

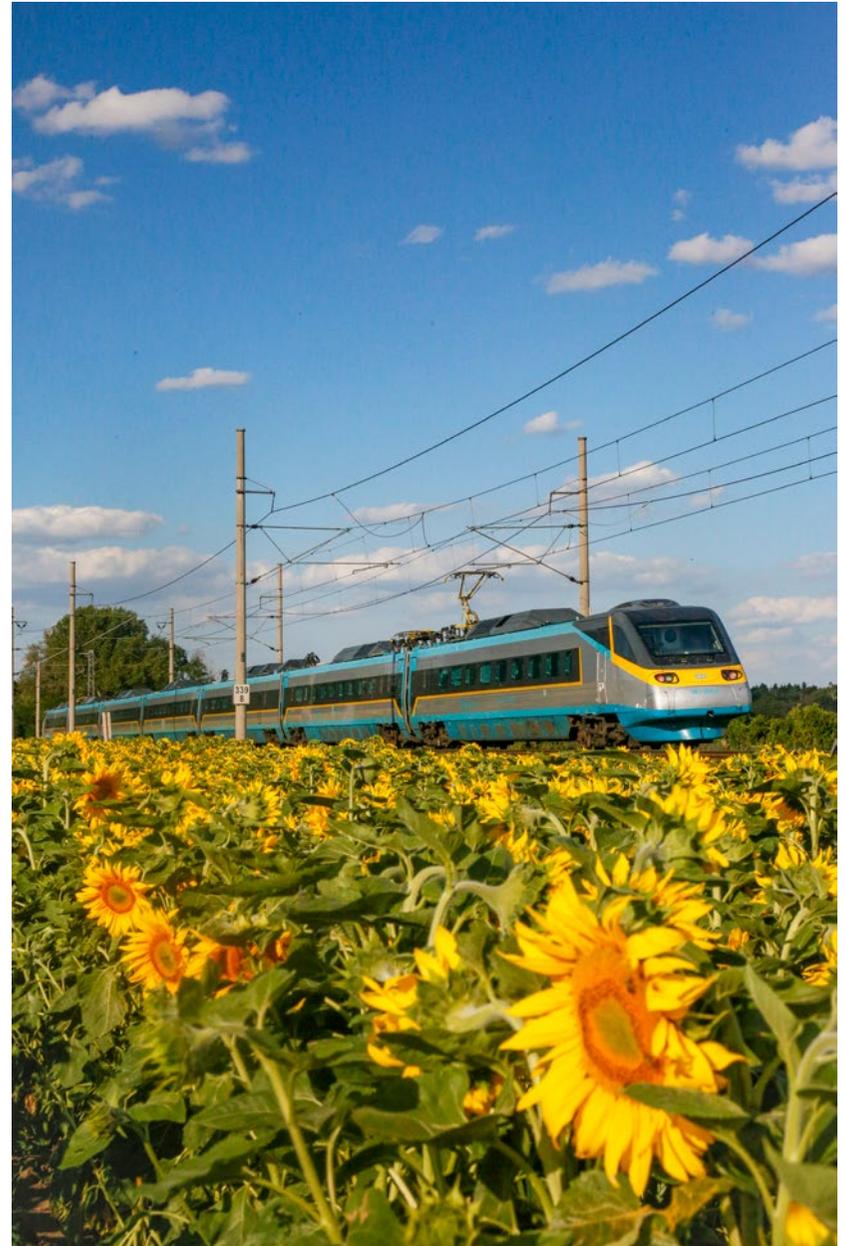
Green Finance Framework

May 30, 2022



Contents

Page	Topic
03	1. Introduction Sustainable Development Strategy
07	2. České dráhy Green Finance Framework Rationale for Green Financing Basis of this Framework
09	2.1. Use of Proceeds
10	2.2. Process for Project Evaluation and Selection Sustainability policies and alignment with external standards
12	2.3. Management of Proceeds
13	2.4. Reporting Allocation Reporting Impact Reporting
14	2.5. External review Second Party Opinion (Pre-issuance) Verification (Post-issuance)
15	Disclaimer



Introduction

1

Strategic Approach for Sustainable Development

In 2022, ČD published its conceptual paper “Strategic Approach for Sustainable Development towards 2030” that forms a common strategic vision for the future ESG direction of ČD as a whole. The proposed strategic concept respects and follows up to the existing vision of ČD and sets up the direction for further sustainable development of the ČD Group till 2030 with an outlook to 2050.

