



gasnet.cz



# Sustainability Report '21

gasnet.cz

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**“WE ARE DETERMINED TO BE A PILLAR OF MODERN AND GREEN ENERGY. WE BELIEVE IN ENVIRONMENTAL SUSTAINABILITY AND IN THE FUTURE OF GAS. THE GAS INDUSTRY HAS A GREEN AND EMISSION-FREE FUTURE FOR WHICH WE ARE PREPARING TODAY.”**

Martin Gebauer



Ladies and gentlemen,

I am delighted to present our second Sustainability Report to you. The report covers all of our ESG activities for the whole of 2021.

Europe is on a path towards decarbonisation and economic sustainability. I am confident that this report will clearly demonstrate that we, at the GasNet Group, are fully committed to these issues. We are not just committed; we are also succeeding. This was confirmed in 2021 by the independent rating agency Sustainalytics, a global leader in evaluating companies' ESG management. Their in-depth audit and comparison with other companies in the gas sector had a clear result: We received a rating of 19.4 points (Low Risk), and ranked among the leaders in our industry. I consider this a huge success, and well-deserved recognition of all of us at GasNet.

But the year 2021 delivered even more. Since the release of our first report, we have made significant progress in a number of areas which resulted in our long-term vision taking on a more concrete form. We have launched a company-wide program called Green GasNet. This is an umbrella program, through which we manage all our environmental activities with the objective of further reducing our carbon footprint and making a positive contribution to protecting our planet.

We have also successfully launched the second phase of our "Future of Gas" program. This program

facilitates our intensive preparation for distribution of low and zero-emission gases. In this context, European cooperation continues to become ever more important, which is why we also actively participated in the European Ready4H<sub>2</sub> project in 2021. This brought together a total of 90 distributors and gas organizations from a total of 17 European countries to prepare for the transition to hydrogen and to help Europe move to an emission-free economy. We are facing the greatest transformation of energy and industry since the Industrial Revolution. Without a doubt, the transition to emission free gases will be a major challenge, but at GasNet, we see this as a huge opportunity.

We also saw a big shift in emission monitoring in 2021. As part of our monitoring and reporting, we made several major changes to specify our emission footprint more accurately. We developed robust computational methodology to map our largest sources of direct and indirect emissions. We were one of the first European distribution companies to use MARCOGAZ methodology to calculate emissions caused by so-called fugitive gas leakages. All of this now allows us to set clear goals and binding actions in this area.

The health and safety of our team, and our surroundings, is our absolute priority. I am therefore very pleased that in 2021 we began the implementation of an international best practice Occupational Safety Management System. This is an

understandable and transparent occupational safety system, which clearly sets priorities and involves our employees more closely in building a safety culture. I believe this is absolutely crucial.

Preparing for the future also means building a corporate culture that is motivating, flexible, open, and inclusive. That is why our corporate strategy is not just about what we plan to do, but also how we will do it. Safety, reliability, and respect – these are our corporate values and form the basis of our culture. They are the product of the work of our Culture Team, made up of people from throughout the GasNet Group. These values were at the core of everything we did in 2021.

A lot happened in 2021, and it can all be found in this Sustainability Report. The report is divided into four basic chapters – the four pillars of our approach to ESG. These clearly capture our policies, commitments, activities, projects, and achievements in each area. We are as open and transparent as possible and follow international standards. We are committed to the United Nations Sustainable Development Goals. At the end of each chapter, you will find a brief overview of everything we have done to meet these goals in 2021.

We are determined to be a pillar of modern and green energy. We believe in environmental sustainability, and in the future of gas. The gas industry has a green and emission-free future for which we are preparing today. That is what this report is all about.

Finally, allow me to briefly address the very extraordinary events in Ukraine which are occurring in 2022, as we prepare this report. I consider the situation to be an unprecedented attack on basic human values, and on the principles that form the very essence, not just of European democracy, but also our society. The entire world – all of us – will have to deal with the consequences. The current geopolitical situation is also linked to the question of the future of natural gas. Diversification and security of supply has remained unresolved for a long time, but is now finally becoming a political priority. Natural gas is a flexible energy source which has a number of unique advantages, and an important place in the domestic energy sector. At the same time, I am sure that these events will also significantly accelerate the transition of the gas industry to green and renewable gases. Here at GasNet, we will be ready.

However, at the moment, my greatest wish is for a peaceful solution to the whole situation.



**Martin Gebauer**

Chairman of the Board of Directors of parent company Czech Grid Holding  
Executive Chairman of the GasNet Group

# About This Report

This is GasNet Group's second sustainability report. Its purpose is to set out the objectives, processes, and outputs of our ESG management. Our goal is to provide transparent information intended, primarily, for external entities, investors, partners, as well as, the general public interested in participating in the greening and decarbonisation of the energy sector.

This Sustainability Report is a tool to reflect GasNet Group's relationship with the surrounding environment, and its impact on internal and external communities. It helps to describe possible risks, to evaluate opportunities for sustainable business, and through the monitoring of key indicators, supports the company's strategic decisions about the development of ESG.

In 2020, our first Sustainability Report focused on presenting management methods and on assessing our historical performance in relation to the individual pillars of ESG. In contrast, this year's report focuses on new activities and on the milestones we have achieved. It offers a longer-term future outlook and sets GasNet Group's path towards a sustainable future for Czech energy.

This report includes 2021 non-financial data. The financial information for the entire GasNet Group is reported separately in our Annual Report.



# ESG at a Glance

For the third year in a row, we have lived our ESG strategy at GasNet. We want to do business sustainably, and be mindful of our environment and society. In this section of the report, we present our key 2021 ESG milestones in graphical form. Achieving these milestones has enabled us to continue to improve our sustainable processes, to develop an ESG culture across the group, and to move forward in fulfilling our commitments. However, we have achieved even more in 2021 and in the individual parts of this report you will find a detailed description of both the ongoing and planned activities that will play an important role on our path to sustainability.

## SEPTEMBER

### Beginning Implementation of a Safety Management System

Our safety management system will be based on the ISO 45001 standard and will improve safety processes for our employees and suppliers.

## MARCH

### Launch of the Green GasNet Program

We launched an overarching program to manage our environmental activities with the goal of further reducing our carbon footprint, and making a positive contribution to protecting our planet.

## OCTOBER

### Issue of Our First Sustainability Report

We published our first Sustainability Report aimed at the public, both in the Czech Republic and abroad.

### Launch of Our New Intranet

As part of the digitisation of GasNet, we launched a new intranet, which we actively use to communicate ESG topics and news to employees.

## MAY

### Earning Our First ESG Rating

We received our first ESG rating from the global rating agency Sustainalytics. They ranked GasNet ESG management as lower risk and higher quality relative to other companies.

### Signature of the European Diversity Charter

We signed the European Diversity Charter and launched other activities to promote diversity and inclusion in the GasNet Group. We became a partner of the Business for Society organisation.

## DECEMBER

### Calculation of Fugitive Gas Leakages

We completed the methodology for calculating fugitive methane releases which had previously been absent. This completed our recording of direct and indirect greenhouse gas emissions (Scope 1 and 2).

### Updating Company Values

With the involvement of all our employees, and with the help of our newly formed Culture Team, we updated our corporate values to reflect our corporate and ESG strategies.

### ISO 50001 Certification

We successfully certified our energy management system according to the international ISO 50001 standard.

# ESG Rating



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

Despite this great result, we remain committed to further improving our processes. We want to maintain our position as a leader in ESG among gas distribution companies, not just in the Czech Republic, but also internationally. We look at the past year as an excellent learning experience, which we can leverage in our ongoing work and reflect on for further improvement.

## Low Risk



### All companies

**2,634** out of a total of 13,732  
20th percentile

### Energy distribution companies

**34th** out of a total of 606  
6th percentile

### Gas distribution companies

**3rd** out of a total of 83  
3rd percentile

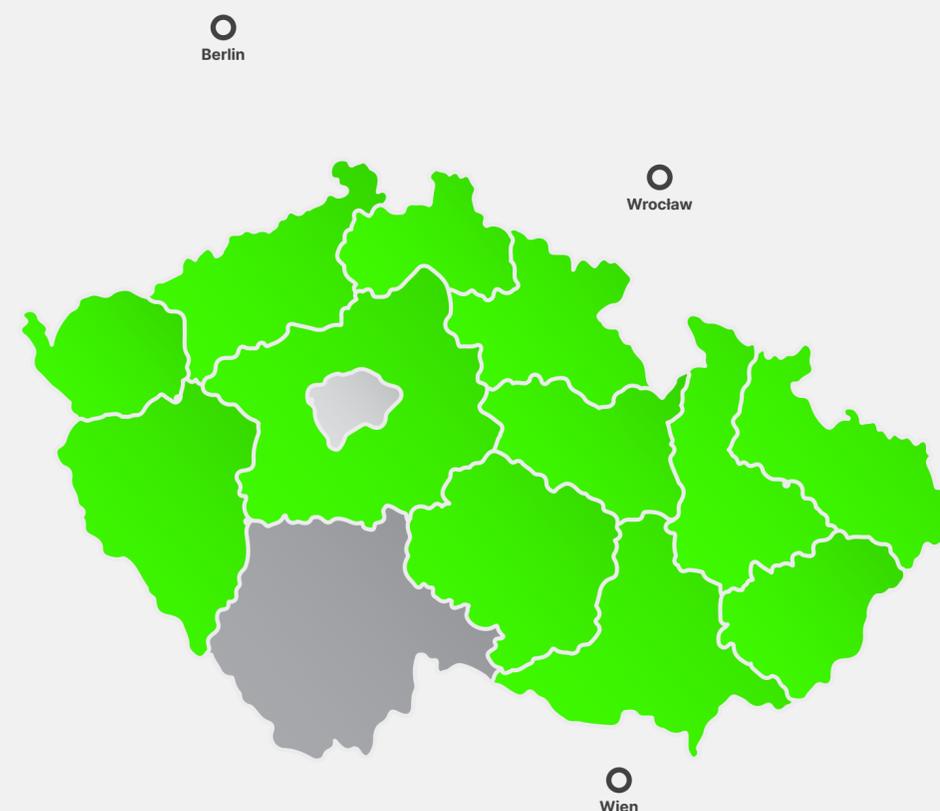
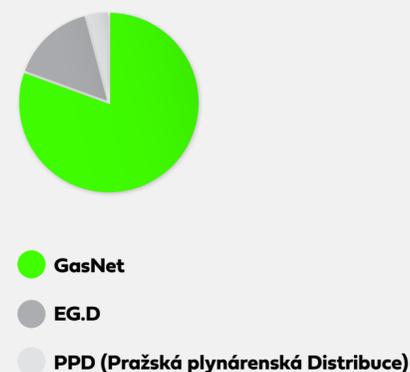
# Who We Are

We are the largest gas distributor in the Czech Republic. More than 2.3 million people 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 90 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.

## Regional scope of gas distribution companies



**80%**

of gas distribution in the Czech Republic falls on GasNet

**~ 2.3 mil.**

Number of offtake points

**65,000**

Kilometers of gas pipelines

**~ 70 TWh**

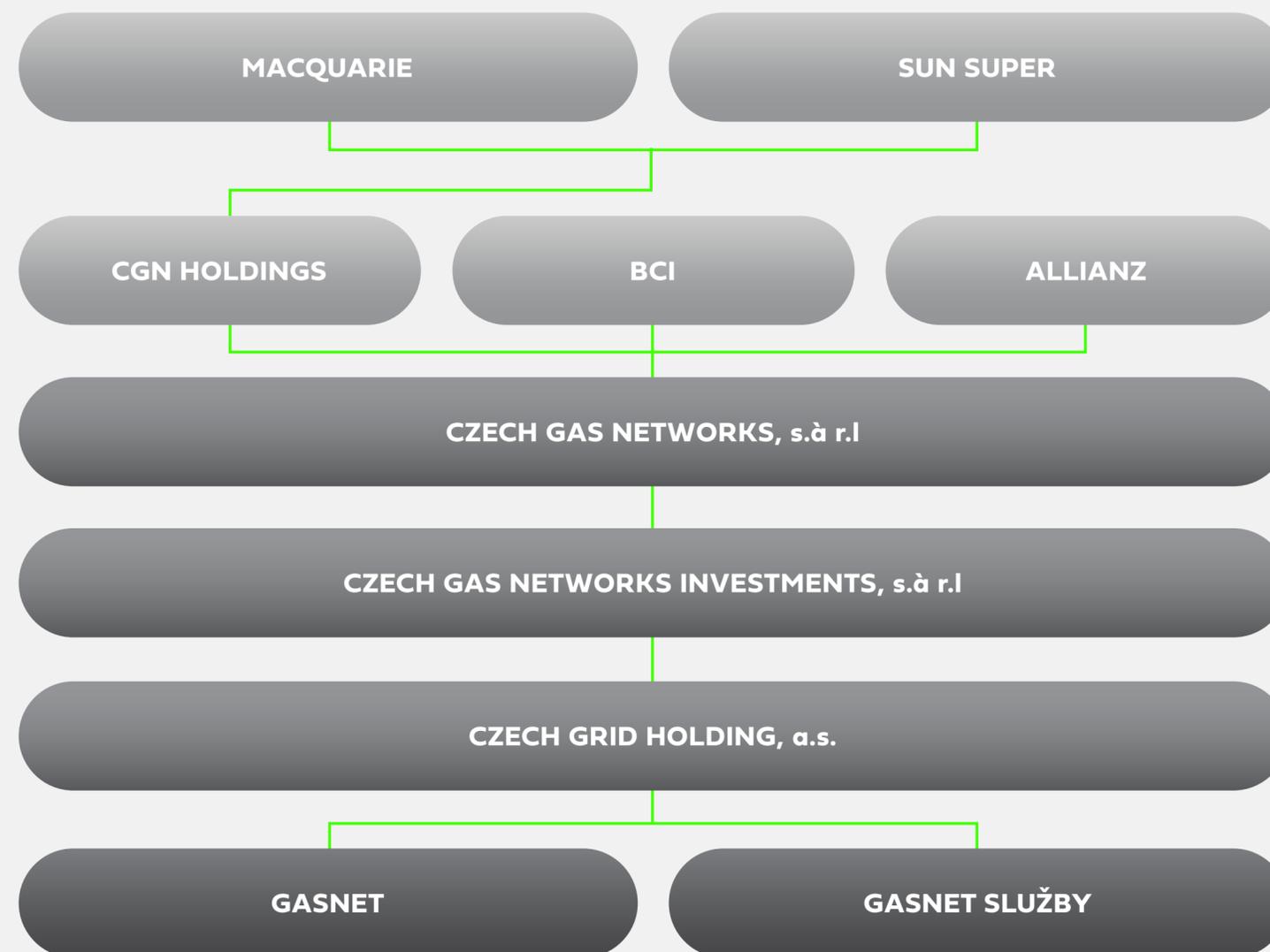
Average annual gas distribution

## The GasNet Group

The GasNet Group formally consists of two interconnected companies; GasNet s.r.o. and GasNet Služby s.r.o. GasNet owns and operates the gas distribution network, while GasNet Služby services this network and ensures the reliability of natural gas supplies. GasNet Služby maintains high safety standards in its operation of gas facilities and protects people's health and property.

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 (ACP) insurance companies.

## Shareholder Structure



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 that 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 promoting **diversity**.

# OUR ESG COMMITMENT AND VALUES

# GasNet builds its culture on three core values



## 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.

Principles of employee behavior to fulfill these values:

- We follow the rules and procedures - without exception.
- We prevent risks, recognise them, and remedy them.
- We create, support, and maintain a safe environment (both physical and mental).



## 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.

Principles of employee behavior to fulfill these values:

- We do professional work, and we constantly develop in our field.
- We honour agreements and complete tasks. We are not afraid to ask for help.
- We take responsibility for our work.



## 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.

Principles of employee behavior to fulfill these values:

- We willingly and constructively engage in cooperation with others.
- We respect different opinions and attitudes. We are interested in the people around us.
- We behave considerately to the environment and our society.

You will find more information about the process of creating revised corporate values and principles of conduct [on page 79.](#)

# Our ESG Strategy

ESG is at the very core of our corporate strategy. We are determined to be a pillar of modern and green energy. We care about how we treat each other, our surroundings, and the environment. We care about our own health and the health of society as a whole. As a result, the only way it makes sense for us to do business is sustainably, responsibly, and considerately.

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

Our ESG strategy drives our sustainable development. We measure key performance indicators and have the insight we need to make informed decisions. We use standardised ESG methodologies.



**#1**

We embody safety standards and health protection



**#2**

We believe in environmental sustainability and the future of gas



**#3**

We care about our people and the communities around us



**#4**

We conduct business in a responsible and considerate way

We have decided to link our ESG principles to the UN Sustainable Development Goals, which 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 UN Sustainable Development Goals that are in line with our principles.

# #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 supply, the safety of our gas facilities, and the safety of the general public, our employees, and suppliers. We do not compromise on safety, and we go 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, where possible, to minimise any adverse impact on the environment. 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 the communities around us

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).



# #4



## We conduct business in a responsible and considerate way

Our partners and shareholders know that we transparently report on our activities and results. We want a stable future, and our management adheres firmly to this principle. We always follow clear rules given to us by the regulator and legislation.



# ESG Organisational Structure

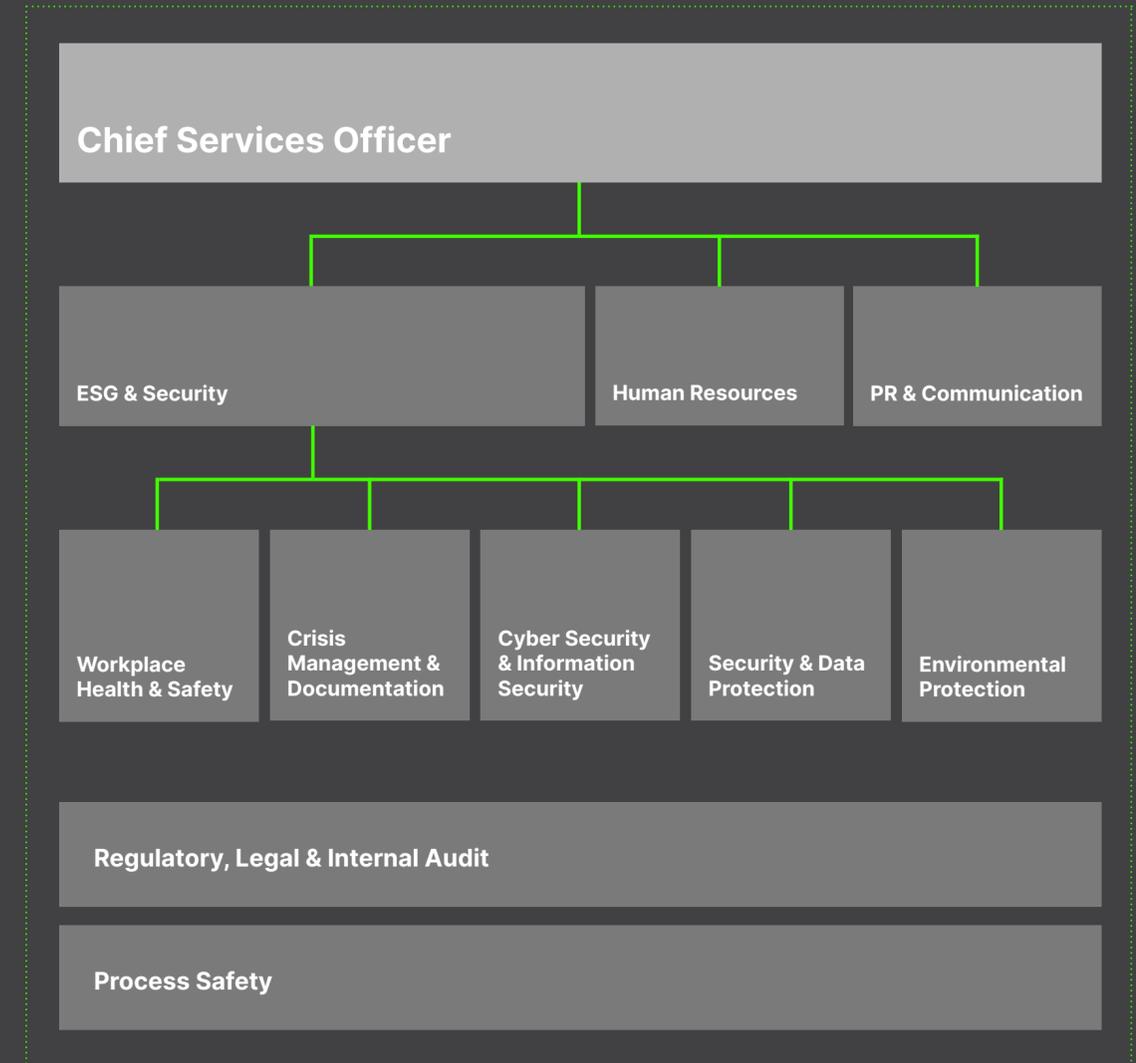
In 2021, we continued to improve and expand our ESG competencies. In particular, we strengthened the area of safety, which is now divided into two basic areas: work and process. Work health and safety (WHS) addresses culture and occupational safety. Process safety is responsible for ensuring the technical safety of our network, including the safety of contractual partners.

We have also enhanced the coordinating role of our ESG & Security unit in relation to topics that fall within the scope of ESG. At the same time, we simplified the process of implementing sustainable practices into the entire GasNet group by creating our Crisis Management & Documentation team.

Our 'ESG Engine', which includes key departments from across the GasNet Group, remains responsible for the development and integration of ESG throughout the company. Our Chief Services Officer (CSO), as a member of the management team, is responsible for our entire ESG agenda, and manages the ESG & Security, Human Resources, PR & Communications, Purchasing, and Facility & Carfleet departments. Individual strategic activities are then directly managed by the Head of ESG & Security, who is responsible for WHS, environmental protection,

cyber and information security, crisis management and managed documentation.

ESG covers a large number of topics, and the effective implementation of activities requires constant coordination throughout the entire company. To successfully implement our ESG Strategy, we need the interconnection and involvement of all departments and staff.



ESG ENGINE

# Our Main Partners

**Stakeholder engagement is a key element in promoting our sustainability goals. Each stakeholder group has an interest in particular ESG issues, and it is vital that we maintain open and transparent dialogue with our partners.**

## Shareholders and investors

Our shareholders and investors are represented by the consortium of MAM, BCI, ACP and bondholders. Their capital is key to the successful development of the GasNet Group. Sustainability, the future of gas, and responsible management based on ESG principles are high priorities for our shareholders, and this is reflected in all the activities of our company.

## Customers

Our customers include retail companies, households, businesses, district heating and also customers of our LNG stations. Customers are key partners with whom we are constantly in contact. We strive to meet their high expectations regarding the reliability and quality of our services.

## Employees

Our employees are at the heart of our business because they are involved in everyday activities. Health and safety is a top priority for our employees and is therefore a key priority for GasNet.

## Suppliers

As part of delivering a safe and reliable energy supply, we work with a number of partners and suppliers. They provide services and products, including especially construction and excavation work, the supply of gas equipment and materials, and IT services.

## 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 (ERO), the Ministry of Industry and Trade, the Ministry of the Environment, the Ministry of Finance, the Ministry of Transport, and various EU institutions.

## Communities and organisations

As part of our business, we directly and indirectly influence different communities in the places we operate. Our aim is not just to minimise any negative impact but in addition to provide a positive influence through our values or by delivering new opportunities whether they relate to health, diversity, or the environment. We also have a dialogue on sustainability through a variety of non-profit organisations and sectoral associations that help us advance our visions and goals.



# Membership of Organisations

The GasNet Group meets its ESG obligations not only through its own activities, but also through membership in several industry bodies and sustainability-oriented organisations. These long-term strategic partnerships help to effectively meet our goals and multiply positive impacts.



## Český plynárenský svaz (ČPS) Czech Gas Association

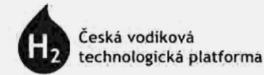
The CGA is an independent association of organisations and experts operating in the gas industry and related fields with a focus on technical regulations, legislation, strategy, and education



## Eurogas\*

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

\* Via ČPS (Czech Gas Association)



## Česká vodíková technologická platforma HYTEP

### 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.



## Hospodářská komora České republiky\* 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.



## MARCOGAZ\*

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



## České sdružení pro biomasu CZ BIOM 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.



## Svaz průmyslu a dopravy České republiky\* 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.



## Mezinárodní plynárenská unie (IGU)\* International Gas Union (IGU)\*

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



## Climate & Sustainable Leaders Czech Republic

The primary mission of this unique platform is to provide transparent monitoring and reporting on the reduction of CO<sub>2</sub> production by the largest Czech companies, and to motivate key players in the Czech economy to initiate projects that contribute to sustainability and climate protection.



## Byznys pro společnost Business for Society

The largest platform for responsible business in the Czech Republic, which helps large and small companies to establish and develop ESG principles.



## Global Real Estate Sustainability Benchmark (GRESB)

The GRESB assesses and compares the ESG performance of infrastructure and real estate companies and provides capital markets with standardised and verified data.



Part

#2.1

# We Embody Safety Standards and Health Protection

# We Embody Safety Standards and Health Protection

**Safety is our number one priority. That is why at the GasNet Group we strive to create safe working environment for everyone - our employees, our partners, our suppliers, and the public.**

## How We Manage Safety

2021 brought with it several fundamental changes thanks to which we were able to focus more on improving safety processes and the way we manage safety overall in the GasNet Group. We now manage safety in two key areas. The first focuses on workplace health and safety (WHS), while the second is process safety, which deals with procedural safety and the safety of our contractual partners.

### Two Basic Safety Areas:

- **Work Health and Safety (WHS)**
- **Process Safety**

Our ESG & Security Department is responsible for WHS (the 'CSO Stream'). Process safety is managed by our Asset Management Division (the 'CAO Stream'). New processes are then implemented directly by individual operational departments (the 'COO stream'). We need clearly defined roles and responsibilities throughout our company to manage safety in this fragmented way.

## Implementation of a Safety Management System According to ISO 45001

As part of our risk management strategy, in the first half of 2021 our management decided to implement the principles of a comprehensive safety management system based on the ISO 45001 standard. The objective is to create a complete mechanism that links the activities and processes of the company to occupational safety, show us their mutual interaction, and thus create a single large functional unit. **We want to use this system to build a safe working environment in which each employee can easily recognise, specifically, how they contribute to meeting safety goals and how the whole system works.**

The process of implementing the Occupational Safety Management system had three basic steps:

- **Gap Analysis**
- **Appointment of the Implementation Team and Definition of Their Roles**
- **Establishment of a Safety Steering Committee**

At the same time, individual members of the company's management team accepted responsibility, and guaranteed compliance with specific chapters of the ISO standard.



gasnet

In 2021, we started standardising our system by analysing the gap between our current position, and the ISO 45001 standard. In 2022, we will develop plans to close those gaps - focusing especially on the most fundamental ones. We aim to fully implement the Safety Management system by the end of 2023.

Against the background of this complete change and the creation of a substantial system, we identified employees to lead future projects to improve our Safety Management System. We then gave these employees project management training.

At the same time, we created a portal on our company intranet where we transparently publish and share with all our employees, all the steps, projects, decisions, and results of the management committee's activities.

### Our Safety Management Agenda

A significant portion of our safety procedures are based on legislative requirements set by state authorities and the Czech Gas Association. To make sure we comply with all these directives and laws, we use an extensive risk management process and continuously introduce new measures to respond to any changes in legislation. In 2021, we did not identify any legislative failings in the area of health and safety.

Since 2021, the implementation of the Occupational Safety Management System has been an important part of our agenda. This also includes the management of selected projects that support the whole process through additional systemic measures. These projects focus mainly on risk management, inspection and control systems, and the audit of contractors.

