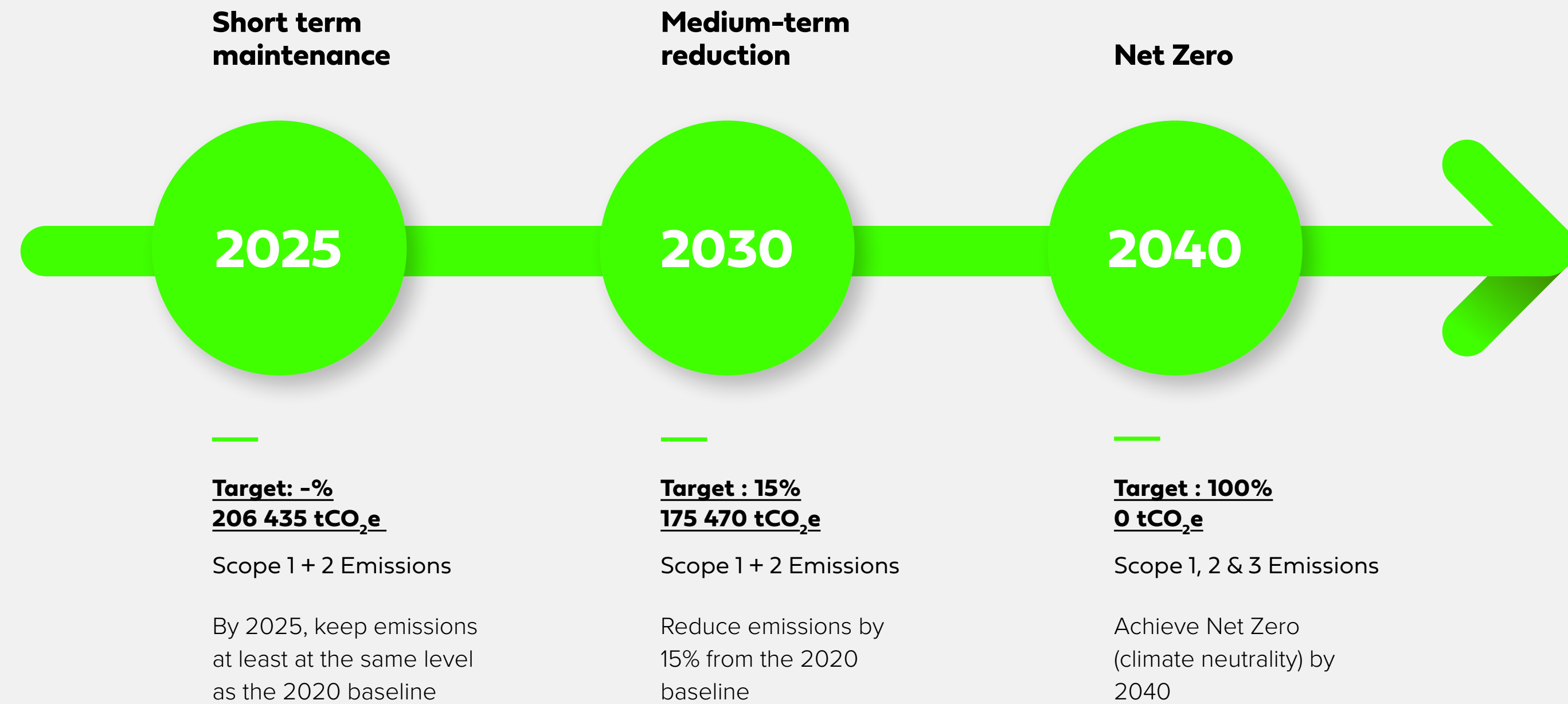
Objectives

Based on our audited baseline emission value, we have set quantitative targets and developed a set of measures to achieve them.

In the next 2 years, i.e., 2024 and 2025, our objective is to maintain our Scope 1 and Scope 2 emissions at 2020 levels. In reality, this is a reduction in emissions relative to our projected growth. Our gas network, originating from a period of massive gasification of the Czech Republic in the 1990s, is aging. Without targeted work to reduce emissions, the number of natural gas leaks would increase substantially, resulting in a 10% increase in emissions within two years.

By 2030, we want to reduce Scope 1 and Scope 2 emissions by at least 15% compared to 2020. We can achieve this goal by not just improving our leak detection and repair processes, but also through accelerated and better targeted network renewal.

The culmination of our journey is in 2040, by which time we have committed to achieving the goal of Net Zero, or climate neutrality. We will achieve this by eliminating emissions across our entire value chain, including Scope 3 emissions. This step requires GasNet to transition to green gas distribution (biomethane, hydrogen) and introduce sustainable technologies across our operations.



Measures

In the short and medium term, we are focusing mainly on our operational activities. These are the largest source of our emissions as well as being the area in which we see the greatest potential for reduction. We manage this area with our **Green GasNet** program, where individual working groups focus on identifying and implementing operational measures. We should also mention that this is not about reducing emissions at all costs. We have created an evaluation matrix that helps us determine the effectiveness of measures on a volume/cost basis. We also select measures that are consistent with the requirements for the future distribution of green gases. Ultimate responsibility for the results of the working groups rests with members of our top management, who have emissions management as one of their annual targets.

The first important area is preventing **fugitive gas leaks**. We will achieve this by improving the detection and faster repair of leaks using new monitoring technologies and processes. We will also accelerate and better target the renewal of our network.

The second group of measures is aimed at minimising **technological gas losses** during investment activities and network maintenance. We want to achieve this by introducing new technologies and procedures that will limit the need to release gas into the atmosphere and allow gas to be stored in gas pipelines or pumped across.

In the area of **energy consumption**, we focus on increasing efficiency, switching to renewable energy sources and reducing the number of buildings and vehicles we use. We explore this topic in more detail

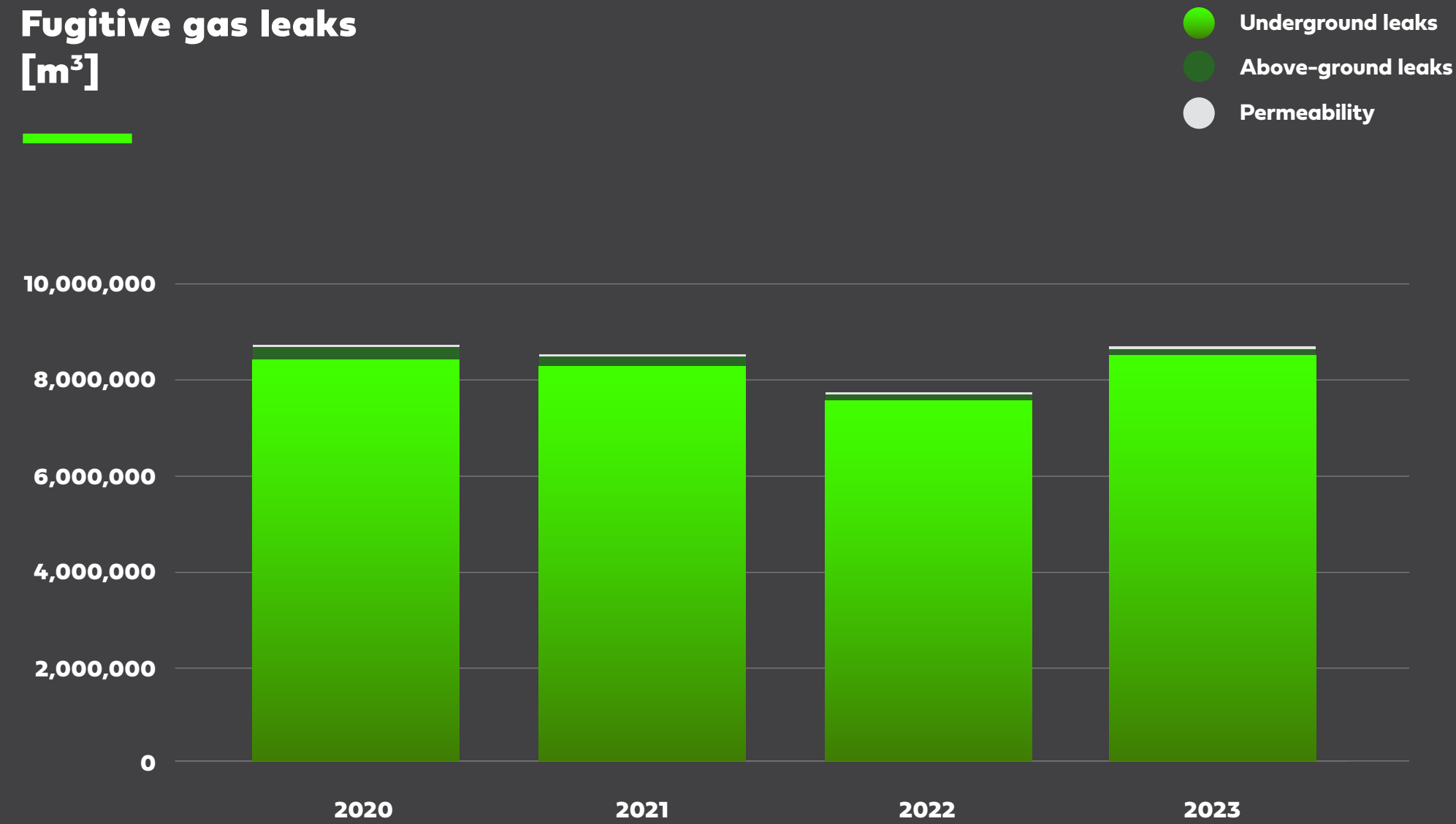
in chapter *Managing Energy Consumption* (p. 49).

If we want to achieve Net Zero, these operational measures alone will not be sufficient. We will also need to support these changes through the overall transformation of our company, i.e. a transition to the distribution of green gases – biomethane and hydrogen. Due to the current state of the market, it is not yet possible to precisely determine a roadmap for this transformation. In order to be able to go down this path, we need to ensure the market and price availability of green gases in the Czech Republic. At GasNet, we have been preparing for this green transformation for a long time through our **Long-Term Transition Plan**. The question is not whether this transformation will happen, but how quickly.

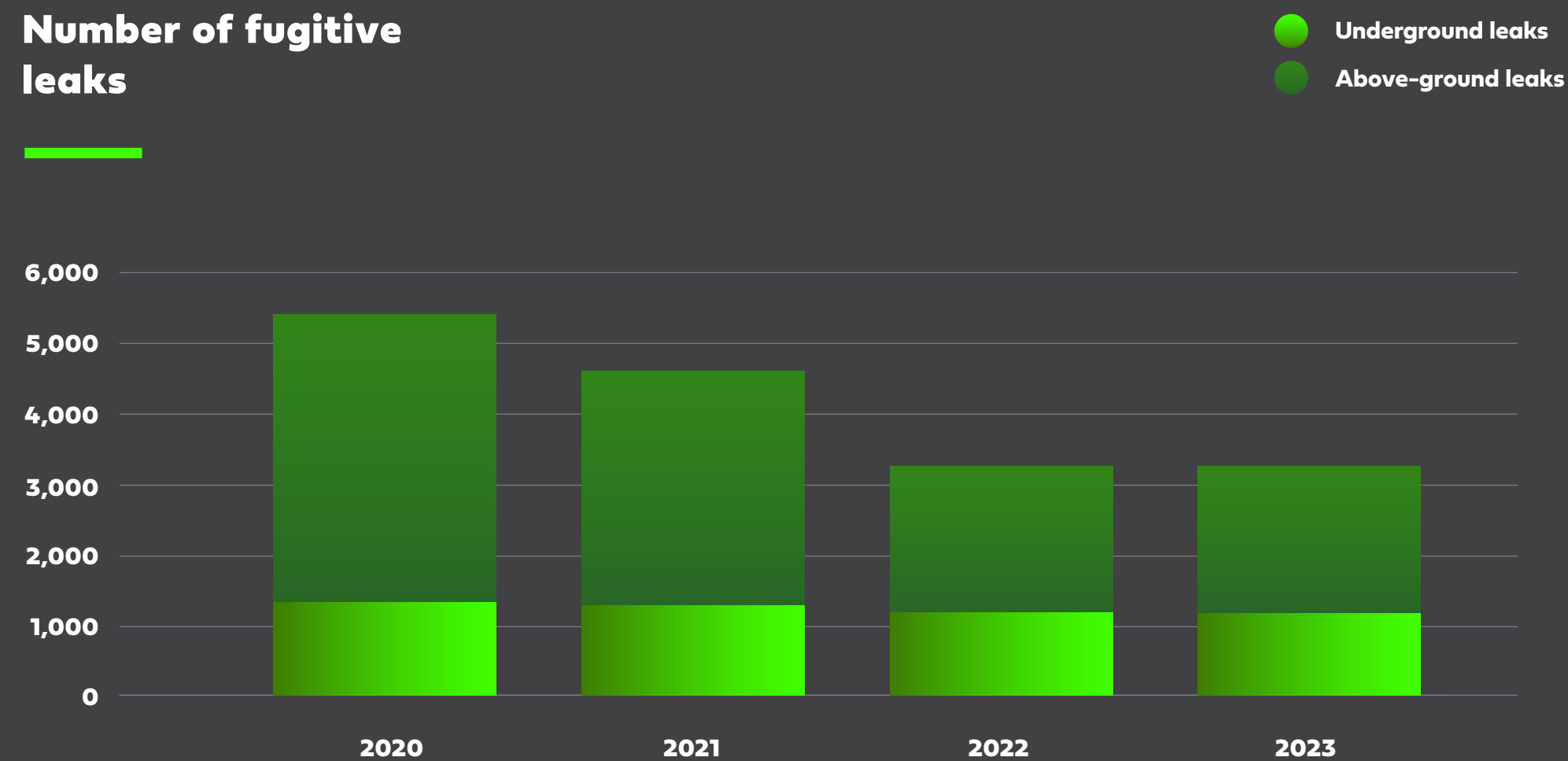
We are not only dedicated to reducing our own emissions. We are also looking for a range of solutions to help reduce emissions around us and to contribute to the Czech Republic meeting its ambitious goals in the field of energy as a whole. That is why we support the use of LNG in freight transport, use low-emission sources for the production of electricity, and help companies in their transition from coal to natural gas, which is a positive step towards an easier transition to the green gases mentioned above.



Fugitive gas leaks [m³]



Number of fugitive leaks



Gas leaks and losses

Fugitive gas leaks

In 2023, the European Commission’s “Regulation on methane emissions reduction in the energy sector” was finalised. We expect the Regulation to come into force in June 2024. The new Regulation will be incorporated into the legal framework of the Czech Republic and also into our own operational practice. Our new obligations as a distribution system operator to manage fugitive emissions of methane, will be reflected in the upcoming Leak Detection and Repair program (LDAR). New rules will be set in GasNet for regular inspection of operating equipment, leak detection and the precise quantification of methane emissions (Scope 1) both in the underground and above-ground parts of the distribution system. The current rules and methodology for calculating Marcogaz emissions (2019) remain unchanged for 2024.

We actively monitor and participate in the creation of ‘implementation acts’, which are being prepared for the new EU Regulation. This includes in particular a newly prepared CEN technical standard (“Gas infrastructure – Methodology for methane emissions quantification for gas transmission, and distribution systems, underground gas storage and LNG terminals”), which will deal in detail with key areas related to fugitive methane emissions, i.e. detecting and quantifying (g/h) leaks. We anticipate a binding legislative standard and a model for calculating identified leaks both at source level and at site level. Another accompanying

implementation act will be mandatory OGMP methodology, which defines the required granularity for unambiguous reporting of quantified leaks. As GasNet, we are members of problem-solving and working groups for both of these key activities, and thus have the opportunity to proactively prepare for these newly defined obligations.

As we develop our new LDAR program and the necessary resulting changes in our company’s operating model, in 2024 we will finalise the methodology and technical equipment for performing leak inspections, leak repairs, quantifying findings, and reporting. This will occur as part of our ongoing 2023 “Smart Inspection” project. Another goal of the project will be to prepare for the necessary internal data interconnections (GasNet IT environment) according to the parameters of the emission sources assessed and the rules for their elimination (Scope1).

In 2023, thanks to the full implementation of our new workforce system and work on our new data platform, we obtained much more accurate and high-quality data. These are key projects, and we will continue to focus on them. Thanks to the data collected and its subsequent analysis, we can continue to work on refining our calculation methodology and sensitivity analyses.

In 2023, we recorded an increase in the emissions footprint of natural gas leaks from our distribution system. By refining the data we collect, we can more accurately calculate the duration of leaks. This has been most pronounced on STL pipelines. We should also note that that monitoring short-term trends can lead to a misinterpretation of network performance. Instead, it is important to look at trends over several years.

Technological gas losses

Our priority task is to properly monitor both categories of technological losses (own losses and third-party losses) and to take appropriate steps to minimize them. At the beginning of 2023, an updated internal directive was issued which aimed to introduce a unified system for reporting technological losses and emissions, both for own investment activities and for construction work carried out by third parties.

However, it is important to note that for safety reasons technological losses cannot be reduced to absolute zero. As we consider individual measures, we also need to take into account the financial costs of eliminating greenhouse gas emissions.

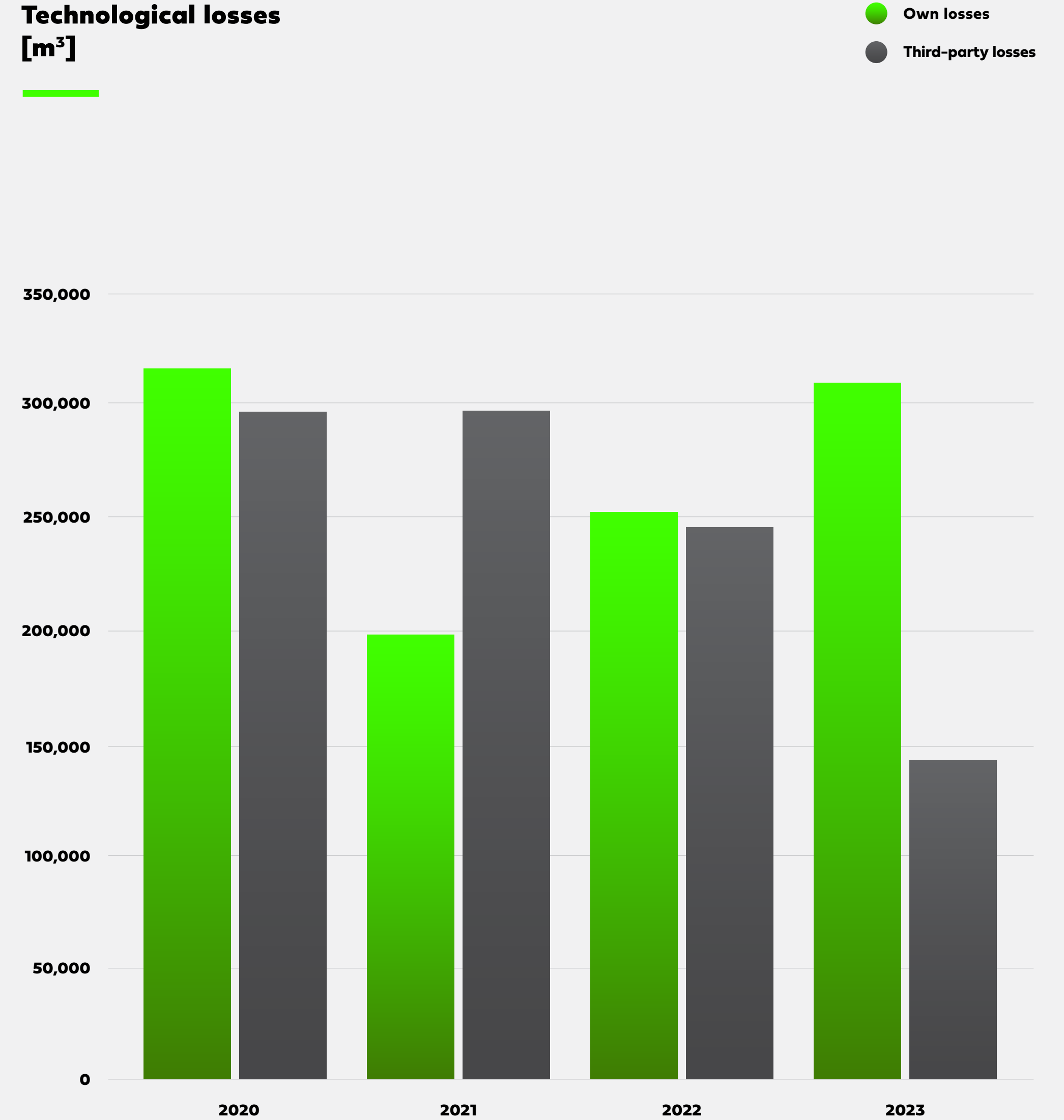
In 2023, we started monitoring a number of new areas such as work on route closures and regulation stations. This, along with the amount of construction which took place in 2023, resulted in us slightly exceeding our expected emissions in this area. As part of our Green GasNet program, we focused on reducing the volume of technological losses and emissions using the latest technologies and improving emission predictions for the work being carried out. As a result of the high-quality implementation of these activities, we avoided the release into the atmosphere of natural gas corresponding to 14.8 thousand tons of CO₂. We will continue to develop this area in the coming years. The most effective technologies for specific categories of work are standardised in the proposed technical-economic-environmental decision-making rules. Calculations of the volume of technological losses and emissions for different variants of the technologies used mean that it is possible to find the best solution in the project preparation phase, well even before work begins.

In order to minimise our own technological losses and emissions, we take a number of measures at GasNet. In 2022 and 2023, we successfully tested gas displacement technologies and the use of nitrogen plug technologies. We positively evaluated the technical and financial aspects of transfer compressor technology. We pilot tested this technology in our work with external suppliers on 4 protects during 2023 (a total of approx. 90,000 m³ of natural gas was pumped with a final pressure level of 1.2 bar). Based on these successful test results and the support of pumping technology, we decided to purchase a pumping compressor for our Special Works Section in 2024. By replacing ballooning technology with stoppling technology and especially using the potential of the transfer compressor, it is possible to reduce hundreds of thousands of m³ of natural gas emissions while at the same time improving safety levels in higher-risk work.

We continued to pursue activities to reduce the number of third-party disruptions of our gas facilities. The lower number of these disruptions during 2023 with significantly lower impacts is positive, whether from the perspective of the smaller volume of escaped gas or the number of disconnected customers.

The increase in own technological losses compared to 2022 correlates with an increased volume of network work during 2023. This increase is a result of increased investment in the renewal of our distribution system. In the long term, these investments will help us reduce fugitive gas leaks while at the same time preparing our network for the distribution of the gases of the future.

Technological losses [m³]



Energy management

Within the GasNet group, we use energy as we operate our distribution network, as well as for heating and lighting in our own and leased offices. We also use our fleet of vehicles for inspection activities and we drive more than 20 million kilometres every year. The main commodities we purchase are electricity, natural gas, and fuels such as diesel, petrol, and CNG. In the past year, we focused on optimising our energy consumption management and covering the majority of our electricity consumption with green certificates of origin.

ISO 50001 energy management system

Our **Energy Policy** is available to all our employees on our intranet. It clearly sets out our energy-saving obligations.

In 2021, we implemented the ISO 50001 Energy Management System. This enabled us to **continually improve** our processes in terms of **energy efficiency in our buildings and regulation stations**. We established a compact energy team, set uniform metrics for measuring energy consumption, defined energy Key Performance Indicators (KPIs), and developed a set of measures aimed at reducing the energy demands and environmental footprint of our company.

We have been monitoring our energy consumption for many years. However, due to new requirements for more accurate and frequent data reporting, our current processes are no longer sufficient. The main problem is the phased billing and reading of electricity consumption. This causes a significant lag in data collection and can cause up to a year's delay in finalising total consumption. To improve this process, we launched the Energy Management System project in July 2023 to refine, automate and streamline data collection.

* The emission factor includes only the phase of generating electricity from renewable sources.

We have implemented the energy management system in our own facilities, which contribute the most to our overall energy consumption. A total of 40 buildings were included in the certification system: 15 administrative and operational complexes and 25 regulation stations.

ISO 50001 requires companies to continuously improve and set specific targets for future periods. We are actively working with this requirement as part of our journey towards climate neutrality. For the coming year, our target is to reduce energy consumption by 2% compared to the average consumption from 2018-2020. This target applies across all the buildings included in our energy management system. We will achieve this through employee education and investment in energy management. In 2023, we continued to invest in the operation of our regulation stations and building management to reduce gas and electricity consumption and therefore CO₂ emissions.

Purchase of green electricity

As part of the decarbonisation of our electricity consumption within the GasNet group, we have set ambitious goals for increasing our use of renewable energy. For this reason, we have entered into an agreement with ČEZ ESCO to ensure a supply of certified green electricity. These green certificates allowed us to cover the total electricity consumption in our regulation stations, LNG stations and also in the operation of own office buildings.

The green energy we purchased came from public distribution networks with guarantees of origin from hydro, solar, and wind power plants. The certificate provider confirms that the certificates cover energy we consume, to which a market emission factor of 0* can be attributed. By purchasing these certificates, we have significantly reduced our indirect emissions from the electricity we consume. We plan to continue using green electricity and we have signed a contract with ČEZ ESCO for the further purchase of green electricity, including certification, for the years 2022 to 2025.



Energy used in operations

We also consume energy and generate emissions as we operate our gas installations. The most significant source of emissions is gas preheating at regulation stations, which consume both electricity and natural gas depending on the technology used. At GasNet, we use electric and hot water preheaters. We aim to minimise our impact in this area by systematically improving the efficiency of preheaters over time, streamlining consumption management through ISO 50001, and purchasing green electricity.

Gas preheating is important for technical reasons; the proper functioning of the machinery of the regulation stations. The gas temperature downstream of the regulator must be higher than the dew point to prevent

hydrate formation in the pipeline and the condensation or freezing of liquid components.

We operate three cogeneration units at two large regulating stations. Cogeneration is one approach to low-emission thermal and electrical energy. Using cogeneration and expansion turbine technologies, we produced and **sold a total of 3.3 GWh of electricity to the grid** in 2023.

At the same time, we are working hard to commission a prototype screw expander to achieve maximum efficiency of power generation in our operations.

Since 2014, we have been running a project to upgrade gas boilers to increase energy efficiency and reduce pollutant emissions. The project is currently planned to run until at least 2026. In 2023, we

replaced a further 115, and we reconstructed the boiler room of the Pánov transfer regulation station.

