



NON-FINANCIAL REPORT

of TAURON Capital Group
for the financial year 2019

TABLE OF CONTENTS

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD.....	5
1. INFORMATION ON THE REPORT, I THE LEGAL BASIS	6
1.1. Information on the principles, structure and methodology of the Report	6
1.2. Reporting methodology.....	6
1.3. Reporting standard.....	7
1.4. Stakeholder mapping.....	7
1.5. Material aspects of the reporting	9
1.6. GRI indices described in this chapter	12
2. TAURON CAPITAL GROUP'S VALUE CHAIN AND ITS BUSINESS AND OPERATIONAL MODEL.....	13
2.1. TAURON Group's Business Model assumptions	14
2.2. Principles of TAURON Polska Energia S.A.'s management.....	16
2.2.1. Management Board of TAURON Polska Energia S.A.....	17
2.2.2. Supervisory Board of TAURON Polska Energia S.A.....	18
2.2.3. General Meeting	19
2.2.4. Description of the principles applied to amend the Articles of Association of TAURON Polska Energia S.A.....	20
2.3. Principles of TAURON Group's management	20
2.3.1. Code of TAURON Group.....	20
2.3.2. TAURON Group Business and Operational Model document assumptions.....	20
2.4. TAURON Capital Group's organization	21
2.4.1. Process based organization	21
2.4.2. Organization by Lines of Business.....	22
2.4.3. Formal and legal organizational structure	24
2.5. Changes to the principles of TAURON Polska Energia S.A. and TAURON Capital Group's management	26
2.6. Disclosure of information regarding the business model in accordance with the guidelines provided in the 2019 European Commission Communication (2019 / C 209/01).....	28
2.6.1. Impact of climate related risk and opportunities on the business model, strategy and financial plans.....	28
2.6.2. Ways the company's business model can have both a positive as well as a negative impact on climate	28
2.6.3. Resilience of the company's business model and strategy, taking into account climate-related scenarios over various time frames, including a scenario assuming warming at the maximum rate of 2°C and a scenario assuming warming by more than 2°C	29
2.7. TAURON Capital Group's values.....	34
2.7.1. Mission, vision	34
2.7.2. Corporate values	35
2.7.3. Corporate Social Responsibility Code of Conduct.....	35
2.8. GRI indicators described in this section.....	38
3. TAURON CAPITAL GROUP'S VALUE CREATION PROCESS AND INTEGRATED PRESENTATION OF THE RESULTS	39
3.1. Our capitals and relationships among them	39
3.1.1. TAURON Group's financial capital.....	39
3.1.2. TAURON Group's natural capital	40
3.1.3. TAURON Group's production capital	42
3.1.4. TAURON Group's human capital	44
3.1.5. TAURON Group's intellectual capital	46
3.1.6. TAURON Group's social capital.....	48
3.1.7. Value creation model and relations among capitals	50
3.2. TAURON Group's value levers (drivers).....	51
3.2.1 Customer-centricity.....	51

3.2.2. New businesses	52
3.2.3. Modern infrastructure	53
3.2.4 Ability to access and use the natural capital	53
3.2.5. Investment and restructuring potential	54
3.2.6. Personnel and organizational culture	54
3.3. Conditions of the environment determining the choice of TAURON Group's strategy in the long, medium and short term and the assumptions of such strategy	55
3.3.1. TAURON Group as compared to the market – Europe	55
3.3.2. TAURON Group as compared to the market – Poland	59
3.3.3. TAURON Capital Group's strategic determinants in the external environment	60
3.3.4. TAURON Capital Group's Strategy and Outlook	62
3.4. TAURON Group's Sustainable Development Strategy for 2017-2025	66
3.5. Significant changes to TAURON Group's Sustainable Development strategy	66
3.6. Key non-financial capital efficiency ratios (metrics, performance indicators) of the Group with respect to the capitals	67
3.7 GRI indices described in this section	70
4. TAURON CAPITAL GROUP'S POLICIES AND DUE DILIGENCE PROCESSES AND THE PRESENTATION OF THE RESULTS OF THEIR APPLICATION	71
4.1. TAURON Group's PROClient Social Policy	71
4.2. TAURON Group's Diversity Policy	84
4.3. TAURON Group's Environmental Policy	87
4.4. TAURON Group's Climate Policy	99
4.5. TAURON Group's Human Rights Respect Policy	121
4.6. TAURON Group's Human Resources Policy	122
4.7. TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy	133
4.8. TAURON Group's Anti-corruption Policy	135
4.9. TAURON Group's WHS Policy	139
4.10. Strategic Research Agenda (SAB)	142
4.11. TAURON Group's Corporate Purchasing Policy	147
4.12. Code of Conduct for Contractors of TAURON Group's Subsidiaries	147
4.13. Personal data protection policy for TAURON Group's entities	148
4.14. Policy of compliance with the Principles of Ethics and preventing Mobbing and Discrimination at TAURON Capital Group	150
4.15. TAURON Group's due diligence procedures	151
4.15.1. Internal control and audit procedure	151
4.15.2. Most important aspects of internal control and risk management with respect to the process of drawing up financial statements and consolidated financial statements	152
4.16. GRI indices described in this section	153
5. TAURON CAPITAL GROUP'S MAIN RISKS AND THE MANAGEMENT THERE OF	154
5.1. What TAURON Group expects as a result of the regulatory and market changes	154
5.2. Three line defense model	154
5.3. Risk management objective and principles at TAURON Capital Group	155
5.4 TAURON Group's risk management strategy	155
5.4.1. Risk management system architecture	156
5.4.2. Risk management process	157
5.4.3. Roles and responsibilities of the risk management system's participants	158
5.4.4. Risk control and monitoring rules	159
5.4.5. Risk management tools	160

5.4.6. Risk model	160
5.4.7. Assessment of the adequacy and the functioning of the risk management system	160
5.5. Risks related to TAURON Group's sustainable development.....	161
5.5.1. Social risk.....	161
5.5.2. Risk related to climate change	162
5.5.2.1. Physical risk	162
5.5.2.1. Climate risk related to the transition.....	163
5.5.3. Human capital management risk.....	164
5.5.4. WHS risk.....	165
5.5.5. Internal communication risk.....	165
5.5.6. Environmental risk	166
5.5.7. Purchasing process risk	167
5.5.8. Legal risk.....	167
5.5.9. Compliance risk	168
5.6. GRI profile indices described in this section	169
6. GRI INDEX	170

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

we are aware of the role that TAURON Capital Group plays in the Polish economy. For this reason, we carry out growth oriented investment projects, secure the supply of raw materials and steadfastly expand our offering by adding new products and services that are increasingly tailored to the needs of our customers. At the same time, we want all the stakeholders not only to be aware of our goals, but also to be the beneficiaries of our actions. Therefore, developing sensitivity to the social needs and assuming full responsibility for the natural environment is part of our business DNA.

We want the Non-financial Report to be an exhaustive and transparent document presenting the relationships between the Group's business model and the Strategy described by the non-financial indicators as well as the due diligence policies and procedures required for its implementation. The discussion of the risks and methods how to manage them when implementing the Strategy is an important part of the Report.

The layout and content of the publication are based on the structure and guidelines of the international reporting standard GRI (Global Reporting Initiative). The goal of this comprehensive presentation of our operations is to make the stakeholders, especially investors, financial institutions, insurers and customers familiar with TAURON Capital Group's activities and directions of expansion.



We have made very significant changes last year. The update of TAURON Group's Strategic Directions for the years 2016-2025 and the implementation of TAURON Group's Climate Policy, are our foundations for a safe and sustainable transition towards the energy of the future.

In this first document, we are making an assumption that the planned investment projects in renewable energy sources with a total capacity of 1 200 MW and the replacement of obsolete power plants by commissioning a 910 MW unit in Jaworzno will reduce the Group's emissions by more than 20 percent by 2025 and by more than 50 percent by 2030. We are touting this course of our actions as TAURON's Green Turn.

The results presented in the Report are the outcome of everyday work and dedication of many people - customers, business partners and highly qualified personnel, whom we invariably consider to be the company's most valuable resource. Thanks to you we are able to continue to grow, offering the best solutions in the industry.

Sustainable development and corporate social responsibility is for TAURON Group a way to ensure the right balance among its business operations, ethics, ecology and the needs of all the stakeholders, as well as a path to achieving its business goals.

In appreciation of the trust you have placed in us, I would also like to assure you, on behalf of the Management Board, that we will strive to achieve our goals with full determination and work with a complete commitment to continue to increase the Group's value for all the stakeholders.

Yours respectfully,
Filip Grzegorzczak


President of the Management Board of
TAURON Polska Energia S.A.

1. INFORMATION ON THE REPORT, THE LEGAL BASIS

1.1. Information on the principles, structure and methodology of the Report

The 2019 Non-financial Report presented contains data and indicators regarding TAURON Capital Group (hereinafter alternatively referred to as the Group, TAURON Group and TAURON) as well as TAURON Polska Energia S.A., which is the parent company in TAURON Capital Group. (hereinafter referred to as TAURON Polska Energia, Company).

The report was prepared in accordance with:

- Article 49b, clause 1 and art. 55, clause 2b-e of the Accounting Act of September 29, 1994, as subsequently amended, which implements the guidelines of the Directive of the European Parliament and of the Council 2014/95 / EU of October 22, 2014, as regards disclosure of non-financial information, along with the additional, subsequent guidelines, including the European Commission Communication 2019 / C 209/01 of 20.06.2019 with guidelines on non-financial reporting: Supplement on reporting climate-related information;
- Global Reporting Index guidelines - GRI Standards (core level).

Non-financial data was compiled on the basis of a dialogue with the stakeholders carried out according to the AA1000SES standard.

The business model, key non-financial performance indicators, policies and the due diligence procedures applied, as well as the potential risks and the risk management system, are provided in this Report from the point of view of the entire TAURON Capital Group and are presented on a consolidated basis.

The subject matter scope of the Report has not changed significantly as compared to 2018. The Report covers those subsidiaries that are responsible for generating 98% of the Group's revenue. As a result, as in the previous year, the following subsidiaries are included: TAURON Polska Energia, TAURON Wydobywanie, TAURON Wytwarzanie, TAURON Ciepło, TAURON Ekoenergia, TAURON Dystrybucja, TAURON Dystrybucja Serwis, TAURON Dystrybucja Pomiarów, Bioeko Grupa TAURON, TAURON Sprzedaż GZE, TAURON Obsługa Klienta, Kopalnia Wapienia "Czatkowice", Spółka Usług Górniczych, TAURON Serwis, TAURON Ekoserwis and the special purpose vehicles set up to manage the wind assets, TAURON Czech Energy, TAURON Ubezpieczenia i Wsparcie Grupa TAURON. This set of companies, also included in the Financial Statements, is representative of all of the Group's lines of business. This approach enables understanding the way they are operated, but also their impact on the environment.

TAURON Capital Group's reporting process takes place on an annual basis (the Integrated Report was published in June 2019). There were no significant changes to the structure, form of ownership or value chain in 2019, that would affect a change of the business model.

Due to the growing importance of non-financial data, the Non-financial Report has been prepared for the first time in the history of TAURON Group, constituting an independent, autonomous document. To date, the Group has conducted this reporting using a Statement on non-financial data, as a part of the Management Board's Report on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the ended financial year.

As part of the process of drawing up the Report, documents, policies, due diligence procedures, risk management principles and other information materials related to the operations of TAURON Capital Group were analyzed.

An external consultant representing the Institute of Accounting and Taxes (Instytut Rachunkowości i Podatków) participated in drawing up the document. All contents published in the Report have also been subject to an internal audit.

1.2. Reporting methodology

The preparation of the content of this Report was performed in the following stages:

- Developing a map of stakeholders and defining the material aspects of the reporting;
- Confirming the material business and corporate social responsibility issues and their importance, adequate for TAURON Capital Group;

- Collecting the data illustrating the implementation of the policies with respect to the business model, Strategy and the corporate social responsibility goals, as well as the due diligence and risk management principles and the way they are managed at TAURON Capital Group;
- Drawing up his Report based on the collected data in accordance with the Accounting Act of December 15, 2016 (Journal of Laws of 2017, item 61), the European Commission Communication 2019 / C 209/01 of 20.06.2019 with guidelines on non-financial reporting: Supplement on reporting climate-related information and based on the reporting standard Global Reporting Index - GRI Standards (core level).

1.3. Reporting standard

We see growing interest in non-financial data that allows for understanding of the organization in a broader context. When drawing up this Report, our goal was to present the content that can be used by the stakeholders interested in the value creation process by TAURON Capital Group, including, in particular, the investors, analysts and bondholders, employees, customers, suppliers, business partners, local communities, legislators, regulators and decision makers.

This Report is based on the Global Reporting Index standard - GRI Standards (core level). The Report presents indices from three categories of the basic description (Foundation, GRI 101), profile indices (General Disclosures, GRI 102), management approach (Management Approach, GRI 103) and selected topic specific Standards, coming from the economic (Economic, GRI 200), environmental (Environmental, GRI 300) and social (Social, GRI 400) series.

The indices described in this Report are presented in the final part of the document. They are also provided at the end of each of the topic specific parts.

When selecting the materials, we were guided by the principle of materiality and care that the message addressed to our stakeholders was comprehensive. We applied the principle of brevity when drafting the texts.

1.4. Stakeholder mapping

We are aware of the importance of the aspect of sustainable management for the proper development of the business operations, and a double commitment to combine the business practices with social responsibility is present at every stage of the company's operations. The interaction between the company and the environment requires getting to know the expectations of the stakeholders and conscious shaping of the relationships therewith. Managing these relationships is a fundamental element of TAURON Group's Sustainable Development Strategy and thus the Business Strategy. The basis of the relationship between the company and the environment is, in turn, trust, which constitutes the intangible capital, extremely important for TAURON Group.

Each of the Group's stakeholder groups has different expectations and requirements with respect to the Group, and also impacts its operations in a different way. Also, with respect to each of them TAURON has for many years been pursuing a policy of social responsibility, both at the level of the entire Group as well as the individual subsidiaries. All these activities are aimed at building the so-called sustainable (balanced) value by combining the shareholder value with the value for the other stakeholders.

Partnership relations, based on mutual understanding and trust, are of key importance for TAURON Capital Group, as an organization exerting a significant impact on its environment, due to the scale of its operations, turnover volume and profile, as well as having full awareness of it and taking full responsibility for it. Therefore, the cooperation with the stakeholders constitutes the foundation for the Group to achieve success in both business operations as well as social activities. For this reason, TAURON is, in a partnership like, fully transparent manner, developing relations with the stakeholders, being aware of their importance for the long term strategy and the sustainable (balanced) approach to the business operations. The basis of this process is a dialogue aimed at getting to know the mutual expectations and possibilities as well as implementing the agreements reached.

With the above purpose as the starting point, the process of identifying and mapping TAURON Capital Group's stakeholders was carried out in 2019 in cooperation with the experts from the AGH University of Science and Technology and the Institute of Accounting and Taxes. It was considered as the initial and basic stage of developing functionalities related to sustainable development. Johnson & Scholes methodology was used as part of this step.

Identifying the stakeholders became the first stage of the mapping process. The starting points for this process were, firstly, a valid map of the stakeholders, created at TAURON Capital Group in 2017 and confirmed in 2018, and secondly, a survey on the selection of the non-financial issues to be included in TAURON Group's Integrated Report for 2018. A comparative analysis of both of these documents demonstrated that the thus far valid map of TAURON Capital Group's stakeholders had become obsolete and therefore changes to its structure should be introduced. The main reasons for coming to the above conclusion were, first and foremost, the type differences

between the stakeholder groups shown on the 2017 and 2018 maps, and the types of stakeholders who took part, by providing their answers, in the survey on the selection of the non-financial issues of the non-financial issues to be included in TAURON Group's Integrated Report for 2018. 13 types of stakeholders took part in this study, answering the questions asked by TAURON Group, while there were 8 groups in the previously valid stakeholder map.

Using the market development and changes proven above as the starting point, in order to quantify this volatility, the first benchmarking analysis was conducted in 2019, where the applicable list of stakeholders was referenced to the maps of stakeholders of other energy groups in Poland (three benchmarks) and in the European Union (three benchmarks). In addition to the above activities, there was also an analysis of the activity of the individual stakeholders in the social media managed by TAURON Capital Group. As part of this study, the types of stakeholders responding to the posts published by TAURON Group on its Facebook and Instagram social networks' profiles were analyzed, as well as the types of stakeholders responding to the messages published by the Group and its subsidiaries on their websites. This way the activities of the individual groups of stakeholders were checked, which enables creating a preliminary summary of interest among the individual groups.

Based on that, the following groups of TAURON Capital Group's stakeholders were identified in 2019:

- local communities,
- public administration,
- investors, shareholders, analysts,
- suppliers,
- industry organizations
- local government,
- media,
- customers,
- employees,
- banks, capital providers,
- regulators.

The second stage of the stakeholder mapping process, carried out in accordance with the Johnson & Scholes methodology, involved an assessment of the degree of interest - orientation of the stakeholders towards the organization and the degree of the organization's interest - orientation towards the stakeholders, as well as the degree of the impact of the stakeholders on the organization and the degree of the organization's impact on the stakeholders. This way, TAURON Capital Group's internal determinants related to the relations with the stakeholders (the organization's interest in the stakeholders and the impact of the stakeholders on the organization and the impact of the organization on the stakeholders) and the external determinants related to these relations (level and type of the interest of the stakeholders in TAURON Group) were analyzed. The first aspect was analyzed by conducting workshops with the highest and middle level management staff of TAURON Group and of its individual subsidiaries. As part of the study, values from -5 (no impact at all) to +5 (very high impact) were allocated to the impact of the individual stakeholder groups on TAURON Group, as well as regarding the impact of TAURON Group on the individual groups of the stakeholders. The decision was made to measure TAURON Group's interest in the individual groups of the stakeholders the same way, placing them on the scale from -5 (no interest at all) to +5 (very high level of interest). On the other hand, the level of interest of the individual stakeholders in TAURON Capital Group was measured by deepening the analysis of their activity in the social media managed by TAURON Group presented above. The number and types (broken down into positive, neutral and negative) of the stakeholder comments in relation to the individual posts published on TAURON's Facebook and Instagram social networks' profiles were counted, as well as the responses (classified the same way) of the stakeholders in the context of the messages published on the websites of the Group and of its individual subsidiaries. This way, depending on the share of the positive, neutral and negative responses, based on the decile system the levels of interest of the individual groups of the stakeholders were placed on the scale from -5 (no interest at all) to +5 (very high level of interest)

The obtained results confirmed the existence of the above identified groups of TAURON Capital Group's stakeholders. It also turned out that, among the responses to the Group's posts or messages, no stakeholders outside the previously identified groups had been found.

Completing the above activities allowed for preparing the final map of TAURON Capital Group's stakeholders in 2019. Johnson & Scholes stakeholder matrix was created this way, as shown in Figure no. 1.

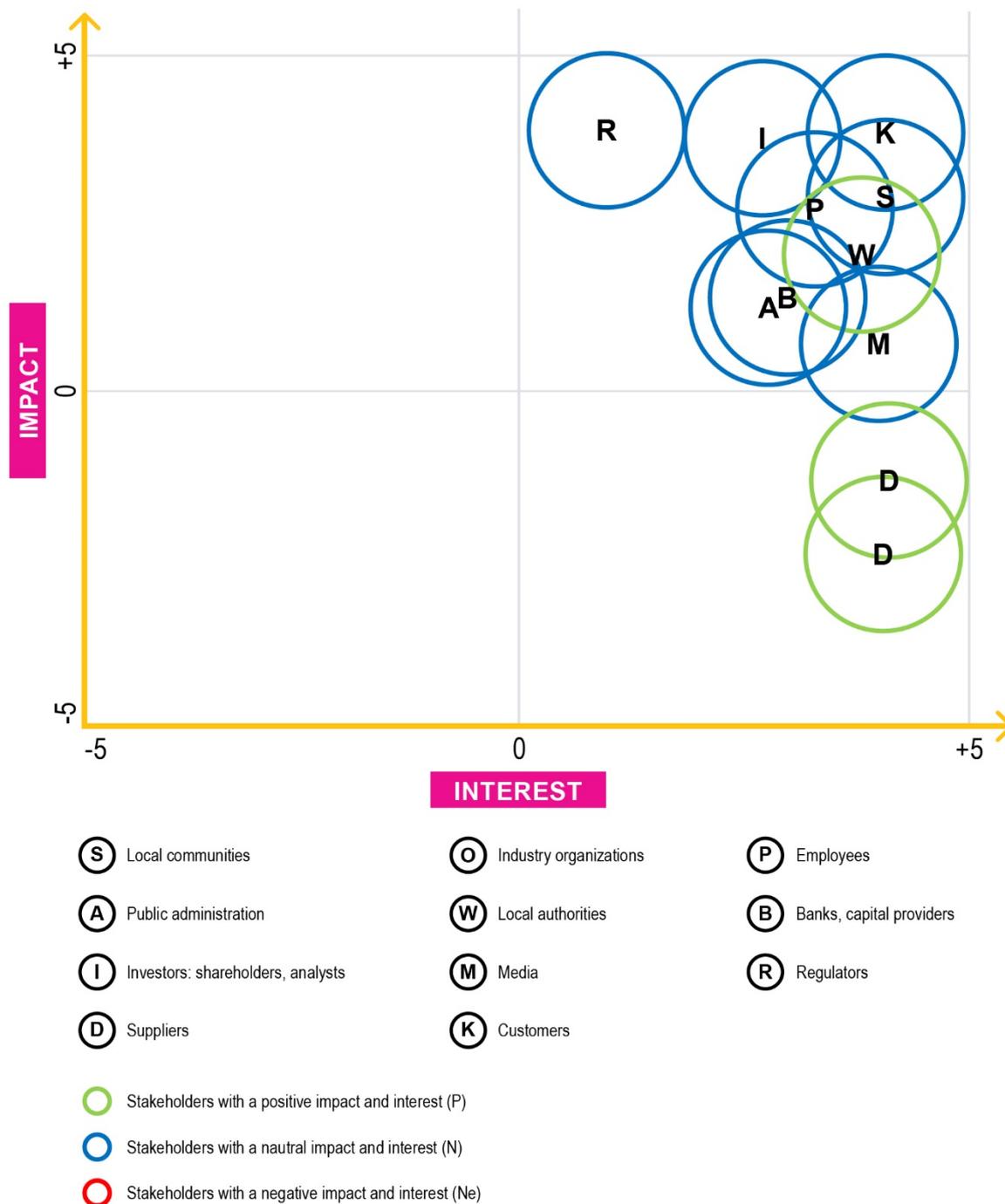


Figure no. 1. Johnson & Scholes matrix illustrating the map of TAURON Capital Group's stakeholders in 2019

1.5. Material aspects of the reporting

External and internal stakeholders identified in the mapping process were involved in the process of selecting the material aspects of TAURON Capital Group's reporting. The following actions contributed to the process of defining the material aspects of the reporting

- **individual interviews with experts** - including with the representatives of the universities, organizations dealing with responsible business and non-governmental organizations with an ecological profile of activities,
- **expert online survey** - sent, among others to the representatives of the industry

organizations, the regulator, NGOs and the social partner,

- **online survey** - a questionnaire, sent electronically, was completed by a record number of more than 12 000 employees and customers.

- **workshops with TAURON Group's managers** - managers, including the ones working in the area of strategy, customer, distribution, human resource management, compliance, took part in the meeting

TAURON Group's perspective takes into account the opinions collected from both the managerial staff as well as the employees of the Group. Therefore, separate points of view of the individual subsidiaries have not been identified, as the Group is regarded as a whole. Within it, however, the individual lines of business (Mining, Generation, Heat, RES, Distribution, Customer Service and Supply) can be distinguished and for which the indices that are most important from the point of view of their operations have been selected and reported.

In turn, the perspective of the Group's stakeholders is the aggregate result of the opinions of the experts who took part in TAURON's dialogue panels, as well as of the Group's customers, the representatives of the public administration, the regulator, the industry organizations, non-governmental organizations and the media.

The effect of the above mentioned work was the preparation of the final shape of the list of the material aspects of TAURON Capital Group's reporting, along with the determination of their significance for the Group and its stakeholders.

Material aspects of the reporting identified by the external and internal stakeholders are presented in Figure no. 2.

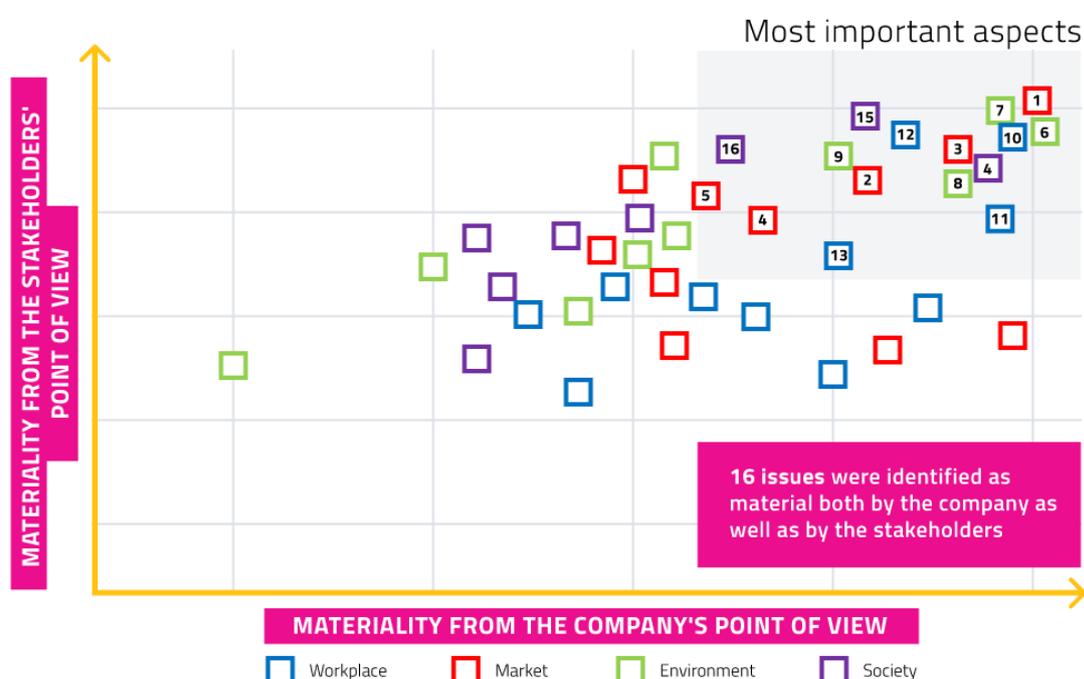


Figure no. 2. Significance of the individual aspects of the reporting for TAURON Capital Group and its stakeholders

Issues selected during the materiality analysis		SUSTAINABLE DEVELOPMENT AREA
1	Ensuring energy security - efficient provision of access to electricity and heat	MARKET
2	Investment projects aimed at increasing customer access to electricity supply (capital expenditures on new generation capacity, the refurbishment of the existing assets and the expansion of the RES-based generation capacity portfolio).	MARKET
3	Transparency of the offering and a responsible sales process (access to the information on the products and services, comprehensible sales language, clear bill / invoice, security of customer data).	MARKET

4	Responsible and ethical cooperation with TAURON Group's suppliers (raw material suppliers, business partners, contractors, etc.)	MARKET
5	Customizing of the offering to meet the customers' diverse needs and devising the solutions for the sensitive groups (e.g. special solutions for less affluent consumers, senior citizens, single parents, etc.)	MARKET
6	Investment projects aimed at increasing the share of energy generated from renewable sources and supporting sustainable development	ENVIRONMENT
7	Minimizing the negative impact of the company on the natural environment (through the investment projects undertaken, energy and water saving (efficiency) solutions, reduction of the emissions; waste management, etc.)	ENVIRONMENT
8	Research and development initiatives as well as innovative solutions related to the natural environment protection and energy saving (efficiency)	ENVIRONMENT
9	Efficient management of the consumption of the raw materials used in the production process	ENVIRONMENT
10	Terms of employment and friendly workplace (a transparent remuneration system, clear promotion criteria, non-discrimination, work (occupational) safety and health (WHS) issues)	WORKPLACE
11	Internal communication with the employees	WORKPLACE
12	Management of the employee departure and restructuring issues (e.g. outplacement programs for the people whose employment relationships have been terminated for reasons attributable to the employer)	WORKPLACE
13	Education and development of the employees at various levels in the organization	WORKPLACE
14	Support and resolution of the social problems (e.g. problems with access to electricity among economically handicapped social groups: the poor, the elderly; education of the society, etc.)	SOCIETY
15	Educational activities with respect to the functioning of the electricity market, energy efficiency and the safe use of electricity and its infrastructure.	SOCIETY
16	TAURON Group's support for the local communities within which it is operating (support for the local organizations, implementation of the social programs, organization of events in the regions, etc.)	SOCIETY

1.6. GRI indices described in this chapter

- GRI 101 Reporting principles and basics
- GRI 102-14 Statement from senior decision maker
- GRI 102-40 List of stakeholder groups
- GRI 102-42 Identifying and selecting stakeholders
- GRI 102-43 Approach to stakeholder engagement including the frequency of engagement by type and stakeholder group
- GRI 102-44 Key topics and concerns raised by stakeholders and the response from the organization also by reporting them
- GRI 102-45 Entities included in the consolidated financial statements
- GRI 102-46 Defining report content and topic boundaries
- GRI 102-47 List of material topics
- GRI 102-49 Changes in reporting (significant changes from previous periods covered by the report regarding material topics and topic boundaries)
- GRI 102-50 Reporting period
- GRI 102-51 Date of most recent report (if published)
- GRI 102-52 Reporting cycle
- GRI 102-54 Claims of reporting in accordance with the GRI Standards using Core or Comprehensive option
- GRI 102-56 External assurance (Confirmation of credibility)
- GRI 103-1 Explanation of the material topic and its boundary
- GRI 102-55 GRI Index

2. TAURON CAPITAL GROUP'S VALUE CHAIN AND ITS BUSINESS AND OPERATIONAL MODEL

TAURON Capital Group is a fully integrated energy group with its operations covering all elements of the electricity and heat value chain: from mining and procuring raw materials, through generation, distribution and supply to the final consumers.

The Group is made up of autonomous commercial law companies. The Group is led by TAURON Polska Energia S.A. (with its registered office in Katowice) as the parent entity (hereinafter called alternately the Company). TAURON Poland's largest electric utilities.

The Group's business model coincides with the value chain: from mining and procuring thermal fuel, through generation, electricity and heat trading and distribution, up to the supply to the final consumers. In response to the current and future challenges, the value chain has been expanded by adding the innovations ecosystem and the so-called new businesses that are set up at the interface between the innovations ecosystem and the core operations segments (lines of business). They also cover the gradual transition from the operations linear cycle to the closed cycle (circle) operations, which contributes to implementation of the circular economy assumptions. Figure no. 3 presents lines of business as part of the value chain in terms of their contribution to TAURON Group's EBITDA.

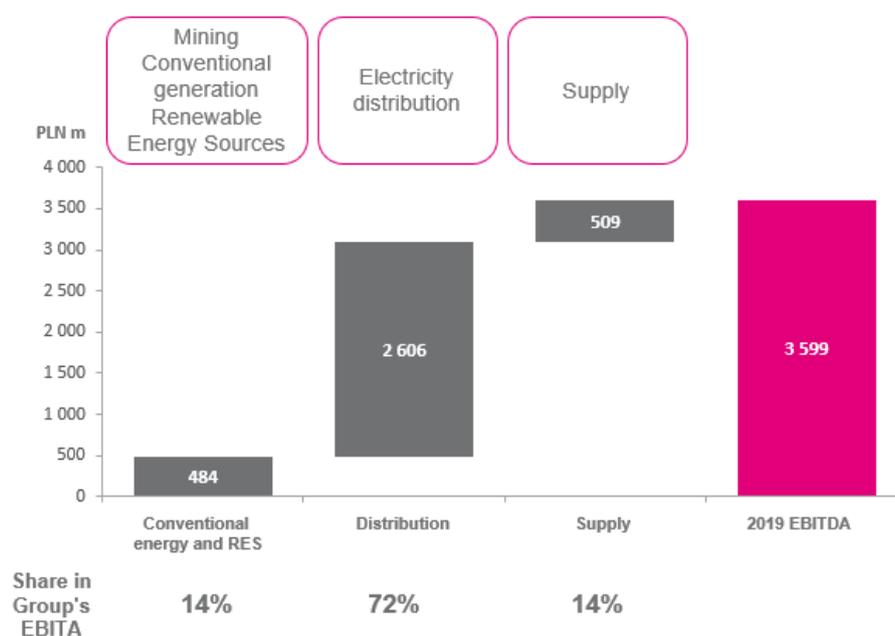


Figure no. 3. EBITDA's share in TAURON Capital Group's value chain in 2019

The business model is an element of the implementation of the Group's Strategy and through the structuring of the operations, organizing them into logical, interworking business processes, allows for optimizing the building of the value of TAURON Group as a whole, taking advantage of the economies of scale of the business conducted and the synergies resulting from the collaboration of the individual links of the value chain.

TAURON Capital Group is Poland's largest electricity distributor. Using its more than 235 000 km long distribution grids, it delivers electricity to more than 5.6 million consumers, in the area that covers approx. 57 000 km², which constitutes more than 18 percent of Poland's territory. In terms of electricity supply to the final consumers TAURON Group is number two, with its supply volume of approximately 29.6 TWh per annum. On the other hand, in terms of production volume TAURON Group is the third largest electricity generator on the Polish market, with the annual net production of 12.7 TWh (13.9 TWh in gross output) and installed capacity of 5.2 GW. To produce electricity the Group's conventional installations are using hard coal and biomass, renewable energy source units are utilizing the energy of wind and the kinetic energy of falling water. TAURON Capital Group is managing 9 wind power plants and 34 hydroelectric power plants, and it is operating 1180 km of district heating networks. TAURON Capital Group's generation units are generating approx. 10 percent of Poland's electricity output.

Limestone extraction

Kopalnia Wapienia "Czatkowice" sp. z o.o. is an open pit mine, extracting high quality carbonate limestone deposits, located at 28 km away from Cracow, in the Krzeszowice municipality.

The limestone from the Czatkowice deposit is used in the power generation, steel making, construction, lime, cement, sugar, road building industries, as well as in agriculture.

Generation

It comprises electricity generation using conventional sources (also through the biomass burning process). The segment's operations are conducted by TAURON Wytwarzanie S.A. subsidiaries and Nowe Jaworzno Grupa TAURON sp. z o.o., the company responsible for the construction and operation of the new power generation unit in Jaworzno with the capacity of 910 MW. Electricity generation by conventional units is carried out by 5 hard coal fired power plants with the total capacity of approx. 4.3 GWe and 1,2 GWt. These power plants are also equipped with two biomass fired units. The power plants are located in the following cities: Łaziska Górne, Będzin, Trzebinia, Stalowa Wola and Jaworzno. This Line of Business also includes the TAURON Serwis sp. z o.o. subsidiary that provides technical maintenance (support) services.

Heat

It comprises heat and electricity generation, distribution and supply, using co-generation sources. Heat generation is carried out by 3 combined heat and power plants, with the total capacity of approx. 0.3 GWe and 1,2 GWt, located in the following cities: Katowice, Tychy and Bielsko-Biała, as well as by local boiler houses. The generating units are using hard coal and biomass for their production. The heat operations are conducted by TAURON Ciepło sp. z o.o. and SCE Jaworzno III sp. z o.o. subsidiaries, that are, in total, operating approx. 1 180 km of the distribution heating networks on the territory of, among others, Bielsko-Biała, Czechowice-Dziedzice, Katowice, Dąbrowa Górnicza, Sosnowiec, Chorzów, Siemianowice Śląskie, Jaworzno, Zawiercie and Mysłowice, with 857 km being TAURON Ciepło's own networks, and 121 km being SCE Jaworzno III's networks.

Renewable Energy Sources

It comprises electricity generation using renewable energy sources, except for biomass burning. This line of business is managing 34 hydroelectric power plants with the total capacity of 133 MW, located primarily in the south of Poland, and 9 wind based power plants with the total capacity of 381 MW, located primarily in the north of Poland. The segment's operations are conducted by TAURON Ekoenergia sp. z o.o., TAURON Ekoserwis sp. z o.o. subsidiaries and the group of special purpose vehicles set up to manage RES assets, among others the five wind farms acquired from the in.ventus group in September 2019.

Distribution

It comprises electricity distribution using the distribution grid located in the south of Poland. TAURON distributes electricity on the territory of the following regions: Małopolska, Lower Silesia, Opole and Silesia, and partly also Świętokrzyskie, Podkarpackie, Łódzie, Wielkopolska and Lubuskie.

The operations are conducted by TAURON Dystrybucja S.A. subsidiary. The operational functions (activities) are carried out by 11 branches located in Będzin, Bielsko-Biała, Częstochowa, Gliwice, Jelenia Góra, Cracow, Legnica, Opole, Tarnów, Wałbrzych and Wrocław. The operations of TAURON Dystrybucja are supported by the TAURON Dystrybucja Pomiarów sp. z o.o. subsidiary.

Trading

It comprises electricity wholesale trading, as well as trading and management of CO₂ emission allowances and property rights arising from certificates of origin of electricity, as well as fuels.

Such operations are conducted by TAURON Polska Energia S.A. and TAURON Czech Energy s.r.o. subsidiaries. The Trading Line of Business also includes the procurement of biomass, as well as the utilization of mining and burning by-products carried out by Bioeko Grupa TAURON sp. z o.o. subsidiary.

Supply

It comprises the supply to the final consumers of electricity and natural gas, as well as related products. The operations are conducted by TAURON Sprzedaż sp. z o.o. and TAURON Sprzedaż GZE sp. z o.o. subsidiaries. The supply operations are conducted nationwide and, on a smaller scale, on the Czech and Slovak markets. This Line of Business also includes services related to street lighting, as well as energy efficiency and smart technologies services carried out primarily by TAURON Dystrybucja Serwis sp. z o.o. subsidiary. The company is managing approx. 750 thousand street lamps.

Other operations

It is a separate line of business called Shared Services Centers. It includes such services, provided for TAURON Group's subsidiaries as, among others, customer service, accounting and human resources services, as well as IT services, carried out by TAURON Obsługa Klienta sp. z o.o. subsidiary, managing insurance policies for all of the Group's subsidiaries – TAURON Ubezpieczenia sp. z o.o. subsidiary, security and order keeping services – Wsparcie Grupa TAURON sp. z o.o. subsidiary. The goal of such a division of competences is to relieve the Lines of Business from the obligation to carry out the processes that are not directly associated with their core business operations (non-core operations related processes), and also to reduce the costs of performing such processes thanks to the economies of scale and the improvement of operational efficiency.

Figure no. 5 presents the structure of TAURON Capital Group's Line of Business.

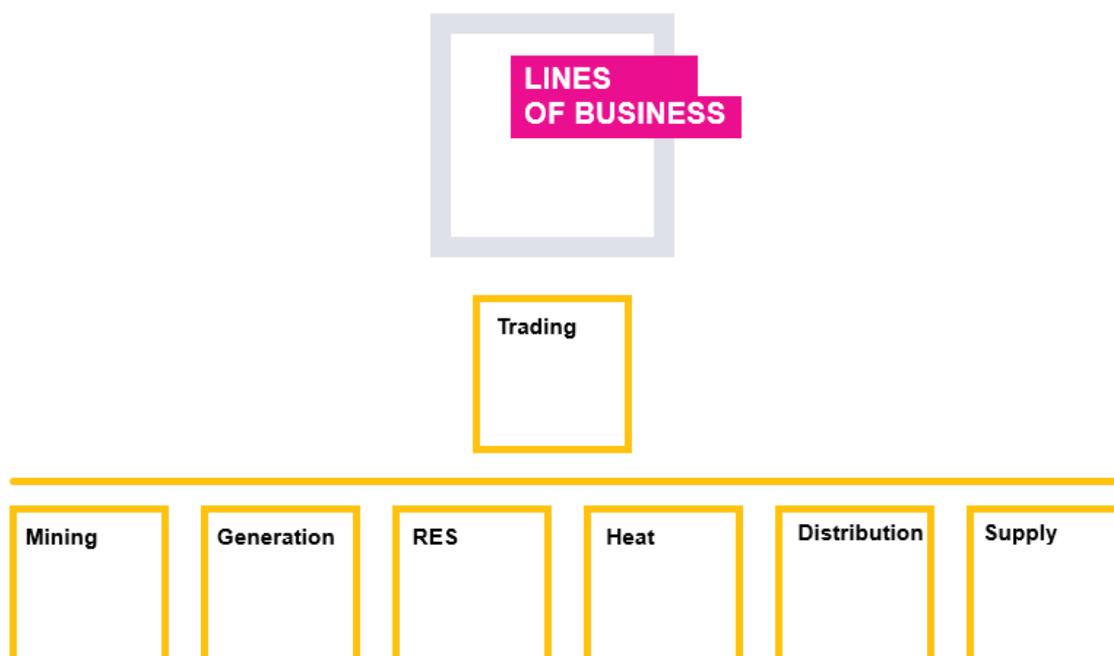


Figure no. 5. TAURON Capital Group's Lines of Business in 2019

2.2. Principles of TAURON Polska Energia S.A.'s management

Pursuant to the Ordinance of the Minister of Finance of March 29, 2018 (Journal of Laws of 2018, item 757) on current and periodic information to be disclosed by securities issuers and conditions for recognizing as equivalent the information required by the legal regulations in force in a non-member state (Journal of Laws of 2018, item 757), TAURON Polska Energia S.A., as an issuer, shall be obligated to draw up, among others:

1. Financial statements of TAURON Polska Energia S.A. for the ended financial year.
2. Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the ended financial year.
3. Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the ended financial year.

The range of topics that the Company shall be obligated to include in the financial statements is defined by the Act on accounting, while in case of the report on the operations such a scope is defined in the above mentioned Ordinance. The Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the ended financial year includes, among others, economic topics (section devoted to the analysis of financial position and assets) and environmental issues (section describing the impact on natural environment, including the description of the Climate Policy and the Environmental Policy).