This strategic approach supports the Company's vision of ...

- ... becoming a national mobility leader in passenger and freight transport
- ... becoming the first choice of the customer/passenger in terms of comfort, safety and reliability
- ... improving digitalisation of distribution channels and internal processes of the ČD Group
- ... becoming an environment-friendly company with the lowest carbon footprint in the Czech transport sector
- ... achieving „Operational Excellence“ in processes and organisation
- ... being a financially stable company with sufficient resources for further development

- ... providing services with high added value for other carriers operating in the market environment
- ... being one of the best employers in the Czech Republic with a valuable corporate social responsibility programme

The objective of ČD is to create sustainable values in all its activities. As a national railway carrier, ČD already provides the most environment-friendly transport services in the Czech Republic, and the basic elements of sustainability are already naturally included in the Company's existing visions and strategic priorities.

In order for ČD to systematically address its sustainable development till 2030, the following 5 key strategic development areas have been identified, which will be further developed at the level of the Company's partial development strategies.



The following strategic initiatives will be further elaborated in these ČD's sustainable development areas.



1 Safe and reliable transport services

- The safety and satisfaction of our customers comes first, and we are committed to continuously improving the quality and scope of our services.
- We will gradually put new and upgraded trains into service, which are to be equipped with modern information systems, Wi-Fi connection, cameras and in some cases will also enable automatic train operation.
- It is important for us that the new vehicles should be equipped with the ETCS system, which will further improve rail safety and ensure rail interoperability in Europe.

2 Environment-friendly transport services

- Through our activities, we strive to actively contribute to the fulfilment of the European Union's environmental commitments and to systematically increase the efficiency of our activities in the interest of protection of the environment.
- As a basic step, we will systematically measure our corporate carbon footprint and gradually certify all relevant ČD operations from an environmental point of view.
- We will further improve the energy efficiency of our operations, gradually increase the share of renewable energies in our current mix and develop strategies to reduce diesel operation in our railway rolling stock.
- Through the renewal and modernisation of our rolling stock and the improvement of our services, we are striving to encourage greater use of environment-friendly rail transport while seeking solutions enabling us to gradually improve the energy efficiency of our operations.
- We strive to reduce the amount of waste produced and to minimise any adverse impact on the environment.

3 Clean Transportation future

- In line with our vision, we want to help meet the Czech Republic's EU commitments to switch to more clean transportation by 2030
- To do so, we will continue to promote the „Green Railway“ concept (a platform co-founded by ČD), develop and test new multimodal transport services and inspire state and other public authorities in the field of clean transport





4 Responsible employer

- The knowledge, experience and commitment of our employees will drive our results and will help us fulfil our vision and mission.
- Supporting young talented people and working with schools are key steps to further development of rail transport.
- We are committed to continuing to promote diversity and equality and to bringing people with different ideas and experiences together.
- We plan to continue to involve people from disadvantaged groups in economic and social affairs.
- We strive to retain high-quality employees in the ČD Group and to create an attractive working environment for them. Our goal is to maintain a low employee fluctuation from a long-term point of view.

5 ESG Corporate governance

- Being a socially responsible company requires, in addition to taking environmental and social aspects into account when doing business, responsible and transparent management of the entire Group.
- Adherence to ethical principles and the principles of non-discrimination and equal treatment are extremely important to the ČD Group, and we strive to implement these principles throughout the Group in our corporate culture.
- We will further adapt our organisation and processes to support new responsibilities related to the ESG practice (readiness for CSRD reporting and ESG ratings), incl. involvement of our partners and supply chain parties.



Climate change mitigation and decarbonisation strategy

Our aim is to reduce our greenhouse gas emission footprint not only in all areas of our operations, but also in transport as a whole.

As of 2021, the areas of energy consumption within ČD are divided into three categories, namely (i) railway vehicles (referred to also as “rolling stock”), (ii) buildings and other consumption and (iii) road vehicles. Approximately 89% of total energy consumption is attributable to railway vehicles, of which traction diesel oil accounts for 39% and traction electricity 61%. Energy consumption in buildings accounts for a total of 10% of total energy consumption and energy consumption for road vehicles accounts for the remaining 1%.

The main tool to reduce emissions and energy consumption of railway vehicles at the moment is rolling stock renewal. All new electric traction vehicles or units which we acquire have the option of using energy recovery systems, which significantly reduce energy consumption. Newly purchased electric vehicles with recuperation will allow energy savings of at least 8%. New diesel locomotives are equipped with modern and more efficient engines meeting the current European emission standard.