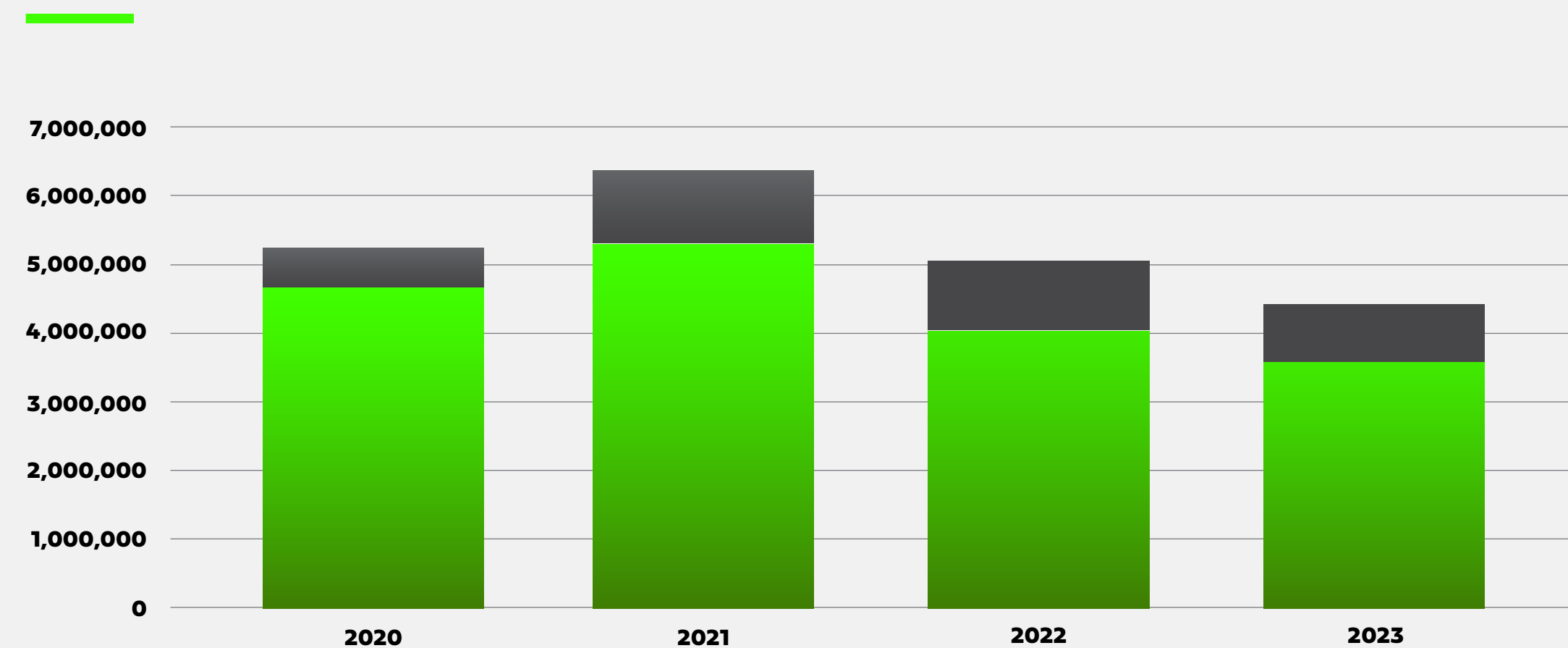
As part of the pilot, we have equipped two regulation stations with electric heat pumps. These function as an alternative to existing gas boilers. The preheating is provided by the heat pump as a priority and the gas boilers are used only in periods of low temperatures. We will continue this project in 2024. As a result, we will further reduce our own gas consumption and resulting emissions.

At our 22 largest transfer regulation stations, we evaluate monthly consumption based on flow rates, inlet and outlet temperatures and pressures. If we detect deviations, we take prompt action to correct the faults. We have covered our total electricity

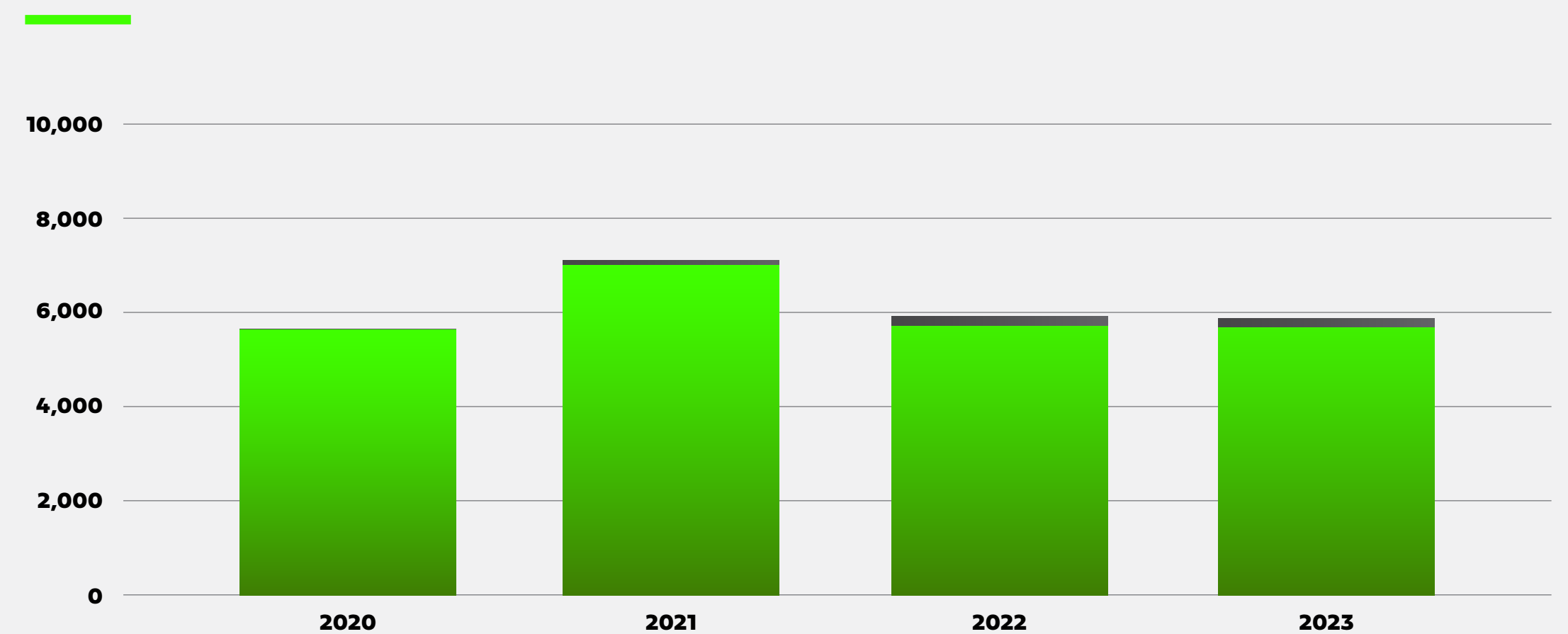
consumption with the green electricity certificates from CEZ ESCO that we mentioned above. The certificates are secured until 2025. At the end of 2023, we also successfully **defended a supervisory audit of the energy management system** according to ISO 50001 for 24 regulation stations without any significant non-conformities.

To support the development of LNG in the Czech Republic, we operate five LNG filling stations in Klecany near Prague, Kosmonosy near Mladá Boleslav, Nýřany Kaplice and Jažlovice. You can learn more in the chapter titled *LNG use in Road Transport* (p. 60). We also monitor electricity consumption at these stations so it can be taken into account for future developments.

Natural gas consumption in operations (m³)



Electricity consumption in operations (MWh)



Office buildings

In 2023, we started a project to gradually optimise our largest office buildings. We installed sensors in our offices in Prague which measured the occupancy of our workplaces and meeting rooms. Based on this data, we launched a project which will ultimately see us switch to **shared workplaces** in our Prague offices. In total, we will save more than 20% of our currently rented office space. This in turn will also save energy and the indirect emissions associated with heating, cooling and powering that space. The renovation began

in December 2023 and will be completed at the end of 1Q 2024. In the newly renovated premises, we will re-use more than 80% of the existing furniture, carpets and partitions and by doing so we will significantly reduce the emission footprint of the reconstruction project.

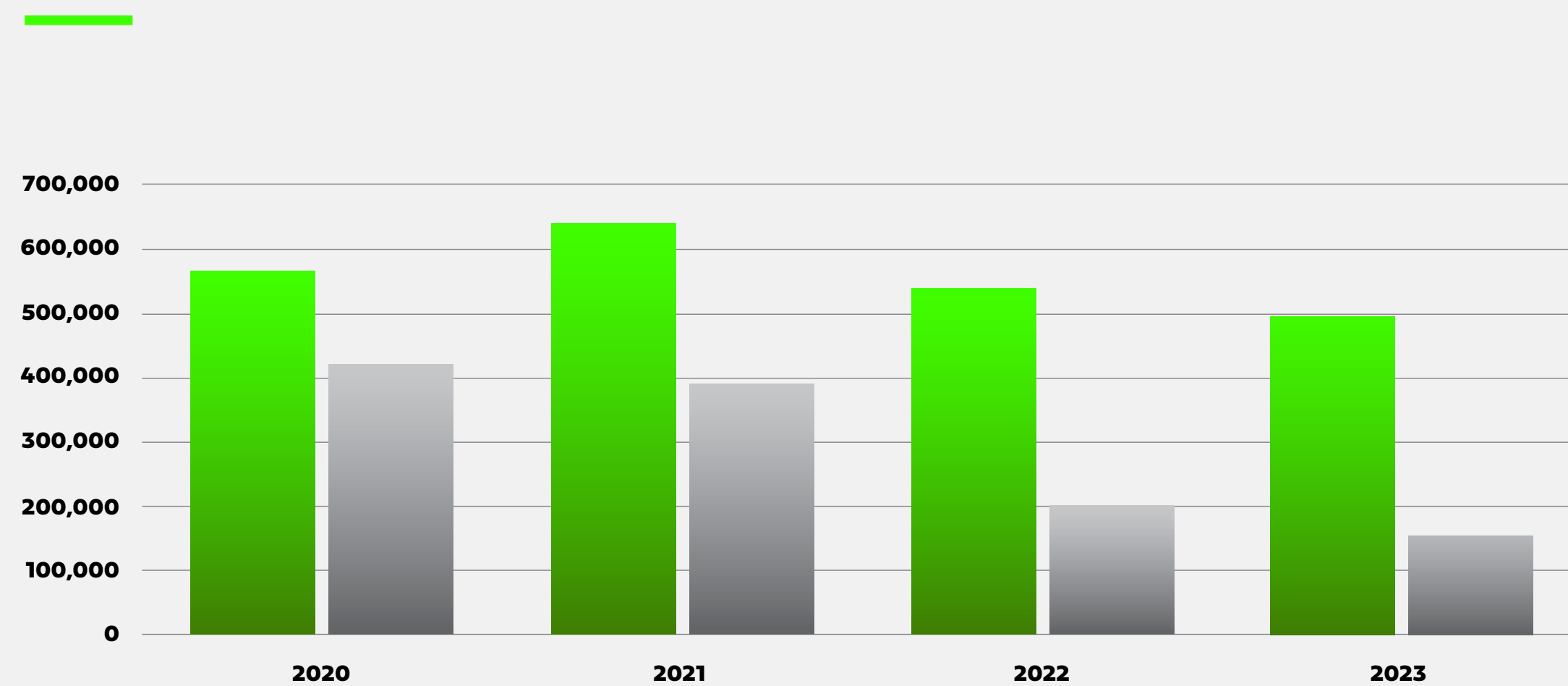
We have identified another potential office space reduction in the offices in Ostrava, where we have now relocated the occupancy sensors. The space saving potential is between 20% and 40%. We anticipate the implementation of a similar project to the one in Prague during 2024.

In our smaller regions we have installed **photovoltaic panels** (PV) on five buildings, delivering with a total capacity of 80 kWp. We also completed the design of PV plants for two more sites in 2023. This will help us save around 60 tonnes of CO₂ by 2025.

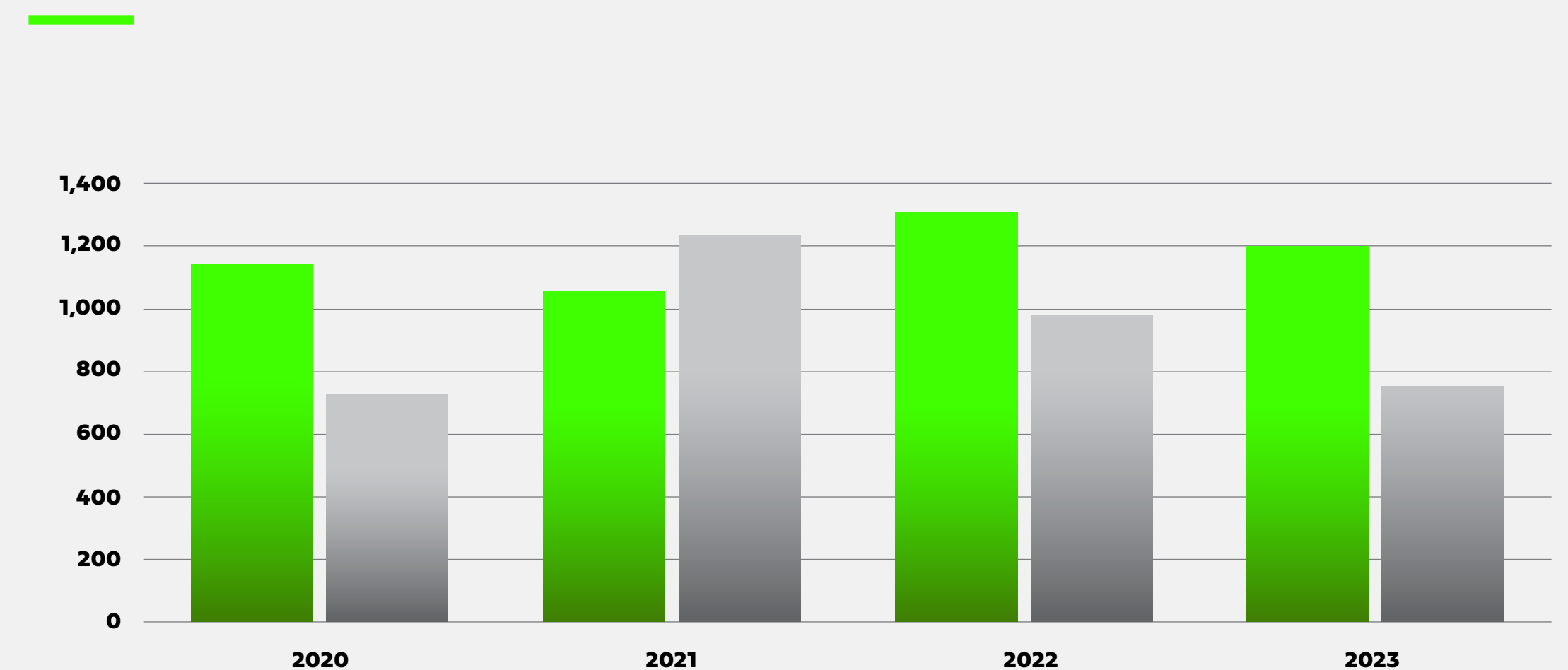
In buildings owned by GasNet, we are focused on reducing energy consumption by gradually renovating the heating, cooling and their control systems. In 2023, we invested CZK 5.6 million in projects related to reducing energy consumption.

As a result of these activities, we successfully underwent an ISO 50001 independent supervisory audit of our energy management. This confirmed that we are on the right path to reducing the energy demand of our buildings.

Natural gas consumption in buildings [m³]



Electricity consumption in buildings [MWh]



Car fleet

We operate 1,395 active vehicles in the GasNet Group, of which 66% are technical vehicles that we use to operate and maintain our distribution network. The remaining approximately 500 vehicles are management and administrative vehicles.

We measure the emissions from our own fuel consumption – diesel, petrol and compressed natural gas (CNG). We continue, by the nature of our business – natural gas distribution – to support the CNG segment. However, the discontinuation of CNG models by automakers means we are actively preparing for an alternative future.

In 2023, we **tested six fully electric vehicles** which we used while maintaining our network. We will further evaluate their effectiveness during the course of 2024. We also continue to closely monitor the hydrogen

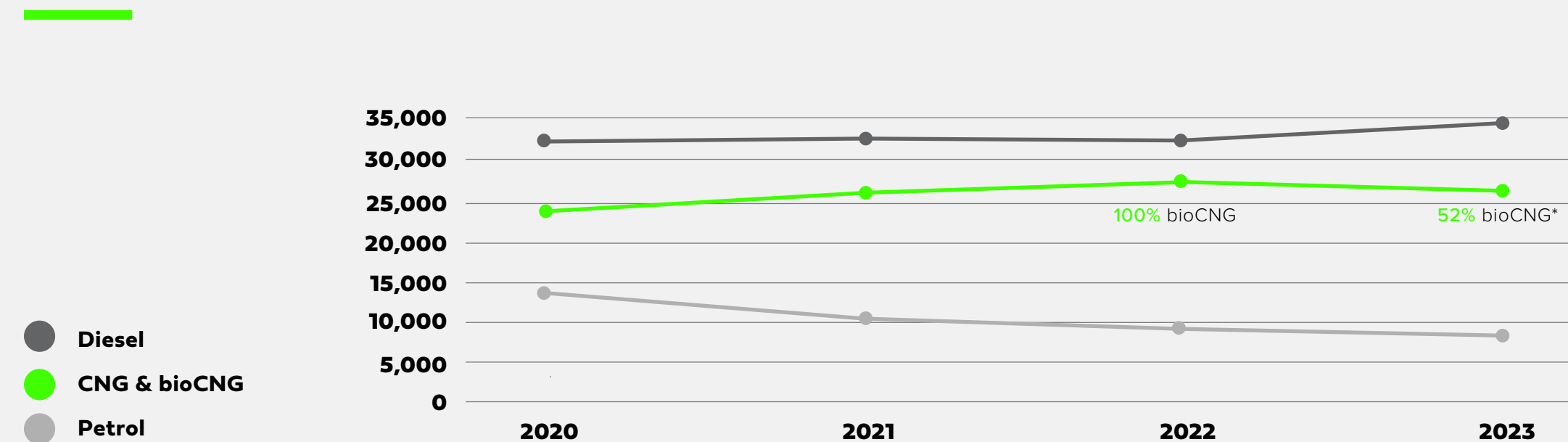
car market and plans to expand hydrogen car filling infrastructure. As soon as this option is available for our technical vehicles, we plan to include them in our fleet.

We also successfully use **carsharing** within our fleet. In 2023, we handled 5,169 bookings at 10 locations.

The number of CNG and diesel vehicles remains almost the same, while the number of petrol vehicles has fallen by 38. However, there was a mileage increase of about 0.5 million kilometres compared to last year. This trend was also reflected in our fuel consumption, where there was an increase in CNG consumption but a decrease in petrol consumption.

In 2023, we secured **certificates of origin for our bio-CNG fuels** from our supplier. As a result, we covered part of our consumption with renewable biomethane.

Fleet fuel consumption [GJ]



* The certificate from 2022 was not recognised for the following year. We have purchased a recognised alternative, but its use is limited to certain filling stations providing bioCNG.



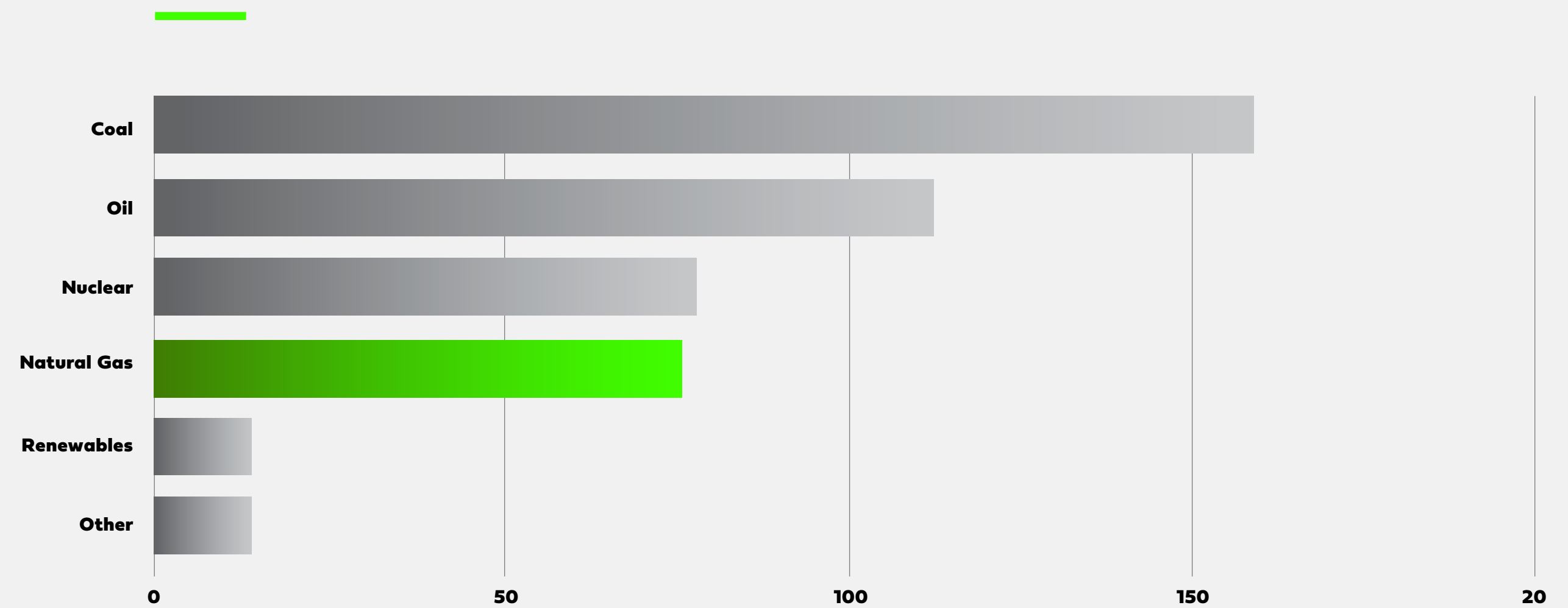
Long-term transition plan

Europe is on the road to decarbonisation and towards a sustainable economy. We want to be part of this change. We want to be a key part of modern and green energy. We are at the forefront of energy transformation, and we are preparing to transition to green gases so that we can achieve our long-term climate neutrality goal by 2040.

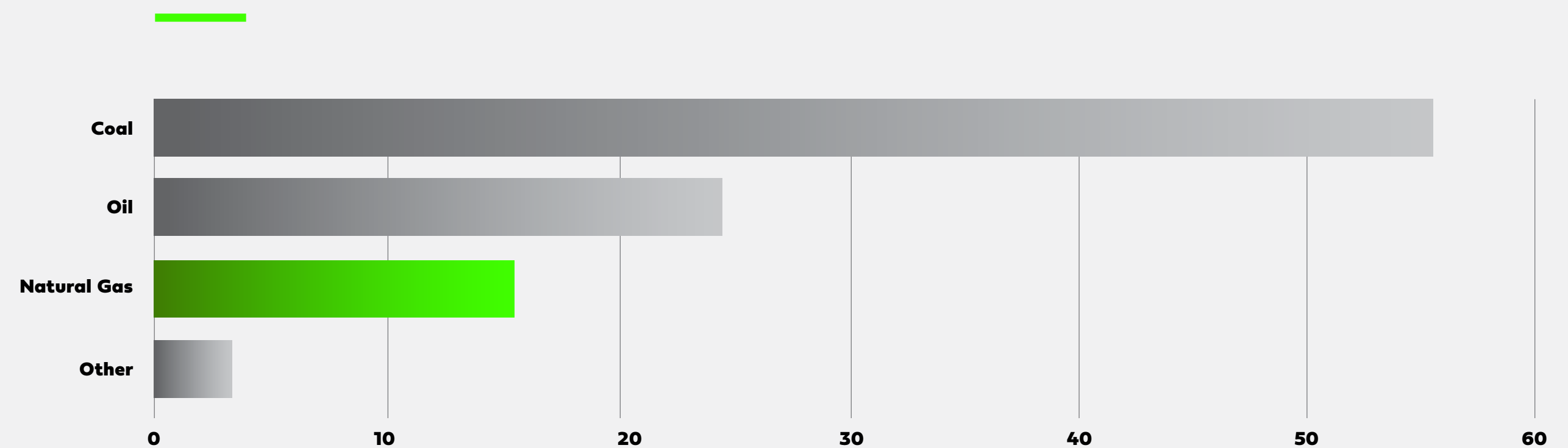
Our **Long-Term Transition Plan** covers several areas which are dealt with by separate working groups, which we regularly coordinate at senior management level. At present, some transformation activities cannot be put into practice due to unclear market conditions and other external barriers that are not entirely within our control. Despite this, at GasNet we constantly look for ways to prepare for this fundamental change and become pioneers on the Czech market.

We are facing **the biggest transformation of energy and industry since the industrial revolution**. While the transition to emission-free gases such as biomethane and hydrogen will undoubtedly be a major challenge, at GasNet we see it as a huge opportunity.

Energy consumption [TWh] in the CZ in 2022



CO₂ / Energy Sources [MtCO₂] in the CZ in 2022



The green future of gas – biomethane and hydrogen

The entire Czech Republic is moving towards the decarbonisation of key sectors of the economy. Climate neutrality in 2050 is the main goal set by the Green Deal for Europe. This goal will not be achieved without a complete transformation of the energy sector.

The main indicators being monitored in the energy sector are greenhouse gas emissions. Their reduction was clearly defined and supported by the **Fit for 55** legislative package and the **REPowerEU** program. In this respect, a rapid shift away from high-emission coal is essential. The solution is to replace coal with natural gas, which has one third lower greenhouse gas emissions. In addition, the gas industry also has its own green and emission-free future in the form of **biomethane** and **hydrogen**. Liquefied natural gas (**LNG**) and its renewable form, **bioLNG**, will in turn play a key role in reducing emissions in road freight transport.

The biggest share of energy in the Czech Republic is produced from coal, which is used extensively to produce electricity and heat. This includes up to half of domestic heating plants. Decarbonising these plants will significantly reduce emissions across the Czech Republic.

The European Union has included natural gas in its **taxonomy** and new **gas-fired heating plants** are considered environmentally acceptable. The environmental benefit of the conversion of heating

plants to natural gas is further strengthened by the fact that we are steadily increasing the share of renewable biomethane in our distribution network.

The situation is similar in the area of road transport. Although the Czech Republic, with 9% renewable sources, is on track to meet the current target of 14%, the required mix of renewable energy types will not be achieved. The anticipated higher goal of 28-32% will only be achieved if all available sources are used, including natural gas. For example, in the **road freight transport** sector, natural gas offers the only realistic and affordable alternative to meet emission targets. That is why, since 2020, we have been advocating the increased adoption of liquefied natural gas (LNG) by Czech hauliers.

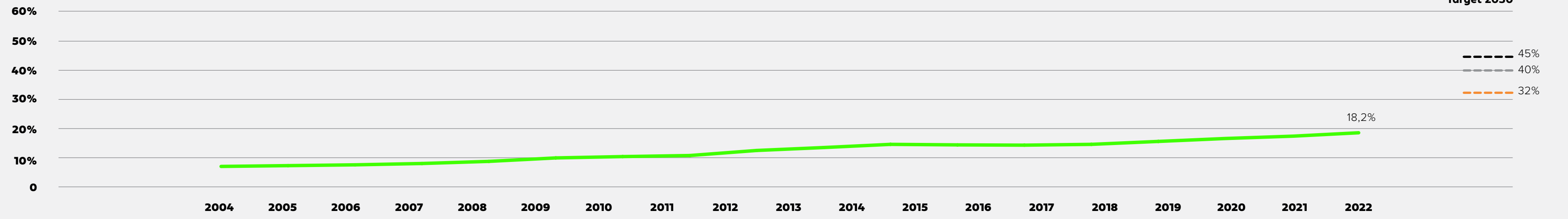
While natural gas offers an affordable and reliable solution in the shift away from high-emission sources, it is the new gases such as biomethane and hydrogen that will give Czech economy and industry the certainty of a sufficient supply of emission-free energy.

Biomethane has the same properties as natural gas, and we are already increasing its share in our distribution system.

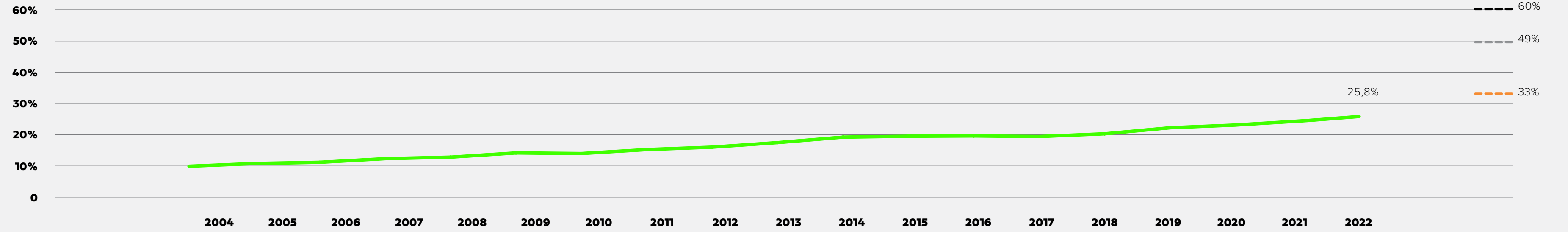
Hydrogen is a stable energy carrier that can be transported and distributed over long distances with virtually no losses. For industry or the heating sector, both of which work with direct combustion technology, gas is essentially almost indispensable. Gas as a reliable source is also essential to stabilise the electricity system and to cover seasonal fluctuations in energy consumption.