In accordance with the provisions of the By-laws of the Management Board of TAURON Polska Energia Spółka Akcyjna with its seat in Katowice, the Management Board conducts the affairs of the Company and represents it in all judicial and extra-judicial proceedings. All issues connected with managing the Company, which are not restricted by legal regulations and provisions of the Articles of Association of TAURON Polska Energia S.A. to the competence of the General Meeting or the Supervisory Board shall be within the competence of the Company's Management Board. Cooperation of two members of the Management Board or one member of the Management Board together with a proxy is required for making statements on behalf of the Company.

In accordance with the Organizational Regulations of TAURON Polska Energia S.A., the Company is managed directly by the Management Board of the Company, as well as through proxies (power of attorneys), Managing Directors, Executive Directors or persons holding other positions reporting directly to Members of the Management Board.

The Company carries out its tasks through:

- 1) separate organizational units (business units):
 - Business areas, comprising independent work positions and organizational units (business units) reporting directly to the Executive Directors. The work of the Executive Directors is managed (supervised) by members of the Company's Management Board directly or via the Managing Directors,
 - Teams, constituting organizational units (business units) reporting to the Executive Directors or Managing Directors. The activities of the team are managed by the Team Leader (Manager).
- 2) independent work positions:
 - Managing Directors who manage and lead the work of the subordinate Executive Directors, Teams or independent work positions,
 - Executive Directors who manage and lead the work of the subordinate Teams or independent work positions constituting the given business area of the Company,
 - other independent positions that may be entrusted to, in particular, Power of Attorneys, Inspectors, Spokespersons, Coordinators or Specialists,
- 3) temporary organizations – Project Teams set up with the goal to implement tasks and projects of the Company.

Only the most important assumptions, rules (principles) and regulations related to corporate governance, aimed at ensuring the performance of the above obligations, applied by TAURON Polska Energia S.A., are provided below, while confirming at the same time that they are fully in line with the letter of the Polish law, as well also as that they include all the Best Practices of WSE Listed Companies 2016. The complete, detailed description related to corporate governance is provided in section no. 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019.

2.2.1. Management Board of TAURON Polska Energia S.A.

The Management Board of TAURON Polska Energia S.A. is composed of one to six persons, including the President and the Vice Presidents of the Management Board. Members of the Management Board are appointed and dismissed by the Supervisory Board for the common term of office that lasts 3 years, except for the 1st term that lasted 2 years. Each member of the Management Board can be dismissed or suspended in his/her activities by the Supervisory Board or General Meeting.

In order to select a person with whom an agreement to perform the management functions in the Company will be concluded, the Supervisory Board announces a competition and conducts a recruitment process for the position of the President or Vice President of the Management Board, with the goal to verify and evaluate the qualifications of candidates, as well as to select the best candidate. A candidate for a Member of the Management Board must meet the requirements defined in § 16, clause 3 and 4 of the Company's Articles of Association. The announcement on the recruitment process is published on the Company's website and in the Public Information Bulletin (Biuletyn Informacji Publicznej). The Company shall notify the shareholders of the recruitment process results.

The current, fifth term of office of the Management Board began its run on March 16, 2017. In accordance with the Company's Articles of Association the common term of office shall last 3 years.

The composition of the Management Board TAURON Polska Energia S.A. as of December 31, 2019 and as of the day of drawing up this Report is as follows:

1. Filip Grzegorzcyk - President of the Management Board,
2. Jarosław Broda - Vice President of the Management Board for Asset Management and Development,
3. Marek Wadowski - Vice President of the Management Board for Finance.

The changes to the composition of the Management Board of TAURON Polska Energia S.A. that took place in 2019 are described in detail in sub-section 9.11.1. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019. The detailed descriptions of the experience and competences of the Members of the Management Board of TAURON Polska Energia are provided in the above mentioned section as well and such information is also published on the Company's website <http://www.tauron.pl/>.

The Management Board of TAURON Polska Energia S.A. is acting pursuant to the Code of Commercial Companies and other legal regulations, the provisions of the Articles of Association of TAURON Polska Energia S.A. and the provisions of the By-laws of the Management Board of TAURON Polska Energia Spółka Akcyjna with its seat in Katowice, which is available on the website <http://www.tauron.pl/>. When performing their duties the members of the Management Board is acting in accordance with the principles provided in the Best Practices of WSE Listed Companies.

Two members of the Management Board or one member of the Management Board together with a proxy shall be entitled to make valid statements on behalf of the Company. In case the Management Board includes one person, one member of the Management Board or a proxy shall be entitled to make valid statements on behalf of the Company.

Meetings of the Management Board are convened by the President of the Management Board or a Vice President of the Management Board designated by the President of the Management Board. Meetings of the Management Board are also convened at the request of the majority of Vice Presidents of the Management Board, as well as the Chairperson of the Supervisory Board. Meetings are held at the Company's headquarters, on the date set by the person that convened the meeting. In justified cases, meetings of the Management Board may take place outside the seat of the Company. The President of the Management Board or a Vice President of the Management Board designated thereby chair meetings of the Management Board.

The Management Board votes in an open ballot. The result of the ballot is recorded in the minutes of the meeting. The President of the Management Board orders a secret ballot at the request of any member of the Management Board.

The competences of the Management Board and matters requiring a resolution of the Management Board are presented in detail in sub-section 9.8.1. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019.

Resolutions of the Management Board are passed by an absolute majority of votes in the presence of 3/5 of the members of the Management Board. In the event of an equal number of votes (a tie), the President of the Management Board has the casting vote. The Management Board may pass resolutions by voting in writing or using means of direct remote communications. Voting in accordance with the above mentioned procedures is ordered by the President of the Management Board or a member of the Management Board designated by the President of the Management Board, along with the setting of the deadline for casting votes by members of the Management Board. A dissenting opinion may be submitted. Such dissenting opinion is recorded in the minutes of the meeting including the justification thereof. The decisions of the Management Board related to ongoing issues that do not require passing of a resolution are recorded solely in the minutes of the meeting.

The internal split, among members of the Management Board, of tasks and responsibilities for the Company's individual lines of business, as defined in the Organizational Regulations of TAURON Polska Energia S.A. and covering independent work positions and organizational (business) units reporting to and supervised by individual members of the Management Board, is defined in the Organizational Regulations, and the diagram showing the above mentioned split is published on the Company's website.

The structure of the lines of business reporting to individual members of the Management Board is defined in the diagram presenting the split of responsibilities of members of the Management Board of the Company, discussed in section 2.5 of this Report.

2.2.2. Supervisory Board of TAURON Polska Energia S.A.

The Supervisory Board of TAURON Polska Energia S.A. is composed of five to nine persons appointed for the common term of office that lasts 3 years, except for the 1st term that lasted 1 year. In accordance with the Articles of Association of TAURON Polska Energia S.A., members of the Supervisory Board are appointed and dismissed by the General Meeting, subject to the reservations provided in sub-section 9.8.2. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019.

In accordance with the Best Practices of WSE Listed Companies 2016, at least two members of the Supervisory Board meet the independence criteria. The phrase "an independent member of the Supervisory Board" denotes independence of a member of the supervisory board within the meaning of Appendix II to the Recommendation of the European Commission of February 15, 2005 related to the role of non-executive directors or members of a supervisory board of publicly listed companies and of a supervisory board's committee (2005/162/EC) and the additional criteria indicated in the Best Practices of WSE Listed Companies 2016.

The Supervisory Board carries out continuous supervision over the Company's operations in all areas of its operations, performing its duties collectively.

The main form of the Supervisory Board overseeing the Company's operations are the meetings of the Supervisory Board, convened by the Chairperson of the Supervisory Board or a Vice Chairperson of the Supervisory Board:

1. in accordance with the decisions taken by the Supervisory Board,
2. of his / her own initiative,
3. at a written request of each member of the Supervisory Board,
4. at a written request of the Management Board.

Meetings of the Supervisory Board are held at the Company's seat. In justified cases a meeting may be convened at a different venue.

The competences of the Supervisory Board and matters requiring a resolution of the Supervisory Board are presented in detail in sub-section 9.8.2. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019.

The current, fifth term of office of the Supervisory Board, began on May 29, 2017, i.e. on the day of holding the Ordinary General Meeting of TAURON Polska Energia S.A. approving the financial statements for the last full financial year of the tenure of the members of the Supervisory Board of the fourth term, i.e. for the financial year 2016. In accordance with the Company's Articles of Association it is a common term of office and it lasts 3 years.

The composition of the Supervisory Board as of the date of drawing up this Report is as follows:

- 1) Beata Chłodzińska – Chair of the Supervisory Board,
- 2) Teresa Famulska – Vice Chair of the Supervisory Board,
- 3) Jacek Szyke – Secretary of the Supervisory Board,
- 4) Barbara Łasak-Jarszak – Member of the Supervisory Board,
- 5) Grzegorz Peczkis – Member of the Supervisory Board,
- 6) Jan Płudowski – Member of the Supervisory Board,
- 7) Marcin Szlenk – Member of the Supervisory Board,
- 8) Katarzyna Taczanowska – Member of the Supervisory Board,
- 9) Andrzej Śliwka – Member of the Supervisory Board.

The changes to the composition of the Supervisory Board of TAURON Polska Energia S.A. that took place in 2019 are described in detail in sub-section 9.11.2. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019. The detailed descriptions of the experience and competences of the Members of the Supervisory Board of TAURON Polska Energia are provided in the above mentioned section as well and such information is also published on the Company's website <http://www.tauron.pl/>.

2.2.3. General Meeting

The procedures and empowerments of the General Meeting of TAURON Polska Energia S.A. are defined in the Company's Articles of Association and in the Regulations of the General Meeting of TAURON Polska Energia S.A. (the document is available on the Company's website <http://www.tauron.pl/>).

General Meeting of Shareholders shall be convened by a notice published on the website of TAURON Polska Energia S.A. and in a manner defined for providing the current information by public companies. In case the General Meeting is convened by an entity or a body other than the Management Board on the basis of regulations of the Code of Commercial Companies, as convening a General Meeting of Shareholders requires the Management Board's cooperation, the Management Board shall be obligated to perform any activities required by law in order to convene, organize and conduct General Meetings of Shareholders that take place either at the seat of TAURON Polska Energia S.A. or in Warsaw.

General Meeting of Shareholders shall be opened by the Chairperson of the Supervisory Board, and in case he/she is absent, the following persons shall be entitled to open the General Meeting of Shareholders in the given order: Vice Chairperson of the Supervisory Board, President of the Management Board, a person designated by the Management Board or a shareholder who registered at the General Meeting of Shareholders such a number of shares that grant the right to exercise the largest number of votes. Then, the Chairperson of the General Meeting of Shareholders shall be elected from among persons entitled to participate in the General Meeting of Shareholders.

General Meeting of Shareholders shall pass resolutions irrespective of the number of shares represented at the Meeting, unless the regulations of the Code of Commercial Companies, as well as the provisions of the Articles of Association of TAURON Polska Energia S.A. state otherwise.

The competences of the General Meeting of Shareholders and matters requiring a resolution of the General Meeting of Shareholders are presented in detail in sub-section 9.10. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019.

As part of its corporate governance TAURON also established the Rights of the Shareholders of TAURON Polska Energia S.A. related to the General Meeting, defined in accordance with the Articles of Association of TAURON Polska Energia S.A., the Code of Commercial Companies and the Regulations of the General Meeting of TAURON Polska Energia S.A. They are presented in detail in sub-section 9.10. of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2019.

2.2.4. Description of the principles applied to amend the Articles of Association of TAURON Polska Energia S.A.

Amendments to the Articles of Association of TAURON Polska Energia S.A. are made in accordance with the provisions of the Code of Commercial Companies. In particular an amendment to the Articles of Association of TAURON Polska Energia S.A. takes place by means of a resolution of the General Meeting, passed by the majority of three fourths of the votes, and then requires issuing of a decision by a proper court on entering the change into the register of entrepreneurs (business register). The consolidated text of the Company's Articles of Association, including amendments passed by the General Meeting, shall be adopted by the Supervisory Board by means of a resolution.

In accordance with the Articles of Association of TAURON Polska Energia S.A., a material change to the subject of the operations of TAURON Polska Energia S.A requires two thirds of the votes in the presence of persons representing at least half of the share capital.

2.3. Principles of TAURON Group's management

The management of TAURON Group is carried out based on two internal documents: the Code of the Group and TAURON Group's Business and Operational Model.

2.3.1. Code of TAURON Group

The management of TAURON Group is based on the leading role of the corporate center, i.e. the parent company - TAURON Polska Energia S.A., which manages the subsidiaries that are part of the Lines of Business and the shared service centers. Relations with respect to making decisions are regulated by the Code of the Group, which is the core regulatory act of TAURON Group. The Code of the Group regulates its operations, ensuring the accomplishment of the goals through tailored solutions in the area of the management of TAURON Group's entities, including, enabling achieving of the effects assumed in the Strategy.

Currently, the works on updating the Code of the Group, due to the changes in the environment, the need to clarify some of the provisions and nearly ten years of experience gathered based on the use of this document are being finalized.

2.3.2. TAURON Group Business and Operational Model document assumptions

TAURON Group's Business and Operational Model adopted by the Company's Management Board on January 23, 2018, specifies the Group's management model, defines the high-level architecture of processes, as well as the functions and tasks of the Corporate Center, lines of business and other units.

The foundations of the Business and Operational Model include:

- building the value of TAURON Group as a whole (not of separate subsidiaries),
- focus on customers (internal and external),
- adhering to the Group's values (PRO values),
- making decision making processes red tape free,
- taking advantage of TAURON Group's knowledge and qualifications.

To ensure efficient management, the split of roles and responsibilities was implemented in accordance with the business model in force, based on assigning process competences to the Corporate Center, the Lines of Business and the Shared Services Centers. This split is presented in figure no. 6.

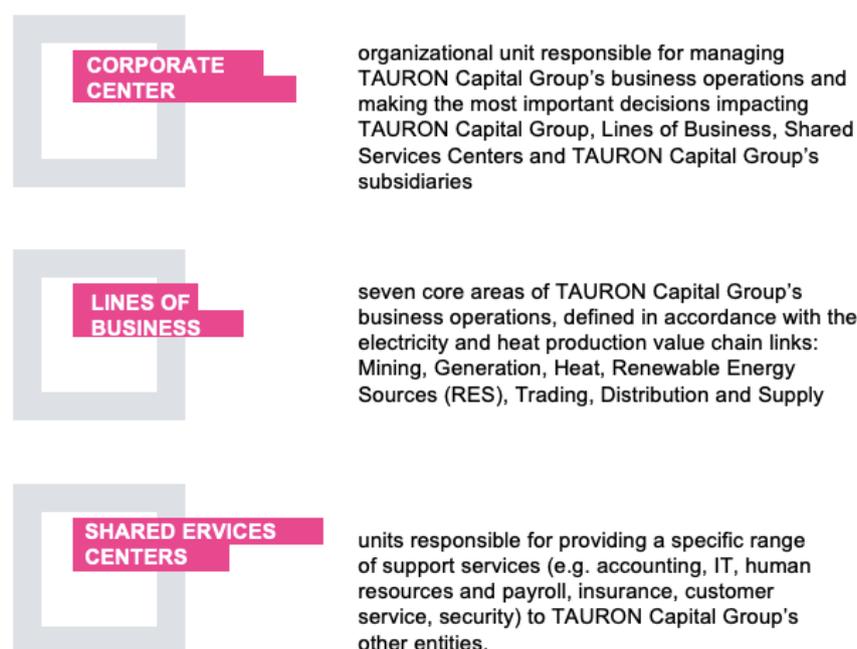


Figure no. 6. The split of obligations (duties) and responsibilities under TAURON Capital Group's business model in 2019

2.4. TAURON Capital Group's organization

TAURON Capital Group's organization should be viewed according to three aspects:

- process (business) aspect – based on the process structure that clearly defines responsibilities and how processes are implemented. The advantages stemming from the way of conducting key business processes build value and impact the competitive position of TAURON Group,
- line of business aspect – related to the profile of the operations conducted and the place within the Group's value chain,
- capital aspect – structure of the formal and legal domination of the Group's subsidiaries.

2.4.1. Process based organization

Regulations implemented in 2016, along with the Business Model, updated in 2018, introduced the management by processes within TAURON Capital Group.

The process documentation describes the split of competences and repeatable actions performed, operational processes including the descriptions of exchanged products and services. Processes are the superior organization in relation to the organizational structure of individual subsidiaries and run horizontally across entire TAURON Group.

Based on the main products, TAURON Capital Group's processes were divided into three groups: management, operational and support processes.

The chart presented in figure no. 7 presents mega-processes identified at TAURON Group (the highest process level).



Figure no. 7. TAURON Capital Group's mega-processes in 2019

The owners of the mega-processes (the highest process level) are indicated TAURON Polska Energia S.A. directors. The process documentation (maps, diagrams and process sheets) defines and describes decision making powers (competences) and actions to be undertaken by the individual organizational units within TAURON Capital Group's various companies. The owners of the mega-processes decompose these into lower level processes and appoint their owners. Each process has its owner and process metrics defined by the higher level process owner. The process documentation defines the course of action (interdependencies) and decision competences for the repeatable processes.

The goal of the process based management model implemented was to benefit from the operating synergies among TAURON Capital Group's various companies, share and use best practices, standardize and automate processes, and also to ensure coherence of actions taken within TAURON Capital Group's companies to support the implementation of the Strategy.

The essence of the management by processes lies in the continuous search for and implementation of efficiencies along with the clear and transparent division of competences and responsibilities. Processes are modified accordingly to improve their efficiencies. The process documentation is published in the intranet and available to all employees of the Group.

The competences and process interdependencies described in the process documentation supplement the competences stemming from the organizational structure of the individual companies and support the operations of TAURON Capital Group's companies as a single entity.

2.4.2. Organization by Lines of Business

TAURON Capital Group's operations are implemented based on seven Lines of Business (presented, including the assignment thereof to the individual subsidiaries of TAURON Group, in figure no. 8): Mining, Generation, Heat, Renewable Energy Sources (RES), Trading, Distribution and Supply.

A Line of Business is a company, several companies or a separate part of a company owned by TAURON Group, responsible for the implementation of specific tasks related to the Group's core business. Lines of Business are

responsible for implementing the core processes and support at the Line of Business level and they participate in management processes and support processes implemented at the Group level.

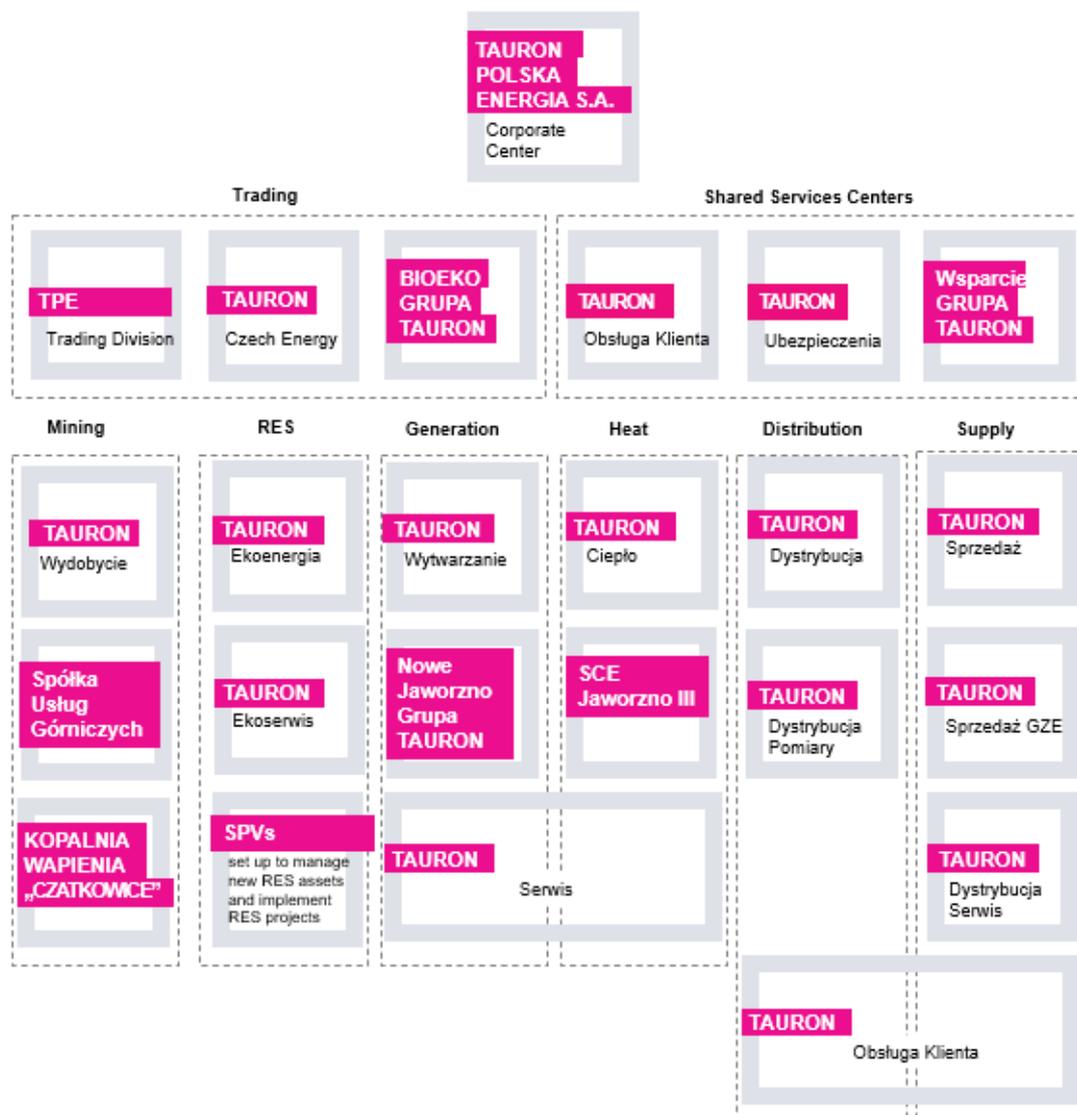


Figure no. 8. Assignment of TAURON Capital Group's subsidiaries to Lines of Business in 2019

Mining

The most important tasks of the Line of Business include the implementation of plans for the extraction and processing of hard coal and limestone, as well as overhauls and support of devices covering all maintenance operations. The Line of Business prepares long-term and medium-term hard coal and limestone production plans, as well as investment plans for existing and new facilities that are subject to approval at the Group level.

Generation

The most important tasks of the Line of Business include the production of electricity and heat using power plants owned by TAURON Wytwarzanie and maintaining the Group's production units in an appropriate technical condition (high availability and efficiency rates). The Line of Business participates in the planning of operational activities related to the production of electricity and heat, as well as the activities related to the maintenance of assets, and also performs operational tasks in this respect. In addition to tasks related to operational work and maintenance activities related to the existing generating units, the Line of Business also participates in the works related to the planning and development of new facilities.

Heat

The most important tasks of the Line of Business are focused on heat production and supply planning, heat distribution as well as the implementation of overhaul and maintenance plans for installations owned by the Line of Business. For the heat production and supply planning conducted by the Trading Line of Business, the Heat Line of Business defines the volumes of electricity production in cogeneration carried out by the heat generation sources.

RES

The Line of Business is responsible for electricity production and maintaining production capacity in renewable energy sources. Its most important tasks include the implementation of electricity production plans and the implementation of overhaul and maintenance plans for production installations, as well as the development of its generation units fleet.

Distribution

The responsibility of the Line of Business includes the distribution of electricity, including the grid operations management in the power distribution system, ensuring the ongoing and long-term security of the system's operation, operation, overhauls and the required expansion of the distribution grid, including connecting new electricity consumers and producers, as well as connections with other power systems. The most important tasks of the Distribution Line of Business include the distribution of electricity in accordance with the grid needs and in order to meet customer needs, while maintaining its reliability, as well as the implementation of plans for overhauls, maintenance and development of the distribution grid.

Supply

The Supply Line of Business is responsible for the development of the customer base and the supply of electricity and other products and services offered by TAURON Group. The Supply Line of Business, and in particular Customer Service, is the main contact point for customers with TAURON Group. Its most important tasks include the implementation of electricity and other products supply plans, the development of the customer base as well as sales and service channels, and the development and maintaining good relations with this group of stakeholders.

Trading

The most important tasks of the Trading Line of Business include: planning electricity and heat production, trading in electricity, fuels, CO₂ emission allowances and property rights, optimization and management of the trading portfolios, management of the generating units' operation, preparation of plans for securing and balancing TAURON Group's ongoing fuel needs.

Shared Services Centers

Shared Service Centers are separate organizational units responsible for providing a specific range of support services (e.g. accounting, IT, human resources and payroll, customer service, insurance and security) to the Group's other entities.

2.4.3. Formal and legal organizational structure

As of December 31, 2019, TAURON Capital Group's subsidiaries, besides TAURON Polska Energia S.A. parent company, included 32 subsidiaries subject to consolidation.

TAURON Capital Group's structure is presented in figure no. 9.

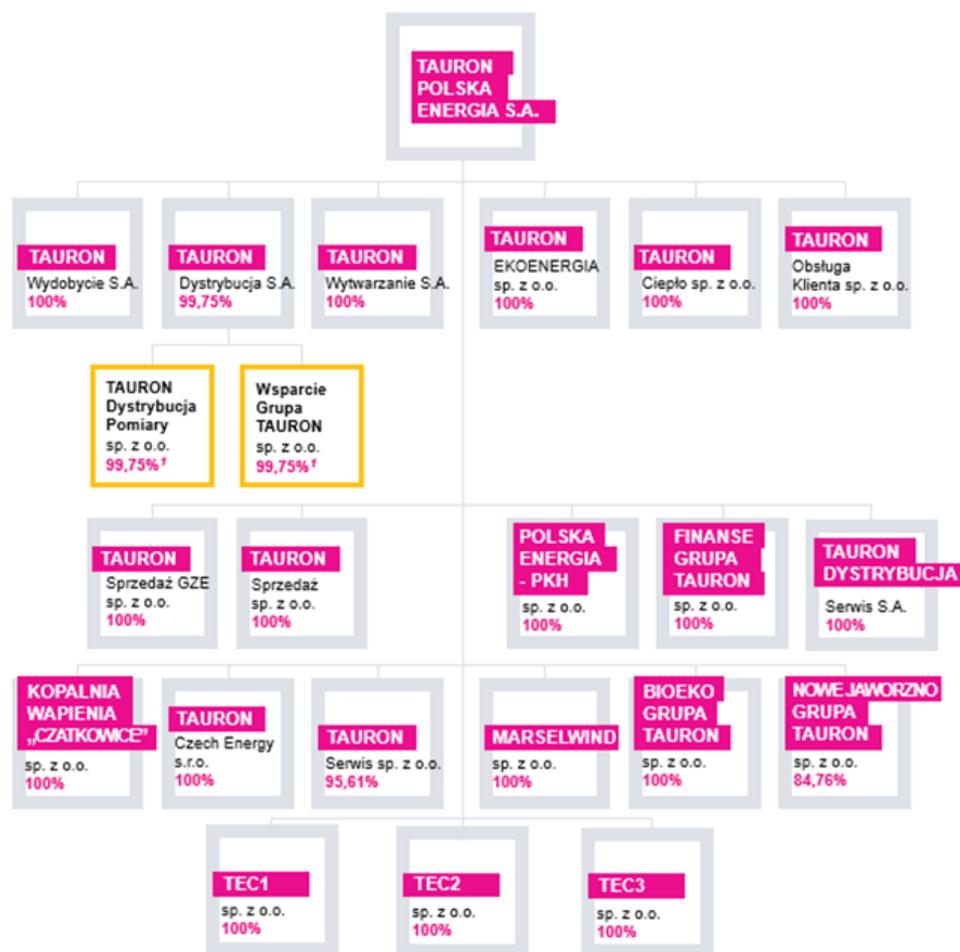


Figure no. 9. Core TAURON Capital Group's subsidiaries in 2019, including the parent company's shareholding therein

Parent company's organizational structure

TAURON Polska Energia S.A is TAURON Capital Group's parent company, performing the role of the corporate center. The company's operations are managed by the Management Board within which the competences for managing the business units were split among the President of the Management Board and the Vice Presidents of the Management Board.

Figure no. 10 presents the current split of competences within the Management Board of TAURON Polska Energia S.A.



Figure no. 10. Split of competences within the Management Board of TAURON Polska Energia S.A. as of December 31, 2019

2.5. Changes to the principles of TAURON Polska Energia S.A. and TAURON Capital Group's management

Changes to the principles of the Company's management

On October 25, 2019, as a result of changes taking place in the Company's business environment, seeking to optimize, streamline and strengthen the management processes as well as make the processes of composing independent work places and organizational units reporting to members of the Company's Management Board more flexible, the Management Board adopted and the Company's Supervisory Board approved the new Organizational Regulations.

In the above Organizational Regulations, that came into force on November 15, 2019, the existing Divisions were replaced by the Business Areas managed by the Executive Directors, the possibility of appointing, in justified cases, one of the Executive Directors to the position of a Managing Director in order to manage subject matter related Business Areas was introduced and it was established that the assignment of Business Areas to the specific members of the Company's Management Board would be made by the Company's Supervisory Board or, in the absence thereof, the assignment would be made pursuant to a resolution of the Company's Management Board.

In connection with the new Organizational Regulations, the required modifications of the scope of functions of the individual Business Areas in the organizational structure of the Company were also made.

The changes in the organizational structure of the Company were aimed at optimizing the functioning of the Company and TAURON Capital Group. The current organizational structure of TAURON Polska Energia is presented in Figure no. 11.

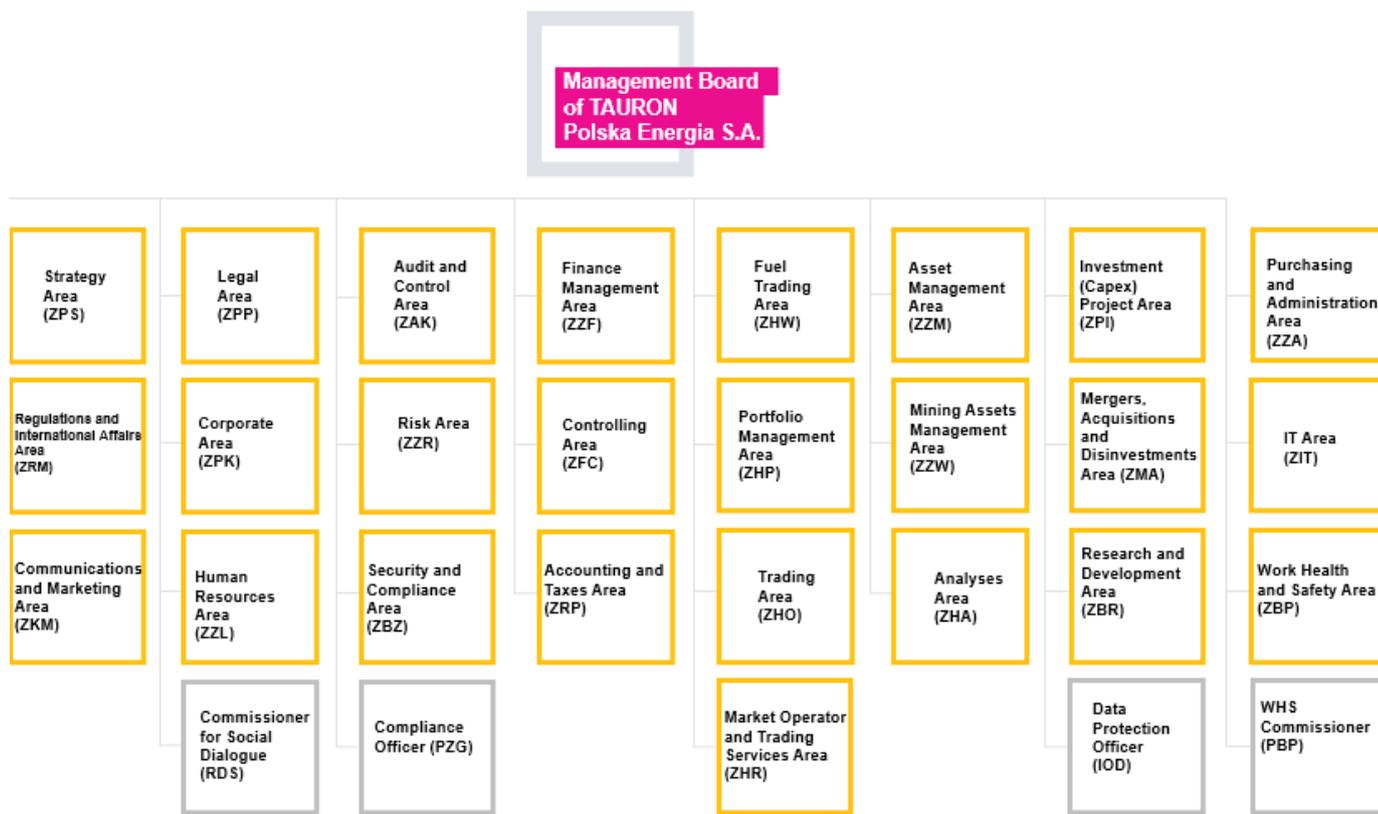


Figure no. 11. Organizational diagram of TAURON Polska Energia S.A. as of the day of drawing up this report

Changes to the principles of TAURON Capital Group's management

As part of the works related to the implementation of the Business Model, the activities related to designing and implementing the key processes at TAURON Capital Group's subsidiaries that conduct business operations, i.e. TAURON Dystrybucja Serwis, TAURON Dystrybucja Pomiary, TAURON Serwis, TAURON Ekoserwis, TAURON Sprzedaż GZE, TAURON Ubezpieczenia, Wsparcie Grupa TAURON, Bioeko Grupa TAURON, SCE Jaworzno III and Spółka Usług Górniczych Górnicych sp. z o.o. (SUG), were completed in 2019.

Maps and diagrams, as well as interface points for the processes taking place at TAURON Polska Energia and at other TAURON Capital Group subsidiaries, were agreed. The Company verified the processes throughout TAURON Capital Group in order to ensure high quality and consistency of the processes developed.

The robotic automation process and the path for initiating improvements by process participants were also implemented in 2019, which intensified the optimization process at TAURON Capital Group's subsidiaries. The works related to the implementation of the process maturity assessment were commenced at TAURON Capital Group, with TAURON Capital Group's Process Maturity Model tool having been designed and a pilot assessment of selected TAURON Capital Group subsidiaries' processes having been carried out. All of these activities were aimed at identifying areas for further improvement, in particular taking into account the issues related to business optimization and the response to physical and transition risks.

The implemented documentation and process tools, as well as the competences acquired by TAURON Capital Group with respect to process management and process optimization at TAURON Capital Group's subsidiaries set up conditions for further seeking of improvements and increasing the efficiency of the operations.

2.6. Disclosure of information regarding the business model in accordance with the guidelines provided in the 2019 European Commission Communication (2019 / C 209/01)

Being aware of the progressing climate changes and their effects, as well as the important role and tasks of the power sector in the broadly understood transition to a low emission economy, the Management Board of TAURON Polska Energia S.A. is taking actions aimed at reducing the negative impact of TAURON Group on climate and the environment. The Group was organized in a long chain of operations covering virtually the entire business: from acquiring fuel to selling the product to the final customer, and the individual links (Lines of Business) are based on large business entities. Such organization allows for impacting the quality of the processes implemented at every stage of value creation, and thus optimizing, adapting, if required, change the way of doing business so as to respond to the current and future challenges. In accordance with the Strategic Directions Update, the line of business responsible for the production of electricity from renewable sources area is expanded. Thus, TAURON Group is changing its generation mix, reducing greenhouse gas emissions.

2.6.1. Impact of climate related risk and opportunities on the business model, strategy and financial plans

Any action involves risk. For the energy industry, the climate impact includes both, weather related occurrences, as well as regulatory changes and changes in customer attitudes. All of this is not without significance for the business model and Strategy, especially in terms of shifting the place where value generation takes place within TAURON Group's value chain. The response to the changes in the environment is the Update of the Strategic Directions, adopted by the Company's Management Board on May 27, 2019, and the resulting Green Turn of TAURON, i.e. short- and medium-term assumptions for transitioning the production mix towards low- and zero-emission sources, as well as TAURON Group's Climate Policy adopted in November 2019.

The Group recognizes the risk of significant changes in the regulatory area, both at the European, as well as the national level, aimed at minimizing the negative impact on the climate by introducing further restrictions for coal based power generation. The tightening of climate regulations and the withdrawal by financial institutions and insurers from the cooperation with entities operating coal assets will have a negative impact on the operational prospects for conventional coal units that are part of TAURON Group's production fleet. Due to the above TAURON sees physical risks as well as the so-called transition risks related to climate change.

The above is the main determining factor (driver) for the development of RES by TAURON Group, as well as for the implementation of the principles of the so-called circular economy. However, one should be aware of Poland's current energy mix, including that of TAURON Group, which is based on fossil fuels and associated with large coal reserves held. Because of that, in addition to the fast expansion of renewable energy sources (RES), implemented as part of the Green Turn of TAURON, the Group is also taking steps to reduce the environmental impact of its existing coal fired units.

More information on the impact of climate risk on the business model is provided in section 5. The key risks for TAURON Capital Group and the management thereof, as well as section 2.6.3 below.

2.6.2. Ways the company's business model can have both a positive as well as a negative impact on climate

Due to the technologies used, business operations in the energy industry can generate a number of negative impacts on climate, in particular emissions from combustion sources, fossil fuels, as well as land drainage and degradation caused by mining operations. Nevertheless, due to continuous upgrades of conventional generating units, an increase of capacity in renewable energy sources, capture and utilization of methane from coal deposits for business purposes or withdrawal of inefficient coal fired units, TAURON Group is reducing its negative impact on the environment and climate. In accordance with the Strategic Directions Update, adopted in May 2019, by 2030 TAURON Group will reduce its emissions by more than 50%, as shown in Figure no. 12.

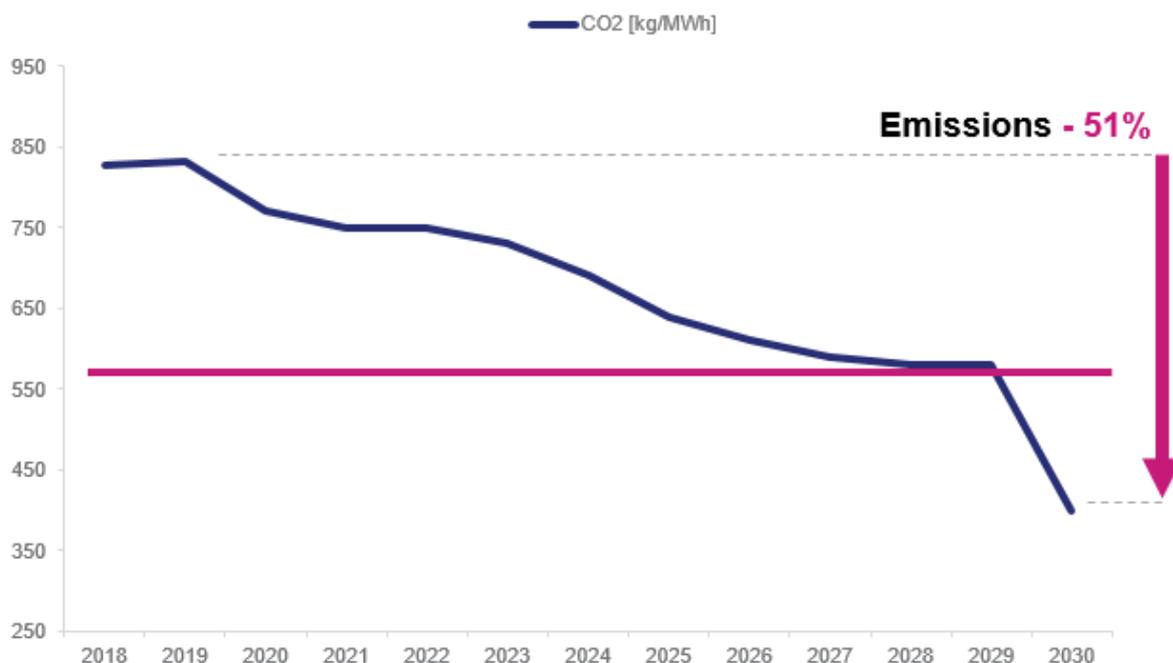


Figure no. 12. Planned CO₂ emissions by TAURON Capital Group in 2018-2030

2.6.3. Resilience of the company's business model and strategy, taking into account climate-related scenarios over various time frames, including a scenario assuming warming at the maximum rate of 2°C and a scenario assuming warming by more than 2°C

The Group's current Strategy responds to the current market, regulatory, technological and customer relationship challenges. The business model employed by TAURON Group allows for the implementation of strategic assumptions and thus supports the achievement of strategic goals.

TAURON Group takes into account the potential effects of climate change and how they can affect planning processes, risks and potential business consequences. The inclusion of the climate aspects in the business model and Strategy, and in particular the negative impact of climate change on the company and the possibility of the negative impact of the company on the climate, is an important issue from both from the business as well as social point of view, and taking these aspects into account in the strategic and operational documents will provide a better chance of success.

With respect to climate-related scenarios, we are considering three main areas of changes in the external environment that affect TAURON Group's business model and Strategy: society and customer behaviors, regulations as well as the power system and power generation model.

We assume that for both scenarios the developments described below will be taking place, but at different speeds and intensities. Based on the scenario assuming warming at a maximum level of 2°C, changes in the external environment will be rather evolutionary, as a result of the growing awareness of the society and businesses and the ever increasing availability of the new technologies. If the evolutionary activities cannot stop the temperature rise and the forecasts will be clearly indicating that there is a high probability of exceeding the average temperature rise by more than 2°C above the value from the pre-industrial era, changes in the external environment, in particular with respect to the regulations, organization of the power (energy) system and the power (energy) production model, as well as the society and customer behaviors will be very deep and fast. The technological solutions for energy storage that are uneconomic today, in case of a significant increase in the energy production costs and the environmental restrictions introduced by the new regulations, may become economically profitable (viable).

