

Development

Milestone

Positive



Engagement rationale

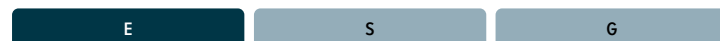
CEZ is an electric utility company that also carries out some mining activities. It uses coal as well. As long-term investors, we are interested in the sustainable value and performance of CEZ, and the preparedness of the company in the energy transition.

Background

Coal is one of the most carbon-inefficient sources of energy and is increasingly unattractive to investors. A large part of the company was historically coming from coal, but it is transitioning towards a low carbon utility.

Theme for engagement

- Climate change strategy



Engagement objectives

- To achieve CEZ Group's 2050 carbon neutral commitment, we welcome short and medium commitments/targets.
- Come with verified objectives, performed by an external party (scientific based preferred such as SBTi).
- We encourage CEZ Group to include linking ESG KPIs into its remuneration and report on it.
- Encourage CEZ to come with investments, and disclose on it, to align its capital with their net zero commitment and targets.
- We encourage the company to consider the social impact of its coal phase out plan.
- We encourage CEZ Group to commit to TCFD and report in line with its recommendations in the company's public reports.

Engagement results

- CEZ Group has set and published short and medium commitments/targets. The company is working on how to verify its targets.
- We welcome the announcement of CEZ Group to shorten the timeline of its coal phase plan to 2038. We encourage the company to accelerate the coal phase out further. CEZ Group published a detailed capex plan in 2021 to support its strategy to move to low carbon energy.
- End 2021, the company committed to TCFD reporting. We welcome this approach and encourage CEZ Group to report in line with the TCFD recommendations in its upcoming annual reporting cycle.
- With the validation of CEZ's 2030 carbon reduction targets by SBTi to be in line with well below 2.0 degrees short term, we have decided to move to milestone 4 on CEZ with a positive result.
- <https://www.cez.cz/en/media/press-releases/investors-welcome-validation-of-cez-groups-carbon-reduction-targets-160816>

Next steps

- Engagement successfully closed at milestone 4. Should we register a slowing of CEZ's progress towards the targets, we will open a new engagement with them on this.

Company

CEZ Group is an international utility with a strong position in Central Europe, and a growing presence in Western Europe. The Czech Republic is its home market, where the company is vertically integrated.

Country

Czech Republic

Sector

Utilities

Market cap

Large Cap

Kempen Fund

European Credit Fund

Materiality

Carbon emissions are considered as one of the main causes of climate change. In order to meet the Paris Agreement goals and keep global warming to 1.5C, efforts must be made to reduce carbon emissions by transitioning to low carbon solutions

ESG Research

MSCI ESG Rating: A
Sustainalytics: 37.0 (high risk)

Engagement initiated

Q1 2019

Latest update

Q3 2022