Contribution to the United Nations Sustainable Development Goals (SDGs)

Through our activities and initiatives, we strive to actively contribute to the SDGs, taking into account not only our activities and Sustainability Development Strategy, but also the national priority goals of the Czech Republic when selecting the goals. Through our activities, the ČD Group is able to contribute to the following 9 of the 17 SDGs.



Green Finance Framework

2



Rationale for Green Financing

The Green Finance Framework (the “Framework”) aims to support České dráhy’s vision to be an environment-friendly company with the lowest carbon footprint in the Czech transport sector. The Company intends to align its funding strategy with its mission, its sustainability strategy and its objectives. This Framework has been established as an overarching platform under which Green Finance Instruments will be issued.

“Green Finance Instruments” may include bearer and registered bonds, promissory notes (Schuldscheindarlehen), commercial papers, loans or any other debt instruments, which might be issued publicly or as private placements to finance and/or refinance green projects with a positive environmental impact.

Basis of this Framework

This Framework is based on the International Capital Markets Association (“ICMA”) Green Bond Principles (“GBP”), 2021 version



and Loan Market Association (“LMA”) Green Loan Principles (“GLP”), 2021 version . These are sets of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of Green Finance Instruments.

The Framework has four core components:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

This Framework also follows the recommendations of the Green Bond Principles and Green Loan Principles regarding External Review.

The Framework will apply to any Green Finance Instruments issued by the Company and will be in force as long as any Green Finance Instruments are outstanding. The Company reserves the right to revise or update this Framework to remain consistent with shifting expectations, best market practices and the regulatory landscape at any time.



2.1. Use of Proceeds

The proceeds of the Company's Green Finance Instruments will be used to finance and/or refinance, in whole or in part, new or existing green projects ("Eligible Green Projects") from any of the Eligible Green Project Categories as defined below, together forming the "Eligible Green Project Portfolio".

GBP/GLP Category	Eligibility Criteria	Contribution to UN SDG	EU Economic Activity	Contribution to EU Environmental Goals
Clean Transportation	<p>Zero emission rolling stock: Electric locomotives and associated freight and passenger vehicles that have zero direct CO₂ emissions</p> <p>Exclusion criteria:</p> <ul style="list-style-type: none"> • Diesel-fuelled rolling stock • Rolling stock that is dedicated to the transport of fossil fuels 	  	<p>Passenger interurban rail transport (NACE codes: H49.1.0, N77.3.9)</p> <p>Freight rail transport (NACE codes: H49.2.0, N77.3.9)</p> <p>Urban and suburban transport, road passenger transport (NACE codes: H49.3.1)</p>	<p>Substantial contribution to Climate Change Mitigation (Article 10): 1.c) Increasing clean or climate-neutral mobility</p>

- Footnote on EU Economic Activity header: Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.
- Footnote on Contribution to EU Environmental Goals header: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.



2.2. Process for Project Evaluation and Selection

The Company established a clear decision-making process to determine the eligibility of the nominated Eligible Green Projects, in accordance with the description of the eligibility criteria mentioned in the Use of Proceeds section of this Framework.

Eligible Green Projects will be selected by a dedicated Green Finance Committee (the “Committee”) that will be set up within the Company. This Committee is formed of members of Treasury, Corporate Responsibility, and other parties to be nominated as subject matter experts. The Committee will meet at least once a year.

The Green Finance Committee is responsible for:

- Reviewing the content of the Company’s Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market or regulatory developments on a best effort basis;
- Seeking update of non-České dráhy documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants;
- Evaluating and defining the Eligible Green Project Portfolio in line with the Eligibility Criteria as set out in the Framework (section 3), validating the purpose of the financing and the environmental objectives they contribute to. Excluding projects that no longer comply with the Eligibility Criteria as set out in section 3 or have been disposed of and replacing them on a best effort basis;
- Overseeing the allocation of the proceeds from Green Finance Instruments to the Eligible Green Project Portfolio and the evolution over time, to ensure that the value of the Eligible Green Project Portfolio (at least) equals or exceeds the value of issued Green Finance Instruments;
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements;
- Monitoring internal processes to identify mitigants to known material risks of negative social and/or environmental impacts associated with the Eligible Green Project Portfolio. Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the Company assesses the potential risks to be meaningful;
- Ensuring that the environmental and social risks potentially associated with the Eligible Green Project Portfolio are properly mitigated via the due-diligence processes conducted by the Company and comply with official national and international environmental and social standards and local laws and regulations, on a best effort basis. These laws are monitored and enforced by the local authorities, amongst others as part of obtaining the necessary permits for new projects and infrastructure maintenance;
- Reporting transparently on project-related controversies, if any;





- Liaising with relevant business finance segments and other stakeholders on the above.