One of our main goals is to improve the overall safety culture across the entire GasNet Group. To help achieve this, we regularly communicate

on the theme of safety using surveys and articles on our new intranet, and by linking financial rewards to safety goals. We have standardised our communication channels to help us more effectively share occupational safety information throughout our company. Currently, these include mainly Microsoft Teams applications, email communications, personal meetings, and our company-wide intranet communication platform.

We believe that the creation of a safe environment needs to involve all our employees. This led us to establish our **Safety Steering Committee** last year. This is a key occupational safety and health decision-making body whose members include representatives of our ordinary employees.

### Our Achievements and Objectives in the Area of Safety

2021 was a very positive year for us in achievements. We met our main set goals: Lost Time Injury Frequency (LTIF) of lower than 1.8, no fatalities (including suppliers), and the successful management of the Covid crisis without interruption of our operations. In 2022, we want to build on this positive trend and continue to improve our overall culture and management of safety. We have therefore set ourselves new, and ambitious targets which have been approved by the Management Board of the GasNet Group. These also now include a road safety target.

At GasNet, road safety is important, not least because of the high number of miles our employees drive while performing of their work duties. It is also an area with plenty of room for further improvement. In 2022, we will place greater emphasis on road safety. Our goal will be to minimise the number of road accidents through the implementation of preventive measures.

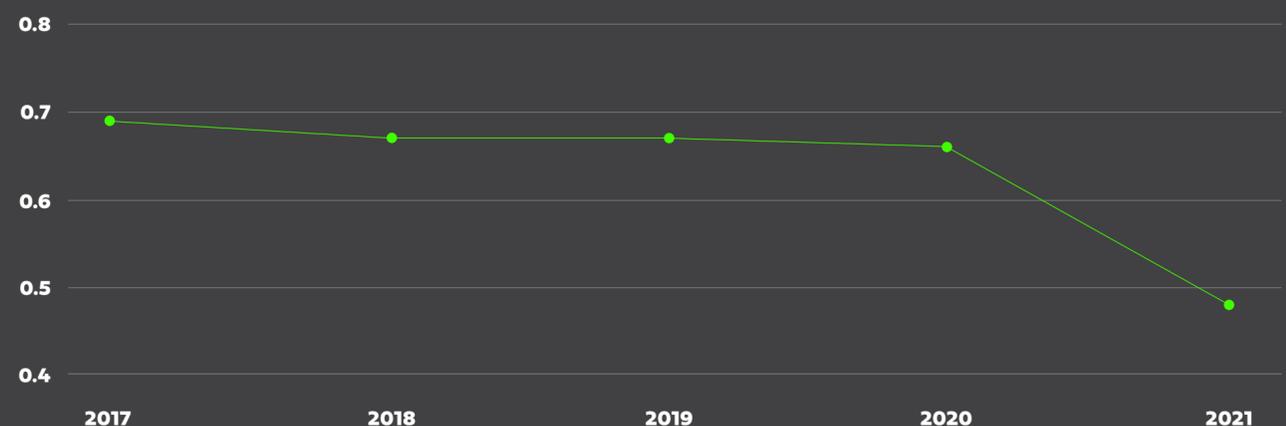
## We will achieve our individual strategic goals for 2022 through actions and measures in five basic areas:



### Accident Rate Coefficient (LTIF) - GasNet



### Number of car accidents per 100,000 km



# Employee Safety

**For our employees, safety means a focus on education, risk identification, continuous improvement of the working environment, and technological processes. It goes without saying that we also equip our people with the highest quality protective equipment.**

We regularly monitor all these areas and activities using basic KPIs (performance measurement indicators) set at the highest level of the company.

**We achieved an excellent accident rate coefficient or LTIF in 2021 (0.77 versus a planned 1.8).** We have confirmed that we are on the right path to zero accident rates (a “Zero Harm Culture”). The gradual change of our culture and the culture of our partners, alongside the implementation of a standardised Occupational Safety Management System will help us to achieve this goal successfully.

In 2021, our management of the key injury rate indicator was supported by other activities, which included, among other things, the launch of “Safety Walks” carried out by members of the company’s top management. In 2022, we plan to extend the walks to include other managerial levels.

We have also launched an incentive program to reduce road traffic accidents. The program focuses on positively motivating employees to obey speed limits

while travelling for work. Each team is evaluated based on the average results of all members. Each quarter, the best team is recognised and rewarded.

In 2021, **we did not experience any serious or fatal employee accidents.** We achieved this through close cooperation with all those involved, through coaching and mentoring of employees, and regular site inspections.

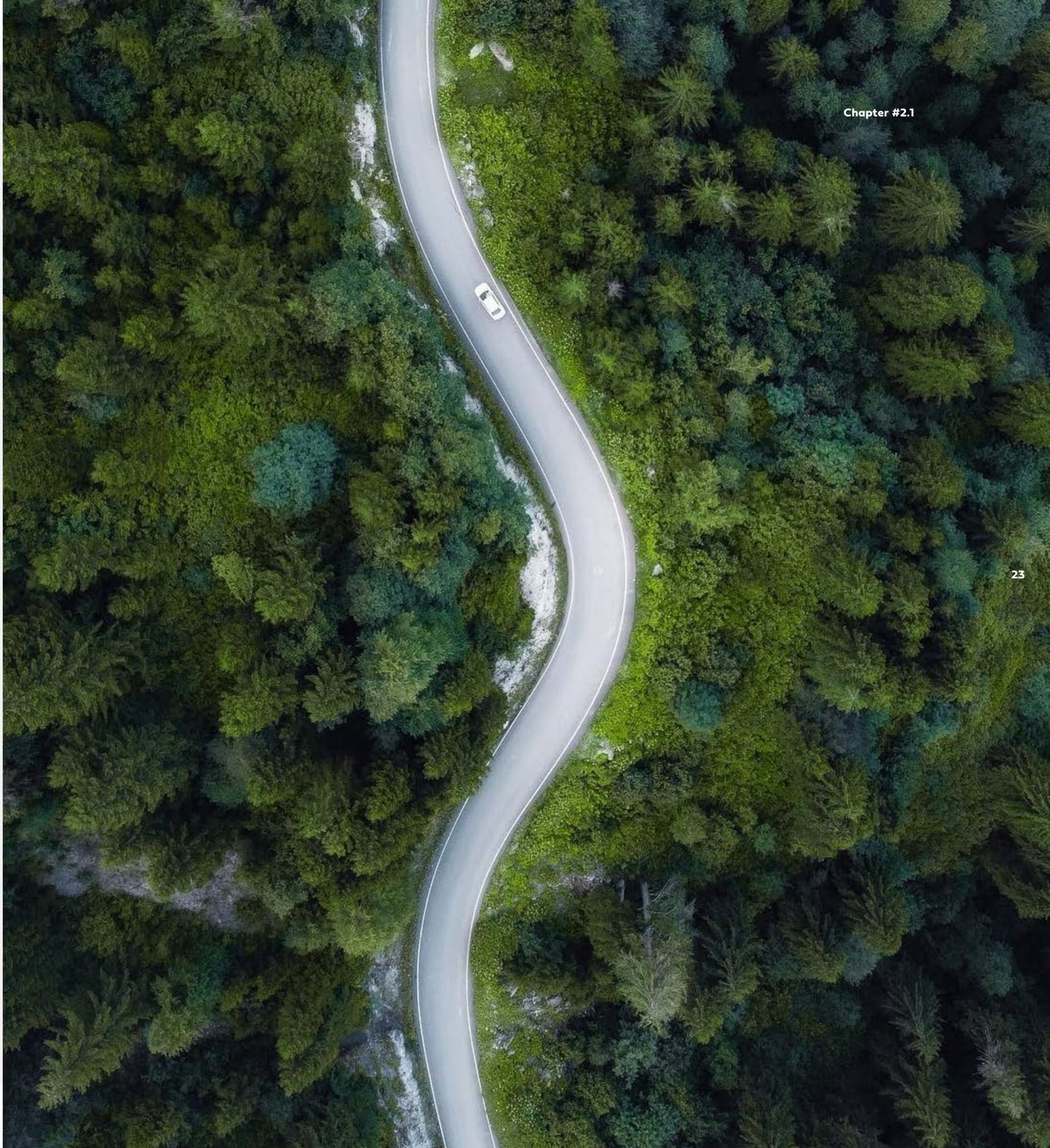
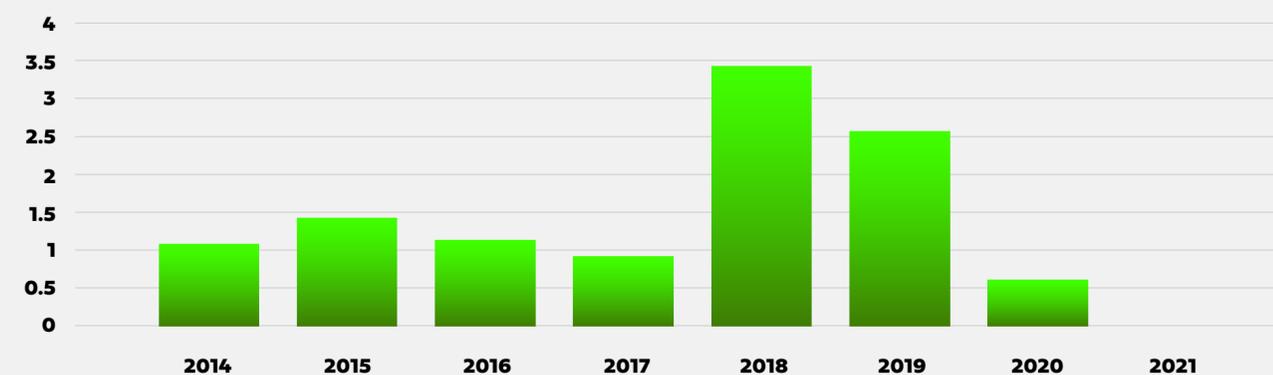
We **also successfully managed the issues that were created by the COVID-19 pandemic.** The pandemic did not limit our operations. We provided our employees with the conditions they needed to work, and eliminated potential negative covid impacts (e.g. home office, rules for conduct and meetings, protective equipment for employees, intensive communication across the company, special regime for work dispatching, etc.). **By the end of 2021, almost 80% of employees had been vaccinated.**

# Contractual Partner (Supplier) Safety

The safety of our contractual partners and suppliers is as important to GasNet Group as the safety of our own employees. We do not make a distinction between a work accident involving our own employee, or an employee of a contractual partner.

2021 was a very positive year for supplier safety. We did not record any serious or fatal supplier accidents. This result is also reflected in our overall zero accident coefficient (LTIF). We also constantly press for transparent reporting of all injuries, including minor injuries. We see this as a major challenge to the improvement of our partners' safety culture.

**Accident Rate Coefficient (LTIF) - suppliers**



## In 2021 we focused on several areas in which we improved the conditions for supplier safety.

### Prequalification System for Contractual Partners

We have introduced a system of pre-qualification which sets requirements for contractual partners. The requirements relate to professional as well as material and technical aspects and also include the requirement for experience with the given technologies. Compliance by contractual partners is regularly checked by the company GAS in the form of TPG (technical rule) audits in which experienced GasNet auditors also participate. The pre-qualification requirements also include ISO 14001 and 45001 certifications.

### Occupational Health and Safety Requirements

The work contract which binds each contractual partner sets health and safety requirements (including environmental protection). These requirements go beyond legally required levels.

### Inspection System for Construction and Work

We have defined two levels of inspection of construction sites and higher risk work. In 2021, we carried out 263 Level 2 inspections on construction sites and 183 inspections of higher risk work (HRW). The level 2 HRW inspections also included inspections of welding engineers. A total of 9,715 regular (i.e. level

1) inspections were carried out in 2021.

The results of the inspections can be positive, or negative. In either case, documentation is created that serves as input material for further management and assessment of findings. When we manage inspection failures, we work with sanctionable and non-punitive deficiencies. These are regularly discussed and resolved at various levels based on the level of criticality of the findings. In some cases, they are handled directly by the management of the GasNet Group.

In 2021, there was a 33% decrease in construction inspection non-conformity compared to 2020. We also found no critical deficiencies in higher risk areas. Part of the process of resolving deficiencies is also the requirement to prepare an analysis of sanctionable deficiencies in order to identify possible systemic problems.

### System for Evaluating the Level of Contractual Partners' Safety Culture

We have developed a tool for auditing the level of safety culture in our contract partners. This goes beyond the normal monitoring of performance and confirmation that basic occupational safety requirements have been met. In addition, it focuses

on the quality of communication, leadership, transparency, and the resolution of safety issues from the point of view of their root causes – allowing space for improvement.

We have assembled a team of evaluators who are trained, regularly mentored, and experienced. In 2021, they evaluated 20 contractual partners as a pilot. They gave the closest scrutiny, for example, to the areas of material and technical resources and personal protective equipment. The biggest challenges lying ahead of us are in the correct application of root cause detection for minor discrepancies and incidents.

For 2022, we plan to assess our entire portfolio of contractual partners - 56 partners. The results will be part of an overall evaluation of the success of all partners of the GasNet Group. At the same time, we would like to provide the lowest ranked companies with support programs.

### System for the Development and Training of Contractual Partners

In 2021, GasNet trained 900 of our partners' Site Managers, Operations Managers, and Project Designers. This training focused not only on legislative requirements, but also on GasNet Group procedures

and standards including lessons learned from incidents that had taken place in the previous year. At the same time, we established a system of regular workshops with representatives of our contractual partners. These workshops create procedures and systems which are then applied in practice. We believe that by working together with our partners to create these procedures, we will achieve the best results from a professional point of view and ensure greater understanding and co-ownership on their part.

### Management Process for Highest Risk Construction

We have introduced a system of risk cards for the highest risk construction projects. These projects are more difficult to implement, for example, because of the slope of the terrain, the complexity of the current infrastructure or traffic. The risk card system is an extension of the standard risk assessment and related WHS plans. When we implement these high-risk projects, we place great emphasis on planning, the use of the safest available technologies and supervision by company management. Many of these measures go beyond existing legislation and take safety to the next level.

# Process Safety

**GasNet Group's process or system safety is mainly associated with the maintenance of the natural gas in our distribution pipelines and the provision of designated processes or systems. Process safety is also about preventing incidents in which gas escapes from our pipelines, or other equipment. A key part of managing this area well, is minimising the risk of failure of the safeguard mechanisms that are designed to reduce the potential impact of such incidents.**

In 2021, we established our own process safety team within our Asset Management Division. The main motto of this team is "Safety by Design." This refers to the design of processes and procedures for any work on the GasNet Group's facilities, and for activities related to the repair, renewal, and construction of our gas facilities.

We created a system known as 'Bow Tie Analysis.' This identifies the main dangerous and potentially dangerous situations, preventative aspects, and also aspects which reduce the consequence of residual risks. Our task is to constantly improve our processes so that the company's risk reduces every year.

Our Process Safety Department has defined the main areas for monitoring the performance and effectiveness of protective elements. They have created a set of indicators which are regularly monitored and subsequently reported at several levels depending on their significance and importance from a safety perspective. They cover the areas of management, change management, operations, personnel competence, rapid response, distribution

network reliability, control and audit systems, and incidents.

If set correctly, this system guarantees early warning of deviations from the required level. Our task is therefore to analyse these deviations and take timely corrective action to prevent a serious incident from occurring.

Last year, we revised our system of methods, procedures, and control mechanisms. We focused mainly on procedures for construction activities, work on gas equipment, and procedures for pipeline closing technologies. One important aspect was the introduction of a change management process within workflows, if extreme situations are identified just before the start of work or during the course of work that is already underway. One example would be when a gas pipeline is uncovered which does not match information in the project documentation. This system minimises the risk of choosing inappropriate, and ultimately less safe solutions.

To help us ensure that inspections are effective, we also established a commission which assesses the deficiencies identified from inspections of higher risk construction and work. This commission ensures that the deficiencies that are identified are evaluated independently, objectively, and consistently. The commission is also working to evaluate best practices and support in resolving deficiencies.

2022 will be a critical for process safety, especially in terms of deeper integration between the problems of new technologies in cooperation with the Business Development Department. In this context, we have set up working groups to ensure the safety of hydrogen gas distribution. We are planning other activities, including the creation of a formal change management system, and a search for the best pipeline shut-off control technologies. We will also focus on control activities during pressure tests, project documentation and making early adjustments during the project phase aimed at subsequent risk elimination.

**"  
Safety  
by  
Design  
"**

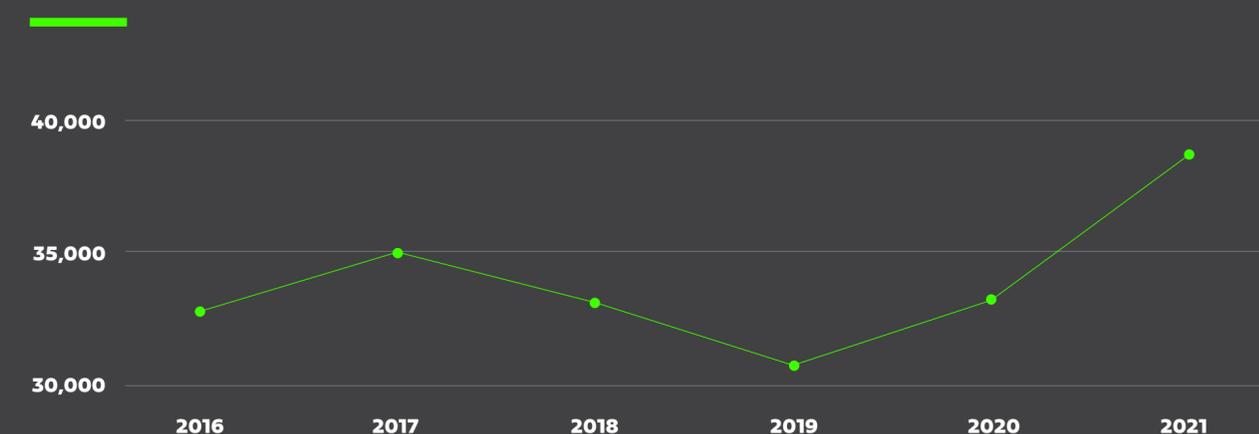
# Public Safety and the Reliability of the Gas Network

**As we operate and maintain our gas network, we ensure everyone is safe. We do this using modern technologies, safety procedures and an effective response service, which can respond to a situation within minutes. We also operate a 24-hour emergency line (1239) for the public to report gas-related incidents.**

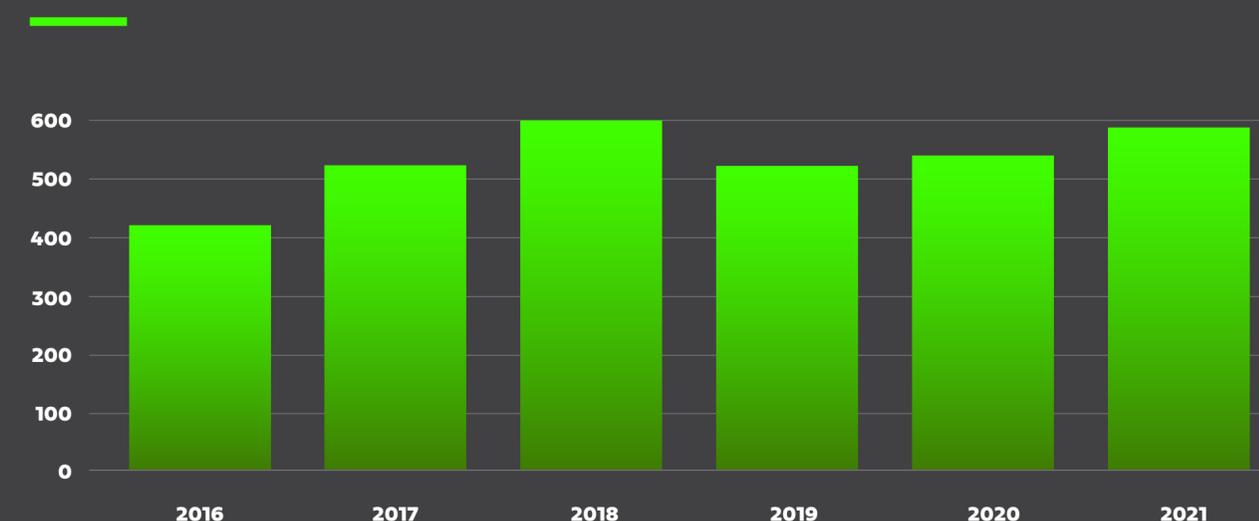
In 2021, we received 38,000 reports via the emergency line. Each such report is always fully reviewed and then resolved. In our own operation of the gas system, there were no accidents which involved the public in the entire 12 months. There were only five unplanned outages of gas installations and customers which resulted from the operational work of our own employees. In contrast, the number of third-party breaches increased from 537 to 585 in 2021. We are trying to prevent these incidents, and we have been working on intensive and targeted communication with the public and our suppliers for four years now. We use leaflets, websites, and physical meetings to explain the best way to avoid these problems. We also promote and provide a service for the location and marking of our gas network before digging begins. Our specialists provide this service completely free of charge.

However, during 2021, there were two very extraordinary events that clearly demonstrated our determination to ensure safety in all circumstances.

**Number of successfully resolved telephone reports from external entities**



**Number of breaches of our network caused by third-party activities**



## Tornado in South Moravia

At the end of June last year, a strong storm and tornado swept through several populated areas in South Moravia. As a result, several lives were lost, dozens of people were injured, and more than a hundred houses were devastated. This natural disaster caused enormous damage to people's lives and property - including our gas system. Immediately after receiving the first reports of a natural disaster, our workers were on the scene to ensure the safety of our network. They immediately shut down gas supplies on a preventive basis and depressurised the gas mains. This ensured the safety of the emergency services and residents in the most affected areas. In the days that followed, we worked intensively to repair the damage, and restore gas supplies to all the customers who were affected by this natural disaster.

Thanks to our team's hard work and continued commitment, we were able to restore gas supplies to more than 94% of disconnected customers in the weeks following the disaster. As part of our assistance, we provided free repairs of damaged gas connections and installations, inspections, pressure tests and inspections of gas appliances. During the period of the emergency, we waived distribution charges for all the affected customers. A total of 163 GasNet Group employees across departments and regions were involved disaster relief work. Our technicians were recognised by their high standard of protective and safety equipment. Even in such a challenging situation, all our work was done in compliance with strict working procedures and standards, with no violation of health and safety standard identified. This experience has shown that GasNet can respond quickly, and in a reliable way to situations like this as they develop. In doing so, we are able to rapidly secure the safety of all the people involved. Our employees became a model of safety, and set an example for others even in such a demanding and complex situation.



### Gas Explosion in Koryčany

There was a serious incident in the village of Koryčany in mid-September 2021. During work on the reconstruction of a family home, the integrity of a gas supply pipeline was disrupted. This resulted in a massive gas leak, and subsequent explosion. An investigation by the authorities confirmed that the explosion was caused by the non-professional actions of the property owner.

Sadly, the incident claimed the lives of two volunteer firefighters and injured four others. Our technicians arrived on the scene within 17 minutes of the leak being reported. However, the escaped gas ignited, exploded, and demolished the entire building just before they arrived. Our employees immediately began working to stop further gas from escaping. This was complicated by a difficult situation after the explosion, which had torn off the main gas shut-off valve. However, by crimping the gas supply line they eventually managed to stop further gas from leaking, and thus ensured the safety of the emergency services who were working on the site.

Our emergency response service responded quickly, but even so, we did not arrive in time to prevent this unfortunate event. As a result, at the GasNet Group, we have committed to expanding our involvement in the training of both volunteer and professional firefighters, with whom we have already worked for a long time. We will also work hard to raise public awareness with the aim of reducing the number of third-party gas main disruptions and, in this way, avoid similar tragic events.

Over the past year, our employees have been involved in dealing with several other accidents. However, the two cases we have mentioned here impacted on the lives of many people. At GasNet, we therefore aim to continuously improve our safety procedures not only for our own employees, but also for the public. In this way, we aim to minimise those negative effects that we are able to influence.



# Employee Health

**We stick to the motto that every employee must leave work uninjured, and as healthy as when he or she arrived at work. We try to reflect this approach in all aspects of our group's operations, in our internal and external communication, and in our investment policy. We are proactive in this regard and carry out a range of preventive activities. We believe that our emphasis on looking after the health of our employees will be mirrored in their satisfaction and the quality of their personal and family lives.**

The preventive activities that we organised in 2021 to promote the health of employees included our 'Health Days'. This is already a traditional event which is very popular with our employees. At our 'Health Days', they can benefit from preventive examinations and subsequent specialist consultations in variety of medical areas. 'Health Days' also include group seminars, which always provide our employees with valuable advice such as how to prevent the negative effects of sedentary work, and how to strengthen natural immunity.

We also organised eight intensive experiential first aid courses for employees in cooperation with a team of paramedics from First Aid Live. As well as theory, the day-long courses were full of practical and interactive first-aid demonstrations, which gave employees hands-on experience.

We have also had a long-term focus on our employees' mental health, and on support for their psychological well-being. We concentrate primarily on prevention, and offer employees a wide range of educational activities on topics in these areas. You can find a description of specific activities in the "Social" chapter of this report. However, in addition to prevention, we also understand that life can sometimes deliver challenges that require direct specialist intervention. That is why we provide all our employees with a psychosocial support and crisis intervention help line, 24 hours a day, 7 days a week.

Throughout 2021, we also worked hard to address the risks associated with the COVID-19 pandemic. We provided our employees with the protective equipment, respirators, antigen tests, and disinfectants they needed. The management of the GasNet Group took appropriate steps to ensure a COVID-safe working environment, and to minimise the risk of coronavirus transmission while at work, or when in contact with our customers or suppliers.

For us, employee health care also includes mandatory medical examinations. These are a standard part of the system we have established to monitor and supervise our employees' health. In this area, we go beyond the statutory requirements. We have reduced the frequency of senior employees' medical examinations to two years, instead of the usual three. The positive impact of our preventative steps and health education is reflected in our employees' illness rates which, in the past year, decreased from 2.5% to 1%.

In 2022, we will continue the preventive activities that have been the most successful for our employees. We will, once again, organise our 'Health Days', this time, on two dates - in spring and autumn respectively. We will continue to focus on supporting the mental health of our employees because we feel that that current world developments do not allow our minds to rest easy. As part of our support of communities, we are planning intergenerational webinars to promote physical health, which will be open to the families of GasNet employees.

# Culture of Workplace Safety

For us, a safety culture is an integral part of our overall corporate culture. It provides a platform for future improvements in safety performance. In order to create a risk-free environment, we believe it is first necessary that safety permeates all levels of the company and that each employee takes personal responsibility and is proactive in the field of safety (employee engagement).

We strongly believe that the engagement and involvement of each individual employee is the key to increasing our level of safety culture. That is why we launched the GasNet 'Safely' application. We use this application to collect WHS issues and suggestions from our employees. This system allows us to identify and collect the issues, to monitor how they are dealt with, and to pass feedback to the employees who provided them. In the first half of 2021, we modified the application, and trained all employees on its use. This led to an increase in the number of issues and suggestions raised to 510 (compared to 246 in 2020).

In December 2021, we used Arnold (our digital feedback tool), to conduct a 'pulse check' – a partial survey of safety culture. A randomly selected 10% of our employees participated in the 'pulse check.' It was designed as a follow up to the company-wide safety culture survey we conducted at the end of 2020 to assess our employees' overall perception of safety and to identify areas for improvement. This

time our goal was different. We focused on mapping the changes in safety culture that occur naturally in the context of our ongoing implementation of safety-enhancing initiatives. The 'pulse check' results largely mirror the 2020 survey. However, where we noticed a very positive shift was in relation to employee comments. Employees were given the opportunity to freely comment on the topics covered in the survey. Specifically, in the area of risk perception, we received feedback that encompasses the entire theme - "There is always risk in our work. Gambling is unacceptable."