As of today, we can plan combating climate change taking into account the available technologies and the best knowledge as well as the availability of financial resources. The potential emergence of modern and ground-breaking technological solutions and their commercialization may lead to the fundamental changes of the entire energy sector's functioning model.

a) Society and customer behavior:

The climate changes (average temperature and the increasing number and intensity of the extreme weather conditions) that can be observed, as well as the resulting restrictions in access to water, lead to an increase of the climate awareness among the ever growing portion of the society. In combination with the care for the natural environment (smog, waste, biodiversity protection, etc.), forces (organizations, social and political movements) exerting the ever growing and more effective pressure on all levels of the government towards taking actions aimed at reducing the human impact on the climate will be expanding. Internationally, the activities of some countries (those where the public climate awareness is the highest) will lead to the introduction of further regulations towards eliminating the use of fossil fuels for energy (power) production. These activities will be more and more socially accepted despite increasing the cost of the energy used.

The growing energy awareness, combined with the rising energy cost, will lead to the ever rising interest in energy efficiency, energy saving and in-house energy production from the renewable energy sources (RES). Economic incentives and better technologies will generate a rise in thermo-modernization, the purchasing of less and less energy consuming devices (including by the households). The falling costs of the photovoltaic installations, combined with an increase in electricity prices, as well as thanks to the support systems, will lead to an avalanche growth in their quantity and capacity. This trend will be supported by the positive feedback resulting from the fact that the higher the RES electricity production, the more expensive the electricity in the power system will be (the costs of maintaining the capacity reserve, balancing, distribution). In addition, the mechanism will be reinforced by the growing interest in the trendy ecological behavior. More and more customers will expect and accept higher electricity costs as long as it is produced without the negative impact on the climate.

The widespread and ever cheaper access to the Internet will lead to the situation that an ever increasing proportion of the population will be using mobile communication and sales channels. The size of the digitally excluded group of people will be shrinking. This will be taking place despite the aging of the society. The decreasing personal sales contacts will be gradually replaced by robots (chat bots) and the online sales and customer service channels.

No particular increase in the consumer interest in taking advantage of small economic incentives and in electricity consumption during the night (at a reduced price) should be expected if this requires consumers to enforce their own self-discipline in watching it and making calculations. Instead, the offers of solutions based on automatic electricity consumption cost optimization systems will be growing thanks to the development of the automation systems and smart home technologies.

Business consumers, in particular large manufacturing industry, will be making greater efforts to reduce their energy costs, primarily because of the rising electricity prices, but also due to the cost competition forced by the market. The expectations of the customers, especially households, will be directed more towards safety (security), ease of use and contact, not just the price any more.

The young generation entering the period of professional and consumer activity is characterized by a much lower tendency to accumulate goods than the previous generations. Greater mobility, readiness for change, greater interest in maintaining the private life and work balance are combined with the desire to use all of the available goods without the need for their possession. This creates more space for all of the share-economy prospects. The market for the shared goods and services will expand.

Climate change will cause the biggest problems in the world's poorest countries, which may lead to further migration crises and, consequently, growing political and security problems in the rich countries. Such developments may result in the need to intensify efforts to increase the security of the energy infrastructure.

b) Regulations

Social pressure and the EU regulations are causing Poland to introduce increasingly more stringent environmental standards and a rising taxation of the CO₂ emissions (charges for the CO₂ emissions). The continuous increase in the CO₂ emission allowances prices is also associated with the use of the regulatory mechanisms leading to the reduced supply of the emission allowances. The EU's commitments to reduce the emissions by more than 40% in 2030 will be implemented through the supply controls. The next version of the BAT conclusions is expected to be released in the second half of the decade. The adaptation of the coal fired units to the more stringent emission standards may prove to be impossible technologically or very expensive and economically unjustified to meet for the older generation sources.

The above applies directly to the conventional electricity generation technologies, but an increase in the requirements for the installations producing the system and process heat can also be expected. This will affect the most the small coal fired heating plants.

All energy processes using coal are accompanied by the production of the combustion and mining by-products. More stringent and therefore more costly requirements with respect to their storage and processing can be expected.

The increasing share of the intermittent (non-controllable) renewable energy sources in the EU countries' production mix will force the introduction of the new regulations regarding electricity cross-border exchange and electricity trading on the international platforms. This is due to the doctrinal approach to the free movement of goods and services. The currently used argument of responsibility for the country's energy security at the national level will be getting less and less important because of the need to ensure security in view of the deficit of the controllable generation sources. Countries will be increasingly interested in the ability to secure additional reserve capacity abroad. Greater interest should be expected in introducing the dual-commodity markets in the European countries that have not introduced such a solution yet.

Climate regulation will also affect the power sector indirectly. The new requirements imposed on the financial institutions practically cut off the coal technologies from the European funding sources. This raises the financial costs and provides an additional disincentive for their development. At the same time, the investors and financial institutions are eager to participate in the renewable energy projects. No European aid funds will be available for the development of the coal-based electricity generation sector, and for the gas fired generation sources this access will be limited. With respect to the power and heat generation sector, aid funds may be allocated solely to the restructuring and mitigation of the social effects as well as the transition towards electricity generation from RES.

Due to the fact that ensuring the social, economic and also personal security of citizens will be one of the biggest challenges, increasingly stringent regulations regarding the security of the infrastructure, competition and consumer protection and personal data protection should be expected. These will be further factors making the business operations more difficult to conduct and raising the costs.

c) Power system and the electricity generation model:

The increasing number of the intermittent (non-controllable) renewable energy sources, as well as the growing number of prosumer installations are ever increasingly affecting the power system from the technical and commercial point of view. Rising energy efficiency of the customers and growing production from the prosumer installations lead to a drop of the demand for the electricity generated by the system (utility scale) sources. This trend, combined with the rising prices of the fossil fuels and / or the uncertainty of their supply, the increase in the environmental and climate costs (CO₂ emission and the costs of other emissions), causes a shift in the role of the system (utility scale) power plants (in particular, the coal fired ones) from the position of primary sources to that of complementary ones. This means reducing the production time and volume, and thus increasing the share of the fixed costs in the total costs. This mechanism will cause the need to decommission power generating units that will not receive the support from the capacity market, because they will not generate a sufficient margin with the declining production. As a consequence, there may be capacity deficits during the periods of the low production from the renewable energy sources. In addition, the declining production from the coal fired units will lead to the decreasing demand for the thermal coal. The use of coal for the heating purposes will also drop as a result of the anti-smog regulations, as well as the increasing competitiveness of the use of the natural gas and heat pumps by the households.

It is assumed that the importance of the cross-border connections and the facilities making the cross-border trading easier will be growing. This will result in a greater system integration among countries and the greater competition, as well as a price link. This is an additional factor preventing the economically justified operation of the least efficient generation sources (obsolete coal fired units).

The rising share of the wind farms in the production mix will lead to the higher price volatility, which, combined with the tightening of the climate regulations and the increase in the price volatility of the CO₂ emission allowances, will create a situation where the investments in the new coal fired sources as well as the expenditures on the refurbishments and overhauls of these sources will be unacceptably risky.

The nature of the transmission networks and distribution grids is changing from handling the traditional direction of the electricity flow from the power plants to the transmission network, and then to the distribution grid and the consumers, to supporting the growing flows in the opposite direction, i.e. from the low voltage grids to the higher voltage networks. This requires undertaking investment activities aimed at equipping the networks with the metering devices, including data transmission and IT systems supporting the network management in order to maintain stability by controlling the flows (the load carrying capability of the network elements), controlling the voltages and the short-circuit powers. The low and medium voltage grids require large capital expenditures for their modernization so that they can absorb the avalanche of the emerging distributed generation installations. The distribution grids, in particular in the areas with the low density of the consumers, are becoming a guarantee of stability and security, as well as a kind of "energy storage" for the prosumer sources and the other renewable energy sources.

In the coming years, no development of new energy storage technologies reaching the capabilities that would enable their economic implementation on the system wide scale should be expected. An impulse for the dissemination and widespread use of the energy storage facilities for the systemic purposes may be significant regulatory restrictions on the use of the fossil fuels for electricity production and the volatility of the electricity prices caused by the large share of the intermittent (non-controllable) sources.

The technical solutions and network topologies are also significantly affected by the extreme weather conditions. Their increasing number and intensity makes it necessary to use the solutions resilient against, in particular, strong winds. This leads to the need to build cable and insulated networks (for the medium and low voltage grids) and upgrade the overhead networks, especially in the built-up and forest areas.

Poland's system heat (district heating) is one of the best-developed district heating systems in Europe, and the climate change, resulting in mild winters, reduces the demand for heat. In addition, the relatively high cost of the system heat increases interest in thermomodernizations and the automation systems that reduce heat consumption. All these factors combined cause increasingly limited growth opportunities for the district heating systems. The reduced heat consumption, growing competition of the local (individual) heat sources based on the natural gas or electricity, and the need to expand the district heating network outside the city centers will deteriorate the economics of such business operations.

Table no. 1 presents our understanding of the current situation and activities regarding the resilience of the business model to climate change.

Table no. 1. Changes to TAURON Capital Group's business model in the short, medium and long term

temperature rise scenario	Short term (until 2025)	Medium term (until 2035) Check point 2030		Long term (until 2050)
		Up to the check point	Past the check point	
< 2 °C	<p>We have prepared solutions in place – we are implementing TAURON Group's Strategy:</p> <ul style="list-style-type: none"> • Shutdown of obsolete 120 MW coal fired units (approx. 1 GW). • Prepared plan to change the fuel mix including a plan to invest in low and zero emission sources (approx. 900 MW in wind power plants + 300 MW in solar power plants) • Commissioning of a high efficiency and lower emission new 910 MW unit in Jaworzno • Plan to sell the Heat Line of Business – including the coal fired generating units. • Option to sell a coal mine / mining company – at the stage of looking for a buyer. • The growing role of the distribution and increasing expenditures on adapting the grid to the rapid growth of the RES mini- and micro-installations 	<ul style="list-style-type: none"> • Shutdown of 200 MW coal fired units • Participation in the off-shore wind farm construction project • Service and product offering for the prosumers • Construction of successive large RES installations 	<ul style="list-style-type: none"> • Maintaining profitable coal fired units as regulating and intervention sources. • Significant role of the distribution in the local balancing 	<p>* Preparation of the development assumptions for 2030+</p>
> 2°C	<p>We have prepared solutions in place – we are implementing TAURON Group's Strategy:</p> <ul style="list-style-type: none"> • Shutdown of obsolete 120 MW coal fired units (approx. 1 GW). • Prepared plan to change the fuel mix including a plan to invest in low and zero emission sources (approx. 900 MW in wind power plants + 300 MW in solar power plants) • Commissioning of a high efficiency and lower emission new 910 MW unit in Jaworzno • Plan to sell the Heat Line of Business – including the coal fired generating units. • Option to sell a coal mine / mining company – at the stage of looking for a buyer. • The growing role of the distribution and increasing expenditures on adapting the grid to the rapid growth of the RES mini- and micro-installations 	<p>Adapting the mining operations to the demand of the Group's coal fired generating units</p>	<ul style="list-style-type: none"> • Limiting the mining operations to the level based on the Group's generating units regulating and intervention operation. • Maintaining the leading role of the distribution, including the need to build energy storage facilities for the local balancing 	<p>*Preparation of the development assumptions for 2030+</p>

* The main determining factors (drivers) for formulating the applicable provisions are: 1) Passing of Poland's Energy Policy; 2) Poland joining the agreement on climate neutrality in 2050.

Changes to the company's business model and its business strategy that have been introduced to reduce the risk associated with the transition and the physical risk in order to take advantage of climate-related market opportunities

Being aware of the progressing climate changes and their effects, both on a global as well as local scale, in 2019 TAURON Group adopted TAURON Group's Climate Policy. This document constitutes the direction for the Group

to manage its activities so as to reduce climate risks, reduce negative impact on the climate and maximize the positive effects of climate change throughout the value chain.

We are constantly monitoring the external environment, including announcements of regulations aimed at counteracting climate change, as well as agreements and declarations of countries related to long-term strategies for reducing emissions and achieving climate neutrality. Bearing in mind such economic trends and development directions, on May 27, 2019, the Management Board of TAURON Polska Energia adopted the Update of the Strategic Directions to supplement TAURON Group's 2016-2025 Strategy. In accordance with the current Strategy and the Update of the Strategic Directions adopted, the increase in the value of the Group will be based primarily on:

- regulated and stable Distribution segment,
- development of low and zero emission sources in terms of greenhouse gases emissions,
- conventional generation assets eligible for support,
- sales of energy and energy related products and services tailored to customer need.

It is assumed that strategic options will be implemented, including:

- development of low emission and zero emission power generation, primarily through investments in renewable energy sources. By 2025 the Group is planning to invest in on-shore wind farms (additional 900 MW), photovoltaic farms (additional 300 MW) and commence the process of engaging in the construction of off-shore wind farms;
- enhancing the flexibility of the Group's asset portfolio by aligning the mining assets with the Group's planned demand for fuel, reorganizing the Generation segment and equity investments portfolio. This option assumes the divestment of Janina Coal Mine and TAURON Ciepło subsidiary, as well as a sale of the shares in the subsidiaries: Elektrociepłownia Stalowa Wola and PGE EJ 1. With respect to conventional power generation, permanent decommissioning of the 120 MW units and, after 2025 – the 200 MW units, is planned

Thanks to the implementation of the planned activities, it will be possible to increase the share of low- and zero-emission sources in the generation structure of TAURON Group from 10% in 2018 to nearly 30 percent in 2025 and more than 65% in 2030.

The company's dependence on natural capital, including due to the risks associated with climate change

One of the key levers of TAURON Group's value is access to natural resources. Water, land (including its resources: hard coal and limestone) and air are resources that we have an impact upon in the course of our operations. Thus, we make every effort to reduce our impact and increase the rationality and efficiency of their use.

Mining assets play an important role in the Group's value chain. They are its first link, and thanks to the investment projects underway they are to guarantee the supply of suitable quality coal to the Group's generating units. In addition to conventional coal-fired generating units, water and wind energy are used to produce electricity. 34 hydroelectric power plants located in the south of Poland and 9 wind farms located mainly in the northern part of the country. We have also started the implementation of photovoltaic power plant construction projects, so another natural resource that will be used by TAURON Group is solar radiation.

Climate changes observed in recent years do not significantly affect the way we use our natural capital. Temperature rise associated with climate change has a negative impact on the production from hydroelectric power plants (due to hydrological drought), but thanks to the development of photovoltaic and wind generation, including off-shore, the Group will be able to use such renewable generation sources. Therefore, we are planning to build solar (photovoltaic) installations.

In the long run, TAURON Group's impact on natural resources will decrease, both due to the need to meet the expected tightening of environmental requirements and climate policy, as a result of investments into new, low- and zero-emission energy sources, but also thanks to the permanent shutdown of obsolete conventional units. Climate change, in particular the rise in temperature, mainly in the winter months, reduces the need for heat and electricity for the heating purposes. When planning the consumption of natural resources, the Group will have to take into account such changes.

Being aware of the non-renewable nature of the hard coal sources consumed, the Group uses them in a responsible and efficient manner.

Changes to the company's business model and business strategy that are aimed at mitigating climate change or adapting thereto, and will lead to changes of the company's needs in terms of human capital

The Group's transition towards low- and zero-emission energy will impact the business model, shifting revenue generation place within the value chain. In turn, the implementation of this scenario will have an impact on human

capital, causing the need to change the qualifications of some employees and hire people with new skills. In connection with the above, actions are already being taken today to ensure that the best staff for TAURON Group subsidiaries will be available in the medium and long term, taking into account changes to the technologies used.

In 2019, the Management Board of TAURON Polska Energia updated the TAURON Group's Corporate Social Responsibility Code of Conduct by adding issues related to climate protection. This document is a set of values and principles, and at the same time it is a commitment to act in an ethical and transparent manner. It also obliges the Group to balance its impact on the environment through environmental and climate protection measures. On the other hand, employees should identify potential threats in this respect, taking actions to prevent irregularities or accidents that could pose a threat to the environment.

Thanks to the transition being implemented, there is also a chance that dedicated and qualified persons might become interested in working at TAURON Group, as they would be offered an opportunity to build career paths in the new renewable technology fields. The challenges associated with this and the opportunity to work in a stable industry will become one of the factors changing the perception of the energy sector by young generations and enable them to view the industry as modern and climate neutral.

Method applied to select scenarios

Action scenarios depending on the temperature rise were based on the assumption that measures aiming to reduce negative environmental effects, in particular the greenhouse effect, will be effective and stop the global average temperature rise rate below 2°C, and alternatively, that this increase will be greater than 2°C. TAURON Group is aware of the fact that a further increase in temperature will result in further reaching measures being taken to limit the negative impact of industrial human activities on the climate. Such actions may have a significant impact on the Group's conventional assets, thus the reaction will involve deeper changes to the business model. Currently, work has already begun on a new Strategy of the Group for the next period, which may translate into changes to the business model in the long run.

For the above reasons, no new investment projects will be undertaken in the coal mining and coal fired electricity production lines of business. TAURON Group will be operating in accordance with the assumptions of Poland's Energy Policy, and will also be implementing all decisions taken by Poland as part of initiatives and projects functioning based on the provisions and agreements reached during the next World Climate Summits (COPs), aiming at achieving climate neutrality over the next several decades. As a reference point, TAURON will use the climate scenario methodologies that are available and applied.

How does the company's operations contribute to climate change through greenhouse gas emissions arising, among others, due to deforestation, forest degradation or land use change

TAURON Group has no significant impact on climate change through deforestation, forest degradation or land use change. More information on this topic is provided in sections 4.3 and 4.4 where TAURON Group's Environmental Policy and Climate Policy are described.

2.7. TAURON Capital Group's values

2.7.1. Mission, vision

Mission

We deliver state-of-the art solutions with passion and commitment to produce energy in a constantly changing world.

Vision

We are the company that responds the best to customer needs in the Polish power sector.

The mission and vision of TAURON Capital Group are derived directly from the profile of our operations. As one of the largest energy groups in Central and Eastern Europe, whose operations cover all links in the value chain, we are aware of the importance of efficient functioning to ensure security of energy supply for Poland's residents and companies operating here. We also know that in the era of intense changes in the market environment, progressing digitization, social mobility and the impact of human activities on the environment and climate, there is a visible change in the expectations of our customers. They are becoming more and more active and aware of the quality of services provided, and expect a broad and comprehensive offering as well as modern customer service channels, while the highest standards of environmental protection are maintained and the climate impact is minimized.

Providing modern solutions in a constantly changing world and stable conditions for the development of the offering in line with customer expectations has become not only the basis for creating TAURON Capital Group's strategic directions, but also an expression of our social responsibility, including with respect to the environment and climate.

2.7.2. Corporate values

TAURON Capital Group's corporate values are a signpost on the road to the implementation of the assumptions of the Strategy, as well as in relations with employees, customers, business partners and the other stakeholders.

Values are also symbols and determinants of the Group's organizational culture. It is important for us not only what we are doing, but also the way in which we are achieving the set goals together.

TAURON Capital Group's values are described by the acronym PRO (Partnerstwo (Partnership), Rozwój (Development), Odwaga (Boldness)):

PARTNERSHIP

- We are partners for customers and each other in achieving shared goals.
- We are building lasting relationships - based on trust and mutual respect.
- We are getting involved in what is important to our customers and the Group.

DEVELOPMENT

- We are innovative - we break down barriers, set trends and create change.
- We are constantly developing competences, skills and knowledge.
- We are looking for better and better solutions - we meet the current and future needs of customers, continuously improving the quality of our services.

BOLDNESS

- We talk boldly and openly about problems and the most daring ideas.
- We are determined to implement what we believe in, to achieve shared goals.
- We face the challenges of a changing environment with commitment and passion.

2.7.3. Corporate Social Responsibility Code of Conduct

Since 2017, we have been applying the principles of the Corporate Social Responsibility Code of Conduct (hereinafter the Code) - a key document on TAURON Capital Group's ethical culture. This set of principles and values, which is an impulse to create our own organizational culture, serves us as the foundation for the functioning of the organization and the implementation of strategic goals.

The document was based on the mission, vision and corporate values of TAURON Capital Group.

The Code defines the most important values and principles of conduct that should be followed by employees and stakeholders of the Group in the areas related to:

- workplace,
- natural environment,
- stakeholders.

It also describes the Fraud Reporting System in place at TAURON Capital Group.

The adoption of the Code by the Management Board of TAURON Polska Energia on April 4, 2017, was related to the Compliance Management System being developed by the Group. Since then, we have been constantly improving the culture of compliance, understood as a set of specific principles of conduct in compliance with the law, internal and intra-corporate regulations, and ethical standards, which, combined with our values, support the achievement of business goals.

Each employee of TAURON Group - regardless of the type of employment contract, seniority, position or function performed - is obliged to comply with the provisions of the TAURON Group's Corporate Social Responsibility Code of Conduct. We also believe that our values and principles of conduct will be accepted by all the stakeholders and will become a mode to be followed in developing long-term relationships with all the stakeholder groups.

Due diligence procedures

Due diligence procedures in place under the Corporate Social Responsibility Code of Conduct include a compliance reporting system, as well as rules related to a conflict of interest.

After the end of every quarter the Compliance Officer (Power of Attorney) prepares a written report for the Audit Committee with respect to the tasks completed, and after the end of each half-year, he/she draws up a written report for the Supervisory Board of TAURON Polska Energia S.A. with respect to the tasks completed.

In addition, after the end of every calendar year, by January 31, the Compliance Officer (Power of Attorney) prepares a written Compliance Report on the functioning of the Compliance Management System at TAURON Group. The report includes, among others, an assessment of the adequacy and effectiveness of the Compliance Management System adopted in the period covered by the report, the degree of the Compliance Plan implementation, indication of measures taken or proposed in cases of non-compliance or the risk of non-compliance.

Conflict of interest

The basis for preventing conflicts of interest at TAURON Group is the principle set out in TAURON Group's Corporate Social Responsibility Code of Conduct, according to which: "We avoid situations that could potentially cause a conflict of interest." A conflict of interest in case of an employee of TAURON Group occurs when, acting in his/her own interest or in the interest of any entity, the employee simultaneously carries out activities against the interest of TAURON Group. We openly communicate (in accordance with the rules in force at TAURON Group in this respect) cases that constitute or may constitute a source of conflict of interest, and we take actions aimed at eliminating the adverse consequences of such situations.

Reporting of cases of violations of the Code's provisions, including the above mentioned rules, takes place through the following communication channels:

- a) in person: to the direct superior or the Compliance Officer (Power of Attorney) or the Compliance Coordinator,
- b) in writing to the address: Compliance Officer (Power of Attorney), ul. Ks. Piotra Ściegiennego 3, 40 -114 Katowice,
- c) by phone: + 48 32 774 22 22,
- d) e-mail: compliance@tauron.pl,
- e) Fraud Reporting Form available on the website: <https://www.tauron.pl/tauron/o-tauronie/formularz-zgloszenia-naduzycia/>.

In the event of receiving a notification of a conflict of interest, the Compliance Officer conducts fact finding investigations and also answers employee questions based on specific factual status.

In 2019, actions were initiated to implement detailed rules for dealing with conflicts of interest at TAURON Group. Their goal will be to build awareness among employees with respect to preventing conflicts of interest, as well as to define uniform standards of conduct in counteracting such a situation that occurs or may occur in connection with the duties performed by employees and the operations of the subsidiaries.

In addition, it should be noted that a practical manifestation of counteracting conflicts of interest at TAURON Group is the submission by the members of the tender committees and experts for the needs of the given purchasing procedure of statements on not having a legal or factual relationship with a contractor, that could raise reasonable doubts as to their impartiality.

What's more, in accordance with the Labor Regulations in force at TAURON Polska Energia, one of the employee's basic obligations is to inform the superior about taking up additional employment, commencing business operations or performing tasks (executing orders), the scope of which may lead to a conflict of interest between him/her and the employer.

Document update by adding climate issues

In 2019, the Management Board of TAURON Polska Energia updated TAURON Group's Corporate Social Responsibility Code of Conduct with issues related to climate protection. According to the document, we are obliged to offset our impact by actions for environment and climate protection. On the other hand, TAURON Group's

employees should identify potential threats in this respect, taking actions to prevent irregularities or failures posing a threat to the environment.

Actions taken and results obtained

One of the main tasks of the Compliance Officer and Compliance Coordinators at TAURON Capital Group is to periodically organize and conduct training courses on compliance issues. The above activities are aimed at increasing employee awareness with respect to, among others, preventing fraud, reporting irregularities, rules on accepting and giving gifts, procedures for verifying contractors.

Two e-learning training courses on compliance issues have been posted on the e-learning platform for the personnel:

- training on TAURON Group's Corporate Social Responsibility Code of Conduct,
- training on TAURON Group's Compliance Management System, covering the following topics:
 - verification of contractors - presentation why the issue of verification of contractors is so important for the security of the Group and when to apply for an assessment of the contractor's credibility,
 - evaluation of external entities when organizing joint undertakings - presentation of the procedure for establishing cooperation with an external entity with respect to, for example, promotion or sponsorship and to whom the application for an external entity evaluation should be submitted,
 - reporting irregularities - presenting the available channels for reporting fraud at TAURON Capital Group and building awareness regarding warning signals about the possibility of fraud being committed,
 - rules on accepting and giving gifts - building awareness about the type of gifts that can be received or given and defining the conditions in which their acceptance or giving is unacceptable,
 - counteracting corruption - showing what corrupt activities and unethical behaviors are, and who TAURON Group's Anti-Corruption Policy is applicable to.

77.63% of employees with access to the training platform were trained on the Corporate Social Responsibility Code of Conduct at TAURON Group as of December 31, 2019, and 77.11% of eligible persons obtained a positive result.

78.41% of employees with access to the e-learning platform were trained on the Compliance Management System at TAURON Group as of December 31, 2019, and 75.51% of eligible persons completed the training with a positive result.

In addition to online training, 28 face to face meetings were conducted in 2019, as a result of which approx. 770 of TAURON Group's employees were trained.

Since November 2018, training courses for the managerial personnel of the following subsidiaries have been continuously conducted: Bioeko Grupa TAURON, SCE Jaworzno III, TAURON Ciepło, Spółka Usług Górniczych, TAURON Sprzedaż, TAURON Dystrybucja, TAURON Dystrybucja Pomiary, TAURON Obsługa Klienta, TAURON Wytwarzanie.

In order to develop the compliance culture at TAURON Group, 19 900 brochures and 15 000 leaflets were also handed out in 2019.

18 messages related to the activities of the Compliance Officer were published via the Group's intranet in 2019, regarding, for example, warnings against false, misleading decisions of the Patent Office, the procedure for accepting and giving gifts, the use of the split payment mechanism by TAURON Group or invitations to the Compliance Day.

Compliance Day

On September 30, 2019, the first edition of the Compliance Day took place at TAURON Polska Energia. The purpose of this undertaking was to spread awareness among TAURON Group employees with respect to compliance management. The event was attended by the workforce of TAURON Group's subsidiaries and the Compliance Coordinators.

The event was composed of two parts:

- the first part included an all-day consultation zone to enable mutual discussion and asking questions to the Compliance Team personnel,
- the second part included practical workshops on, among others, the rules for verifying contractors (counterparties), standards for accepting and giving gifts, or a system for reporting fraud.

The Compliance Day was accompanied by competition in the knowledge of compliance for TAURON Polska Energia's workforce.

2.8. GRI indicators described in this section

- GRI 102-1 Organization name
- GRI 102-2 Activities, brands, products and services
- GRI 102-3 Location of headquarters
- GRI 102-4 Location of operations - including the number of countries in which the organization operates, along with the names of those countries, where the main operations of the organization are located, or which are particularly important in relation to topics related to sustainable development discussed in the report
- GRI 102-5 Ownership and legal form
- GRI 102-6 Markets served
- GRI 102-7 Scale of the organization
- GRI 102-10 Significant changes during the reporting period regarding size, structure, ownership form or value chain
- GRI 102-11 Precautionary principle
- GRI 102-16 Values, ethics code, principles, standards, and norms of behavior
- GRI 102-17 Internal and external mechanisms enabling obtaining advice on behavior in ethical and legal issues as well as matters related to the integrity of the organization
- GRI 102-18 Governance structure
- GRI 102-22 Composition of the top management authority
- GRI 102-23 Top management authority
- GRI 102-24 Method of selecting the top management authorities
- GRI 102-26 Role of the top management body in the environment, purpose, values and strategy
- GRI 102-28 Evaluation of the results of the top management body
- GRI 102-32 Role of the top management body in reporting
- GRI 102-25 Conflict of interest
- GRI 201-2 Financial implications and other risks and opportunities associated with climate change
- GRI 203-1 Supported infrastructure investments and services for society through commercial activities, transfer of goods and pro-bono activities. Impact of these activities on society,
- GRI 103-2 The management approach and its components in the areas: environment, social, human rights, anti-corruption, HR, including indicating material topics within the given area with indication of material topics within the given area
- GRI 102-2 Activities, brands, products, and services
- GRI 102-7 Scale of the organization
- GRI 102-9 Supply chain
- GRI 102-10 Significant changes to the organization and its supply chain in the reported period
- GRI 102-12 External initiatives
- GRI 102-15 Key impact, risks and opportunities
- GRI 102-16 Key areas of impact, risks and opportunities
- GRI 102-45 Entities included in the consolidated financial statements
- GRI 102-25 Conflict of interests
- GRI 201-2 Financial implications and other risks and opportunities related to climate change

3. TAURON CAPITAL GROUP'S VALUE CREATION PROCESS AND INTEGRATED PRESENTATION OF THE RESULTS

3.1. Our capitals and relationships among them

TAURON Group creates value for shareholders, inter alia, by investing in modern energy and shoring up the finances. Value creation is possible thanks to the processing and transformation of TAURON Group's capitals - financial, natural, production, human, intellectual and social.

3.1.1. TAURON Group's financial capital

Financial capital is extremely important, both for the current operations of TAURON Group, as well as its expansion in the future. The sources of financing are: the company's equity, funds generated from business operations and liabilities. Currently, the Group is implementing a number of capital-intensive investment projects, mainly in the electricity distribution and generation lines of business, investing more than PLN 4.7 billion per annum.

TAURON Group is financing its operations by generating approximately PLN 3.5 billion in EBITDA per annum. The Group's subsidiaries use external financing in the form of loans and bond issues, as well as special-purpose funds, research programs and other instruments supporting modern, environmentally friendly investment projects. Due to the tightening of the policy with respect to the financing of investments in the conventional energy, the banks' unwillingness to finance the entities from the coal industry, and entities with companies using coal within their strictures, is visible. Also due to the above, the Group is implementing a responsible environmental policy under the ESG formula, which will affect the ability to obtain external financing.

TAURON has been active on the financial markets for a long time, acquiring financing from available instruments, including loans, bond issues on the domestic and the European markets. In accordance with the Strategy in force and the Strategic Directions Update adopted, TAURON Group takes into account changes in the market and regulatory environment. The introduction of new options to the Strategy is the basis for the safe and sustainable transition of the Group, and it also increases the investment potential for the development of renewable energy sources. The experience gained and the active acquisition of financing by TAURON on the financial market, i.e. hybrid bonds or Eurobonds, as well as financing taking into account the sustainability indicators, will be of significant importance in the Group's transition.

TAURON is generating financial results that enable its further expansion and implementation of strategic projects. In spite of changes in the business environment, growing revenues and cost optimization allow the Company to continue to maintain a stable result and the net debt to EBITDA ratio at a safe level.

Key data on TAURON Group's financial capital in 2018 and 2019 is presented in Table no. 2.

Table no. 2. Key data on TAURON Group's financial capital in 2018 and 2019

Key capital data	2019	2018
Equity	19 093	18 428
Fixed assets	35 052	32 596
Distribution segment's RAB	17 470	16 940
Generations assets value	15 212	12 713
Net debt	2,8x	2,5x
Capital expenditures	4 128	3 838

TAURON Group's management of return on financial capital is performed as follows:

- maintaining financial stability thanks to activities aimed at optimizing expenses and the structure of assets,
- implementation of the investment program and rationalizing the capital expenditures incurred,
- steadfast implementation of the financing optimization plan,
- developed capital partnership as part of the Corporate Venture Capital initiatives,
- new products and services as well as business models being implemented,
- increasing the share of revenue from the regulated market (capacity market),
- cooperation with banks and financial institutions,
- searching for optimal sources of financing,
- preferential loans to finance environmental investment projects,
- financial risk hedging,
- efficient liquidity management through the cash pooling service.

The results achieved as part of TAURON Group's management of return on financial capital are presented in table no. 3.

Table no. 3. Results achieved by TAURON Capital Group in 2018 and 2019 as part of the management of the return on financial capital

Results achieved:	2019	2018
Sales revenue	19 558	18 122
EBITDA	3 599	3 492
EBITDA margin	18,4%	19,3%
Cash flow from operating activities	2 036	2 223
Net debt/EBITDA ratio	2,8x	2,5x
Net profit	(12)	207
Long term rating*	BBB	BBB

* On April 17, 2019, Fitch ratings agency affirmed TAURON Polska Energia's long term foreign and local currency ratings of "BBB" with a stable outlook

3.1.2. TAURON Group's natural capital

Natural capitals defined by TAURON Group - air, water, soil, minerals (coal, oil, gas, limestone), biomass - are used in almost the entire chain of operations. The Group's goal is to use them at the lowest possible cost for people, the environment and the climate. The confirmation of this approach is the adoption by the Management Board, in May of 2019, of the Strategic Directions Update, thanks to which the weight of individual natural capitals used in business processes will change in TAURON Group's value chain. The Management Board of TAURON Polska Energia has made the decision to turn towards renewable production technologies, so our focus will shift towards greater use of wind energy and solar radiation, while reducing the consumption of, for example, fossil fuels. In 2019, TAURON Group began implementing projects, involving the construction of photovoltaic installations on the Group's unused land, but also based on the purchase of projects in other parts of the country, which will mean that solar radiation will be another natural energy source for TAURON Group.

We are aware of the fact that changes in the use of natural capital will be implemented gradually, in an evolutionary way, and it is a necessary precondition for ensuring the supply of electricity to our customers.

Currently, TAURON Group has a stable base of raw materials ensuring the supply for the conventional production assets and for the external consumers. The base in the form of fossil fuels is also a guarantee of stable production in periods of intermittent or extreme weather conditions that have a negative impact on the security of the power system.

The Group's transition towards low- and zero-emission generation assets will significantly reduce its impact on the environment.

Key data on the capital

TAURON Group's natural capital includes renewable and non-renewable natural resources. Non-renewable resources deposits are exploited in a responsible, rational, regulated, systematic and sustainable manner.

The raw materials used by TAURON Group are presented in tables no. 4 and 5.

Table no. 4. Non-renewable resources deposits exploited by TAURON Capital Group in 2019

Number of deposits	Mineral	Number of coal mines	Total mining area km ²	Recoverable reserves ton m	
8	Main mineral	hard coal	3	218.77	344.8*
		limestone	1	1.34	70.63
1	Accompanying mineral	Methane			

Table no. 5. GRI 301-1. Raw materials used by TAURON Capital Group in 2018 and 2019

TOTAL	2019	2018
NON-RENEWABLE RESOURCES *		
Net coal [tons]	6 082 657	7 271 605
Sludge [tons]	315 247	311 511
Natural gas [m ³]	8 220 614	8 413 515
Heating oil [tons]	26 575	30 642
Diesel oil [m ³]	6 857	9 942
Limestone [tons]	252 865	316 793
Limestone production [tons]	1 717 980	1 561 433
RENEWABLE RESOURCES		
Biomass agro [tons]	88 220	71 189
Biomass forest [tons]	332 592	238 742

* Includes the consumption and production by the Group's subsidiaries

The renewable natural resources used by the Group include:

- biomass,
- water used by 34 diversion (run-of-river) and impoundment hydroelectric power plants as well as in conventional power generation technological processes,
- wind powering wind power plants,
- ultimately also solar energy (in photovoltaic installations).

Management of the return on capital:

TAURON is managing the resources that make up its natural capital in a responsible manner. The above is demonstrated by the steadfast implementation of the guidelines of the document approved in July 2017 entitled TAURON Group's Environmental Policy. The policy addresses comprehensively all types of activities carried out by the Group, related to the impact on the environment and the use of its resources in accordance with the principles of sustainable development. In addition, the Management Board of TAURON Polska Energia introduced TAURON

Group's Climate Policy and updated the TAURON Group's Corporate Social Responsibility Code of Conduct in 2019, among other by adding the climate impact related issues.

One of the Group's key expansion directions adopted is to aim to achieve the complete utilization of its waste, which in almost 100% is converted into products and can be used for commercial purposes. The achievement of this goal is implemented, among others, by minimizing the stream of waste generated thanks to product innovation, supply chain management and a conscious process of decommissioning some of the assets from service, as well as by promoting the use of waste generated during the product's life cycle and thus reducing the amount of waste deposited in the environment by placing it on the market for use as substitutes for natural materials.

The results achieved as part of the above actions are presented in Table no. 6.

Table no. 6. Results achieved by TAURON Capital Group in 2018 and 2019 as part of the management of the return on natural capital

Results achieved:	2019	2018
Direct greenhouse gas emissions – CO ₂ (tons)	12 215 945	16 604 240
Nitrogen oxides – NO _x (tons)	10 709	16 105
Sulfur dioxide – SO ₂ (tons)	10 386	16 911
Total dust	636	1 001
Other (such as: HCl, HF, carbon monoxide, ammonia, methane, metals)	33 522	37 000
Total volume of non-hazardous waste (including combustion waste and mineral extraction waste) (tons)	1 366 974	3 540 064
Dumpsite waste (tons)	5 539	4 639

3.1.3. TAURON Group's production capital

TAURON Group is a vertically integrated company, operating in all key segments of the power sector. The Group's financial result depends to a large extent on the effects of the assets' production activities, as well as their efficiency. Thus, the production (technical) capital, as a tool for generating revenue, is an important element of TAURON Group's business operations. The Group's Strategy places a strong emphasis on developing a stable base of regulated assets and improving the efficiency of conventional assets. The carrying amount of all of TAURON Group's assets is more than PLN 35 billion. TAURON Group's assets are very diverse, which is due to both the characteristics of individual segments, as well as the significant differences in the age of individual devices.

The production capital will be shored up by putting into operation in 2020 of the 910 MW unit in Jaworzno and the 450 MW CCGT unit in Stalowa Wola.

Due to the tightening of environmental requirements (BAT conclusions), some generating units are currently undergoing refurbishment. Nevertheless, due to the significant wear of TAURON Group's production fleet, the coming years will be a period of the transformation of the generation segment by way of decommissioning the inefficient units and developing new, low and zero emission facilities. The update of the Strategic Directions assumes that by 2025 their share will be close to 30%, and in 2030 more than 65%. Such measures will allow for reducing emissions of all pollutants by 2030, including cutting the CO₂ emissions by more than half.

The largest contribution to TAURON Group's financial result is made by the Distribution Line of Business, in which the largest capital expenditures are incurred. Only in this line of business TAURON Capital Group invests approx. PLN 2 billion per annum. The changing environment, in particular the development of renewable energy sources, also of the prosumer type, has a large impact on the need to upgrade and expand, as well as adapt the existing grid infrastructure. In addition, the growing expectations of customers and the approach of the Energy Regulatory Office have an impact on the need to improve the quality and reliability of electricity supply. In view of the above, TAURON Dystrybucja in implementing a cable grid construction program, increasing the share of cable lines in the distribution grid and thus improving quality indicators, security of electricity supply and resistance against weather

conditions, including the ever more frequently occurring sudden weather conditions associated with climate change. Among the four integrated energy groups in Poland (the others are ENERGA, ENEA, PGE), TAURON Group boasts the largest share of cable lines in the structure of network grids and very good quality indicators.

Market challenges imply the need to make changes to the mining assets, which in the short and medium term will be the fuel base for TAURON Group's changing production mix. The investment projects currently underway, involving the construction of the Grzegorz shaft at ZG Sobieski, the construction of the 800 m level at ZG Janina and the implementation of the capex program at ZG Brzeszcze will allow for a more efficient fuel supply for the conventional generating units remaining in operation.

In order to ensure adequate asset productivity and efficiency of electricity supply, the Group is implementing a capex program that is tailored to its needs. A significant part of investment outlays is allocated to the distribution segment, where investment projects are primarily focused on connecting new customers and producers as well as upgrading the infrastructure in order to improve the reliability of electricity supply. Another investment direction is the generation segment, in which the largest outlays were incurred for the finalization of the implementation of the 910 MW power unit in Jaworzno and the modernization of air protection installations. In the future, we can expect that the level of capital expenditures in the distribution segment will be maintained, while with respect to electricity generation the expenditures on conventional energy will be reduced. Obsolete, inefficient conventional units will be gradually shut down, while a significant increase in capital expenditures on renewable energy sources should be expected.

The above mentioned activities and many others, of a smaller scale, will ensure that the production capital will, in the long run, continue to be the strong basis for building TAURON Group's value.

The key data on TAURON Group's production capital in 2018 and 2019 is presented in Table no. 7.

Table no. 7. Key data on TAURON Group's production capital in 2018 and 2019

Key data on the capital	2019*	2018
Hard coal extracting coal mines	3	3
Hard coal fired power plants (quantity)	5	5
Hard coal fired power plants (installed capacity)	4.3 GWe; 1.35 GWt	4.3 GWe; 1.2 GWt
Combined heat and power plants (quantity)	3	3
Combined heat and power plants (installed capacity)	0.3 GWe; 1.2 GWt	0.3 GWe; 1.2 GWt
Proprietary district heating networks - TAURON Ciepło (length)	857 km	844 km
Heat supply	PJ	PJ
Hydroelectric power plants (quantity)	34	34
Hydroelectric power plants installed capacity)	133 MW	133 MW
Wind power plants (quantity)	9	4
Wind power plants (installed capacity)	382 MW	201 MW
Electricity distribution lines (length)	237 0000 km	235 000 km
Transformers (distribution)	58 900	58 800
Stations MV/LV	60 900	59 800
Stations HV/MV	491	490
Capital expenditures (billion PLN)	4 128	3 838
Depreciation (billion PLN)	1 992	1 839

* As of 31.12.2019

TAURON Group's management of return on the capital is performed, first and foremost, through investments, including:

- Connecting new consumers (and producers) to the distribution grid, expanding and upgrading the distribution grid;
- Improving extraction efficiency and providing fuel for TAURON Group's generating units through:
 - construction of the Grzegorz shaft including the infrastructure and accompanying headings at ZG Sobieski,
 - construction of the 800 m level at ZG Janina,
 - implementation of the ZG Brzeszcze capex program.
- Finalizing the construction of modern generation capacity, key for energy security, among others:
 - 910 MWe hard coal fired generating unit at Jaworzno Power Plant,
 - 450 MWe CCGT unit at Stalowa Wola;
- Expanding the district heating network;
- Adding the heating function at Łagisza Power Plant by refurbishing the 460 MW turbine to enable the heating function (150 MWt);
- Adapting the generating units to the operational conditions in force beyond 2021, resulting from the introduction of the BAT conclusions;
- Obtaining revenue from the Capacity Market and as part of the RES auctions;
- Increasing the installed capacity of RES and improving the productivity of the existing assets;
- Improving the quality and reliability of the power supply for electricity consumers.