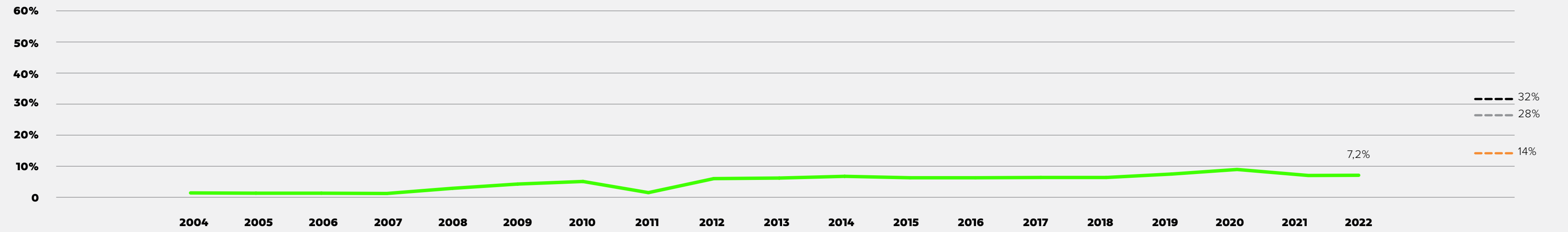
Share of Renewables and CZ targets



Share of Renewables and CZ targets - Heating



Share of Renewables and CZ targets - Transport



● Share of Renewables FF55
 CZ Target REPowerEU

Sources: EEA, UNFCCC, Eurostat

Readying our distribution network for the future of energy

Our strategy for renewing the existing GasNet infrastructure has a long-term focus on equipment at the end of its life, and on reducing the leakage of distributed gas. As we systematically renew and replace larger sections of pipeline, we are also optimising our system to reflect current and future population demographics and land use planning. As a result, we are, and we will always be, able to meet current and projected gas demand. **We invest in a cost-effective way while at the same time maintaining safety and reliability.**

A well-chosen investment strategy is crucial for GasNet's future. Such a strategy enables us to meet our decarbonisation commitments while at the

same time ensuring safe, reliable and efficient gas distribution not only now but also in the years to come. We know that, because of decarbonisation targets and the need to diversify sources in the context of the whole energy sector, the composition of the gas we distribute through our network will gradually change.

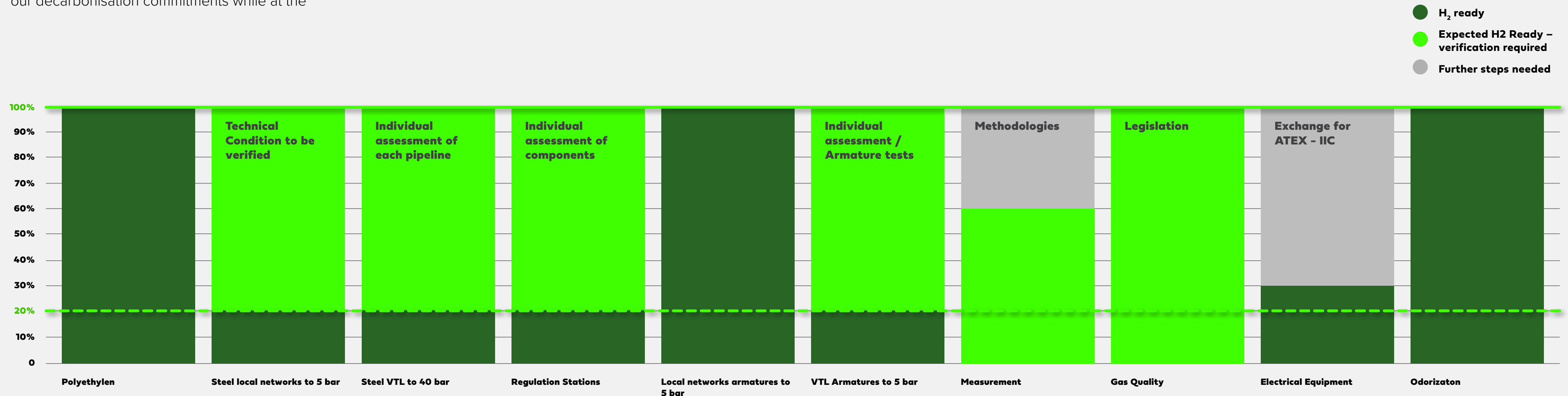
We are preparing for this and are in a good starting position. Not only does the state of our gas network grid allow for the distribution of natural gas and biomethane, but **we are already able to distribute a mixture of natural gas with up to 20% hydrogen.** And we know what we need to do to be ready to distribute 100% hydrogen.

We deal with switching scenarios for our transition to hydrogen distribution in our **Tranzitní cesta (Transit Path)** program. We are using information from our pilot projects to connect hydrogen production plants. We also draw on experience from abroad, where similar projects are being developed.

The schedule for this gradual transition is affected not just by our own readiness, but also the readiness of the transmission system and the availability of hydrogen in the Czech Republic. Given that our distribution system is a part of a larger gas ecosystem, which does not work in isolation, we have joined forces within the ČPS platform with other distribution

system operators, transmission system operators and gas storage operators. We are working together on transition scenarios, legislative changes, and technical studies.

We carefully consider new investments and look for maximum synergies for both the current distribution of natural gas and hydrogen in the future. We are renewing the network in such a way that if the media we distribute changes, we will not have to start from scratch. At the same time, we are careful to avoid any wasted investment or customer impacts.



Transition of heating plants from coal to gas

Burning coal produces large amounts of CO₂ and SOx emissions, as well as many other harmful and carcinogenic substances including dust particles. These are obvious reasons to move away from coal. In our climate, our ability to produce energy from renewable sources is limited and expansion of renewable sources expected to take time. That means that in order to shift away from coal in Czech conditions, we need natural gas together with nuclear power. Gas and nuclear offer the only way to meet the Czech Republic's 2030 emission targets while at the same time satisfying the energy needs of all customers.

Central heating plant operators are accelerating the switch from coal to natural gas. Their main motivation is not just the Czech Republic's 2030 emission targets, but also the current price of permits. Due to permits, the majority of coal plants will cease to be economically viable as soon as 2028, and in a pessimistic scenario even as early as 2026. When updating the *National Energy and Climate Plan*, the Czech Republic set the goal of abandoning the use of coal for the production of electricity and heat by 2033 at the latest.

In this context, natural gas is recognised as a transitional resource. In addition, natural gas can significantly contribute to the decarbonisation of the entire heating industry through its gradual "greening" with biomethane admixtures and subsequently green hydrogen.

Over 100 coal-fired plants with an installed capacity of over 3 MW operate in GasNet's distribution area. Three-quarters of them have expressed an interest in switching to natural gas, with the rest opting for another fuel such as biomass.

Once targets are achieved, and after the connection and commissioning of all anticipated sources – which will occur between 2030-2033, we expect a total annual increase in gas consumption of approximately 20 TWh. If the Czech Republic achieves its hydrogen strategy and the connection of biomethane production plants is supported, we expect that at least 10% of consumption will come from fully renewable gas sources.

Resources for providing system balancing services

In their decarbonisation goals, the majority of heating plants, are considering the combined production of electricity and heat. They are also considering the construction of purely power plant sources to produce electricity from gas in the form of high efficiency (60%) steam-gas cycles or sets of cogeneration units (KGJ). Most of these sources will subsequently be connected to the electricity network balancing system in the form of power balancing services. Due to their cyclical behaviour and the rapid ramp up of power, the safe and reliable connection of these sources will be demanding and will place demands on the subsequent operation of the GasNet distribution network.

The European Taxonomy defines the conditions under which natural gas-fired heating and gas-steam projects are considered sustainable. As a result, these projects will be able to access funding under significantly more favourable conditions. One of the main conditions is that the technology used is ready for future hydrogen operations.



Connecting biomethane producers

Current events impacting Europe's natural gas supply have accelerated a transition to renewable gases and have set a clear requirement to ensure security of gas supply through diversification of gas sources. At the EU level, such requirements were formulated and supported by the REPowerEU plan. The Czech Republic then developed a program to promote biomethane in the Czech Republic to contribute to the objectives of the Czech National Energy and Climate Plan. According to this plan, biomethane production represents an opportunity for the Czech Republic to attract investment worth CZK 32 billion by 2030.

We were the first distributor in the Czech Republic to start pushing biomethane into our distribution network in 2019. Its advantage is that it is a renewable resource. It is produced from organic waste and has a neutral carbon footprint. Biomethane has the potential to replace 10 to 15% of domestic natural gas consumption by 2030, resulting in lower emissions and greater energy self-sufficiency.

We anticipate that biomethane will replace up to 15% of total Czech natural gas consumption. One precondition for increasing the number of biomethane production plants connected to distribution systems is

systematic state support for this process, both financial (in the form of subsidies or incentives) and legislative.

One of GasNet's main activities in this area is the connection of biomethane production plants and the purchase of production gas pipelines and related technological equipment. A procedure for determining the value of purchased production pipelines of biomethane production plants was issued by the ERO in the form of a Price Decision in November 2022. Following this step, we completed an internal methodology for connecting production plants, including conditions for the purchase of production gas pipelines and related technological equipment. A more detailed methodology is currently being consulted with ERO.

In 2023, we connected **three more biomethane plants** to our network. In March, a plant in Horní Suchá was connected and in July, a station in Mladá Boleslav began injecting biomethane into our distribution network. The last plant to connect was a wastewater treatment plant in Havlíčkův Brod. This is **the first plant to produce biomethane from wastewater sludge**.

The total installed capacity of the five biomethane plants we have connected so far is over 1000 m³/h. The amount of biomethane produced is around 200 thousand m³ per month. This year we expect to connect **five more biomethane plants**, which will increase the total installed capacity to over 3000 m³/h.

We have standardised the process of connecting biomethane plants and created a separate section on our [website](#) for biomethane producers where they can find all the necessary information about connecting. The producers can use the site to submit a connection enquiry for their biogas plant, including a request to check available capacity or make a connection request. We are also preparing software support for simulating heat of combustion, with implications for end-user billing.

We currently have almost two dozen issued connection contracts in our systems, and capacity assurance protocols have been issued for another 14 locations. Development in the coming years will depend heavily on state support for biomethane production. We believe that renewable biomethane will significantly contribute to the decarbonisation of Czech industry, transport, and heat production and to meeting the Czech Republic's decarbonisation goals.

Location	Year of connection	Capacity (m ³ /h)
BMS Rapotín	2019	280
BMS Litomyšl	2022	200
BMS Horní Suchá	2023	330
BMS Mladá Boleslav	2023	150
BMS Havlíčkův Brod	2023	90
Total		1,050

Hydrogen distribution and production

The Czech Republic and other European countries have announced their ambitions for hydrogen in their hydrogen strategies. We have been preparing for hydrogen for a long time. We have been upgrading our pipelines and other gas facilities for over twenty years so that they are able to handle the distribution of 100% pure hydrogen in the future. In particular, the modernisation of our network involves the use of modern polyethylene-based materials. Every pipeline renovation or construction we do takes future hydrogen operations into account.

At the same time, the hydrogen market is gradually emerging. As a distributor we form an inseparable part of this market. A clear outline of how this market will operate is needed by all its segments – from gas producers to manufacturers and repairers of gas appliances. The cooperation of everyone at European and Czech level has made great progress.

For example, as a distributor we have supported the **Central European Hydrogen Corridor** (CEHC) and the **Czech-German Hydrogen Interconnection** (CGHI) projects. We remain active in the European **Ready4H2** platform, which connects 91 distributors and gas organisations from a total of 20 European countries to prepare for hydrogen and help Europe transition to a zero-emission economy.

Hydrogen distribution

We are gradually developing our natural gas distribution network into a system capable of distributing hydrogen. As the **first hydrogen distributor in the Czech Republic, we are also involved in the first hydrogen city project in the Czech Republic**. It is located near Aš, where a private

investor is preparing to produce green hydrogen made from renewable electricity. We have joined forces with the investor, and we will distribute the first hydrogen molecules in a local network in the Czech Republic. In 2022 and 2023, we worked hard on the preparation of this pilot project. It specifically concerns the town of Hranice and the adjacent parts of Trojmezi and Studánka.

We have been working hard together with the local authority. We have introduced the project to local residents and gas retailers through an extensive communication campaign (gasnet.cz/hranice). For example, we organised a meeting in Hranice with citizens where we introduced the project in detail. The Energy Regulatory Office and the Ministry of Industry and Trade of the Czech Republic have expressed their support for the project. We are also cooperating with the Technical Inspectorate of the Czech Republic.

In addition to preparing for the construction of a blending facility and extraction pipeline, we provided a free of charge inspection of all gas consumption appliances and facilities in Hranice to ensure that all the terminal equipment and appliances drawing gas from our system were ready for the blend.

In 2024, we would like to implement this project, which has a budget in the order of tens of millions of CZK. The project goal is to contribute to meeting the EU and the Czech Republic's environmental goals in the area of reducing CO₂ emissions. The project also aims to demonstrate the usability of the gas infrastructure for a gas mixture. This applies not only to the distribution system, but also to downstream gas consumption appliances and facilities.

In addition to the Hranice project, we remain in active discussion with other potential producers and investors regarding the **possibility of connecting hydrogen production plants**. In 2023, the number of inquiries about connecting hydrogen production plants to our distribution network once again increased.

We have already completed capacity calculations and evaluations of the availability of the distribution network for more than a dozen sites across the Czech Republic.

Currently there is no legislation in this area. This prevents us from concluding connection agreements with producers and from providing capacity assurance protocols as we do for biomethane plants. Nevertheless, a significant change occurred at the end of 2023, when **hydrogen was introduced as a concept in the Energy Act** (Act No. 469/2023 Coll.).

This amendment to the law included hydrogen as one of the gases that can be distributed through the gas network. Hydrogen is now a part of the same legal framework as natural gas. This is an important milestone which provides a basis for the preparation of necessary downstream legislation such as implementing regulations and technical standards. The Energy Act provides for both gas mixtures and pure hydrogen.

In 2023, we prepared a standardised process for hydrogen producers. This includes an electronic form with questions about connection options. We also finalised the registration of hydrogen production plants in our geographic and information systems and set rules for capacity calculations.

Hydrogen production

Standing as we do at the forefront of the green transformation of the entire gas and energy market, we cannot ignore the issues of production and consumption of low-emission gases.

We are working on projects that use our infrastructure to produce hydrogen itself. In this way, we will support an increase in the volume of available hydrogen on the Czech market and further reduce the direct emissions of greenhouse gases from our operations. In 2023, we continued to work on several feasibility studies.

We also want to encourage the wider production of hydrogen. In Czech conditions, the production of green hydrogen is not yet that competitive. As a result, we are also exploring the idea of **harvesting hydrogen in an innovative way through pyrolysis in synergy with the use of gas infrastructure**.

Pardubice hydrogen testing zone

To manage our transition to new gases, we must continue to develop our knowledge. This includes knowledge of safety, mechanics and chemistry. To do this, we need facilities where we can safely test new technologies. We have therefore started work on developing our own training and testing zone. In the testing zone, our specialists will be able to expand their expertise in readiness for the transition to new gases. The testing area will also allow us to conduct our own practical testing of gas mixtures and pure hydrogen.

In 2023, we have completed our preparatory work and in 2024 we will start the implementation of the first phase of the Pardubice hydrogen testing zone. The final expected investment costs are in the tens of millions of crowns.

Working with hydrogen clusters

The Karlovy Vary, Ústí nad Labem and Moravia-Silesia regions signed a memorandum of cooperation in the field of hydrogen in 2023. We are already working as a distributor in pilot hydrogen projects in all three regions. In 2023 in the Moravian-Silesian Region we even joined the regional hydrogen cluster (ms-vk.cz).

The partnership of the entities associated in the cluster allows them to effectively promote common interests in promoting and developing hydrogen technologies. The members of the cluster can establish active cooperation on projects with a common purpose. Partnership also provides members with a better negotiating position to defend their interests.

LNG and bioLNG in freight transport

2023 saw a number of significant events which affected the development of liquefied petroleum gas in transport. Market prices for gas gradually stabilised during the year and returned to pre-war levels. However, a number of Czech carriers experienced a decline in order volumes due to high domestic inflation and the economic downturn. The development of gas mobility was also hampered by the uncertainty associated with the implementation of the European Eurovignette Directive. This resulted in the end of an exemption of alternative fuel vehicles from toll charges in Germany. In terms of the future use of bioLNG, the adoption of the European RED III Directive was a significant positive development.

The GasNet Group continues to actively build our position as a local leader in the decarbonisation of road freight transport. Total LNG sales in 2023 were on a par with the previous year. As a result, our customers achieved CO₂ emission savings of 2,353 tons. We also achieved several important milestones. We expanded the network of gas stations by adding three further stationary stations: in Jažovice near Prague, Klecany and Hradec Králové. In total, we now operate six filling stations. In autumn, **we were the first entity in the Czech Republic to obtain ISCC EU certification for the trading and sale of bioLNG.** We started delivering this product to our customers in January 2024.

In the legislative area, we focused mainly on working with the state administration to prepare a number of strategic documents. These included the National Climate and Energy Plan and the National Action Plan for Clean Mobility. We were also actively involved in working groups and preparatory work connected with the approved European RED III Directive (transport targets) and its transposition into national legislation. These included – among other things – analysis and definition of the optimal fuel mix in 2023 (TAČR – MOSUMO project). These interim conclusions confirm the irreplaceable role of biomethane, and especially bioLNG, in the road freight transport segment.

WE WERE THE FIRST ENTITY IN THE CZECH REPUBLIC TO OBTAIN ISCC EU CERTIFICATION FOR THE TRADING AND SALE OF BIOLNG.



Air pollution

We mainly use gas boilers and cogeneration units to preheat natural gas in our distribution system. In terms of the Air Protection Act, these are considered to be stationary sources of air pollution. Less than thirty of these boilers are above the level (300 kW) at which we are required to measure emissions. We measure emissions of nitrogen oxides (NOx) and carbon monoxide (CO) within the legally established deadlines and report their results to the supervisory authority of the state administration.

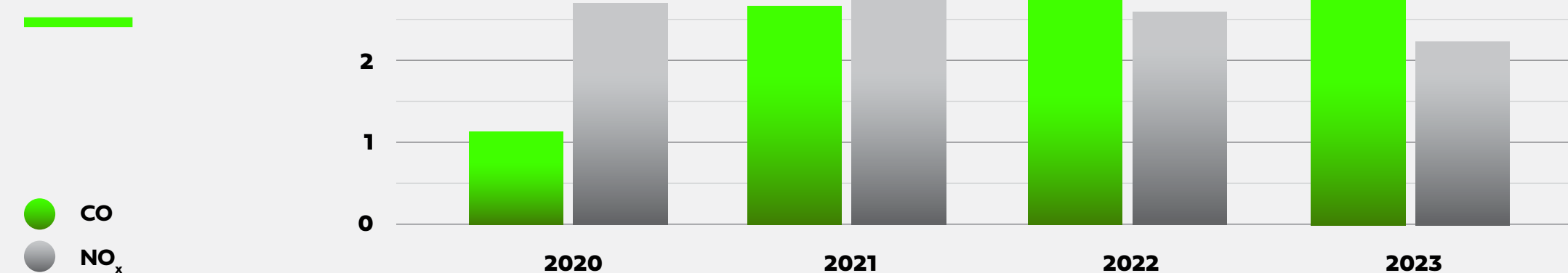
We currently operate approximately 2,700 regulation stations with gas preheating. Of these, 1,650 stations use natural gas boilers for preheating, which emit carbon monoxide (CO) and nitrogen oxide (NO_x) pollutants. The remainder of the boilers are powered by electricity, which is covered by certificates proving the origin of its production from renewable sources.

Our carbon monoxide (CO) emissions increased by almost 12% compared to 2022, despite the fact that

natural gas consumption at these units was lower than last year. Cogeneration units accounted for almost 95% of CO emissions, with the remainder coming from gas-fired boilers. The reason for the increase was a significantly higher level of carbon monoxide production specifically at one of the cogeneration units in Velké Němčice. This was detected by an authorised person during emissions measurement in the autumn of 2023. In contrast, we recorded a **decrease of almost 15% in nitrogen oxide** emissions in 2023. The production of this pollutant is not affected by the operation of cogeneration units as much as in the case of carbon monoxide. Despite this, we continue to meet all the emission limits set by legislation and we will continue to strive to reduce the volume of pollutants emitted in the future.

At GasNet, we do not operate any equipment containing ozone-depleting substances that would legally fall into the category where it is mandatory to have a leak detection system installed. These are typically regulated substances or fluorinated greenhouse gases. In the case of equipment containing below the legal limit of these pollutants (in our case, air conditioners and heat pumps), we comply with all the relevant legislative obligations.

CO and NO_x Emissions [t]



Waste management

Within the GasNet group, we generate waste from both our operational and office activities. Our office waste is paper and plastic waste, glass, bio-waste, and small amounts of metal. Of course, in addition, there is also some mixed waste that cannot be further sorted. Our operations waste is created as a result of our primary gas distribution activities and the associated maintenance of our gas system. Our operations waste includes waste classified by law as hazardous. This includes, for example, natural gas condensate, asphalt insulation, and marking sprays. Our non-hazardous waste from operations is mainly discarded plastic pipes and antifreeze liquids. In a policy that came into force in August 2023 we committed to systematically managing and meeting waste management requirements.

In 2023, we generated approximately 474 tonnes of waste across both our companies, of which 176 tonnes was hazardous waste. This was an overall increase of 68% compared to last year. Of this, hazardous waste represented 37%, representing a more than threefold year-on-year increase in this category. This significant increase was due to a single extraordinary event that occurred during the reconstruction of a transfer regulation station. During excavation, we discovered historical hazardous waste that had been placed in an underground shaft. Due to the impermeable construction of the shaft, and the quick and coordinated intervention of all involved, this waste was sorted according to its characteristics and safely transported to designated facilities. If we remove

the impacts of this extraordinary event there was a **year-on-year decrease of almost 20% and around 15% for the category of other waste**. Initiatives from previous years, such as the replacement of disposable steel drums for odorant with returnable drums and the purchase of composters for sorting bio-waste contributed to this result. The composters allow us to remove the bio-waste produced in the offices from the waste regime and then use the finished compost as fertiliser on our land.

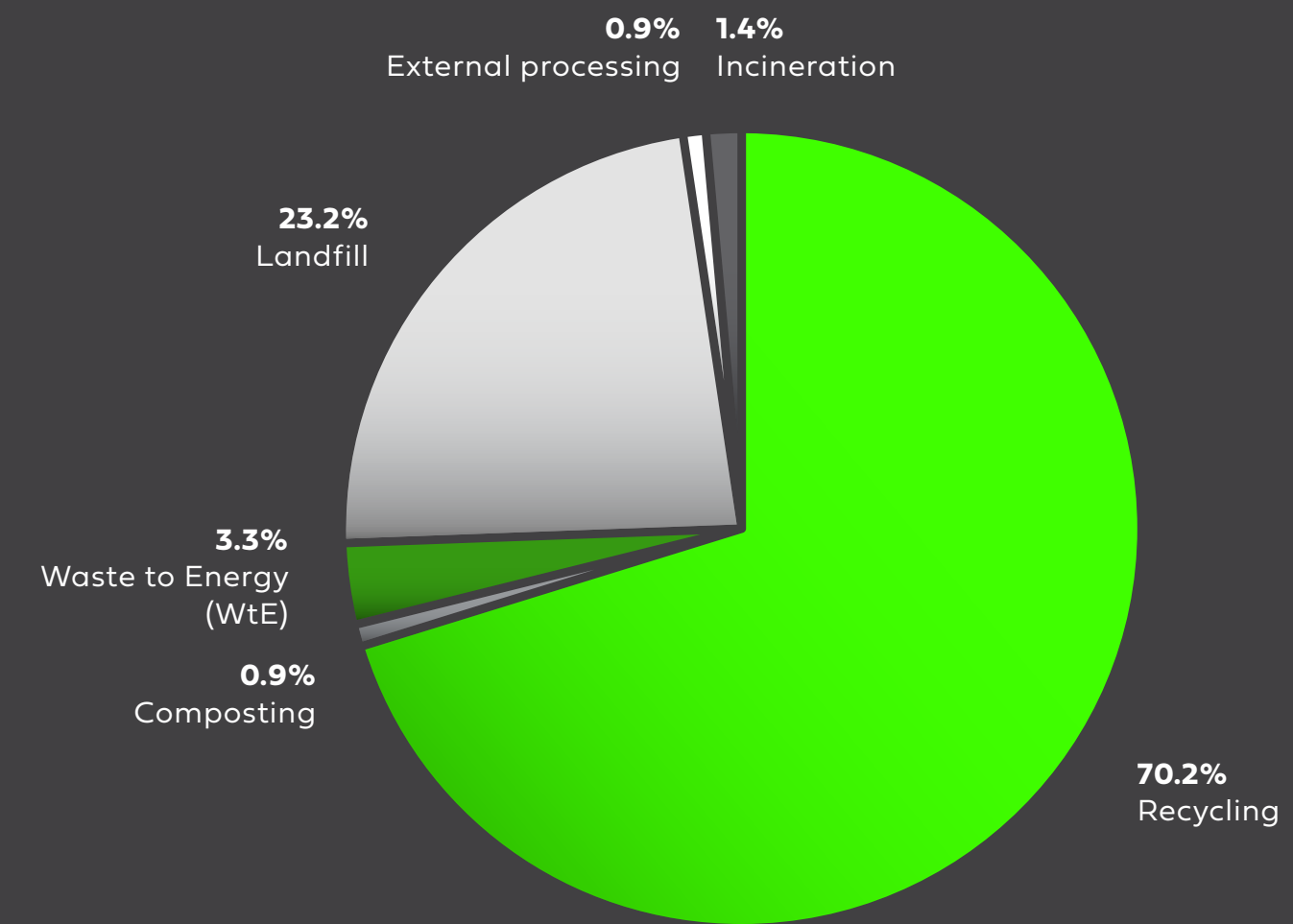
We were able to **recycle** or otherwise **reuse** 70% of the total waste we generated. This category was most impacted by the extraordinary incident mentioned above. Of that waste, almost 135 tonnes of hazardous waste was sent for biodegradation and subsequent use for landscaping. Part was an unspecified product – concrete recyclate. Biodegradation is a process in which petroleum and organic contamination is broken down by natural bacteria, allowing the contaminant to decompose naturally. The remaining nearly 90 tonnes consisted of soil and rocks with no hazardous properties. These were used as compactable soil after sorting. Paper and plastics intended for recycling represented almost 25% of this category.

Landfill disposal was our second most common waste management technique. Compared to the previous year, we were able to **reduce this category by more than 10%**. Other disposal methods were comprised only single or fractions of a percent.