After evaluating the 'pulse check' results, we decided on the follow-up steps for 2022. One of them is an intensive communication and educational campaign aimed at promoting our corporate values and principles of conduct. This will also include the promotion of a safety culture, in particular, by working through managers who ultimately have a significant influence on the approach of individual employees to safety, and the identification and elimination of risks. At the end of 2022, we will repeat the company-wide safety culture survey. Other changes include the GasNet 'Safely' application. We plan to further improve the system, and connect it to an automatic workflow, which will speed up the process for dealing with issues and suggestions and deliver better communication between users and those who are dealing with the issues they have raised.

In this context, in 2021 we focused on building a culture of safety in the following areas:

## 1

### Personal Involvement of Management in WHS

Evaluation of the overall involvement and activity of managers in safety issues

**Specific steps:** articles on the intranet, management 'safety walks', meetings with employees, safety as part of strategy

## 2

### Management Promotes WHS at All Levels of the Company

Evaluation of whether managers enforce the rules and support employees in achieving results

**Specific steps:** updating typical work activity documents, introducing new technologies and processes such as detection vehicles

## 3

### Fair Safety Management

Specifying the procedure for investigating safety incidents which looks for causes, not culprits

**Specific steps:** we always report work accidents anonymously, we proceed according to the methodology, OSH checks, PZN checks and audits without personnel impact

## 4

### Personal Involvement of Employees in WHS

Evaluation of how employees approach the field of safety and whether they identify with the overall approach of the company

**Specific steps:** feedback is provided by the GasNet application 'Safely', we monitor compliance with the rules on construction sites, we check work procedures

## 5

### Personal Priorities of Employees and Unacceptable Risks

Assessment of employees' risk tolerance-- whether they are willing to consciously take risks. Monitoring the relationship between recognition of safety risks and risky behavior

**Specific steps:** low LTIF value, we introduce leak-free technologies, we conduct risk analyses early - in the project phase of investments

## 6

### Communication and WHS Education

Focus on training and increasing the competencies of employees

**Specific steps:** intranet articles, regular surveys using Arnold, information about safety within department meetings, offers of training in the EDU Portal

## 7

### Employees' Trust in the Effectiveness of the WHS system

Evaluation of safety measures

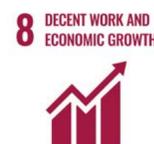
**Specific steps:** employees know WHS objectives, use safety tools such as Safety Minute, Last Minute Risk Assessment (LMRA), GasNet 'Safely' application

# UN Sustainable Development Goals

Ensuring a safe working environment is our top priority. We pay close attention to safety and dedicate our efforts to this area. In this way, we contribute to the Sustainable Development Goals in the areas of health and safety at work.



**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 the selected Sustainable Development Goals

We focus on improving the skills of our drivers. We are introducing measures to reduce the number of road accidents and the injuries resulting from them. We support and positively motivate our employees to adhere to the principles of safe driving. We train our own people in defensive driving and are also a public road safety partner. We comply with strict legislation when handling chemicals and have not recorded any cases of occupational disease.

We implement a safety management system which has been updated to international standards and practices. We enhance the operational safety of both our own employees and the employees of our contractual partners. We carefully identify risks, provide training, and focus on continuous improvement of the working environment and technological processes. We carry out regular work inspections which involve the entire company and top management. Our principles of occupational health and safety are enshrined in a separate policy, and we monitor the observance of this policy by all the parties involved.



Part

#2.2

# We Believe in Environmental Sustainability and the Future of Gas



# We Believe in Environmental Sustainability and the Future of Gas

**Environmental sustainability is at the core of our business. Our commitment derives from our shared responsibility for the environment, and our determination to achieve a low-carbon future. We want to minimise the negative impact of our activities on the environment, and we want to continuously support the decarbonisation of the Czech energy and industrial sectors.**

## Our Approach to Environmental Protection and Energy Consumption

At GasNet, we have an established environmental management system (EMS). It is based on the principles of the ČSN EN ISO 14001:2016 standard. As part of the EMS, a person is appointed to take charge of EMS matters, and to ensure the maintenance, functionality, and integrity of the system. In 2021, we successfully implemented and obtained ČSN EN ISO 50001:2019 certification. This is an international standard in the field of energy management. Through effective management of energy savings, we not only reduce costs, but we also lower emissions.

All our employees are required to comply with our Environmental Protection and Energy Policies. Our ESG & Security Department and our 'POE', or authorised ecological officers, are responsible for protecting the environment and meeting our environmental commitments. Individual POEs are appointed and are responsible for defined areas. Our ESG & Security Department is also responsible for our energy management system. When creating action plans, they work closely with our Facility & Services Department, and with our team responsible for the operation and maintenance of technological equipment.

## Our Environmental Protection Program

**We have set specific long-term goals, and established programs focused on the areas in which our activities have the greatest impact on the environment. These steps comply with our ISO 14001 environmental management system, and our ISO 50001 energy management system.**

Our **corporate ecology** program includes, not just our company's legal obligations and the basic workplace obligations of each employee, but also wider operational obligations in the areas of environmental protection:

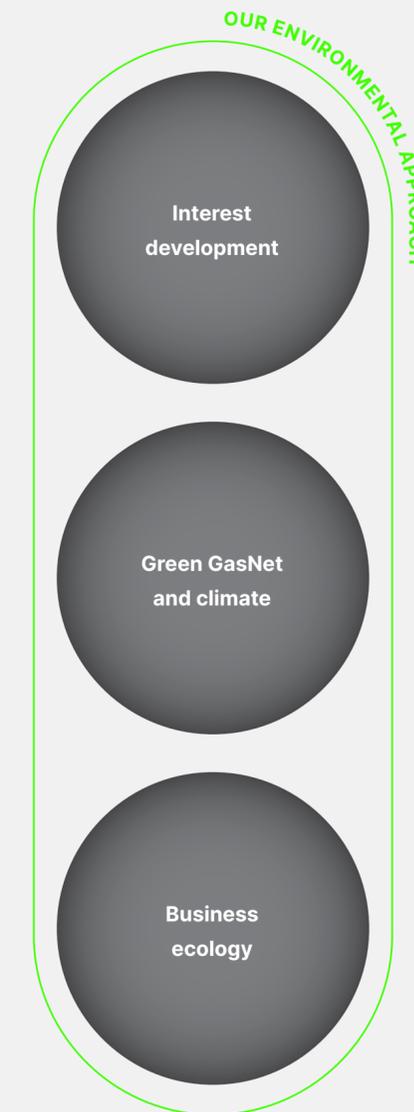
- **Waste management**
- **Air and climate protection**
- **Water protection**
- **Nature and countryside protection**
- **Dangerous goods transportation**
- **Chemical substances and compounds**
- **Environmental emergency preparedness**
- **Treatment of plant protection products**
- **Old environmental burdens**

In 2021, we did not record any breach of environmental protection laws, and no sanctions were imposed on us.

The legal obligations which form part of our corporate ecology agenda are augmented by our long-term **Green GasNet** program. This provides us with new ESG focus areas, extending beyond the requirements set by law, and enables us to focus on meeting our environmental commitments and aspirations. In particular, this concerns climate which, although it is not legally regulated in the Czech Republic, is nevertheless one of the important aspects of the world economy and global prosperity of society.

Our carbon-free future (carbon neutrality), other areas of our company's entire value chain, and the support of biodiversity and communities are themes that frame our movement towards modern, green energy and the future of gas. With our **Future of Gas** program, we are preparing for the distribution of green gases. In this way we will help transform the Czech energy sector.

For us, it is essential to involve our employees. We organise activities designed to **build interest**. These focus on environmental protection, and energy management in both theoretical and practical ways. The aim is for our people to be aware of the environmental impacts of their actions, and to engage in activities which have a positive environmental impact.



**Case study :****Remediation of legacy environmental burdens**

We continue to work hard to resolve legacy environmental issues on our land. In 2021, tests of groundwater and surface water at our site in Uherské Hradiště, showed contamination, mainly by polycyclic aromatic hydrocarbons. As a result, we appointed a contractor at the end of the year who will start working on an updated risk analysis at the beginning of 2022. This will allow us to assess the extent of contamination, and will include a proposal for the next remedial steps.



# The Future of Gas

The main objective of the European Green Deal is climate neutrality in 2050. This is a major challenge which will also have a major impact on the Czech Republic. Decarbonising key sectors of the Czech economy and ensuring their long-term sustainability will be impossible without an overall energy transformation. At GasNet, we believe in the future of gas. In the context of the Czech Republic's energy mix, natural gas will play an important and irreplaceable role in reducing emissions, especially as we move away from coal. We believe that liquefied natural gas (LNG) and its renewable variant, bioLNG will also play a key role in reducing road freight transport emissions. The gas industry also has its own green and emission-free future through the use of biomethane and hydrogen. We are preparing for this future today.

## Natural Gas and EU Taxonomy

During 2021 and 2022, the European Commission gradually released proposals from the Fit for 55 package and the Gas Package. These included a long-awaited Taxonomy adjustment. This European regulatory classification system is a tool for increasing transparency and defining which economic activities can be considered sustainable for the purposes of promoting sustainable investment. In its latest form, from February 2022, the European Commission included natural gas as one of its 'green energy' sources. This confirms the irreplaceable role of gas in making energy green.

In its decision, the European Commission considered the position of the Czech Republic and other Member States, for whom natural gas is a very important alternative on the path away from the use of coal. The revised taxonomy mainly concerns the sources and the production of electricity and heat. **GasNet's distribution infrastructure has itself been considered green since 2020.** It gained this status precisely because of its potential to distribute low-emission and renewable gases such as **biomethane and hydrogen.**

## Natural Gas, Biomethane and Hydrogen – the Road Towards the Czech Republic's Goals

One of the EU's main governing mechanisms is to monitor selected indicators, and to then set targets for those things. In the energy sector, the main indicators are greenhouse gas emissions, the share of renewables, and efficiency. In recent months the targets have continued to tighten. Achieving even the original targets would have been a challenge for the Czech Republic. Their further tightening in the proposed Fit for 55 or REPowerEU legislation means that the Czech Republic will have to use every available option to achieve them.

At GasNet, we are convinced that natural gas, and subsequently biomethane and hydrogen, will play a key role in meeting these ambitious goals. In the context of domestic conditions, it would simply be impossible to achieve these goals without gas.

## Share of Renewable Energy Sources and Czech Republic Objectives



Source: EEA, UNFCCC, Eurostat

## The Transformation of Heating and Freight Transport

The cornerstone of the transformation of the Czech energy sector is the shift away from coal. Most Czech energy is produced from coal. Burning coal generates not just a large amount of CO<sub>2</sub> and SO<sub>x</sub>, but also many other harmful and carcinogenic substances including dust particles. For this reason, it is imperative that we replace coal. Shifting to energy production from renewable resources is the right direction, but this transition is limited by our climatic conditions, and can only be achieved in the longer term. This means that the road away from coal leads first through natural gas, which, together with nuclear power, offers the only viable alternative in Czech conditions

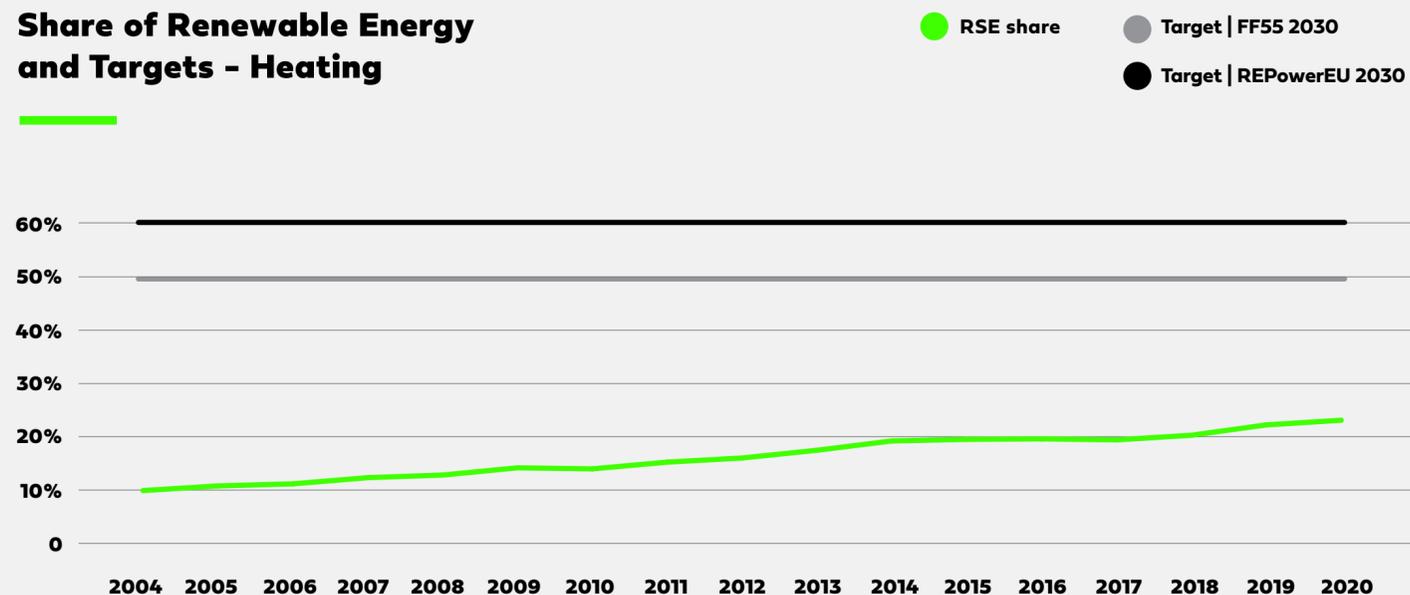
to both achieve our country's 2030 emission targets and, at the same time, meet all customers' energy needs. Half the heating plants in the Czech Republic currently produce their heat from coal. As part of decarbonisation, the heating sector will need to be transformed. This means that a large number of coal plants will need to be shut down over the next 10 years. At GasNet Group, we see great potential for natural gas in this area. Gas can deliver the needed replacement energy relatively easily, and with almost half the emissions. Because natural gas has been included in the EU Taxonomy, new gas-fired heating plants will be considered environmentally acceptable. The environmentally positive aspects of transitioning heating plants to natural gas will then be significantly further enhanced by our plans to increase the share

of renewable biomethane in our network. Biomethane will be an essential part of achieving targets for the increase of the share of renewable sources in heating and cooling. In this area, the Czech Republic – at about 23% - is far behind the anticipated new target levels of 49-60%.

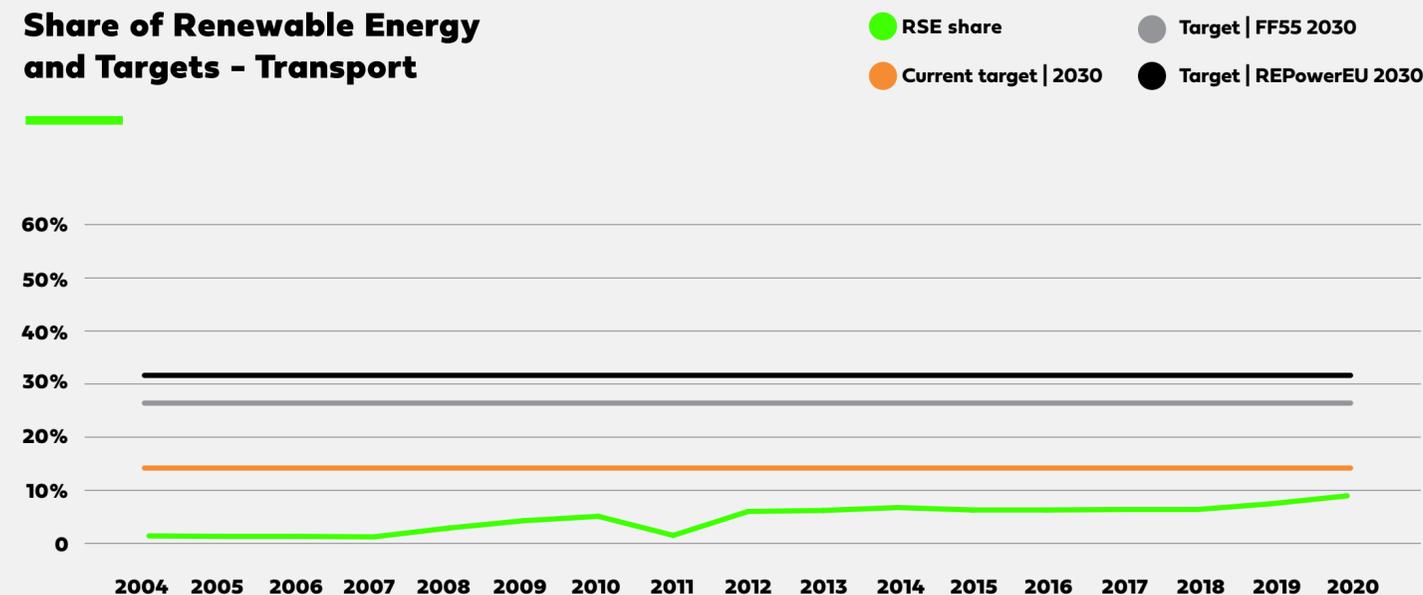
**We see a similar need to reduce greenhouse gas emissions and increase the use of renewable resources in transport.** Although the Czech Republic, at 9%, is on its way to meeting the current 14% target, we will not achieve the required mix of renewable energy types. The anticipated new target of 28-32% can be achieved only by using all the resources that are available - including natural gas. For example, the road freight sector is a major source of greenhouse

gases. If the Czech Republic is to meet its emission targets, natural gas offers the only real and affordable alternative for the road freight sector. Since 2020, we have been advocating the increased use of liquefied natural gas (LNG) by Czech carriers. Compared to standard fossil fuels, LNG has a lower emission footprint, and produces almost no other harmful substances or dust particles. We currently operate three LNG filling stations in the Czech Republic, and we are planning to further increase this number. In the future, we want to use the potential of bioLNG. This will enhance decarbonisation possibilities, and clear the way to achieving renewable energy targets.

### Share of Renewable Energy and Targets - Heating



### Share of Renewable Energy and Targets - Transport



Source: EEA, UNFCCC, Eurostat

## The Transition to Green Gases – Biomethane and Hydrogen

Although natural gas will play an important role in the decarbonisation and transformation of the Czech energy sector, in the medium to long term, we believe that low-emission and renewable gases are the future – **biomethane and hydrogen**. The European Commission would like these gases to replace natural gas no later than 2050. At GasNet, we have been actively preparing for this transition for a long time.

In 2019, we were the first Czech distributor to inject biomethane, (biogas cleaned of carbon dioxide and trace admixtures of sulphur and nitrogen compounds), into our distribution network. This has the huge advantage of being a renewable resource. It is produced from organic waste, and so it is carbon neutral. Biomethane has great potential in the Czech Republic, and by 2030, it could replace 10% to 15% of our domestic natural gas consumption for heating and road transport. Moving closer to this goal benefits us in two ways – lower emissions and higher energy self-sufficiency.

Even as we work with biomethane, **the whole process of switching to renewable gases is directed towards the distribution of hydrogen**. Both Europe and the Czech Republic have already announced their ambitions in this area in the form of ‘hydrogen strategies’. At GasNet, we believe that hydrogen is the green future of the gas industry and that in the long term it should flow through all European and Czech gas pipelines. For over 20 years, we have been reconstructing, and at the same time, modernising our distribution network. This is part of our Asset Management Department’s long-term network renewal strategy. In all the newly reconstructed parts of our

gas pipelines we use modern polyethylene-based materials. These allow the unlimited distribution of 100% hydrogen.

As a distributor, we are one part of the chain, and so we make up just one part of the bigger puzzle: The hydrogen market. This market is currently in the process of being created. In order to secure sufficient hydrogen in the future, the Czech Republic will need to join a trans-European hydrogen pipeline system such as the European Hydrogen Backbone project. European cooperation in this area is becoming increasingly important. This is why we have also been actively involved in the European **Ready4H<sub>2</sub>** project. It brings together a total of 90 distributors and gas organisations from 17 European countries to prepare for hydrogen and help Europe transition to an emission-free economy.

We are facing the biggest transformation of energy and industry since the Industrial Revolution. The transition to emission-free gases will undoubtedly be a great challenge, but we also see it as a huge opportunity. That is why we will continue to work intensively on activities that will prepare us for a sustainable future within our company-wide **Future of Gas** program.



## Readiness of the GasNet Network for Green Gases

Since March 2021 we have conducted a detailed analysis of the individual parts of our distribution network as part of our company-wide Future of Gas program. Our objective has been to obtain information on their readiness for hydrogen distribution. Another goal of the project is to determine the extent to which our assets will need to be renewed, modified, or modernised. This will give us a basis for an investment and transition strategy. Last but not least, the mission of the project includes mapping and actively cooperating on the amendment of technical legislation in the Czech Republic.

### Strategy for Preparing the Distribution System for the Transition to Green Gases

Last year, we started creating a long-term strategy for the renewal of our distribution network. Our strategy focuses not only on ensuring a safe and reliable supply of natural gas, but also on distributing blends of natural gas with biomethane or hydrogen – with a gradual transition to distributing pure hydrogen. The timely implementation of this strategy will help us meet decarbonisation targets more quickly. It will also reduce our dependence on a single-source commodity, which in turn will enhance the long-term reliability of energy supply.

Today, we can already say that based on its technical characteristics and capacity possibilities, our network is ready for the distribution of pure biomethane or a blend. It is also ready for natural gas blended with up to 20% hydrogen. We are currently working with local biomethane and hydrogen producers to connect as many of them as possible to

our network. We are also working hard on a strategy to switch to 100% hydrogen. In the future, 100% hydrogen will flow through a transmission system, connected to Europe's backbone hydrogen infrastructure. This is currently being prepared within the European Hydrogen Backbone project with the aim of meeting demand, and at the same time, enabling the transition to emission-free energy sources.

Our Asset Management Strategy has been developed as part of our company-wide **Future of Gas** program, which includes the results of our work with international consulting companies. We also draw inspiration from the foreign distribution companies which are part of Ready4H<sub>2</sub> project and experiencing the same energy transformation challenges.

We plan to carry out a detailed verification of the existing materials (especially steel), and other technological units, such as closures and control and measuring technology that form part of our network. Especially important is checking the steel components which were installed in our distribution system before 1990, and assessing their chemical-mechanical

properties against international standards (ASME 12.31 and EN 1594). The assessment is based on studies by DVGW (Germany) and KIWA (Netherlands), and studies by the equipment manufacturers themselves. In 2022, we will continue to work on a timeline for preparing our transmission system for the transition to clean hydrogen, and on methods for connecting local hydrogen sources, including the impact on the end customer.

### Working with Suppliers and Distributors in the Czech Republic

At the beginning of April 2022, under the auspices of the Czech Gas Association (ČPS), we initiated the establishment of a Network Readiness working group. This is made up of three Czech gas distributors – GasNet, Pražská plynárenská distribuce and EG.D. The aim of this working group is not just to share knowledge and information about assets, but also mutual assistance with solving the goals that have been set.

The working group is divided into nine parts focusing not only on existing asset classes, but also on the security and operation of the future network, new technologies and also “Lighthouse” projects. We have also started to work closely with the suppliers and manufacturers of hydrogen compatible gas equipment.

### Working in the EU Context and Gaining Experience

The GasNet Group also has an active involvement in organisations and associations that are dealing with hydrogen at the EU level. Some of this involvement is direct, and in other cases, is via the Czech Gas Association (ČPS). Some organisations, such as CEN, Marcogaz or IGU, are focused on technical legislation.

Others - the Ready4H<sub>2</sub> and HYTEP platforms - involve working with other energy companies.

Working with partners in Germany and the Netherlands, we are planning excursions in 2022 to selected hydrogen testing areas – Bitterfeld, and Recklinghausen in Germany and Apeldoorn, and Groningen in the Netherlands. The aim will be to gain experience for similar projects of our own (e.g. Lighthouse projects), to gain experience with the use of hydrogen in individual locations, and insight into the legislative process. Another goal is to establish contacts, and to work with key associations for DBI-DVGW and KIWA certification.

# 20%

**OUR NETWORK IS READY FOR THE DISTRIBUTION OF PURE BIOMETHANE OR ITS BLEND AND FOR A BLEND OF NATURAL GAS WITH HYDROGEN UP TO 20%.**

1.1  
1.2  
1.3  
1.4  
1.5  
2.1  
**2.2**  
2.3  
2.4

## Lighthouse Projects

### Hydrogen production:

As we prepare distribution of green gases, the GasNet Group is developing several project plans for the production and use of hydrogen. There is no legislative framework for the injection of hydrogen, its transport, distribution, or use in the gas system even in limited quantities. There are no laws, standards, or safety regulations. Therefore, our goal is to explore the technical readiness of gas infrastructure for the transport of hydrogen.

### Hydrogen village:

We have started preparing our first pilot projects; for injecting hydrogen into a local distribution network, for producing hydrogen from renewable electricity sources based on the principle of electrolysis, for preparing blending technology, for verifying local network management, operation and maintenance, and other system services.

### Hydrogen test zone:

We would like to apply the experience we gained abroad to similar projects of our own, such as our planned training and safety test zone. Its purpose is to maintain and extend existing expert qualifications with a focus on the future transition to hydrogen. These projects will allow us to carry out practical testing on hydrogen blends and possibly also on 100% pure hydrogen.

## Preparation for Technical and General Legislation

The Czech Gas Association and the Czech Metrological Institute are the creators of technical legislation. We are working closely with them to transpose European legislation to fit the conditions and legal framework of the Czech Republic. Because this legislation is still being developed at EU level, we closely monitor its progress, provide comments, and participate in its modification. We also monitor the creation and modification of general legislation such as the Energy Act and other legal regulations. We have set up a process for the mutual sharing of information between the teams responsible for dealing with both general and technical legislation.



## Connecting Biomethane Stations

**We believe that using biomethane is an effective way to accelerate the transformation of the Czech energy sector and the transition to green gases. The logic of this approach has been further confirmed by the need we face in current times to diversify the sources of methane. The GasNet Group therefore supports the creation of biomethane stations and their connection to our distribution network.**

We connected the first biomethane station to our network in Rapotín in northern Moravia at the end of 2019. At that time we tested the many technical and legislative principles that need to be followed when connecting. Since then, we have worked mainly on standardising the connection process, and fostering the amendment of laws, decrees, and standards to make it easier for new biomethane stations to join the gas network - while maintaining maximum safety and system reliability. Our specific activities have included ensuring greater freedom for producers in terms of biomethane quality and, at the same time, through measures introduced on the distribution side, we have reduced the emission footprint of biomethane entering the system. In 2021, among other things, we began to prepare for the possibility of pressurising biomethane from local networks. This is a very innovative step from the point of view of the distribution system.

In 2022, we will continue our activities aimed at identifying other, previously technically unattainable, potential sources of biomethane production. We will focus on working with the state administration (The Ministry of Industry and Trade, the Energy Regulatory Office and OTE, the Czech electricity and gas market operator) to achieve a functional framework for biomethane, and in particular appropriate legislation, regulation, and market rules, in order to maximise market transparency and predictability. All these activities should culminate in the addition of several more biomethane stations in 2022 and support for energy transition in the years ahead.

## Connecting Heating Plants

**As a consequence of the Fit for 55 package, a number of major heat producers declared their intention to stop burning coal and replace it with natural gas. The Modernisation Fund subsequently announced the necessary grant calls to support this transformation of heating plants.**

We analysed the situation in our distribution area in 2021, and we approached all the large and medium-sized heating plants. In total, we contacted more than 100 plants. We mapped out their needs and intentions – including the time schedule for their transition to natural gas. At the same time, we revised the capacity readiness of our system in individual locations and identified new administrative and operational requirements associated with these new connections. In some cases we need to adapt our distribution system. We are actively preparing for these changes in order to be able to fully satisfy all the demand.

41 heating plants in the Czech Republic have so far confirmed either their transition to natural gas, or its greater use. We expect a substantial increase in the transition of heating plants in the 2025-2030 period.