The results achieved as part of TAURON Group's management of return on production capital is presented in table no. 8.

Table no. 8. GRI 301-1, EU2. Results achieved by TAURON Capital Group in 2018 and 2019 as part of TAURON Group's management of return on production capital

Results achieved	2019	2018
Commercial coal production by segment groups: coal dust, medium size lump coal, large size lump coal, eco-pea coal	3.78 million Mg	5.01 million Mg
Net electricity production	12.7 TWh	14.9 TWh
Including electricity production from RES	1.4 TWh	0.98 TWh
Heat distribution	8.51 PJ	8.78 PJ
Heat generated	9.03 PJ	9.63 PJ
Electricity distribution	51.73 TWh	51.97 TWh

3.1.4. TAURON Group's human capital

Employees are the most valuable capital of TAURON Group. The pool of their professional knowledge, experience and skills as well as attitudes and motivations at all levels of the organization translates into the value of the Group, proper functioning, operations and achievement of strategic goals. Therefore, it is very important for TAURON Group to undertake actions aimed at personnel development. We strive for this through building and promoting a knowledge-based organization, ensuring employee satisfaction by creating a friendly work environment, and promoting and supporting a healthy lifestyle, such as non-professional activities.

The strategic directions of activities in the area of human resource management include: seeking to retain and attract employees with competences in line with business needs, creating a work environment that supports innovation, creating opportunities for continuous development of competences and promoting the idea of a learning organization. The ambition is for TAURON Group to be an employer of choice, creating an attractive environment for the development of current and future employees.

We are aware of the dependence of the financial (commercial) success on the well-functioning and well-developed personnel base. To this end, we are creating an innovative organizational culture based on TAURON Group's values - Partnership, Development and Boldness.

The range of the Group's business operations, both in terms of geography as well as competence areas, from raw material acquisition, through the production and distribution of electricity and heat, up to the supply and customer service, employing more than 26 000 employees, significantly affects the complexity of the human capital management process. Depending on the employee's workplace in the Group's value chain, human resources management and organization of personnel policy are adapted accordingly in terms of training and development, improvement of information flow, career opportunities and ensuring competitive working conditions. We are periodically conducting employee satisfaction surveys, and their results are the basis for developing and implementing action plans that aim to increase engagement and create an attractive workplace.

All activities for employees are also important due to projected demographic changes and a falling number of professionally active people. Creating attractive jobs, TAURON Group strives to attract the best employees, also to develop and new areas of operations. In this regard, various activities have been undertaken for years, e.g. participation in job fairs, career fairs, entrepreneurship fairs and science festivals. Lectures, training courses and workshops as well as competitions for students are organized. We are actively promoting TAURON Group at universities, high schools and vocational schools. We are creating patronage classes with an offer tailored to the future HR needs of the Group's subsidiaries. To encourage the candidates interested in working for TAURON Group, a recruitment helpline for job candidates has also been launched.

The key data on TAURON Group's human capital is presented in table no. 9.

Table no. 9. Key data on TAURON Group's human capital in 2019 and 2018

Key data	2019	2018
Number of employees (in persons as of 31.12)	26 086	25 829
Share of women among the workforce	21.4%	21.5%
Share of men among the workforce	78.6%	78.5%
Share of college graduates among the workforce	33.8%	33.2%
Share of high school graduates among the workforce	43.3%	43.1%
Share of vocational and elementary school graduates among the workforce	22.9%	23.7%
Rotation rate	6.51%	6.45%

TAURON Group's management of return on the capital is performed, first and foremost, through:

- management of employee competences in accordance with TAURON Group's common competence model,
- introducing a career development conversation as a tool supporting the process of Management by Objectives, with the main assumption aimed at building employee development through dialogue between the superior and the employee,
- periodic surveys of TAURON Group's employees satisfaction level, the results of which are the starting point for undertaking initiatives aimed at improving job satisfaction and comfort, and thus increasing business efficiency,
- actions aimed at eliminating the risk of a generation gap through active cooperation with the education sector,
- implementation of a project under the Knowledge, Education, Development Operational Program (POWER) entitled: Developing a model of vocational and practical training program in the power sector, and TAURON Group's actively joining the strategy for responsible development in the field of dual education,

- active involvement in shaping academic education paths as well as modernization of development processes and training for the Group's personnel,
- cooperation with numerous educational institutions and adapting the offering of apprenticeships and internships by the Group's subsidiaries,
- supporting the idea of sharing knowledge and competences through the implementation of the Internal Coaches Program,
- promoting a culture of learning and knowledge sharing through proprietary and innovative development and training programs,
- development of leadership competences through dedicated development programs and post-graduate studies,
- access to the latest expert knowledge and current market trends in various areas of life as part of periodic lectures by TAURON Group Open University,
- Talent Management program, with the goal to support the employee development process and the utilization of the personnel's potential within TAURON Group,
- active use of the e-learning platform to implement training aimed at developing industry knowledge and interpersonal skills,
- supporting the Work-Life-Balance principles, by undertaking a series of actions promoting a healthy lifestyle and making work time more flexible,
- introducing programs for young parents and women returning to work after having a child, as well as conducting workshops for employees at pre-retirement age,
- improving cost flexibility by optimizing the utilization of competences within the Group,
- ensuring the competitiveness of remuneration systems by implementing transparent, market-based rules,
- employee benefit packages taking into account the needs of employees,
- increasing work efficiency by introducing digital solutions.

Through active management of the return on human capital TAURON Group's is achieving the results presented in table no. 10.

Table no. 10. Results achieved by TAURON Capital Group in 2018 and 2019 as part of TAURON Group's management of return on human capital

Results achieved	2019	2018
Number of training course hours	478 000	449 000
Number of the participants of TAURON Group Open University	2 700	785
Number of training courses conducted by Internal Coaches	167	215
Number of Internal Coaches	83	76
Number of persons trained by Internal Coaches	1 800	2 100
Number of interns / apprentices	655	748
Number of patronage classes	47	44

3.1.5. TAURON Group's intellectual capital

Using its business experience and employees' competences TAURON Group is developing to meet the challenges of the future energy sector. The key to maintaining competitiveness is modern management, the use of new technologies, digitization, corporate governance and relationships with the stakeholders, with all these elements jointly forming a compatible and coherent system that allows to efficiently conduct operations at every link in

the value chain. Fast changing environment also implies the need to focus on innovation as well as research and development activities.

The potential of intellectual capital covers workforce capital, internal structural capital and external structural capital. It is worth emphasizing that the main component of TAURON Group's intellectual capital is the employees' knowledge and their aggregate competences. Internal structural capital is another important component of intellectual capital. This capital includes technologies, methods and processes that enable the Group to function. Furthermore, research, development and innovation activities are carried out as part of internal projects and including the participation of business partners and the academic community. The last component, external structural capital, is related to intangible market factors. This capital includes the company's brand and reputation, then network of associates and relations with the stakeholders, with a particular emphasis on relationships with suppliers and customers. TAURON Group strives to deepen cooperation with the suppliers of technology and know-how, represented both by large industrial conglomerates, as well as by small companies - mainly startups.

Effective intellectual capital management provides a chance to increase adaptive flexibility and carry out transformational activities aligned to changes in the market environment. TAURON Group adopted the Intellectual Property Policy in 2019, which was a set of rules and standards of conduct with respect to intellectual property management and a description of good practices that are expected from counterparties (contractors) and associates.

The key data on TAURON Group's intellectual capital in 2018 and 2019 is presented in Table no. 11.

Table no. 11. Key data on TAURON Group's intellectual capital in 2018 and 2019

Key data on capital – main components of TAURON Group's intellectual capital

- The Group's strategy focused on creating innovations;
- Strategic Research Agenda – a road map for the Group's research and development as well as innovative activities;
- Knowledge and competences of the Group's employees;
- Catalogue of best practices related to the implemented management systems and internal procedures;
- A developed model of cooperation with universities and vocational schools.

TAURON Group's management of return on the capital is performed, first and foremost, through:

- implementation of projects with respect to research, development and innovations related to the following topics: the customer and his/her needs, intelligent grid services, distributed energy, low-emission production technologies, including also with the use of dedicated NCBiR programs, Horizon 2020, KIC InnoEnergy, the Research Fund for Coal and Steel RFCS .
- cooperation with start-ups: accelerator programs (Pilot Maker Elektro ScaleUp, KPT ScaleUp, TAURON PROGRES), CVC EEC Magenta,
- TAURON's participation in the Govtech Program,
- cooperation with the Electric Power Research Institute (EPRI),
- development of the platform called Innovation Zone,
- workshops with representatives of universities and research institutes,
- cooperation with leading universities, research units and technology companies from Poland and the EU,
- organization of competitions for the Group's employees aimed at supporting innovation,
- development of IT systems, digitization and robotic automation of selected processes,
- organization of open days for suppliers and contractors (counterparties).

The results achieved as part of TAURON Group's management of intellectual capital in 2019 is presented in table no. 12.

Table no. 12. Results achieved as part of TAURON Group's management of intellectual capital in 2019

Results achieved	2019	2018
The number of new research and development projects launched in all of the Group's lines of business,	18, including 9 projects conducted in cooperation with start-ups	16

Number of projects underway in four portfolios	67	57
Total value of projects underway	PLN 178 million	PLN 261 million
Co-financing obtained from external sources for the implementation of the R&D projects	PLN 48 million	PLN 45 million

In 2018, a Corporate Venture Capital (CVC) type fund - EEC Magenta, was established jointly with the Polish Ventures Development Fund, the National Center for Research and Development and EEC Ventures,.

In 2019, EEC Magenta's first investment projects were carried out – a PLN 13 million investment in the company Reliability Solutions (RS), specializing in predicting and minimizing the effects of failures. This is the fund's first investment project.

In 2018, the Pilot Maker program co-financed by the Polish Agency for Enterprise Development as part of the Scale Up competition, was completed, as a result of which 28 start-ups began working with TAURON Group's subsidiaries.

In 2019, the cooperation with several startups was continued, extended pilot projects were implemented, works on 5 projects originally derived from the PilotMaker program were carried out, including MIGAM (a tool for online communication in real time), the solution o which was deployed for testing at Tauron Sprzedaż.

In 2018, TAURON got involved in the new Pilot Maker Elektro ScaleUp program.

In 2019, two rounds of recruitment to the Program were carried out. TAURON's experts had analyzed more than 60 ideas, and as a result of further selection, 5 startups were invited to cooperation and pilot projects were implemented with such companies with the use of TAURON subsidiaries' infrastructure.

In 2018, the cooperation with the EPRI Institute (USA) was established.

In 2019, as part of the cooperation with EPRI, TAURON participated in two research programs: with respect to energy storage and identifying the needs of electricity consumers.

Patents, inventions, know-how developed as part of R&D projects, increasing the potential to improve the Group's financial result in the coming years - 13 inventions with patent protection in place and another 7 being under registration.

TAURON brand strong market position and recognition.

Modern IT systems supporting the core operations and customer service.

Licenses for the core operations: coal mining, electricity and heat production, distribution and trading.

3.1.6. TAURON Group's social capital

TAURON Group's social capital is based on developing mutual relations both within the organization as well as towards the external environment (stakeholders). The foundation of developing such relationships is TAURON Group's Sustainable Development Strategy for 2017-2025, and the main principles are described in TAURON Group's Responsible Business Corporate Social Responsibility Code of Conduct. The sustainable development strategy sets the directions and initiatives undertaken by the Group's subsidiaries to increase work safety, minimize the negative impact on the natural environment and climate, as well as to develop appropriate attitudes with respect to engaging the employees' and residents' of the areas where TAURON Group is conducting its business operations.

TAURON Group places particular weight on the relations with the stakeholders - it conducts social dialogue that is related to both the existing production assets as well as the implementation of new investment projects. The effects of the dialogue are specific actions that include, among others, a reduction of noise levels at selected production and distribution facilities. TAURON Group is also conducting a good neighbor policy, under which it aims to improve the living conditions of local communities and cooperates with local government bodies. The Group is also involved in a number of undertakings for the benefit of the environment, such as charity and education activities, cooperation with academic centers, employee volunteering and providing support for many important sports and cultural events.

The Group's involvement in climate protection and counteracting climate change is playing an increasingly important role in the development of social capital. The response to social challenges in this respect is TAURON Group's Climate Policy adopted to be put in place at the end of 2019, which was inaugurated with a lecture entitled: Climate facts and myths as part of TAURON Group Open University. The key data on TAURON Group's social capital is presented in Table no. 13.

Table no. 13. Key data on TAURON Group's social capital in 2019

Key data
<ul style="list-style-type: none"> Organizational culture based on the values of Partnership, Development and Boldness TAURON Group's Sustainable Development Strategy for 2017-2025 and TAURON Group's Corporate Social Responsibility Code of Conduct, which define the principles of cooperation with the stakeholders Development of ethical culture and compliance management among employees Building lasting relationships and active dialogue with the stakeholders Cooperation with responsible suppliers in accordance with the principles of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries Implemented and applied: TAURON Group's Diversity Policy and Respect for Human Rights Policy Engaging employees in the company's development through special events (sports competitions, integration meetings) and competitions Personnel education and development Implemented and applied TAURON Group's PROCustomer Social Policy Support for local initiatives through TAURON Foundation

TAURON Group's management of return on the capital is performed, first and foremost, through:

- promotion of the compliance culture, which in combination with TAURON Group's Competence Model, motivates employees to achieve business goals in accordance with the law, internal and intra-corporate regulations, and ethics,
- shaping the work environment based on respect, openness, integrity and justice, and respect for human work through the implementation and application of specific principles of conduct (including, inter alia, Diversity Policy, Policy of compliance with the Principles of Ethics and counteracting Mobbing and Discrimination at TAURON Group, Policy of Respect for Human Rights),
- development of the Purchasing Organization Support System called TAURON Group's Purchasing Platform, organization of Open Door Days for potential TAURON Group's contractors (counterparties),
- cooperation with the trade unions,
- Social Dialogue Ombudsman's activities,
- development of employee volunteering, which has been in place at TAURON since 2017.

The results achieved as part of TAURON Group's management of social capital in 2019 is presented in table no. 14.

Table no. 14. Results achieved as part of TAURON Group's management of social capital in 2019

Results achieved	2019	2018
Number of meetings with trade union organizations functioning at the Group's subsidiaries	329	249
Percentage of employees covered by collective bargaining agreements	95.7%	93.9%
Occupational accident frequency rate	7.8	7.7
New key and consolidated categories, in which particular importance is attached to financial optimization of the purchasing	As part of the business operations conducted, as required	As part of the business operations conducted, as required

Regular meetings with local communities to provide information on the business operations conducted and its impact on the residents	As part of the business operations conducted	As part of the business operations conducted
Number of local and pro-social initiatives that TAURON Foundation has joined	158	147
Number of framework agreements on corporate social responsibility	11	9
Number of sports and cultural events organized for TAURON Group's workforce	18	16
Number of employee volunteering projects involving nearly 200 employees	19	13

3.1.7. Value creation model and relations among capitals

Capitals as well as their mutual relations are constantly changing due to a number of factors, including, among others, changes in the market and regulatory environment. The internal change accelerator is the implementation of TAURON Group's Strategy. The implementation of the actions envisaged in the strategy allows for a sustainable transition of the Group and increases the investment potential for the development of renewable energy sources. The effects of the activities, in accordance with the Strategy, will be visible in all capitals. The transition towards the zero and low emissions will also have an impact on each segment of the Group's operations.

Financial capital is the basis for the effective use and development of TAURON Group's other capitals, the production capital in particular, it supports the development of intellectual capital and human capital and improves the efficiency of the use of natural capital. Through the implementation of investment projects, TAURON Group is constantly increasing the potential of its production capital. The development of this capital is carried out using the best available technologies and reduces the impact of the Group's business operations on climate and environment. The use of modern technological and technical solutions improves and develops new competences in the intellectual capital, which also contributes to the development of the human capital, improves the use of the production capital and strengthens TAURON Group's competitive position. The Group's business operations, primarily coal mining and electricity and heat production using conventional sources, consume natural resources. Improvement of the efficiency of the use of natural capital and better management of available resources by TAURON Group lead to a more efficient use of the production and financial capital. The overall business operations of TAURON Group, the provision of safe and stable electricity and heat supplies for its customers, continuously develops relations with the external environment, including the social stakeholders. On the other hand, taking care of the continuous development of the social capital builds the TAURON Group's value.

The relationships among the capitals as well as the value creation model at TAURON Capital Group in 2019 is presented in Figure no. 13.

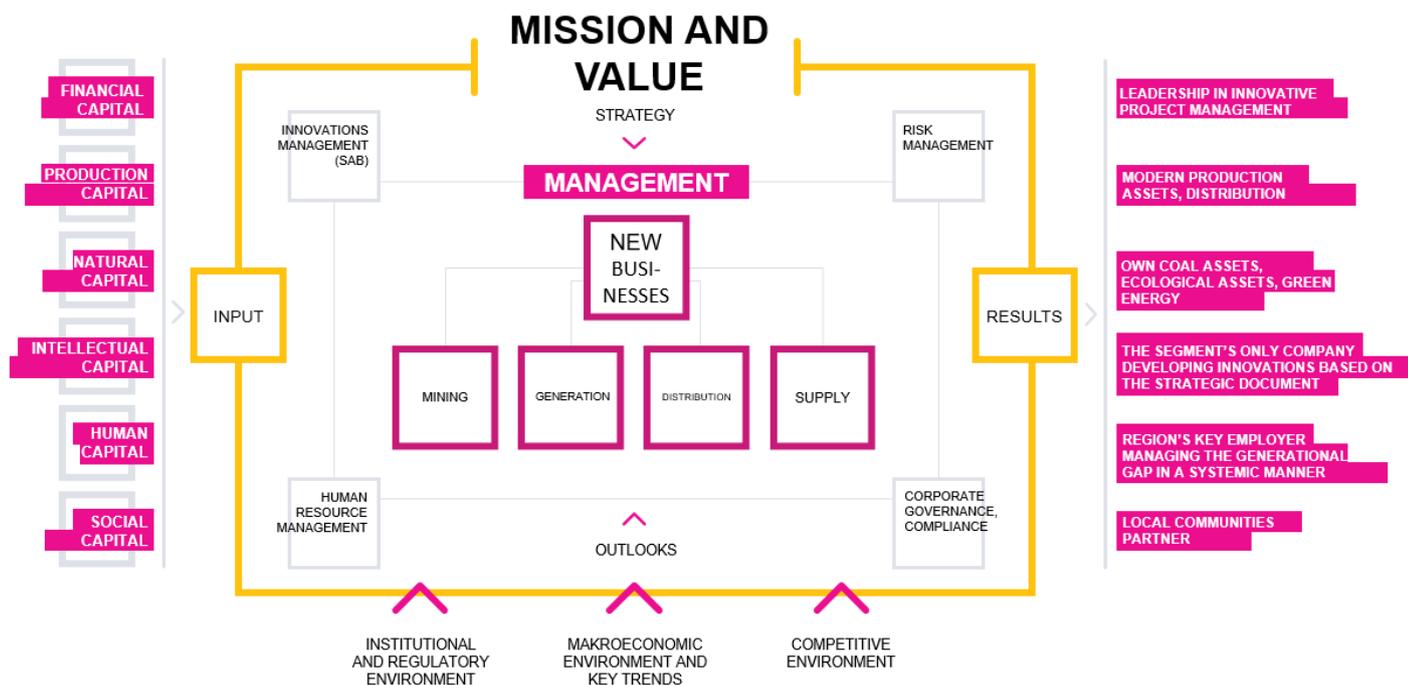


Figure no. 13. Value creation model and relationships among capitals at TAURON Capital Group in 2019

3.2. TAURON Group's value levers (drivers)

In accordance with the 2016 – 2025 Strategy adopted on September 2, 2016, TAURON Capital Group is aiming to optimize the businesses operating at the beginning of its value chain, maintain the position of its regulated businesses and grow the businesses placed at the end of the value chain that interact with the end customer. Due to this approach, TAURON Group's value levers (drivers) include, among others, customer-centricity and new businesses. Responding to the requirements arising from the European Union climate policy, the financial institutions' requirements and the expectations of customers and shareholders, TAURON Group is responding in a flexible manner to the current and future challenges in order to utilize its resources in an optimal way. In this respect, the value levers include its natural capital as well as the investment and restructuring potential, allowing, on one hand, for achieving the greatest possible independence from external suppliers, and on the other hand, providing the potential to respond to the changes and adapt to them. Organizational culture and employees are important value levers (drivers). Thanks to them, it is possible to efficiently implement business processes.

Analyzing its value levers, the Group is highlighting the market and regulatory changes, progressing climate changes, and is analyzing and implementing preventive measures that would allow for continuing its business operations in the long run. It is assumed that the transition of TAURON's value levers will be taking place in an evolutionary manner, through the implementation of the Group's Strategy.

3.2.1 Customer-centricity

According to TAURON Group's Strategy, the customer is always at the center of attention. In all its activities TAURON focuses on developing lasting relationships with customers using its products and services, and the strengthening of customer relations is the basis for the Group's assumed growth. The number of customers - both those who are connected to the distribution grid and those who have chosen the products and services offered by TAURON Group - continues to grow.

In the shorter term, TAURON Group's priority is to improve its products and services in response to customer needs, also by shaping the offering in accordance with the sustainable development principles. Over the past year, there has been a significant acceleration in the construction of individual, prosumer photovoltaic installations (more than 278 MW of renewable sources were connected to TAURON Dystrybucja's grid in 2019, with micro-installations accounting for 206 MW of that capacity). This is a trend which, in the opinion of TAURON Group, will be continued

and should result in expanding the scope of cooperation with customers. In this aspect, the Group is becoming a partner and the supplier-consumer relationship will evolve towards sharing of the services.

The next goal is to simplify and optimize the communications processes between the customer and TAURON Group, as well as to increase the number of customer service centers in the field and to continuously improve electronic communications channels.

In the medium term, TAURON will be offering customers modern products and services to meet the customized expectations of selected groups. For this reason, an innovation ecosystem has been created, which, apart from issues related to continuous improvement of technology and reduction of negative impact on the environment, is equally focused on the tailoring the offering to the needs of the current and future customers in the best possible manner. The new approach to innovation, including through the use of the open innovation formula and the allocation, outlined in the Group's Strategy, of at least 0.4% of the revenue to innovation, research and development, will bring measurable results in the coming years. It is assumed that electricity cost increases are likely to translate into increased interest in the activities aimed at improving efficiency. This interest will amplify the demand for products and services related to the improvement of energy efficiency, which will allow TAURON Group to enrich the range of products and services offered. The availability of energy-saving devices and systems that reduce electricity consumption is growing, resulting in improved energy efficiency. Until now, mainly large enterprises and municipalities have been interested in services related to efficiency improvements. It is assumed that the increase in electricity prices will also generate interest in these activities among smaller enterprises and even households. Improvement of energy efficiency will result, in addition to financial aspects, also from the growing public awareness of the need to reduce the negative impact on the climate.

In the long run, TAURON Group's priorities with respect to customer centricity will remain unchanged, and the issues related to providing high quality products and services as well as an easy, interactive communications platform will be key to achieving success on the market. The tools of mutual communications will shift towards an increasing role of interactivity, shortening of the processes and increasing the transparency. It is assumed that a further development of individual power generation installations and the expected digitization of the metering (smart metering) will increase competition on the energy and energy related services market, while expanding TAURON Group's partnership relations with customers.

The topic of customer-centricity is discussed in detail in section 4.1 TAURON Group's PRO Customer Social Policy.

3.2.2. New businesses

In the short term, TAURON Group, using its competences, human, technical and organizational resources, as well as customer relations, intends to continue introducing new services and products on the market. To pave the way to new revenues, extensive research and development as well as innovative activities are carried out. TAURON Group organized development projects into four portfolios: Customer and his/her needs, Intelligent grid services, Distributed energy and Low-emission production technologies.

The new business ecosystem is strongly associated with the research and development ecosystem, but also with the mergers and acquisitions process. Such an approach not only allows for developing proprietary ideas, but also for taking advantage of the experience of external entities. Income based on the traditional power sector model has limited growth potential, therefore it is necessary to develop new activities. To this end, TAURON Group is conducting activities focused on obtaining additional revenues by offering new solutions, products and services, including with respect to the reduction of greenhouse gas emissions, also by improving energy efficiency. It is assumed that the share of revenue from the new activities will not be of key importance for many years, due to the very high value of the core operations in the fuel-energy-distribution chain, but this value will be growing gradually.

In the medium term, TAURON Group strives to achieve its strategic goal, according to which 25% of the supply line of business revenues will come from the new businesses in 2025. This is a very ambitious assumption, but it can be realized provided that, among others, the development of the innovation ecosystem will be continued.

In the long run, it is assumed that the energy industry will change its operating model. The new businesses and innovations will prepare TAURON Group for market challenges. Thanks to them, TAURON is already today involved in projects related to e-mobility (carsharing and electric vehicle charging stations), it is developing smart metering and internet access services, and is developing a database of products and services offered in addition to electricity. It is likely that today's centralized power sector model will evolve towards distributed, prosumer based energy industry that presents different challenges and generates revenues in other places of the value chain than it does today. TAURON Group's aspiration is for new businesses to bring the Group maximum possible benefits arising from the already appearing and coming changes.

3.2.3. Modern infrastructure

TAURON Group's major investment projects, such as the construction of a 910 MW unit in Jaworzno, the construction of a CCGT unit in Stalowa Wola and the investment projects related to the mining assets, reached a significant level of progress in 2019. TAURON Group is also continuing an expansion and modernization of its electricity distribution grid. Thanks to the modern infrastructure, TAURON will provide stable electricity supply at a competitive price, meet stringent environmental standards and reduce the negative impact on the climate.

TAURON Group's generating units are in the process of implementing an investment and administrative action plan that will prepare them for optimal adaptation to the new environmental standards, the so-called BAT conclusions that will come into force as of August 2021. Such adaptation is important both due to the need to ensure the country's energy security, but also because of the possibility of obtaining revenue from the capacity market. Thus, after 2020, TAURON Group will have a generation fleet capable of generating revenue on the dual-commodity energy market. In the Strategic Directions Update, TAURON Group adopted a goal to introduce profound changes to its generation assets.

In the time frame covered by the Strategy, it is planned that some of the already obsolete generating units will be decommissioned and replaced with new low- and zero-emission units: photovoltaic and wind based. In 2019, TAURON Group doubled its installed capacity in wind farms as a result of acquiring wind assets with a total capacity of more than 180 MW. In the coming years, in order to replace traditional production infrastructure, TAURON Group will launch more capacity in renewable energy sources and will be expanding its distribution grid, responding to the needs of TAURON Group's customers. Investment projects in the distribution grid carried out in recent years have improved the reliability of electricity supply and reduced grid losses. TAURON Group will continue the modernization and expansion of the distribution infrastructure also to adapt the grid to the growing amount of electricity generated by renewable energy sources, as well as to enable interworking with the infrastructure for charging electric vehicles.

3.2.4 Ability to access and use the natural capital

All aspects of TAURON Group's operations take into account the impact on the local environment, as well as the quality and price of the products and services that it is offering to the customers. TAURON Group's customers are also the beneficiaries of the Group's efforts related to protecting the quality of the natural environment and the way its resources are managed.

The Group's great assets are its natural resources that constitute a part of the natural capital that it uses to provide customers with its products and services. Water, land and air are resources that are impacted by TAURON Group's business operations. With these resources in mind every effort is made to reduce this impact. TAURON Group strives to convert 100% of its combustion waste into products.

TAURON Group owns 29% of Poland's coal resources (type 31-33). In order to optimally utilize the available raw material potential, the following investment projects are carried out: deepening of the shaft at Janina Coal Mine, construction of the shaft at Sobieski Coal Mine and the investment projects at Brzeszcze Coal Mine. TAURON Group's coal mining assets play an important role in the value chain. They are its first link, and thanks to the investment projects underway, they are to guarantee the supply of suitable quality coal to TAURON Group's generating units. It is assumed that TAURON Group's coal mines, after the projects currently underway have been completed, will become sustainably profitable and with limited further development will be the primary source of fuel for the Group's modern generating units. Water is an important natural resource for TAURON Group, as it is, among others, widely used in the electricity production processes. By using closed cooling water circuits at TAURON Group's power plants, the consumption of this resource is limited to the necessary minimum. TAURON Group has also taken steps to recover this resource through mine drainage processes and reuse the water recovered from the mines in its technological processes. In addition to the conventional coal-fired generating units, TAURON Group also uses falling water's energy and wind energy to produce electricity. TAURON Group is operating 34 hydroelectric power plants located in the south of Poland and 9 wind farms, located mainly in the northern part of the country. Solar (photovoltaic) power plant construction projects have started, so the next natural resource TAURON Group will be using will be solar radiation.

TAURON Group also has a limestone mine in its asset portfolio, where it acquires, among others, sorbent for flue gas desulphurization at conventional power plants. The raw material obtained is also widely used outside the energy sector - it is used in agriculture, steel making, construction, lime, cement, sugar and road building industries.

Electricity and heat production and distribution are areas that closely link TAURON Group with local communities. In its business operations the Group takes into account their expectations and minimizes the negative impact of the enterprise on the quality of local communities' life.

In the long term, the impact of TAURON Group's business operations on natural resources will be declining, both due to the need to meet the expected tightening of the environmental standards and climate policy, investments in new, low- and zero-emission energy sources, and due to the permanent shutdown of inefficient conventional units. We also want to continuously improve the efficiency of our work with our own or used natural capital. We strive to use it better and in a circular manner.

3.2.5. Investment and restructuring potential

TAURON Group is conducting a broad investment program in each of its Lines of Business. The integrated structure and the full value chain: from extraction and supply of fuel, through electricity and heat generation, distribution, up to the supply to the end customers, allows for optimizing its investment and operating activities.

TAURON Group's investment projects are an important element of ensuring Poland's energy security. The Group allocates annually PLN 3-4 billion per annum for capital expenditures, most of which are investments in the distribution grids. The detailed data on capital expenditures are presented in section 3.1.1 TAURON Group's financial capital.

In the short term, TAURON Group will continue its investments in the expansion and modernization of the electricity distribution grid, will complete its investments in new generating units: the CCGT unit in Stalowa Wola and the 910 MW unit in Jaworzno and will complete its strategic investment projects in the coal mines: deepening of the shaft at Janina Coal Mine, construction of the shaft at Sobieski Coal Mine. In the time frame covered by the Strategy, TAURON Group is planning to decommission obsolete generating units. 120 MW units will be decommissioned by 2021, and 200 MW units will be decommissioned in 2025-2030. The investment effort will be directed to the renewable sources. TAURON Group's aspiration is to have additional 900 MW of capacity in wind based generation assets and 300 MW in photovoltaic capacity by 2025. At the same time, an engagement in the development of off-shore wind farms is assumed.

In addition to the investment projects, TAURON Group is also implementing initiatives aimed at optimizing the Group's costs, including the Efficiency Improvement Program, whose total effect in the 2016-2018 period exceeded the initial assumptions and amounted to more than PLN 1.7 billion. Further activities aimed at improving the operational efficiency of TAURON Group's core operations are the Strategic Initiatives, whose total effect in the 2017-2020 period is estimated to be worth PLN 3.4 billion, including PLN 1.2 billion of the cumulative impact on EBITDA.

In the medium and long term, TAURON Group is planning to further change its energy mix. Successive tightening of the environmental and pro-climatic requirements, combined with the obsolete generation fleet, provides room for the construction of new generating units in renewable and low-emission technologies, as well as for significant changes to the distribution grids. The need to expand and modernize the distribution grid due to the development of distributed (dispersed) power generation is well recognized. In the Strategic Directions Update, TAURON Group placed a strong emphasis on the development of low- and zero-emission sources. According to the assumptions, in 2030, due to the decommissioning of the obsolete units and new investments, low- and zero-emission assets will account for more than 65% of TAURON Group's installed capacity. In this respect, the Group's restructuring potential is very large, and the assumed changes to the production mix will require new competences.

3.2.6. Personnel and organizational culture

TAURON Group's new business model introduced in 2016 changed the organization from a silo based structure to a process-oriented one, with clearly defined competences and responsibility for the final product. In 2017, the Group implemented process based management, and since 2018, measures aimed at optimizing processes at the Group's main subsidiaries have been successively implemented, and process management is being expanded to include further subsidiaries. In 2019, all subsidiaries at which process based management had been implemented were included in the optimization process. At the same time, the robotic automation process and the path for initiating improvements by process participants were implemented, which intensified the optimization process at TAURON Capital Group subsidiaries. The works related to the implementation of the process maturity assessment have been commenced, with the Process Maturity Model having been designed and adopted, and a pilot assessment of selected processes having been carried out.

The business model combines activities at the strategic level and translates them into operational activities, indicating at the same time three key values: Partnership, Development and Boldness (PRO values) on which TAURON Group's organizational culture is based. These values support the implementation of the Strategy in everyday activities. A modern organization is one in which everyone talks to each other on a partnership basis, therefore particular importance is attached to dialogue and jointly taking up challenges. Apart from the customers, TAURON Group's largest and most important assets are the employees. To unleash their energy and knowledge, the organizational culture based on the Group's Values is steadfastly being shored up. More than 26 thousand highly qualified employees represent a capital of great value.

Generational changes visible on the macro scale have also affected the energy industry. The young generation expects not only stable earnings from the place of employment, but also development opportunities in a modern organization. The generational gap is becoming more and more apparent today and steps are being taken to ensure the best possible staff for TAURON Group's subsidiaries in the medium and long term. Due to the workforce age and the need to provide appropriate staff in the medium and long term, a number of activities are already carried out aimed at acquiring suitable, qualified employees in the future, which is taking place, for example, through cooperation with schools and launching of classes under patronage.

Value lever (driver) prospects

Some of TAURON Group's value levers are particularly important in the near term, while others will become more and more important as changes expected in the environment materialize and new challenges appear. Regardless, all value levers are complementary and make up TAURON Capital Group's entire business operations. They complement one another and shape the Group's presence and future. We have no doubt, however, that both today as well as in the near and more distant future, TAURON's most important asset will be the customers. Over time, through changes to the energy model, customers will also become partners and as prosumers will use natural resources and shape the image of the future power sector.

In the long run, the key capitals, in addition to the social capital of the customer relations - on which TAURON Group will focus, will be the intellectual capital and the natural capital. The ability to offer innovative solutions, ensuring the development of young employees and respect for the environment, including climate, are the most important success factors that will determine TAURON Group's growth in the future.

The prospects of value levers as well as the significance and impact of the individual elements on TAURON Capital Group is presented in Figure no. 14.

VALUE LEVER (DRIVER)	VALUE LEVER IMPACT/MATERIALITY		
	Short term outlook	Medum term outlook	Long term outlook
Customer centricity	^	^	^
New businesses	>	^	^
Modern infrastructure	^	^	^
Access to natural resources	^	>	>
Investment and restructuring potential	^	>	^
Employees and organizational culture	^	^	^

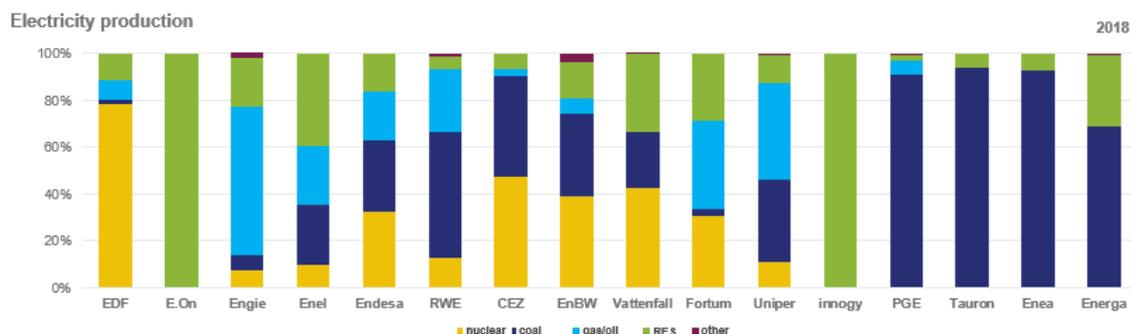
Figure no. 14. Prospects of value levers as well as the significance and impact of the individual elements on TAURON Capital Group

3.3. Conditions of the environment determining the choice of TAURON Group's strategy in the long, medium and short term and the assumptions of such strategy

3.3.1. TAURON Group as compared to the market – Europe

All of the energy groups in Europe are seeing changes taking place in their environment. Currently the main trend is the broadly understood development of renewable energy sources, and thus the concepts of decarbonization, electrification, energy efficiency or decentralization. All of this is to improve the quality and security of electricity supply, along with a change in the direction of capital expenditures in the power sector - towards the production of electricity based on zero-emission sources.

Figure no. 15 presents a comparison of the generation mix and installed capacity among selected largest energy groups in Europe.



Installed electric capacity in 2018 [GW]																
Total	133,8 ▼	5,3 ▲	104,3 ▼	85,6 ▲	22,7 ▶	41,7 ▼	15,0 ▶	13,4 ▲	31,1 ▶	13,7 ▶	36,6 ▲	3,6 ▲	16,2 ▶	5,0 ▶	6,3 ▶	1,3 ▶
RES	32,6 ▲	5,3 ▲	24,8 ▲	39,2 ▲	6,5 ▶	4,3 ▲	1,7 ▶	3,7 ▲	14,5 ▶	4,9 ▶	3,6 ▶	3,6 ▲	2,2 ▶	0,4 ▶	0,4 ▲	0,5 ▶
Coal	7,9 ▶	-	7,2 ▲	15,8 ▼	7,4 ▼	17,5 ▼	6,8 ▼	4,4 ▶	3,5 ▶	b.d.	10,4 ▲	-	13,0 ▶	4,6 ▶	5,9 ▼	0,8 ▶

Figure no. 15. Comparison of the generation mix and installed capacity among selected largest energy groups in Europe.

Source: Proprietary compilation based on the annual reports of the European energy groups presented

Compared to the European market, Polish energy groups are characterized by a large dependence of their generation capacity on coal fuels. Electricity production among the European energy groups presented is much more diverse. Generating units based on coal and gas fuel do not have a majority share in their fuel mix - they do not exceed a dozen or so percent (with CEZ and RWE with the highest percentages).

Analyzing the installed electric capacity over the years 2018/2017, the trend of investing in renewable energy sources and turning away from coal is clearly visible. An example of this is, for example, the company Enel or German RWE, whose installed capacity based on coal in 2018 declined as compared to the previous year and, additionally, an increase in RES capacity was observed.

The growing trends associated with capital expenditures in renewable energy sources and a greater focus on the customer and his/her needs are visible in the plans and strategic directions of the energy companies presented, as illustrated in Table no. 15.

Table no. 15. Summary of the plans and strategic directions of selected sixteen of the largest energy groups in Europe

RES development 15 Groups	Customer and his / her needs 11 Groups	Electromobility 11 Groups
Digitization, smart metering 14 Groups	Smart activities/products 14 Groups	Energy storage 11 Groups
Generation assets restructuring 5 Groups	Efficiency improvement/ financial stability 7 Groups	Use of drones, artificial intelligence, robotic automation 4 Groups

Source: Proprietary compilation based on the annual reports of the European energy groups presented

In Europe, among 16 energy groups, almost all will focus on developing renewable energy sources (RES). Only Uniper did not declare an increase in the renewable energy capacity, at the same time it declared no capital expenditures in new coal-fired power plants and emission reduction. Activities aimed at improving the energy infrastructure, including smart type activities, digitization and smart meters are gaining momentum.

The activities of 70% of the companies will focus on the customer and his/her needs as well as electromobility. Along with the increase of renewable energy sources, including small prosumer installations, the activities related to electricity storage are gaining importance.

TAURON Group is taking note of the trends in the power sector and taking actions in all the areas presented, making changes and focusing on the challenges of the so-called energy of tomorrow.

Expansion of Renewable Energy Sources - declarations of energy companies

As the environment is changing, energy companies are updating their plans and strategic goals. Figure 16 presents the declarations of European power companies regarding capital expenditures and expansion, in the coming years, with respect to new generation capacity based on the RES assets.