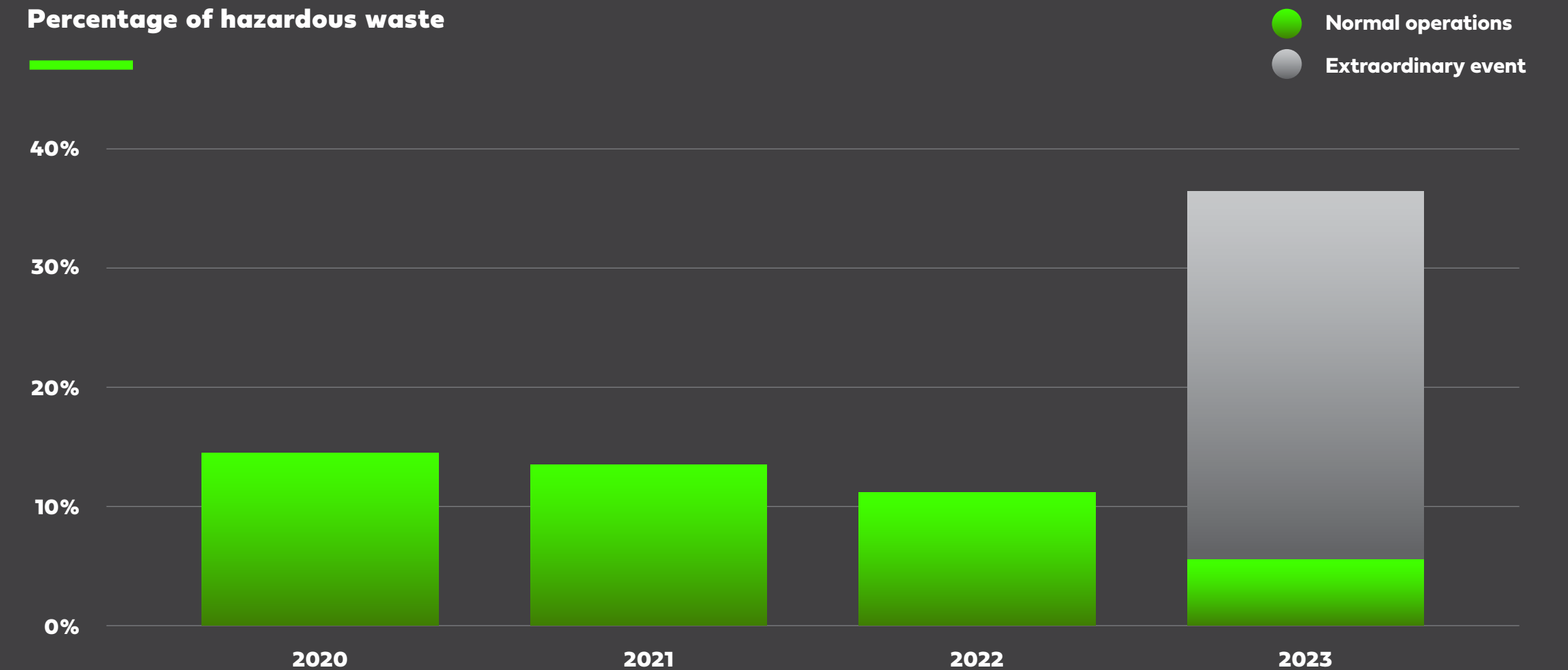
In total we were able to divert 352 tonnes of waste from landfill and incineration. Less than 7 tonnes were treated at a de-emulsification plant or sent for further processing. The amount of waste sent to landfill and incineration was lower year-on-year and accounted for 24% of all the waste we generated.

A YEAR-ON-YEAR DECREASE OF HAZARDOUS WASTE OF ALMOST 20%

Waste processing



Percentage of hazardous waste



Supporting biodiversity

Our operations not only create emissions, but they also affect the environment through our impact on the landscape. We know that our operational activities as we build and maintain our infrastructure, our maintenance of operational sites and our rehabilitation of legacy ecological burdens impacts local nature and biodiversity in certain locations. We strive to understand these impacts and to identify key biodiversity areas and sites that may be at risk.

We are serious about sustainability in all areas. For this reason, our new **Biodiversity Policy** formalises our commitment to minimise our impact on biodiversity and to take it into account in our planning and operations.

Biodiversity and community support is part of our **Green GasNet** program which is managed as a part of our ESG & Security agenda and with the top management responsibility lying in our Support and Services Division (CSO). Ongoing reporting on biodiversity performance is also provided through regular status updates within the program.

The activities we plan are linked to national and international commitments such as the UN Sustainable Development Goals (UN SDGs), the 2030 EU Biodiversity Strategy (Natura 2000) and the State Environmental Policy of the Czech Republic 2030.

On this basis, our main ambition is to eliminate any net loss of biodiversity in the areas affected by our activities by 2030.

As a result, we base our biodiversity strategies on the recommended 'best-practice mitigation hierarchy'. Our primary focus is to target areas in order to (1) **minimise** and (2) **eliminate** negative impacts, then we can proceed to (3) **compensate** for the harm already caused. Finally, in the next step we create a positive environmental impact and (4) fund external environmental restoration projects.



At this stage, we have identified new key areas of biodiversity impact in relation to our operations. (see table below)

We will continue to map if and where our operations encroach on or are adjacent to protected areas or areas rated by Natura 2000 as having high biodiversity value.

Impact	Description	Influence*
Definition of protective belts	The protective zone is a defined surface above the gas pipeline with a width of 2-10 m, in which, for safety reasons, flora with a root system deeper than 20 cm may not be planted.	—
Network construction and reconstruction	Excavations during network work disturb the plants or the landscape.	—
LNG station	The construction of the infrastructure of LNG stations reduces the natural area and disturbs the character of the landscape.	—
Use of herbicides	The use of herbicides on our sites prevents the growth of unwanted plants and kills unwanted animals.	—
Waste	Composting bio-waste at our sites reduces waste production. The production of hazardous waste and construction waste has an indirect negative effect on the environment during its disposal.	+ —
Legacy environmental burdens	Ecological loads threaten the surrounding natural environment by contaminating soil or water.	—
Collisions with animals	Accidents cause an impact on health or loss of wildlife. This impact is difficult to influence.	—

* Positive (+) / Negative (-)

In 2023, we continued our tradition of volunteering to help nature

Our internal teams regularly organise field meetings and teambuilding events. Over the past three years, we have managed to give these events an **ESG dimension**. At the request of our internal teams, we work with conservation organisations to prepare tailor-made volunteer activities. Activities that keep us healthy by exposing us to fresh air and always supporting a part of the Czech landscape are more and more often part of the program of these outings.

Every year we make this offer to our colleagues: *“In the spring, for example, you can plant trees or restore meadows and wetlands, in the summer you can take care of animals or clean up the meadows after mowing, and in the autumn, you can eliminate invasive plants or restore the meadows.”*

We hold our events in the regions in which we operate – we try to cover the whole country except Prague and the South Bohemian Region. We have left a positive mark in the Beskydy Mountains, South Moravia (especially in Pálava), Pardubice, Olomouc, in the Šumava region in Plzeň, in the Krkonoše National Park, in the Kokoříň region and in the Jizera Mountains.

So far, our partners for these events have been ČSOP Arion, ČSOP Morava, ČSOP Onyx, Jizerská o.p.s., KRNP, NP Šumava, Sázíme stromy and ČSOP Salamandr.

In 2023, we held **seven events** with a total of **133 volunteers** to support projects to protect or work towards the return of endangered species to their native ecosystems. Our volunteers also helped grassland ecosystems, where woody vegetation expansion and natural degradation of herbaceous vegetation is threatened; and aquatic ecosystems, where the aim is to improve the natural state of damaged peatlands and wetlands and restore the natural water regime. Most of the projects supported in this way are covered by the Natura 2000 European conservation program.

As in previous years, we worked with concerned entities to **resolve legacy ecological burdens**. At the location in Uherské Hradiště, monitoring of groundwater and surface water and pumping of free phase contaminants from equipped wells will begin in February 2024. This measurement and pumping will continue for two years. Based on the results, we will then decide on the steps to be taken to continue work at this location.

In 2023, our teams helped meadow ecosystems –

“We cleared grasses from the meadow to expand the seeding area for dwarf gentians. We also managed to remove felled trees and dig a pool for frogs.” “In an old orchard in Moravia, we raked up grass clippings and removed infestations to make room for rare orchids and butterflies.”

Tomáš Michna
Senior Manager, Facility & Services

Or aquatic ecosystems –

“Within the framework of the NP Šumava wetland restoration project, we repaired 4 dams that had been dismantled and built 4-5 more. I have to say that we had a lot of fun. Sometimes it was necessary to rescue our rubber boots :).“

Šárka Janděčková
Administration AM Western Czechia



6 The dwarf gentian is a unique flower because unlike other gentians it grows in meadows rather than in mountainous areas. However, their occurrence is already endangered and they are gradually disappearing because the meadows are overgrown with grasses and woody plants. These are therefore regularly disposed of, ideally before flowering, so that they do not multiply further and thus do not take up the gentian's living space. We also support biodiversity in this way.

2023



ČSOP Arion

Cleaning a botanically valuable meadow with the aim of expanding the sowing area for bitter gorse.



ČSOP Morava

Supporting habitat for rare hybrid gentians and associated gentian bluebells and other rare woodland plant, insect and ultimately bird species. Maintenance of the site with vine cicada occurrences.



LIFE for MIREs

Helping to improve the natural state of damaged peatlands and wetlands and restoring the natural water regime. LIFE for MIREs project



Český svaz ochránců přírody

Restoration of damaged grasslands and woodlands in South Moravia and Polabí. Project LIFE SouthMoravia



Jizerská magistrála

Maintenance of the Jizerská 50 sports monument.

UN Sustainable Development Goals

We manage and minimise our environmental impact through company-wide programs. In this way we contribute to meeting Sustainable Development Goals and moving the Czech energy sector towards higher efficiency and sustainability.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



SNG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



SNG 12: Ensure sustainable consumption and production patterns

13 CLIMATE ACTION



SNG 13: Take urgent action to combat climate change and its impacts

SUSTAINABLE DEVELOPMENT GOALS

Our contribution to selected UN SNGs

We implement modern technologies that help us reduce negative environmental impacts. We are systematically renewing and modernising our distribution network, thereby reducing gas leaks and preparing for the distribution of green gases. We are increasing our operational energy efficiency by expanding cogeneration and implementing heat pumps. We are transforming our fleet by switching to CNG and electricity. We support the development of LNG in freight transport and operate LNG filling stations.

We closely monitor and manage our waste. We take steps to reduce waste. As part of a company-wide program, we manage activities to support sustainable purchasing. We handle chemicals responsibly and according to current legislation. We actively work to reduce our energy consumption in our operations, office buildings and our vehicle fleet.

We are building the general resilience of the energy sector and its ability to adapt to climate risks. We are managing the decarbonising of our company. We build energy efficiency improvements into our operational strategies and plans. We support the use of gas in meeting national targets for greenhouse gas reduction. We support the process of transformation of the Czech energy sector with the aim of creating conditions for the distribution of hydrogen and the use of low-carbon fuels in transport.



Chapter

#3

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

We care about our people and the community around us

We are preparing ourselves for the energy challenges of the future. We cannot do without the next generation of gas workers. That is why finding new talent, developing our employees, and creating a flexible and inclusive culture are so important to us.

Our **Culture Team** has been helping us set our culture since 2020. It is made up of 18 employees from across the GasNet Group. They facilitate communication between individual teams and our company management. They collect suggestions from our employees and via HR, they communicate them to our company management. They also represent GasNet externally including at conferences or in the media.

In 2023, the Cultural Team worked on a campaign to strengthen walking safety and on preparing a safety-focused roadshow. In this way, the team reflected our commitment to workplace health and safety. The team was also involved in setting up conversation threads for surveys using our chatbot Arnold (for example the survey on Digitisation and information exchange). These initiatives support our commitment to creating an environment in which our employees are both listened to and valued.

As we grow, we do so in a way that is consistent with our ESG strategy and in the spirit of company values: safety, reliability and respect. This was confirmed by the fact that we were presented with the prestigious

Fair employer with a Good Atmosphere award in 2023. GasNet won in the category of companies with more than 500 employees. The award is given based on the ratings of current and former employees on the Atmoskop.cz website.

Another endorsement of our progress in this area was provided by the **GRESB international ESG rating** in which we received **100%** in the employees category. Similarly, our **Sustainalytics** rating assessed the Human Capital area as low risk. These results position us as a leader in the area of ESG management. This year GasNet was rated as the 3rd best gas company in the world compared to 95 other companies. Another accolade was our **first-place** result in the **People & Culture Barometer 2023**, a competition organised by Conectio. This competition professionally assesses key people-leadership processes, identifying strengths and opportunities to increase the value of HR to the business.

This was the third consecutive time we have won this competition. The 2023 result was announced at a conference called **How now! HR 2024 together**. Erika Vorlová, a member of our management board, and Nicole Školková, who works as a business analyst and is part of three internal communities in GasNet both spoke at the conference – explaining how we approach DEI at GasNet.

Read on to get to know us better. . .



Structure of managed documentation for the Human Resources Management

Policies	Health and Safety Policy Code of Ethics
Guidelines	Compensation, performance management and employee benefits Working rules
Certification and other documents	Diversity, equality, inclusion Collective agreement

HR management system

Our **Code of Ethics** is the foundation for creating relationships between our company and our employees which are based on our corporate values. The key piece of legislation that determines the rights and obligations of both parties is Act No. 262/2006 Coll., the **Labour Code**. We have supplemented these legal requirements with our own internal regulations. These include our Remuneration, Performance Management and Employee Benefits Policies as well as our Working rules and Collective Agreement. All employees and the employer agree – as a part of their employment contracts – to be bound by these internal regulations and their rights and obligations under the Labour Code.

In 2023, we signed a **Collective Agreement** with trade union representatives which covers 100% of our employees. As a result of changes to labour legislation (e.g. electronic signing and a new tax system), we amended some internal regulations and other employee documents in 2023. A new development was the implementation of a manual setting out our strategy, processes and support for DEI.

Our managers communicate all document updates and modifications to employees at meetings. The updates are also available to everyone on our intranet thanks to our central managed documentation process.

We have digital solutions for most HR processes, for example, **SAP SuccessFactors**. Since 2022, this has significantly increased the transparency of processes and ensured compliance with HR rules across the entire company. In 2023, we launched a new module for **education** and the management of our **Succession Program**.

Our regular **surveys** conducted using our chatbot Arnold continue to help us improve processes. (You can find out what he helped us learn during 2023 in a separate chapter – p. 81).

Plans for 2024

Our HR management principles will not change significantly in the coming year. We will focus on adjustments; improving digital solutions for our HR processes, and implementing changes related to the new labour legislation – including in the area of equal pay.

OUR PEOPLE IN NUMBERS:

2,295

EMPLOYEES HELP US TAKE CARE OF GAS DISTRIBUTION

As of 31 December 2023, GasNet had **2,295 employees**, of whom **26%** (596) were **female**. A large proportion of our job roles require heavy physical work, and Czech legislation does not allow women to perform such work. However, in positions that are suitable for any gender (we have about 1,440), **41%** of our employees are **female**. We have a total of 249 employees in leadership roles (of whom 31 are female). The proportion of females in senior management is 20% (a total of 9 women out of 47 managers).

We have 141 people (51 of them women) on fixed-term employment contracts. The number of part time employees increased slightly compared to 2022, from 17 (of which 15 were women) to 24 (of which 20 were women). The average age of our employees was 48 years. In our operations area (especially so-called 'blue-collar workers') the age was 50. The average length of service with us is 18 years. For blue-collar workers, it is 22 years. Our people stay with us for a very long time: 32% of them have been with us for over 30 years. A number of them will soon be retiring, so at GasNet we are preparing for the arrival of a new generation of gas workers.

2,295 / 596

As of 31 December 2023, GasNet had 2,295 employees, of whom 26% (596) were female

249 / 31

We have a total of 249 employees in leadership roles (of whom 31 are female).

141 / 51

We have 141 people (51 of them women) on fixed-term employment contracts.

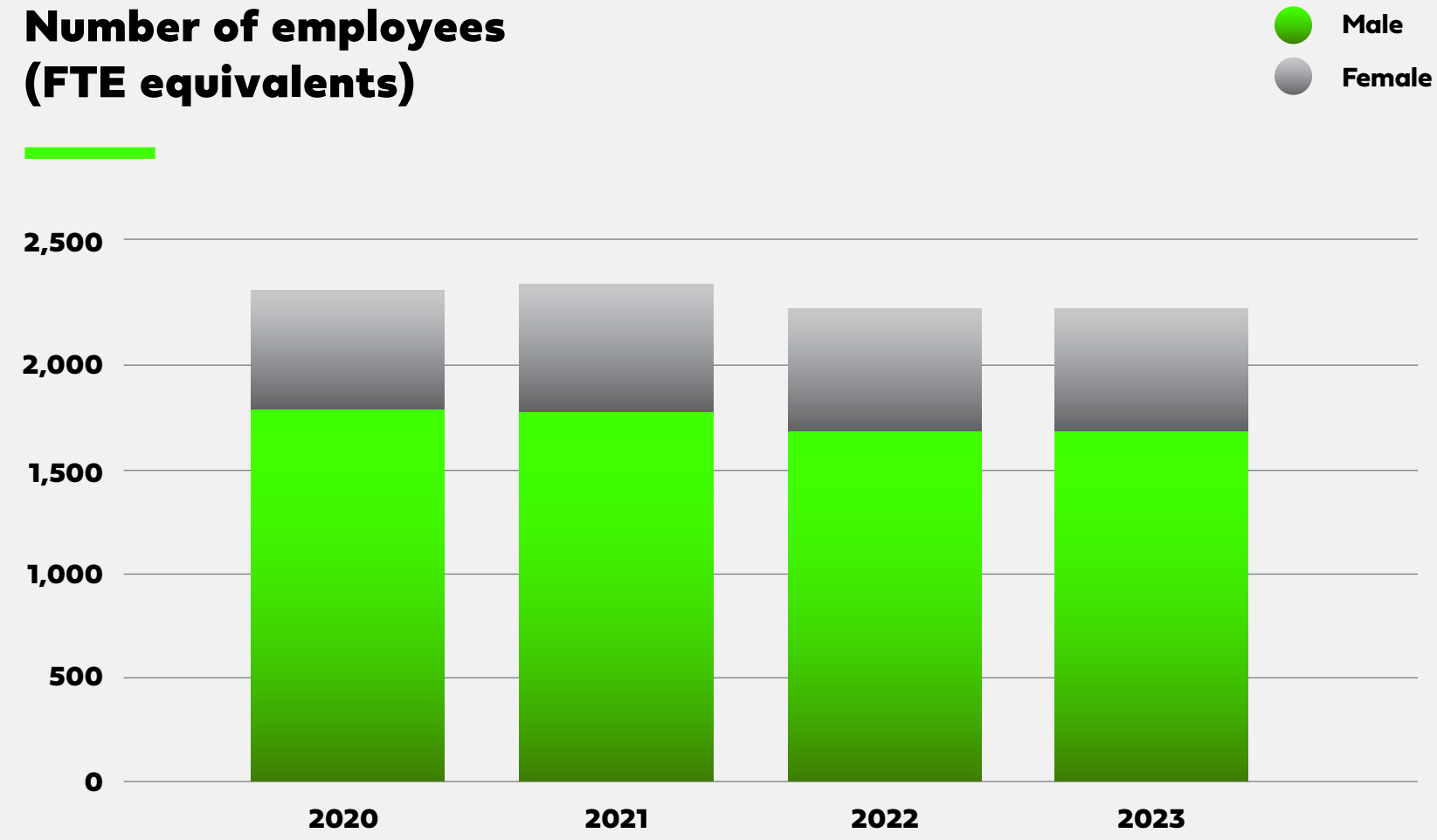
24 / 20

The number of part time employees was 24 (of which 20 were women).

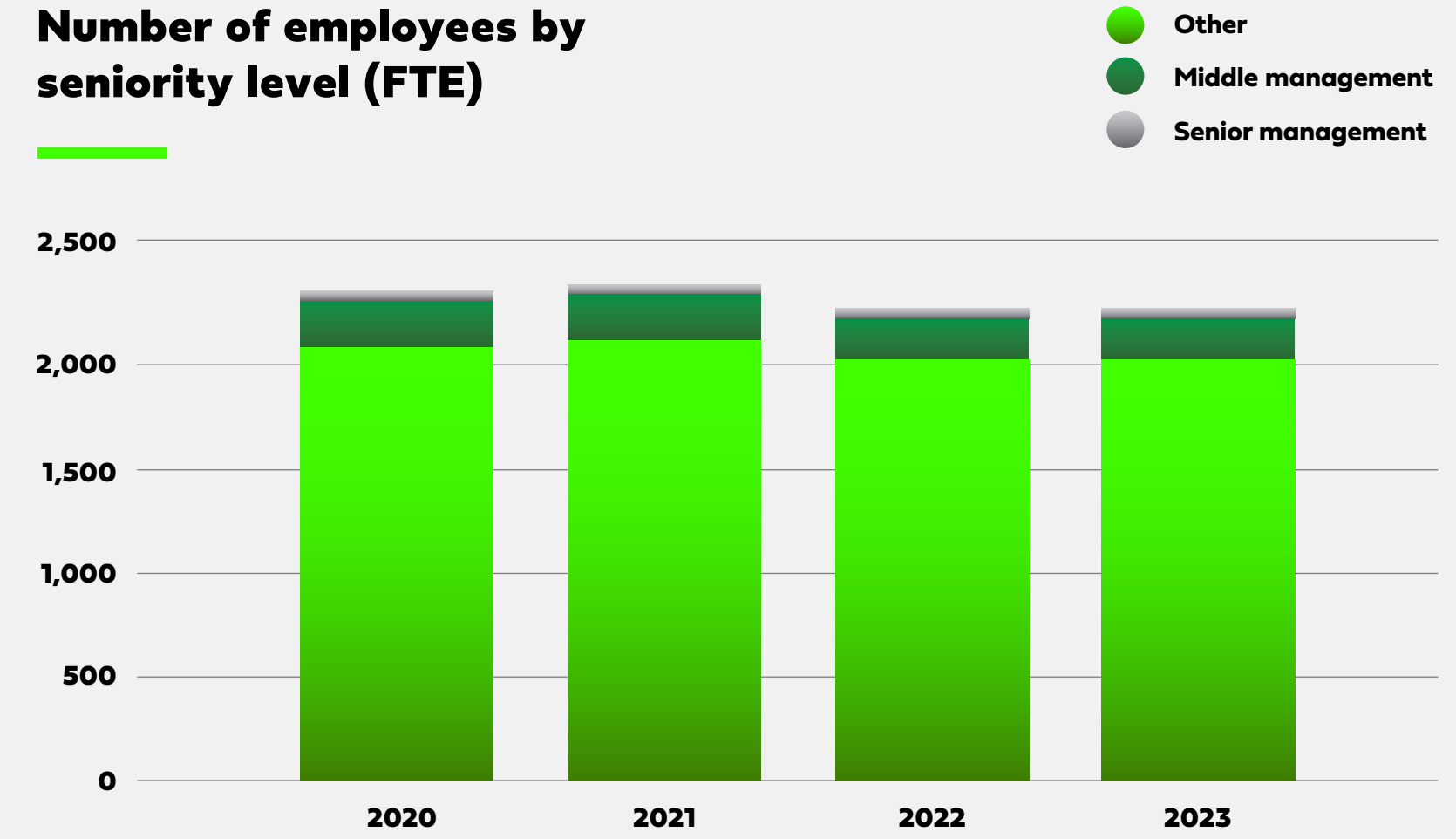
48

The average age of our employees was 48 years.

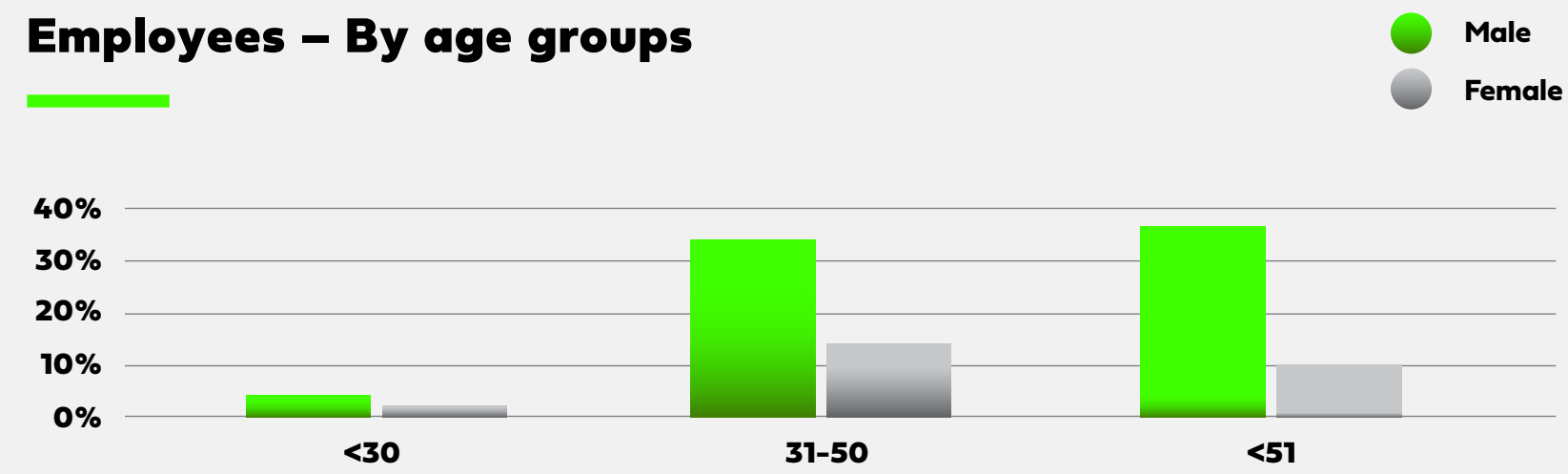
Number of employees (FTE equivalents)



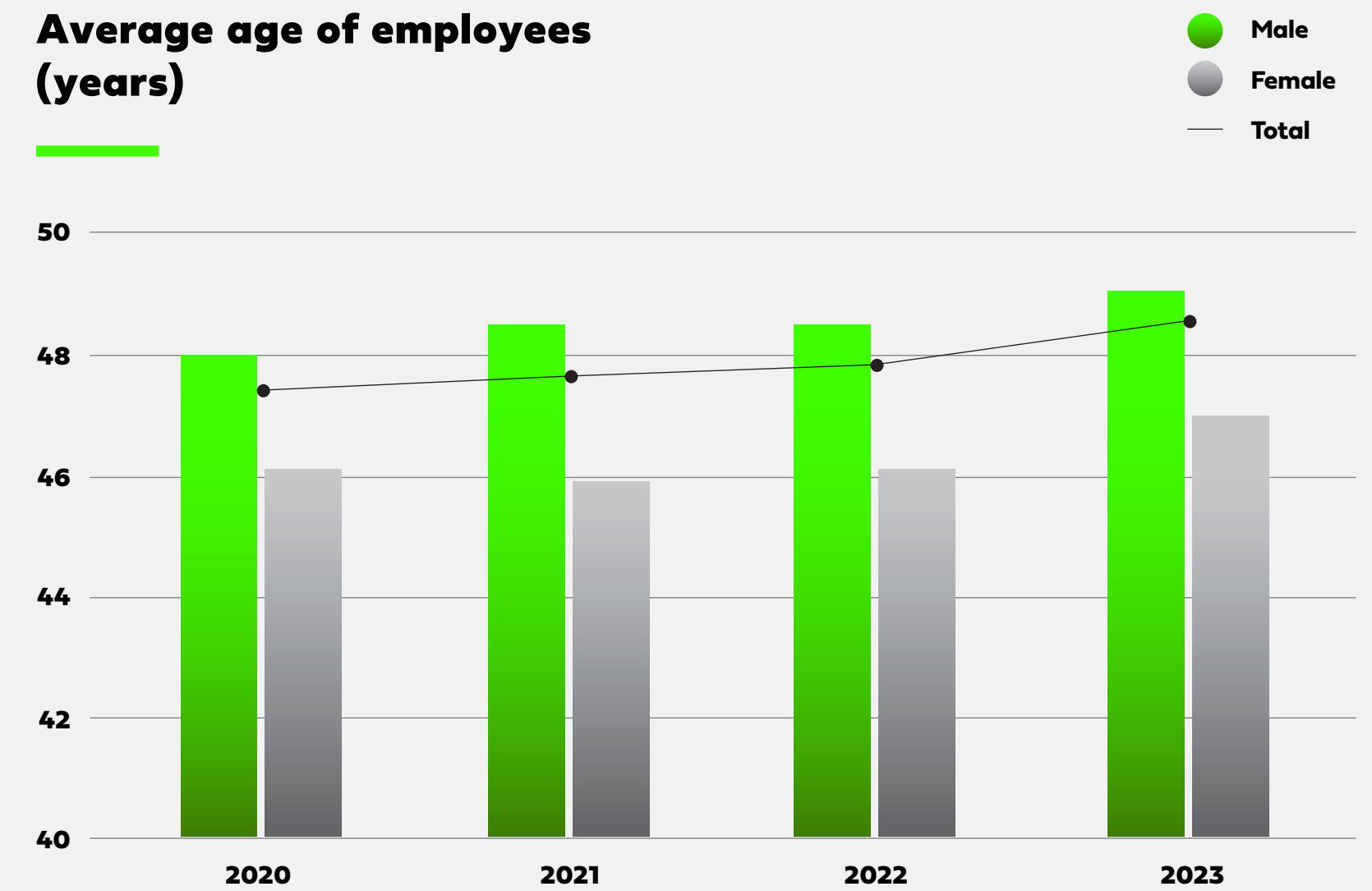
Number of employees by seniority level (FTE)