## Support for LNG in Freight Transport

**We want to be the driving force behind the decarbonisation of road freight transport. We currently offer a solution in the form of liquefied natural gas, or LNG. In the next phase we plan to switch to more environmentally friendly bioLNG, which is made from biomethane. However, only a developed infrastructure and a sufficiently large fleet of trucks will allow us to capitalise on this potential on Czech roads, and achieve significant emission savings.**

The highlights of 2021 were the acquisition of new customers, the construction of stationary filling stations, continued education on the benefits and positives of the use of LNG in road freight transport, and a continuous program of training of our customers and their drivers. **Overall, we saw an 80% increase in LNG sales compared to the previous year. We helped our customers reduce CO<sub>2</sub> emissions by 1049 t.**

Our first stationary LNG station was opened in Mladá Boleslav close to the ŠKODA AUTO production plant. By the end of the year, all construction work was completed, including the installation of the technology. The official commissioning of the station took place in early 2022. The station is equipped with state-of-the-art technology and can be used by all the brands of trucks that currently offer LNG versions, i.e. Volvo, Scania, and Iveco.

Even when operating filling stations, we pay the closest attention to the safety - not only of our own employees - but also of our customers. By the end of the year, we had trained and certified a total of 327 drivers. The quality of our certification is confirmed by fact that other station operators in Western Europe accept our certificates.

The Czech Republic is consistently failing to keep up with its CO<sub>2</sub> reduction commitments in the area of transport. There is a difference of 34% between current values and 2030 targets. Therefore, in 2022, we will continue to build stationary filling stations. We will focus on concentrated communication with all stakeholders. We will actively engage in all the activities that help create a functioning market for biomethane and its use in transport. Biomethane is the only alternative which achieves these goals and meets the long-term needs of our customers.



## Development of Expansion Technologies and Gas Heat Pumps

As well as preparation for the distribution of green gases, the Future of Gas program also focuses on the development and implementation of new operational technologies to increase energy efficiency and reduce environmental impacts. For this reason, last year, we explored the possible use of expansion technologies and heat pumps.

**Expansion technologies** are a way to maximise the use of thermodynamic energy contained in natural gas taken from a higher-pressure system. The thermodynamic energy contained in the transported gas is converted into electrical energy when the gas expands from a higher to a lower pressure level through a rotating reduction turbine and an electric generator.

At the turn of 2021/2022, after a demanding reconstruction of the Brno Turgeněvova regulation station we put an expansion turbine supported by a cogeneration unit back into operation. Although these are long-proven technologies, our company is involved in creating a new expansion unit solution. We are working hard to prepare a pilot project for the new facility. Above all, its integration into the operation of the Velké Němčice transfer regulation station anticipates that the highest safety standards will be met. A successful pilot operation planned for the end of the first half of 2022 will open the door to the use of expansion units in other locations.

**Gas heat pumps** have the potential to reduce our own technological gas consumption at regulation stations and thereby reduce the greenhouse gas emissions associated with our gas distribution.

In 2021, we started preparing two pilot projects to test the available industrial solutions. We expect to complete the installations so that tests can take place during the 2022/23 heating season. The subsequent evaluation of these pilots will tell us whether the use of heat pumps is practical for other regulation stations in Czech climatic conditions.

# Green GasNet

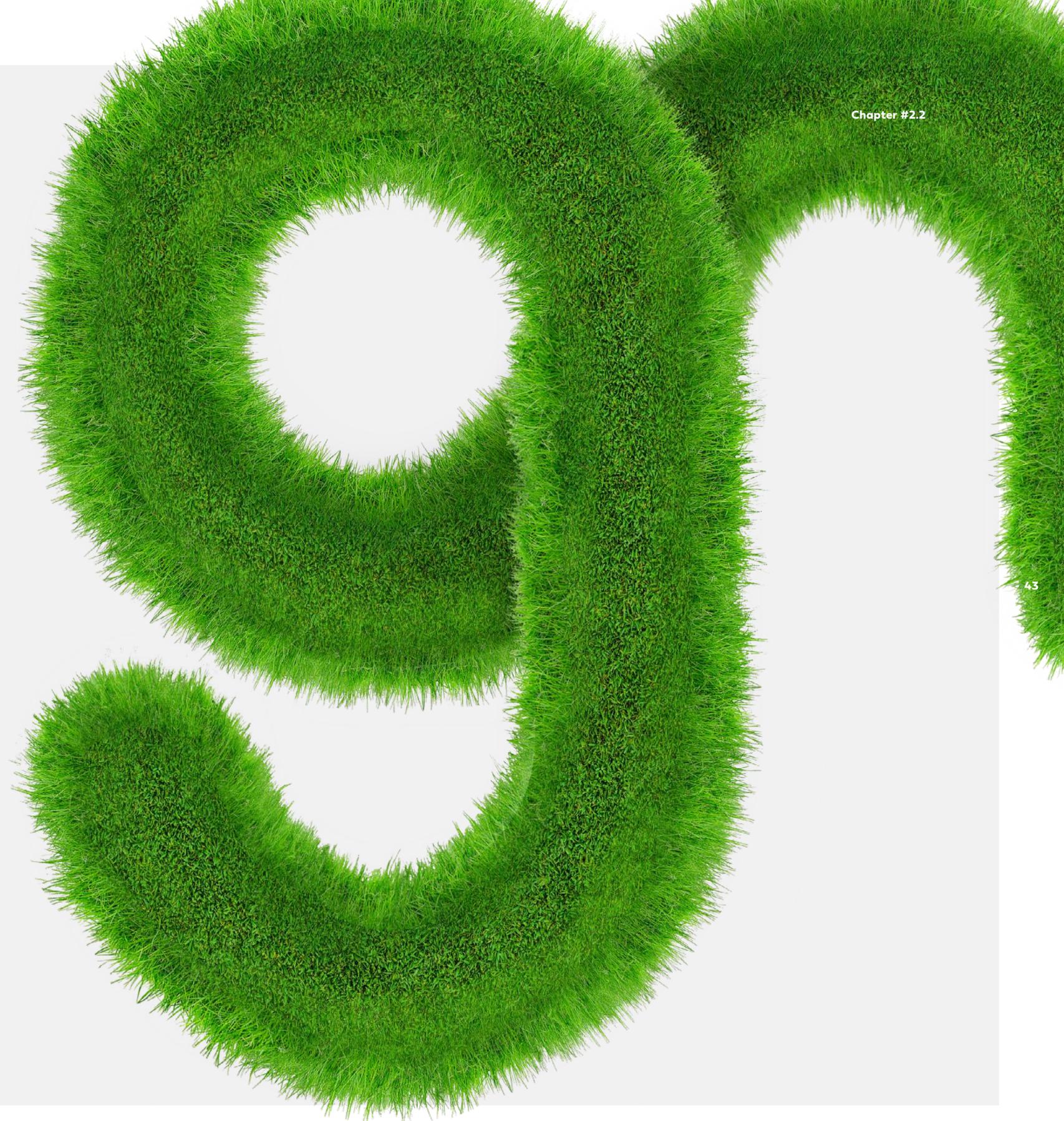
The whole of Europe is working to reduce emissions under the European Green Deal, and renewable energy sources are increasingly important. The future will be emission-free. That is why, at GasNet, we are already working to reduce our emissions footprint and, as far as possible, decarbonise our existing operations. To this end, we have launched our company wide Green GasNet program. This encompasses our environmental commitments and aspirations, especially in the field of climate.

The Green GasNet program is divided into seven areas based on their relative environmental impact.

Key areas of the Green GasNet program:

- Technological losses and fugitive gas leakages
- Energy consumption in operations and air pollution
- Energy consumption in office buildings
- Vehicle fleet fuel consumption
- Resources and waste
- Biodiversity and communities
- Future of Gas

The primary roles of the Green GasNet program are **to systematically manage our environmental activities with a focus on decarbonisation, to continuously monitor our overall environmental footprint, and to implement measures to reduce it in line with the Paris Agreement.** We seek to achieve this by gradually setting short-term, and long-term commitments, goals, and strategies, including partial steps and activities.



## Greenhouse Gas Emissions

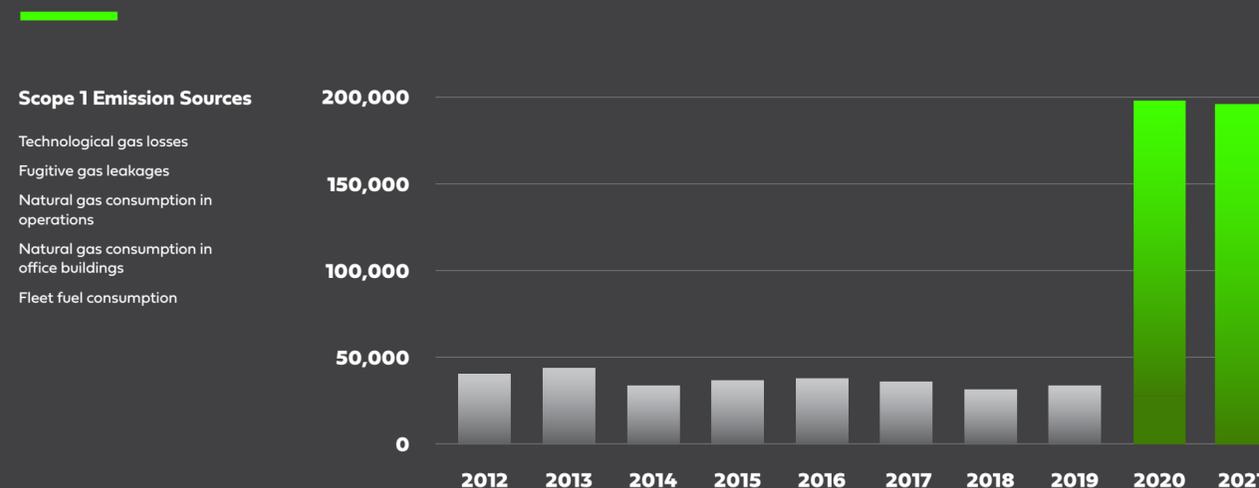
In 2021, as part of the monitoring and reporting of Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions, we made several major changes to refine our emissions footprint. As we stated in our first sustainability report, we needed to develop a robust computational methodology to quantify GasNet's largest source of direct emissions – fugitive gas leakages. This was a key step in completing our understanding of our emission footprint. At the end of last year, we successfully completed the methodology, and are now reporting Scope 1 emissions for 2020 and 2021 which include these leakages. These values are based on preliminary calculations, which will continue to be refined. Even though these fugitive leakages have caused a major increase in our overall emissions, we want to be transparent in this area, and to set an example for other energy companies. More details about fugitive leakages can be found in a separate section on methane emissions.

In 2020, following the separation of the GasNet Group from the Innogy Group, an extensive transfer of assets took place. This increased the number of our own and external office buildings used by our employees. We have now included these new buildings in the Scope 1 and 2 emissions footprints for 2020 and 2021. Last year, we also started purchasing certificates guaranteeing the renewable origin of electricity. These cover our total electricity consumption from operations, and in our own office buildings. For this reason, we are now reporting emissions (Scope 2) on both a location-based and a market-based basis. Last but not least, for 2020 and 2021, we have included indirect emissions from the electricity consumed by the three LNG stations that GasNet currently operates. For 2021, we also included the heating purchased for our office buildings.

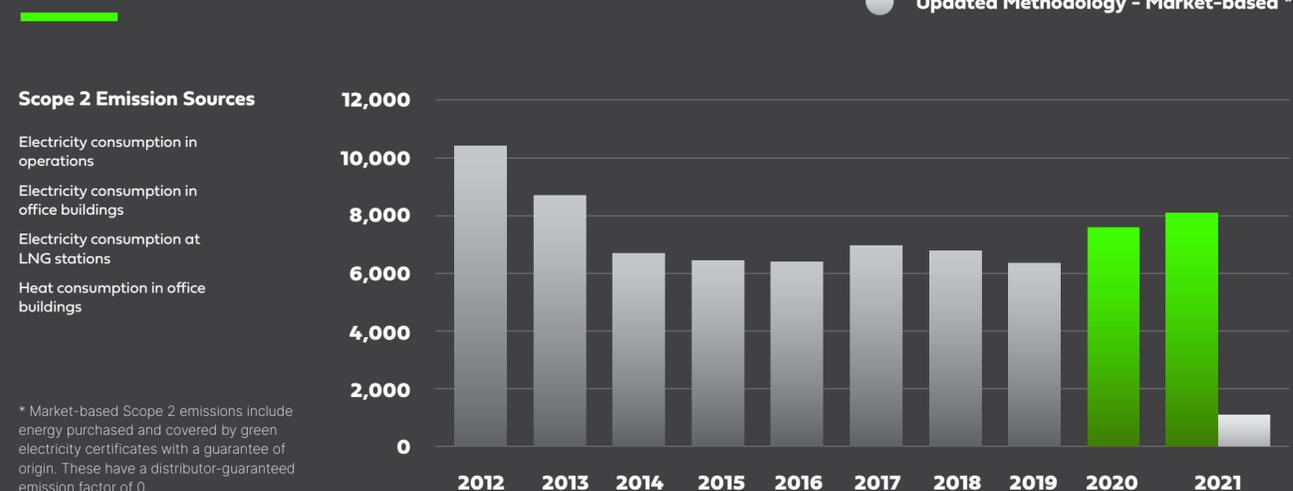
Due to the fact that we were able to calculate our largest sources of direct and indirect emissions, we have set the data for 2020 as the starting point for the measures we plan and for setting quantitative targets. This year, we have set our first goal of **keeping our emissions (Scope 1 and 2) at the same level as emissions in 2020**. This goal is based on the expected growth in the volume of gas distributed in the coming years, which would normally also result in an increase in emissions. Therefore, maintaining the current level of emissions until 2025 is an ambitious goal to which we are committed.

<sup>2</sup> Notice: Our greenhouse gas emissions were calculated according to the global standardised framework of the Greenhouse Gas Protocol using emission factors from the IPCC, US EPA, the provider of green electricity certificates and emission factors according to valid Czech legislation. For the consolidation of greenhouse gas emissions at the group level, we used the operational control approach. Due to the continuous development and refinement of the methodologies for the calculation of greenhouse gas emissions and the planned audit, GasNet reserves the right to change the reported data in order to increase their quality and comparability in the following period

## Greenhouse Gas Emissions Scope 1 (tCO<sub>2</sub>e)



## Greenhouse Gas Emissions Scope 2 (tCO<sub>2</sub>e)

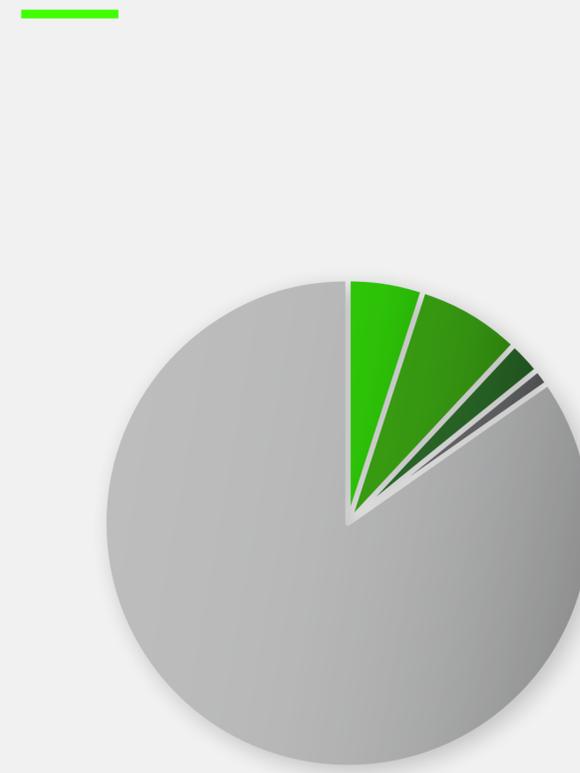


\* Market-based Scope 2 emissions include energy purchased and covered by green electricity certificates with a guarantee of origin. These have a distributor-guaranteed emission factor of 0.

For 2022, we are planning several strategic activities in the field of emission verification, reduction measures and setting decarbonisation targets. In the first half of 2022, the first external audit of our direct and indirect emission footprint (Scope 1 and 2) will take place. We want to confirm that the quality of our emissions data meets international standards. Subsequently, we will work on refining the process of collecting data on energy consumption, and at the same time we will start the process of screening indirect emissions (Scope 3). As part of reducing our Scope 1 and 2 emissions, the Green GasNet program will aim to identify short to medium-term measures. It will also aim to develop a tool for managing and planning emissions for the coming years. Towards the end of the year, we will be launching a process to set medium-term quantitative targets for 2030-2035 that will be consistent with the so-called Science Based Targets (SBTs).

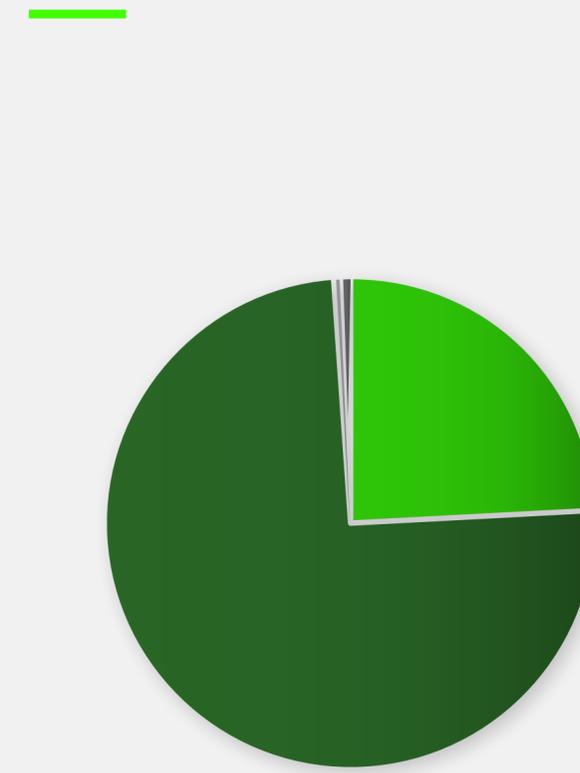
As a gas company, we are aware of the climate impacts of our business. We strive to find the most effective ways to minimise these impacts. Unfortunately, there are no simple short-term solutions which allow us to ensure the reliability and security of our gas supply. We therefore need to seek longer-term measures that allow us to gradually transform and decarbonise our main activities. In the following chapters we will look in more detail at each individual emission source and the specific steps we have taken or plan to implement to reduce our environmental footprint and achieve our commitments under the Green GasNet program.

### 2021 Scope 1 Emissions (tCO<sub>2</sub>e)



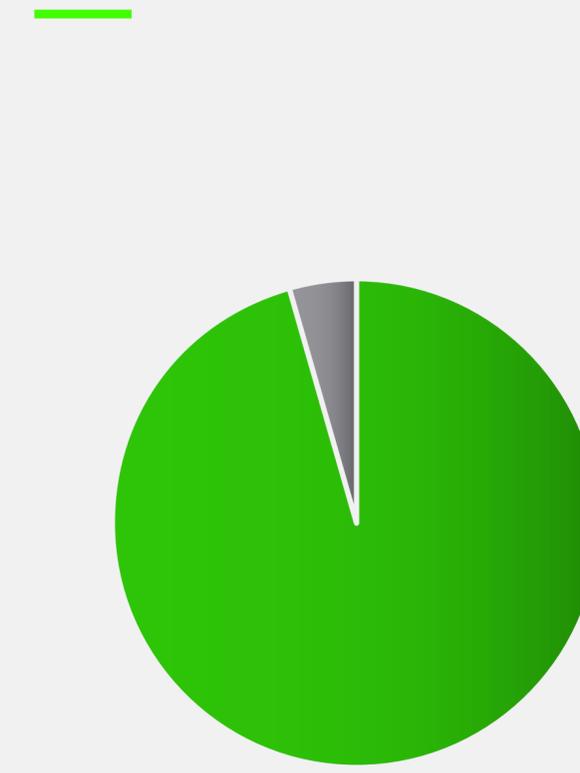
- **84.7%**  
Fugitive leakages
- **5%**  
Technological losses
- **7%**  
Natural Gas consumption in operations
- **2.2%**  
Fuel consumption
- **1.1%**  
Natural gas consumption in buildings

### 2021 Scope 2 Location-based Emissions (tCO<sub>2</sub>e)



- **74.5%**  
Electricity consumption in operations
- **24.4%**  
Electricity consumption in buildings
- **0.6%**  
Electricity consumption in LNG stations
- **0.5%**  
Heat consumption in buildings

### 2021 Scope 2 Market-based Emissions (tCO<sub>2</sub>e)



- **95.8%**  
Electricity consumption in buildings
- **4.2%**  
Heat consumption in buildings

# Methane Emissions

**Methane is a significant greenhouse gas with a higher global warming potential than CO<sub>2</sub>. Methane leakages can also be dangerous because of the potential threat to public health from a gas fire or explosion. Therefore, in the gas sector, we need to carefully monitor these emissions and take systematic steps to minimise them. These steps also help us mitigate climate change. In the case of the GasNet Group, methane emissions occur mainly from technological losses and fugitive gas leakages from our gas system. From the point of view of climate and environmental protection, we perceive the issue of methane and its release into the air as an absolutely key issue. Reducing leakages and technological losses in our distribution system is therefore one of our top priorities.**

This is a highly topical discussion theme at the European level due to the publication of the EU Strategy to Reduce Methane Emissions (2020), which concentrates on the agriculture, energy, waste and wastewater sectors, and the subsequent intensification of EU communication with individual Member States. With these steps, the EU is making it clear that we need to deal with methane emissions if we are to honour our commitment under the European Green Deal to fundamentally reduce emissions.

Following on from these developments, we anticipate the introduction of new legislative requirements. These may fundamentally change the approach of gas companies to the detection, repair, monitoring, and reporting of gas leakages. For the second year in a row at the GasNet Group, we have been working on steps that will prepare us for our potential responsibilities. We also want to initiate advance strategic planning for the primary measures to reduce fugitive emissions. Doing this will put us in a leading position within the Czech, and European, gas sectors.

## Technological losses

Technological losses (TL) of gas arise mainly during technological operations on our network (construction, maintenance, repair), or during serious incidents which are usually caused by third parties. Technological losses are divided into:

### Own

Gas is released either during depressurisation or filling of gas pipelines as part of operational, maintenance and investment work on the network, or due to malfunctions or accidents.

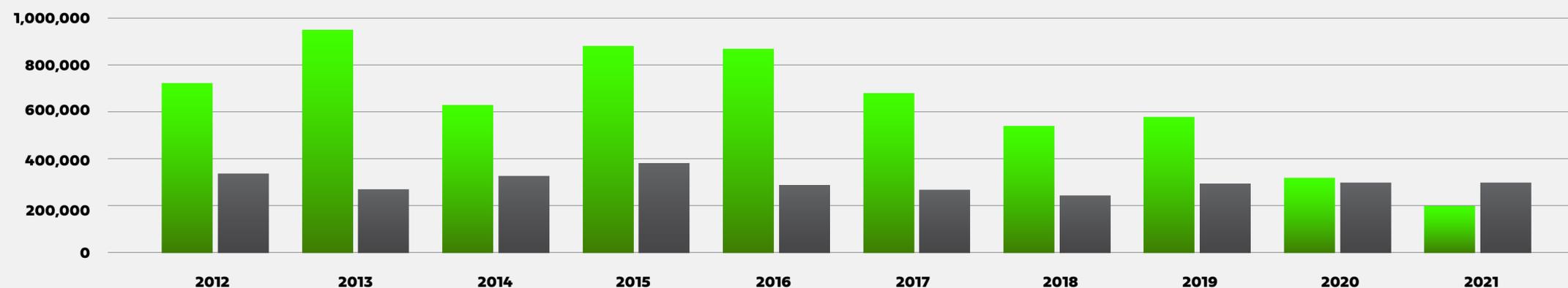
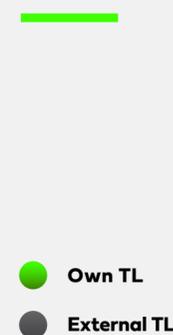
### External

Gas mains are depressurised or disrupted by external entities (disruption of the network by a third-party during excavation or relocation work).

Our priority is to properly monitor both these loss categories, and to take appropriate measures to minimise them. However, it is also important to recognise that it is impossible to reduce technological losses to an absolute zero, as some losses are always necessary in order to ensure safety when carrying out technological activities. The economic impact in terms of greenhouse gas reduction must also be taken into account for each measure. We will deal with this through technical-economic-environmental decision-making rules that are being prepared.

Last year, we managed to significantly reduce our 'own' technological losses to 198,000 m<sup>3</sup>. This is a decrease of almost 40% from 2020. This reduction meant that we comfortably achieved our target of 350,000 m<sup>3</sup>. In contrast, the volume of 'external' technological losses was almost unchanged. This can also be attributed to a slight increase in the number of 3rd party breaches from 537 in 2020 to 585 in 2021.

## Technological losses (m<sup>3</sup>)



1.1  
1.2  
1.3  
1.4  
1.5  
2.1  
2.2  
2.3  
2.4

Last year, as part of our Green GasNet program, we focused on setting up robust measurement processes and using the latest technologies and methods to reduce the volume of technological losses. We also continued our initiative to minimise third party disruption of the gas network.

We have had a methodology for calculating the volume of technological losses for many years. However, last year, we revised and adjusted our methodology to take into account comprehensive emission reporting requirements, while ensuring the entire process is sufficiently understandable. The new methodology uses precise operating parameters and, in some cases standardised values, to streamline the overall process while maintaining sufficient calculation accuracy.

80-95% of controllable technological losses occur during investment construction of the gas network. For this reason, last year we identified a number of measures to reduce these losses. One key step was to include the planning and management of gas discharges in the preparation and planning of investment projects. However, the results of this change will not be visible until the end of our 3-4-year investment planning cycle.

We examine and evaluate alternative technologies including mobile compressors for gas pumping, technologies for gas injection, using nitrogen to replace pipeline gas, and in extreme cases, gas flares. This evaluation process has still to be standardised into a set of decision-making rules. These rules will help us identify the most effective technologies for specific construction categories based on a comparison of technical feasibility, and the economic and environmental impacts.

This is the fourth year in which we have continued our campaign to minimise third party disruption of our gas network. It includes intensive communication targeted at those who could potentially disrupt our pipelines, the public, and construction companies. The campaign focuses on raising awareness both in the design and the implementation of non-gas works. It also focuses on the companies that carry out earthworks as part of the construction or reconstruction of the gas system. We are also considering the possibility of increasing sanctions for violators, terminating cooperation with companies in the event of repeated disruptions, and increasing supervision of work sites by our own employees. We are also trying to raise public awareness of the need to locate and mark the gas network before digging. We offer this service to the public completely free of charge

**For 2022, we have set ourselves the goal of reducing our 'own' technological losses to 315,000 m<sup>3</sup>. This is a 10% reduction compared to our 2021 target.** In 2021, we continued to implement revised computational methodology and decision-making technical-economic-environmental rules. These will then be implemented in practice.



## Fugitive Gas Leakages

Fugitive natural gas leakages arise from the very nature of the operation of the gas system. They are divided into individual categories for the purposes of calculation, monitoring, and reporting. They include underground gas leakages, which result from natural changes in the technical condition of our equipment, its gradual deterioration due to external influences such as corrosion, and changes in the internal structure of material or pipe connections, whether welded or mechanical. Another category is the permeability of plastic pipes, in our case, high-density polyethylene (PE). The third category is above-ground leakages from connections, for example, gas fittings, technological parts, or measuring equipment.