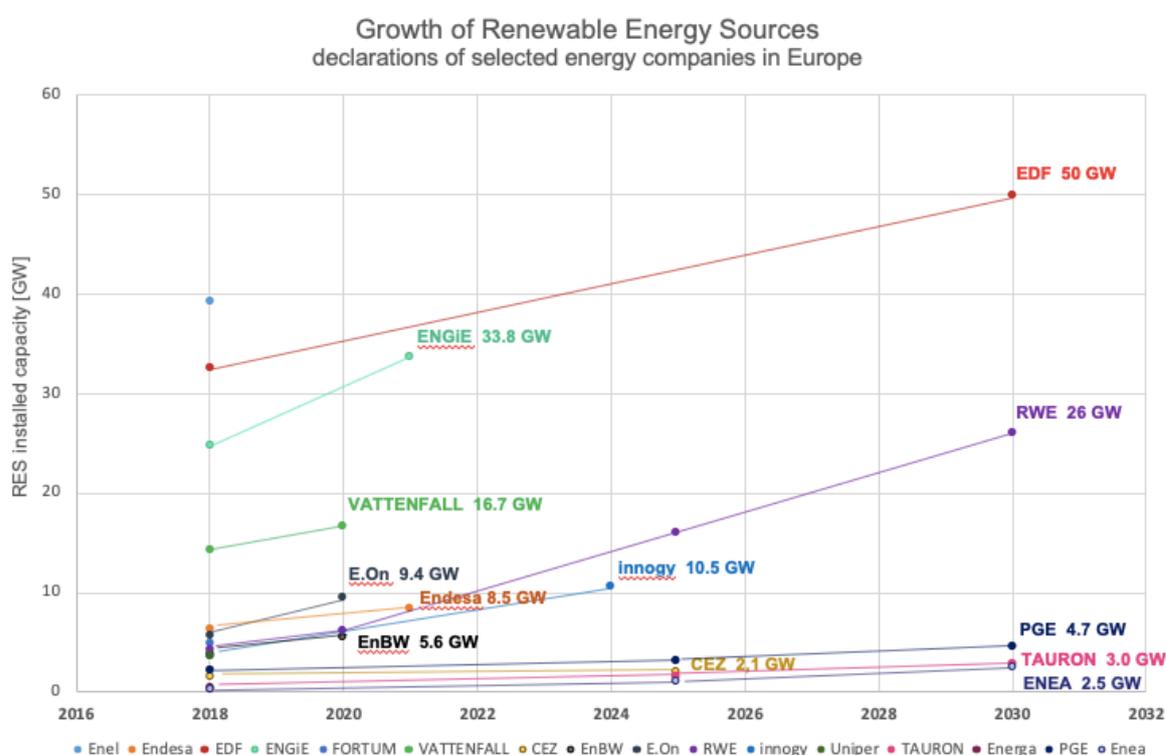


Figure no. 16. Declarations of European power companies regarding capital expenditures and expansion, in the coming years, with respect to new generation capacity based on the RES assets

Source: Proprietary compilation based on the annual reports of the European energy groups presented

In 2018, an Italian company Enel had the highest installed RES capacity among the energy companies presented with 39.2 GW. In its strategic plans, it assumes allocating 38% of its capital expenditures in the years 2019-2021 for investments in renewable energy sources (it is approx. EUR 10.6 billion). The second group, whose installed RES capacity was 32.6 GW in 2018, is French EDF, that is planning to increase the installed capacity of its green assets to 50 GW by 2030. ENGIE Group, the second company operating in France, is planning to increase its capacity by 9 GW in 2019-2021 (from 24.8 GW in 2018 to 33.8 GW in 2021). Swedish Vattenfall declares another 2.3 GW of installed RES capacity by 2020. Endesa, a Spanish energy group, had 6.5 GW of installed capacity in renewable energy sources in 2018. Its plans include an increase in capacity in wind and solar assets by 1.9 GW by 2021. By 2050, the group would like to produce 100% of its electricity volume from renewable energy sources. One of the German energy groups - E.ON is planning an increase, by approx. 4.1 GW, of installed capacity in wind (on-shore and off-shore) assets by 2020. In 2020, the company may have 9.4 GW of installed capacity in renewable energy sources, as compared to 2018, when it had 5.3 GW. Another company operating on the German market, i.e. RWE, after the acquisition of new RES assets, which took place in 2019, updated its strategic directions in which

they are aspiring to be the third company in Europe in terms of RES. Therefore, they declared an expansion of their renewable energy generation fleet by 2-3 GW of installed capacity per year. Taking into account the declarations, it is estimated that in 2030 RWE will have at least 26 GW of capacity in green assets. Inngogy is planning an additional 7 GW of RES capacity by 2024. Another German energy group, EnBW, has declared an increase to approx. 5.6 GW of capacity in renewable assets by 2020. In 2018, Uniper had 3.6 GW of installed capacity in renewable energy sources and is one of the companies that are not directly declaring an increase in the renewable sources capacity, but has announced that it will not invest in coal power plants. A Czech company CEZ is planning to increase its assets by 0.4 GW by 2025, from 1.7 GW in 2018 to 2.1 GW of installed capacity. FORTUM Group is assuming an increase of the installed capacity in wind energy and photovoltaics in its plans.

On the domestic market, the PGE Group had the largest installed capacity in RES in 2018, i.e. 2.2 GW. PGE is seeking to ensure that in 2030 its production of electricity from renewable energy sources should account for 25% of the national production of electricity from renewable energy sources, and therefore this group has started to prepare investments in the construction of an off-shore wind farm on the Baltic Sea. PGE's ambition is to achieve 2.5 GW of off-shore wind capacity by 2030, with a path to reach 1 GW in 2025. According to the new strategic plan, Enea intends to increase its installed RES capacity to 2.5 GW by 2030.

In the Strategic Directions Update, TAURON Group declared an increase in installed RES capacity by 2025 by an additional 900 MW in wind assets and 300 MW in photovoltaics, and is also considering an engagement in off-shore wind assets. By 2030, the expected RES installed capacity of TAURON Group will be approx. 3 GW.

CO₂ emission reductions – declarations of energy companies

Power sector companies are adapting generating units to the requirements related to decarbonization and the transition to zero-emission electricity generation in their strategic declarations. Therefore, some of the presented companies have declared CO₂ emission reduction targets by 2030, as illustrated in Figure no. 17.

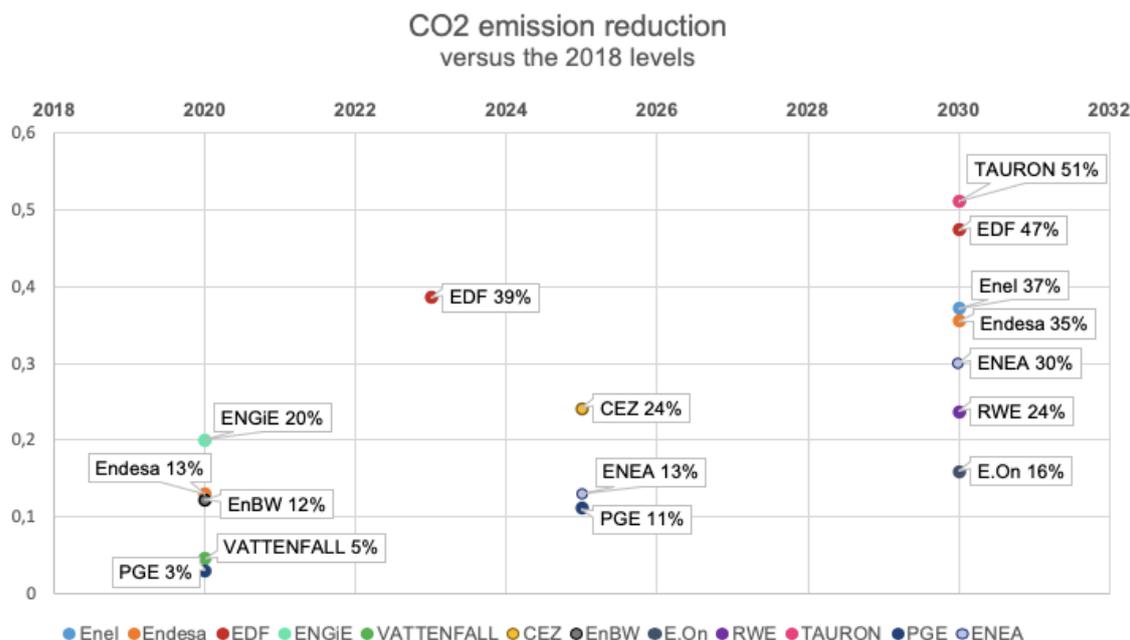


Figure no. 17. CO₂ emission reduction targets of the European energy companies

Source: Proprietary compilation based on the annual reports of the European energy groups presented

EDF Group has the most ambitious plans among the European energy groups, whose goal is to become a leader in the decarbonization of the energy sector and to achieve zero emissions. Pursuing this goal, the group is assuming a reduction of CO₂ emissions by 39% in 2023 and by 47% in 2030, as compared to 2018. Enel's ambition is to reduce carbon dioxide emissions by 37% in 2030. Endesa Group has set itself a goal of 100% electricity production with zero emissions by 2050. Therefore, the group is planning to reduce CO₂ emissions by 13% in 2020 and by 35% in 2030 (as compared to the level of emissions in 2018). CEZ aims to reduce the group's emissions by 24% by 2025. E.ON Group is planning to reduce CO₂ emissions by 16% by 2030, and in their CSR strategy they are declaring achieving emission neutrality by 2050.

Among the Polish energy groups, TAURON Group has set the biggest reduction goals, planning to reduce emissions by 51% by 2030. PGE declared a reduction of specific CO₂ emissions by 20% by 2025, and Enea by 30% by 2030.

3.3.2. TAURON Group as compared to the market – Poland

In addition to TAURON Capital Group, 3 large, vertically integrated energy groups: PGE, ENEA and ENERGA, are currently operating on the energy market in Poland. The consolidated energy groups (PGE, TAURON, ENEA, ENERGA) had a 68% market share in the electricity generation sub-sector.

Generation

TAURON Group is one of the main producers of electricity in Poland. The Group's share in the domestic electricity generation market, measured by gross electricity production, came in at approx. 9% after 9 months of 2019. The Group is the third largest electricity generator on the Polish market. The Group's gross electricity production stood at 13.9 TWh in 2019.

Figures 18 and 19 present information on electricity generated in Poland after 9 months of 2019 and installed capacity as of September 30, 2019.

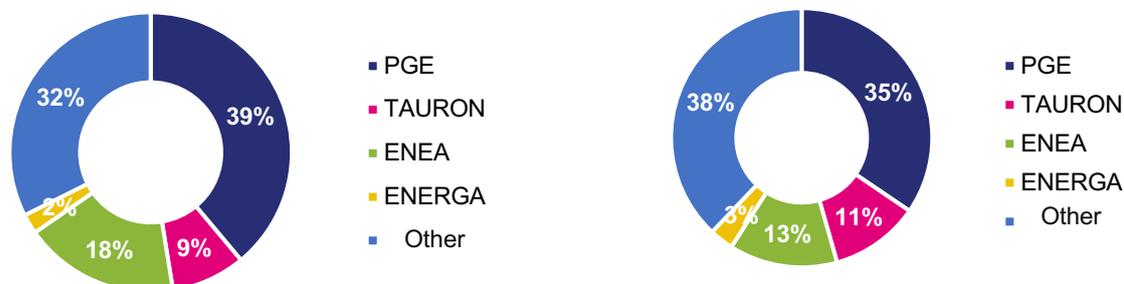


Figure no. 18. Gross electricity production - estimated market shares after 9 months of 2019

Figure no. 19. Installed capacity - estimated market shares after 9 months of 2019

Source: ARE, information from the energy companies published on their websites

Distribution

TAURON Group is a leader on the Polish market in terms of the number of distribution customers and the volume of electricity distributed. The Group's share in the distribution of electricity to the end customers stood at approx. 35% (taking into account 5 largest distributors) in the first three quarters of 2019. TAURON Capital Group's distribution grids cover more than 18% of the country's territory. Figure no. 20 presents the estimated market shares of the individual energy groups in the distribution of electricity according to the data for the first three quarters of 2019. TAURON Group's electricity distribution volume came in at 51.7 TWh in 2019.

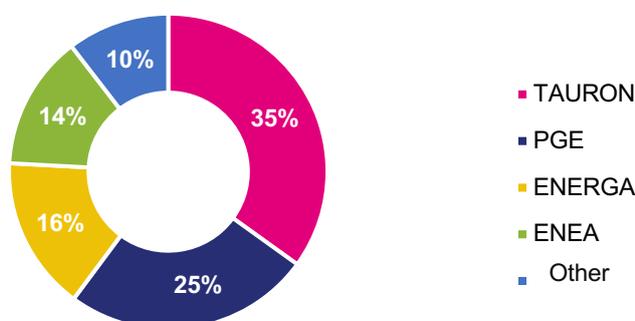


Figure no. 20. Electricity distribution - estimated market shares after 9 months of 2019

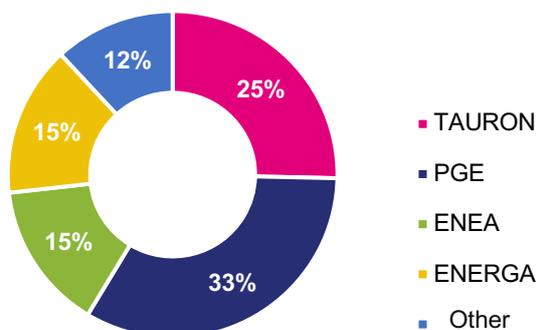
Source: ARE, information from the energy companies published on their websites

Supply

When comparing the data after the first three quarters of 2019, TAURON Group was the second, after PGE, largest supplier of electricity in Poland. TAURON Group's retail electricity supply reached 33.7 TWh for the full year 2019. The number of the Supply Segment's customers stands at approx. 5.5 million.

Figure no. 21 presents the estimated market shares of the individual energy groups in the supply of electricity to the final consumers, according to the data for the first three quarters of 2019

Figure no. 21. Electricity supply to the final consumers - estimated market shares after 9 months of 2019



Source: ARE, information from the energy companies published on their websites

3.3.3. TAURON Capital Group's strategic determinants in the external environment

Recent years have brought a lot of significant changes in the external environment of TAURON Capital Group. The most important of them, from the point of view of the Group's business operations, are the climate and environment related changes. The global warming, increase of the pollution and a serious smog problem in Poland that have been observed for years, is forcing specific actions to minimize the negative impact of the Group's operations on the environment. The rising threat results in the tightening of the decarbonization policy and support for the activities aimed at protecting the environment and counteracting global warming, adopted and regulated at the level of the European Union and Poland. Table 16 provides a summary of the main external factors that impact the selection and implementation of TAURON Group's strategic directions.

Table no. 16. Main external factors that impact the selection and implementation of TAURON Capital Group's strategic directions

Political and regulatory	Environmental	Economic and market related	Social	Technological
<ul style="list-style-type: none"> European Green Deal – EU climate neutrality by 2050 project Further tightening of environmental standards (including coal quality standards, anti-smog measures), the need to adapt generating units to the BAT conclusions Winter package and limitation of support systems for conventional energy (EPS 550) Renewable energy and energy efficiency directives, EU ETS emissions trading system Operation of the capacity market, support for individual RES technologies (auction system, cogeneration support mechanism) Prospect of not being able to take advantage of the ETS derogation for the modernization of coal assets New financing instruments: e.g. modernization fund - excluding support for the coal projects Poland's Energy Policy Draft, National Plan for Energy and Climate Risk of introducing regulations in the banking sector leading to an increase in capital allocation ratios for loans dedicated to financing coal assets 	<ul style="list-style-type: none"> Increase in average global temperature as a result of greenhouse gas emissions High level of dust air pollution in Poland (smog) High level of greenhouse gas emissions - Poland emits 18% more greenhouse gas per capita into the atmosphere and over 3 x more in relation to GDP than the EU average Increasingly frequent occurrence of extreme weather conditions - droughts, hurricanes, severe heat waves, heavy rains and floods (causing not only the destruction of households, but also of the transportation and energy infrastructure) Further rising of sea levels; irreversible changes in river ecosystems and the Baltic Sea (eutrophication, loss of water biodiversity) Depletion of natural resources (including coal, wood and water) Increased importance of the circular economy and minimizing of waste generation Increase in the importance of limiting the effects of sewage, biogenic waste, municipal waste and fuels in seas and oceans 	<ul style="list-style-type: none"> Rising electricity generation costs (high prices of CO₂ emission allowances) Reduction or lack of financing for conventional energy, preferential financing for renewable energy RES cost competitiveness, rising RES generation Increase in costs of materials, services and labor Limited possibilities of thermal coal mining (deposits getting more and more difficult to access), Thermal modernization activities, increase of energy efficiency Generational and competence gap problem Difficulties in recruiting qualified staff Threat to stability of production and supply of electricity, risk of power shortage in the system 	<ul style="list-style-type: none"> Increase in anti-carbon sentiment among the public Increase in society's ecological awareness Improvement of the image of companies using energy from renewable energy sources Increased customer awareness and customer requirements in terms of the quality of services provided and customer service, changing customer needs Change in the customer's approach to the way electricity is consumed Negative perception of waste storage 	<ul style="list-style-type: none"> Falling prices for renewable and distributed technologies Development of prosumer energy, island installations, off-grid, Development of electromobility Development of energy storage Digitization of the energy sector, development of smart metering and new billing technologies Technology development with respect to the circular economy Emergence of energy self-sufficient buildings - Near Zero Emission Buildings

3.3.4. TAURON Capital Group's Strategy and Outlook

Short term outlook

TAURON Capital Group's strategy responds to changes in the regulatory and macroeconomic environment as well as market challenges in both short as well as long term. In the time frame covered by the current Strategy, until 2025, TAURON Group is focusing on ensuring financial stability by increasing operational efficiency and optimizing its processes. As part of its development, TAURON is continuously improving its offering in response to the customer needs. We do not want to remain only a market participant, but we see ourselves as the leader in the transition of the energy sector in Poland.

At the stage of developing the Strategy, it was assumed that there would be no significant changes in the market and competitive environment until 2020, however, as a result of acquisitions carried out by PGE and ENEA in 2017, the generators' market landscape changed. Thanks to the acquisition of EDF assets, PGE is strongly developing its heating business, while ENEA, in connection with the acquisition of ENGIE assets and commissioning of the 1075 MW unit in Koźlenice, has climbed to the runner-up spot in terms of installed capacity. At the same time, the share of industrial electricity generation increased, as, among others, ORLEN Group commissioned two gas fired units - in Płock with a capacity of 600 MW, in Włocławek with a capacity of 463 MW.

It is assumed that up to 2025 the highest growth rate will be observed in the renewable energy sources. On one hand, this will be the result of an increase in prices on the wholesale electricity market, associated with the charges related to the costs of CO₂ emission allowances, on the other hand, it will also be the consequence of the strong support for the development of renewable energy sources and the cost competitiveness of such technology.

The fast growth of photovoltaics in Poland is primarily associated with the cost competitiveness of the technology and the launch of extensive support programs that significantly reduce investment costs. Binding national RES targets for 2020 prompted Poland to introduce a system of incentives, among others for prosumers that result in increased interest in this technology. The development of prosumer photovoltaics installations (which accounts for more than 60% of the photovoltaics' installed capacity) is possible thanks to the funding from such programs as Energia Plus. According to SolarPower Europe, Poland was in the fifth place in the European Union in 2019 in terms of the growth of new photovoltaic capacity. In 2020, another record amount of photovoltaics' installed capacity is expected due to the implementation of installations as a result of the RES auctions held in 2018 and 2019 and the fast growth of the prosumer sector.

It is assumed that by 2025 the installed capacity in wind based technology will also increase - the total capacity of new installations planned for construction is approx. 1000 MW, as a result of the RES auctions held in 2018 and approx. 2200 MW as a result of the RES auctions held in 2019. An impulse stimulating further growth of wind energy may be an amendment to the distance act, which may increase the supply of projects in the subsequent years.

It is forecast that after the introduction of the regulations regarding investments in off-shore wind farms (principles of settling investments in grid connections, the support system) and adopting the final version of the Spatial Development Plan for Polish Maritime Areas, the construction of the first wind energy installations on the Baltic Sea will begin, so that in 2025 the first off-shore farms will be put into operation. The most advanced works are carried out by PGE, PKN Orlen and Polenergia, and the grid connection conditions were issued for more than 7 GW of capacity.

The share of individual sources in the country's generation structure will change, but despite the growing number of renewable energy installations, coal will remain the primary fuel in the domestic energy sector by 2025.

The final decision is also expected on the commencement of the investment in the nuclear power plant.

Based on the changes observed on the European energy market and the situation of the domestic energy groups, it can be concluded that the energy business model will be modified. The mergers underway and planned - both the domestic as well as the European deals - indicate that fuel companies (e.g. Equinor-Statoil, PKN ORLEN, PGNiG) are making investments in the energy sector. On the other hand, specialization is also taking place, exemplified by the merger of two vertically integrated groups on the German market: RWE and E.ON. and a significant reduction of conventional energy, a gradual withdrawal of the Western conglomerates from nuclear energy and focusing mainly on the renewable energy sources.

In terms of the macroeconomics, according to the NBP, in the years 2019-2021 the domestic GDP growth rate will gradually slow down. The forecast for 2019 assumes a growth rate of 4.3%; 3.6% in 2020 and 3.3% in 2021. Despite the deceleration of the global economic growth, the Polish economy is still growing rapidly - it is assumed that GDP growth will be continued until 2025.

In the coming years, it is assumed that the growth in demand for electricity will be continued. Despite the expected decline in the energy intensity of the Polish economy, stabilization of the economic growth rate and the improvement

of energy efficiency, there will be an increase in electricity consumption per capita - in terms of consumption Poland is below the EU average, so there is still a large growth potential. The increase in energy demand will also be sustained by the development of electromobility, expected after 2020, and the wider spreading of the use of electricity, for example, for heating purposes - in connection with counteracting low emissions. The electrification of heating (combined with an increase of the importance of district heating) will be rising along with a growth of environmental awareness and the intensification of activities related to smog reduction.

According to TAURON Group, the most important issues that will affect the energy sector until 2025 include:

- European and national regulations: further reduction of CO₂ emissions resulting in increased prices of emission allowances, increased obligation with respect to the share of electricity from renewable energy sources and increased energy efficiency; adoption and implementation of Poland's Energy Policy until 2040,
- limitation of financing possibilities for investments in coal assets by the financial sector,
- decommissioning of some conventional generating units associated with the high costs of adaptation to the more stringent environmental requirements and their deteriorating competitive position versus other energy sources,
- integration of the European energy market and the associated reduction of the importance of the local markets in favor of the regional markets, rising capabilities for physical cross-border flows,
- ability to separate self-balancing areas, e.g. energy clusters, and the ability to provide additional services for them, not offered today (balancing, aggregation, DSM, capacity reservation, etc.),
- development of technology related to energy storage,
- broadly understood digitization.

TAURON Group's Strategy, along with the Update of Strategic Directions, is in line with the market and regulatory trends identified in the time frame up to 2025. The Update of Strategic Directions, in turn, outlines TAURON's Green Turn, i.e. a sustainable transition towards a leading low-emission energy group in Poland. The main outcome will be a change in the Group's energy mix, approximately 28% of the installed capacity will be low- and zero-emission sources, with the simultaneous decommissioning of 120 MW units and maintaining of profitable and eligible for support 200 MW units, as well as modern, low-emission and high-efficiency coal fired units. At the same time, TAURON Group is preparing a portfolio of investment projects with respect to the renewable energy sources and is developing competences required for their implementation. In 2019, TAURON Group purchased five wind farms with the capacity of 180 MW, thus doubling the installed capacity in wind. In the coming years, the Group will be looking for other similar market opportunities.

TAURON Group's Strategy, along with the Update, is in line with the European activities related to reducing the impact of the business operations on climate change. Given the significant importance of issues related to the protection of the environment and climate, TAURON Group is working on the assumptions for developing a new strategy with the minimum time frame of up to 2030, with a long-term outlook. The main guideline will be to prepare development scenarios that will ensure long-term profitable business operations immune to climate change and at the same time minimizing the impact of the Group's operations on the environment by reducing the emissions of the generation sources. The scenarios taken into account will depend on the intensity of changes taking place in the environment, in particular on the assumptions of Poland's Energy Policy, the decisions taken by the Government as part of the climate initiatives and regulatory directions shaped during the global climate summits. TAURON will be defining climate scenarios based on the available and applied methodologies, in particular TAURON Group's long-term strategic directions will be considered based on two temperature change scenarios: < 2 degrees and > 2 degrees.

Medium term outlook

In the medium term, a slight decrease of the electricity demand growth rate is assumed. The most important factors affecting the level of electricity demand include a further improvement of energy efficiency and, at the same time, still large potential for electricity consumption growth.

Consumers are expected to further increase consumer awareness in connection with the digitization processes, access to prosumer installations and smart grid solutions. An ever broader range of services based on the smart grid infrastructure, in particular smart meters, is assumed. The role of the demand side management services (DSR / DSM) will also increase, which will largely result from the development of smart technologies and market mechanisms.

Due to the avalanche growth of prosumer installations, there will be a need to further develop transmission systems and distribution grids in order to adapt them to greater load variability, as well as to support bi-directional flows.

In terms of electricity generation, the fast development of renewable energy sources is forecast to continue. A further decrease in the costs of installing renewable energy sources (primarily the photovoltaic ones) and

electricity storage facilities will be of significant importance, along with the continuous technology development. Technological changes for wind farms, with favorable regulations, will translate into the repowering of installations, thus increasing the capacity and improving the efficiency of their utilization. The development of energy storage will have a positive effect on the stability of electricity supply. The EU level regulations will further support the development of renewable energy sources and at the same time impose higher and higher costs and restrictions on conventional energy, making it, gradually, permanently unprofitable.

Further intensive development of photovoltaic installations in Poland is estimated to continue. According to the projections related to the National Plan for Energy and Climate the capacity available in PV installations is expected to rise to more than 7 GW in 2030. At the same time, the first off-shore wind farms should be commissioned in 2025. The National Plan for Energy and Climate also envisages an increase in the capacity achievable in off-shore wind installations to almost 4 GW in 2030. The level of on-shore wind farms' installed capacity should be less than 10 GW in 2030.

By 2030, further unprofitable coal fired units will be shut down. The end of the support from the capacity market for many generating units after 2025 is significant. However, there is an opportunity for large, modern conventional power generation units, whose main role will be to stabilize the national power system. However, it is assumed that their operation will be directly dependent on the state of the climate and the environment at the end of the third decade of the century. The expansion of flexible gas-fired units is also taken into account. As a result, it is forecast that the share of coal in the national energy mix will decline, which will be a natural consequence of the rise in the capacity of low and zero-emission sources, including the gas fired sources.

In the medium term, i.e. in the years 2025-2030, TAURON Group is planning to gradually shut down 200 MW coal fired units. Pursuant to the Group's Strategy, the main direction of the expansion of the electricity generation line of business will be investments in low- and zero-emission sources, including an engagement in the development of off-shore wind energy. Thanks to the investments in new generation installations and a reduction in the number of coal fired units, the Group's generation mix will change in 2030, where more than 65% of assets will be low- and zero-emission installations, which is in line with the climate policy aimed at reducing the emissions. Being aware of the prosumer market development, TAURON Group is also planning activities related to offering products and services in line with this market trend.

Long term outlook

It is assumed that the years 2030-2035 will be a period during which a deep review of development scenarios with respect to the climate will be required, depending on the intensity of climate change. If the ultimate temperature increase estimated for that time frame exceeds 2°C, then we are forecasting a further tightening of environmental standards towards a substantial reduction of the CO₂ emissions and extremely stringent emission standards for nitrogen and sulfur oxides as well as mercury and dust. Tightening climate policy will result in a reduction in the supply of CO₂ emission allowances under the ETS, which will lead to a significant increase of the prices of these allowances.

In the event that global temperature forecasts indicate an increase below 2°C, a scenario where high-efficiency profitable coal assets will be maintained is possible, with a simultaneous reduction of emissions through the development of low and zero-emission generation sources and limited development of coal fired assets, conditioned on the demand for coal fuel and the possibility of obtaining it at competitive costs.

In the time frame up to 2050, it is forecast that the biggest challenge will be to ensure stable electricity supply to support the country's economic growth and growing prosperity, while at the same time having to accelerate energy transition through capital expenditures in low-emission technologies. The energy sector is currently the largest single source of carbon dioxide emissions and, irrespective of climate change scenarios and temperature rise, it is extremely important to reduce emissions in this sector.

According to available forecasts, the role of the renewable sources will be consistently growing at the expense of conventional ones in the long term. Renewable energy sources are gaining their share in the global energy system faster than any other fuel in history. The British conglomerate BP, in its Annual Energy Outlook 2019, estimates that by 2040 renewable energy sources will be the main source of energy in the world, and RES and natural gas combined will be responsible for the overwhelming majority of the increase in primary energy supply. Renewable energy will be pushing out coal-based energy over the next two decades and will replace coal as the main source of electricity generation in 2040.

In the long term, there will also be a significant transition of the national energy mix by increasing the share of renewable energy sources, as well as potentially nuclear energy, and, at the same time, a further drop of the share of coal sources. Taking into account the rising costs of coal energy as a result of climate policy, its role will be marginalized.

Strategic decisions with respect to environment and climate protection taken at the European Union level will determine the development of the domestic energy sector in the long term, including in particular the European Union 2050 climate strategy. The European Green Deal proposes an action plan enabling the transition to a zero-emission economy through a more efficient use of resources by moving to a clean circular economy, halting climate change, preventing the loss of biodiversity and reducing the pollution level.

The future of the energy sector will depend not only on its environmental impact, but also on the adaptation to climate change required to be implemented. Changes in climate conditions will not be without an impact on the conditions of electricity distribution or changes in demand for electricity and heat. The infrastructure may require preparation for the effects of extreme weather and climate developments that may cause direct damage (e.g. hurricanes, intense storms, hailstorms, rainstorms and snowfall may damage transmission and distribution lines), as well as indirect losses, which are the long-term consequences of extreme weather and climate conditions (e.g. droughts or floods).

A great opportunity for the energy and district heating sector is the growing awareness of threats to air quality resulting from low emissions and transportation. The manufacturing sector, with the introduction of relevant regulations, may become the largest beneficiary of changes in the way electricity is used for heating and transportation purposes. At the same time, it will be a challenge for the distribution grids and heating networks, which will have to take accommodate the load increases.

The implementation of the European strategy aimed at reaching climate neutrality by 2050 will determine the shape of the Polish energy sector in the long term, which will also be reflected in strategic decisions made by TAURON Group, whose overall goals and actions should constitute a coherent response to the European and national guidelines regarding the sector's shape and model of functioning. TAURON Group will be steadfastly seeking a further diversification of the generation sources in terms of fuel used and a modernization of the generation capacity. In the long term, the possibility of an emergence of breakthrough technologies on the market that can significantly affect the energy business, e.g. fuel cells, should be taken into account. It is assumed that there will be a significant development of energy storage technologies and the development of new transmission technologies. In the scenario where there is a lack of breakthrough technologies, the energy sector will be most likely develop in an evolutionary manner, based on the already known and commercialized technologies.

In the long term, TAURON Group's stable operations will be determined by the approach to the issues related to sustainable development - in addition to the key issue regarding optimized resource management (raw materials, materials, energy, etc.), it will also be important to develop relationships with the stakeholders.

As a summary, Figure 22 illustrates the response of TAURON Capital Group to the changes in the external environment.

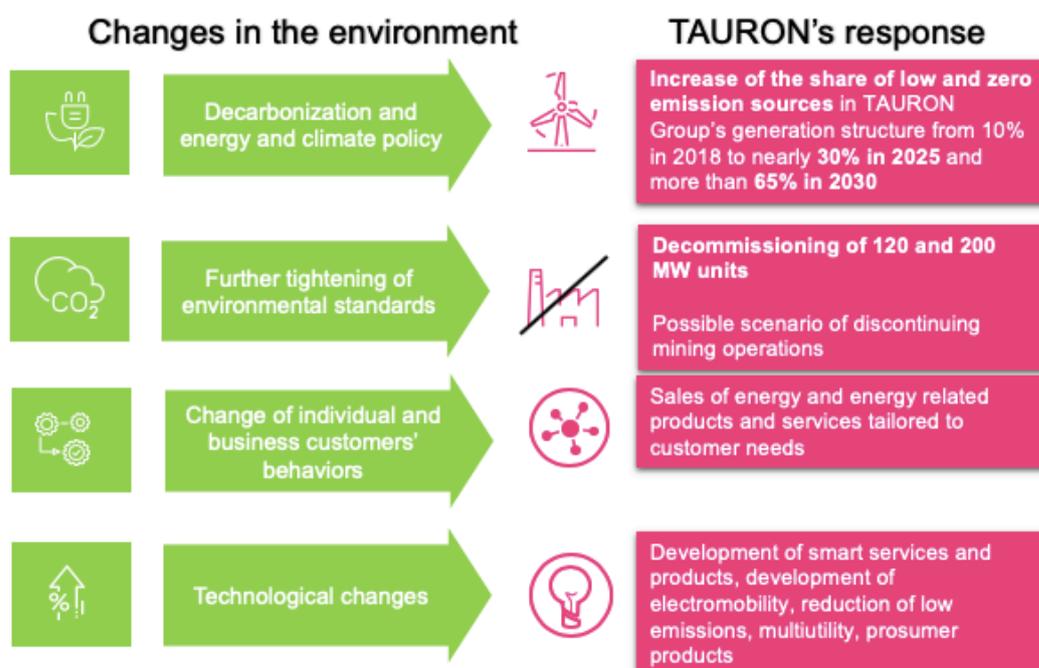


Figure no. 22. TAURON Capital Group's responses to the changes taking place in the external environment

3.4. TAURON Group's Sustainable Development Strategy for 2017-2025

The fundamental assumption of the corporate social responsibility concept at TAURON is to base the enterprise's success on its long-term sustainable development. An indication of a mature approach to management at TAURON is the integration, already at the strategic level, of financial and non-financial factors, including aspects of environmental protection, social impact and corporate governance. This results from the conviction that for a business to exist and develop it needs to be run in a manner allowing for both economic aspects and social or environmental interest, and balance is required between all of them.

Therefore, our development goals constitute a bundle based on the 3P model - referring to economic gains (Profit), individuals associated with the company (People), and care for the environmental aspect of the activity (Planet). At TAURON Capital Group, the stipulation to strive for sustainable development is implemented in practice by TAURON Group's Sustainable Development Strategy for 2017-2025, adopted by the Management Board of TAURON Polska Energia on August 1, 2017.

The Sustainable Development Strategy implemented in 2019 defines five basic areas of activities (directions):

1. Reliability and quality of supply of products and services for the customer - our goal is, above all, to ensure security of electricity supply for our customers and to develop an offering of products and services tailored to their expectations, as well as to promote innovation
2. Orientation towards the customer and his/her needs - the priority is to maintain good relationships with customers, care for the highest standards of customer service as well as comprehensiveness and quality of the offering addressed to the customers. The measures of the effectiveness of our actions include an increase in customer loyalty and satisfaction, or a drop in the number of complaints
3. Environment protection - TAURON Capital Group's goal is to ensure efficient management, recycling and reuse of the resources, implementation of environment management systems (ISO, EMAS), investing in modern technologies, continuous modernization of the production assets, optimization of the production processes, increasing the efficiency of resource utilization, educating the society and setting requirements for the suppliers
4. Work safety, ethical culture and employee engagement - the goal is to develop lasting relationships with employees based on diversity, a sense of security, development opportunities and combining social and professional roles, as well as creating working conditions seeking to minimize the accident rate
5. Social and business partnership - TAURON Capital Group has set itself the goal of setting the highest industry standards with respect to business ethics and environment protection. Activities are focused on conducting projects related to social engagement, promoting CSR topics among stakeholders and encouraging them to act in a responsible manner, as well as conducting a transparent policy with respect to the communication with the stakeholders.

Within each direction, commitments have been set (there are 18 in total), that TAURON Capital Group intends to fulfill by the end of 2025. Key initiatives were formulated for each commitment to support their implementation.

All of the stakeholders of TAURON Capital Group can become acquainted with the reports on the Strategy implementation published annually in the Integrated Report.

3.5. Significant changes to TAURON Group's Sustainable Development strategy

The works on updating the Sustainable Development Strategy, which is a coherent plan of actions related to social responsibility, based on the updated Strategic Directions of TAURON Group and a study of the real needs of all stakeholder groups, were commenced in the third quarter of 2019,

The main objectives of the document, whose adoption is scheduled for the second quarter of 2020, include:

- striving for greater coherence of business and social goals and seeking to achieve the leadership position in CSR and sustainable development in the energy sector in Poland,
- sustainable transition towards becoming a leading, low-emission energy group in Poland,
- clean energy and searching for new development (expansion, growth) paths.

In accordance with the adopted Strategic Directions Update, the sustainable growth of the Group's value will be based first and foremost on:

- regulated and stable Distribution segment,
- development of low and zero emission sources,
- conventional generating assets,

- sales of energy and energy-related products and services tailored to the customers' needs,
- modern management culture and a friendly work environment based on the principles of diversity and compliance,
- building lasting relationships with local communities by developing social and business partnership initiatives.

3.6. Key non-financial capital efficiency ratios (metrics, performance indicators) of the Group with respect to the capitals

In order to make the best use of the value levers (drivers) set as part of TAURON Group's Strategy for 2016-2025 (along with the Strategic Directions Update of 27 May 2019), as well as to ensure efficient (from the point of view of the individual capitals) implementation of TAURON Capital Group's Sustainable Development Strategy, key non-financial efficiency ratios (metrics, performance indicators) related to the Group's operations were defined.

They are presented in Table no. 17, including their values obtained in 2018 and 2019.

Table no. 17. TAURON Capital Group's key non-financial efficiency ratios (metrics, performance indicators), including their values obtained in 2018 and 2019

Area of activity defined in TAURON Capital Group's Sustainable Development Strategy	Key non-financial efficiency ratio (performance indicator)	Name of capital / Element related to capital	Ratio (indicator) nature	GRI reference	Value of the ratio (metric, performance indicator) in the year	
					2019	2018
Reliability and quality of supply of products and services for the customer	Number of customers of TAURON Capital Group's Distribution Line of Business	Financial capital / Distribution Segment's RAB	Stimulant	EU3	221 335	234 175
		Financial capital / Capital expenditures				
	Number of cases of non-compliance and complaints related to products and services of TAURON Capital Group with respect to providing information*	Financial capital / Cash flow from operating activities	Destimulant	417-2	0	0
		Financial capital / Net profit				
Frequency of planned power outages - number of outages / consumer / year	Financial capital / Cash flow from operating activities (minutes)	Destimulant	EU 28	0,28	0.33	
Orientation towards the customer and his/her needs	Number of individual and business customers of TAURON Capital Group's Supply Line of Business	SAIFI				
		Financial capital / Sales revenue				
		Financial capital / EBITDA				
		Financial capital / EBITDA margin	Stimulant	102-6 102-40	5 511 946	5 459 918
		Financial capital / EBITDA margin				
Financial capital / Net profit						
Financial capital / Long term rating						

	Value of the Customer Satisfaction Index (CSI) for TAURON Capital Group's customers	Social capital / Implemented and applied TAURON Group's PROClient Social Policy	Stimulant		83	81
	Percentage share of TAURON Capital Group's RES installed capacity in the Group's total installed capacity	Production capital / Installed capacity in hydro, wind, solar and biomass fired power plants and combined heat and power plants	Stimulant		12%	10%
	Percentage share of TAURON Capital Group's electricity production based on RES in the Group's total electricity production	Production capital / Electricity production by hydro, wind, solar and biomass fired power plants and combined heat and power plants Production capital / Heat production by hydro, wind, solar and biomass fired power plants and combined heat and power plants	Stimulant	EU1	11%	7%
Environment protection	Direct greenhouse gas emissions by TAURON Capital Group – (tCO ₂ e)	Natural capital / Direct greenhouse gas emissions – CO ₂ (tons)	Destimulant	305-1	12 215 945	14 629 722
	Total weight of non-hazardous waste (including UPS and UPW) generated by TAURON Capital Group	Natural capital / Total amount of non-hazardous waste (including UPS and UPW)* (tons)	Destimulant	306-2	1 366 974	3 103 596
	Number of meetings with trade union organizations at the Group's subsidiaries	Intellectual capital / Social capital / Human capital Developing relationships based on dialogue / Organizational culture based on PRO values	Stimulant		329	249
Work safety, ethical culture and employee engagement	Number of employees at TAURON Capital Group	Human capital / Number of employees Human capital / Number of trainings courses conducted by Internal Coaches (Trainers)	Nominant	102-8	26 086	25 829
	Accident rate at TAURON Capital Group	Intellectual capital / Knowledge and competences of the Group's employees Social capital / Personnel education and development Social capital / Organizational culture based on Partnership, Development, Boldness values	Destimulant	403-9	7.8	7.7

	Share of women among TAURON Capital Group's workforce	Human capital / Share of women among the workforce Social capital / Diversity Policy and Respect for Human Rights Policy implemented and applied	Nominant	405-1	21.4%	21.5%
	Number of training session hours at TAURON Capital Group	Human capital / Number of training session hours	Stimulant	404-1	478 000	449 000
	Number of local and social initiatives that TAURON Foundation has joined	Social capital / Support for local initiatives through TAURON Foundation	Stimulant		158	147
	Number of agreements with respect to corporate social responsibility signed by TAURON Capital Group	Social capital / Implemented and applied TAURON Group's PROClient Social Policy Social capital / Developing lasting relationships and active dialogue with the stakeholders Social capital / Support for local initiatives through TAURON Foundation	Stimulant		11	9
Social and business partnership	Number of TAURON Capital Group's meetings with local communities held in order to provide information on the operations conducted and its impact on the residents	Social capital / Implemented and applied TAURON Group's PROClient Social Policy Social capital / Developing lasting relationships and active dialogue with the stakeholders Social capital / Support for local initiatives through TAURON Foundation	Stimulant		Continuously, in line with the ongoing operations	Continuously, in line with the ongoing operations
	Number of sports and cultural events organized by TAURON Capital Group for its employees	Social capital / Implemented and applied TAURON Group's PROClient Social Policy Social capital / Developing lasting relationships and active dialogue with the stakeholders Social capital / Support for local initiatives through TAURON Foundation	Stimulant		18	16

3.7 GRI indices described in this section

- GRI 203-1 Supported infrastructure investments and services for the benefit of society through commercial activities, transfer of goods and pro-bono activities. The impact of these activities on society
- GRI 103-2 The management approach and its components in the areas: environmental, social, human rights, anti-corruption, HR, including indicating material topics in the given area
- GRI 102-2 Activities, brands, products, and services
- GRI 102-6 Markets served
- GRI 102-7 Scale of the organization
- GRI 102-9 Supply chain
- GRI 102-10 Significant changes in the organization in the supply chain during the reporting period
- GRI 102-12 External initiatives
- GRI 102-15 Key impact, risks and opportunities
- GRI 102-16 Key areas of impact, risks and opportunities
- GRI 103-1 Explanation of the material topic and its boundary
- GRI 201-1 Value added generated and distributed
- GRI 201-4 Government support - state ownership
- GRI 203-1 Investments in products and services
- GRI 103-2 The management approach and its components in the areas: environmental, social, human rights, anti-corruption, HR, including indicating material topics in the given area
- GRI 102-2 Activities, brands, products, and services
- GRI 102-6 Markets served
- GRI 102-7 Scale of the organization
- GRI 102-9 Supply chain
- GRI 102-10 Significant changes in the organization in the supply chain during the reporting period
- GRI 102-12 External initiatives
- GRI 102-15 Key impact, risks and opportunities
- GRI 102-16 Key areas of impact, risks and opportunities
- GRI 103-1 Explanation of the material topic and its boundary
- GRI 201-1 Value added generated and distributed
- GRI 201-4 Government support - state ownership
- GRI 203-1 Investments in products and services

4. TAURON CAPITAL GROUP'S POLICIES AND DUE DILIGENCE PROCESSES AND THE PRESENTATION OF THE RESULTS OF THEIR APPLICATION

In order to systematize the activities conducted, as well as to precisely define the objectives and periodically monitor the degree of their implementation, the Management Board of TAURON Polska Energia adopted the following Policies for use at TAURON Capital Group:

- TAURON Group's Customer Oriented (PRO-customer) Social Policy (PROClient Social Policy),
- TAURON Group's Diversity Policy,
- TAURON Group's Environmental Policy,
- TAURON Group's Climate Policy,
- TAURON Group's Human Rights Respect Policy,
- TAURON Group's Human Resources Policy,
- TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy,
- TAURON Group's Anticorruption Policy,
- TAURON Group's Work Health and Safety (WHS) Policy,
- Strategic Research Agenda,
- TAURON Group's Corporate Purchasing Policy,
- TAURON Group's Subsidiaries Contractors (Counterparties) Code of Conduct Policy,
- Personal Data Protection Policy for TAURON Group entities,
- Policy of Compliance with the Principles of Ethics and Prevention of Mobbing and Discrimination at TAURON Group.