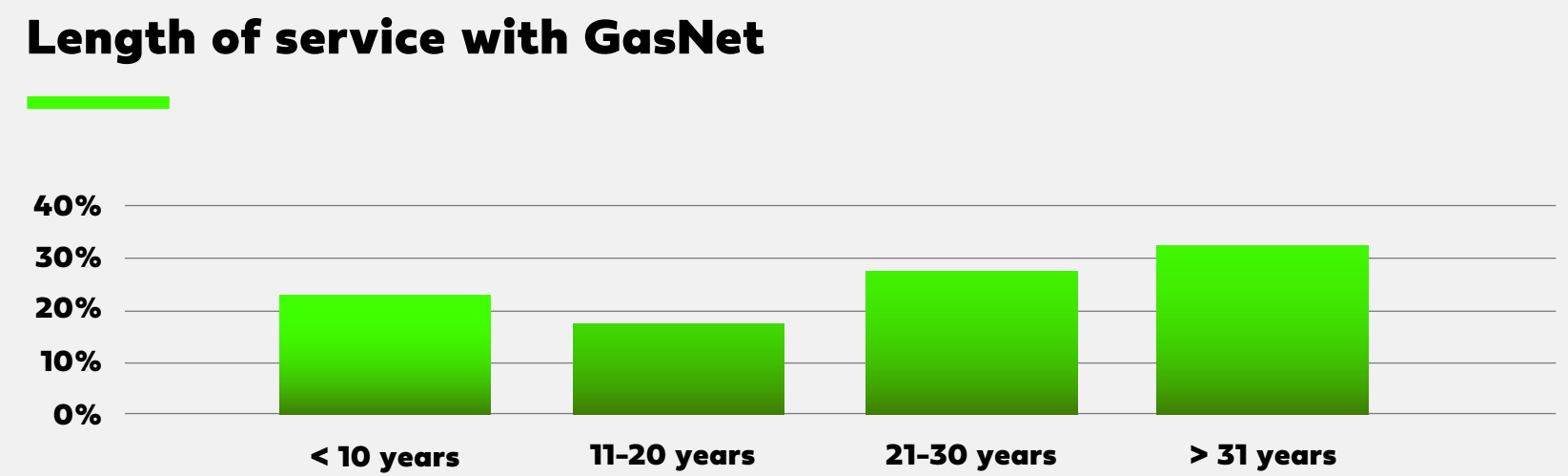
Employees – By age groups



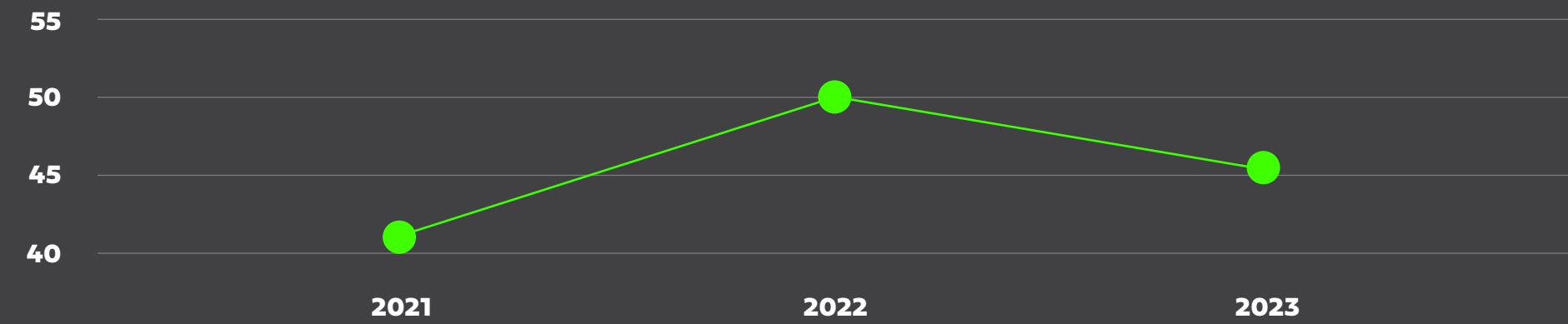
Average age of employees (years)



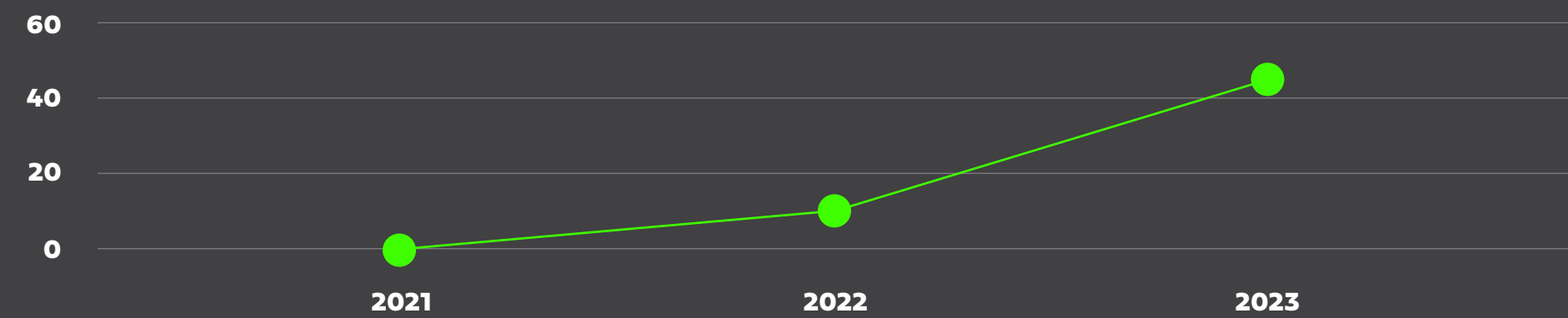
Length of service with GasNet



Time to fill vacancies (days)



Personality tests



Recruitment at GasNet	2023
Total	126
Male	85
Female	41

External recruitment	2021	2022	2023
Total	120 (45% female)	144 (51% female)	105 (27% female)
White collar	97	116	63
Blue collar	23	28	42

*The White collar category is our administrative staff. The Blue-collar category is our operational staff working in the field

Recruitment

The labour market in the Czech Republic has been affected for a long time by (i) current demographic developments and (ii) the lowest unemployment rate in the EU. Unemployment has been Around 3.5% on average since 2017, and 2023 was no different. Even so, according to the data analysis from job portals, we achieved better results than our competitors.

Zdeněk Němec,

HR Data Consultant at Alma Career:

*In 2023, we saw a **13%** increase in GasNet job advertisement impressions compared to 2022. GasNet Job advertisement were viewed **60.7%** more often than competitors (2022: 43.2%). The average number of CVs received also increased, from 14.2 CVs per position in 2022 to **22 CVs** in 2023. Compared to its competitors, GasNet is **37.2% more successful**.*

In 2023, we published 136 job advertisements, in response to which we received a total of 3,188 CVs. That was an increase of 794 CVs compared to 2022. We conducted at least **687 interviews** with candidates. In 2023, we used Hogan's personality test (HDS) more often when selecting. This test helps us to better identify

the development needs of selected candidates for a given position, so that we can prepare further targeted development. We used HDS tests a total of 45 times.

The average time it took us to fill a position fell from 50 days in 2022 to **46 days** in 2023. We advertised the most positions in the South Moravia and the Hradec Králové regions. The most challenging positions to fill were fitters, construction implementation technicians and, as always, IT positions (e.g. BI Developer/Analyst).

The keys to this good result were speed and a close working relationship between our HR team and our managers. As a result, we were able to **respond to candidates within 5 days** of their application. A good example is recruitment in our Contact Centre in Ostrava. In 2023, a total of 6 new employees started there. The average time to fill these positions was 15 days. Feedback from the manager to the candidate occurred in three days.

We recruit at all levels exclusively from the Czech labour market. This also applies to managerial positions and positions with unique know-how. In 2023, we **recruited 126 employees**, 41 of whom were women. We sourced around **80%** of these hires from the external labour market (28% via job portals, around 22% from Career Pages and 20% from a referral program). We recruited the remaining **20%** for new roles from our internal labour market. The average age of the new employees who joined us in 2023 was 33 years.

Note: data was extracted from the OVERVIEW OF METRICS IN YEARS dashboard in the HR STATISTICS PROF application and from the POSITION PERFORMANCE dashboard in the BENCHMARKING.

Onboarding new hires

We want our new hires to absorb our company culture as quickly as possible. Our **Welcome to GasNet** digital guide and **Orientation Day** help us to do this by giving newcomers an overview of how our company works.

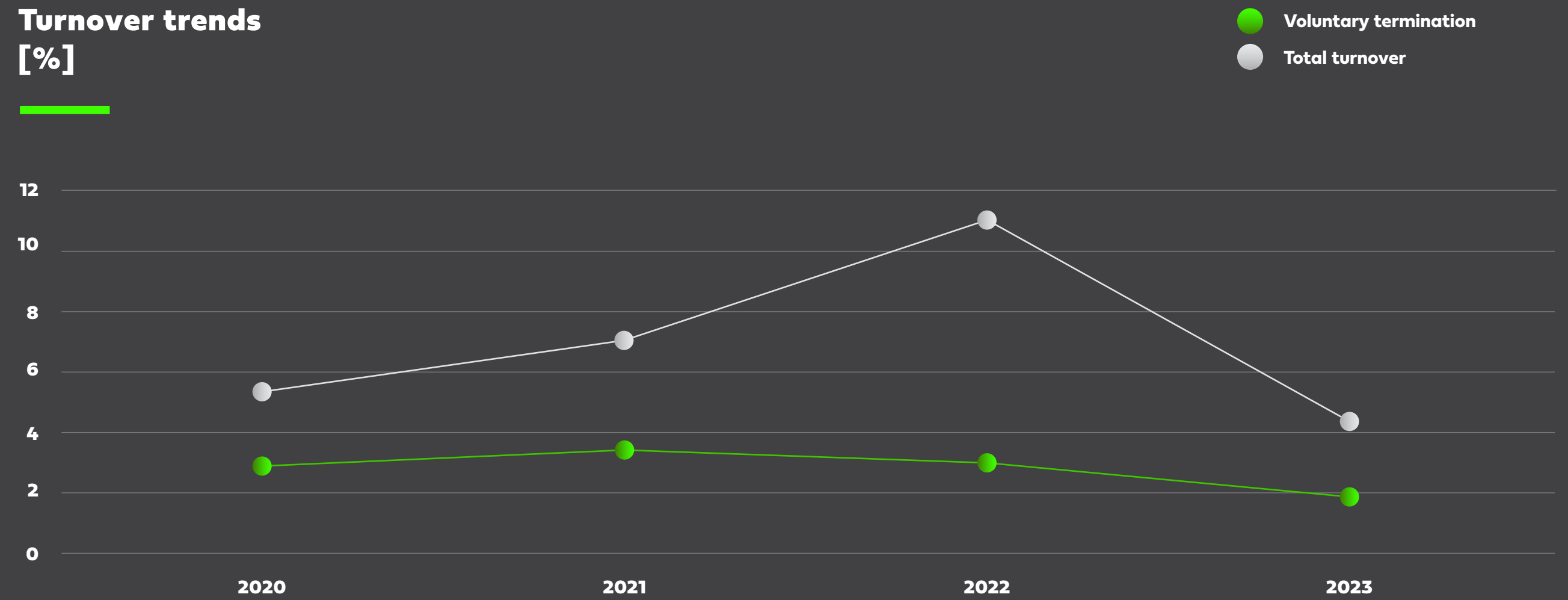
In addition, we regularly **survey** our newcomers **using our chatbot Arnold**. Arnold checks the integration of new hires four times during their first months. On average, **72% of new hires** participated in these surveys, and the average “onboarding” score was **6.4 points out of 7**. We did not find any major issues that needed to be addressed.

Turnover: Our people stay loyal to GasNet

Total staff turnover, (including retirement and maternity leave), was **4.5% in 2023, a decrease of 6.5% compared to 2022**. **Only 1.9% of our employees** decided to voluntarily leave us, a decrease of approx. 1%. The notice period for resignation is two full calendar months.

24 mothers went on maternity leave, 13 mothers returned after maternity or parental leave. Most **returned to part-time work, which we support**. Men mainly use leave for paternal post-birth care for 14 days, which is not reflected in turnover.

Turnover trends [%]



Parental Leave		2023
Departures	Female	24
	Male	0
Returns	Female	13
	Male	0

Training as the key to the future of the gas sector

Our training is focused on developing the skills that will help us achieve the goals we have set for our employees at all levels. We base this on ESG and our company values.

We offer training courses led by experienced trainers, coaching, mentoring, and online self-study. The results of surveys with Arnold, 360 feedback, and the Hogan personality questionnaire help us to target our training more precisely.

In 2023, our staff spent a total of **85,594 hours** on development. Over the past year this equated to an average of **39 hours** per employee – an increase of **17%** compared to 2022. **For our female staff, the increase was 20%**; this reflects increased support for training for women as a result of our DEI strategy.

GasNet offers three types of training:

- Mandatory training
- Tailor-made development
- Company-wide training

Mandatory training

Mandatory training is one of the dominant components of our training activities – especially for our operational employees. The training requirements are set (i) by law and/or (ii) by GasNet management.

It includes, for example, extension of qualifications and the technical training required for the performance of individual roles. Each year we administer 300 types of professional legislative qualifications (e.g., for the installation and inspection of gas equipment or welding). In concrete terms, this means that **we administer around 20,000 qualifications each year.**

In 2023, the exact number was **23,867**, (of which 3,556 were provided to our female staff).

Lack of the necessary qualifications is not an entry barrier for applicants for our field roles. If job applicants lack the required qualifications, we will provide the needed training. This gives GasNet a significant advantage. In 2023, we helped secure 1,003 qualifications for 103 newcomers.

Mandatory training also includes training requirements set by our company's management. This includes training for leaders (incorporating Healthy Leadership), Motivating Performance Management and, more recently, Respectful Leadership. All staff are also required to attend training to strengthen our safety culture. This includes WHS and defensive driving courses. If you would like more information about our safety training, you can find it in a separate chapter *Safety Training* (p. 24).

Tailor-made development

This training is tailored to the needs of the business. In 2023 we focused on **management development** for 101 blue collar leaders. This will be followed by development which will be designed based on the results of the Hogan Personality Questionnaire, which all the participants have completed.

We are still working on the development of safe leadership during gas interventions; a program for

all our 'Event Leaders'. Participants are introduced to competency content built on GasNet best practices.

We are continuing to **develop 52 successors as part of our succession program for B-1 level managers.** 40% of the successors have undergone personal development through consultation, psychodiagnostics and coaching. We have expanded the succession program to a further 155 lower-level managers. Their representatives have until the end of 2024 to nominate their successors.

In individual development, we use Hogan Personality Questionnaires. In 2023, we used these for both recruitment and personal development. **121 employees were given this psychodiagnostics test** as part of their personal development.

In 2023, **21 managers made use of 360° feedback.** This is a diagnostic tool which maps levels of managerial competence. The feedback obtained provides a basis for individual development plans.

Company-wide training

Our company-wide training offer reflects our ESG strategy. This includes five themes (Safety, Biodiversity, Diversity, Education and Helping the people around us). These training sessions are promoted regularly and in advance on the intranet – where employees can register through our SAP SuccessFactors training module. Most of these company-wide trainings are conducted online to enable participation from all the regions where GasNet operates.

All employees also have access to our company-wide training **through our Red Button online platform**. This offers a range of training sessions on various topics (for example: sustainability, digitalisation, and personal development). In 2023, 80 employees were involved in this development. We provide further online education through a program called Atairu Leadership TV. This is a series of development topics intended mainly for managers and their successors. In 2023, 41 participants from GasNet participated in this program.

We constantly talk about the future of gas both inside and outside the company. For this reason we offered thematically comprehensive training courses to our students from the Trainee program and junior gas workers. The future of gas was also a key topic at the employee roadshows we held at eight GasNet locations in 2023. A “hydrogen cookbook” and online training notes on this topic are available to all our employees on the intranet.

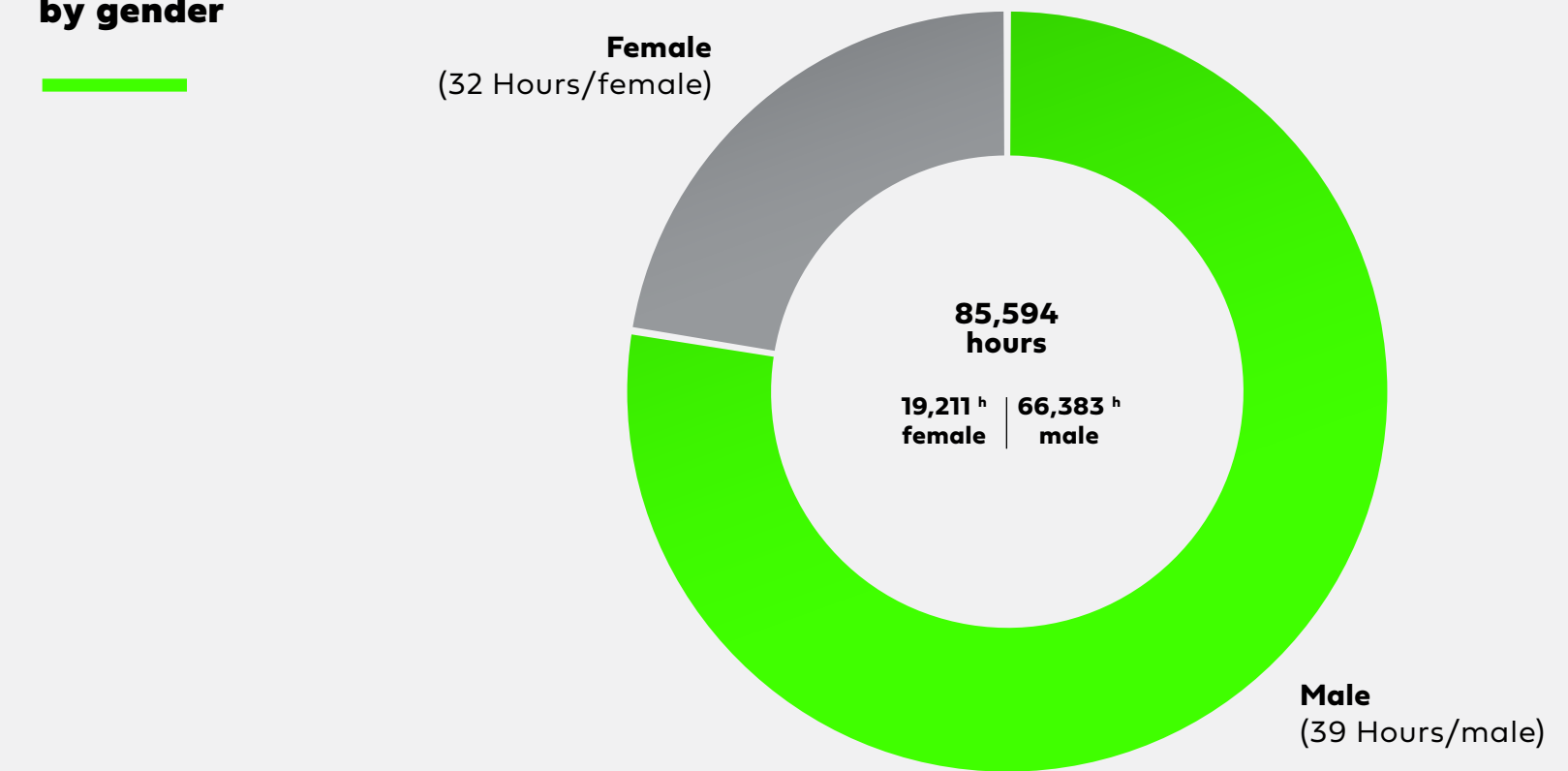
Digitalisation is another important development area. Training in this area is most often delivered by our Digital Ambassadors. You can find out more about the activities of our Digital Ambassadors in a separate chapter *Internal Communities and Surveys* (p. 81).

Mentoring with firefighters is a unique educational program. Last year, we completed a pilot year of inter-company mentoring between GasNet employees and firefighters from the Fire Rescue Service of the Czech Republic. We put together 10 mixed pairs. Among other things, this mentoring helps gas workers and firefighters during joint interventions, because they each share their own procedures, work standards and safety compliance rules. We organise lectures and team activities with the firefighters.

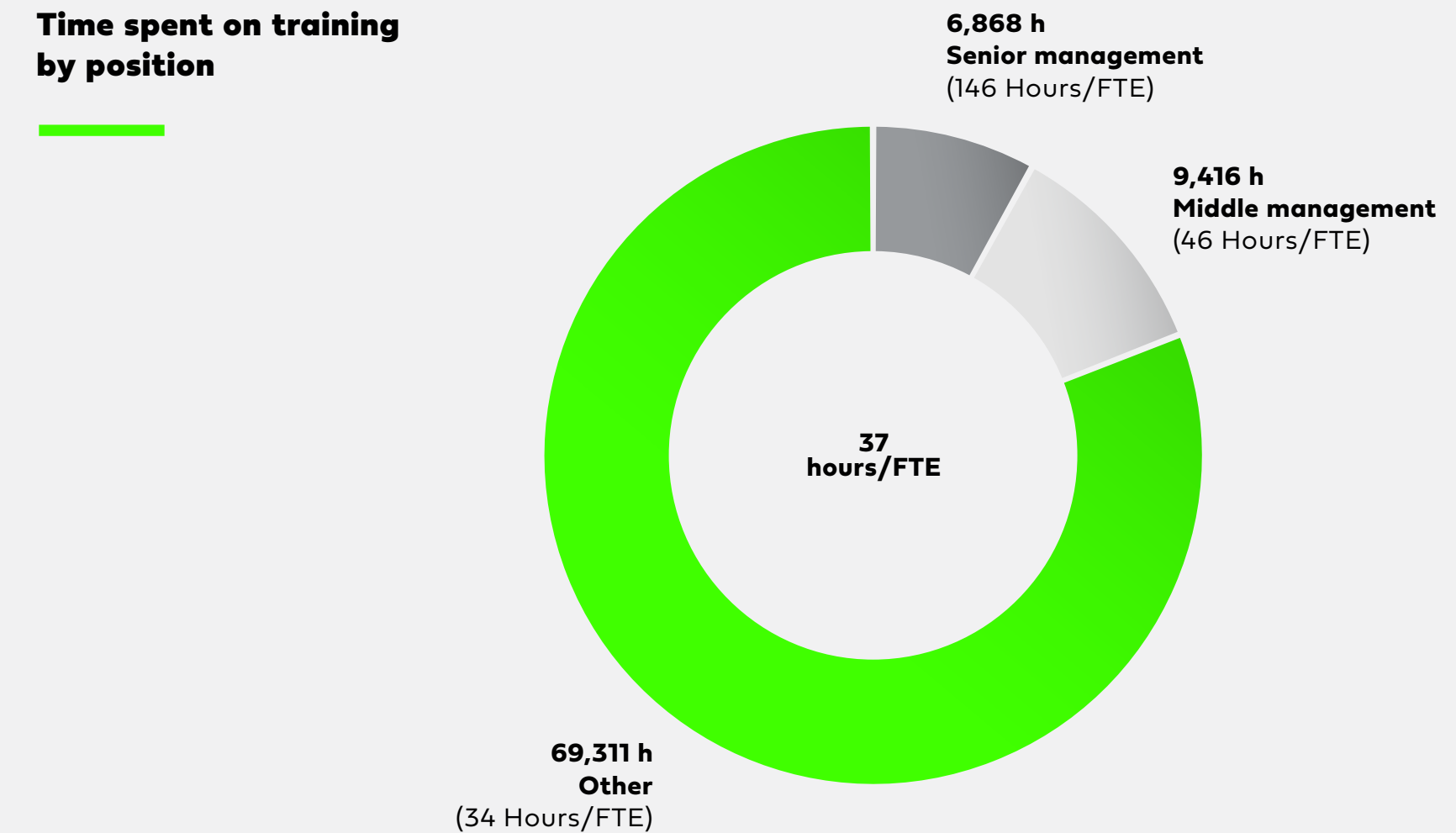
2024:

In 2024, digitalisation will dominate our training (especially MS office, automation and AI). We will strengthen leadership development at the B-1 level as well as intergenerational dialogue. Following this, we will implement a training course called Respectful Leadership, which will be mandatory for all our leaders. This training will be repeated every five years in the future. In this way it will become part of the mandatory training for our leaders – who also repeat Healthy leadership and Motivating Performance Management on similar cycles.

Time spent on training by gender



Time spent on training by position



We manage performance and remunerate fairly

Performance management is the foundation of fair remuneration. Its core is the setting and evaluation of individual objectives that **support the company in achieving its strategic goals**.

The performance of 100% of our employees is appraised. The evaluation recognises outstanding performance for each evaluation period. We also measure the approach to our company values, personal and professional development, and working relationships with colleagues. The results of the evaluation are reflected in the level of **'variable wage'**. This is set as a percentage of the monthly fixed (guaranteed) wage and is paid on a monthly,

quarterly, semi-annual or annual basis (depending on the job role). The standard is performance calibration set by a committee consisting of all the members of the management board, which meets every quarter. They calibrate performance according to set rules and rating scales. Part of this evaluation is regular data on the overall evaluation in the company. This includes and an analysis of whether performance is affected based on gender. In our company, we do not see any gender-based difference in performance evaluation.

Remuneration conditions for members of the Management Board are covered by their employment contracts. They also have a fixed and a variable part. Bonus payments depend on financial, safety and individual targets.

When increasing remuneration, we respect the rules set out in section 110 of the Labor Code. These rules say that for the same work or for work of the same value all employees of an individual employer are entitled to the same wage (the **"Principles of Equal**

Remuneration"). Employers will not increase wages in a way that conflicts with the Principles of Equal Remuneration.

In GasNet, our remuneration increase took place with effect from July. Increases are based on overall performance over the past year (in addition to other factors that we publish on the intranet). In the June paycheck, employees also received a one-time bonus. The on-call and meal allowances also increased.