In 2020, we started working on a methodology to calculate the volume of fugitive leakages in order to more precisely report emissions and to identify steps to reduce them. At the end of last year, we successfully completed and further refined this methodology. We were one of the first European distribution companies to use the MARCOGAZ (2019) methodology to calculate fugitive emissions. This methodology is also being considered as a future harmonised European standard, linked to the newly prepared European Commission regulation on methane emissions. It is expected to be linked to both the OGMP 2.0 methodology, and the new European CEN technical standard.

We applied this MARCOGAZ methodology to our evaluation criteria and made calculations for 2020 and 2021. The methodology is based on known physical relationships and an empirical approach, supported by

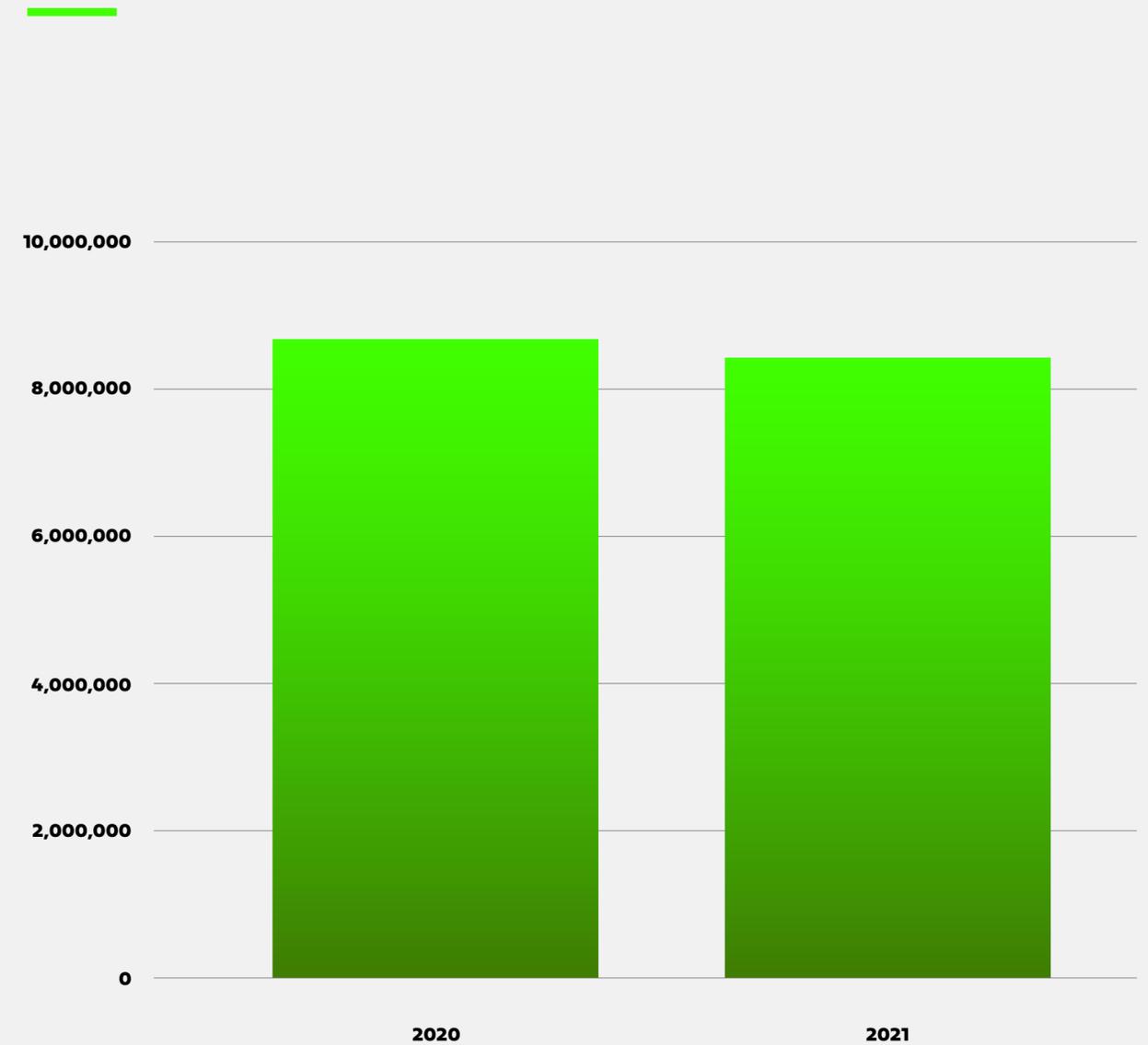
both operational data and practical experience. Our calculations indicate that the volume of our fugitive natural gas emissions in 2020 and 2021 was around 8 million m<sup>3</sup>. This is more than 80% of the GasNet group's total CO<sub>2</sub> equivalent emissions.

We consider the results which we have presented as still indicative. We are using them to develop follow-up strategies and measures to reduce the emission footprint associated with the operation of our gas infrastructure.

The fugitive leak value for 2020/2021 includes both underground and above-ground leakages and the permeability of plastic pipes.

In 2021, we prioritised the calculation methodology and what is referred to as sensitivity analysis. This identified the parameters that can help us reduce these emissions and on which we will focus in 2022. These activities include, in particular, mathematical modelling of the renewal of our distribution system and the subsequent impact on leakage rates over the corresponding time horizon. In 2022, the methodology will be modified to specify the emission factor more accurately for each of the parameters we evaluate (underground leakages, above-ground leakages, soil permeability, vent size), and set reporting levels based on the new OGMP 2.0 rules. This methodology will also be the basis for developing the LDAR (Leak Detection and Repair) program. This program is a new requirement linked to the forthcoming European Commission regulation. Once approved, we plan to implement the new methodology on a pilot basis during 2022 and then fully from 2023.

### Fugitive gas leakages (m<sup>3</sup>)



Note on the graph: The value of fugitive leaks for the year 2020/2021 includes both underground and above-ground leaks and plastic pipe permeability.

## Energy Consumption

**At the GasNet Group, we use energy to operate our distribution network, and for heating and lighting in our own and external offices. In addition, we also use our own vehicle fleet for inspection activities. Our fleet travels more than 20 million kilometres every year. Therefore the main commodities we purchase include, electricity, natural gas, and fuels; diesel, gasoline and (bio)CNG. In 2021, we focused on improving our energy management and covering most of our electricity consumption with certificates of green origin.**

We have been monitoring energy consumption for many years. However, due to new requirements for more accurate and frequent data reporting, our current processes are proving to be insufficient. The main problem is the progressive metering and invoicing of our electricity consumption. This causes a significant lag in data collection, and can lead to a one-year delay in finalising total consumption. For this reason, we have set ourselves the goal of improving the data collection process, and improving the accuracy of the values we report in the coming years.

### ISO 50001 Energy Management System

For this reason, in 2021 we decided to implement the ISO 50001 – Energy Management System. This has delivered continuous process improvement in the energy management of buildings and regulation stations. We have created a compact energy team, established uniform metrics for measuring energy performance, defined energy KPIs, and created a set of measures aimed at reducing our company's energy demands and emission footprint.

We have implemented an energy management system in our own buildings, which are the biggest contributors to our total energy consumption. During the first certification of the system, 35 buildings were included: 10 administrative and operational sites and 25 regulation stations with a total consumption of 42,784 MWh. We will increase the number of buildings in the coming years, adding five buildings in 2022 and three more in 2023.

Our energy policy is available on our intranet to all our employees. It clearly defines our energy conservation commitments. We have also compiled our **Ten Commandments of Energy**. These guide all our employees in their everyday work. In order to encourage our people to work together on the shared goal of effectively reducing energy consumption, a company competition was announced in December for the best, energy saving suggestions and ideas. Those who participated were rewarded with smart light bulbs. We obtained interesting suggestions for further workplace modifications from this competition.

ISO 50001 requires us to continuously improve and to set specific goals for the following periods. We are also actively using this requirement to help us steer a carbon neutral path. For the coming year, the GasNet Group has set itself the goal of reducing consumption by 2% compared to the average consumption from 2018-2020 in all the sites within our energy management system. We will achieve this through employee education, and through investment in energy management. A total of 13 such investments with a value of CZK 42.5 million are planned for 2022. Our aim is to reduce gas and electricity consumption, and in turn reduce CO<sub>2</sub> emissions. However, the impact of these actions on consumption will not be fully felt until 2023.

### Ten Commandments of Energy

- 1 Do not adjust the heating other than as specified by the manufacturer.
- 2 Save water.
- 3 Use the air conditioning with care.
- 4 Turn on only the lights you need.
- 5 Always use appliances in accordance with their operating instructions.
- 6 Turn off electrical appliances that you are not using.
- 7 Set your computer to automatic sleep mode.
- 8 Save paper.
- 9 Watch for wiring problems and get competent help.
- 10 Follow energy recommendations.



### Purchase of Green Energy

As part of the decarbonisation of GasNet's electricity consumption, we set ourselves ambitious targets for the wider use of renewable energy. For this reason, at the end of 2020, we signed a contract with ČEZ ESCO. This secured green electricity certificates with a volume of 8.5 GWh. These allowed us to cover the total electricity consumption from our operations, and also all our own office buildings. We also covered one external building where the conditions allowed us to do so.

The green energy we purchase comes from public distribution networks with a guarantee of green origin including hydro, solar, and wind power plants. We have confirmed with the certificate provider that it is possible for us to use a market emission factor of 0\* for the certified electricity we consume. By taking this step, we were able to significantly reduce our indirect emissions from purchased electricity. We plan to continue using green electricity, and we have signed an agreement with ČEZ ESCO for more green electricity certificates in the years 2022-2025.

\* The emission factor includes only the production of electricity from renewable sources.

## Operations

Another source of emissions arises from our own consumption of natural gas and electricity. This energy is used at our regulation stations to supply electric preheaters and gas boilers for gas preheaters, including the three cogeneration units we currently operate. We are also monitoring the electricity consumption required for the operation of our LNG filling stations. In our operations, we strive to minimise our impact by gradually and systematically improving preheating efficiency, managing consumption more efficiently using ISO 50001 and purchasing green electricity.

The operation of electrical equipment and preheaters, and the operation of gas boilers for hot water preheating in our regulation stations, are basic activities which are needed to ensure stable distribution in our network. Preheating is an important process that increases the temperature of the gas so that our equipment does not freeze when the pressure is reduced. We also currently operate three cogeneration units in two large regulation stations. Two newly reconstructed units are located at the transfer regulation station in Velké NĚmčice, and a third low-emission cogeneration unit is at the Turgeněvova regulation station in Brno. Cogeneration is used to produce heat and electricity at the same time. This helps reduce the share of coal in the domestic energy mix, and so reduces the public grid emission footprint of electricity customers from the public grid. In 2021, older expansion turbine technology was put into operation at the Turgeněvova regulation station. This has significantly increased the efficiency of electricity generation. Overall, over 5 GWh of electricity was generated and sold to the grid in 2021 - a 70% increase over 2020. In the course of 2022, we plan to put a prototype screw expander into operation at Velké NĚmčice, and in the coming years, we plan to establish more cogeneration units in other regulation stations.

Weather is an important factor in the energy consumption of our operations. Outdoor temperatures fundamentally affect the total volume of gas we distribute and in turn, affect our own energy consumption. Last year, we distributed more gas due to the colder weather and due to the connection of new technologies.

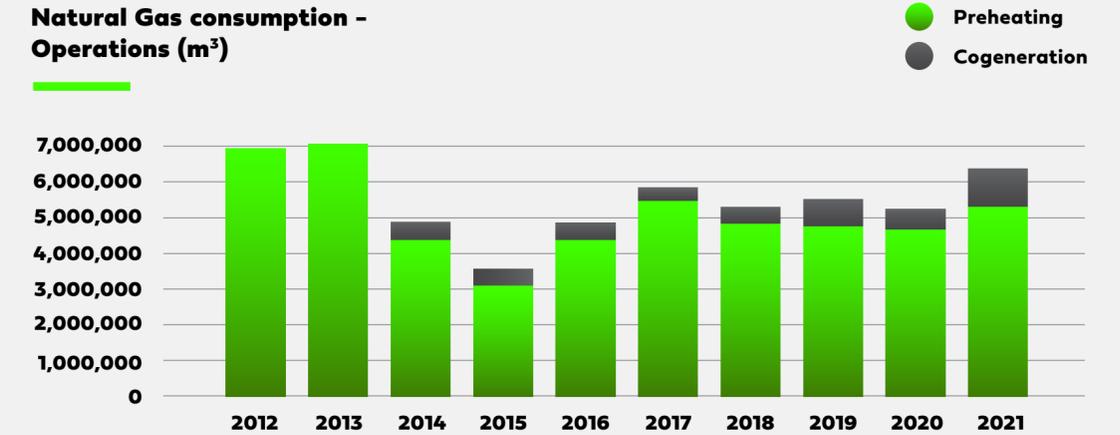
As a result, our energy consumption also increased in absolute terms. However, when measured relative to the amount of gas we distributed, our consumption actually decreased. This confirms the positive impact of the steps we have taken.

Since 2014 we have been working to modernise our gas boilers in order to increase energy efficiency and reduce pollutant emissions. The project is currently expected to continue until at least 2026. Last year, two large transfer stations, at Krupá and Libenice, were reconstructed as part of this project and another 123 smaller boilers were replaced at 82 regulation stations. At the Doubravice transfer regulation station, we increased boiler room efficiency. The original output of 336 kW was reduced to 84 kW. In 2022, another 116 boilers will be replaced in 83 regulation stations, and the boiler rooms at the Nepřevázka, Makotřasy and Štolmíř transfer regulation stations will be reconstructed. As part of the reconstruction of at Nepřevázka, a gas heat pump will be installed in combination with the boilers. The resulting effect should be a further reduction in energy consumption for preheating, and related emissions. If the result is positive, this solution will be used in other stations.

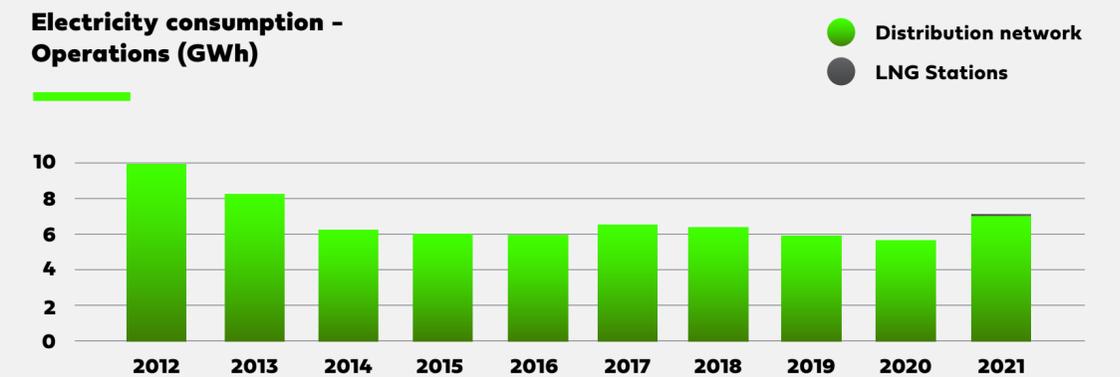
For the 23 largest transfer regulation stations, we also evaluate consumption every month on the basis of flow rates, inlet and outlet temperatures, and pressures. If we detect deviations, we perform operative interventions to deal with the faults. Our total electricity consumption was covered by the certificates of green electricity from ČEZ ESCO which we mentioned above. At the end of the year we also successfully implemented an energy management system and obtained certification based on the ISO 50001 standard at 25 regulation stations.

In order to support the development of LNG in the Czech Republic we operate three LNG filling stations at Klecany near Prague, Mladá Boleslav and Nýřany (note Nýřany has been in operation since 11 March 2022). Electricity consumption is also monitored at these stations and also with regard to planning for further construction.

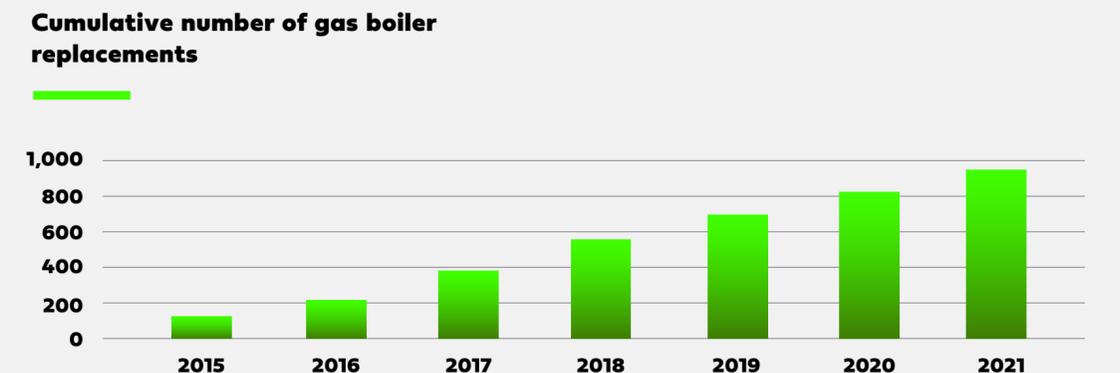
Natural Gas consumption - Operations (m<sup>3</sup>)



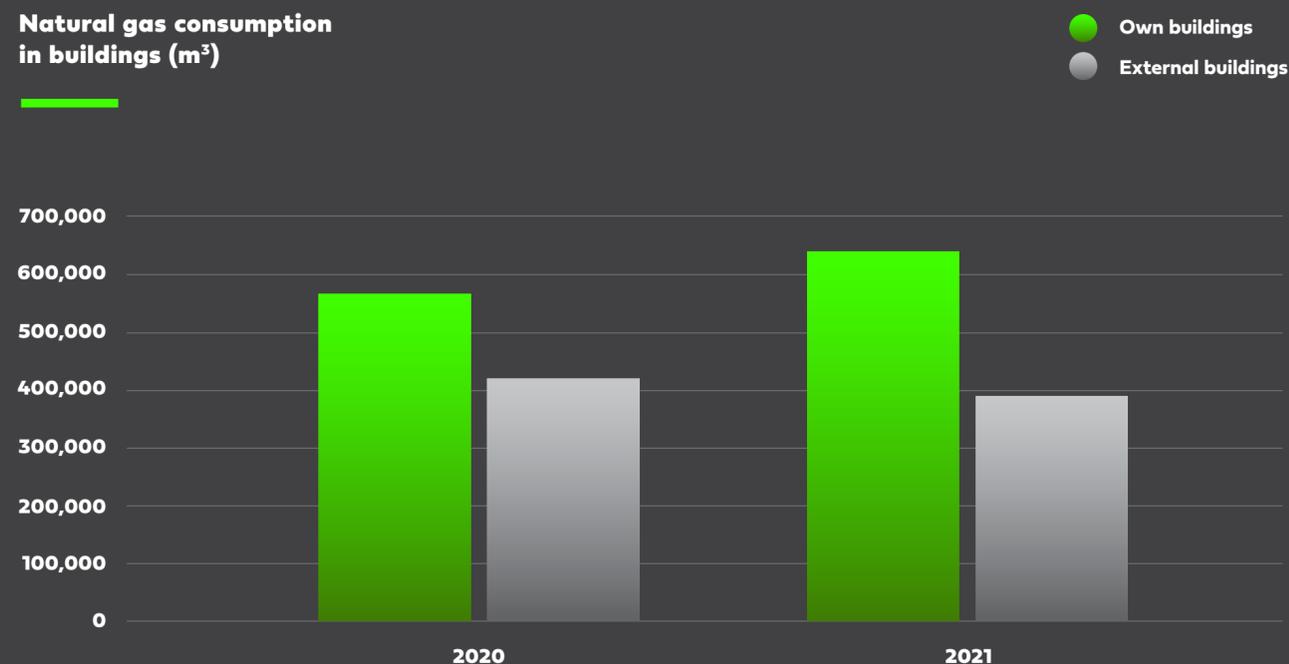
Electricity consumption - Operations (GWh)



Cumulative number of gas boiler replacements



**Natural gas consumption in buildings (m<sup>3</sup>)**



**Electricity consumption in buildings (MWh)**



## Office Buildings

**When the GasNet Group became a stand-alone organisation in 2020, a number of buildings were transferred to us. Our employees have been using almost 104,000 m<sup>2</sup> of offices, which are either directly owned by our group, or are leased. The use of natural gas for heating, and electricity for lighting, are the main sources of emissions in this area.**

Last year, we created a new database to measure electricity and natural gas consumption for both our own and external buildings. In 2021, electricity consumption in our own buildings decreased slightly compared to 2020. There was a slight decrease in gas consumption in external offices. We are now using this data to plan actions, the results of which will be largely reflected in our consumption in future years. In addition, we have already taken more immediate steps to reduce our consumption from last year's levels.

In the GasNet-owned buildings, we are focusing on improving our energy performance by gradually updating our heating, cooling, and temperature regulation systems. Last year, we successfully implemented the ISO 50001 energy management system in selected buildings. This will further improve

our energy efficiency. Because we have installed online consumption measurement in all buildings with significant consumption, we can effectively evaluate and adjust heating and cooling settings. In 2022, we launched a project to install photovoltaic power plants on the roofs of selected buildings. The aim of the project is to use renewable resources for a large portion of our own electricity consumption.

The consolidation of our offices and warehouses in Brno had the greatest impact on reducing our energy consumption. At the end of 2021, we relocated 250 employees from a fragmented set of energy-intensive and inefficient buildings to one modern building. Due to the excellent layout of the new building, we have reduced the area we occupy by 60%. This, in turn, has reduced the energy intensity of our operations in Brno by 53%. We estimate that this change will save 1490 tons of CO<sub>2</sub> in 2022. We want to continue optimising the use of our office space. In 2022, we will be introducing sensory measurement of building occupancy to identify the potential for further optimisation.

## Vehicle Fleet

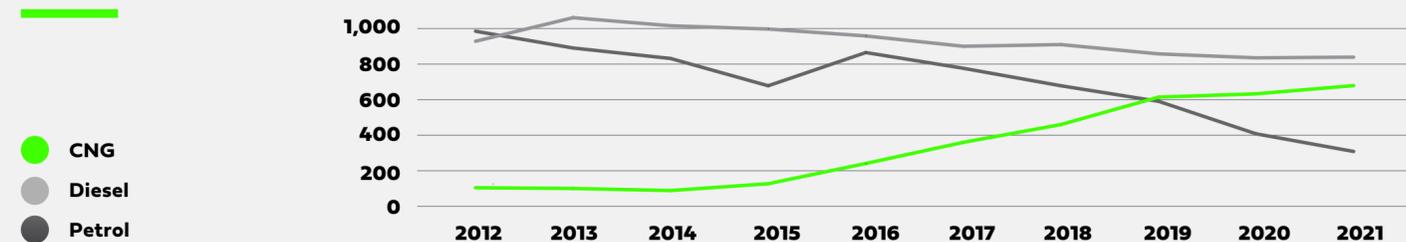
The GasNet Group owns a large vehicle fleet. Of our total of fleet of 1665 active vehicles, most are technical and related mechanisation vehicles. We use them mainly for inspecting our distribution network. The remaining vehicles (approximately 500) are managerial and service vehicles. The fuel consumed by our vehicles – diesel, petrol and compressed natural gas (CNG) - is a source of emissions. As the largest Czech distributor of natural gas, we try use our position to promote the use of gas in transport. That is why a large part of our fleet runs on CNG. We want to continue this trend in the future.

In 2021, we reduced our fleet by 31 vehicles. We added 12 CNG powered cars and removed 49 diesel and petrol powered vehicles. This trend was also reflected in our fuel consumption. There was a slight increase in our CNG consumption, and a significant fall in petrol consumption. Last year, we purchased bio-CNG certificates of origin from a Danish provider. Doing this means that 100% of our CNG consumption is matched with biomethane sourcing and therefore has a much lower carbon footprint. For 2022, we have already secured bio-CNG certificates from our largest Czech supplier. As a result we are already able to match 55% of our consumption with biomethane.

At the end of 2021, we approved a new fleet development strategy. The purpose of the strategy is to support lower emissions through the more efficient use of our vehicles. We will continue to support CNG for our technical vehicles. CNG produces lower emissions than diesel or petrol. In the context of changes in the manufacturers' offerings we will order some electric-powered technical vehicles in 2022 to test them in operation and prepare for the future. We are also closely monitoring the development of the market for hydrogen fuelled vehicles in the Czech Republic. As soon as hydrogen-powered technical vehicles become available in the Czech Republic, we would like to be among the first to test them.

We would like to reduce the number of company cars. As a result, we are introducing company car sharing in 2022. Pilot projects will start in May 2022, in Hradec Králové and Ústí nad Labem, where we will share a total of 12 vehicles. After evaluating the results of these pilots, we plan to introduce carsharing in seven locations. We expect to reduce the number of vehicles in these locations by at least 50%, - a total of up to 30 cars.

Fuel consumption (m³)



## Air Pollution

**We use gas boilers and cogeneration units at our regulation stations. Some of our facilities are legally subject to emission limits. As a result we need to regularly monitor and report the amount of nitrogen oxides (NO<sub>x</sub>) and carbon monoxide (CO) we emit. We strive to minimise our impact on air quality by gradually reducing our emissions and the substances we discharge. We will achieve this by optimising our gas boilers.**

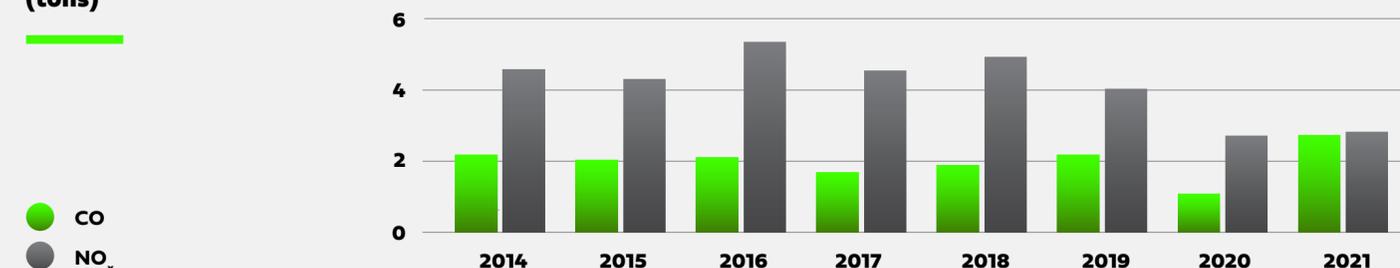
At GasNet, we currently operate a total of 2,640 gas preheating stations. Of these, 1,600 use natural gas boilers for preheating, and as a result they emit pollutants into the air. Last year, we were required to measure and report the amount of NO<sub>x</sub> and CO pollutants emitted from 24 sources (the other sources included were not operating).

Compared to 2020, we saw an increase in both NO<sub>x</sub> and CO emissions. These increases were attributed mainly to the expansion of the operation of our cogeneration units in Velké Němčice and Brno – Turgeněvova which in turn led to a significant increase in gas consumption. Cogeneration units are the largest

emitter of pollutants, accounting for about 75% of all our CO and NO<sub>x</sub> emissions. An increase in the volume of gas we distributed and a consequent increase in preheating energy consumption was another significant factor

Although the launch of the new cogeneration units has increased the amount of CO and NO<sub>x</sub> we emit, we are reducing the overall amount in the entire energy sector of the Czech Republic. We still comply with all emission limits and we will continue to work on reducing our emission of pollutants by taking steps such as the ongoing modernisation of our gas boilers.