The above mentioned documents ensure compliance of TAURON Capital Group's operations with the requirements specified in art. 49 b, clause 2 and 3 of the Accounting Act. They also represent an important part of conducting a transparent communication policy with the numerous stakeholders of TAURON Capital Group, who may familiarize themselves with the annually published reports on their implementation.

In addition, TAURON Capital Group is implementing TAURON Group's Sustainable Development Strategy for 2017-2025, adopted by the Company's Management Board on August 1, 2017, which was compiled based on the Strategy.

Each of the above documents contains an exhaustive description of actions taken by TAURON Capital Group's subsidiaries to achieve the intended goals in the given area. The following sub-sections present the main principles, methods and tools implemented by TAURON Capital Group under the individual policies and the results of their application in 2019.

4.1. TAURON Group's PROClient Social Policy

Pursuant to TAURON Group's Strategy for 2016-2025 adopted in 2016, we defined a vision according to which we strive to be a company that is best responding to customer needs in the Polish energy industry. Based on the above as well on the assumptions of TAURON Group's Sustainable Development Strategy for 2017-2025, in 2017 the Management Board of TAURON Polska Energia S.A. adopted TAURON Group's PRO Client Social Policy for use.

The document is aimed at developing appropriate organizational and business conditions required to achieve the strategic goals of TAURON Capital Group with respect to customer and market environment relations.

The policy is a collection of main assumptions applied in the customer sales and service process. It also defines measures taken by TAURON Capital Group as part of a dialogue with the customers, highlights the importance of developing long lasting relations both with the customers as well as with the market environment, and it also defines the responsibilities lying on the company's side with respect to this very large (the number of TAURON Capital Group's employees) is presented in Table no. 18) and extremely significant group of stakeholders.

Table no. 18. GRI EU 3. Number of TAURON Capital Group's individual and business customers as of December 31, 2019

Supply group type	Supply Line of Business	Transmission and Distribution
Individual	5 088 339	20 556
Business (including institutions)	423 607	200 779
Total	5 511 946	221 335

Due diligence procedures and internal regulations

By implementing the assumptions of the PRO Customer Social Policy TAURON Capital Group is responding in the best possible manner to customer needs, focusing its efforts on the following principal issues:

- making sure the highest standards are met in the relationships with the customers, based on transparency, mutual respect and trust,
- continuous bi-directional communications, based on a dialogue,
- surveying customer opinions (feedback), experiences and expectations,
- responding to customer needs through a clear offering, satisfying their needs and meeting expectations.

Marketing research

Due diligence procedures implemented as part of the PRO Customer Social Policy include primarily periodic surveys. It is important for us to get to know our customers as much as we can and, based on that, to be able to even more fully respond to their needs. The monitoring of the marketing communications is done in cooperation with market analysts. The summary of such surveys conducted in 2019 is presented in Table no. 19.

Table no. 19. Surveys carried out by TAURON Capital Group in 2019 as part of the due diligence procedures

Subject of the survey	Time when the survey was conducted
Surveys on products / services:	
Survey of satisfaction with the online PZO (hand-over and acceptance protocol) – quantitative	February and March 2019
Survey of the demand for Health (Zdrowie) and Music (Muzyka) products in the SME segment – quantitative	July and August 2019
Product survey for AMI meters – qualitative FGI	September and October 2019
Product survey for AMI meters – quantitative	November 2019
Survey of the Mój TAURON service in the seniors segment – qualitative IDI	September 2019.
Survey of the Mój TAURON service in the target segments – qualitative FGI	November and December 2019
Price positioning for electricity and gas:	
Price positioning on the market for electricity and gas offerings in Q2 2019	June 2019
Price positioning on the market for electricity and gas offerings in Q3 2019	September 2019
Price positioning on the market for electricity and gas offerings in Q3 2019	December 2019
Monitoring of coherence and transparency of the marketing communications, including in particular the communications related to the new products and offerings, including:	
Surveys to check effectiveness of campaigns and campaign spots Loteria TAURONa	November and December 2019

Subject of the survey	Time when the survey was conducted
Surveys to check familiarity with the offering (quantitative surveys): 2 survey groups Survey conducted at Customer Service Centers	3 rd group June and July 2019 1 st group November December 2019
Survey to check awareness of product possession by a customer (quantitative surveys)	March and April 2019 r.

Meeting the needs of disadvantaged customers and sensitive consumer groups

As part of the due diligence procedures also educational activities addressed to the disadvantaged groups, first of all customers sensitive to energy pricing and seniors, were conducted. The summary of such surveys and their quantity conducted in 2019 is presented in Table no. 20.

Table no. 20. Educational activities carried out by TAURON Capital Group in 2019 as part of the due diligence procedures

Information campaigns	Activities conducted as part of the campaign
	600 commercial spots on the radio
GOOD ENERGY IN A GOOD COMPANY! CHECK WHO IS OFFERING YOU ELECTRICITY AND GAS (DOBRA ENERGIA W DOBRYM TOWARZYSTWIE! SPRAWDŹ, KTO OFERUJE CI PRĄD I GAZ) is a campaign conducted jointly with the Association of Energy Trading (Towarzystwo Obrotu Energią - TOE) and implemented in cooperation with the largest energy companies in the country. It aims to promote knowledge of the energy market and raise awareness of the activities of companies that employ unfair market practices.	8.7 million viewings (hits) in the Internet
	5 million press readers
	16 mobile billboards at 32 parishes
	Commercial spots on 60 nationwide and regional radio stations
"ACTION – REACTION" ("AKCJA – REAKCJA") is a warning campaign, conducted in a specific narrow area in response to a problem of unfair commercial practices employed by electricity and gas suppliers observed and reported by customers. Customers, having been misled, sign documents, which later turn out to be sales contracts, or offers that the client misunderstood. As a result, Tauron reports a decrease in the number of active contracts (customers).	Press advertisements in 18 papers
	Advertisements in the city transportation company, social media and on YouTube
	Messages in radio spots at 16 radio stations, on posters and in social media

Customer service through the highest quality sales and service channels

Seniors, pregnant women, persons with young children and the disabled are treated as privileged persons in TAURON Capital Group's stationary contact channel.

In 2019, for privileged persons, at Customer Service Centers (Punkty Obsługi Klienta - POK):

1. We continued to provide priority service;
2. We maintained the priority service marking:
 - in the form of internal marking in waiting rooms for customers,
 - in the form of marking on queuing machines at POKs with a queuing system,
 - in the form of marking parking spaces for the disabled, at POKs' parking areas.
3. At newly opened POKs or modernized POKs, we maintained the applicable marking, in line with the priority of service policy:
 - we launched a POK in Żywiec,
 - we moved and modernized the POK in Zabrze.

In the telephone contact channel for the disabled people and seniors we provided:

Telephone support with the filling of the Application to conclude a contract after the death of a party to the contract. A courier was added to the process, who would deliver the completed application to be signed by the new consumer.

In the online channel:

1. We digitized the Handover and Acceptance Protocol (PZO) and the Application to conclude or amend a contract (WOZ) – a customer can conclude / assign the contract without the need to visit the Customer Service Center, as well as without having to download the application from www.tauron.pl, print, scan and ship it.
2. We maintained the functionality of the website: www.tauron.pl, on which it is possible to increase the contrast and font size.

Actions taken and results achieved

Among the activities implemented as part of the PRO Client Social Policy, making sure that we provide clear and transparent communication with clients is of key importance. In order to implement this stipulation, we are conducting the “TAURON speaks the way humans do” project, as well as numerous social campaigns.

TAURON speaks the way humans do

“TAURON speaks the way humans do” (TAURON mówi po ludzku - TMPL) is a project implemented for several years, that involves simplifying formal and legal documents, messages and letters addressed to the customers. In 2017, we started cooperation with Tomasz Piekot's Language Workshop, which trained several hundred people, who are in direct contact with customer service, with respect to simplifying the official language used. We have also selected language consultants who act as ambassadors of simple communication at TAURON Capital Group.

As part of the project, in 2019, we developed Stylobuk (Style book), a handbook for effective communication with customers. It is based on 8 principles, thanks to which we can introduce a simple language to our communication. We have included many examples of our communication with customers in the book, along with suggestions on how to simplify such messages.

As part of the TPML project, in 2019:

- we selected 15 internal trainers who were trained and obtained a certificate of Tomasz Piekot's Language Workshop and can conduct internal training courses in effective communication,
- internal trainers conducted 24 training courses on the principles of effective communication with customers,
- we trained 31 new language consultants,
- we created a project website on the Group's intranet, where users will find: stylobuk (style book), information about consultants and language advice (tips) that our consultants write.

We also conducted e-learning training on the principles of effective communication, addressed to employees of the following subsidiaries: TAURON Polska Energia S.A., TAURON Sprzedaż and TAURON Obsługa Klienta (Customer Service). The goal of the training was to show the principles of effective communication in a simple and accessible way. We also wanted to present the adopted principles to employees who do not communicate with customers on a daily basis. Table 21 shows % of TAURON Group's employees who have successfully passed the final exam.

Table no. 21. Percentage of TAURON Capital Group's employees who completed the training on the principles of effective communication and successfully passed the final exam in 2019

Subsidiary	Percentage of employees who completed the training and passed the final exam
TAURON Obsługa Klienta	70%
TAURON Sprzedaż	62%
TAURON Polska Energia	65%

In 2019, we also worked on simplifying letters addressed to customers - we changed the templates of nearly 70% of them. Their quantities are shown in Figure 23.

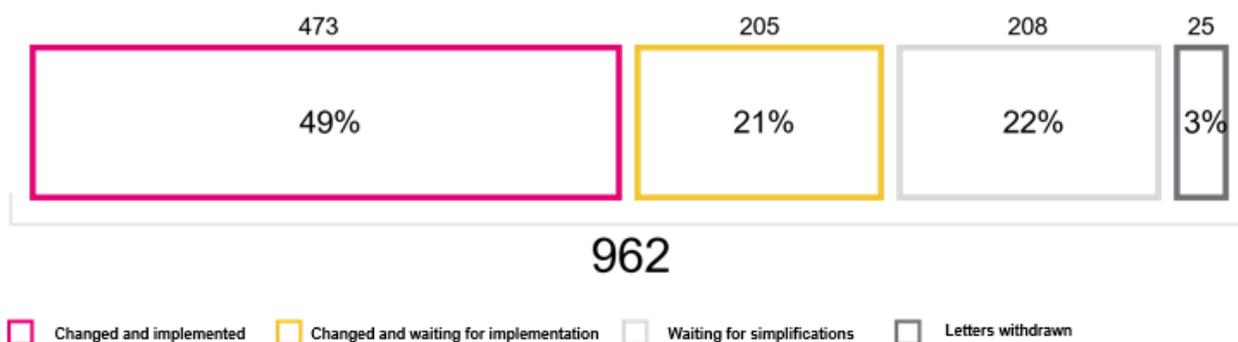


Figure no. 23. Number of simplified letters addressed by TAURON SA Capital Group to its customers in 2019

We want our customers to receive reliable information from us about the products and services we are offering, and to communicate in a simple language that each of them would understand. We are trying to verify the level of understanding of our messages by customers from different age groups and with various education levels, and we strive for their maximum simplification.

As a result, in 2019, we did not have any cases of non-compliance of products and services with respect to the information and labeling thereof, as well as any cases of non-compliance regarding marketing communications in the entire TAURON Capital Group.

Responsibility towards the customer

In order to respond to social concerns related to the forecast increase in electricity prices (due to the rising emission allowance prices), in April and May of 2019 we conducted an information campaign on electricity prices being maintained at the 2018 levels. As part of the campaign:

- we prepared and distributed to mailboxes a brochure providing information on stable electricity prices in 2019 and on TAURON's current offering (4 300 000 copies),
- we published relevant information on this subject in the press,
- we broadcast radio spots,
- we created a website <https://www.tauron.pl/dla-domu/stabilne-ceny-pradu>, where customers could learn about the market situation and electricity prices in 2019,
- we made an educational film entitled Explanation of the electricity invoice broadcast on YouTube – 4 500 viewings,
- we compiled informational materials to be distributed at POKs - posters and leaflets, a TV presentation and Wiem (I know) newsletter published in 4 500 copies,
- we conducted communication in the social media - FB: reach of more than 8 000 and nearly 700 reactions, LinkedIn: more than 2 000 viewings.

In accordance with the principles arising from the PRO Client Social Policy, we are making sure that the marketing message sent by us and our partners should always be not only in line with the law, but also with good practices. The above is illustrated in tables no. 22 and no. 23.

Table no. 22. GRI 417-2. Cases of non-compliance of TAURON Capital Group's products and services with respect to the information and labeling thereof in 2019

Number of cases of non-compliance with:	TAURON Dystrybucja	TAURON Sprzedaż	TAURON Dystrybucja Serwis	Kopalnia Wapienia „Czatkowice”	Bioeko Grupa TAURON	TOTAL NUMBER OF CASES
Regulations - resulting in a fine or penalty	0	0	0	0	0	0
Regulations - resulting in a warning	0	0	0	0	0	0
Internal codes of conduct	0	0	0	0	0	0
TOTAL NUMBER OF CASES	0	0	0	0	0	0

Table no. 23. GRI 417-3. Cases of TAURON Capital Group's non-compliance regarding marketing communications in 2019

Number of cases of non-compliance with	TAURON Dystrybucja	TAURON Sprzedaż	TAURON Dystrybucja Serwis	Kopalnia Wapienia „Czatkowice”	Bioeko Grupa TAURON	TOTAL NUMBER OF CASES
Regulations - resulting in a fine or penalty	0	0	0	0	0	0
Regulations - resulting in a warning	0	0	0	0	0	0
Internal codes of conduct	0	0	0	0	0	0
TOTAL NUMBER OF CASES	0	0	0	0	0	0

Handling of complaints

Complaint handling processes are an effective way of obtaining information on the quality of services provided. Thanks to efficient management, they could be used to improve customer service mechanisms and impact customer satisfaction level.

Complaints addressed to TAURON are coming in by traditional mail, e-mail, telephone, using the forms available on the website www.tauron.pl and via eBOK / My TAURON (Mój TAURON). Then, they are registered in the electronic documentation circulation system (SOD). The complaint circulation system in place at TAURON Capital Group in 2019 is shown in Figure no. 24.

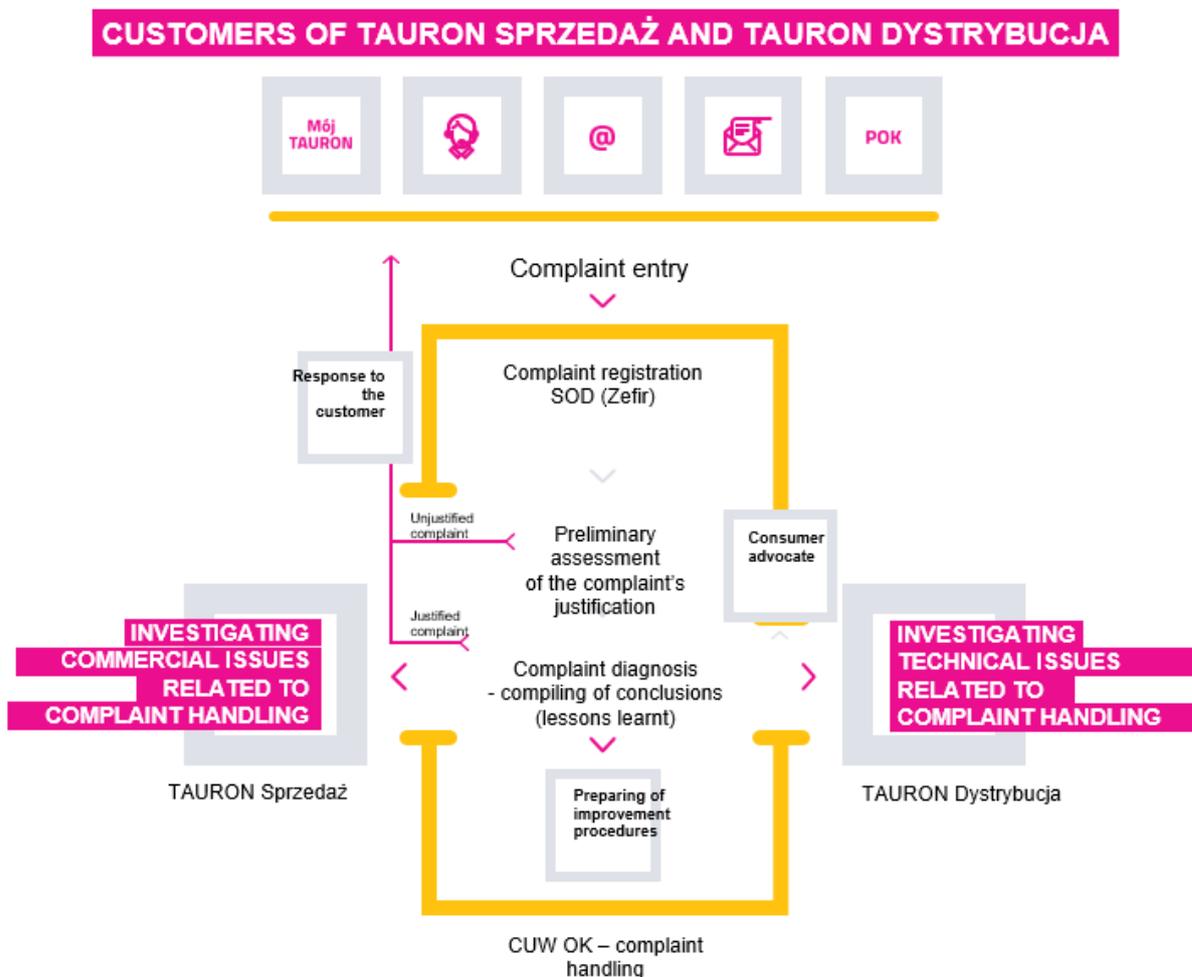


Figure no. 24. Customer complaint circulation system in place at TAURON Capital Group in 2019

We take all comments and complaints seriously - the time and manner of response are determined by precise and stringent internal procedures. According to them, each complaint coming from the customer is thoroughly analyzed in order to correctly and effectively identify the causes of non-compliance and determine their place of origin. The fact of an occurrence of irregularities is reported to the owner of the business process who is responsible for implementing corrective actions, for the purpose of an ad hoc review of the complaint and providing an answer. The end result is the introduction of preventive actions in order to eliminate the identified non-compliance in the future. The diagnosed cases, corrective and preventive actions taken are included in the periodically verified, with respect to the repeatability of complaints, Cards of Diagnosis related to the causes of complaints.

Establishing of uniform complaint management rules ensures their reliable and timely review, as well as allows to define the principles of cooperation between the Complaint Center and business process owners.

In order to best understand the customer's point of view, TAURON Dystrybucja and TAURON Obsługa Klienta (Customer Service) have been conducting periodic workshops, prepared based on the complaints, since 2013. Together with the personnel of the lines of business that the given complaint is applicable to, the causes and potential alternative solutions are analyzed.

This practice contributes to the implementation of a self-learning organization concept.

Customer Satisfaction Index

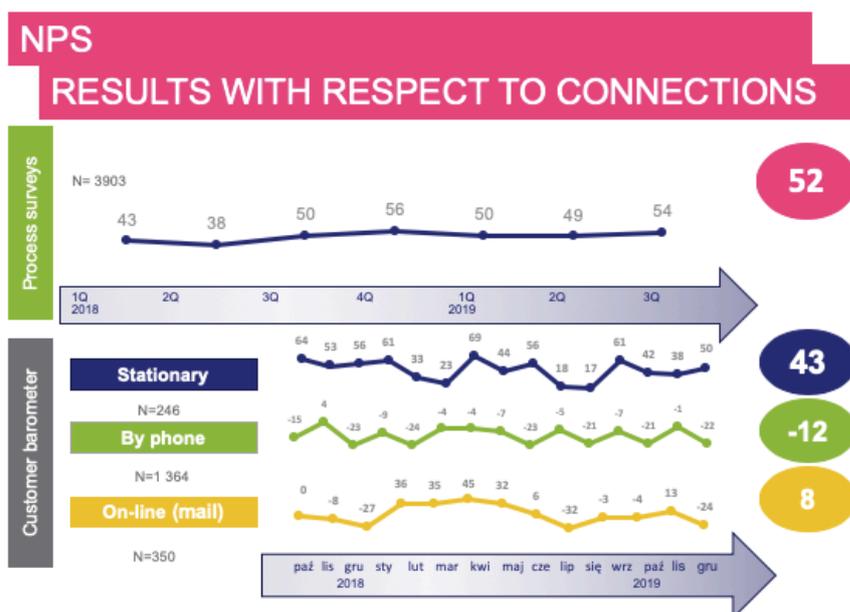
Customer experience, satisfaction and loyalty indicators are among the factors that enable demonstrating the implementation of the provisions of the PRO Customer Social Policy, as well as of the projects and activities stemming from them. As we are interested in obtaining credible assessments of our work, we are measuring these metrics periodically using an independent research agency. The last survey was conducted in September-November 2019 by the agency PBS sp. z o.o.

We carry out customer experience surveys in two ways:

- 1 We are testing customer experience in areas where the customer is most often dealing with the company directly, i.e. in the process of discussing connections, contracts (agreements), settlements (billing), debt collection and filing a complaint. The research is carried out monthly through online questionnaires and through telephone surveys performed every quarter by a research company

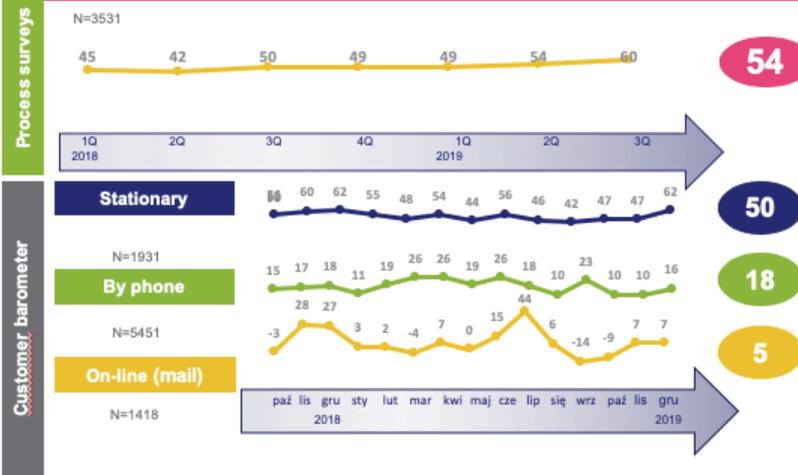
We conduct research on a group of customers who have gone through the process and focus primarily on gathering information about their loyalty level (NPS) having gone through the given process and we examine what effort (CES) the customer has put into getting his case fixed at TAURON.

The charts presented in Figures no. 25 and no. 26 show the loyalty level (NPS) of customers following the given process that they have participated in. The survey results allow for introducing improvements in the customer service, which translates into a higher rating of TAURON's services in customer reviews.



NPS

RESULTS WITH RESPECT TO CONTRACTS (AGREEMENTS)



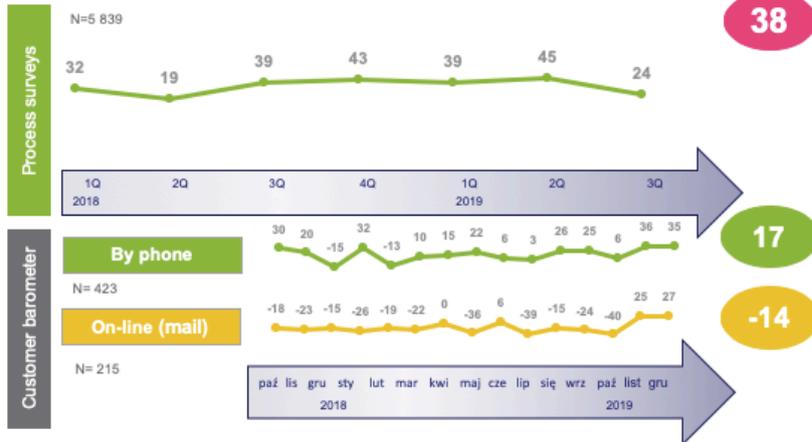
NPS

RESULTS WITH RESPECT TO SETTLEMENTS (BILLING)



NPS

RESULTS WITH RESPECT TO DEBT COLLECTION



NPS

RESULTS WITH RESPECT TO DEBT COLLECTION

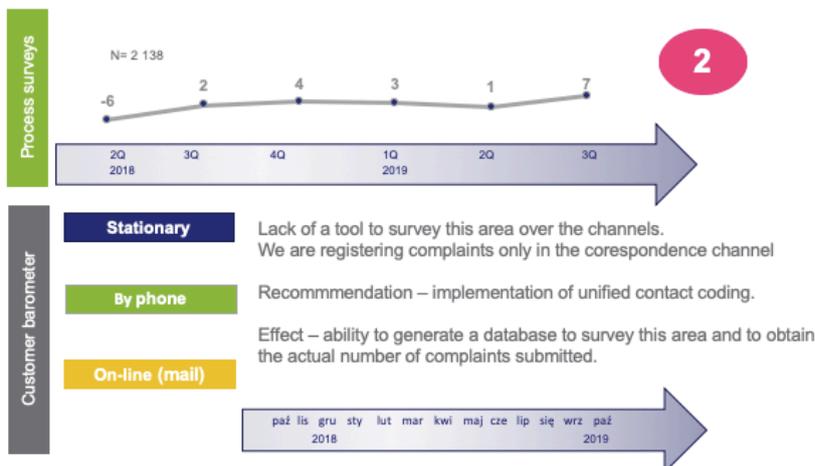
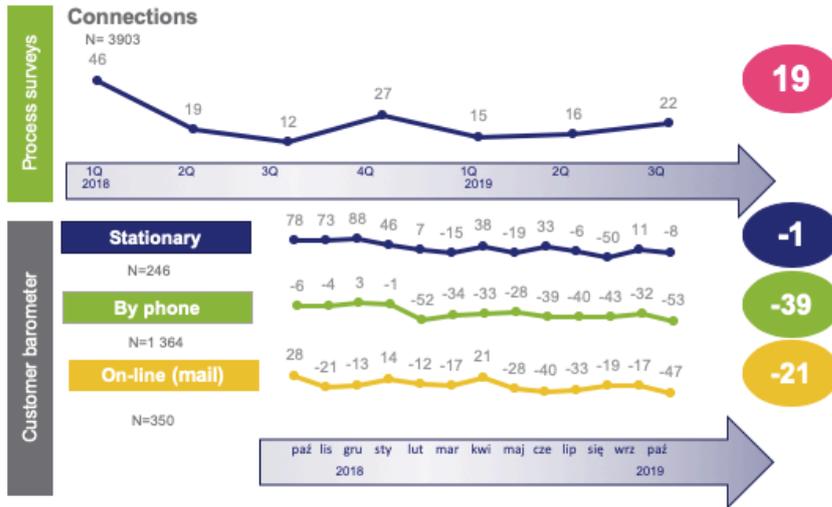


Figure no. 25. Results of the customer loyalty level (NPS) survey among customers from TAURON Capital Group's household segment in 2019, as compared to 2018

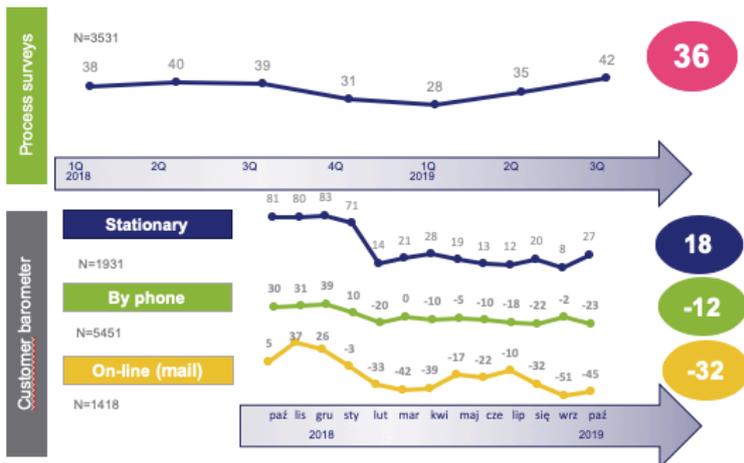
CES

RESULTS WITH RESPECT TO CONNECTIONS



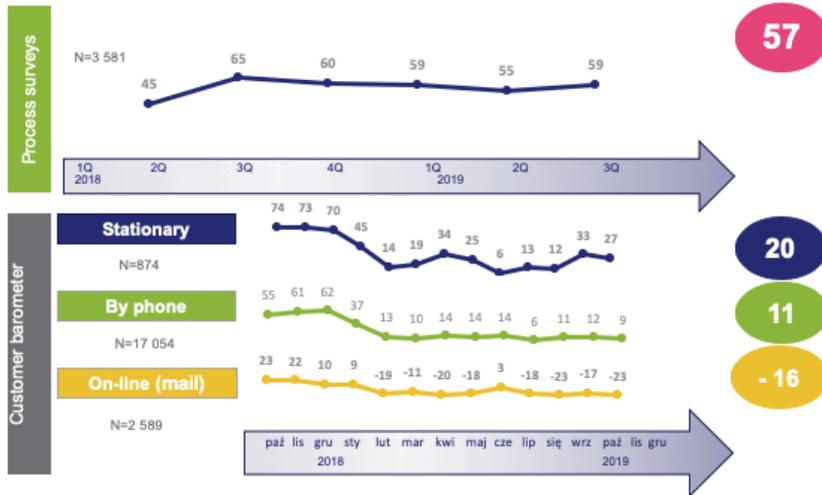
CES

RESULTS WITH RESPECT TO CONTRACTS (AGREEMENTS)



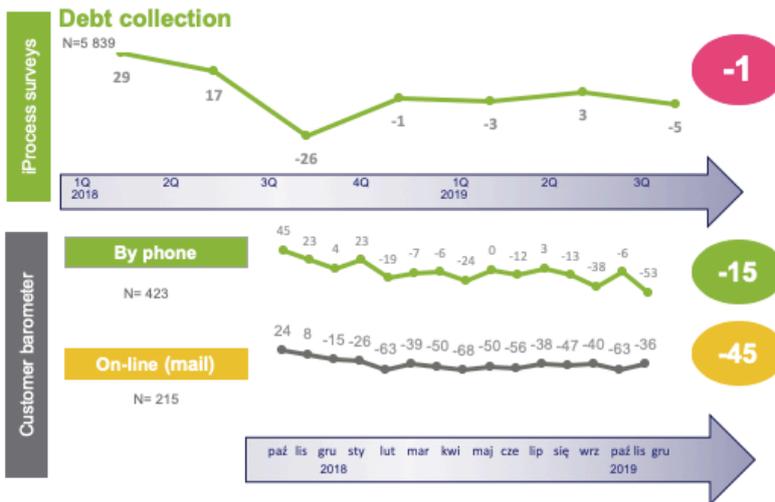
CES

RESULTS WITH RESPECT TO SETTLEMENTS (BILLING)



CES

RESULTS WITH RESPECT TO DEBT COLLECTION



CES RESULTS WITH RESPECT TO COMPLAINTS

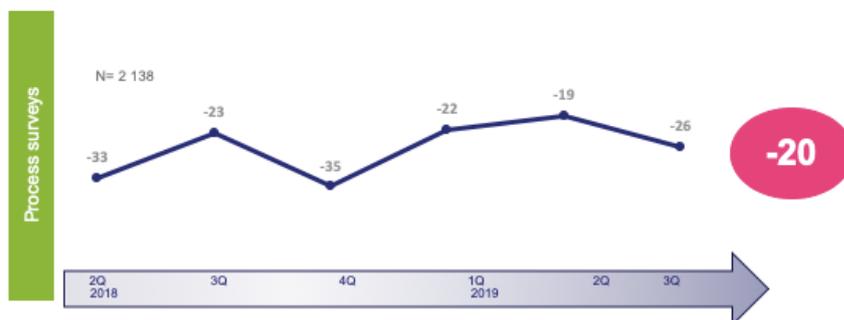


Figure no. 26. Results of the customer effort (CES) survey among customers from TAURON Capital Group's household segment in 2019, as compared to 2018

2

Once a year, through an independent research agency, we analyze customer satisfaction level in the following segments: households, small and medium enterprises, business. As part of this study, it is also important for us to find out how TAURON Group ranks against the competition.

Each time a randomly selected group of TAURON's customers and a group of customers of other energy companies - ENEA, PGE, INNOGY and ENERGA, take part in the survey.

Figure no. 27 presents the results of the customer satisfaction survey conducted in the household segment, as compared to the previous years.



Figure no. 27. Results of the customer satisfaction survey conducted among customers from TAURON Capital Group's household segment in 2019, as compared to the previous years.

In the household segment, the overall customer satisfaction level and the loyalty level are relatively stable. The highest rated area of cooperation (interaction) are the settlements (billing) and payments (PLS analysis), while the prices and tariffs get the lowest grades (a smaller increase compared to the previous year can be observed here). The most important areas that affect satisfaction and loyalty are currently failures and outages, as well as prices and tariffs.

The level of these two main indicators is one of the best among the electricity suppliers surveyed.

Customer satisfaction indices among business customers

Figure no. 28 presents the results of the customer satisfaction survey conducted among TAURON Capital Group's business customers in 2019, as compared to the previous years. The stabilization of the main satisfaction index can be observed here and a slight increase (as compared to 2018) of the loyalty index.



Figure no. 28. Results of the customer satisfaction survey conducted among TAURON Capital Group's business customers in 2019, as compared to the previous years

Customer satisfaction index among small and medium size enterprises

In the SME segment, a significant increase in the level of overall satisfaction of TAURON's customers can be observed, with a slight increase in their loyalty. Prices have the biggest impact on satisfaction and in this edition of the survey they were rated markedly better than in the previous year. The results of the SME customer satisfaction survey are presented in Figure no. 29.



Figure no. 29. Results of the customer satisfaction survey conducted among TAURON Capital Group's customers in the small and medium size enterprises segment in 2019, as compared to the previous years.

4.2. TAURON Group's Diversity Policy

In accordance with the Diversity Policy adopted by TAURON Group (hereinafter: Diversity Policy) in 2017, diversity and openness are an integral part of business operations. The Group applies the policy of equal treatment and seeks to ensure diversity in terms of gender, educational background, age and professional experience in relation to all employees, and in particular to the management bodies and its key managers. The diversity policy is also applied in the cooperation with the external partners of the Group, i.e. companies, universities, schools or other business entities.

Due diligence procedures and internal regulations

The key assumptions and principal premises applied within the Diversity Policy include:

- developing the work environment based on respect, openness, accuracy and fairness (justice),
- ensuring versatility and diversity, in particular with respect to gender, education, age and professional experience,
- building organizational culture open to diversity, based on the corporate values: Partnership, Development and Boldness (PRO),
- preventing discrimination by fostering appropriate work atmosphere as well as building and strengthening positive relationships among the personnel.

As part of employee related issues supporting the implementation of the directions set by the Diversity Policy, in combination with the strengthening of the culture of equal treatment regardless of age, gender, appearance, disability, views or beliefs and ensuring equal opportunities in terms of remuneration or professional development, there are regulations ensuring fairness and objectivity with respect to work organization and remuneration, e.g.

- TAURON Group's Compensation Principles,
- regulations with respect to benefits (entitlements),
- implemented flexible forms of work time and ability to work remotely.

and dedicated to women, ensuring equal opportunities for them and support in combining professional life with private life, e.g.

- reduced working time for pregnant women.

Actions taken and results achieved

By implementing the Diversity Policy TAURON Capital Group we are seeking to provide the work environment based on respect and fairness (justice), within which each employee may fully realize his/her individual potential. We are accomplishing this goal through the implementation of numerous training and competence development programs, as well as those supporting the development of each employee.

The most important among them include:

- PM Academy - a project dedicated to investment project management at TAURON Group, as part of which participants were able to develop competences and acquire tools for efficient management of strategic projects from the point of view of TAURON Group;
- Purchasing management in business - a project aimed at improving purchasing, negotiating and commercial qualifications;
- Talent Management Program in place at TAURON Polska Energia S.A., aimed at supporting the employee development process and taking advantage of their potential;
- TAURON Group's Internal Trainers Academy is a form of activities supporting synergy of competences within TAURON Group;
- mentoring program. Magenta meetings as part of the KobietaMoc (WomenPower) campaign - for women students of electrical engineering faculties, whose aim is to provide support for girls, among others in selecting a career path;
- "Mum works" program:

The participants of the "Mum working" program are women employed at TAURON Group, whose children are under six years of age, and pregnant women. Persons joining the program have the opportunity to perform their job duties outside the place of employment (remotely) as part of a telework arrangement, or take advantage of the individual (customized) scheduling of the working time, depending on the nature of the tasks carried out at a given position. Those who are still on a parental or child care leave receive a newsletter containing information on the life of the company, allowing them to keep in touch with the workplace.

As part of the program, we have also provided convenient solutions for future mothers. Pregnant women can take advantage of the individual (customized) scheduling of the working time or telework, and in addition reduce the working time by two hours a day during the period of pregnancy, while maintaining the amount of remuneration.

The goal of the "Mum works" program is to increase the comfort of work for future and current mothers. The program is to increase the number of women returning to work after having a child, allowing more flexible adaptation of working time to their needs. It is also to ensure that women do not lose contact with the organization during their absence caused by the maternity or child care leave. The percentage of returns to work after parental leave, as well as the retention rate are presented in Table no. 24.

Table no. 24. GRI 401-3. Parental leave at TAURON Capital Group in 2019

	TAURON Group's total	Women	Men
Percentage of returns to work	78%	51%	91%
Retention rate following a parental leave	90%	77%	84%

We are aware of the fact that a diverse work environment is conducive to sharing knowledge, experience and, as a result, is conducive to achieving the intended results. In tables no. 25 and 26 we present the breakdown of the workforce and the management board of TAURON Group by age and gender as well as minorities.

Table no. 25. GRI 405-1. Composition of TAURON Capital Group's workforce broken down by age and gender as well as minorities as of 31.12.2019

	MANAGEMENT BOARD AND DIRECTORS			HIGHER AND LOWER LEVEL MANAGEMENT PERSONNEL			OTHER ADMINISTRATIVE STAFF (WHITE COLLAR POSITIONS)			BLUE COLLAR POSITIONS			TAURON Group		
	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <
Number of employees	180			2 717			9 095			14 094			26 086		
	1	94	85	23	1 503	1 191	701	5 057	3 337	1 622	7 022	5 450	2 347	13 676	10 063
Women	0	26	9	3	309	165	343	2 406	1 539	36	329	415	382	3 070	2 128
Men	1	68	76	20	1 194	1 026	358	2 651	1 798	1 586	6 693	5 035	1 965	10 606	7 935
SHARE IN PERCENTAGE (in reference to all of the company's employees)	1%			10%			35%			54%			100%		
Share in percentage (in reference to the number of employees in the given employment category)															
TOTAL	1%	52%	47%	1%	55%	44%	8%	56%	37%	12%	50%	39%	9%	52%	39%
Women	-	14%	5%	0%	11%	6%	4%	26%	17%	0%	2%	3%	1%	12%	8%
Men	1%	38%	42%	1%	44%	38%	4%	29%	20%	11%	47%	36%	8%	41%	30%

Table no. 26. Composition of TAURON Capital Group's Management Board broken down by age and gender as of 31.12.2019

	TAURON Group		
	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <
Number of Management Board employees	42		
TOTAL	0	29	13
Women	0	3	0
Men	0	26	13
Composition of the Management Board in percentages broken down by age and gender [%]			
(percentage share versus entire Management Board) TOTAL	0%	69%	31%
(percentage share versus all women in the Management Board) women	0%	100%	0%
(percentage share versus all men in the Management Board) men	0%	67%	33%

In 2019, we initiated actions aimed at implementing a new human resource management process - Development Conversation. Pilot activities completed at the Group's selected subsidiaries in 2019 demonstrated a number of benefits that open communication and individual approach to employees' needs as compared to the directions of the organization's development bring. In 2020, we will continue to work on implementing the development conversation process into the Group's organizational culture.

One of the important activities undertaken as part of the Diversity Policy is also cooperation with the academic and educational community, which translates into the creation of patronage classes in which students have the opportunity to gain practical experience related to the potential future job. By the end of 2019, TAURON covered 47 classes with its patronage, including 3 classes in 2019. TAURON Group organizes numerous apprenticeships and internships. The programs support the development of skills for young people, and mentors have the opportunity to share their knowledge and experience, which translates into managing the exchange of knowledge within the organization. In 2019, 655 people took part in the internships and programs at TAURON Group. The detailed description of the above activities and projects is provided in the section regarding Human Resources Management Policy.

4.3. TAURON Group's Environmental Policy

Environment protection is a strictly controlled and regulated area in the energy and mining industry. Notwithstanding the applicable general provisions, TAURON Group, taking responsibility for the consequences of using natural resources and adopting in July 2017 a document entitled TAURON Group's Environmental Policy, and TAURON Group's Climate Policy in November 2019, emphasized that it was ready to take actions that went beyond legal obligations.