In 2023, we started work on preparing for upcoming legislative changes in the area of equal pay. This includes defining occupations so that we can properly compare remuneration across the company. We are preparing reporting for equal pay transparency. We are also working on including equal pay in the methodologies for annual pay increases.

We spent a significant part of 2023 preparing for changes to the benefits we offer. We increased the total package from CZK 27,000 to CZK 30,000. At

GasNet, the average age of our employees is 48. We also know that around 40 people retire each year. We see securing our future as crucial. For this reason, **from 2024**, we will invest our benefit points **exclusively in the financial side** – by providing supplementary pension savings, supplementary pension insurance and life insurance. Previously, employees could divide their benefits budget into a financial contribution for pension savings or life insurance and could then, for example, allocate another part to education, sport or culture.

In 2024, we will continue to prepare for new equal pay legislation. All employees in leadership roles will repeat a training course entitled Motivational Performance Management, where they will re-acquaint themselves with the rules of fair pay linked to the employee's performance.

Employees whose performance is monitored against targets:	% evaluated
Senior management	100 %
Middle management	100 %
Office workers	100 %

Diversity, equality, and inclusion

We believe that diversity, equality and inclusion are essential ingredients for a successful, humane culture. For us, DEI is all about mutual respect and equal opportunity at work. We therefore promote fair remuneration, flexible working conditions and development.

Each year we set a DEI strategy, which is approved by the CGH board. It is based on these pillars:

- **Equal opportunities (support for women)**
- **Intergenerational dialogue**
- **LGBTQ+**
- **Our own diversity**

We set goals for these pillars. These reflect ESG rating recommendations, the results of internal surveys and third-party recommendations (e.g. Business & Professional Women CR). These goals stand on four pillars:

- **We report** (for example monitoring equal pay)
- **We manage responsibly** (for example a salary catch-up process for parents returning from maternity/parental leave)
- **We educate** (for example, we attend public conferences to share best practice and to learn / we raise the profile of DEI issues in the media)
- **We measure** (for example, we conduct DEI surveys and set additional goals based on the results)

In 2023, **we met 100% of our targets**. Part of this reflected the results of our 2022 survey with Arnold on Developing Women at GasNet (see Pillar 4 - We measure). 83% of women (493 women) responded to the questions. The survey identified three areas which we addressed in 2023 through our **Women in GasNet** Program: (i) 35% did not have the opportunity to train, (ii) 99% were satisfied with flexibility at work but perceived limited opportunities for part-time work, and (iii) 23% of women occasionally heard inappropriate comments. We therefore focused on raising awareness of training and development opportunities and discussing both part-time work and respectful communication. We carried out a total of **24 development and awareness activities** targeting these three areas. We linked these thematically to the issue of (unequal) pay. Based on the data currently available, this is an area in which the Czech Republic is one of the worst in Europe. We involved our partners from the non-profit sector; Czechitas, Business for Society, and especially **Business & Professional Women CR**, for whom equal pay is a key topic.

In 2023, we introduced a **process to index parents' wages** after they return from maternity and parental leave. When people return to work, our HR team analyses the pay increases that were approved during the leave period. For each such returner, their original salary is then recalculated into what is known as 'likely

earnings'. This includes any average pay increases during the period of parental leave. This figure is then submitted to the HRBP and the returner's manager, (who cannot reject the new salary).

The issue of unequal pay has multiple contexts. Their basis includes these four facts:



Women **tend to seek lower salaries** during interviews and to accept lower offers. They need to come to the realisation that accepting a salary which is CZK 1,000 per month lower results in an annual loss of CZK 12,000. This amount could cover the cost of children's school meals.



Another common example is the case of parents (typically women) who go on maternity/parental leave and **do not then receive any bonus** for the year worked. This happens because managers or the company would rather use their remuneration budget for the employees who stay on. This is often an unconscious act on the part of managers or companies. This was also reflected in the internal survey we mention above; pregnant employees heard comments such as "You're going to be breastfeeding, you don't even need to care about that anymore."



Many companies fail to address the **issue of wage indexation** for those returning from parental leave. During the period of long-term absence, likely to be several years, there are likely to have been wage increases within the firm. Returning parents are paid their original wage, which is often then lower relative to their colleagues.



Another issue is a lack of childcare facilities which would allow parents to return to work earlier than the three-year period. For those with more children, the period can be as long as six years. A number of companies are facilitating earlier return through reduced working hours or by offering home office. In the survey, our women rated the flexibility in GasNet very positively, but there were a lot of suggestions around part-time work. Only 1% of our roles are part time – a statistic that corresponds closely to the situation in the Czech Republic as a whole, where part-time work is generally at a very low level. We therefore set ourselves the goal of **opening a dialogue on part-time work**. An example was a webinar led by HR, where our purchasing manager Petra Vrbová shared her real-life experience of managing a team which includes five part-time employees. These are smaller steps that have a partial impact on the **reduction of the gender pay gap**.

#GasNetVšem Generacím

According to the Czech Statistical Office, the general (unadjusted) **gender pay gap** in the Czech Republic was **17.7%** in 2022. Put another way, that means that women work for more than two months each year “for free” compared to their male colleagues.

Here are some of the other measures we are taking at GasNet to prevent inequality: (We are already preparing for legislative changes related to equal pay):

- We are developing systems to record job roles so that we can compare positions of the same scope across our company,
- We are preparing reporting for equal pay transparency,
- We are preparing to include equal pay in the annual salary increase methodologies.

Specific activities from the GasNet program for women included, the **Equal Pay Day** conference and a project focused on mentoring newly appointed female managers: **Empowering Women Mentoring**. These are programs of Business & Professional Women CR (BPWCR). Another successful event was a meeting of 50 women with coach Kristin Parpel, who emphasised

the importance of self-motivation for development. At the request of our women, we are organised an event called **StartDriving Women**. We organised this with our long-term partner, the StartDriving organisation. This was an educational event focused on driving techniques (e.g. correct steering wheel posture and skid school). The event attracted the attention of the media, including Czech Television’s main news program.

At the end of the year, with the support of Business & Professional Women CR, we concluded our year-long Women at GasNet program with a conference called **Women at the Crossroads**. The event was attended by 100 women (from GasNet and beyond). It was a “symbolic” celebration of the 1st anniversary of us becoming the first energy company in the country to sign the Women Empowerment Principles (WEPs; 2022).

“Women make up half of humanity, but almost everywhere in the world their opportunities lag behind those of men. Good role models like GasNet can inspire others and build a real interest in the issue of equal opportunities and conditions for women

and men. Our organisation also hosts the Equal Pay Day conference, which aims to strengthen women’s economic security by sparking expert discussion among companies and the public about the causes of persistently high wage inequality,” says Lenka Štašná, BPWCR President.

GasNet’s DEI focus also includes **the #GasNetVšemGeneracím** (GasNet to all generations) project. This project develops intergenerational understanding with an emphasis on care for the elderly, but also supports the development of young people and family life. Working with our partner organisations, the Duke of Edinburgh’s Award (DofE) and Between Us, we have connected GasNet employees, students, and seniors and organised several joint development activities. This was not our only activity in the field of intergenerational understanding: for example, we also support the elderly at St Anthony’s House. We visit them regularly and make their Christmas wishes come true. We also see the Start Driving project, which is based on communication between parents and children, as an intergenerational link. With it, we are improving safety

and driving culture in the Czech Republic. Another program that promotes intergenerational dialogue is our internal community of Digital Ambassadors, which we mention in the chapter *Internal communities and surveys* (p. 81).

In 2023, our LGBTQ+ support was manifested through our traditional support for **Prague Pride** and its Sbarvouen.cz counselling centre. The counselling centre helps people and families to deal with issues related to sexual orientation. We spoke at a conference organised by the Pride Business Forum, the **largest LGBTQ+ conference in the Czech Republic**. We ran a workshop focused on how we work with DEI – or LGBTQ+ – at GasNet. Around 400 people attended the conference. 80 of them attended a workshop led by Petr Pěčka.

Other very good examples of how we address intergenerational dialogue are also our support of students in the Trainee Program and our work with young GasNet employees, for whom we held a networking and educational meeting at the end of 2023.

In 2024, we will continue to focus on promoting equality and supporting women. However, intergenerational communication and the inclusion of parents on parental leave will be the prime themes for the year. We will strengthen our support of respect for LGBTQ+. We will support all this with mandatory training for our leaders, called Respectful Leadership.



Partnership with schools

We have been working closely with schools for a long time. In 2023, we were able to open dialogues with **19 new schools**. 11 of these new schools are secondary vocational colleges, where we connect with future gas engineers. Four are industrial secondary schools, where we communicate with potential future designers, and four are universities, where we focus on science. We are partnered with a total of 27 schools at all levels. As a result, we have also been able to establish partnerships with schools in almost all the regions in which GasNet operates.

We work with the schools to organise events directly in the schools or at GasNet. These activities are lectures, excursions, educational activities and demonstrations of the work of gas professionals.

One example is our **'Day with GasNet'** event presented at Secondary Vocational Colleges. Our employees present the fields of the gas industry to students, both from the point of view of the present and also with a focus on the renewable gases of the future. We invite students and teachers to visit GasNet for **Days in the field** or **Days in the district**, which our employees organise at their workplaces in different regions. These days give the students and their teachers the chance see the real work of gas workers in practice.

We actively support the students of our partner schools in various prestigious competitions including

the **Gas Engineer of the Year** and Enersol. We also participate in events that promote trades, for example, the Trades Day and Ceremonial initiation of journeyman gassworkers.

On the university campuses, we have traditionally supported students in the **Technology and Energy Olympiad competitions at the Czech Technical University**. In these competitions, students prepare sustainable projects – including for the gas industry. Our employees act as expert guarantors and lecturers. Through these competitions, we reach approximately 12,000 students.

We invited students from successful projects and students from the Trainee Program to the **German H2-Infra hydrogen testing area**. This focuses on research into the safety, environmental and economic aspects of 100% hydrogen distribution. For ten students from VŠCHT we organised an excursion to our LNG station in Klecany.

In total, we carried out **53 different joint activities** with schools in 2023. In addition to these activities, we rate student internships, placements, temporary and summer jobs as very important.

A Successful Trainee Program: seven out of ten students signed employment contracts

In 2022, we launched the Trainee Program. Its ten participants (called trainees) became full-fledged members of one of our teams for ten months, during which time they learned about gas industry practice. The aim of the program is for the trainees to continue working for our company after completing their studies. Our trainees worked mainly on projects related to the **future of gas** and seven out of ten of them became our employees.

Internal communities and surveys

One of our most important internal communities are our **Digital Ambassadors**. They have been active at GasNet since 2020 and they make a significant contribution to our digital transformation. In 2023, they also strengthened digital skills development, both in the form of group training and individually. In 2023, the dominant topics included: cyber security, automation, the use of MS Office applications and new developments in AI. Our Digital Ambassadors provided **470 hours of individual advice**. They also provided group training; a total of **26 one-hour webinars** in which a total of **416 employees** participated.

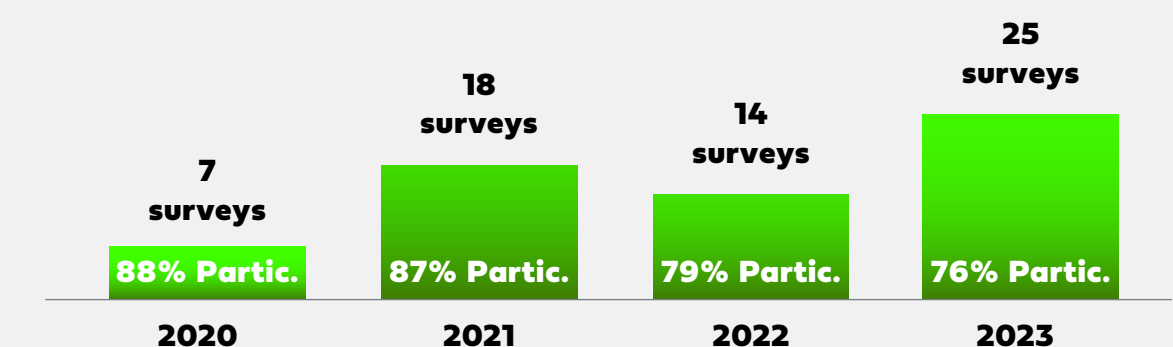
In September 2023 we created a new **#amGASador** volunteer team. The group is made up of 20 employees who authentically demonstrate their expertise on LinkedIn, showing how we live GasNet's values and how we deliver on our corporate strategy in a concrete way. The team is strong in its **diversity** with members from across GasNet, e.g. from ESG, WHS, IT, field, HR, business, etc.

At GasNet, we are helped with culture, internal communication and processes by data obtained from regular surveys via our chatbot, Arnold. Arnold has been collecting the observations and opinions of our employees since 2020. Up to the end of 2023, **a total of 65 surveys had been conducted**. The surveys addressed 19 topics, most of which were in the areas of safety & DEI.

Our executives and managers receive results for their divisions and teams after each survey. Thanks to these reports, at GasNet we have a clear picture of what needs attention, what makes our employees happy and what worries them.

In 2023, diversity dominated our surveys. This was a follow-up to the results of our 2022 survey of women. We discuss the results in a separate chapter on *Diversity, Equality and Inclusion* (p. 77).

We also asked about intergenerational communication. We found that 20% of respondents had misunderstandings due to age differences. These were mainly misunderstandings about digitalisation and perceptions of change. Based on these results, we further explored the area of digitalisation in our next survey – focusing on the use of MS Office tools, automation and perceptions of AI. The findings have led us to develop company-wide conceptual training, which we will focus on in 2024. From the results, we saw that a large number of people are interested in training on Excel, OneNote and Power BI. We found that for office-based professions, up to 61% had never used AI; for our operations employees, the figure is as high as 87%. Our office-based colleagues are particularly interested in training on AI, at 47%. Only 11% of our operations colleagues are interested.



#GasNetSrdcem

CZK 971,988

We help

We emphasise safety, reliability, and respect both with our employees and also outside our company in our work with non-profit organisations. We have presented many of our activities in the previous chapters, especially in the *Diversity, Equality, and Inclusion chapter* (p. 77). In this chapter, we present some other important projects.

#GasNetSrdcem (GasNet Heart)

We involve our employees in helping. That's why we launched our #GasNetSrdcem program in 2022. We repeated this for the second time in 2023. Any employee can start a collection to help people in need. We help both small non-profit organisations and individuals, always in line with our ESG strategy.

In 2023, through the #GasNetHeart program, we contributed **a total of CZK 971,988 to nine collections.**

RESPECT connects us with DofE

We are a long-term partner of The Duke of Edinburgh's Award (DofE). Founded by Prince Philip, DofE has changed the lives of millions of young people around the world. The organisation encourages young people to achieve personal goals in three areas: volunteering, physical activity, and skills.

- As a trusted partner of the DofE, we help young people achieve their goals regardless of their social background.
- We also try to involve DofE participants in external activities involving our partners, such as the non-profit organisation Mezi Námi (Between Us) or through attending the Women at the Crossroads conference organised with the BPW.

- DofE participants took to social media to participate in the third annual #GasNetChallenge: Film the expedition, show respect. A video representation of sustainability as part of a 'green expedition' was central to the challenge. The top three teams received awards at a ceremony.
- Ten of our employees were actively involved in mentoring DofE participants. All the mentors are regularly trained to provide professional support to participants.

#StandWithUkraine

In 2023 we provided humanitarian technological assistance to Ukrainian gas workers to help them repair energy infrastructure that had been damaged by the war. In the first shipment, GasNet donated seven

vehicles and special gas equipment from its inventory. Further assistance followed during the year. The Energy Community Secretariat's Ukraine Support Task Force (ECS-USTF), Emergency Response Coordination Centre (ERCC) and others help the gas workers with logistics.

Firefighters and gas workers – helping each other

In 2023, GasNet was the general partner of the Volunteer Firefighters of the Year Survey for the third time. The survey recognises the work of 360,000 volunteer firefighters from across the Czech Republic. It is a dignified thank you from the GasNet Group to the firefighters for their work with us during interventions, for their professionalism and their preventive activities.



“Next year, we would like to capitalise on the experience we have gained at GasNet by supporting the volunteer work of our gas workers. Many of them are volunteer firefighters themselves, and GasNet allows them to participate in interventions and receive training. Unfortunately, this is not commonplace in all companies. That is why, in partnership with the Survey and firefighters, we would like to encourage other employers in the Czech Republic to facilitate the firefighting activities of their employees. We see this as another very important way for us to help firefighters in a meaningful way. After all, who else should companies support but those employees who carry the responsibility in their hearts as a mission, protecting our health and property;”

Petr Koutný

GasNet's Network Operation Director.

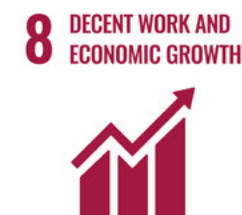


UN Sustainable Development Goals

We actively develop our corporate culture, taking care of our employees, communities, and the society around us. In this way, we fulfil UN Sustainable Development Goals in the areas of promoting education, improving working conditions and increasing diversity, equality, and inclusion.



SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 10: Reducing inequality within and between countries



Our contribution to selected UN SDGs

We support education. We introduce sustainability to students and teachers through our cooperation with key educational institutions. We have worked with vocational secondary schools for a long time, and we employ their graduates. We help young people before they graduate by providing internships. We show schools the practical aspects of our industry and its future. We are a partner of student competitions in the field of energy and education.

We are closing the pay gap between men and women. We are building a quality working environment through the continuous education of our employees, their families, and other external partners. We train our people and the public in the areas of cyber security and digitalisation. Not only do we develop our employees' work skills, but we also help them develop their personal lives, especially in the areas of physical and mental health and safety. A culture of health and safety spreads from our management positions across the company.

As part of our ESG strategy, we are building a diverse, inclusive, and fair culture. We implement our own strategy for diversity and inclusion. We support diversity with the help of an internal Culture Team. We are committed to fairness in remuneration and job opportunities. We promote gender equality when we offer jobs. We improve legal employment conditions for all groups of employees and try to motivate other employers to behave in a socially considerate way.



Chapter

#4

**We do business responsibly
and with respect**

We do business responsibly and with respect

Our ESG commitment states that we are a socially responsible company with a strong focus on ethical management, transparency, and sustainability. From 2022, this commitment took on a global dimension. This is because we joined the **UN Global Compact**, the world's largest UN-led social responsibility and sustainability initiative.

The trust of our customers, shareholders, partners, and the public is everything to us. We build it every day with transparent decision-making, honesty and mutual respect. For this reason, our responsible business principles are framed by a multi-level governance system. The same applies to our management of the entire ESG area. From the moment we developed our ESG strategy and presented it to our employees, the topic of sustainability became a company-wide issue. It spread across our company at all levels; from shareholders, through our Management Board and our ESG & Security unit, to our ordinary team members. Everyone has a role within ESG and responsibilities that arise from it. We recognise that everything we do has an impact on our customers, suppliers, communities, and the public. Responsible management is therefore an inherent part of our approach to ESG.

Our business is governed by clearly defined and transparently documented principles and rules. We use a system of internally controlled documentation to formalise the responsible management of the GasNet Group in a procedural manner.

The framework for our business activities is provided not only by our internal rules, but of course also by legal regulations and the decisions of administrative authorities. In 2023, no major breaches of legislation occurred.



**SUSTAINABLE
DEVELOPMENT
GOALS**

Business and legal negotiations

Risk management; Information, physical and cyber security

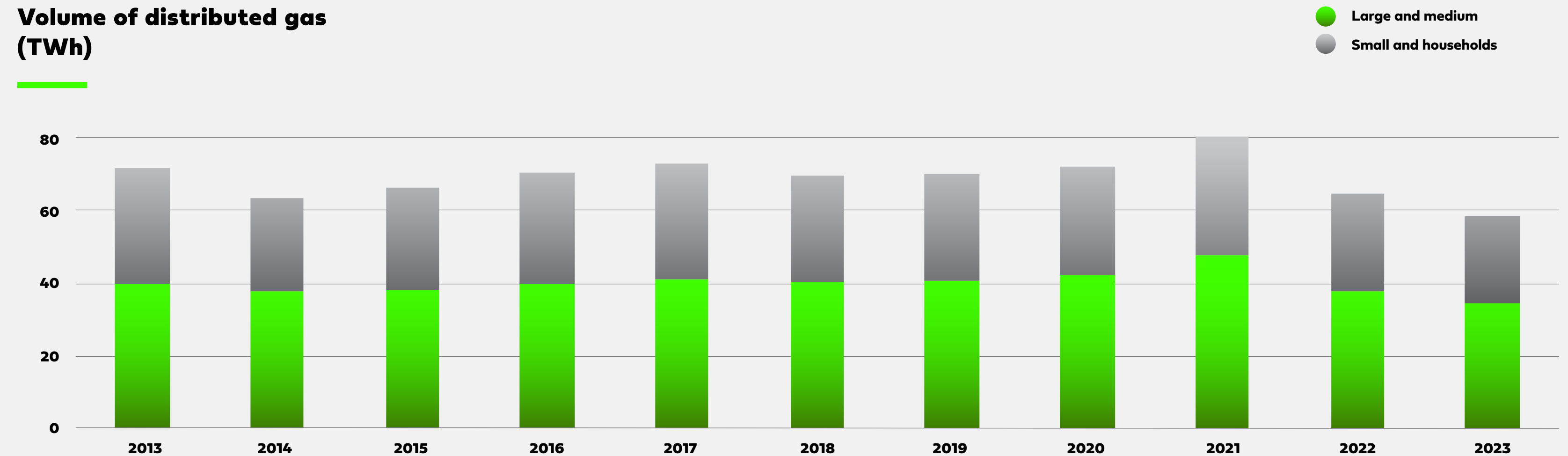
<p>Policy</p>	<p>Code of conduct Code of Conduct for GasNet Group suppliers The GasNet Group's commitment to compliance</p>	<p>Information Security Management System Policy Signature Rules</p>
<p>Guideline</p>	<p>Negotiations with business partners in accordance with the principles of compliance Compliance Due Diligence Dealing with intellectual property Preventing money laundering Investigating suspected misconduct Protecting whistleblowers Prohibition of insider trading in financial resources Business Continuity Management Tax management Purchasing and Purchasing Sustainability Internal audit</p>	<p>Basic risk management guidelines Corporate risk management Information security Security of human resources Physical security standard Protection of personal data Blackout plan Emergency plan Pandemic plan Crisis management plan Crisis preparedness plan of the critical infrastructure entity Information security risk management Controlling user access and permissions Procedure for reporting and resolving a GDPR incident Information Security Incident Response Team</p>
<p>Certification and other documents</p>	<p>ISO 9001 System management quality Technical rules for gas (TPG)</p>	

The context of our business

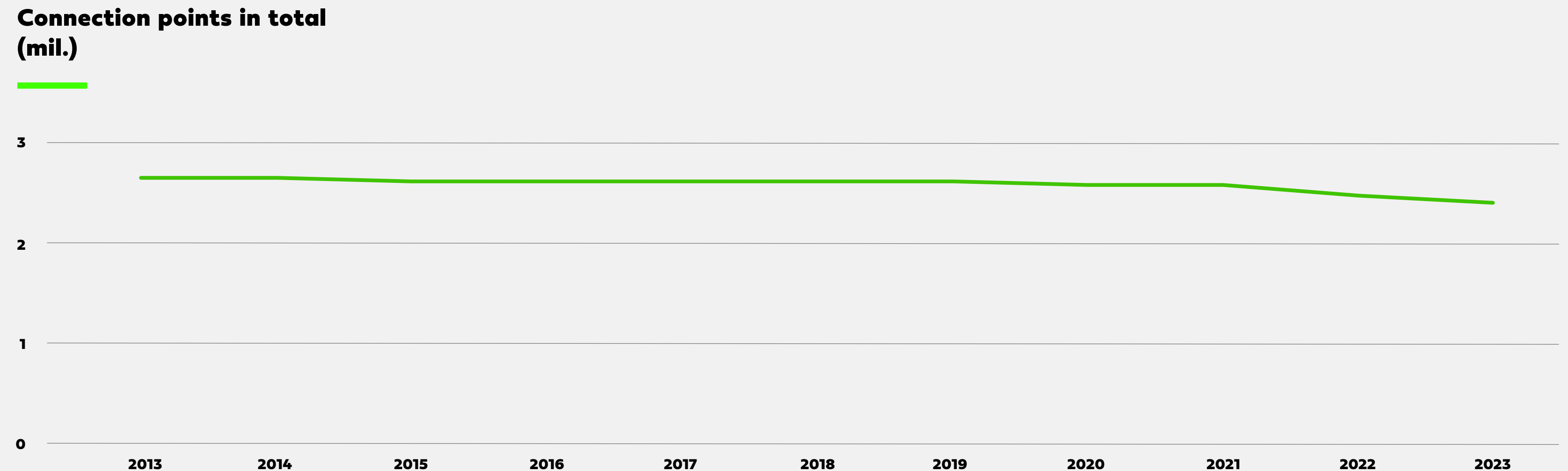
In the course of 2023, there was a gradual stabilisation of the gas market. 2022 was a dramatic year during which the share of supply from the Russian Federation decreased dramatically. Since then, this diversification of gas supply sources has continued, with the focus shifting to LNG and gas from Norway. The connection of biomethane stations also started to play its role. Sufficient volumes of stable supplies from these new sources coupled with customer energy savings have calmed the market and strengthened confidence in the gas sector, which in turn has led to a decrease in price tension. A gradual recovery of the gas market was also evidenced by favourable offers for gas supply to customers, taking into account the number of supplier switches, especially towards the end of 2023.

The volume of gas we distributed decreased by 9%, from 65 TWh to 59 TWh compared to last year. This was partly due to very warm weather. The average temperature in the Czech Republic for 2023 was 9.9 °C, 0.5 °C higher than in 2022. The average temperature increase during the heating season was even higher at 1 °C. At the same time, we are still seeing a continuation of energy-saving customer behaviours which started during the period of extremely high energy prices. A decrease in the number of connection points to our distribution system also had a partial effect on the reduction in consumption. The number of connection points fell by 22,428 to 2,228,993. This decrease in the number of connection points is about 1/3 lower than in 2022 but is still higher than was typical until 2021.