Sustainability policies and alignment with external standards

The Company's sustainability policies define minimum standards for all its activities, including those financed with the proceeds of Green Finance Instruments issued under this Framework. Below some examples of relevant codes and policies:

- **Code of Conduct:** The Company has implemented and applies the Code of Conduct of České dráhy and the Codes of Conduct for its business partners;

- **Code of Conduct for Business Partners:** Business partners must adopt all necessary measures with a view to ensuring that essential requirements of the Code of Conduct are announced to their employees and are also obliged to adopt all reasonable measures to ensure compliance with the Code of Conduct by all persons and entities whose services they are to use within the framework of cooperation with the Company;
- **Human Rights:** The Company strives for a safe and healthy working environment and its continuous improvement, provides equal opportunities to all, and does not allow discrimination, even in its hidden form. The Company provides equal opportunities to all people regardless of race, colour, gender, nationality, religion, ethnicity or any characteristics, does not permit or tolerate any form of harassment, intimidation or forced or illegal work;
- **Certification and other relevant standards:** The Company has a management system in accordance with the internationally recognised requirements of:
 - Quality management system certified according to ISO 9001
 - Occupational Health and Safety Management System certified against OHSAS 18001
 - Energy management system certified according to ISO 50001



2.3. Management of Proceeds

The proceeds of the Green Finance Instruments issued under this Framework will be managed by applying a portfolio approach.

The Company will allocate the proceeds from the Green Finance Instruments to an Eligible Green Project Portfolio that meets the Use of Proceeds eligibility criteria and is in accordance with the Evaluation and Selection process presented in above section.

The Company will strive, over time, to achieve a level of allocation to the Eligible Green Project Portfolio which (at least) matches or exceeds the balance of proceeds from its outstanding Green Finance Instruments. In this regard, the Company will aim to maintain a constant buffer of Eligible Green Projects in the portfolio compared to the total amount of Green Finance Instruments issued. Additional projects will be added to the Eligible Green Pro-

ject Portfolio to the extent required. The Company aims to allocate the Green Finance Instrument proceeds within a timeframe of 24 months after issuance, in accordance with market practice.

Capital and operational expenditures qualify for refinancing with a maximum two-year look-back period. Eligible green assets shall qualify for refinancing without a specific lookback period, provided that at the time of issuance, they follow the relevant eligibility criteria. Assets will be included in the portfolio at their current IFRS balance sheet value, which will be updated annually to reflect investment and depreciation under IFRS.

Pending the allocation to the Eligible Green Project Portfolio, unallocated proceeds will be held in a separate bank account at the Czech National Bank until final allocation.



2.4. Reporting

The Company will undertake and publish annual reporting on the allocation and impact of the portfolio of Eligible Green Projects; this reporting will start one year after the first issuance of the Green Finance Instruments, to be renewed annually until full allocation or in case of material change. This reporting will be made publicly available on České dráhy's website.

The Company intends to report on an aggregated basis for all Green Finance Instruments outstanding, at the level of Use of Proceeds category and EU Economic Activity categories.

The Company furthermore intends to align its impact reporting with the ICMA Handbook for 'Harmonized Framework for Impact Reporting', June 2021 version.

Allocation Reporting

The allocation report may provide indicators, such as:

- The total amount of Green Finance Instruments outstanding;
- The amount of proceeds allocated to Eligible Green Categories (if feasible, on a project basis);
- The balance of unallocated proceeds;
- The amount or the percentage of new financing and refinancing;

Impact Reporting

The impact report may provide indicators, such as:

GBP/GLP Category	UN SDG	Potential impact indicators
Clean Transportation	  	<ul style="list-style-type: none">• Annual GHG emissions avoided (tCO₂eq.)• Reduction in emissions intensity (gCO₂ eq. per ton-km for freight activity or gCO₂ eq. per passenger-km for passenger activity)

Besides the abovementioned impact indicators, the impact reporting may provide an estimation of adverse environmental and social impacts related to the Eligible Green Project portfolio and how these are managed and mitigated by the Company.