The Environmental Policy defines TAURON Capital Group's approach to the management of the issues related to the impact made by its operations on the natural environment, including the direction of its environmental activities and the principles it follows in environment related matters. The document is the benchmark for assessing all of the activities of TAURON Capital Group's subsidiaries in the area of environment protection and environmental management.

The Environmental Policy documents the values and the vision followed by TAURON Capital Group with respect to making an impact on the natural environment. The main principle of the Environmental Policy is to limit both

the direct, as well as the indirect impact on the environment and to conduct responsible communications, ensuring the understanding of the operations of TAURON Capital Group that may impact the environment.

TAURON Capital Group, in accordance with the regulations and administrative practices in force on the territory of its operations, takes into account the needs related to environmental protection and acts in way that contributes to accomplishing a broader objective, which is sustainable development, and in particular the implementation of the closed circuit economy (the so-called circular economy).

Due diligence procedures

Due to diverse production and service profiles of TAURON Capital Group's subsidiaries, their impact on the environment varies significantly, therefore the principles of TAURON Group's Environmental Policy are addressed in the individual internal documents of the individual subsidiaries in a way corresponding to their role in the group's value system.

Minimizing negative impacts on the environment is effectively implemented taking into account the specifics of the sector, technological development and access to environmentally friendly technologies. The subsidiaries TAURON Wydobycie and TAURON Wytwarzanie have implemented a certified environment management system in accordance with ISO14001, while TAURON Wytwarzanie, representing conventional electricity generation, additionally maintains the European Community's Eco-Management and Audit Scheme (EMAS) (confirmed by completing the applicable registration in the national system).

Due diligence procedures implemented under the Environmental Policy undoubtedly include ongoing monitoring of the main aspects of the direct and indirect environmental impact of the operations. These types of measurements include, for example, the emissions of NOx, SOx compounds and dusts presented in Table no. 27 and no. 27-a.

Table no. 27. GRI 305-7. Emissions of the NOx, SOx compounds and other significant compounds into the atmosphere by TAURON Capital Group in 2018 and 2019

TOTAL		
	2018	2019
NOx	12 789 663	10 708 789
SOx	12 938 915	10 385 711
Total dust	772 019	636 538
Other (including CO ₂ and methane)	38 161 165	33 521 927
Total aggregate emissions into the atmosphere [kg]	64 661 762	55 252 966

Table no. 27-a. GRI 305-7. Emissions of NOx, SOx compounds and other significant compounds into the atmosphere by TAURON Capital Group in 2018 and 2019, per individual subsidiaries

	Kopalnia Wapienia "Czatkowice"		TAURON Wytwarzanie		TAURON Ciepło		TAURON Wydobycie		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
NOx	5 210	770	11 169 299	9 394 343	1 577 445	1 275 974	37 709	37 701	12 789 663	10 708 789
SOx	3 139	32	9 583 254	8 312 491	3 297 267	2 017 940	55 255	55 248	12 938 915	10 385 711
Total dust	11 713	8 440	482 051	438 670	230 080	139 994	48 175	49 434	772 019	636 538
Other	0	0	10 012 298	6 121 356	2 010 406	1 755 165	26 138 461	25 645 406	38 161 165	33 521 927
Total aggregate emissions into the atmosphere [kg]	20 062	9 242	31 246 902	24 266 861	7 115 198	5 189 074	26 279 600	25 787 789	64 661 762	55 252 966

Emissions are well below the levels set as maximum permitted annual loads of substances released into the atmosphere according to permits. The above is due to the fact that all working generating units of TAURON Wytwarzanie and TAURON Ciepło achieve the sulfur dioxide, nitrogen dioxide and dust concentration levels below the current permitted values, and the SO₂ and NO₂ concentration levels for the 200 MW units and biomass fired boilers (RES) reach a similar level to the new lower limits set out in the BAT conclusions that will apply from 2021.

TAURON Group assumes responsibility for taking care of the natural environment and the consequences of using its resources. The Group's subsidiaries estimate that the amount of charges to be paid for the business use of the environment in 2019 is approximately PLN 32.82 million.

Table no. 28. Estimated charges for the business use of the environment by TAURON Capital Group's subsidiaries due for 2019

#	Subsidiary name	Charges* for the business use of the environment due for 2019 (PLN '000)
1.	TAURON Wytwarzanie	14 882
2.	TAURON Wydobycie	14 856.5
3.	TAURON Ciepło	2 838.8
4.	TAURON Dystrybucja	181.5
5.	KW "Czatkowice"	55.1
6.	TAURON Dystrybucja Serwis	< 0.8
7.	TAURON Obsługa Klienta	1.6
8.	TAURON EKOENERGIA	< 0.8
9.	TAURON Sprzedaż	< 0.8
10.	Bioeko Grupa TAURON	4
Total		32 820

* partly estimated data, the annual settlement has not been completed

Following the principle of resource efficiency, TAURON Group is monitoring and optimizing the consumption of water used for technological purposes on an ongoing basis. In order to reduce the negative impact on the environment, we strive to close water circuits and to recycle water to production processes for reuse. The consumption of water used in the production processes by TAURON Capital Group in 2019 is shown in Table no. 29 and no. 29-a.

Table no. 29. GRI 303-3. TAURON Capital Group's total water consumption per source in 2018 and 2019

[m ³ /year]	TOTAL	
	2018	2019
rivers	136 432 098	143 447 469
wetlands	0	0
ground water	44 831 312	45 969 125
rain water picked up directly and stored	164 797	163 701
water from the city network	5 643 343	5 359 483
Other	16 472 234	17 752 749
Total volume of water consumed from all sources taken into account	203 545 802	212 692 527

Table no. 29-a. GRI 303-3. TAURON Capital Group's total water consumption per source broken down by subsidiaries in 2018 and 2019

[m3/year]	TAURON Wydobycie		Kopalnia Wapienia "Czatkowice"		TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Surface water (rivers, lakes) including water from wetlands												
rivers			22 271	42 556	135 862 454	142 955 276	547 373	449 637			136 432 098	143 447 469
Wetlands					0	0		0			0	0
Other:												
ground water	44 324 741	44 883 908	68	89	1 122 751	1 084 646		0	471	482	45 448 03	45 969 125
rain water picked up directly and stored					164 797	163 701		0			164 797	163 701
water from the city network	506 571	159 789*	14 084	13 563	3 645 821	4 053 940	1 475 374	1 130 698	1 493	1 494	5 643 343	5 359 483
Other					15 007 893	16 736 118	1 464 341	1 016 631			16 472 234	17 752 749
Total volume of water consumed from all sources taken into account	44 831 312	45 043 697	36 423	56 208	155 803 716	164 993 681	3 487 088	2 596 966	1 964	1 976	204 160 503	212 692 527

* Zakład Górniczy Janina (Janina Coal Mine) – Initiative "Increase of the consumption of water from own sources in the technological processes". The objective achieved is the reduction of water purchased from Wodociągi Chrzanowskie Sp z. o.o.

TAURON Group is continuously optimizing waste water treatment processes. Wastewater treatment methods are also modernized to improve the efficiency of these processes. The quality and quantity of wastewater is subject to ongoing monitoring. The total volume of waste water generated as a result of TAURON Capital Group's operations in 2019, including its utilization method (destination), is shown in Table no. 30 and no. 30-a.

Table no. 30. GRI 306-1. Total volume of TAURON Capital Group's waste water [m³] in 2018 and 2019 by quality and utilization method (destination)

Waste water dump site taking into account emergency heat dumps	TOTAL m ³	
	2018	2019
Waste water discharged into the sewage system (municipal companies)	695 435	842 750
Waste water discharged by means of transportation to the waste water treatment plant	446	515
Waste water discharged to the surface water:		
Rivers	152 505 966	166 320 385
Other	0	0
Total waste water volume	153 201 847	167 163 649

Table no. 30-a. GRI 306-1. Total volume of TAURON Capital Group's waste water [m³] in 2018 and 2019 by quality and utilization method (destination), per subsidiary

Waste water dump site taking into account emergency heat dumps	Waste water volume [m ³]											
	Kopalnia Wapienia "Czatkowice"		TAURON Wytwarzanie		TAURON Wydobycie		TAURON Ciepło		TAURON Ekoenergia		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Waste water discharged into the sewage system (municipal companies)			94 630	109 395	292 415	291 774	307 311	440 460	1 079	1 121	695 435	842 750
Waste water discharged by means of transportation to the waste water treatment plant					274	372			172	143	446	515
Waste water discharged to the surface water:												
Rivers	25 497	28 672	110 155 207	123 329 315	42 136 187	42 801 956	188 622	159 966	453	476	152 505 966	166 320 385
Other											0	0
Total waste water volume	25 497	28 672	110 249 837	123 438 710	42 428 876	43 094 102	495 933	600 426	1 704	1 740	153 201 847	167 163 649

Actions taken and results achieved

TAURON Capital Group is undertaking numerous actions aimed at minimizing the negative impact on the environment. We are actively looking for new directions and areas of activity in order to reuse the by-products of our operations. To this end, in accordance with the principles of the circular economy, we are implementing the combustion and mining by-products management processes.

The following tables present the total weight of waste by type and utilization (handling) method.

Table no. 31. GRI 306-2. Total weight of hazardous waste [t] in 2018 and 2019, by waste type and waste utilization (handling) method

	2018	2019
Reuse	6.1	6.1
Recycling	414	137.7
Recovery (including energy recovery)	313	1 086.3
Neutralization	119	186.6
Storage	11	45.5
Other *	48	141.0
TOTAL WASTE WEIGHT	911	1 603

* The Group does not generate nuclear waste

Table no. 31-a. GRI 306-2. Total weight of TAURON Capital Group's hazardous waste [t] in 2018 and 2019 by quality and utilization method (destination), per subsidiary

	weight of hazardous waste [tons]													
	Kopalnia Wapienia "Czatkowice"		TAURON Wytwarzanie		TAURON Wydobywanie		TAURON Ciepło		TAURON Ekoenergia		TAURON Dystrybucja		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Reuse	0.0	0.0	6.1	6.1	0.0	0	0,0	0.0	0.0	0.00	0.0	0.0	6.1	6.1
Recycling	0.0	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.00	414.0	137.7	414	138
Recovery (including energy recovery)	0.0	0.0	90.7	51.9	7.4	0	13.0	1.1	0.0	0.00	202.0	1 033.4	313	1 086
Neutralization	0.0	0.0	2.7	5.1	2.9	0	2.0	7.9	0.0	0.00	111.0	173.6	119	187
Storage	0.0	0.0	6.0	12.0	5.4	1.9	0.0	1.3	0.0	0.00	0.0	30.3	11	46
Other *	20.4	27.2	0.0	0.0	25.2	38,5	0.0	0.0	2.1	75.35	0.0	0.0	48	141
TOTAL WASTE WEIGHT	20.4	27.2	105.6	75.1	40.9	40.4	15.0	10.3	2.1	75.4	727.0	1 375.0	911	1 603

Table no. 32. GRI 306-2. Total weight of non-hazardous waste [t] in 2018 and 2019, by waste type and waste utilization (handling) method

	2018	2019
Reuse	0.0	0.0
Recycling	4 852	2 200.1
Recovery (including energy recovery)	2 756 235	1 249 574.6
Neutralization	1 965	1 360.3
Dump (landfill)	4 823	5 539.5
Storage	146 282	104 375.6
Composting	0	0.0
Other	189 439.4	3 924.2
TOTAL WASTE WEIGHT	3 103 596	1 366 974

Table no. 32-a. GRI 306-2. Total weight of non-hazardous waste [t] in 2018 and 2019 by quality and utilization method (destination), per subsidiary

	weight of non-hazardous waste [tons]													
	Kopalnia Wapienia "Czatkowice"		TAURON Wytwarzanie		TAURON Wydobycie		TAURON Ciepło		TAURON Ekoenergia		TAURON Dystrybucja		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Reuse	0	0	0	0	0	0	0	0	0	0	0	0	0,0	0,0
Recycling	0	0	180	168	0	0	0	0	0	0	4 672	2 032	4 852	2 200
Recovery (including energy recovery)	189	0	1 098 911	184 172	1 370 942	846 401	284 818	218 022	0	0	1 374	979	2 756 235	1 249 575
Neutralization	0	0	379	169	337	0	8	8	0	0	1 241	1 183	1 965	1 360
Dump (landfill)	0	0	4 823	5 540	0	0	0	0	0	0	0	0	4 823	5 540
Storage	0	0	656	436	140 356	103 463	5 270	422	0	0	0	55	146 282	104 376
Composting	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	243	178	2 965	3 065	186 160	554	0	0	72	127	0	0	189 439	3 924
TOTAL WASTE WEIGHT	432	178	1 107 914	193 550	1 697 795	950 418	290 096	218 452	72	127	7 287	4 249	3 103 596	1 366 974

4 million Mg of the process by-products, coming from thermal combustion and mining of coal, was generated in 2019, with as much as 51% of that quantity brought to the market as full value products to be used, among others, in the construction, road building, mining or agricultural sector. The balance of the waste was handed over to further authorized recipients with whom TAURON Capital Group's subsidiaries have agreements in place that guarantee its further economic utilization, among others in land reclamation, macro-leveling and filling of the post-mining voids in mining.

Waste generated is used primarily in such sectors as: construction, road building and mining. It is also broadly used by cement and concrete plants. It was also used as the material for reclamation of unfavorably transformed areas.

Figure no. 30 presents the structure (composition) of ashes, sludge, gypsum and aggregates generated by TAURON Capital Group, brought to the market in 2019.

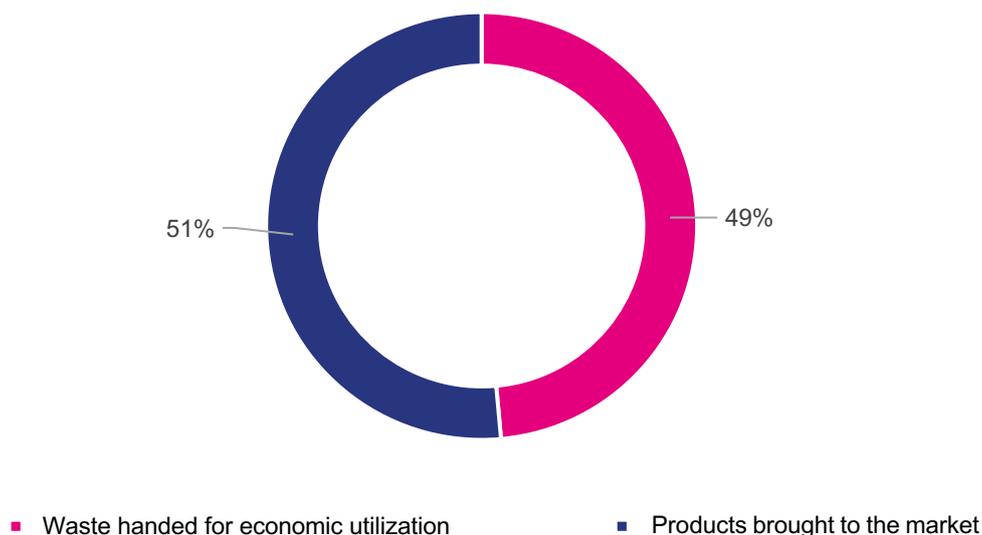


Figure no. 30. Structure (composition) of ashes, sludge, gypsum and aggregates generated by TAURON Capital Group, brought to the market in 2019.

TAURON Capital Group is seeking to implement the model of circular economy. It is planned that the maximum of generated process waste should be used within TAURON Capital Group, thus reducing the consumption of natural resources and the product's carbon footprint.

TAURON Wytwarzanie brought as much as 88% of ashes and boiler slag coming from 6 system power plants to the market as by-products in 2019. They were used in construction, road engineering (building), mining and agriculture. The remaining 12% of the waste is also subject to utilization through the recovery, processing and use in the technological processes applied by the external recipients cooperating with TAURON Group with respect to waste collection.

Gypsum derived from the wet flue gas desulphurization installation, owned by TAURON Wytwarzanie, is a material used in the construction. It is a material with better properties than natural gypsum, because it does not contain mineral impurities found in fossil gypsum. For that reason gypsum, which is a by-product of wet flue gas desulphurization installations, is enjoying particularly high sales in the industrial regions.

Ashes produced by the conventional power generation sector are a valuable raw material used in fire prevention in the coal mines. Ashes from TAURON Group's power plants and combined heat and power plants cover 100% of the demand for ashes to be used for fire prevention at TAURON Wydobywanie's coal mines. 108 thousand tons of ash generated at TAURON Group's power plants in 2019 was used in the coal mines.

100% of TAURON Ciepło's waste, i.e. for the year 231 000 tons of ashes, bottom ashes, slag, was also used for business purposes. Almost 0.6 million tons of the fly ash produced by TAURON Group were used as the construction products, in the form of concrete enhancements (additives) improving their plasticity, preventing cracking and increasing the concrete's resistance to chemical corrosion. Ashes are also a substitute for natural aggregates. Without the addition of ash, highly specialized lightweight concrete could not be formed. Ashes produced by TAURON Group are also a very valuable addition to cement production.

TAURON Wydobywanie processes post-mining waste, as a result of which high-quality construction and road aggregates are obtained. As a result as much as 569 thousand tons of aggregates and materials produced based on the post-mining waste were brought to the market in 2019.

All of the above activities contribute to reducing the consumption of natural resources, e.g. natural aggregates, sands or gravels.

The reclamation of an energy waste landfill in Blachownia also began in 2019. The applicable decision on the closure of the landfill was obtained in August, including the approval of the method and schedule of its remediation.

Accepting of the waste for landfill was discontinued in January 2014, and its final closure process began in 2019. The furnace waste landfill is an over-ground landfill and covers a total of about 74 ha. The reclamation is carried out in two stages: as the technical and biological reclamation.

The Group has knowledge about the areas that are valuable from the nature point of view, whose locations are subject to the Group's impact, including the NATURA 2000 network areas. One such area is even created as part of the industrial infrastructure of Zakład Górniczy Brzeszcze (Brzeszcze Coal Mine), which was created in order to ensure the hydrotechnical protection of the Upper Vistula against saline underground waters coming from the drainage of hard coal mines. The "Brzeszcze" retention and dosing reservoir, as well as the place of discharge, is located in the Natura 2000 protected area. Special Bird Protection Area "Stawy w Brzeszcze" (Brzeszcze Ponds) PLB 120009, with an area of 3 065.9 ha. This area covers the breeding pond complexes in the upper Vistula valley, located on both sides of the river. Vistula meandering in its valley creates small oxbow lakes. There are about 14 species of birds from Annex I of the Birds Directive (out of 180 contained in the directive) and 5 species from the Polish Red Book (PCK) in the nature refuge. During the breeding season, the area is inhabited by at least 1% of the national population of the following bird species from the Polish Red Book: little bittern, purple heron, white tern, night heron, common moorhen, croaking, red-bellied, black-headed gull, henchard. A relatively high numbers are reached by: bittern, black tern and great crested grebe.

Nature analyses were also carried out in 2019, that were related to the planned investment project, i.e. the construction of a photovoltaic farm in the area of Wrzosowa Street in Stalowa Wola. In order to protect valuable objects, the investment project area was reduced, leaving aside at least the pond and the beaver habitation grounds, and it was declared that the farm would be built in a special way, i.e. preserving the ponds with the reeds and their buffer zone to protect the bumble bee and little bittern, and excluding from the investment project an old, overgrown reservoir with a ditch and beaver dam.

In addition, TAURON Ekoenergia and Kopalnia Wapienia "Czatkowice" are conducting environmental monitoring pursuant to the legal provisions.

4.4. TAURON Group's Climate Policy

TAURON Group pro-climatic activities had begun before the announcement of the Communication 2019 / C 209/01. The Group introduced an Update of the Group's Strategic Directions for 2016-2025 in May 2019, as part of which the so-called TAURON's Green Turn is being implemented.

The Group's management took part in internal workshops in September 2019, whose purpose was to determine the climate materiality and the climate risks for all of the Group's lines of business. The effect of this work was the adoption by the Management Board of TAURON Polska Energia S.A. of the document titled: TAURON Group's Climate Policy, in November 2019.

Effectively counteracting the climate change and the sustainable development are the two main stipulations of the Climate Policy. This document is also in line with the assumptions of the TAURON Green Turn strategic concept.

The goal of the Policy is to set the directions for counteracting climate change and the sustainable development of the Group's Lines of Business, through a just transition towards achieving climate neutrality in the future. The policy constitutes the basis for TAURON Group to manage its operations in such a way so as to mitigate the risks associated with the climate, reduce the Group's negative impact on the climate and maximize the positive effects of the climate change throughout the entire value chain. A comprehensive discussion of the climate-related issues is particularly important due to the diversity of TAURON Group's generation sources (presented in tables 33 and 33a and 34 and 34a).

Table no. 33. GRI EU1. TAURON Capital Group's installed capacity, broken down into main types of the raw material and the regulatory requirements in 2018 and 2019

Installed capacity in MW by the type of fuel used	TOTAL	
	2018	2019
Hard coal	6 367	6 361
Natural gas and coke oven gas	160	165

Biomass	381	381
Heating oil	132	129
Wind based electricity	201	381
Hydroelectricity	133	133

The Group also has photovoltaic micro-installations operated for its own needs. TAURON Ekoenergia has panels with the capacity of 12.26 kW installed on the roofs of buildings, operated for the company's own needs are, while in TAURON Dystrybucja has 120 kW of such capacity.

Table no. 33-a. GRI EU1. TAURON Capital Group's installed capacity, broken down into main types of the raw material and the regulatory requirements, per subsidiary in 2018 and 2019

Installed capacity in MW by the type of fuel used	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		New wind based assets Total for 10 companies		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Hard coal	4186 MWe 1071 MWt	4186 MWe 1071 MWt	307 MWe 797 MWt	307 MWe 797 MWt			6				6 367	6 361
Natural gas and coke oven gas	0	0	160 MWt	164 MWt				1			160	165
Biomass	105 Mwe 166 MWt	105 Mwe 166 MWt	40 Mwe 70 MWt	40 Mwe 70 MWt							381	381
Heating oil			132 MWt	129 MWt							132	129
Wind based electricity					201	201				180	201	381
Hydroelectricity					133	133					133	133

Table no. 34. GRI EU1. TAURON Capital Group's installed capacity, broken down into types of generation units in 2018 and 2019

Installed capacity in MW by the type of generation unit:	TOTAL	
	2018	2019
Power plants (MWe)	4 625	4 805
Power plants (MWt)	1 237	1 237
Combined heat and power plants (MWe)	347	347
Combined heat and power plants (MWt)	1 014	1 014
Heat plants (MWt)	151	147

Table no. 34–a. GRI EU1. TAURON Capital Group's installed capacity, broken down into types of generation units, per subsidiary in 2018 and 2019

Installed capacity in MW by the type of generation unit:	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		New wind based assets Total for 10 companies		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Power plants (MWe)	4 291	4 291			334	334				180	4 625	4 805
Power plants (MWt)	1 237	1 237									1 237	1 237
Combined heat and power plants (MWe)			347	347							347	347
Combined heat and power plants (MWt)			1 014	1 014							1 014	1 014
Heat plants (MWt)			145	146				1			151	147

One of the most important commitments in this respect is the declaration of support for the measures aimed at reducing the global warming by maintaining the rate of the temperature rise below 2°C relative to the pre-industrial levels.

The policy refers to all kinds of activities and operations carried out within TAURON Group's value chain, the effects of which impact climate change or constitute the implication thereof, including in particular:

- measures aimed at reducing the global warming,
- measures with respect to TAURON Group's adaptation to the climate changes underway.

The Policy is applicable to all of the Group's subsidiaries, although each of them has detailed goals and tasks stemming from the policy.

Due diligence procedures and internal regulations

TAURON's Climate Policy is in accordance with the provisions of the EC Communication 2019 / C209 / 01 and the TCFD Report for the energy sector and fulfills the provisions thereof.

TAURON Group's Climate Policy will be implemented gradually in 2020. Therefore, due diligence procedures that accommodate the climate sensitive issues will be included in:

- 1) Risk management - process based management of climate risk in the short, medium and long term (2020 - 2025 - 2030) will be implemented starting from 2020;
- 2) Asset management - adaptation to the climate change, aimed at reducing the impact of the physical risks related to the climate, has been included in TAURON Group's asset management policy since 2020.
- 3) Human capital, employee training and recruitment management - the Group does not yet have a policy on the employees that would reference the climate change, but is aware of the need to prepare such a policy in 2020 in order to invest in the skills necessary during the transition to the low-emission technologies in the subsequent years.

Due to the fact that two subsidiaries, TAURON Wytwarzanie and TAURON Ciepło, are obligated to participate in the so-called European Emissions Trading System, the climate related issues are included in the operational decision making processes at these subsidiaries.

TAURON Group's Climate Policy Update will be implemented each time there is a change in the general directions of TAURON Group's operations or changes in the priorities to be followed by TAURON Group in the climate related matters.

Adaptation to climate change

TAURON Group's Climate Policy defines the basic priorities with respect to the adaptation to the climate change. The gradual adaptation of the production assets to the consequences of extreme weather occurrences and volatility of weather conditions, in particular in case of the Lines of Business sensitive to the volatility of temperature, rainfall and wind strength, will be implemented, among others, as part of the system approach to Asset Management.

Also for the new operations or investment projects, the risks associated with the climate change are taken into account, as an additional criterion for the assessment thereof, in particular the physical risks when placing (siting) the new investment projects.

On the basis of the Polish Environmental Policy document, regions were identified that were more exposed to the physical risk related to climate to prioritize the adaptation of the assets to climate change in the regions potentially more exposed to acute or long-term physical risk related to climate. The Group's assets are mostly located in southern Poland, which, according to the data disclosed in Poland's environmental policy and in the ISOK system, is less exposed to desertification than the areas of central Poland. Due to their location, the Group's assets are also outside the area that may be transforming due to the forecast sea level rise.

Due to the cooling systems used, TAURON Group's conventional power plants are much less exposed to the need to reduce the production due to the shortage of water than the power plants with the so-called open cooling systems. The above factor puts TAURON at an advantage as compared to the other energy groups operating in Poland and in Europe.

The consequences of the extreme weather conditions are most strongly felt by TAURON Ekoenergia and TAURON Dystrybucja subsidiaries.

At TAURON Ekoenergia, the hydrological drought and uneven precipitation, resulting in longer periods with no rainfall, intermittent abrupt precipitation (torrential rains) periodically lead to the inability to generate electricity. The number of days on which the electricity production at TAURON Ekoenergia did not take place due to the low water level in the river, is presented in Table no. 35.

Table no. 35. The number of days on which the electricity production at TAURON Ekoenergia did not take place in 2019 due to the low water levels in the rivers

River	Power Plant	The number of days in the month with no production												
		January	February	March	April	May	June	July	August	September	October	November	December	Total
		Odra	Brzeg	5				4	1	10				
Janowice	3					1								4
Wały Śląskie						1								1
Wrocław I								29						29
Bóbr	Bobrowice IV	1					1	27	25	30	20	15	12	131
	Bobrowice II						1	29	28	28	21	9	10	126
	Pilchowice II									12				12
Nysa Kłodzka	Opolnica	2	2				15	7	18				1	45
	Bystrzyca					14	3	3	9	2		1	4	36
	Ławica								7			3	4	14
	Olszna									23				23
Wisła	Dąbie					9								9
	Przewóz					3								3
Kamienna	Szklarska Poręba I									22	10	3		35
	Szklarska Poręba II									22	10			32
Potok Bystra	Kuźnice		28	31	3									62

At TAURON Dystrybucja, the increase in the frequency and intensity of hurricanes and strong winds, incidentally accompanied by whirlwinds and lightnings can, in extreme cases, result in mass failures, and consequently, breaking of the power lines, as well as periodic and local flooding. The percentage of this type of failures at TAURON Dystrybucja in 2019 is illustrated in Table no. 36.

Table no. 36. Share of mass failures in total failures at TAURON Dystrybucja in 2019

Share of mass failures in total failures	Number of mass failures
16.4%	2

Failures often result in interruptions in the supply of electricity, the frequency and duration of which are illustrated in tables no. 37 and 38.

Table no. 37. GRI EU 28. Frequency of the interruptions in the supply of electricity to the consumers of TAURON Dystrybucja in 2019

Interruption type	SAIFI * (number of interruptions / consumer / year)
Scheduled	0.28
Unscheduled, excluding the disaster type ones	2.41
Unscheduled, including the disaster type ones	2.41
Total	2.69

* SAIFI (System Average Interruption Frequency Index) – the indicator of the average system frequency of long and very long interruptions, representing the number of consumers exposed to the effects of all these interruptions during the year divided by the total number of consumers served

Table no. 38. GRI EU 29. Average duration of the interruptions in the supply of electricity distributed by TAURON Dystrybucja in 2019

Interruption type	SAIDI* (minutes / consumer / year)
Scheduled	40.37
Unscheduled, excluding the disaster type ones	138.68
Unscheduled, including the disaster type ones	140.49
Total	180.86

* SAIDI (System Average Interruption Duration Index) - the indicator of the average system duration of a long and very long interruption, expressed in minutes per consumer per year, which is the sum of the products of its duration multiplied by the number of consumers exposed to the effects of this interruption during the year divided by the total number of consumers served.

Overhead infrastructure is also disadvantaged by the more frequent occurrence of temperatures oscillating around zero degrees Celsius in winter and the weakening of the stands of trees, making trees more susceptible to the damage caused by the wind. This is mitigated by the steps taken, inter alia, aimed at increasing the share of the cable lines as compared to the overhead ones (illustrated in Table no. 39).

Table no. 39. Target regarding the adaptation of the distribution assets to climate change by increasing the share of MV cable lines in relation to the total length of the MV lines (%). cables / overhead lines

Target measure	unit	2019	2020	2025	2030
MV cable length share in relation to the total length of the MV lines (%).	[%]	38.4%	38.70%	41.15%	45.00%

The consequences of the more frequent temperature extremes and the occurrence of milder winters are also felt by TAURON Ciepło, however these are not only the adverse effects.

According to our data and analyses, winters are much milder in the area served by TAURON Ciepło (Silesia-Dąbrowa metropolitan area and Zawiercie and Olkusz) over the last few years. This fact, of course, translates into a reduction in the demand for heat supply for the purpose of heating apartments and buildings.

An additional factor is the thermo-modernization of buildings, which also has an impact on reducing heat demand. The trends of changes during the heating season are shown in Figures no. 32 and 32.

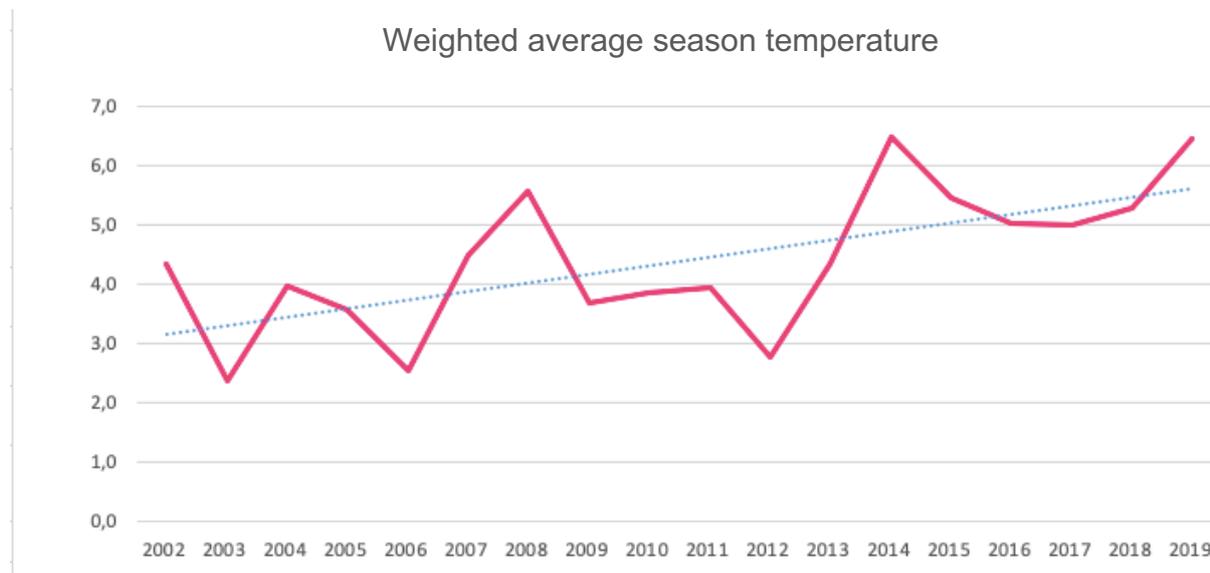


Figure no. 31. Chart of the weighted average air temperature in Poland during the heating season - trend of changes in 2011-2018

In the corresponding period of 2002 to 2018, the length of the heating season was extended by 20 days, which somewhat mitigates the difference resulting from an increase in the season temperature, but this does not make up for an increase in outside temperatures.

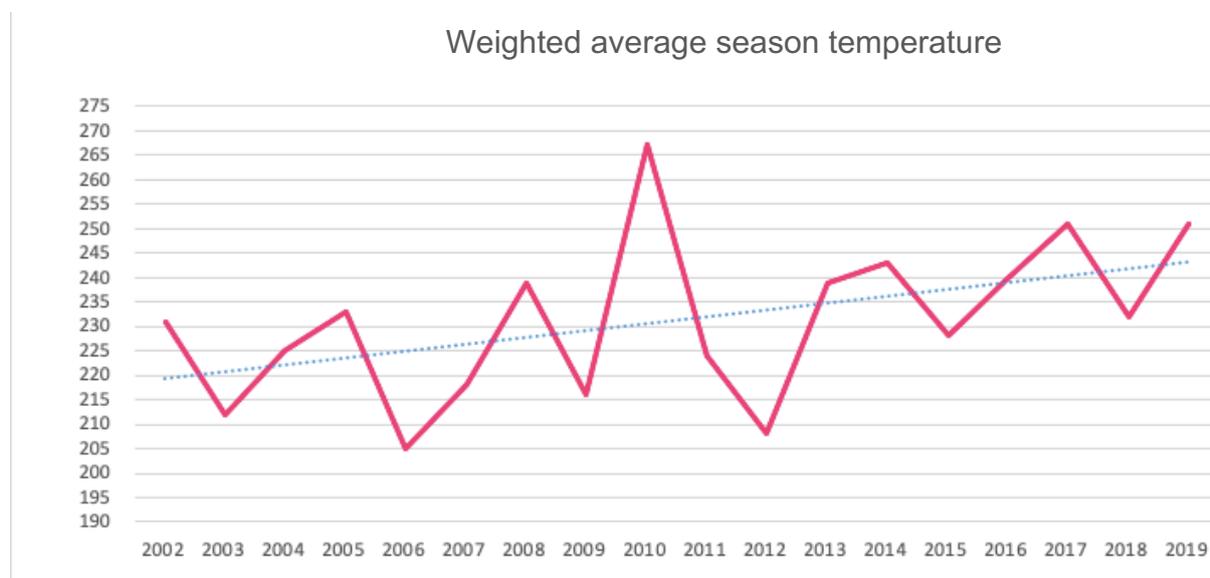


Figure no. 32. Length of the heating season in the years 2002 - 2018. The data is applicable to PEC Katowice in the years 2002-2011 and TAURON Ciepło in the years 2011-2018.

Comparing the 2019 data to the 2018 data, TAURON Ciepło saw a noticeable drop in demand for the heat supplies during the heating period in the region of approximately 1.6%.

In addition to the long term reduction plans related to the ultimate change in the Group's fuel mix, the reduction of the greenhouse gas emissions is also achieved through smaller ongoing reduction measures, adequate to the line of business, and such reductions made in 2019 are reflected in Table No. 40.

Table no. 40. GRI 305-5. Reduction of greenhouse gas emissions by TAURON Capital Group in 2019

	Initiative	Nature of the initiative mandatory (stemming from legal provisions) / voluntary	Reduction of greenhouse gas emissions [tCO ₂]
TAURON Wytwarzanie	conversion of types of fuels used - conversion of a biomass-only boiler (Stalowa Wola, Jaworzno II),	voluntary	413 250
TAURON Ciepło	Change in the type of fuels used	voluntary	52 584
KW "Czatkowice"	The technological process system was modernized and the previous 6 MWt coal fired boiler house was liquidated	voluntary	2116
TAURON Dystrybucja	Jelenia Góra Branch at ul. W. Pola 47 carried out an investment project consisting in the construction of renewable energy sources in the form of ground source heat pumps interworking with the lower source in the form of vertical wells. In connection with the implementation of the above investment project, the existing boiler house was shut down	voluntary	248.2
TOTAL REDUCTIONS			467 368

Actions taken and results achieved

Cooperation with partners to counter climate change

Even before adopting the Climate Policy, TAURON Capital Group was involved in the climate related issues as part of the cooperation with the external partners. The project entitled Urban Adaptation Plans, under which 44 Polish cities, in cooperation with the Ministry of the Environment, took part in a project with a goal to adapt them to the observed and forecast climate change, was completed in January 2019. As part of this project, TAURON Polska Energia's representatives took part in the consultation workshops in selected cities, during which members of the so-called Municipal Teams and the representatives of the city authorities and related entities indicated the energy sector as an area of particular importance for the adaptation process. In addition to TAURON's representatives, the workshops were also attended by the representatives of the emergency rescue services and local government institutions, scientific communities and local organizations representing the residents, as well as the institutions responsible, among others for water management, security, public transportation and health. In addition to directly impacting the final content of the Municipal Adaptation Plan, the workshops enabled the presentation of the results of the analyses conducted by the experts and contributed to building confidence in the activities undertaken under the Project.

TAURON Group is also involved in the public discussion on the subject of energy transition regarding the climate related issues. In November 2019, as part of the cooperation with WWF Polska, TAURON Group hosted meetings and site visits organized as part of the international project Just Transition Eastern and Southern Europe, implemented in Poland, Germany, Greece and Bulgaria by the local WWF branches using the European Climate Initiative (EUKI) funds.

TAURON participates in the works of the working group on energy within the framework of the project Zeroemission Poland 2050. An opportunity for the economy and climate, established based on the initiative of WWF. The project aims to find answers to the questions regarding the key challenges, but also the opportunities facing the national economy striving for climate neutrality. The representatives of various stakeholder groups participate in the meetings: expert organizations, business, non-government organizations and the representatives of the public sector.

Also in November 2019, as part of the so-called TAURON Group Open University, TAURON organized a lecture on the climate change, available to all employees of the subsidiaries. The lecture was conducted by an independent authority and promoter of climate science. The transcript of the lecture is available on a continuous basis in the Group's intranet, and as a consequence all employees have access to professional knowledge regarding the climate issues.

Improving the efficiency of the production processes that have an impact on the climate change

TAURON Group's business model has both a positive as well as a negative impact on the climate. The operations related to the burning of fossil fuels, which are the core business operations of TAURON Wytwarzanie and TAURON Ciepło, as well as unorganized emission of methane into the atmosphere from Zakład Górniczy Brzeszcze (Brzeszcze Coal Mine), owned by TAURON Wydobycie, are important sources of greenhouse gas emissions.

Direct greenhouse gas emissions due to the secondary operations of TAURON Wytwarzanie and TAURON Ciepło as well as the Group's other subsidiaries do not constitute a significant share and, above all, are related to the combustion of fuels in the engines of the production machines and cars. Direct greenhouse gas emissions by TAURON Capital Group in 2019 are presented in tables 41 and 41-a.

Table no. 41. GRI 305-1. Direct greenhouse gas emissions [tCO₂] by TAURON Capital Group in 2018 and 2019

	TOTAL AGGREGATE	
	2018	2019
Emission related to electricity generation	13 527 386	11 080 519
Emission related to heat generation	1 075 028	1 114 956
Emissions from gas leaks, including those associated with accidents	512,6	623
Emissions related to the transportation of materials, products and waste	26 796	19 847
Total direct emissions	14 629 722	12 215 945
Biogenic emission	358 247	471 242

Table no. 41-a. GRI 305-1. Direct greenhouse gas emissions [tCO₂] by TAURON Capital Group in 2018 and 2019, per subsidiary

	Greenhouse gas emissions [tCO ₂]											
	Kopalnia Wapienia "Czatkowice"		TAURON Wytwarzanie		TAURON Ciepło		TAURON Wydobycie		TAURON Dystrybucja		TOTAL AGGREGATE	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Emission related to electricity generation	0		12 357 821	10 232 576	1 169 565	847 943	0		0	0	13 527 386	11 080 519
Emission related to heat generation	5 002	8 449	308 881	329 447	761 145	776 801	0			258	1 075 028	1 114 956
Emissions from gas leaks, including those associated with accidents	0		369,0	500,5	0	0	9,4		134,2	123	512,6	623
Emissions related to the transportation of materials, products and waste	2 382	3 139	1 677	2 636	11 161	0	1677	1 370	9900	12 701	26 795,6	19 847
Total direct emissions	7 384	11 588	12 668 748	10 565 160	1 941 871	1 624 745	1 686	1 370	10 034	13 082	14 629 722	12 215 945
Biogenic emission	0		245 420	413 089	112 827	58 152	0		0		358 247	471 242

On the other hand, TAURON Ekoenergia, whose operations are based on the production of electricity from the renewable sources, have a positive impact on the climate. Tables No. 42 and 42-a show the volume of electricity produced by TAURON Group's units in 2019, broken down into its main sources.