**CO and NO<sub>x</sub> emissions (tons)**



# Waste Management

**At GasNet, we produce waste that falls into two legal categories; hazardous and non-hazardous waste. Hazardous waste is created exclusively from activities related to the operation of GasNet Services. It includes barrels used for odorants, natural gas condensate, asphalt insulation, and other things. The non-hazardous category includes waste generated especially in our buildings as a result of administrative activities. This includes paper, plastic, mixed municipal waste, and to a lesser extent, biodegradable waste and glass.**

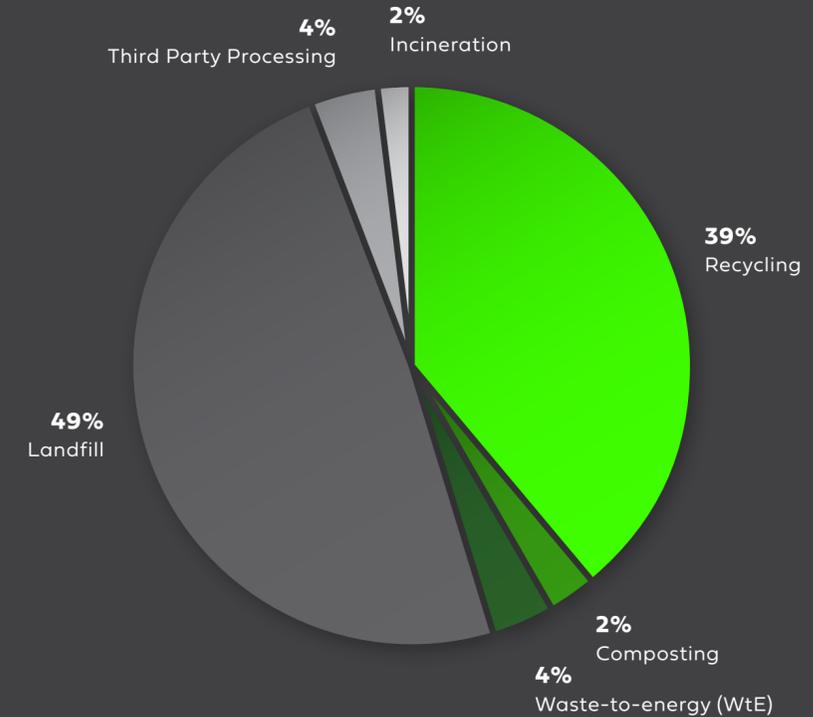
In 2021, we produced 20% more hazardous and 30% more non-hazardous waste. In the case of the hazardous waste, the increase was caused mainly by the fact that we distributed more natural gas than in the previous year. This in turn created the need to add more odorant to the gas and logically therefore, an increase in hazardous waste. We are also gradually phasing out old, local odourisation stations in Northern Moravia which also contribute to our hazardous waste. The non-hazardous waste increased due to the fact that in mid-2020 we took over ownership of 25 new sites whose total annual waste output was only included in the waste data for first time in 2021.

We carried out a survey on the topic of waste using our digital robot, Arnold. We surveyed 2130 employees over 90% of whom said they had sufficient knowledge to sort waste and that they sorted waste at work. We have also received numerous ideas and suggestions for improvement in this area. Many of these were focused on adding waste sorting containers at specific locations. Other suggestions included sorting other

types of waste and reducing printing. One example of the output of this exercise is the fact that we have now started to monitor printing and are focused on reducing the need to print. Our printers are now set to print double-sided and black and white by default. We have also significantly reduced the use of personal printers and introduced electronic signatures.

In 2021, we eliminated waste by using a digital waste marketplace. We handed over unneeded materials and equipment to people who were interested in continuing to use them for their original purposes. We are gradually introducing the sorting of the biodegradable plant waste that we create in our office buildings. Doing this not only meets our legal obligations, but the use of the resulting compost means that we also contribute to biodiversity and improving soil quality. In 2022, we plan to place composters at selected locations with the goal of not just reducing our waste production, but also saving costs and reducing the emissions associated with conventional rubbish collection.

## Waste Processing



## Proportion of Hazardous Waste



## Biodiversity and Communities

To build interest, we have created activity programs. These are programs designed to both reduce and compensate for the negative impacts of our CO<sub>2</sub> emissions. They are also aimed at creating a positive impact on the environment, on society, and on our communities. Working with our Human Resources Department, we are also creating a development and educational program. This will be focused on improving the culture of environmental sustainability throughout our company.

In 2021, we decided to start systematically managing biodiversity, especially through voluntary activities. For this reason, we created a new strategic framework that focuses on five areas of biodiversity. With our employees' help and the involvement of external partners and stakeholders, we organise activities and measure our impact.

In 2021, we organised our first voluntary events. These focused mainly on introducing colleagues to the essence of our environment and possible ways of taking care of it. Together with our partners, we organised five volunteer events and team building sessions and provided the funds for a project to restore the flora in six different regions of the Czech Republic. As part of our activities we took care of the environment in both protected and built-up areas. A total of 130 employees participated. Together they achieved the following positive impacts:

- We planted 800 forest trees
- We built six insect hotels
- We planted 52 mature trees in built up areas
- We eradicated 1 ha of non-native plants that were disrupting biodiversity

In the period ahead we will build new partnerships in other regions so that we can support nature in all the places GasNet operates. We want to increase the number of events to 13. We will improve our system for monitoring and evaluating the environmental impact of these events so that we can quantify, for example, the CO<sub>2</sub> emissions we have offset. In particular, we will focus on increasing the engagement and involvement of as many of our colleagues as possible in activities (both physical and educational) in order to build awareness of the need to care for our immediate surroundings.

### Strategic topics supporting biodiversity

- |                      |             |
|----------------------|-------------|
| 1 FLORA              | 3 FAUNA     |
| 2 <sup>a</sup> SOIL  | 4 LANDSCAPE |
| 2 <sup>b</sup> WATER |             |



# 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 move the Czech energy sector towards higher efficiency and sustainability.

9 INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



**SDG 9: Build Resilient Infrastructure, Promote Inclusive and Sustainable Industrialisation, and Foster Innovation**

12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



**SDG 12: Ensure Sustainable Consumption and Production Patterns**

13 CLIMATE  
ACTION



**SDG 13: Take Urgent Action to Combat Climate Change and its Impacts**

SUSTAINABLE  
DEVELOPMENT  
GOALS

## Our contribution to the selected Sustainable Development Goals

We implement modern technologies that help us reduce negative environmental impacts. We are systematically renewing and modernising our distribution network thereby reducing gas leakages 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.



Part

#2.3

**We Care About Our People and  
the Communities Around Us**

# Employee and Community Development

Together with preparing for the energy challenges of the future and for the **distribution of new gases**, we are working to create a **corporate culture** that is flexible, open to the world and inclusive. We also apply these values to our corporate development. We educate in accordance with our **ESG strategy** and **in the spirit of our corporate values: safety, reliability, and respect.**

Our gas workers can participate in most development events **from their mobile phones via Microsoft Teams.** The pandemic taught us to deliver a number of legislative trainings online – something that was previously unthinkable.

**Preventative health** and defensive driving courses are very popular in GasNet. As a result of successive waves of the pandemic and the tornado in Moravia, we also focused on **mental health.**

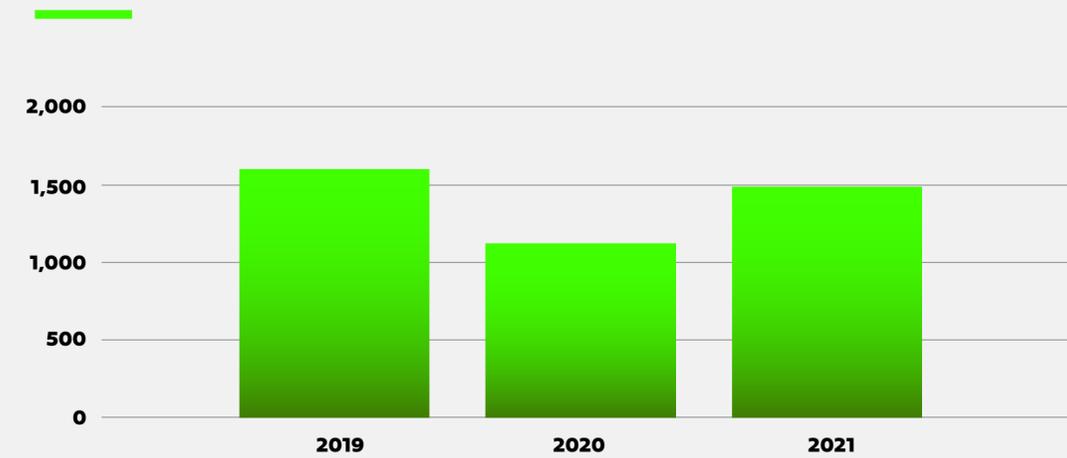
Management training focused primarily on three areas: **healthy leadership, performance management,** and **succession planning**

The total number of training sessions **approached pre-pandemic levels.** Interest in **individual development** also increased. This has increased the number of requests for psychodiagnostics on the basis of which we can draw up individual training plans to develop **talents, successors, and entire teams.** We use the proven Hogan personality questionnaires.

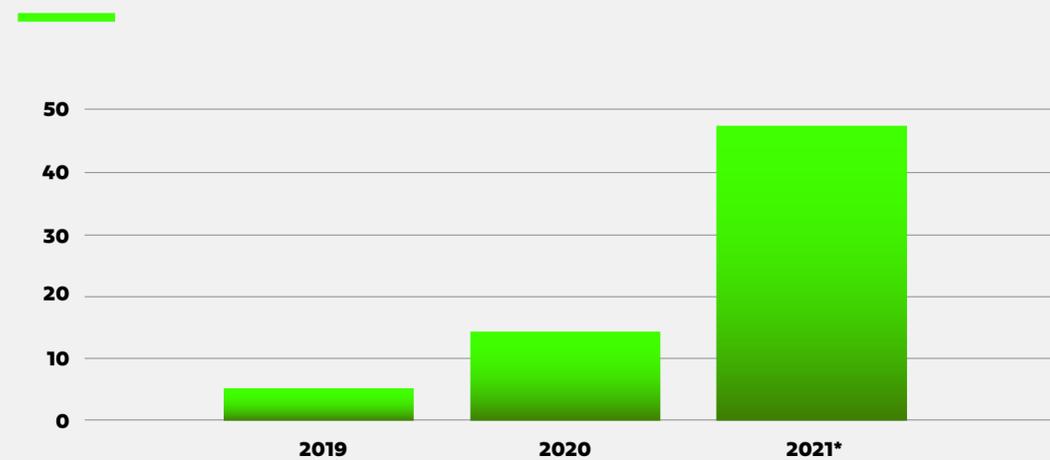


OUR TRAINING IS CONSISTENT WITH OUR ESG STRATEGY AND THE SPIRIT OF OUR CORPORATE VALUES: **SAFETY, RELIABILITY AND RESPECT.**

Increase in training events



Growth of interest in personality psychodiagnostics



\*influenced by managers' objective – to educate their successors

## Safety, Healthy Employees, Healthy Society

### Health and Safety? For us they go Hand-in-Hand

A health and safety culture only works with managers whose own behaviour does not threaten safety. Since October 2020, every manager has been required to attend our mandatory **Healthy Leadership** training. This teaches them how to talk to people about their health and how to give motivational feedback on safety-threatening behaviour. We delivered this training to all 271 managers at a total of **33 webinars** between October 2020 and December 2021.

Our staff appreciated regular webinars on the prevention of the diseases of affluence, building immunity, and promoting mental health. In the area of health we work closely with medics from the

**Loono** organisation and psychology students from the **Nevypust' duši** (Don't Drain your Soul) organisation. We also covered topics related to hardening and healthy nutrition. In 2021, our educational offer included a total of **16 webinars** on health. Around **30 people** always attended each webinar. We often extend participation to our employees' families and non-profit organisations.

Our annual **Health Days**, which we organised in our work locations in 2021, were popular among employees. They could have their blood pressure and eyesight tested and their moles examined. They learned from physiotherapists how to take care of their bodies and attended health informational lectures. The events took place in **seven** regions of the Czech Republic, and were actively attended by **200** employees.

## Safety Behind the Wheel

As they work to maintain our gas distribution system our employees drive over **20 million kilometres** a year. We have a total of 2,189 drivers in GasNet. We want every one of them to have completed a defensive driving course by 2023. In the period from 2019 to the end of 2021, we trained **38%** of them.

In cooperation with the **Start Driving** project we are further improving safety on Czech roads. This project provides free training to novice drivers, teaching them to drive more safely and with respect. In effect, it is a “university for drivers” that involves entire families in improving driving skills through courses at top driver training tracks throughout the Czech Republic. A trained parent becomes a mentor to his or her newly licensed child.

On Czech roads, young drivers are a higher risk group. **Drivers under the age of 24 are two and half times more likely to cause an accident** than the Czech average. With the Start Driving project, we want to systematically change this situation and generate a positive safety trend for the future of Czech drivers.

In 2021, we trained **2,554 young novice drivers** aged between 18 and 24 as part of the Smart Driving project. We also trained **237** of their parents and **293** driving schoolteachers and examiners. A total of **3,084 people** completed the courses this year (three times more than last year).

In 2021, we also involved our employees in this project. They attended the training with their family members in nine cities in the Czech Republic.

# 2,554

**YOUNG NOVICE DRIVERS WERE TRAINED IN 2021 AS PART OF THE START DRIVING PROJECT.**



## Safety at the Keyboard

We are digitalising the gas industry. For that reason, cybersecurity education is part of our ESG agenda. With our Digital Ambassadors, we are implementing online educational and communication campaigns focused on safe behaviour in the virtual world.

Digital Ambassador David Šimko presented **three** webinars on **Digital Safety**. He also published at least one popular-educational article every month on safe behaviour on the internet. His articles covered such topics as reporting suspicious emails, cyber-attacks, and encryption.

We also offer webinars outside of GasNet. For example, David regularly teaches and mentors as part of online cyber security courses at Czechitas.

## Safety in the Field

During the year, in cooperation with the management of the Special Works Department, we prepared an **educational program** with the main objective **of improving safety during repairs of gas equipment and during other interventions involving our network**. This program is based on **eight competencies of safe event management** which we developed from workshops with our colleagues who have the most experience in this field, and also with the help of experienced external lecturers who have rich experience in training the leading platoons of the Fire Rescue Service of the Czech Republic. We verified these competencies in a pilot training project involving **17 event leaders**.



## Firefighters and Gas Workers – Helping Each Other

In 2021, GasNet became the general partner of the Volunteer Firefighters of the Year Award for the eleventh time. This recognises the work of 360,000 volunteer firefighters from all over the Czech Republic. The award is a **well-deserved thank you from the GasNet Group to the firefighters for their cooperation, professionalism, and preventive activities**. In 2021, we recognised the 50 best fire brigades for their work saving lives, dealing with traffic accidents and fires, and for helping with the COVID-19 pandemic.



## For Us, Reliability is Synonymous with Trust and Professionalism

Every year we satisfy 20,000 employee qualification requirements. Training is the foundation of our expertise, which in turn is the basis of our guarantee of a reliable glass supply.

The gas industry is a field in which both regular education and the extension of qualifications are set by the law. This involves the management of 300 types of professional legislative qualifications. For employees in the operations area these include for example, qualifications on the assembly and inspection of gas equipment and welding. In specific numbers, this means that we satisfy around 20,000 qualification requirements every year. In 2021 the number was exactly 20,419.

The requirement for these qualifications is also a frequent entry barrier when we are trying to fill field positions. That is why, if a job applicant lacks the necessary qualifications, we take care of the training. This gives us a significant competitive advantage. Last year, we helped to obtain 868 qualifications for 97 newcomers.

### Key Areas in Management Development: Performance Management and Succession planning

In the life of every company, managers are a key part of delivering reliability. This is the reason we pay such close attention to management development. In 2021, we focused mainly on two areas which were reinforced with KPIs across the entire company:

- a new approach in the performance management process;
- a newly introduced succession program.

We switched to a new performance management model with the support of the SAP SuccessFactors system. Our goals are fairer remuneration and increased employee motivation. We managed to train the entire management team in performance management via 44 webinars.

In 2021, the main objective of our succession planning program was to identify successors for a total of 50 level B-1 managers. We developed the entire program over the summer in several online networking workshops together with selected managers. In September 2021, we implemented the program company-wide. By the end of the year, 80% of managers had identified a total of 42 successors. GasNet will now gradually prepare these people so that they are ready to take over a managerial role.

# 20,419

QUALIFICATION REQUESTS WERE PROCESSED IN 2021, OF WHICH 868 FOR NEW EMPLOYEES

# 80%

OF MANAGERS HAVE A SUCCESSOR

## Respect as an Expression of Regard and Humanity

**We care about how we treat each other, our surroundings, and the environment. We respect the energy we distribute.**

### Digital Ambassadors as an Example of an Inclusive Community

At GasNet, respect is interwoven with diversity and inclusion. These values are clearly reflected in our **Digital Ambassadors** development program which not only supports the digitalisation of the company, but also connects regions, supports intergenerational dialogue, development, and teamwork. Since 2020, our Digital Ambassadors have been making sure that - without exception - we all understand technology.

The team consists of **11 women** and **19 men** from **seven regions** of the Czech Republic. They come from different age groups, from the field and from offices. Some are managers, while others are specialists. As a result, all of our employees are able to contact an ambassador they know well and ask any question from the digital area. Training can then be more individualised, more tailor-made, and can take into account the level of knowledge and time needs of a particular team. Every month, the team also offers around **five more standardised group training sessions**.

The team continues to operate on a volunteer basis without any financial reward. Instead, their motivation is primarily self-development, career growth, and the opportunity to be involved in attractive corporate projects.

**More than 500** employees have already received digital training from our ambassadors.

#### What do our Digital Ambassadors say about themselves?

**“We are colleagues from different GasNet teams, and we are a bunch of digital enthusiasts. We want to pass on our energy and digital skills to the whole company. We are here for anyone who needs help with the various applications on their computer and mobile, from basic functions to advanced. Why? Because we enjoy moving things forward. We enjoy cooperation, dialogue and self-development.”**



## We Respect Individual Development Needs

When we recruit new employees and develop our talents and successors, we are increasingly using personality diagnostics. We work with the proven **Hogan personality inventory questionnaire**, which helps us understand the key personality characteristics of the person being evaluated.

The results help us prepare development activities in a more targeted way and help us select the most suitable candidate from the point of view of our corporate values and team composition. Last year, we evaluated 47 colleagues in this way each of whom received individual development feedback with consultation about specific educational activities.

We also provide all our employees with the opportunity to use **internal coaching and mentoring**. Any employee can turn to a coach or mentor for self-development based on their individual professional needs. During 2021, we provided **26 hours** of coaching and **15 mentoring sessions**.

## Sustainability as Part of the DNA of GasNet

We dedicated our centrally organised management meeting to the themes of **respect and sustainability**. In 2021, the meeting was held in Vysočina, and symbolically timed to coincide with **European Sustainable Development Week**. Our goal was to explain the principles of our corporate strategy to our management. We clarified how the theme of sustainability is an important part of that strategy and essential to the future of the GasNet Group. We explored aspects of sustainable management using games that emphasised current changes in energy and the environment. We put special emphasis on the **theme of biodiversity**. We then introduced these attributes of the corporate strategy **to all employees** at company-wide online meetings and workshops.



## Green GasNet: Awareness and Volunteering, or Helping Locally

For us, it is important to help the places in which we operate. The **Biodiversity and Communities** Group of the **Green GasNet** project prepared educational and awareness-raising activities that support volunteering in the field of environmental protection and build respect for nature. These are divided into three levels:

- 1. Education and awareness-raising in a theoretical form:** We offer online training (e-learning) focused on environmental care.
- 2. Volunteer help in the places we operate:** We work with authorities and organisations that focus on environmental protection.
- 3. Teambuilding with an environmental-social theme:** This complements the previous two levels with team connection.

In our volunteer activities, we strive to build long-term partnerships with local organisations. We want to be a good neighbour. We were the first company to establish volunteer cooperation with the City District of Prague 9, which is located near our Prague office. We helped with the renovation of a local park and greenery. We followed a similar approach during team activities for the Culture Team and Digital Ambassadors. As part of an off-site meeting, we picked up the rubbish in the local area.

We held webinars on biowaste management and composting with KOKOZA, a company that supports communities and individuals in composting and creating community gardens.

In the Pálava Protected Landscape Area volunteers from GasNet took part in a program to remove invasive plants, which is crucial for the preservation of local biodiversity. We organised the event in cooperation with the Czech Union for Nature Conservation. In the Beskydy Mountains we planted young forest trees and our Strategic Asset Management team helped to plant a new alley of trees along a road in the north of Bohemia.

In the Vysočina region we organised an activity for our top management which aimed to build understanding of the importance of supporting biodiversity for sustainability. In the practical teambuilding part our team produced six insect hotels, which will be located in our branches.





## In 2022, our Development Activities will Build the Future of Sustainable Energy

Next year, we want to build our development and education on the principles of our ESG strategy and in the spirit of our three corporate values: **safety, reliability, and respect**. Our development activities will include:

Education about preparation for the distribution of new gases (the **Future of Gas**) - which are in high demand from managers (69 requests in 2021) and also education about ESG initiatives. These activities will be delivered via our online training platform and we will host at least one webinar on these topics each quarter;

Mentoring and development activities with firefighters aimed at mutual inspiration and improving work quality. **#PomáhámeSpolečně (We help together)**

Individual development of a team of **42 successors** who will systematically prepare to take over managerial roles. This individual development is linked to the goals of managers at the B-1 level.

Preventative Health, which we will significantly expand to include topics related to cardiovascular diseases. We will therefore support the **»Žiješ srdcem« (Your Heart for Life)** campaign. We will also systematically strengthen mental health prevention. We also plan to organise **Health Days** in six locations throughout the country.

Cybersecurity, where we will also focus on educating family members of our employees.

# Support for Schools and Education

**At GasNet, we believe that education is the key to fulfilling our strategic goal: to be a pillar of modern and green energy. The transition to a sustainable European energy sector requires the support of young people, students, teachers, technicians, apprentices, and university courses. How can we change the future of the gas industry together?**

## The Future of Energy – with Students

For a long time, we have had a close relationship with four vocational secondary schools. Each year around **30 students graduate** as **Gas Equipment Fitters**, and every year we employ at least two of these fresh graduates. Former graduates of these schools with experience from other companies also regularly join us at GasNet.

We prepare students for their future work roles through **internships**. Last year there were four interns. We offer the schools excursions; we demonstrate the practical aspects of gas industry and present its future directly at schools at our Days with GasNet which we regularly organise.

The future of the gas industry is closely linked to new technologies. This is why GasNet supported the purchase of a **collaborative robot** for the vocational

secondary school in Šumperk. The robot can weld, assemble, and transport objects.

We are partners of the **Enersol** high school competition in which students work on projects supporting innovation and sustainability in the energy sector. Students at our partner vocational secondary school in Pardubice are also involved in this project in which their work includes the use of **hydrogen**.

We are partners of the **Energy Olympiad**. This competition should promote the interest of secondary school students from all over the Czech Republic in studying in fields related to modern energy. Our colleagues from GasNet act as mentors and are also members of the jury that selects the best teams. In 2021, around **3,000** secondary school students participated in the Energy Olympiad.

## We Teach Teachers How to Teach in a More Modern Way

With the **Elixir for Schools** project we train teachers in the latest IT and physics teaching techniques. In 2021, we helped open two new digital teacher education centres. These centres made a significant contribution to digital online learning at a time when schools were closed due to COVID-19 and teachers suddenly had to find new ways to teach and to communicate with pupils.

## With the DofE we Support the Development of Young People – Regardless of their Social Background

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

In 2021, together with DofE, we focused on restarting young people's activities after the winter pandemic waves. We brought meaningful activities back to them, and sent them on nature expeditions.

80 DofE participants were part of a challenge on social networks: #GasNetChallenge: Record an expedition, show respect. The main purpose of the challenge was to portray respect as a key value for sustainability.

10 of our employees were actively involved in mentoring DofE participants. All mentors are regularly trained to provide professional support to the participants.

In 2021, on the occasion of the 100th anniversary of the birth of Prince Philip, the DofE launched the #dofe100 challenge. Each participant set an activity which involved reaching the number of 100. We removed 100 mixed waste bins from our Prague offices for better waste sorting. Some employees participated in the '100 challenge' in their own way: For example, GasNet CSO Erika Vorlová cycled 100 km in a month. For each completed challenge DofE also received a financial contribution, both from the entire company and from individuals.

In the autumn DofE Social Fund challenge, thanks to the support of GasNet and contributions from the #dofe100 campaign, we distributed a total of CZK 549,140 to DofE participants to support their activities.

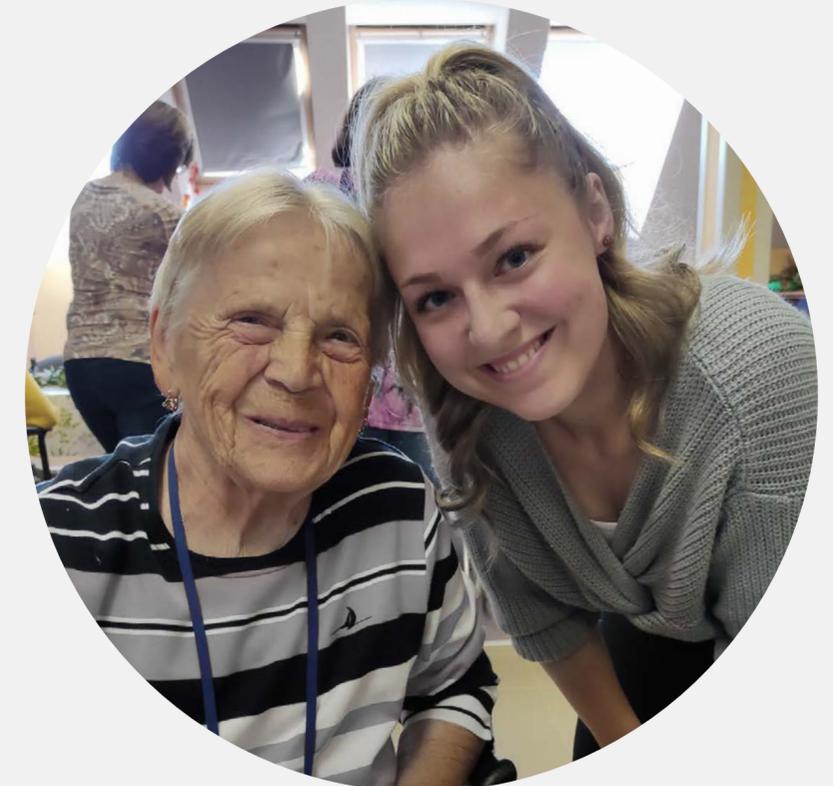


**GasNet and DofE share similar values, especially respect. "Respect is a strong value that we share with the DofE. That is why GasNet is a partner of the DofE Fund, which allows young people to develop themselves irrespective of their social background. DofE is about challenges and GasNet is also systematically working to meet a European challenge: the transformation of the energy sector based on the principles of sustainability,"**

**Erika Vorlová,**  
Chief Services Officer

## We Educate and Support Seniors

Helping seniors is a long-standing tradition for us, especially in cooperation with the St. Anthony Home. We organised a creative Christmas workshop and supported the facility by purchasing communication equipment for clients and staff. Unfortunately, the pandemic in 2021 significantly disrupted the opportunity for us to provide in-person help to the St. Anthony Home and so we were all the more happy to make it easier for clients of the home to contact their loved ones online.



## Education and Development in 2022

In addition to supporting existing activities, we are also planning the following for 2022:

**Vocational secondary schools:** We want to open a joint dialogue with schools and the public with the goal of maintaining and modernising the gas industry to meet the new challenges of the European energy sector. At the same time, we will offer individual internships in GasNet to at least four students who are studying to become Gas Equipment Mechanics.

**Secondary schools:** We want to get involved in the Technology Literacy project. This is a competition under the auspices of the Ministry of Education, Youth and Sports, the Ministry of Trade and Industry and the Czech Technical University. We will introduce secondary school students to the direction of travel of technological development and explore what the next steps might be. We will act as professional guarantors and - in the role of jury - we will evaluate the final works. The aim of this project is to increase interest in the study of technical fields.