Volume of distributed gas (TWh)



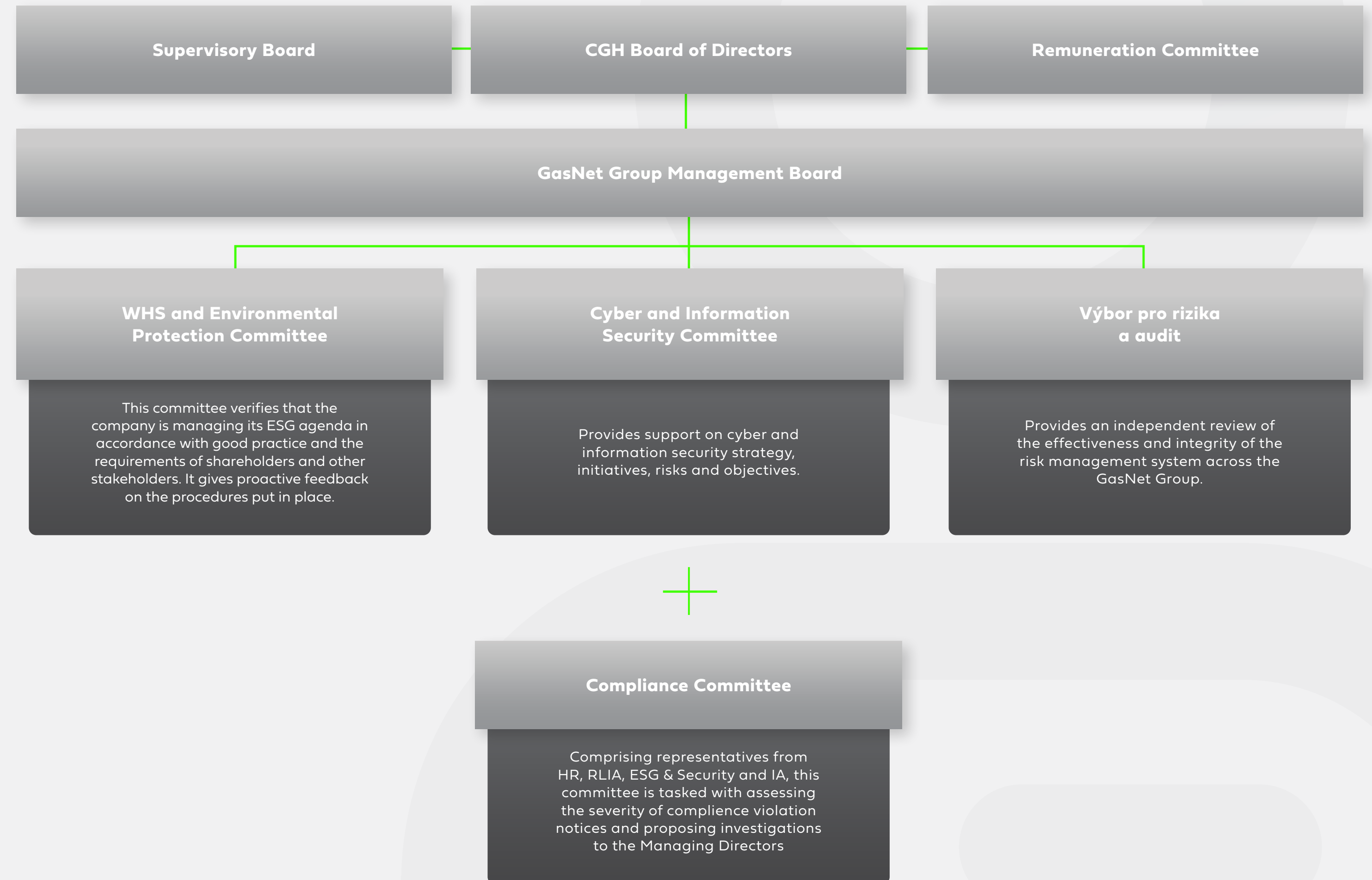
Connection points in total (mil.)



GasNet Group management

The management system we have put in place at GasNet ensures that all major decisions are discussed at multiple levels and also evaluated in the context of our values and strategy. Our Managing Directors are responsible for the business management of the GasNet Group companies. They are also members of our **Management Board**. Our Management Board is the highest executive and decision-making body, proposing the strategy and key objectives of the GasNet Group and overseeing their implementation. In 2020, the Management Board established three **specialised committees** which have become an integral part of the company's management. The parent company of the GasNet Group is led by the **CGH Board of Directors**, representing the interests of shareholders from MAM, ACP and BCI.

Management structure of the GasNet Group



GasNet Group Management Board

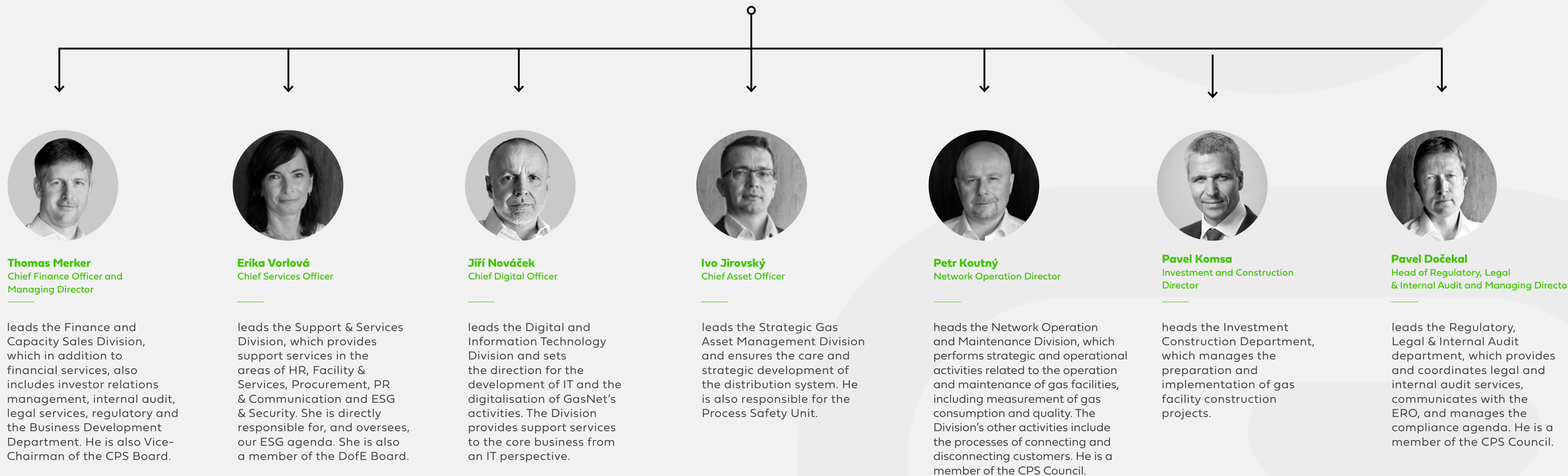
The Management Board is comprised of seven divisional directors and lead by CEO.

Members of Management Board



Martin Gebauer
CEO
Chairman of the Executive Board

leads the CGH Board of Directors. This board is composed of shareholder representatives and determines GasNet's direction and strategy. In his executive role within the GasNet Group, he is responsible for implementing the strategy set by the CGH Board of Directors and managing the Management Board and its membership. He has no other management role within the GasNet Group.



Thomas Merker
Chief Finance Officer and Managing Director

leads the Finance and Capacity Sales Division, which in addition to financial services, also includes investor relations management, internal audit, legal services, regulatory and the Business Development Department. He is also Vice-Chairman of the CPS Board.



Erika Vorlová
Chief Services Officer

leads the Support & Services Division, which provides support services in the areas of HR, Facility & Services, Procurement, PR & Communication and ESG & Security. She is directly responsible for, and oversees, our ESG agenda. She is also a member of the DoFE Board.



Jiří Nováček
Chief Digital Officer

leads the Digital and Information Technology Division and sets the direction for the development of IT and the digitalisation of GasNet's activities. The Division provides support services to the core business from an IT perspective.



Ivo Jirovský
Chief Asset Officer

leads the Strategic Gas Asset Management Division and ensures the care and strategic development of the distribution system. He is also responsible for the Process Safety Unit.



Petr Koutný
Network Operation Director

heads the Network Operation and Maintenance Division, which performs strategic and operational activities related to the operation and maintenance of gas facilities, including measurement of gas consumption and quality. The Division's other activities include the processes of connecting and disconnecting customers. He is a member of the CPS Council.



Pavel Komsa
Investment and Construction Director

heads the Investment Construction Department, which manages the preparation and implementation of gas facility construction projects.



Pavel Dočekal
Head of Regulatory, Legal & Internal Audit and Managing Director

leads the Regulatory, Legal & Internal Audit department, which provides and coordinates legal and internal audit services, communicates with the ERO, and manages the compliance agenda. He is a member of the CPS Council.

The members of the Management Board are nominated to their roles by MAM as the shareholder representative. The candidates for these positions must go through an internal selection process and meet requirements defined by the GasNet Group together with its shareholders. The main criteria for filling Management Board positions are

professional competence and the added value that the professional is able to bring to the company. After successfully completing the selection process, the new Management Board member is subject to a probationary period which ends on a decision of the Remuneration Committee, which is appointed by CGH's Board of Directors.

37

meetings

3

per rollam
votes

90%

participation

120 min.

average meeting
time

Composition by gender



13%

FEMALE (1)

x



87%

MALE (7)



2020

5 NEW MMB MEMBERS

x



2022

3 NEW MMB MEMBERS



13%

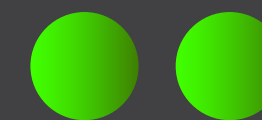
NON-EXECUTIVE FUNCTION

x



87%

EXECUTIVE FUNCTION



25%

MMB MEMBERS AGE 30-50 Y.O.

x



75%

MMB MEMBERS AGE 50+ Y.O.

* Executive function means that a member of the Management Board also holds a position as Division / Department Director within the GasNet Group.

In addition to managing the overall direction of the company, the Management Board is also responsible for **overseeing and actively promoting the implementation of our ESG strategy** and the commitments made in this area within our company. The Management Board has been at the forefront of developing our ESG strategy since the very beginning. In mid-2020, we organised our first major ESG workshop for Management Board members and shareholder representatives. The aim was to anchor ESG in the foundation of GasNet’s corporate strategy and to align our vision for sustainability. The strategy was subsequently approved by the Health and Safety and Environmental Protection Committee. These two bodies review and approve the implementation of the ESG strategy and the plan for the following year on an annual basis. They also play an important role in **non-financial reporting**. The Management Board always approves the initial vision and background for the development of the Sustainability Report. It also comments on and approves the report during the process of its preparation. In his capacity as

Chairman, the CEO comments on the report on behalf of the Workplace Health & Safety and Environmental Protection Committee.

Responsibility for managing the environmental, employee, community, and public impacts of the Company’s activities (collectively ESG impacts) is directly delegated by the Management Board to the senior managers who make up the GasNet Group’s ESG organisational structure (see *ESG organisational structure* p. 14). The Management Board is kept informed of developments in the ESG sub-agendas by the relevant responsible managers in the context of regular meetings or during the annual review of the ESG strategy.

ESG is also a factor in the performance evaluation of Management Board members. All members are **evaluated and rewarded annually according to how they have fulfilled individual goals linked to ESG**. These include objectives related **to workplace health and safety, environmental protection** and objectives linked to **projects, reporting and sustainability**

ratings. The evaluation criteria are included directly in the Management Board members’ personal contracts. The CEO and the Remuneration Committee evaluate the achievement of ESG targets and then decide on the payment of appropriate remuneration.

The Management Board **thematic committees** which are mentioned above, have a consultative, advisory, and expert role. These committees meet regularly (typically quarterly) to discuss matters with a significant impact on GasNet’s ESG activities and operations. Their members are appointed on the basis of their expertise and professional experience.

CGH Board of Directors

CGH’s Board of Directors, represents the **interests of shareholders**. It meets eight times a year to discuss strategic issues and GasNet’s performance. The Board consists of six members (including the Chairman), who are each elected for a five-year term. The GasNet Group CEO fills the role of Chairman of the CGH Board. The supervisory function within CGH is

performed by the Supervisory Board, which oversees the performance of the Board of Management and the activities of CGH.

Once every two months, our MMB meets with L-1 and B-1 managers to discuss and debate the issues currently moving GasNet. We refer to these meetings as the broader GasNet management meetings. The managers then in turn brief their subordinates on the topics discussed in the team meetings. Because we were interested in whether and how well this information sharing works, in March 2023 we launched a survey using our chatbot Arnold on the topic of “Information Transfer from the Broader Management Meeting.” 66% of employees participated in the survey, and 93% confirmed that they received information from their supervisor. Based on the survey, we have created a section on the intranet where we publish the topics that are discussed in the wider management meetings so that anyone can access the information whenever they need it.

Target	ESG pillar
LTIF ≤ 1,4	S
0 fatal injuries to employees and supplier employees	S
4 safety walks	S
Number of culpable traffic accidents per 100,000 km driven ≤0.5	S
Active involvement in ESG topics – Sustainability report, ESG ratings, Net Zero and Green GasNet, SMS implementation	E, G

Ethical conduct

The Regulatory, Legal & Internal Audit Department is responsible for **compliance**, for ensuring we conduct business ethically and setting procedures for reporting and investigating suspected misconduct and complaints. The Department has introduced a management system in accordance with our Code of Conduct (compliance management). The system is designed to identify potential structural risks and manifestations of improper behaviour throughout the entire GasNet Group. We can then use this information to identify the steps we need to take to eliminate or minimise these risks and to communicate them on a regular basis. All compliance policies and procedures are formally set out in our internal governance documentation. You will find an overview of this documentation in the introduction to the *Governance* chapter (p. 87).

Code of conduct

In 2022 we updated our Code of Conduct. We wanted it to reflect our corporate culture, which, together with our company values has developed considerably. We also wanted to reflect our emphasis on sustainable development. At the same time, we created two other documents – the **GasNet Group Commitment to Compliance** – our highest-level document dealing with the principles of compliance, and our **Supplier Code of Conduct**. You can find more information on our Supplier Code in the *Sustainable Supply Chain* chapter (p. 99).

Our Code of Conduct formalises the guiding principles of our ethical and transparent approach to business

– towards employees, customers, business partners, shareholders, and other stakeholders. It describes how we intend to achieve the goals we have set as part of our corporate and ESG strategy. In the words of Martin Gebauer, CEO of the GasNet Group, the Code is our guide and advisor. It gives direction to our daily work, and it is a moral compass that helps us to work not only with professional competence, but also with honour and dignity.

Amongst other things, our Code of Conduct contains commitments to protect and promote human and labour rights based on internationally recognised standards and principles such as those of the International Labour Organisation and the UN Global Compact. In line with our company values, we place particular emphasis on occupational health and safety, as well as freedom to join trade unions, collective bargaining and non-discrimination in the selection, remuneration, training, and career development of employees.

The code also sets out guiding principles to **prevent conflicts of interest and corruption**. Both topics are elaborated in more detail in relevant internal documentation, e.g. our Policy on Prevention of Improper Conduct and the related documents which we described at the beginning of this chapter. Every employee, including members of the Management Board, must prevent conflicts of interest in relation to the GasNet Group and from activities that conflict with their duties to the GasNet Group. All members of the Management Board are obliged to ensure transparency and take appropriate measures to

ensure that their work decisions cannot be adversely affected by their private interests. In case of doubt, anyone can contact the Compliance Officer. If a conflict of interest arises for a member of the Management Board, the shareholder representatives will be informed. In 2024, we will introduce a formalised conflict of interest audit, and we will define further procedures for eliminating risks in this area.

Our Code of Conduct is binding on all GasNet Group employees and statutory bodies. We also expect our managers to set an example for other employees in complying with their obligations under the code. Once the code completed our standard comment and approval process, we informed employees of the update via email and the intranet. Our employees can access the document at any time in the document management portal. Because our code also governs GasNet's external relationships, we have placed it on our website so that it is **accessible to our customers, suppliers, public authorities, and the public at all times**.

Suspected misconduct and complaints

GasNet has established mechanisms for its employees, contractors and third parties to report suspected misconduct and to seek compliance advice. The type of improper conduct that a whistle-blower might encounter could include conduct contrary to GasNet's

interests, unethical or illegal conduct, violation of GasNet's Code of Conduct or internal regulations (fraud, health and safety violations, discrimination, or corruption). In 2023, Act No. 171/2023 Coll. on the protection of whistleblowers, was adopted and has been fully integrated into GasNet Group practices. In accordance with the law, we have defined authorised persons for communication with the whistle-blowers. We also modified our 'Green Line' mechanism and our internal investigative procedures. We also updated our internal regulation of this area. **Our GasNet 'Green line'** reporting channel is operated by an external entity. This ensures independence from GasNet and the anonymity of whistle-blowers. Alternatively, employees can contact our Compliance Officer or their direct supervisor. Notifications can be made either on business days or via the Green Line at any time. We did not receive any reports through our Green Line in 2023.

We maintain the principles of confidentiality and anonymity when we deal with suspected misconduct. All reports are treated as confidential. GasNet maximises the protection of the identity of any whistle-blower even in cases where the report does not fall within the scope of the Whistle-blower Protection Act. Only a specific group of employees, i.e., Compliance Committee members (Compliance Officer, Internal Audit, ESG & Security and HR representatives), company executives and the team designated to conduct the internal investigation of the notification, are privy to notifications.

We inform our employees about the methods for reporting suspected misconduct using our intranet and compliance e-learning. We also provide this information to third parties and suppliers on our website, in our contractual documentation and in the regulations of the distribution system operator.

We also apply the principles we describe above to cases where anyone feels that their rights or claims under the law, their contractual relationships with GasNet or customary practice have been violated. GasNet is proactive in this regard. We offer employees, customers, and suppliers a range of options for filing any type of complaint. Our ‘Green Line’ and our Compliance Officer are also available for this type of notification. In addition, we have set up a special email address where customers can raise their complaints or grievances. Of course, we also respect our customers’ rights to resolve their complaints

through the Czech Trade Inspection Authority or the Energy Regulatory Authority.

All GasNet employees are required to undergo regular e-learning training which builds on the commitments we set out in our policies. This includes three courses on compliance, which covers topics related to preventing conflicts of interest, anti-money laundering, anti-corruption, and the principles of the Code of Conduct in general. In 2023, 1,130 employees completed the e-learning. The remaining employees will go through this e-learning in the following years according to the two-year cycle in which the course must be completed.

During the reporting period, GasNet was not a party to any court proceedings related to anti-competitive behaviour or violation of anti-monopoly legislation.

Internal process for tracking legislative changes

At the beginning of 2023, we improved our system for monitoring legislative changes affecting GasNet group companies. In addition to decentralised legislation monitoring, which is the responsibility of the head of each department, we have now introduced centralised monitoring. There were several reasons for this change:

1| Legislation is developing dynamically, both at national and EU levels

2| Support for our leadership team

- Ensuring legal compliance, effective process implementation and compliance with governing documents
- Responsibility for ensuring processes comply with Czech and EU legislation

3| Mitigation of a compliance risk of not including some key guideline changes

- Delayed introduction or failure to take into account key changes to the legal order could lead to incorrect execution of processes and ultimately to sanctions by regulators, courts or other public authorities

The process of monitoring legislative changes begins in our **Regulatory, Legal & Internal Audit** unit. Based on information from internal and external sources they prepare an overview of new and amended legislation over the past month. This service is in additional service to the individual monitoring that each unit prepares internally. The overview is sent to all senior GasNet Group employees who identify whether the changes are reflected in our internal management documentation. If necessary, our internal documents and processes are modified. our Compliance Officer is responsible of checking that the management documentation is updated and regularly evaluating and reporting on the process.

	Number
Confirmed cases of corruption in GasNet	0
Confirmed cases of corruption with labor law consequences for GasNet employees	0
Confirmed cases of corruption that resulted in the termination or non-renewal of a contract with a supplier	0
Cases in which allegations of corruption have been made against GasNet or its employees	0

Risk management

Risk management is a key aspect of sustainability and a critical factor in the long-term success of any organisation. In today's business world, companies face a wide range of risks, from financial to environmental and social, and must take a proactive approach to managing them. Risk management is a very important topic that plays a key role in the GasNet Group's strategy. It is important that all employees understand the risks and recognise the need for measures to mitigate them.

Responsibilities in the risk management system are divided according to the **"three lines of defence"** model. The first line of defence consists of those departments and staff whose activities are directly linked to the individual risks. The second line of defence includes the internal control systems (Risk Management, Compliance, Security, Occupational Health and Safety, EMS, ISMS). A Risk Management Specialist coordinates the risk management system, collects and evaluates information on its operation, and reports to GasNet and GasNet Services management and the Board of Directors. The third line of defence provides an independent review of the effectiveness and integrity of the risk management system across the company. This is the responsibility of the Regulatory, Legal & Internal Audit Department.

Our Risk Management unit leads our risk identification and management. This is based on regular interviews with managers and specialists across our company's organisational structure. The aim is to obtain information on potential threats and, above all, to support individual risk owners in developing measures aimed at reducing their impact. We methodically assess risks based on their probability and impact. We systematically record them in a **risk catalogue** – including their owners. We provide this catalogue to an independent auditor for audit procedures.

Based on evidence and assessment we grade risks according to severity. A Risk Status Report is regularly prepared and submitted to the MMB and the Risk Audit Committee for discussion and approval.

In 2023, our Risk Management Unit working with risk owners developed **mitigation measures** for all significant risks. Preventive measures and intensive communication on risk management has reduced the riskiness of our company environment while at the same time increasing risk culture across our entire spectrum of activities and processes. Risk assessment is now a natural part of decision-making in change management, project procedures and the day-to-day operational activities of all our departments.

At the same time, the attention of our Risk Management team, working with our ESG and Asset Management units, has been focused on risk management in connection with **climate change**. Based on a project owned by ESG, sub-risks in this area have been identified, compared and assessed within the risk catalogue. One of the results of the project has been greater emphasis on the complex issue of assessing and publishing information about our company's impact on the environment and global climate change in terms of domestic, European and world-wide trends. We do this so that we are able to stay firmly in line with the requirements of institutions, our business partners, and above all our interest in the environment. We want to be ready for requirements arising from current and future trends in this area.

In the context of risk management, the year 2024 will be primarily about strengthening and deepening the measures we have already formulated for existing identified risks, verifying their validity and implementation steps. We will also identify new risks, with a special focus on both physical and information security and related data protection requirements. These aspects are important due to the critical importance of our business in the energy sector.



Cyber security, information and physical security

Protecting our distribution network as well as our management information systems is important if we are to ensure the reliability and security of our gas supply and meet our customers' needs. Managing cyber security, information and physical security, ensuring compliance with relevant legislation, and setting strategic direction in these areas is therefore absolutely crucial for GasNet Group. Our Security Department – which is part of our ESG & Security Department – is responsible for setting the management framework and the resulting measures and activities.

In 2023, we started preparing to meet new legislative requirements which are set out in the new Directive of the European Parliament and the Council on measures for a high common level of cybersecurity across the Union (NIS2). This will be transposed into Czech law during 2024. We have carried out a detailed analysis of the impact of the requirements of the new legislation on our company, drawn up an action plan and started the first implementation steps. In 2024 and 2025, achieving **compliance with these new legal requirements** will be one of our highest cyber security management priorities.

Based on our set strategy and the approved plan, we have continued to implement partial technical and organisational measures to manage cybersecurity risks in the monitoring and control of our gas distribution

system. Other measures are focused on personal data processing and other activities to ensure the provision of our services.

In 2023, we completed the implementation and upgrade of important safety technologies and processes. Specifically, we **automated** some of our central information system **access permission** processes. We also unified and optimised our security monitoring and security incident response process.

As part of our preventive measures, we place great emphasis on **continual security testing** of our critical information systems and applications. We test using internal tools for detecting technical vulnerabilities. We also work with independent specialists who have the necessary security qualifications and experience in the field of information and electronic control systems. We also regularly supplement this technical testing with security assessments of infrastructure units within our IT environment and operational control systems.

In 2023, we also successfully passed an independent and comprehensive **cybersecurity audit** conducted in our environment by the National Office for Cyber and Information Security (NÚKIB). The audit was conducted on a designated critical information infrastructure element within the scope of all requirements of the law and cybersecurity regulations. All the results of testing and auditing activities are included in our security

risk management plans. Security is always a part of the introduction of new IT technologies and of other changes that take place at GasNet as we implement group strategy.

It is vital to build employee awareness and foster a culture of working safely with digital technologies if we want our staff to be actively involved in cyber protection. Our employee security awareness program consists of a wide range of development activities. In particular, our education includes the rules of basic cyber hygiene and the obligations arising from our internal security policies. We use a variety of formats and combine different communication channels to convey information. This includes lectures, online education, communication through the management cascade and awareness campaigns. In 2023, we launched a special two-week **BezpečněONLINE (SecureONLINE) campaign** during which we focused on cybersecurity through lectures, talks, intranet articles and competitions. In total, we organised seven lectures on topics ranging from cyber-attacks, through artificial intelligence, to mental health in the digital age. The lectures were delivered by external experts as well as by our cyber security specialists. The campaign was a great success among employees, with nearly 600 registrations for the lectures. In addition, employees are able to participate in our Digital (In)Security webinar, which we deliver regularly throughout the year.

In ongoing and ad-hoc communication, we keep our employees up to date on current threats and the necessary security measures. All employees receive mandatory training on a regular basis at least once every two years. We also test and educate our employees several times a year with specially prepared **simulated phishing campaigns**. Strengthening our cybersecurity culture is key for us in the long term. As a result, we will continue to focus on educating our employees and raising current topics in 2024.

In the field of physical protection, in 2023 we focused on strengthening and modernising the technical security of selected facilities. We are continuing with the modernisation of the technical provision of physical protection of important gas facilities, buildings and sites in 2024.

We also devoted a lot of effort to building our resilience and preparedness for **dealing with extraordinary events**. We regularly update impact analyses and plans to ensure the continuity of critical activities supporting our services. We continuously test and optimise back-up plans.

Personal data protection

Data protection is another role of our ESG & Security team. In this area, we rely on a dedicated Data Protection Officer (DPO) whose role is to ensure compliance with the General Data Protection Regulation (GDPR) and other generally binding data protection legislation. The DPO sets the necessary data protection requirements, including monitoring and control activities. The DPO also provides advice.

During 2023, the DPO focused mainly on activities aimed at raising and maintaining the awareness, culture and expertise of employees in the area of personal data protection and individual responsibility. The DPO delivered professional training to selected organisational units, extending beyond the scope of the mandatory DPO training program. They also ran a **special internal information campaign** culminating in a knowledge competition.

Based on best practice, we updated our internal personal data protection regulations, taking into account the proportionality, probability and seriousness of security risks. We also updated contract templates for suppliers and partners. We re-categorised our internal applications and IT systems in terms of their GDPR criticality. In addition, control and audit activities were carried out in selected internal areas.

In 2024, we will continue to **build a robust culture for working with data**. We will raise employee awareness of data protection and individual accountability, and we will encourage the monitoring of compliance with the set framework. We are preparing to transition internal data processing documentation to a new IT solution which will improve record keeping and awareness of responsibilities. We are also preparing a review of the publicly available GDPR documents which inform people about how we handle their personal data. Of course, we also provide information and advice on data protection to the relevant organisational units, and our DPO participates in implementation or changes of plans and projects, as well as conducting regular monitoring activities.

Crisis management

Another role of our ESG & Security unit is in the area of crisis management. In 2023, we focused on implementing corrective measures that we identified from a blackout crisis exercise held the previous year. These measures included the revision of existing documents and the creation of some new ones. This included especially a Blackout plan and support materials for our crisis staff, such as emergency cards. There are designed to help orientation when dealing with potential crisis situations. Another output of the exercise was the realisation that we needed **regular crisis staff training**. As a result, we prepared, and in October 2023 delivered, training for all MMB members and other selected managers, i.e. GasNet's crisis staff. The aim was primarily to anchor the roles of the crisis staff members, to clarify the relationships between the processes for emergency management, internal and external communication, as well as the entire process of convening, meeting and finishing the activities of the crisis staff.

The cyber security audit we mentioned above (p. 97) included a crisis staff exercise focused on dealing with a cyber-attack, in the form of **ransomware**. The exercise was coordinated by the crisis management team. The scenario was prepared by our IT and Cyber & Information Security Departments and representatives of the NÚKIB. The main objectives were to verify our existing crisis management processes, to raise awareness of the severity of the

impact of this crisis situation, to strengthen the ability of our IT to deal with ransomware, to detect new related risks and threats, and also to build the readiness of our PR & Communication unit for reputational impacts. Participants had the opportunity to practice their response to a major event threatening the functioning of our IT systems, including those used for billing. The PR & Communications unit also played a significant role in the exercise, having to deal with potential damage to the company's reputation and brand. This exercise resulted in a list of recommendations to improve preparedness and a final report from NÚKIB.

Our crisis management team concluded 2023 with an exercise to check the availability of members of the crisis staff. The purpose of the exercise was to check the process of **crisis communication** and build the awareness of the participants of the exercise. The test itself consisted of sending out a model SMS to convene the crisis team – including a request to confirm the availability of the team member. 70% of respondents responded within 30 minutes of the start of the exercise. In other cases, it was necessary to contact team members who were able to respond promptly.

Building GasNet's resilience will continue to be a priority in 2024. We will again work to implement the outcomes of Crisis Staff exercises and plan new thematically relevant crisis exercises.