2.5. External Review

Second Party Opinion (Pre-issuance)

Moody's reviewed the alignment of České dráhy's Green Finance Framework with ICMA's 2021 Green Bond Principles and LMA's 2021 Green Loan Principles. Moody's provided a Second Party Opinion (SPO). -

Verification (Post-issuance)

České dráhy intends to request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the Green Finance Instrument proceeds to Eligible Green Projects, provided by an external auditor.



Disclaimer for Green Finance Framework

THIS DOCUMENT IS INTENDED TO PROVIDE NON-EXHAUSTIVE, GENERAL INFORMATION AND IS SUBJECT TO CHANGE WITHOUT NOTICE. THIS DOCUMENT MAY CONTAIN OR INCORPORATE BY REFERENCE PUBLIC INFORMATION NOT SEPARATELY REVIEWED, APPROVED OR ENDORSED BY ČESKÉ DRÁHY AND ACCORDINGLY, NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY ČESKÉ DRÁHY AS TO THE FAIRNESS, ACCURACY, REASONABLENESS OR COMPLETENESS OF SUCH INFORMATION.

THIS DOCUMENT MAY CONTAIN STATEMENTS ABOUT FUTURE EVENTS AND EXPECTATIONS THAT ARE FORWARD LOOKING STATEMENTS. NONE OF THE FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS IN THIS DOCUMENT SHOULD BE TAKEN AS FORECASTS OR PROMISES NOR SHOULD THEY BE TAKEN AS IMPLYING ANY INDICATION, ASSURANCE OR GUARANTEE THAT THE ASSUMPTIONS ON WHICH SUCH FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS HAVE BEEN PREPARED ARE CORRECT OR EXHAUSTIVE OR, IN THE CASE OF THE ASSUMPTIONS, FULLY STATED IN THE DOCUMENT. ČESKÉ DRÁHY HAS AND UNDERTAKES NO OBLIGATION TO UPDATE, MODIFY OR AMEND THIS DOCUMENT, THE STATEMENTS CONTAINED HEREIN TO REFLECT ACTUAL CHANGES IN ASSUMPTIONS OR CHANGES IN FACTORS AFFECTING THESE STATEMENTS OR TO OTHERWISE NOTIFY ANY ADDRESSEE IF ANY INFORMATION, OPINION, PROJECTION, FORECAST OR ESTIMATE SET FORTH HEREIN CHANGES OR SUBSEQUENTLY BECOMES INACCURATE.

THIS DOCUMENT IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL OR FINANCIAL ADVICE. IT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SELL OR ANY SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OR A RECOMMENDATION REGARDING ANY SECURITIES, NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER AND IT HAS NOT BEEN APPROVED BY ANY SECURITY REGULATORY AUTHORITY.

NO REPRESENTATION IS MADE AS TO THE SUITABILITY OF ANY NOTES TO FULFIL ENVIRONMENTAL AND SUSTAINABILITY CRITERIA REQUIRED BY PROSPECTIVE INVESTORS. EACH POTENTIAL PURCHASER OF NOTES SHOULD DETERMINE FOR ITSELF THE RELEVANCE OF THE INFORMATION CONTAINED OR REFERRED TO IN THIS FRAMEWORK OR THE RELEVANT BOND DOCUMENTATION FOR SUCH NOTES REGARDING THE USE OF PROCEEDS AND ITS PURCHASE OF NOTES SHOULD BE BASED UPON SUCH INVESTIGATION AS IT DEEMS NECESSARY.

THE DISTRIBUTION OF THIS DOCUMENT AND OF THE INFORMATION IT CONTAINS MAY BE SUBJECT OF LEGAL RESTRICTIONS IN SOME COUNTRIES. PERSONS WHO MIGHT COME INTO POSSESSION OF IT MUST INQUIRE AS TO THE EXISTENCE OF SUCH RESTRICTIONS AND COMPLY WITH THEM.

THE ADDRESSEE IS SOLELY LIABLE FOR ANY USE OF THE INFORMATION CONTAINED HEREIN AND ČESKÉ DRÁHY SHALL NOT BE HELD RESPONSIBLE FOR ANY DAMAGES, DIRECT, INDIRECT OR OTHERWISE, ARISING FROM THE USE OF THIS DOCUMENT BY THE ADDRESSEE.