**Universities:** Next year, we want to start a trainee program. The aim of this program will be to ready the next generation as we prepare for the distribution of new gases. This program will include a minimum of five students from the disciplines that are needed for our preparation for the distribution of new gases.

**Teachers:** Together with Elixir for Schools, we want to support the international development of teachers within the European Science on Stage project. As part of this, we will organise an educational event for teachers on the topic of sustainability in the energy sector.

**DofE:** In honour of the 100th anniversary of the birth of Prince Philip, we want to plant an alley of 100 linden trees with the DofE. We want to recognise our volunteers, support the DofE Fund, and once again, implement the #GasNetChallenge.



# Diversity, Equality, and Inclusion

We believe that **diversity, equality, and inclusion** are essential elements of a successful, humane culture. That is why they are part of our ESG strategy and a key aspect of **respect**. Together with safety and reliability, respect is a core corporate value. Together with non-profit organisations, we strive to make respect a natural state outside of GasNet.

We have developed our own strategy for diversity and inclusion. It is based on five pillars: **gender equality, intergenerational dialogue, Work-Life Balance, LGBT, and our own diversity**, which we perceive as diversity within our company. Each of the pillars has its own goals. Performance is evaluated by the management board and our owners.

Thanks to our clear strategy for diversity and inclusion, we were able to improve our rating in the **GRESB** international comparison questionnaire. In the “people” category, we achieved the maximum possible points, an **improvement of 69.5 points** over our 2020 rating.

Our strategic partner for diversity is **Byznys pro společnost (Business for Society)**, where we are one of the signatories of the **European Diversity Charter**. We also support respect for differences with our other partners: Czechitas, Prague Pride and Business & Professional Women CR.

The **Arnold** chatbot and the **Culture Team** help us work with diversity.



## We Break Down Stereotypes, We Improve Diversity

Our **gender equality** strategy commits us to fairness in terms of compensation and job opportunities. With the help of quarterly reports presented to our Management Board, we make sure that gaps do not open between the remuneration of our male and female colleagues. We have a similar commitment in the area of recruitment. We require the short list of candidates for key positions to include at least one woman.

We also support gender equality outside GasNet. We partner with organisations that promote fairness and the role of women in employment. We provide financial support to organisations for women's education. Our employees are also voluntarily involved in this education as trainers and mentors. In this way, we provide comprehensive support to **Czechitas** and **Business & Professional Women CR**.

Czechitas, which strengthens the position of women in IT, report that 90% of IT employees in the Czech Republic are male. Eurostat reports that the European average for the percentage of men in IT is 82%.

**In the Czech Republic, the average female share of IT roles is around 10%. At GasNet 15% of our IT team members are female.**

In 2021, GasNet supported the retraining of a total of **70 participants** in the Czechitas Digital Academy. **20%** of capacity is always reserved for women who are **on maternity leave or in a difficult life situation**. Most graduates find employment in IT or technical support.

### Katka: I'm proud I didn't give up

We are proud of the personal story of Czechitas participant Katka. When she attended the Digital Academy, she was in a difficult life situation and GasNet provided her with a scholarship:

"After a year in the hospital, I started from nothing. I was wondering how I could get my life back to normal... The Czechitas Digital Academy seemed to me to be a good way to prepare for a new stage of life." Katka describes the moment when her life story intersected with GasNet's. Katka eventually completed her Academy studies with great results: "I'm proud that I didn't give up because it was really challenging. It was amazing to see how we created functional IT projects from scratch. It gave us confidence."

We also help support women's professional development and their economic independence through partnership with associations such as **Business & Professional Women**, part of the **BPW International network**, which operates in more than 100 countries around the world. Our experienced female managers pass on their experience to other women in areas such as how to cope with a life full of change, or how to find their own career path.



## Intergenerational Dialogue, LGBT, and Work-Life Balance

Our succession and shadowing programmes link to intergenerational dialogue. It is also a part of a number of areas of our internal development: our Digital Ambassadors program, the Start Driving project, Loono, and the Nevypust duši (Don't Drain your Soul) program. We involve not only employees from all regions in the activities, but also their families, including children.

We know how difficult it can sometimes be to combine work with caring for a family. That is why, in the area of **Work-Life Balance**, we focus on supporting employees with underage children and also on those who are just getting ready for parenthood. We offer them a number of benefits and guarantees. It goes without saying that shortened working hours, flexibility at work, and inclusion after returning from parental leave are a matter of course at GasNet.

In the area of **LGBT support**, we offer a safe environment where every professional is welcome. Together with **Prague Pride** we are a partner of the LGBT counselling centre. We also participate with our employees in the annual Fun&Run charity run against homophobia.

## In 2022 We Will Continue to Strengthen Diversity and Inclusion

Together with **Business for Society** and in association with the **Ministry of Labour and Social Affairs**, we are opening up society-wide topics with the aim of improving labour law conditions for various groups of employees and motivating employers to be more willing to meet their individual needs. We are planning a number of joint activities for next year: for example, we will be partners of the **Mothers and Fathers Welcome** conference. This is intended to open a dialogue between the public and private sectors regarding the support of employee parents. Together with other signatories of the Diversity Charter, we will participate in a project called **Diversity Master Class**. The aim of this project is to create a catalogue containing a shared description of the best activities and initiatives of various employers in the areas of diversity and inclusion. We will focus on working with internal diversity within our company, where we are planning more educational events for families with children (e.g. Family Day with Czechitas, which will take place in Ostrava in April 2022). Respect for diversity will also be reflected in our Code of Ethics.



# Digital Dialog with Arnold

**We have an unusual partner in GasNet. He helps us with company culture, internal communications and surveys. Meet him: his name is Arnold and he's a robot.**

At GasNet, the Arnold chatbot has been regularly collecting insights and opinions from employees since 2020. He also opened discussions on current company topics with employees in 2021. For example on the topics of **satisfaction, safety culture, and corporate strategy**. He also surveyed interest in **training** and collected suggestions for the development of **behavioural principles** according to our three corporate values.

In 2021, we conducted a total of **19 surveys** with Arnold.



## Arnold as a Partner in the Field

It is easy to complete surveys via mobile phone. For our **850 field workers**, this is a quick way to give feedback. In addition, using Arnold, management can quickly pass on important information to the field.

## We Work with the Results – We Improve GasNet

We carefully tailor the questions Arnold asks, often in cooperation with company management and our Culture Team. Participation in the surveys is **anonymous and voluntary**. At the end of the survey, each leader receives a clear report with the team's results and can respond to them immediately. We publish the company-wide results on the intranet and regularly present them at management meetings.

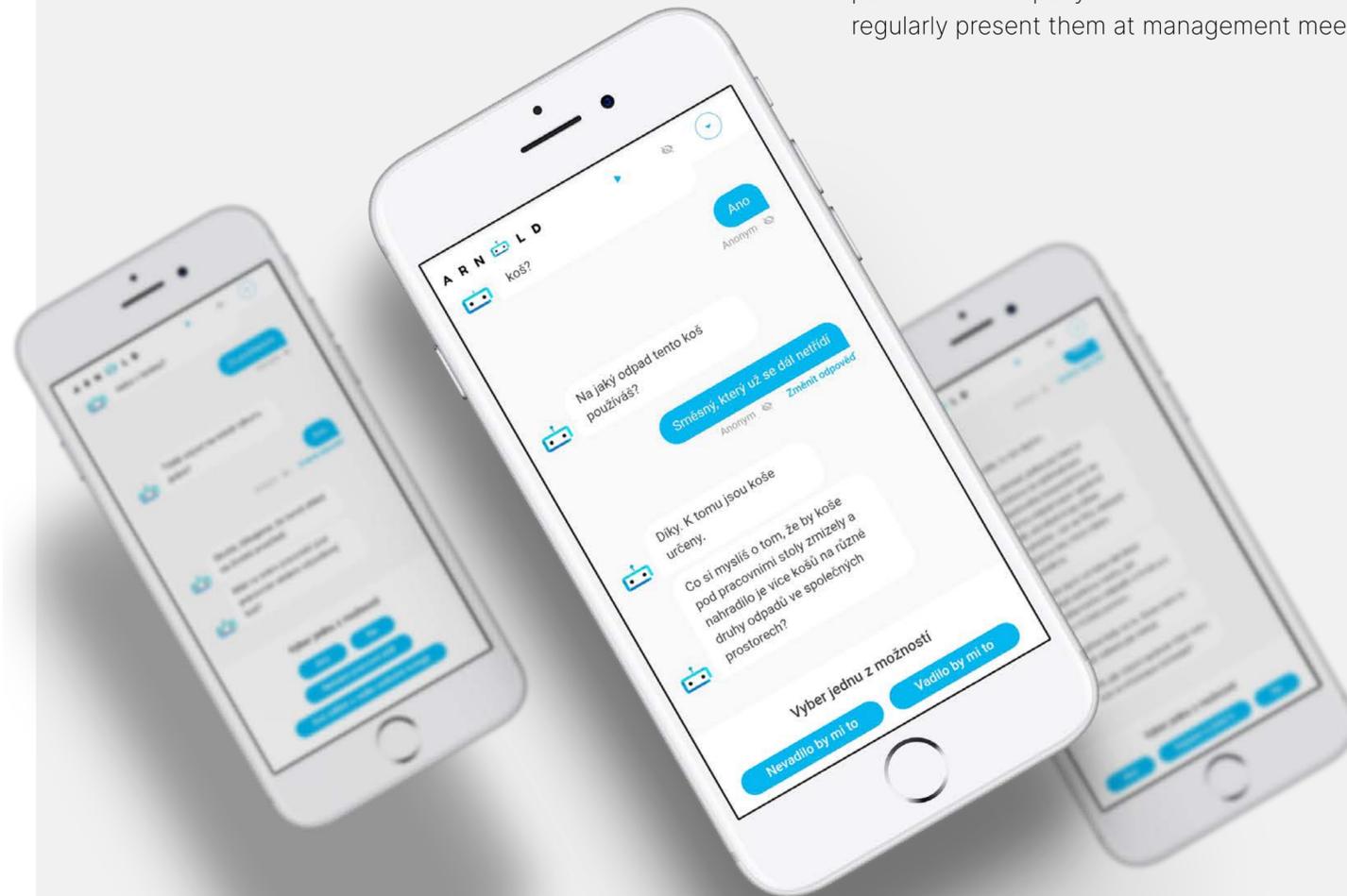
## Arnold Helps with Strategy, Satisfaction and Training

A **satisfaction survey** in January told us that the majority of employees (88%) were satisfied throughout 2020. Employees gave positive evaluations especially of: **relationships in the workplace, their job descriptions, work environment, and management**. The reasons for dissatisfaction were mainly the result of **changes in** our company and the **COVID-19 pandemic**. Based on the survey, management responded to the needs of employees.

In February and June, Arnold asked our employees what they liked about our company. We received about **1800** responses from which nine behavioural principles according to our three corporate values were created as part of the development of our corporate culture.

In another survey, we investigated how well our employees knew our **company strategy**. We found out that in the field and operations, the level of understanding was 76%. As a result, we strengthened internal communication, and over three months increased understanding to **80%**.

Arnold also asked managers what skills they needed to develop in themselves, their successors, and their teams. We used the results in our offer of **training activities**.



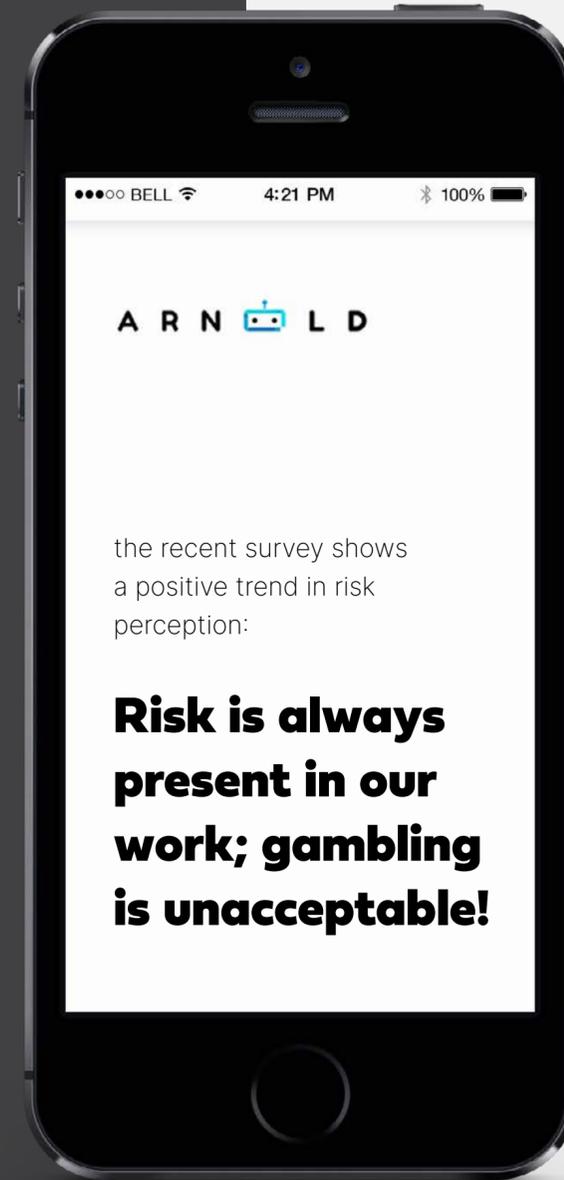
## Arnold as a Safety Partner

Because of the long duration of the COVID-19 pandemic, Arnold repeatedly asked whether communication in the context of **COVID-19 was understandable and sufficient**. He also informed staff about measures related to the pandemic; helped us verify if there had been an improvement in the supply **of protective equipment**; and provided information about **vaccination** against COVID-19 in order to raise awareness in this area. Based on the results we created a separate COVID-19 section on the intranet where we provide information about current pandemic measures, common instructions, etc.

Other conversations about security included:

- The planned implementation of a new **Safety Management System based on the ISO 45001 standard**, in particular with the goal of ensuring that communication to all employees is understandable;
- working with **OSH suggestions from employees** – especially how to work with the improved system, giving feedback to the people who made suggestions and keeping them informed about the progress of their suggestions.

Arnold conducted an abbreviated survey (a so-called Pulse Check) on the development **of corporate culture in the field of OSH** (the respondents were a randomly selected 10% of employees). The results mirror the output of our 2020 company-wide survey; the recent survey shows a positive trend in risk perception: Risk is always present in our work; gambling is unacceptable!



## Arnold is also a Partner for 2022

The chatbot Arnold has proven himself as a flexible tool for internal communication and analysis in GasNet and we want to use him to help shape our new corporate culture in 2022. Among other things, we plan to use him to survey employee satisfaction and to further strengthen safety and awareness of corporate values. In the first quarter, we will launch regular satisfaction surveys of our new employees to monitor their successful integration.

# We Take Full Responsibility for Our Values

Our corporate strategy is not only about what we do, but also how we do it. How do we implement our strategy? **Safely, reliably, and with respect.** These are our corporate values.

They are the result of the work of our **Culture Team**, which was established in 2020, and consists of 20 colleagues from the entire GasNet Group. The team acts as a communication link between the company's management and employees. Their goal was to implement values that correspond to who we are and how we want to act – both internally and externally

**“The values that were originally proposed; safety – reliability – professionalism were carefully reviewed by our ‘Culture Team’. All 20 culture ambassadors, who represent different parts of GasNet, discussed and explored the specific content of our values,” says Petr Pěčka, who leads the Culture Team, adding: “It turned out that professionalism lies behind - and is part of - both safety and reliability, and therefore we included the value of respect in its place. This better captures the human dimension of our corporate culture.”**

In carrying out this first strategic task the Culture Team also used employee input collected by our chatbot, Arnold.



## What Lies Ahead of Us in 2022?

For each value, we want to develop **three principles of behaviour** that explain how to implement that value in everyday life. Each of the values will be represented by one Ambassador – an employee who is the embodiment of the value for others. Ambassadors will help promote the values within the company. We will offer educational webinars on the topic of values, and focus on their manifestation in teams and managerial roles. In short, we want to strengthen our values, implement them in our lives and to highlight good examples.

In 2021, the values of safety, reliability and respect became the pillars of the implementation of our corporate strategy and of the development of a new corporate culture. In turbulent times, these essential principles give us clear guidance in everything we do - whether in relation to ourselves or to the outside world. This will continue to be the case in 2022.

**" I'm present at the birth of ideas that can influence my colleagues' thinking and engage them. I enjoy how diverse we are, coming from all areas of society. We each contribute our thoughts and ideas in an original way. We are open, we share the feelings and emotions that go through our heads. I just feel good in this team. "**

**Miluše Faiferová**

Member of the Culture Team from the Special Works Department

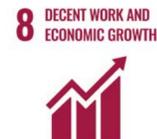


# UN Sustainable Development Goals

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 permanent, inclusive and sustainable economic growth, full and productive employment and dignified work for all.**



**SDG 10: Reducing inequality within and between countries**



## Our contribution to the selected Sustainable Development Goals

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 eliminating gender pay gaps. We build 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 respectful way.





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Part

#2.4

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

## We conduct business in a responsible and considerate way

Our long-standing ESG commitment says that we are a responsible company, that we place a strong emphasis on ethical management and that we do business in a considerate and sustainable manner. Ethics and transparency towards our employees and our surroundings have always been core values for GasNet. GasNet is part of the country's critical infrastructure, and as a distributor and regulated company we occupy a unique position in the energy market. Associated with this is the need to manage our business within the limits set by the Energy Regulatory Office and relevant legal regulations, especially the Energy Act. We also set ourselves our own rules in our Code of Conduct which is the main document setting out the basic principles of our activities within both business and societal contexts. Last but not least, the principles of responsible management are defined by a multi-level group management system. All this is formalised in our internal managed documentation, which provides us with **clear rules of the game. At GasNet, we always play by those rules.**

The long-term stability of our entire sector and its resilience to adverse market influences is an important prerequisite to successfully achieving the pre-set goals of ongoing European energy transition. A reliable distribution system operator, which ensures the continuous distribution of gas to its customers, is the sector's basic stabilising element. Long-term stability in connected customer numbers and the volume of distributed gas is clear proof that GasNet is a reliable distributor and enjoys the trust of customers and partners.

We want to be an important driver in the process of transitioning to carbon-neutral energy production. Therefore, we are concentrating our activities on securing the operational and legislative conditions for the distribution of emission-free gases, especially hydrogen and biomethane. These steps will ensure that the gas industry is an integral part of the energy mix in the forthcoming carbon-neutral future of the Czech Republic.



## GasNet Group Management

Core to effectively fulfilling our ESG commitments is the established, multi-level management system comprising the statutory bodies of Czech Grid Holding (CGH) and its subsidiaries, GasNet and GasNet Služby.

The CGH Board of Directors represents the interests of our shareholders, MAM, ACP, and BCI, and meets regularly with other shareholder representatives to discuss GasNet's strategic issues and results. The company's Articles of Association specify that the Board of Directors has seven members (including the position of Chairman) who are elected for a five-year term. It is headed by the Chairman of the Board of

Directors, who also performs the function of Executive Chairman of the GasNet Group. The Supervisory Board of CGH then supervises the exercise of the powers of the Board of Directors and the activities of CGH.

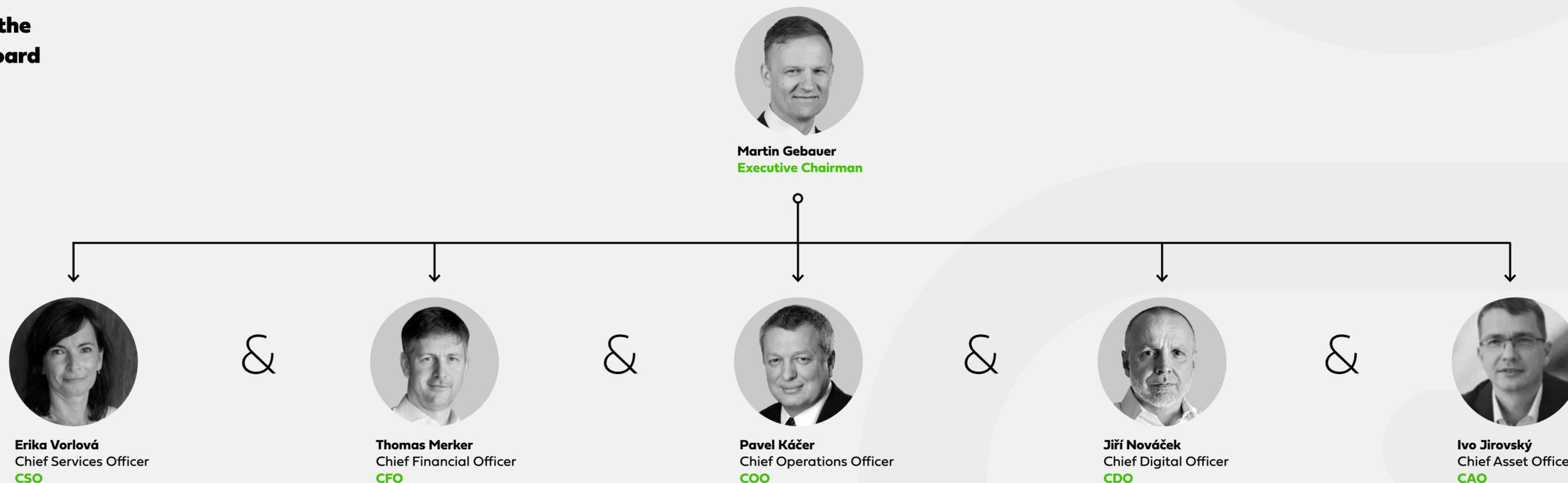
The business management of the GasNet Group is entrusted to its Managing Directors, who carry out their responsibilities as members of what we describe as our Management Board. This is led by our Executive Chairman, Martin Gebauer, who is responsible for setting GasNet's core vision and strategy. The Individual members of the Management Board are then responsible for the direction of the group's thematic units. ESG is directly overseen by Erika Vorlová, Chief Services Officer (CSO), who also

oversees all the Group support services provided by HR, Facility, Procurement, PR & Communication, and, last but not least, ESG & Security. Thomas Merker, Chief Financial Officer (CFO), deals with the activities of the Finance and Capacity Sales Division, which includes investor relations, internal audit, and the legal & regulatory agenda in addition to financial services. The CFO also leads development activities within the Business Development Department (e.g. the Future of Gas initiative, LNG development in freight transport, commissioning of CHP units).

In 2021, Pavel Káčer, Chief Operations Officer (COO), led the Network Operation and Maintenance Division of GasNet Services, whose employees are, among other things, directly involved in ensuring safe and

reliable gas supplies, measuring gas consumption and quality, and connecting and disconnecting customers. The Digital and Information Technology Division is headed by Jiří Nováček, Chief Digital Officer (CDO), who determines the direction of IT development and digitalisation of GasNet's activities. In January 2022, Ivo Jirovský, Chief Asset Officer (CAO), became the sixth member of the Management Board. The CAO's role includes ensuring the care and strategic development of our assets - our distribution system, and also includes the Process Security Department. ESG is a factor in the remuneration of Members of the Management Board, whose performance is evaluated against specific ESG indicators. Among other things, this ensures that we maintain a permanent senior management focus on sustainability topics.

## Composition of the Management Board

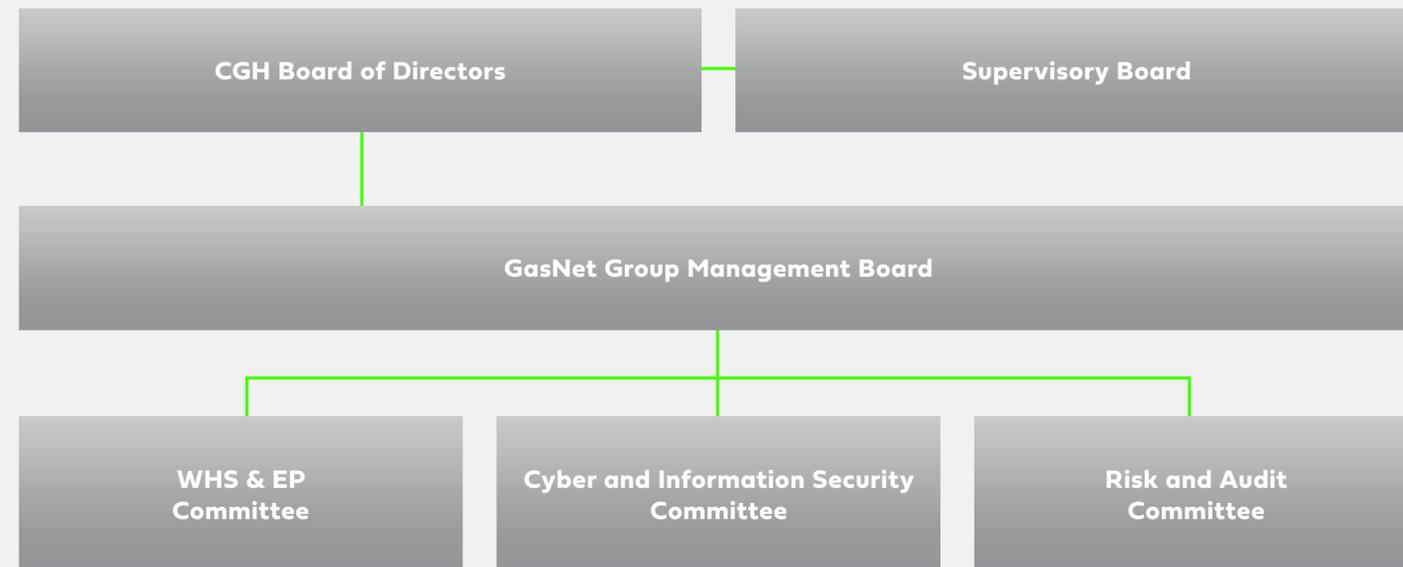


Our ESG principles and corporate values – safety, reliability, and respect – are at the core of our business. To further embed them in our business we established three thematic committees in 2020. These are now an integral part of the group’s management system.

- Workplace Health & Safety and Environmental Protection (WHS & EP) Committee
- Cyber and Information Security Committee
- Risk and Audit Committee

These committees meet regularly – every quarter. They discuss issues which have a significant impact on GasNet’s activities and operations, especially in the ESG areas. Their members are appointed based on their expertise and professional experience. This management structure enables us to make sure that all fundamental decisions are discussed at several levels and evaluated in the context of our values and strategy.

### GasNet Group Management Structure



# Ethical Conduct and Internal Documentation

## Internal Documentation

Another area of ESG – relating specifically to governance – is internal documentation. We have decided to increase our focus on this area so as to ensure that it truly achieves its purposes; to formalise responsible group management – consistent with the new structure of the GasNet Group following our separation from the Innogy Group, and to reflect our corporate culture. For this reason in 2021 we made an organisational change – moving the managed documentation agenda from the Legal Department to our newly-created Crisis Management & Documentation Team, which is part of ESG & Security. This has strengthened the overall strategic and coordinating role of ESG & Security in relation to ESG topics.

At the end of the year, we initiated a comprehensive review of our approach to managed documentation. The project began with an initial mapping of the current situation, problem areas, and the risks and improvement opportunities that a new system should deliver. The aim of the project is to create an internal documentation framework based on the needs of users and the creators of documentation, i.e. our employees. This will ensure a higher level of compliance and acceptance of responsibilities.

In 2022, we will involve employees from all divisions of the group in the project, especially in mapping problem areas and proposing solutions. At the beginning of the second quarter, we will start the implementation of the improved internal documentation system and throughout the year, we will gradually update individual documents. The result of these efforts will be documentation that is targeted, concise, up to date, and complied with. The new system will work for our employees rather than forcing the employees to work for it.