Sustainable supply chain

We base our business relationships on common rules and on values. At GasNet, we recognise that the effective and ethical management of supplier relationships is an essential part of a responsible and sustainable business. Our goal in this area is to ensure that the entire process, from selecting suppliers to maintaining contractual relationships, is **transparent**, based on **fair dealing** and in compliance with legislation, ethical standards and the **elements of environmental and social sustainability**.

We have a clear set of principles for our business activities and relationships. These are set out in our Supplier Code of Conduct, which has been in effect since 1 June 2022. This code is an integral part of our General Terms and Conditions. All suppliers are required to comply with the code. This ensures that our work together respects legal compliance, the protection of human and labour rights, the prevention

of corruption and conflicts of interest, the protection of data and personal data, as well as a commitment to environmental protection.

In order to ensure compliance with these principles, our contractual documentation gives us the **right to monitor and verify supplier compliance with our code**. We also have the right to withdraw from contractual relationships if there are serious breaches of standards or criminal acts by suppliers' employees.

We work constantly to maintain and improve standards in our supplier relationship management. For that reason, it is important for us to keep abreast of developments in legislation and market standards and to update our practices in line with changing conditions. In this way, we strive for a sustainable and responsible approach to business that benefits not only us but also our suppliers.

Overview of our supply chain

GasNet purchases a variety of materials and uses a variety of services in our operations and support functions.

Key (core) commodities are supplied for the operation and maintenance of our network, construction, reconstruction, operation and the maintenance of gas facilities. This also includes technologies for metering the gas we supply.

Goods and services for **support (non-core)** activities include the operation and maintenance of buildings, vehicles, ICT equipment and services, consultancy, HR services and marketing.

Our suppliers are mainly **local, medium-sized suppliers** (95.5%). 97.4% of our total procurement spend is sourced from suppliers operating in the Czech Republic.

2023	Number of suppliers	Share of portfolio (%)	Share on spend (%)
Local suppliers (CZE)	1024	94.5	97.4
Foreign suppliers	56	5.5	2.6

Scope 3 emissions

We have been calculating our emission footprint since 2020. So far, we have been able to calculate our direct emission and the first layer of our indirect emissions (Scope 1 and 2), which are traditionally reported in the *Decarbonisation Strategy* chapter (p. 40). This year we were able to enhance this reporting with pilot calculations of the emissions from our supply and demand chain (Scope 3). You can see these results on page 44. **Calculating the full extent of GasNet’s total carbon footprint** (i.e. with all relevant categories – including Scope 3) **will continue to be a major focus for us in the future**. For this reason, we are continuing work on refining our calculations for selected

Scope 3 categories according to the GHG Protocol methodology. We also want to refine our calculations for the area of capital construction.

We include ESG themes in our business relationship discussions

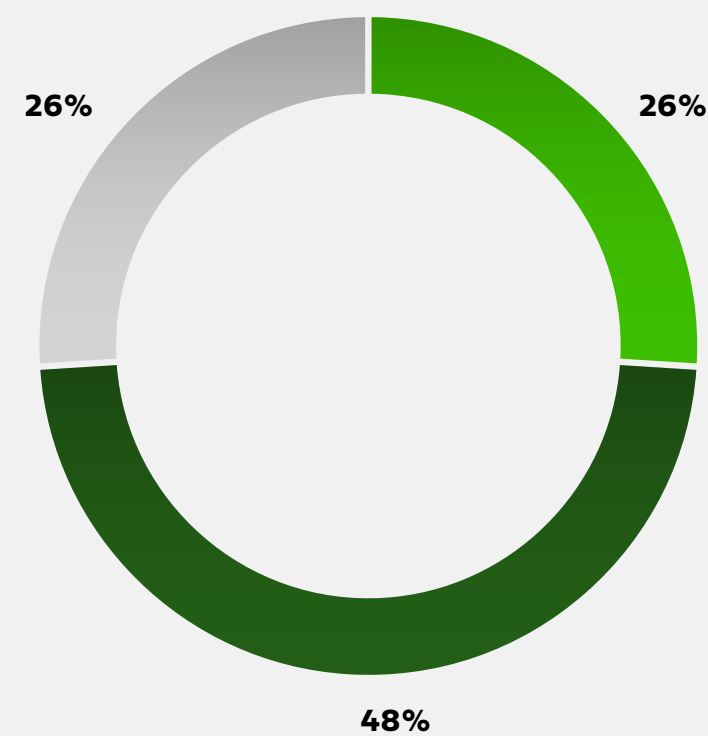
In 2023, we conducted a pilot sustainability survey of our key commodity supply partners. We asked whether and how they manage different aspects of sustainability.

Nearly 100 partners participated in the survey, and we received and processed 1,800 responses to our questions. **The result included several positive findings** – our partners meet basic quality, safety and environmental standards, as evidenced by their certifications. Most of them also have at least a formally defined environmental policy. However, we found stronger results in the social area, where our partners support employment of the disadvantaged, charity, and other socially beneficial projects.

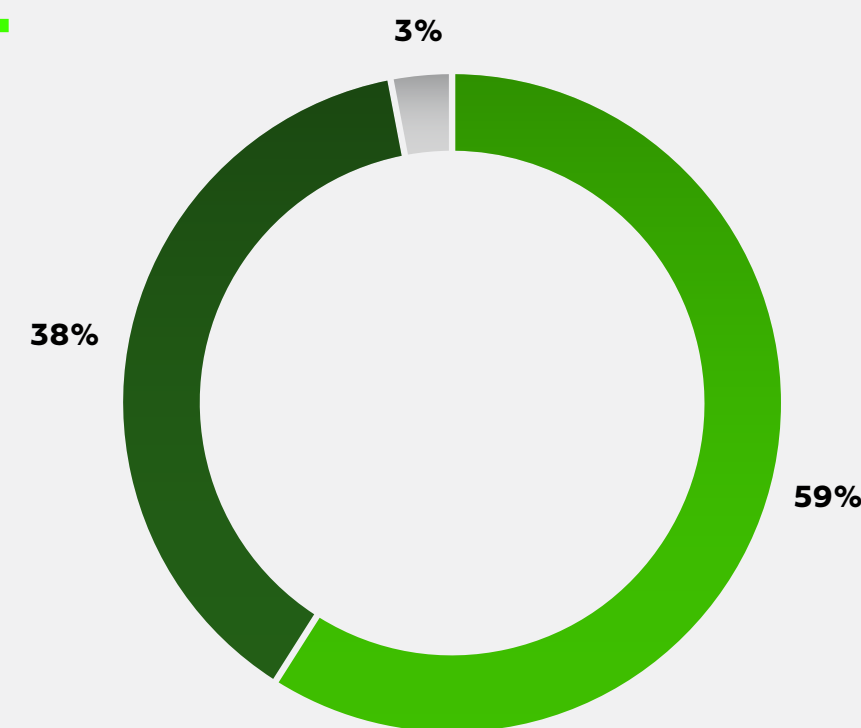
However, we also found room for improvement, particularly in the areas of environmental management and translating policies into practice. **Our partners need to build their awareness of their direct and**

indirect environmental impacts so that they can take advantage of opportunities to improve their environmental performance. For this reason, we want to focus our partnership in coming periods on education and on raising awareness. We plan to offer workshops, educational materials and consultations. We want to help them **identify and then implement measures to reduce their environmental impact**. We will enhance our understanding of this area by expanding our investigations to include non-core suppliers as part of internal audits. We are also operating a supplier portal which will, among other things, help us to improve data collection and analysis. In particular, it will allow us to share data in a consistent format.

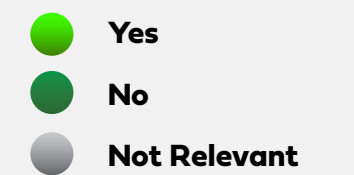
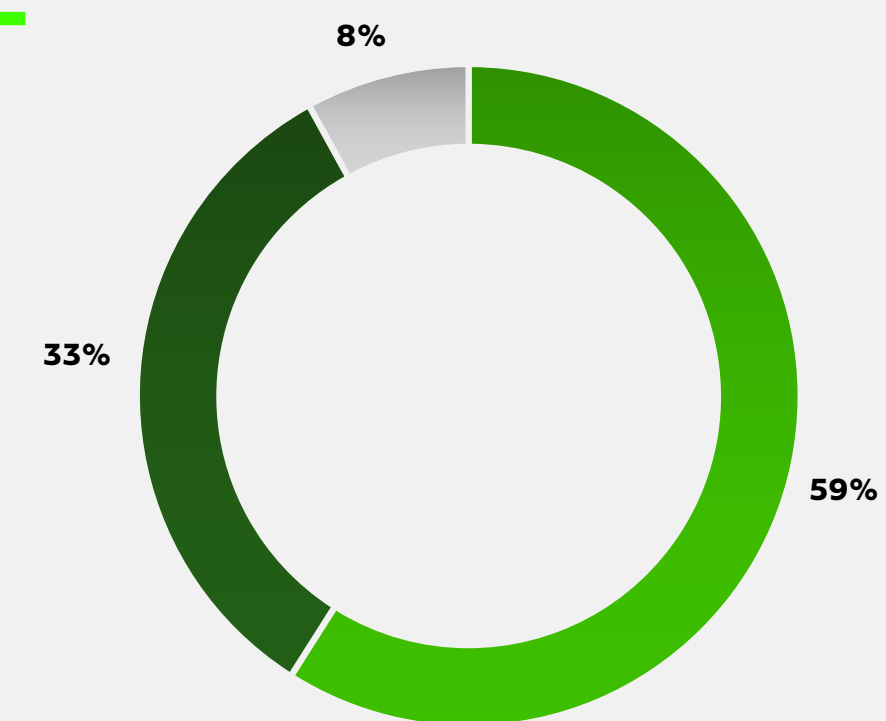
Environment



Social



Governance



Our ESG procurement achievements in 2023

At the beginning of 2023, we launched an exciting sustainability initiative in our non-core purchasing department. Our aim was to reinforce our focus on ESG aspects, to encourage our procurement officers to take an individual approach and think creatively about sustainability. We also wanted to **integrate ESG aspects into our daily supplier management processes and decision-making**. Here are our results:

From a social perspective, we focused on substitute performance. We added four new contractual partners to our portfolio. We track substitute performance take-up on a monthly basis and average wage updates on a quarterly basis.

We are proud of the efforts of our colleagues to strengthen environmental aspects in a positive way. They have succeeded in pushing through these changes:

We looked at the **frequency of office supply deliveries** and made an improvement. We found that office supplies were being delivered to sites in something like a 'just in time' mode. Starting from the second quarter of 2023, we changed the delivery frequency to once a week. This meant some adjustment of ordering behaviours for our colleagues, but these changes delivered a noticeable benefit. Compared to Q1, the number of deliveries fell by 30%. Naturally this implies a **reduction in fuel consumption and carbon footprint**.

We have also included 'greener' alternatives in the products we order:

- We are sourcing office supplies and drug store products made from recycled paper, PET bottles, and more environmentally friendly cleaning products. We have applied similar criteria to orders for protective work equipment and we are now using CO₂-neutral footwear and biodegradable work gloves (1-5 years vs. 1000 years).
- As we order branding and promotional items as part of our office refurbishment project, we are requesting greener versions.
- Our PR department has been focusing on sustainability for several years now. In planning internal and external corporate events, they follow a reduce - reuse - recycle - dispose approach.

We are trying to formally embed ESG options in contracts by way of an appendix adding ESG provisions. This gives us the opportunity to adjust the ESG criteria of the individual contractual relationships based on each supplier's capabilities.

In the future, we would like to work with our core suppliers primarily on warehouse and transport logistics for deliveries to construction sites, where the predominant regime is currently 'just-in-time'.

Supplier ESG education

We want to be a pillar of modern and green energy. We cannot achieve that goal without close working partnerships with our suppliers and contractors. In 2023, we held a **regular meeting with our construction contractors** where, for the first time, we opened a topic that brings both us and our contractors new challenges but also new opportunities.

”

The central theme of the two-day meeting was the future. For their businesses, our partners need to understand the trends that are already affecting the entire gas industry. As a result, there was a lot of attention, among other things, on presentations on the topic of emissions monitoring and input on the introduction of renewable gases into the energy sector. Indeed, the transformation of the energy sector and the future of GasNet will also directly affect our suppliers and contractors.”

Pavel Auinger

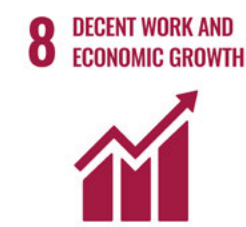
Senior Manager, Technical Asset Management

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We **have opened an ESG dialog with our suppliers**. We aim to show them the potential of sustainable working partnerships. We are holding various seminars for them and aligning our approach to this area. Towards the end of the year, we held the first in a series of seminars on Waste Management. We took advantage of our partnership with the Circular Economy Institute and their expertise in this topic. We brought in a guest speaker who **put the issue into a broader context for our key business partners while relating it to their industry**. This allowed our partners to hear information from a third-party, unbiased expert.

UN Sustainable Development Goals

Our values are founded on ethical and responsible behaviour. Our management systems help us develop sustainable business and contribute to the Sustainable Development Goals in the areas of sustainable economic growth, ethical behaviour, and partnerships to promote sustainability.



SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



SDG 17: Revitalise the global partnership for sustainable development and strengthen the means for its implementation



Our contribution to selected UN SDGs

We adapt the management of our company and our operations so that we separate economic growth from the worsening impacts on the environment and on the society around us. We ensure the long-term sustainability of our business model. We connect these two aspects through responsible leadership. We respect the social responsibility of our business. We actively manage the impact of our activities internally and externally. We have initiated sustainability management activities in our supply chain.

We manage our activities so that they are in accordance with ethical principles of business and applicable legislation. We recognise and implement in practice the principles of human rights, labour standards, environmental protection and the fight against corruption and bribery. We set rules for ethical conduct in the GasNet Group in the area of compliance; our Code of Conduct for Employees and Officers of the GasNet Group and more recently also our Code of Conduct for Suppliers. We expect all our employees, partners, and suppliers to adhere to these rules. We are accountable, efficient, and transparent.

We nurture the strategic partnerships that help us to effectively meet our goals. We establish, build, and maintain strategic partnerships with Czech and international entities and institutions across disciplines. We actively communicate and cooperate with the public sector. We conduct an active dialogue with state and regulatory authorities. We know our stakeholders, communicate with them and are transparent with them.



List of Abbreviations

ACP	Allianz Capital Partners	g/h	Gram per Hour	PV	Photovoltaic
BCI	British Columbia Investment Management Corporation	GDPR	General Data Protection Regulation	RLIA	Regulatory, Legal & Internal Audit
CDO	Chief Digital Officer	GHG	Greenhouse Gas	SDG	Sustainable Development Goals
CFO	Chief Financial Officer	GRESB	Global Real Estate Sustainability Benchmark	SO_x	Sulphur oxides
CGA	Czech Gas Association	GWh	Gigawatt-hours	TAČR	Technology Agency of the Czech Republic
CGH	Czech Grid Holding	HDS	Hogan Development Survey	TPG	Technical Regulation for Gas
CGN	Czech Gas Networks	HRBP	HR Business Partner	TWh	Terawatt-hours
CGNI	Czech Gas Networks Investments	IGU	International Gas Union	US EPA	United States Environmental Protection Agency
CMT	Crisis Management Team	IPCC	Intergovernmental Panel on Climate Change	VŠCHT	University of Chemistry and Technology, Prague
CNG	Compressed Natural Gas	ISMS	Information Security Management System		
CO	Carbon monoxide	ISO	International Organisation for Standardization		
CO₂	Carbon dioxide	KPI	Key performance indicator		
COO	Chief Operations Officer	kWp	Kilowatt-peak		
CSO	Chief Services Officer	LNG	Liquefied Natural Gas		
ČSOP	Czech Union for Nature Conservation	LTIF	Lost Time Injury Frequency		
DA	Digital ambassador	MAM	Macquarie Asset Management		
DEI	Diversity, equity, and inclusion	MPO	Ministry of Industry and Trade of the Czech Republic		
DofE	The Duke of Edinburgh's International Award	NO_x	Nitrogen oxides		
DPO	Data Protection Officer	OGMP	Oil & Gas Methane Partnership		
EMS	Environmental Management Systems	PE	Polyethylene		
ERO	Energy Regulatory Office	POE	Persons in charge of ecology		
ESG	Environmental, Social a Governance	PZN	Tasks with increased hazard		

Source Tables #1

INJURIES AND ACCIDENTS		UNITS	2020	2021	2022	2023
LOST TIME ON INJURY FREQUENCY (LTIF) - GASNET EMPLOYEES	Number of accidents/1 million hours worked		1.90	0.77	1.08	0.82
ACCIDENTS RESULTING IN INCAPACITY FOR WORK (LTI) - GASNET EMPLOYEES	Number		8	4	4	5
FATAL ACCIDENTS - GASNET EMPLOYEES	Number		0	0	0	0
NUMBER OF TRAFFIC ACCIDENTS INVOLVING GASNET EMPLOYEES	Number of accidents/100 thousand km		0.66	0.48	0.44	0.29
LOST TIME ON INJURY FREQUENCY (LTIF) - CONTRACTORS	number of accidents/1 million hours worked		0.60	0	0.64	0
ACCIDENTS RESULTING IN INCAPACITY FOR WORK (LTI) - CONTRACTORS	Number		1	0	1	0
FATAL ACCIDENTS - CONTRACTORS	Number		1	0	0	0
DISTRIBUTION NETWORK SAFETY		UNITS	2020	2021	2022	2023
DOWNTIME DUE TO FAILURE OF PZ OR GASNET WORKER	Number		11	5	2	6
NUMBER OF BREACHES OF OUR NETWORK BY THIRD-PARTY ACTIVITIES	Number		537	585	502	444
NUMBER OF SUCCESSFULLY RESOLVED TELEPHONE REPORTS FROM EXTERNAL ENTITIES	Number		33 237	38 761	33 520	32 826

Source Tables #2

GREENHOUSE GAS EMISSIONS	UNITS	2020	2021	2022	2023
TOTAL EMISSIONS (SCOPE 1 + 2) – LOCATION-BASED	tCO ₂ e	206 435	203 452	179 992*	193 448
TOTAL EMISSIONS (SCOPE 1 + 2) – MARKET-BASED	tCO ₂ e	206 435	196 479	173 792*	187 406
SCOPE 1	tCO ₂ e	198 820	195 265	172 727*	186 602
SCOPE 2 – LOCATION-BASED	tCO ₂ e	7 616	8 186	7 265*	6 846
SCOPE 2 – MARKET-BASED	tCO ₂ e	7 616	1 214	1 066	804
SCOPE 3	tCO ₂ e	-	82 625	97 506	94 671
INTENSITY OF LOCATION-BASED EMISSION FOOTPRINT BY NETWORK LENGTH ¹	tCO ₂ e/km	3.17	3.13	2.77*	2.97
INTENSITY OF MARKET-BASED EMISSION FOOTPRINT BY NETWORK LENGTH ²	tCO ₂ e/km	3.17	3.02	2.67*	2.88

ENERGY CONSUMPTION	UNITS	2020	2021	2022	2023
TOTAL ENERGY CONSUMPTION	MWh	89 560	101 550	81 139*	77 975
	GJ	322 415	365 579	292 101*	280 710
RENEWABLE ENERGY SOURCES	MWh	0	15 267	11 174*	10 857
	%	0%	15%	14%*	14%
NON-RENEWABLE ENERGY SOURCES	MWh	89 560	86 283	69 965*	67 118

METHANE EMISSIONS	UNITS	2020	2021	2022	2023
TOTAL TECHNOLOGICAL LOSSES	m ³	611 571	493 963	496 467	456 629
EXTERNAL TECHNOLOGICAL GAS LOSSES	m ³	295 879	296 328	244 232	143 998
OWN TECHNOLOGICAL GAS LOSSES	m ³	316 315	197 635	252 235	312 631
FUGITIVE NATURAL GAS LEAKS	m ³	8 670 111	8 479 604	7 680 385	8 570 828
	Number	5 404	4 599	3 248	3 189
UNDERGROUND LEAKS	m ³	8 361 919	8 219 409	7 500 197	8 396 362
	Number	1 310	1 270	1 167	1 192
ABOVE-GROUND LEAKS	m ³	257 152	210 511	130 160	124 057
	Number	4 094	3 329	2 081	1 997
PERMEABILITY	m ³	51 040	49 684	50 028	50 410

*As a result of more accurate calculations and data conversions, these values have been updated.

¹ Emission footprint includes total emissions (Scope 1 + 2) – location-based. ² The emission footprint includes total emissions (Scope 1 + 2) – market-based.

Source Tables #2

ELECTRICITY CONSUMPTION	UNITS	2020	2021	2022	2023
TOTAL ELECTRICITY CONSUMPTION	MWh	7 541	9 332	8 692	7 782
RENEWABLE SOURCES ¹	MWh	0	8 107	7 707	7 025
NON-RENEWABLE SOURCES	MWh	7 541	1 225	985	757
OPERATION OF CONTROL STATIONS	MWh	5 630	6 997	6 314	5 723
OPERATION OF LNG STATIONS	MWh	4	43	76	102
OWN OFFICE BUILDINGS	MWh	1 159	1 067	1 317	1 200
LEASED OFFICE BUILDINGS	MWh	748	1 225	985	757
OPERATING ELECTRICITY CONSUMPTION PER UNIT OF NATURAL GAS DISTRIBUTED ²	MWh/TWh	78	87	97	97
ADMINISTRATIVE ELECTRICITY CONSUMPTION PER OCCUPIED AREA OF BUILDINGS ³	MWh/m ²	-	0.03	0.03	0.02
ELECTRICITY PRODUCED FROM COGENERATION	MWh	3 141	5 333	5 100	3 385
ELECTRICITY SOLD	MWh	3 078	5 229	4 987	3 241
HEATING AND COOLING CONSUMPTION	UNITS	2020	2021	2022	2023
HEATING	MWh	0	603	784	528
COOLING	MWh	0	107	179	150

NATURAL GAS CONSUMPTION	UNITS	2020	2021	2022	2023
TOTAL NATURAL GAS CONSUMPTION	m ³	6 209 098	7 367 817	5 815 988*	5 073 959
	MWh	65 506	77 730	61 359*	53 530
	GJ	235 822	279 830	220 891*	192 709
GAS PREHEATING AT CONTROL STATIONS	m ³	4 649 126	5 280 868	4 039 331	3 597 066
	MWh	48 977	55 564	42 615	37 949
OPERATION OF COGENERATION UNITS	m ³	576 366	1 060 206	1 036 422	813 049
	MWh	6 152	11 334	10 934	8 578
OWN OFFICE BUILDINGS	m ³	563 705	636 686	531 870	498 541
	MWh	5 947	6 717	5 611	5 260
LEASED OFFICE BUILDINGS	m ³	419 900	390 057	208 365*	165 303
	MWh	4 430	4 115	2 198*	1 744
OPERATING CONSUMPTION OF NATURAL GAS PER UNIT OF GAS DISTRIBUTED ¹	MWh/TWh	765	831	824	793
ADMINISTRATIVE CONSUMPTION OF NATURAL GAS PER OCCUPIED AREA OF BUILDINGS ²	MWh/m ²	-	0.12	0.09	0.08
CUMULATIVE NUMBER OF GAS BOILER REPLACEMENTS CARRIED OUT	Number	819	942	1 058	1 173

¹ Electricity consumption from renewable sources is covered by green certificates with a guarantee of origin. ² Operational electricity consumption includes operation of regulation and LNG stations. ³ Administrative electricity consumption includes domestic and external office buildings. In 2020, the property was transferred after the separation of GasNet from the Innogy group, and therefore the exact occupancy value is not available. Note: Data on electricity consumption is calculated as an estimate due to "catch-up billing". Exact data for the given year will always be given in the following report.

Source Tables #2

VEHICLE FLEET FUEL CONSUMPTION	UNITS	2020	2021	2022	2023
TOTAL FUEL CONSUMPTION	MWh	19 592	19 161	19 291	19 226
	GJ	70 531	68 979	69 448	69 215
CNG	thousand m ³	638	0	349	339
	GJ	24 249	0	13 263	3 576
BIOCNG ¹	thousand. m ³	0	685	376	363
	GJ	0	26 031	14 276	3 832
DIESEL	m ³	838	842	834	882
	GJ	32 350	32 495	32 186	9 456
PETROL	m ³	407	306	284	249
	GJ	13 932	10 454	9 721	8 501
FUEL CONSUMPTION PER KM	GJ/mil. km	2 957	2 898	2 848	2 867

AIR POLLUTION	UNITS	2020	2021	2022	2023
CO	t	1.10	2.74	2.91*	3.25
NO _x	t	2.73	2.83	2.57*	2.21
WASTE MANAGEMENT	UNITS	2020	2021	2022	2023
HAZARDOUS WASTE ²	t	27	33	30	176
OTHER WASTE	t	163	230	252	297

¹ BioCNG consumption is covered by certificates with a guarantee of origin.

² A significant change compared to 2022 was caused by an extraordinary event. When adjusted for this situation, a decrease in this category can be observed (see chapter Waste management)

Source Tables #3

CATEGORY		2020		2021		2022		2023	
		MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
NUMBER OF PEOPLE (HC) ¹	Total	2 380		2 409		2 292		2 295	
	By Gender	1 800	580	1 787	622	1 692	600	1 699	596
FULL TIME (HC)	Total	2 361		2 392		2 275		2 271	
	By Gender	1 794	567	1 781	611	1 690	585	1 695	576
PART-TIME (HC)	Total	19		17		17		24	
	By Gender	6	13	6	11	2	15	4	20
TEMPORARY EMPLOYMENT (HC)	Total	110		117		117		141	
	By Gender	57	53	58	59	63	54	90	51
NUMBER OF EMPLOYEES IN FTE ²	Total	2 370		2 401		2 285		2 286	
	By Gender	1 796	575	1 783	618	1 691	595	1 697	589
SENIOR MANAGEMENT (FTE) ³	Total	47		48		48		47	
	Dle pohlaví	37	10	39	9	39	9	38	9
MIDDLE MANAGEMENT (FTE) ³	Total	224,9		221,9		201		202	
	By Gender	202.9	22	195.9	26	178	23	180	22
OTHERS (FTE)	Total	2 099		2 131,4		2 036,5		2 038	
	By Gender	1 556.3	542.7	1 548.3	583.1	1 473.9	562.6	1 479.7	558.3

¹ HC (Head count) – Number of people. ² FTE (Full Time equivalent) – Number of full-time employees.

³ Senior management consists of the Management Board (MMB) and top managers reporting to MMB members (B-1 level). Middle management consists of managers and team leaders reporting to B-1 managers.

GRI content index

Statement of use

GasNet Group has reported the information cited in this GRI content index for the period 1.1.-31.12.2022 with reference to the GRI Standards.

GRI 1 used

GRI 1: Foundation 2021

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GRI 202: MARKET PRESENCE 2016	202-2 Proportion of senior management hired from the local community	72
GRI 204: PROCUREMENT PRACTICES 2016	204-1 Proportion of spending on local suppliers	99
	205-2 Communication and training about anti-corruption policies and procedures	95
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GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	95
GRI 302: ENERGY 2016	302-1 Energy consumption within the organization	105-107
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	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	63, 65
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	305-4 GHG emissions intensity	105
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GRI 402: LABOR/MANAGEMENT RELATIONS 2016	402-1 Minimum notice periods regarding operational changes	73

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	403-3 Occupational health services	31
	403-4 Worker participation, consultation, and communication on occupational health and safety	22, 33
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GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1 New suppliers that were screened using social criteria	101
	414-2 Negative social impacts in the supply chain and actions taken	100
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1 Assessment of the health and safety impacts of product and service categories	29
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	22
GRI 418: CUSTOMER PRIVACY 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	98
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	419-1 Non-compliance with laws and regulations in the social and economic area	86

Safety
Reliability
Respect