# 2022

**A YEAR OF DOCUMENTATION THAT WILL BE ADDRESSED, CONCISE, ADHERED TO AND UP-TO-DATE AND WILL SERVE OUR EMPLOYEES.**

**ESG Documentation**

# E S G

**POLICIES**

Environmental Protection Policy  
Energy Policy

Workplace Health and Safety Policy

Code of Conduct  
Prevention of Misconduct Policy  
Information Security Policy

**GUIDELINES, SYSTEMATIC INSTRUCTIONS AND OTHER DOCUMENTATION**

Environmental protection in the company  
Environmental emergency preparedness  
Environmental management system handbook  
Energy management handbook  
Air protection  
Chemical substances and compounds  
Waste management  
Water protection

Principles for organisation of occupational health and safety in the company  
Work regulations  
Remuneration, performance management and employee benefits  
Collective Agreement

Prevention of money laundering  
Prevention of insider trading  
Basic risk management guidelines  
Information security  
Privacy Policy  
Crisis management plan  
Sustainable Procurement

**CERTIFICATIONS & STANDARDS**

ISO 50001 Energy Management System  
ISO 14001 Environmental Management System\*

ISO 45001 Safety Management System\*

Technical rules for gas (TPG)

\*Management systems harmonised (but not certified)

## Ethical Conduct

At GasNet, we are aware of our role in the public space and our responsibilities towards our shareholders, employees, customers, and business partners. Appropriate business and interpersonal relationships are essential to us. They are the foundation without which it is impossible to build trust inside or outside the GasNet Group. We believe that ethics are a natural part of our business. We therefore manage all our activities so that they are in line with our beliefs, ethical principles, applicable legislation, and so that they reflect our company's core values – safety, reliability, and respect. We believe that long-term business success comes, not only from pursuing financial prosperity, but also from behaving with integrity in all areas of business conduct. We recognise, support, and implement the ten principles of the United Nations Global Compact in the areas of human rights, labour standards, environmental protection, and the fight against corruption.

A set of principles for our ethical and transparent approach is formalised in the **GasNet Group Code of Conduct**. Every employee of the Group is expected to act in accordance with its principles. Managers must lead by example in this regard. Even though the moral principles on which we build have not changed, in 2021 we decided to revise our Code of Conduct to better link it to our principles of conduct and the corporate values on which they are based. The result will be the publication of three basic documents setting out rules for ethical conduct – **GasNet Group's Commitment to Compliance, a Code of Conduct for Employees and Internal Bodies of the GasNet Group, and a Code of Conduct for Suppliers**.

Our compliance model is an advanced system, which ensures we observe binding legal norms, regulatory requirements, industry standards, contractual obligations, and the other obligations we voluntarily assume. These include our ethical obligations.

The system is based on three pillars:

### Prevention

Assessment of compliance risks in GasNet, elaboration of relevant procedures and documentation, and employee education. Our employees regularly review the basics of ethical conduct, preventing conflict of interest, and other related topics by participating in e-learning every two years. In this way, we aim to maintain a continuous awareness of compliance across the group.

### Detection

Active search for non-compliance with legal regulations, internal rules, and ethical principles.

### Response

Investigating non-compliance, and modification of the system to reflect changed conditions.

The area of compliance will undergo several changes in 2022. At the beginning of the year, there was a personnel change in the role of Compliance Officer, and in the coming months we will review the entire model to make sure that it properly performs a supervisory function at all its levels. This means ensuring that the model takes into account, not just business relations within the activities of the GasNet Group, but also relations with State administration bodies, local authorities and, last but not least, relations between employees.



# Risk Management

Risk management is an integral part of the day-to-day management of our Group. It will continue to be a very important topic and play a key role in GasNet Group's strategy.

We set several priorities for 2021. These included increasing the role of risk management in the area of contractual relations and ensuring effective communication between Management Board members and risk owners. This was all to unify each of the changes and innovations that had been introduced in the past year, and in order to ensure a permanent awareness of responsibility for individual risks. An important step towards meeting the goals we set was the integration of the risk management agenda into the pre-existing Capacity Sales Controlling Department, which is now directly managed by the CFO. This organisational change allows us to effectively connect the issue of risk management with other individual and integral key themes of the group, which link to the customer, technical and financial, or regulatory areas. In this way, we want those who are responsible to focus even more attention on risk.

Our approach to risk management has been reset to create an effective system that will correspond to the direct needs of the GasNet Group in the appropriate detail. We have set new methodology for risk identification using a 'bottom-up' process. This refers to repeated interviews with the managers of individual departments and a detailed identification how their

activities are linked to threats to relevant processes and assets. The output of these activities will be a unified methodological tool – our **'Risk Catalogue'**. This will contain evaluations and probabilities and will help maintain the permanent awareness of managers of the existence of risks and the obligations of their departments to define procedures and actions to mitigate those risks. The role of risk management is to ensure intensive and regular verification of the progress and results of these steps by individual managers.

One of our important priorities for 2022 is to establish a supplier evaluation system which includes the overall development of a decision-making tool for new and existing supplier relationships. This will be done in close cooperation with the Procurement Department. In Spring, we also plan to map ESG risk areas. Another of our key tasks is to build a partnership between all our departments built on the principles of respect. This will make it easier for us to build permanent and effective risk awareness on the side of all our employees and managers, and will help us manage and resolve risk in real time. In turn, this will contribute to the fulfilment of the Group's objectives, especially in the areas of health and safety, social responsibility, environmental protection, financial health and development, new technologies, and overall change in the energy world.

# Cybersecurity & Crisis Management

This chapter, which we have titled in short; 'Cybersecurity & Crisis Management', deals with several security related sub-topics managed by teams under the ESG & Security department.

## Cybersecurity, Information, and Physical Security

The areas of cybersecurity, information security, and physical security are absolutely crucial for GasNet. Their importance has been growing steadily over recent years. It is essential that we protect our country's critical infrastructure so that we can reliably and safely meet our customers' requirements.

### Our Security Team Undertakes a Range of Tasks:

- **The physical protection of our employees, our gas distribution system, and our assets.**
- **Cyber and information security to protect control systems, data, and personal information.**
- **Building the resilience of the GasNet Group to crisis and emergency situations (i.e. business continuity management).**

In 2021, we set up a new security management operating model, reviewed measures to ensure the physical protection of critical infrastructure elements and initiated activities aimed at their improvement.

In the fields of cybersecurity and information security management we underwent an independent assessment which evaluated security risks, our approach to their management and our level of cyber security. We prepared an action plan and at the same time began the selection and deployment of new technologies to increase the level of security of our IT infrastructure. Finally, in accordance with our agreed business continuity planning strategy, we updated the impact analyses and recovery plans for critical activities. These included the activities of our central distribution control function, capacity sales, and controlling.

In 2022, in the area of security, we will focus on modernising and strengthening our central access and surveillance system, completing the deployment of new detection security technologies, and unifying selected control processes. We will also continue to support the secure transformation of our IT and increase the level of security of our systems based on our approach to risk management.

One of the areas that emerged from the assessment of security risks was the culture of cybersecurity. Strengthening this area is one of our long-term priorities. For this reason, among other things, we are working in cooperation with our partners, such as Czechitas, to influence our employees, their family members, and loved ones. We educate them,

provide them with professional support, and share practical advice on how to behave safely in the online environment. We are also working very hard to ensure our employees receive timely information about possible cyber-attacks and guidance on how to prevent them. GasNet has a large employee base. If, through each individual employee, we are able to positively influence their immediate surroundings, we hope to contribute to an overall increase in the understanding of safe behaviour in cyberspace in Czech society as a whole.

In 2022, we will continue to focus on building GasNet's resilience and emergency management readiness. We continue to analyse the impact of all our activities, and we will focus on testing our recovery and emergency response plans.

#### Personal Data Protection

In addition to cybersecurity, information security, and physical security, ESG & Security also deals with the protection of personal data. In this area, we rely on the specialised function of the **Data Protection Officer (DPO)** whose task is to ensure compliance with the General Data Protection Regulation (GDPR) and other generally binding legal regulations for the protection of personal data. This is achieved by setting rules for their protection including monitoring and control activities. The DPO also provides advice, expertise, and training.

During 2021, our DPO focused mainly on the revision of technical and organisational measures in relation to our supply chain as well as supporting key projects including the ongoing transformation of IT.

In 2022, the key activities of the DPO will include monitoring activities with an emphasis on encouraging compliance with our agreed methodological

framework, strengthening our culture when working with data and increasing employee awareness in the field of information protection and individual responsibility.

#### Crisis Management

Crisis management is the final security area which falls within the scope of our ESG & Security Department. Specifically, this area is dealt with by the Crisis Management & Documentation team.

We are part of the critical infrastructure of the Czech Republic, and we are aware of our important position in the energy sector. This is why in 2021, as in 2020, we once again focused our activities very intensively on managing the COVID-19 pandemic. The primary objective of our crisis management is to ensure the safety and health of employees, and the operation of our group in crisis situations including the pandemic. For that reason, the successful management of the Covid situation was one of the strategic goals approved by the management of the GasNet Group. In the context of our business, this means no disruption in the supply of natural gas to our customers due to the pandemic. Thanks to continuous monitoring and evaluation of the development of the situation, and the adoption of appropriate measures, we have managed to achieve this goal.

Without doubt, for us, 2021 was a year of vaccination and testing. We still believe that vaccination is the best and most important tool in the long-term control of COVID-19. That is why our management has unequivocally supported the vaccination of employees. Due to our position as part of our country's critical infrastructure, and with the help of the Ministry of Industry and Trade of the Czech

Republic, we were able to provide priority vaccination for all key employees who expressed interest in it. Overall, more than 80% of our employees have been vaccinated against COVID-19. We greatly appreciate this responsible approach, and are convinced that this high vaccination rate has contributed significantly to our ability to manage the situation without any limitation of our operations. As well as vaccination, Covid testing has also become an integral part of our anti-epidemic strategy. During 2021, we performed more than 40,000 antigen tests, and went beyond the obligations imposed by the Ministry of Health. Among other things, we increased the frequency of testing, continued to test critical employees throughout the year, and introduced preventive testing of everyone, regardless of vaccination status, before joint trips or training. We also created an application that helps us monitor, evaluate, and report on the development of important COVID-19 indicators in GasNet.

Coping with the Covid situation continues to be our strategic priority for 2022. This means that we will continue with our current activities. These include careful monitoring of the situation, proposing relevant measures to ensure the safety and health of employees, regular communication and reporting to the Crisis Management Group, meeting the requirements of legal regulations and administrative authorities, and more. At the same time, we will fulfil our obligations that arise due to the critical nature of the infrastructure we provide.

# DPO

**THE ROLE OF THE DATA PROTECTION OFFICER (DPO) IS TO ENSURE COMPLIANCE WITH THE GDPR AND OTHER LEGAL REGULATIONS BY SPECIFYING THE NECESSARY REQUIREMENTS FOR THEIR PROTECTION, INCLUDING MONITORING AND CONTROL ACTIVITIES. THE DPO ALSO PROVIDES ADVICE, EXPERTISE AND TRAINING.**

# Business Model Resilience

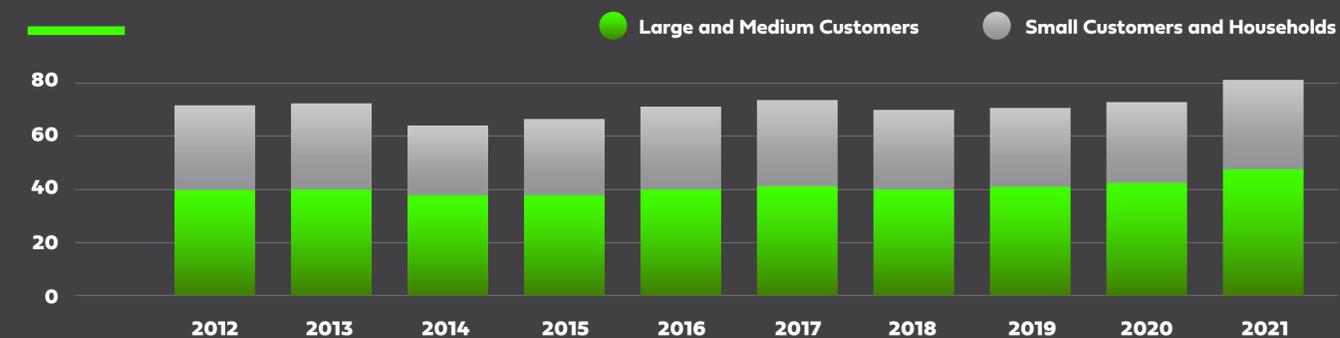
Public and government confidence in the gas sector is shown by the continued support of customers switching from solid fuel heating to gas heating. In the near future we will attract significant new customers including in particular heating plants which will replace coal with gas-burning technologies. Already this year we have connected a major customer whose consumption increased the amount of gas we distribute by 6.5%. The volume of distributed gas has shown continuous growth in the last four years, reaching a record level of 80.5 TWh in 2021. Similarly, the maximum daily amount distributed to large customers was more than 18.5 million m<sup>3</sup> in 2021 which exceeded the current ten-year maximum from 2018 by more than 1 million m<sup>3</sup>.

An important indicator of future development is the number of supply points connected to the distribution system. This indicator has been very stable for more than ten consecutive years. It is encouraging to note that a small decrease in the absolute number of connected supply points (in the order of tenths of a percent) does not in any way affect the volume of distributed gas. This is because the disconnecting customers use gas for cooking only, but their consumption is fully compensated by new customers who are connecting in smaller numbers, but with a higher average consumption, since they are customers using gas primarily for heating.

We regularly monitor the performance of our business model, and take the steps that are needed to maintain the resilience of our operations by planning investment in our network. Our extensive Asset Management system responds to all external and internal factors and ensures the ongoing maintenance and development of our distribution system according to the 'Plan, Do, Check, Act' (PDCA) approach. Selected key performance indicators are regularly monitored and carefully evaluated to support investment decisions that contribute to Asset Management's main objectives – safety, reliability, efficiency, and sustainability.

At present, market resilience is being thoroughly tested by rising energy prices. 13 traders, which collectively supplied gas to about 11% of all customers, did not cope with the rapid increases in commodity prices. Despite the exceptionally large number of customers affected, the gas market was robust enough to ensure that all these customers were able to find a new supplier, and none were left without gas supply. The fact that this unprecedented situation was resolved by the market without major problems demonstrates its extraordinary resilience and stability.

Total volume of distributed natural gas (TWh)



Total number of offtake points



Maximum daily volume of distributed natural gas for Large Customers (in million m<sup>3</sup>)



# Sustainable Supply Chain

As part of the **Green GasNet** program, we focus on our impact in the areas of waste management and the overall use of resources by the GasNet Group throughout the value chain. For this reason, our Resources working group focuses on the problem of waste optimisation from a purchasing perspective and at the same time seeks options for reducing CO<sub>2</sub> emissions in our supply chain.

In 2021, we focused on mapping the current situation. We analysed suppliers in terms of their impact on the environment. We revised our procurement processes and the principles on which they were built. In this way, we were able to identify the first areas and bottlenecks that require change to achieve our goals. We have divided our value chain into two parts:

## Suppliers

focus on sustainable resources and delivery methods (upstream)

## Employees

focus on consumption and eliminating waste (downstream)

In 2021, we launched several initiatives that could be implemented quickly:

### Print Reduction

Procurement Department introduced electronic signatures internally and externally for major suppliers. During 2022, this option will be available to other departments in the GasNet Group.

### Education

In autumn, ESG training of CSO Division employees took place, which was also attended by colleagues from the Procurement Department.

### Sustainable Purchasing Methodology

We have issued a Sustainable Procurement Methodology that commits buyers to efforts to integrate ESG criteria into purchasing processes.

### Code of Conduct for Suppliers

We are creating a code for external partners, and revising the Code of Conduct for Employees.

We are also committed to reducing waste and greenhouse gas emissions in the long term. In this area, we are negotiating with our suppliers and we intend to set new requirements for them aimed at sustainability and environmental protection.

Because the sustainability of company management is topic that cuts across all parts of the company, our Procurement Department has been closely involved in several major environmental initiatives – the purchase of green electricity, a new fleet policy, and preparation for the legislative obligation to sort biowaste. The sustainability activities of our Business Development department impact procurement processes and are also reflected in the supply chain. From this perspective, supply chain management is key, because through it, we can manage our environmental impacts. However, there is not yet national legislation available that obliges suppliers to manage environmental impacts arising outside their direct operational activities. Such legislation could set out specific objectives for Scope 3 emissions, and would support the environmentally oriented behaviour of the individual links in the supply chain.

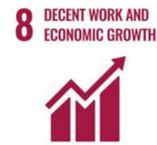
Emissions generated in the supply chain are included in the indirect **Scope 3** of greenhouse gas emissions. We are only starting with this area, as we have so far focused on our direct emissions. For 2022, we have decided to start screening our Scope 3 – analysing our suppliers in terms of their emissions. We expect that this will be a long-term project. In order to successfully implement it, we will need to meet several of the following requirements.

We want to continue to **educate** ourselves on supply chain sustainability. Scope 3 emissions are an area that is impacted by many things. We want to know those which are relevant to the GasNet Group, and to learn more about them so that we can manage this area correctly.

Preparing for a **dialogue** with our suppliers on sustainability will be key for us, as the changes we will require are procedural and comprehensive. The process of change itself will be long, but the results will be long-lasting. Therefore, it is necessary to establish a quality **partnership** dialogue with our suppliers.

# 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.



**8** DECENT WORK AND ECONOMIC GROWTH

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



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS

**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**



**17** PARTNERSHIPS FOR THE GOALS

**SDG 17: Strengthen the means of implementation, and revitalise the global partnership for sustainable development**



## Our contribution to the selected Sustainable Development Goals

We adapt the management of our company and our operations so that we separate economic growth from the worsening impacts on the environment and 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 are updating the rules of Ethical Conduct in the GasNet Group's Commitment to Compliance, our Code of Conduct for Employees and internal bodies 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

<b>ACP</b>	Allianz Capital Partners	<b>ECR</b>	Energy Recycling Centre	<b>LTI</b>	Lost Time Injuries
<b>ADR</b>	Agreement International Carriage of Dangerous Goods by Road	<b>EFG</b>	Energy Financial Group	<b>LTIF</b>	Lost Time Injury Frequency
<b>BCI</b>	British Columbia Investment Management Corporation	<b>EMS</b>	Environmental Management Systems	<b>MIRA</b>	Macquarie Infrastructure and Real Assets
<b>CDO</b>	Chief Digital Officer	<b>EP</b>	Environmental protection	<b>MPO</b>	Ministry of Industry and Trade of the Czech Republic
<b>CFO</b>	Chief Financial Officer	<b>ERICPD</b>	Eliminate, Reduce, Isolate, Control, Personal Protective Equipment, Discipline	<b>NECP</b>	National Energy and Climate Plan
<b>CGA</b>	Czech Gas Association	<b>ERO</b>	Energy Regulatory Office	<b>NGO</b>	Non-governmental organisation
<b>CGH</b>	Czech Grid Holding	<b>ESG</b>	Environmental, Social and Governance	<b>NOSACQ 50</b>	Nordic Occupational Safety Climate Questionnaire
<b>CGN</b>	Czech Gas Networks	<b>EU</b>	European Union	<b>NO<sub>x</sub></b>	Nitrogen oxides
<b>CGNI</b>	Czech Gas Networks Investments	<b>EUR</b>	Euro (currency)	<b>OHSAS</b>	Occupational Health and Safety Assessment Specification
<b>CMT</b>	Crisis Management Team	<b>GDPR</b>	General Data Protection Regulation	<b>PDCA</b>	Plan, Do, Check, Act
<b>CNG</b>	Compressed natural gas	<b>GHG</b>	Greenhouse Gas	<b>PE</b>	Polyethylene
<b>CO</b>	Carbon monoxide	<b>GRESB</b>	Global Real Estate Sustainability Benchmark	<b>PPE</b>	Personal protective equipment
<b>CO<sub>2</sub></b>	Carbon dioxide	<b>GRI</b>	Global Reporting Initiative	<b>PV</b>	Photo-voltaic
<b>COO</b>	Chief Operating Officer	<b>GWh</b>	Gigawatt-hours	<b>RES</b>	Renewable energy source
<b>COP21</b>	Conference of Parties 21	<b>H&amp;S</b>	Health and Safety	<b>SDG</b>	Sustainable Development Goals
<b>COVID-19</b>	Coronavirus disease 2019	<b>HR</b>	Human Resources	<b>SFŽP</b>	State Environmental Fund of the Czech Republic
<b>CSO</b>	Chief Services Officer	<b>HSE</b>	Health and Safety Executive	<b>SO<sub>x</sub></b>	Sulphur oxides
<b>CZK</b>	Czech koruna (currency)	<b>IGU</b>	International Gas Union	<b>STEM</b>	Science, technology, engineering, and mathematics
<b>D&amp;I</b>	Diversity and Inclusion	<b>IPCC</b>	Intergovernmental Panel on Climate Change	<b>TL</b>	Technological losses
<b>DA</b>	Digital ambassador	<b>ISMS</b>	Information Security Management System	<b>TPG</b>	Technical Regulation for Gas
<b>DofE</b>	The Duke of Edinburgh's International Award	<b>ISO</b>	International Organisation for Standardization	<b>TWh</b>	Terawatt-hours
<b>DPO</b>	Data Protection Officer	<b>KPI</b>	Key performance indicator	<b>UN</b>	United Nations
<b>DSO</b>	Distribution System Operator	<b>LNG</b>	Liquefied natural gas	<b>WHS</b>	Work, Health & Safety

# Source Tables 2.1

INJURIES AND ACCIDENTS	UNITS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LTIF – GASNET EMPLOYEES	number of accidents /1 million hours worked		1.99	1.99	1.57	1.59	2.81	2.56	3.15	1.90	0.77
LTI – GASNET EMPLOYEES	number		9	8	6	9	16	9	13	8	4
FATAL ACCIDENTS – GASNET EMPLOYEES	number		0	0	0	0	1	0	0	0	0
NUMBER OF TRAFFIC ACCIDENTS – GASNET EMPLOYEES	number of accidents /100 thousand km						0.69	0.67	0.67	0.66	0.48
LTIF – SUPPLIERS	number of accidents /1 million hours worked			1.06	1.40	1.11	0.90	3.36	2.52	0.60	0
ACCIDENTS RESULTING IN INCAPACITY FOR WORK (LTI) – SUPPLIERS	number			3	4	3	2	8	4	1	0
FATAL ACCIDENTS – SUPPLIERS	number		0	1	0	0	0	0	0	1	0
DISTRIBUTION NETWORK SECURITY											
OUTAGES DUE TO FAILURE OF GAS EQUIPMENT OR GASNET WORKER	number					37	14	13	12	11	5
NUMBER OF BREACHES OF OUR NETWORK BY THIRD-PARTY ACTIVITIES	number					417	520	597	519	537	585
NUMBER OF SUCCESSFULLY RESOLVED TELEPHONE REPORTS FROM EXTERNAL ENTITIES	number					32,812	35,070	33,155	30,773	33,237	38,761

# Source Tables 2.2

GREENHOUSE GAS EMISSIONS <sup>1</sup>	UNITS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SCOPE 1	tCO <sub>2</sub> e	40,631	44,026	34,007	36,752	37,940	35,955	31,555	33,729	198,820	195,265
SCOPE 2 - LOCATION-BASED	tCO <sub>2</sub> e	10,398	8,681	6,671	6,429	6,379	6,939	6,763	6,337	7,616	8,072
SCOPE 2 - MARKET-BASED	tCO <sub>2</sub> e	10,398	8,681	6,671	6,429	6,379	6,939	6,763	5,431	7,616	1,100
METHANE EMISSIONS											
TECHNOLOGICAL LOSSES - EXTERNAL	m <sup>3</sup>	334,302	268,239	325,410	379,501	286,194	267,550	241,750	293,645	295,879	296,328
TECHNOLOGICAL LOSSES - OWN	m <sup>3</sup>	719,456	944,433	625,979	876,862	863,227	677,238	537,497	576,112	316,315	197,635
FUGITIVE NATURAL GAS LEAKAGES	m <sup>3</sup>									8,670,111	8,479,604
ENERGY CONSUMPTION IN OPERATIONS											
NATURAL GAS – PREHEATING	m <sup>3</sup>	6,906,591	7 026,337	4,349,079	3,096,186	4,356,810	5,437,454	4,814,710	4,730,252	4,649,126	5,280,868
NATURAL GAS – COGENERATION	m <sup>3</sup>			518,352	464,503	478,800	375,936	469,670	769,100	576,366	1,060,206
ELECTRICITY – DISTRIBUTION NETWORK	MWh	9,894	8,200	6,228	6,000	5,948	6,519	6,359	5,915	5,630	6,997
ELECTRICITY – LNG STATIONS	MWh									4	43
ELECTRICITY PRODUCED FROM COGENERATION	MWh				2,210	2,302	1,755	2,433	3,935	3,141	5,333
CUMULATIVE NUMBER OF GAS BOILER REPLACEMENTS	number				125	215	378	553	692	819	942

<sup>1</sup> In 2012-2019, a different data baseline was used to calculate emissions. This was supplemented and refined in 2020-2021.

# Source Tables 2.3

ENERGY CONSUMPTION IN BUILDINGS		UNITS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NATURAL GAS – OWN BUILDINGS	m <sup>3</sup>										563,705	636,686
NATURAL GAS – EXTERNAL BUILDINGS	m <sup>3</sup>										419,900	390,057
ELECTRICITY – OWN BUILDINGS	MWh										1,159	1,067
ELECTRICITY – EXTERNAL BUILDINGS	MWh										748	1,225
VEHICLE FLEET CONSUMPTION												
CNG	thousands of m <sup>3</sup>	100	96	84	123	239	360	462	619	638	685	
DIESEL	m <sup>3</sup>	934	1,071	1,024	1,005	965	905	915	861	838	842	
PETROL	m <sup>3</sup>	994	898	838	682	872	782	682	593	407	306	
AIR POLLUTION												
CO	t			2.19	2.04	2.13	1.70	1.90	2.19	1.10	2.74	
NO <sub>x</sub>	t			4.60	4.33	5.38	4.57	4.95	4.05	2.73	2.83	
WASTE MANAGEMENT <sup>1</sup>												
Hazardous waste	t			37	31	33	32	30	29	27	33	
Non-hazardous waste	t			40	73	58	88	68	82	163	230	

<sup>1</sup> The increase in waste was due to the separation of the company from the innogy group and the transfer of buildings to the ownership of the GasNet group.

# Source Tables 2.4

TOTAL VOLUME OF DISTRIBUTED NATURAL GAS		UNITS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LARGE AND MEDIUM CUSTOMERS	TWh		40.1	40.0	37.8	38.4	39.8	41.0	40.3	40.8	42.4	47.6
SMALL CUSTOMERS AND HOUSEHOLDS	TWh		31.4	31.7	25.6	28.1	30.6	31.9	29.4	29.2	29.7	33.0
TOTAL	TWh		71.4	71.6	63.4	66.5	70.5	73.0	69.8	70.1	72.1	80.5
NUMBER OF OFFTAKE POINTS												
LARGE AND MEDIUM CUSTOMERS	number		6,337	6,215	6,254	6,140	6,093	6,112	5,958	5,963	5,973	5,958
SMALL CUSTOMERS AND HOUSEHOLDS	number		2,309,102	2,309,099	2,302,651	2,297,540	2,295,315	2,293,290	2,291,909	2,290,130	2,286,117	2,282,511
TOTAL	number		2,315,439	2,315,314	2,308,905	2,303,680	2,301,408	2,299,402	2,297,867	2,296,093	2,292,090	2,288,469
MAXIMUM DAILY VOLUME OF DISTRIBUTED NATURAL GAS FOR LARGE AND MEDIUM CUSTOMERS												
LARGE AND MEDIUM CUSTOMERS	thousands of. m <sup>3</sup>				15,123	14,955	15,128	17,178	17,552	16,313	15,134	18,660

**Safety**  
**Reliability**  
**Respect**