Table no. 42. GRI EU2. Volume of net electricity and heat generated by TAURON Capital Group, broken down into main electricity sources in 2018 and 2019

	Electricity [GWh]		Heat [GJ]	
	2018	2019	2018	2019
Hard coal	13 423	10 921	8 646 762	7 899 203
Sludge	217	193	275 556	337 304
Natural gas and coke oven gas	3.73	5.53	145 073	128 768
Biomass	300	394	491 707	572 312
Wind	381	644	0	0
Hydro	298	356	0	0
Liquid fuels	112	92	70 211	91 319
TOTAL	14 735	12 604	9 629 309	9 028 906

Table no. 42-a. GRI EU2. Volume of net electricity and heat generated by TAURON Capital Group, broken down into main electricity sources, per subsidiary in 2018 and 2019

	TAURON Wytwarzanie				TAURON Ciepło				TAURON Ekoenergia				New wind based assets Total for 10 companies				TOTAL			
	Electricity [GWh]		Heat [GJ]		Electricity [GWh]		Heat [GJ]		Electricity [GWh]		Heat [GJ]		Electricity [GWh]		Heat [GJ]		Electricity [GWh]	Heat [GJ]		
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019		
Hard coal	12 018	9 812	2 924 403	2 384 473	1 404	1 108	5 722 359	5 514 730									13 423	10 921	8 646 762	7 899 203
Sludge	141	123	128 410	156 756	76	71	147 146	180 548									217	193	275 556	337 304
Natural gas and coke oven gas	4	6	37 111	5 077			107 962	123 691									4	6	145 073	128 768
Biomass	230	370	237 595	409 379	70	24	254 113	162 933									300	394	491 707	572 312
Wind									381	462				182			381	644		
Hydro									298	356							298	356		
Liquid fuels	111	91	25 103	35 797	1	1	45 108	55 522									112	92	70 211	91 319
TOTAL	12 503	10 401	3 352 621	2 991 481	1 553	1 203	6 276 688	6 037 425	679	818				182			14 735	12 604	9 629 309	9 028 906

Both the assumption of a warming at the level of at most 2 ° C as well as the assumption of a warming by more than 2 ° C will translate into TAURON Group's business model and strategy. However, their expected consequences may be different over time. The so-called energy mix of the electricity produced will have to undergo a gradual change. The Sustainable Development Indices that will reflect the transition process denote: RES Capacity Growth Index (shown in Table no. 43) and the Emission Reduction Index (shown in Table no. 44).

Table no. 43. Goals for the minimum declared average annual increase in RES capacity planned by TAURON Capital Group in 2020-2030

Sustainable Development Index in the given calendar year				
Sustainable Development Index	2020 target	2025 target	2027 target	2030 target
RES Capacity Growth Index	8%	8%	8%	8%

RES Capacity Growth Index denotes the index of the average annual increase of installed capacity in RES, calculated as follows:

$$JWZM_{OZE,r} = \frac{WM_{OZE,r}}{(r - 2018)}$$

where:

$JWZM_{OZE,r}$ [%] denotes the unit index of increasing RES capacity in year r;

$WM_{OZE,r}$ [%] denotes the installed capacity change index;

r denotes calendar year;

2018 is the base year (the calculation was adopted following the adoption of the Climate Policy in November 2019, i.e. before the settlement of 2019 as defined by the emissions trading scheme).

The installed capacity change index is calculated as follows:

$$WM_{OZE,r} = \frac{M_{OZE,r} - M_{OZE,2018}}{M_{OZE,2018}}$$

where:

$WM_{OZE,r}$ [%] denotes the installed capacity change index;

$M_{OZE,r}$ [MW_e] denotes the installed capacity of RES units in year r, excluding biomass fired units, and the units of TAURON Ciepło Sp. z o.o.

$M_{OZE,2018}$ [MW_e] denotes the installed capacity of RES units in the base year, excluding biomass fired units and the units of TAURON Ciepło Sp. z o.o.

Table no. 44. The minimum declared CO₂ emission reduction rate for gross electricity production planned by TAURON Capital Group in 2018-2030 [Mg CO₂/MWh]

Sustainable Development Index in the given calendar year				
Sustainable Development Index	2020	2025	2027	2030
Emission Reduction Index	2%	2%	2%	2%

Emission Reduction Index denotes the average annual CO₂ emission reduction index for gross electricity production, calculated as follows (excluding the units of TAURON Ciepło):

$$JWRE_r = \frac{WE_{CO_2,2018} - WE_{CO_2,r}}{WE_{CO_2,2018} \times (r - 2018)}$$

where:

JWRE_r [%] denotes the average annual CO₂ emission reduction index in year r;

WE_{CO₂,r} [MgCO₂/MWh] denotes the CO₂ emission index in year r, accounted for under the Community Emission Trading Scheme;

WE_{CO₂,2018} [MgCO₂/MWh] denotes the CO₂ emission index in the base year, accounted for under the Community Emission Trading Scheme;

r denotes a calendar year;

2018 is the base year (the calculation was adopted following the adoption of the Climate Policy in November 2019, i.e. before the settlement of 2019 as defined by the emissions trading scheme).

The CO₂ emission index is calculated as follows:

$$WE_{CO_2,r} = \frac{E_{CO_2(ee)r}}{P_{ee(brutto)r}}$$

where:

WE_{CO₂,r} [MgCO₂/MWh] denotes the CO₂ emission index for gross electricity production

E_{CO₂(ee)r} [MgCO₂] denotes the CO₂ emissions in year r for gross electricity production from fossil fuels and biomass as well as RES in year r

P_{ee(brutto)r} [MWh] denotes gross electricity production from fossil fuels and biomass as well as RES in year r.

TAURON Group introduced the Update of the Strategic Directions in 2019, thus conducting the first activities as part of the final review and adaptation of the Strategy. The above activities are aimed at reducing the risk associated with the transition of the energy sector and taking advantage of the market expectations related to the climate.

The Group's dependence on the natural capital varies in different lines of business. Mining, Generation and Heat Line of Business depends on the fossil fuel resources, which are not very sensitive to the climate change. As their physical availability is not dependent on the rate of the global warming. TAURON Group's dependence on the individual types of the natural capital in 2018 and 2019 is presented in tables 45-49.

Table no. 45. GRI 302-1. Total consumption of energy from non-renewable sources (own and acquired) in GJ (gross chemical energy of fuels) at TAURON Capital Group in 2018 and 2019

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		Tauron Wydobycie		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
hard coal	129 063 094	107 648 968	19 016 246	15 729 478	0		0		14 650	0	148 093 990	123 378 446
natural gas and coke oven gas	87 811	65 524	148 967	159 493	0		0		76 146	71 295	312 924	296 313
Sludge	1 637 419	1 510 651	876 425	853 802	0		0		0	0	2 513 845	2 364 453
heating oil	1 188 027	1 014 513	73 423	78 864	0		0		0	0	1 261 450	1 093 377
liquid fuels	22 626	22 209	150 620	162 316	20 121	18 493	1 658	1 960	46 464	42 355	241 489	247 333
TOTAL	131 998 978	110 261 866	20 265 681	16 983 953	20 121	18 493	1 658	1 960	137 260	113 650	152 423 698	127 379 922

Table no. 46. GRI 302-1. Total consumption of energy from renewable sources in GJ (gross chemical energy of fuels)

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		Tauron Wydobycie		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Biomass	2 704 730	4 478 060	1 067 995	546 983	0		0		0	0	3 772 725	5 025 044
Wind	0		0	0	0		118 554	120 341	0	0	118 554	120 341
Hydro	0		0	0	0		18 959	20 155	0	0	18 959	20 155
TOTAL	2 704 730	4 478 060	1 067 995	546 983	0	0	137 513	140 496	0	0	3 910 238	5 165 540

Table no. 47. GRI 302-1. Total energy consumption (purchased and own) by type in GJ (Energy purchased and generated used for the needs of the organization - heating, cooling, electricity, steam)

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		Tauron Wydobycie		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
electricity	5 051 306	4 441 849	925 654	817 554	1 356 857	1 283 312	150 611	152 277	87 389	82 302	7 571 817	6 777 294
Heat	820 243	744 191	214 301	200 250	273 316	253 551	993	984	6 832	0	1 315 685	1 198 976
TOTAL	5 871 549	5 186 040	1 139 955	1 017 804	1 630 173	1 536 863	151 605	153 261	94 221	82 302	8 887 502	7 976 270

Table no. 48. GRI 302-1. Energy supply in GJ (net less own needs)

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Wydobycie		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
electricity	44 196 612	36 654 304	5 587 389	4 331 014	0		2 444 138	2 944 537	0	0	52 228 138	43 929 855
Heat	3 352 621	2 991 481	6 276 688	6 037 425	0		0	0	0	0	9 629 309	9 028 906
TOTAL	47 549 233	39 645 785	11 864 077	10 368 439	0	0	2 444 138	2 944 537	0	0	61 857 447	52 958 760

Table no. 49. GRI 302-1. Total energy consumption by the organization in GJ

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Wydobycie		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
total energy consumption by the organization	93 026 024	80 280 182	10 609 555	8 180 302	1 650 294	1 555 356	-2 153 362	-2 648 820	231 481	195 952	103 363 991	87 562 971

Due to generating electricity in hydropower plants, the RES Line of Business is highly exposed to the risk of outages or reduction of production as a result of prolonged droughts, which translates into a decrease in surface water resources in river basins, where hydropower plants are located. TAURON Ekoenergia is monitoring such developments on an ongoing basis and has an inventory of assets most exposed to such restrictions.

The Group is also regularly monitoring the rate of energy consumption related to its operations, as shown in the indices in Table no. 50.

Table no. 50. GRI 302-3. Energy consumption at TAURON Capital Group in 2019

	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia		TAURON Ekoenergia New wind based assets	
	2018	2019	2018	2019	2018	2019	2018	2019
Energy consumption rate [%] (energy consumption for own needs / gross energy production)	11.02%	11.60%	8.29% *	8.24% *	5.87%	4.97%	-	2.19%
Energy consumption rate - electricity [%] (electricity consumption for own needs / gross electricity production)	10.62%	11.18%	14.39%	16.22%	5.87%	4.97%	-	2.19%
Energy consumption rate - heat [%] (heat consumption for own needs / gross heat production)	15.96%	16.51%	2.93% *	2.74% *	-	-	-	-

* does not take into account the replenishment of the heat carrier losses in district heating networks

TAURON Group has, inventoried during inventory audits, potential tasks related to reducing energy consumption. Based on these measures, the targets related to energy consumption were set, as shown in Tables no. 51.51-a, no. 51-b.

Table no. 51. Targets with respect to energy consumption set to be achieved by TAURON Capital Group by 2030

Subsidiary	Target	2019	2020 Target	2025 Target	2030 Target
Kopalnia Wapienia "Czatkowice"	Electricity consumption rate [kWh/t]	22.7	22.7	21.1	20.0
TAURON Wydobycie	Electricity consumption rate* [kWh/t]	70.9	60.0	50.8	48.3

* excluding the additional consumption due to the construction of the Grzegorz Shaft

Table no. 51- a. Targets with respect to energy consumption set to be achieved by TAURON Capital Group by 2030, per subsidiary

	TAURON Wytwarzanie			TAURON Ciepło		
	2020	2025	2030	2020	2025	2030
Energy consumption rate [%] (energy consumption for own needs / gross energy production)	10.9%	11.1%	9.1%	8.73% *	8.88% *	8.44% *
Energy consumption rate - electricity [%] (electricity consumption for own needs / gross electricity production)	10.7%	10.8%	10.5%	15.05%	15.61%	17.09%
Energy consumption rate - heat [%] (heat consumption for own needs / gross heat production)	12.6%	13.9%	9.2%	2.77% *	2.98% *	2.89% *

* does not take into account the replenishment of the heat carrier losses in district heating networks. The fluctuations of the rate for TAURON Ciepło in the 2025 and 2030 time frame result from a change in: planned increase in heat demand by approx. 1.6 TJ and commissioning of the new gas fired heat generation sources that will complement the existing infrastructure of high-efficiency coal fired cogeneration (unit emission indices will be reduced)

Table no. 51- b. Targets for transmission losses set to be achieved by TAURON Dystrybucja by 2030

Subsidiary	Index name	2020 Target	2025 Target	2030 Target
TAURON Dystrybucja	Value of the balancing difference index *	4.14 %	3.91 %	3.88 %

* Index settled as of 31.12 for the last 12 months, as the quotient of energy lost in the grid to the value of energy fed into the grid

Striving for resource efficiency

TAURON Group established a specialized entity - Bioeko Grupa TAURON (formerly Biomasa Grupa TAURON) in 2019, with its operations , in addition to the supply of biomass, which is a solid fuel considered neutral in terms of climate impact, focused on the implementation of the principles of Circular Economy with respect to the by-products of combustion and mining, thus contributing directly to the resource efficiency. As such materials of anthropogenic origin successfully replace the natural materials, reducing the consumption of the minerals such as sand, gravel, gypsum etc. The activities related to the development of new products and services in this field and gaining access to the new markets related thereto began in 2019, also carrying out scientific cooperation with the AGH University of Science and Technology in Cracow.

As part of the steps taken to improve resource efficiency, the activities related to the development of new products and services for local governments, for which TAURON Dystrybucja Serwis is managing the lighting systems, were also started in 2019. The goal for 2020 is to replace at least 28 000 LED fixtures as part of the lighting replacement efforts and install more electric vehicle charging stations so that their total number could reach 100 units in 2020.

TARUON Ciepło took an inventory of its metering network in 2019 in order to prepare the model that would enable quick identification of the district heating network water leaks. The ultimate implementation in the future is directly dependent on the availability of water at the current price and potential possible savings in the operating costs.

The Group's operations contribute little to the deforestation, forest degradation or land use change. Only the operations of KW Czatkowice are directly related to the change in the use of the forest land, however, the adverse development is compensated.

The extraction of the deposit in the newly documented area requires deforestation of approx. 29 ha of forests. To date, approximately 14.5 ha have been gradually deforested. The afforestation of the so-called protection belt to minimize the mining impacts, including compensation for the future deforestation, was begun in 2014. The measure had been taken ahead of the commencement of the exploitation of a new part of the deposit, which took place in 2016. More than 100 000 trees were planted on the protection belt in the years 2014 - 2016, which together with the natural succession formed an area of approx. 33 ha, fully compensating for the deforestations carried out so far, as well as those planned in the coming years. It is believed that when the last batch of forests is cleared for mining, the forest stand on the protection belt will be fully mature and will take over the functions of the land deforested for mining.

Financing investment projects that have an impact on climate change

The summary shown in Table 52 indicates the allocation of the funds from the individual sources of financing of TAURON Group for the purpose of the investment projects aimed at minimizing the impact on the climate. As a rule, TAURON does not take on targeted financing, from which the funds are dedicated directly to the given investment task. In case of the financing from the European Investment Bank, TAURON undertakes to carry out specific tasks, the performance of which is confirmed by the relevant reports submitted to the bank.

Table 52. Summary of the intended use (purpose) and status as of 31/12/2019 of loans obtained by TAURON Capital Group for pro-climate investment projects

Financing entity	financing instrument	loan amount under the contract	debt as of 31.12.2019	financing purpose
European Investment Bank	subordinate bonds	190 000 000.00 EUR	190 000 000.00 EUR	financing of investment projects aimed at expanding and upgrading the power grid infrastructure in Poland in 2016-2020 in accordance with its strategic investment plan
European Investment Bank	subordinate bonds	350 000 000.00 PLN	350 000 000.00 PLN	financing of investment projects in the electricity distribution grid in southern and southwestern Poland in 2018-2020
European Investment Bank	subordinate bonds	400 000 000.00 PLN	400 000 000.00 PLN	financing of investment projects in the electricity distribution grid in southern and southwestern Poland in 2018-2020
European Investment Bank	loan	295 000 000.00 PLN	221 250 000.00 PLN	financing of an investment project composed of two Components with respect to expanding the electricity distribution grid, implementing a smart metering program as well as modernization and repairs of the existing small hydropower plants
European Investment Bank	Loan	900 000 000.00 PLN	388 636 363.75 PLN	financing of the implementation of a 5-year investment program (2011-2015), aimed at strengthening, modernizing and expanding the electrical grids of Tauron Dystrybucja S.A.
European Investment Bank	Loan	300 000 000.00 PLN	60 000 000.00 PLN	financing of the implementation of the project involving the construction and commissioning of a high-efficiency coal fired cogeneration unit of the latest generation (CHP, combined heat and power plant), including the associated infrastructure, located on the site of the existing power plant in Bielsko-Biala in southern Poland
European Investment Bank	Loan	210 000 000.00 PLN	42 000 000.00 PLN	financing of the construction of a new biomass-fired circulation fluidized-bed boiler (150 MWt) to replace one of the existing coal-fired boilers that will be decommissioned as obsolete, as well as the overhaul of the existing steam turbine (50 MWe), including the auxiliary infrastructure on the site of Power Plant Jaworzno III (Unit II) in southern Poland

Intesa Sanpaolo S.P.A. operating via Intesa Sanpaolo S.P.A. Spółka Akcyjna Oddział w Polsce	Loan	750 000 000.00	PLN	0.00	PLN	covering the expenses related to the implementation of investment projects or groups of investment tasks of TAURON Group covering (i) broadly understood power generation based on renewable energy sources and (ii) distribution of electricity, among others the expansion and upgrade of the grid and connecting new customers, as well as refinancing of the existing Financial Debt
WFOŚiGW (Regional Protection and Water Fund)	Environment Management KWC loan	914 000.00	PLN	229 476.60	PLN	Reduction of limestone dust emissions at the raw material landfill at Kopalnia Wapienia "Czatkowice" sp. z o.o.
WFOŚiGW (Regional Protection and Water Fund)	Environment Management TW loan	40 000 000.00	PLN	12 000 000.00	PLN	Construction of a RES Production Unit at PKE S.A. Jaworzno III Power Plant - Power Plant II
WFOŚiGW (Regional Protection and Water Fund)	Environment Management KWC loan	292 955.60	PLN	167 563.00	PLN	Thermomodernization of the Car Service Station at Kopalnia Wapienia "Czatkowice" sp. z o.o.

4.5. TAURON Group's Human Rights Respect Policy

TAURON Group's Corporate Social Responsibility Code of Conduct indicates that TAURON Capital Group is guided by the principle of equal treatment of employees and does not tolerate discrimination on any basis, in particular due to age, gender, race, nationality, religion, sexual orientation, appearance, fitness or different views. The aim of the Policy of Respect for Human Rights is to present the principles of TAURON Capital Group regarding respect for human rights and actions taken to prevent their violation and to support the atmosphere of dignity and mutual respect in the workplace.

The policy defines the principles of TAURON Capital Group dedicated to respecting and protecting human rights, including, among others:

- prohibition of mobbing and discrimination,
- prohibition of slavery and forced labor,
- ban on employing children and minors,
- freedom of association,
- observing employment and remuneration conditions,
- work health and safety (WHS),
- employee engagement (commitment),
- countering cases that involve violations of human rights

Furthermore, the regulation also defines TAURON Capital Group's rules dedicated to the human rights respect and protection with respect to interacting with the stakeholders, in particular counterparties (business partners, contractors) and business partners, as well as with respect to local communities

Due diligence procedures and internal regulations

The basic regulations related to the Policy of Respect for Human Rights at TAURON Capital Group are TAURON Group's Corporate Social Responsibility Code of Conduct and the Policy of Compliance with the Principles of Ethics and Prevention of Mobbing and Discrimination at TAURON Group Policy for Countering Mobbing and Discrimination at TAURON Group.

In accordance with the provisions of the Policy of Respect for Human Rights, every employee, counterparty (business partner, contractor) and an external entity / business partner is required to:

- respect and promote respect for human rights and ensure their protection,
- refuse to participate in any situations that may involve a violation of human rights, mobbing and discrimination, and unequal treatment.

Each employee should pay attention to signals and circumstances that may potentially suggest the possibility of unequal treatment. If such doubts arise, employees should report them via communications channels defined in TAURON Capital Group's procedures, in particular in the above mentioned TAURON Group's Corporate Social Responsibility Code of Conduct and the Policy of Compliance with the Principles of Ethics and Prevention of Mobbing and Discrimination at TAURON Group Policy for Countering Mobbing and Discrimination at TAURON Group.

Actions taken and results achieved

In order to comply with ethical principles, the Ethics Committees established at TAURON Capital Group's 15 subsidiaries are appointed to review any potential violations of the rules. The new employees of TAURON Capital Group are informed of the human rights respect issues and of the possibility of reporting violations in this area.

The communications channel enabling employees to provide information in a confidential and anonymous way is the Abuse Reporting Form, available on the website <https://www.tauron.pl/tauron/o-tauronie/formularzzgloszenia-naduzycia>.

In addition, issues regarding violations of the principles set out in the Corporate Social Responsibility Code of Conduct can be reported to the Compliance Officer in person or in writing, by phone: +48 32 774 22 22, or to the e-mail address: compliance@tauron.pl.

Anonymous reports sent to the Ethics Committee are forwarded for investigation by the Compliance Officer. As part of periodic risk monitoring, the Compliance Team verifies the number of notifications received by the Ethics Committee in matters lying within its competence area.

Several dozen trade union organizations that associate about 70% of employees are operating within TAURON Capital Group. Additionally, in order to ensure proper dialogue and exchange of experience, the Social Council of TAURON Polska Energia SA Capital Group was established, which represents several dozen trade union organizations

The introduction of the Policy of Respect for Human Rights at TAURON Capital Group contributes to raising awareness of respect for human rights and promoting their protection.

4.6. TAURON Group's Human Resources Policy

The Human Resources Management Policy (hereinafter HRM Policy) applied by TAURON Group focuses on acquiring, developing and maintaining competences that are key for organizational efficiency and achieving the Group's strategic goals. Our ambition is to support the management in efficiently implementing the proposed changes and promoting the new initiatives. We create conditions for the development of knowledge and skills and create a work environment based on cooperation and partnership in which innovation and optimization are the foundations of the actions undertaken.

The strategic directions of the activities of the human resource management area at TAURON Group, set by the Policy are:

- seeking to retain and attract employees to the organization with competences in line with the business needs,
- creating a work environment that fosters innovation,
- creating opportunities for the continuous development of competences of the managerial staff and the employees,
- promoting the idea of a learning organization.

Tables 53, 54, 55, 56 present the key data with respect to the area of human resource management, including the number of employees by gender, age and type of labor contract, as well as the percentage of employees covered by the collective bargaining agreements.

Table 53. GRI 102-8-a. Number of TAURON Capital Group's employees by type of labor contract and gender as of 31.12.2019

NUMBER OF EMPLOYEES	TAURON Polska Energia	Kopalnia Wapienia „Czatkowice”	TAURON Ciepło	TAURON Ekoenergia	TAURON Wydobywanie	TAURON Wytwarzanie	TAURON Obsługa Klienta	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Dystrybucja	TAURON Dystrybucja Pomiaru	TAURON Dystrybucja Serwis	Bioeko Grupa TAURON	Polska Energia Pierwsza Kompania Handlowa	Nowe Jaworzno Grupa TAURON	Wsparcie Grupa TAURON	TAURON Czech Energy	TAURON Serwis	TOTAL
LABOR CONTRACTS																			
TOTAL NUMBER OF EMPLOYEES UNDER LABOR CONTRACTS, INCLUDING:	487	292	1 483	179	6 811	2 549	2 512	315	11	7 778	1 492	90	122	3	127	1 379	14	442	26 086
Women	219	44	258	41	612	443	1 817	168	6	1 143	265	33	27	3	7	455	7	32	5 580
Men	268	248	1 225	138	6 199	2 106	695	147	5	6 635	1 227	57	95	0	120	924	7	410	20 506
INCLUDING:																			
FOR A DEFINITE PERIOD OF TIME (including for a trial period and for a temporary period):	70	46	43	14	536	20	397	77	0	302	6	3	58	0	4	513	1	45	2 135
Women	34	10	7	4	38	4	286	32	0	55	1	0	12	0	0	184	0	5	672
Men	36	36	36	10	498	16	111	45	0	247	5	3	46	0	4	329	1	40	1 463
FOR AN INDEFINITE PERIOD OF TIME:	417	246	1 440	165	6 275	2 529	2 115	238	11	7 476	1 486	87	64	3	123	866	13	397	23 951
Women	185	34	251	37	574	439	1 531	136	6	1 088	264	33	15	3	7	271	7	27	4 908
Men	232	212	1 189	128	5 701	2 090	584	102	5	6 388	1 222	54	49	0	116	595	6	370	19 043

Table 54. GRI 102-8-d. Number of TAURON Capital Group's employees under other contracts than a labor contract by gender and type of labor contract as of 31.12.2019.

NUMBER OF EMPLOYEES	TAURON Polska Energia	Kopalnia Wapienia „Czatkowice”	TAURON Cieplo	TAURON Ekooenergia	TAURON Wydobywie	TAURON Wytwarzanie	TAURON Obsługa Klienta	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Dystrybucja	TAURON Dystrybucja Pomiary	TAURON Dystrybucja Serwis	Bioeko Grupa TAURON	Polska Energia Pienwsza Kompania Handlowa	Nowe Jaworzno Grupa TAURON	Wsparcie Grupa TAURON	TAURON Czech Energy	TAURON Serwis	TOTAL
EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT																			
TOTAL NUMBER OF EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT:	33	14	11	9	192	67	180	17	0	62	17	6	4	5	8	721	1	39	1 386
women	12	7	2	3	13	15	147	6	0	24	9	2	0	1	2	171	1	4	419
Men	21	7	9	6	179	52	33	11	0	38	8	4	4	4	6	550	0	35	967
PERSONS UNDER MANAGEMENT CONTRACTS:																			
women	0	0	0	0	0	0	1	1	0	0	0	1	0	0	0	0	0	0	3
Men	3	1	2	1	4	4	1	3	0	4	2	1	2	1	3	2	0	1	35
SELF EMPLOYED PERSONS:																			
women	0	0	0	0	0	0	0	2	0	3	0	0	0	0	0	0	0	0	5
men	0	0	0	0	0	0	0	4	0	3	0	0	0	0	0	0	0	0	7

EMPLOYEES UNDER THE GROUP'S SUPERVISION:	0	0	0	0	0	0	174	0	0	0	10	0	0	0	1	0	0	0	185
women	0	0	0	0	0	0	143	0	0	0	9	0	0	0	0	0	0	0	152
men	0	0	0	0	0	0	31	0	0	0	1	0	0	0	1	0	0	0	33
PERSONS ON POSTGRADUATE INTERNSHIPS:	3	0	0	0	0	0	0	0	0	12	0	0	0	0	0	0	0	0	15
women	3	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	4
men	0	0	0	0	0	0	0	0	0	11	0	0	0	0	0	0	0	0	11
PERSONS PROVIDING SERVICES UNDER A CIVIL LAW AGREEMENT	18	9	4	3	184	59	0	4	0	36	1	0	0	4	0	716	0	35	1 073
women	4	6	0	1	13	14	0	3	0	19	0	0	0	1	0	170	0	4	235
men	14	3	4	2	171	45	0	1	0	17	1	0	0	3	0	546	0	31	838
EMPLOYEES OF THE SUPERVISORY BOARD	9	4	5	5	4	4	4	3	0	4	4	4	2	0	4	3	1	3	63
women	5	1	2	2	0	1	3	0	0	1	0	1	0	0	2	1	1	0	20
men	4	3	3	3	4	3	1	3	0	3	4	3	2	0	2	2	0	3	43

Table 55. GRI 102-8-c. Employment of employees at TAURON Capital Group based on a permanent labor contract type by gender as of 31.12.2019.

NUMBER OF EMPLOYEES	TAURON Polska Energia	Kopalnia Wapienia „Czatkowice”	TAURON Ciepło	TAURON Ekoenergia	TAURON Wydobycie	TAURON Wytwarzanie	TAURON Obsługa Klienta	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Dystrybucja	TAURON Dystrybucja Pomiaru	TAURON Dystrybucja Serwis	Bioeko Grupa TAURON	Polska Energia Pierwsza Kompania Handlowa	Nowe Jaworzno Grupa TAURON	Wsparcie Grupa TAURON	TAURON Czech Energy	TAURON Serwis	TOTAL
WORKING UNDER A LABOR CONTRACT, INCLUDING:																			
FULL TIME:	9	291	1 482	177	6 810	2 538	2 501	312	7	7 749	1 490	90	120	3	127	1 341	13	439	25 499
women	4	44	258	41	611	438	1 810	167	4	1 126	264	33	27	3	7	423	6	31	5 297
Men	5	247	1 224	136	6 199	2 100	691	145	3	6 623	1 226	57	93	0	120	918	7	408	20 202
PART TIME:	478	1	1	2	1	11	11	3	4	29	2	0	2	0	0	38	1	3	587
women	215	0	0	0	1	5	7	1	2	17	1	0	0	0	0	32	1	1	283
men	263	1	1	2	0	6	4	2	2	12	1	0	2	0	0	6	0	2	304

Table 56. GRI 102-41. Percentage of TAURON Capital Group's employees covered by collective bargaining agreements as of 31.12.2019

	TAURON Polska Energia	Kopalnia Wapienia „Czatkowice”	TAURON Ciepło	TAURON Ekocenergia	TAURON Wydobycie	TAURON Wytwarzanie	TAURON Obsługa Klienta	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Dystrybucja	TAURON Dystrybucja Pomiary	TAURON Dystrybucja Serwis	Bioeko Grupa TAURON	Polska Energia Pierwsza Kompania Handlowa	Nowe Jaworzno Grupa TAURON	Wsparcie Grupa TAURON	TAURON Czech Energy	TAURON Serwis	TOTAL
Total number of persons employed (from 102-8-a)	487	292	1 483	179	6 811	2 549	2 512	315	11	7 778	1 492	90	122	3	127	1 379	14	442	26 086
Total number of employees covered by collective bargaining agreements	0	292	1 462	179	6 797	2 549	2 512	315	11	7 762	1 488	90	0	0	127	1 379	0	0	24 963
Percentage of employees covered by collective bargaining agreements	0%	100%	98.6%	100%	99.8%	100%	100%	100%	100%	99.8%	99.7%	100%	0%	0%	100%	100%	0%	0%	95.7%

Due diligence procedures and internal regulations

In accordance with the vision adopted in the Human Resources Management Policy, the area presented in this part of the report is "to be a professional partner for the management and the employees in building an efficient company, based on clear principles and modern tools." As part of our mission, we "act proactively, create and implement processes and tools that reflect the business needs." In practice, this means that we are actively following and often setting market trends in the energy industry and the human resource management area, contributing to supporting TAURON Group's strategic directions.

The documents supporting the implementation of the goals of TAURON Capital Group's Human Resources Policy include:

- TAURON Group's remuneration principles;
- Regulations for improving the qualifications of the employees, in place at the Group's individual subsidiaries;
- TAURON Group's competency model;
- TAURON Group's regulations of the Internal Trainers Academy;
- Regulations of the Investment Project Management Academy Program - TAURON Group's PM Academy;
- TAURON Group's Principles of Cooperation with Schools and Universities as well as Internships Program;
- Regulations of the "Join" Program – TAURON's internship PROgram;
- Regulations of TAURON Group's Ambassador Program.

One of the due diligence procedures implemented as part of the Human Resources Policy is the ongoing monitoring of the metrics related to the human resources management area at all of TAURON Group's subsidiaries. We place particular emphasis on constructive and open dialogue with the social party. TAURON Group's subsidiaries held 329 meetings of the employers with the trade union organizations in 2019. In total, the trade union organizations had about 18.7 thousand members among TAURON Group's employees (i.e. 72% of the total number of employees) at the end of 2019.

During regular meetings and consultations the representatives of the social party are informed about issues related to:

- TAURON Group's economic and financial situation,
- implementation of the strategic initiatives,
- Voluntary Redundancy Programs implemented at TAURON Group's Subsidiaries,
- issues related to employee matters at the Group

In addition, steps are taken to raise business awareness and promote pro-efficiency and engaging attitudes. Workshops for TAURON Group's social party entitled: Valuable development conversation, were held in 2019.

The procedures also include employee satisfaction surveys conducted every two years. In the second edition of the survey, conducted at the Group's key subsidiaries in April 2019, each of more than 26 000 employees had an opportunity to express his / her opinion on how they assess the individual aspects of work at the subsidiary and at TAURON Group, answering 39 questions in an anonymous survey.

Thanks to the turnout that came in at 55% (i.e. 14 234 votes), opinions on topics related to the work environment, satisfaction, commitment, communication and workplace relations were obtained.

The results of the survey demonstrated that TAURON Group's employees:

- declare very strong commitment to the performance of their tasks and achieving the best possible results of their work (commitment rate - 84%),
- appreciate the atmosphere in the department / team and relationships with the colleagues (employee relationship ratio - 75%),
- positively view the working conditions at their position (safety and working conditions indicator - 70%),
- like their work and are generally satisfied with their job at the company (job satisfaction self-assessment level - 66%),
- positively assess the managerial staff, both in terms of managerial communication, understood as providing feedback on the tasks carried out, or providing relevant information about the company, as well as managerial attitudes, viewed as building lasting and good relationships as well as delivering on the agreements reached jointly (managerial communication and managerial attitudes indicator - 64%).

The results obtained were the starting point for the analyses and working out the plans for further actions together with the managers and employees, thanks to which TAURON Group will be able to meet the requirements of its employees to an even greater extent.

Due diligence procedures also include actions taken to adapt the organization and human capital development directions at the Subsidiaries to the current guidelines of TAURON Group's strategy.

The challenges and objectives of the Human Resources Management (HRM) area, stemming from the changes in the energy sector and the new strategic directions, and in particular the activities facing the Group in connection with the Green Turn of TAURON, were subjected to a verification process. Redefining of the goals and challenges will allow for preparing and effectively responding to the business expectations and the changing business environment of TAURON Group. The result of the joint works of the representatives of the HRM area from the

Group's leading subsidiaries was the identification of the priority areas for the development of the organization and human capital.

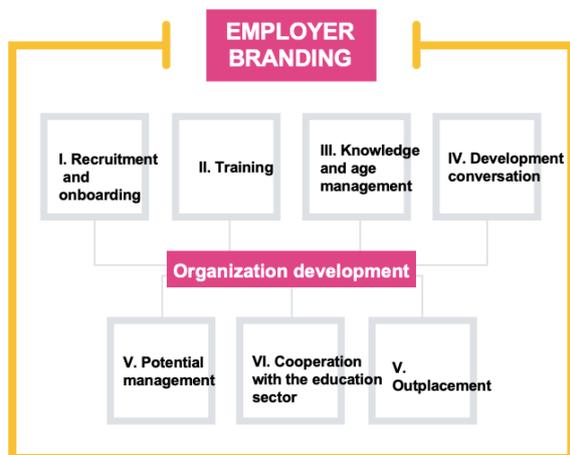


Figure no. 33. Eight priorities of TAURON Capital Group's Human Resources Management Policy

Identification of eight priorities (presented in Figure no. 33) allowed for determining the direction of the changes that will strengthen the capacity of the HRM area to support the business goals of the organization. The priorities identified include: recruitment and onboarding, training, age and knowledge management, development conversation, potential management, cooperation with the education sector, outplacement, employer branding. The tasks assigned to these priorities will improve the most important, from the point of view of the business goals, HRM processes and strengthen the organization's ability to create and respond quickly to the business changes by ensuring the optimal number and quality of the competences. Specific tasks within the priorities will also give the direction to the activities planned by the HRM area for 2020-2023.

Actions taken and results achieved

Initiatives undertaken with respect to the human resources management at TAURON Group focus on the continuous improvement of the processes in order to adapt them to the changing business environment. A permanent element of the above changes is developing and strengthening such attitudes among employees that are in line with the values of TAURON Group, i.e. Partnership, Development, Boldness. This basic premise allows for building an organizational culture that enables the employees to take on and implement new challenges (projects), search for innovation, increase efficiency as part of their daily tasks and increase the level of job satisfaction.

Development and development supporting activities

Employee development and improvement is permanently inscribed in TAURON Group's strategy, and the implementation of the development activities takes place on the basis of the Regulations for improving the qualifications of the employees, in place at the Group's individual subsidiaries. The regulations are designed to ensure compliance with the rules regarding the financing of the training, while ensuring a close connection with the Group's business objectives.

All the development activities at TAURON Group are implemented according to the 70-20-10 principle. This is the principle of effective learning, according to which:

- 70% of the development activities should be related to gaining experience in the position, among others by delegating new or additional tasks and rights to the employee, broadening the scope of his / her responsibility, participation in the task or project teams;
- 20% of the development activities are based on learning from others, including the ongoing support and regular feedback from your direct superior and colleagues;
- 10% of the development activities involve participation in various forms of educational and training activities (internal and external).

Key statistics on the training carried out at TAURON Group in 2019. are presented in figures no. 34-35.



Figure no. 34. GRI 404-1 - The number of training hours per employee at TAURON Capital Group in 2019

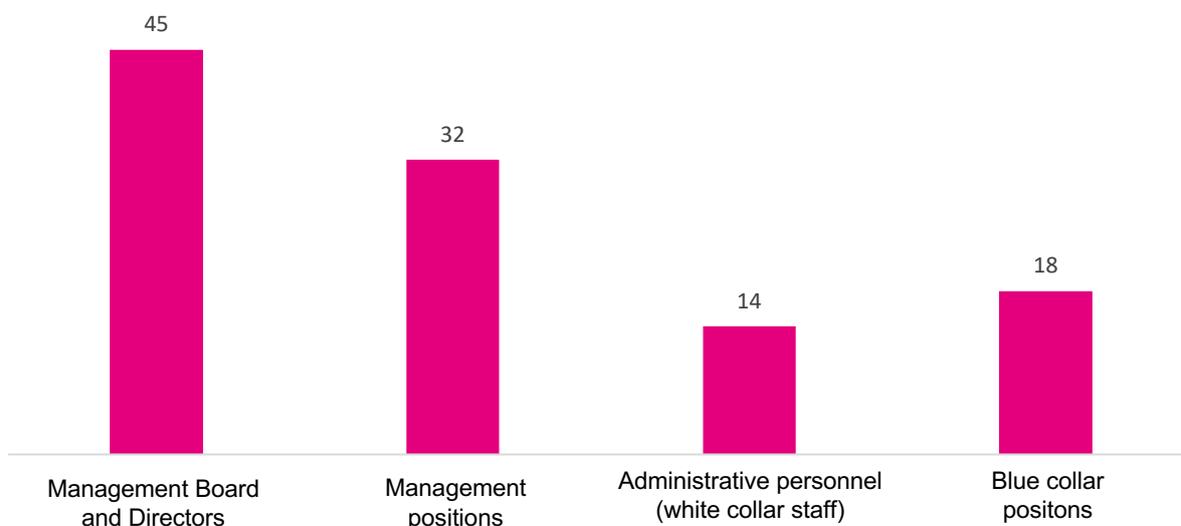


Figure no. 35. The average number of training hours per employee, broken down by job (position) groups at TAURON Capital Group in 2019

In 2019, we initiated actions aimed at implementing a new human resource management process - Development Conversation. The goal of the initiative is the development of the organization by building a culture of dialogue between the superior and the employee, and the ability to focus on the development of employees in accordance with their needs as well as the business capabilities and needs of the organization. The development conversation is based on TAURON Group's Competence Model in place and assumes the need for the continuous development of these competences as the business challenges are changing. Pilot activities completed at the Group's selected subsidiaries in 2019 demonstrated a number of benefits that open communication and individual approach to the employees' needs, in relation to the directions of the organization's development, bring.

The next, third edition of the postgraduate studies organized in cooperation with the Jagiellonian University, entitled Purchase management in business, was launched in 2019. The main assumption of the program is to improve the purchasing, negotiation and commercial (trading) qualifications of the Purchasing Area staff. Participation in the dedicated studies is a proposal addressed to the outstanding employees of TAURON Group. 32 participants are taking part in the current edition.

Taking into account the number of implemented, and above all planned investment projects, there was a need to organize a proprietary annual training program dedicated to investment project management at TAURON Group - PM Academy. As a result, 15 employees from 5 TAURON Group's Subsidiaries expanded their competences in project management in 2019. The Academy's program includes training courses on project management, investment process implementation, IT tools used to support Project Managers, communication, team management, etc.

TAURON Group's employees have continuously had the opportunity to participate in lectures conducted as part of the TAURON Group Open University since 2014.



The goal of establishing and continuing the concept of the University is to provide employees with access to knowledge and information on the current topics, related to both business as well as personal development. In addition, this initiative allows for the creation of a platform enabling an exchange of views and experiences among the employees from various Subsidiaries and, as a result, increased integration among the workforce.

5 lectures were carried out in 2019, attended by a total of 2 654 employees of TAURON Group. Thanks to enabling the broadcasting of the lectures to various locations, the number of students increased by more than 1 500 employees.

A particularly important event, from the point of view of the Update of TAURON Group's Strategic Directions, was a lecture on climate change, given by an expert in the field of climate science. During the lecture, over 600 employees of the Group had a unique opportunity to learn about the scientific basis of the global warming, find out what its causes are and what problems may arise from the large and rapid climate changes. The participants of the lecture received practical tips on what to do, including in the private sphere, in order to reduce the negative impact on climate change. The lecture also initiated the implementation of a new Climate Policy, adopted by TAURON Group, with its goal to decrease the risk associated with the climate, reduce negative impact on the climate and maximize the positive effects of climate change throughout the Group's value chain.

The Internal Trainers (Coaches) Academy is becoming more and more popular at TAURON Capital Group – an initiative supporting the development of the employees using the internal resources. 83 internal trainers completed a total of 167 training sessions for more than 1 800 of TAURON Group's employees in 2019,.

In addition to the training courses carried out using the traditional method, TAURON Capital Group enables its employees to continuously improve their competences in the form of e-learning training courses. The undisputed advantages of this form of education include the flexibility of its implementation and the ability to adjust it to the individual pace of knowledge absorption of the given employee. The e-learning training formula also significantly reduces the costs of the training courses, while at the same allowing them to be attended by a larger number of employees and allows for better accommodating the pro-ecological aspects as compared to the traditional training formula.

TAURON Group's employees underwent a number of training courses in 2019, including the mandatory ones, among others with respect to internet security, TAURON's services, GDPR regulations, Corporate Social Responsibility Code of Conduct or the principles of preventing mobbing and discrimination, as well as optional specialist ones, including with respect to the use of IT tools to support everyday work, legal and financial aspects, as well as aimed at enhancing interpersonal skills. In total, more than 14 000 employees took advantage of 48 000 hours of e-learning training courses in 2019.

Cooperation with the education sector

TAURON Group has been undertaking a number of initiatives to promote the organization among pupils, students and university graduates for a number of years. We organize internship and apprenticeship programs, we cooperate with student organizations, career offices and research clubs, we organize competitions on topics related to TAURON Group, we take part in scientific symposia and conferences, and we cooperate with the faculty staff at schools and universities.

Student internships constitute a specific development method for TAURON Capital Group, geared towards improving the competences of university students and graduates, that enables combining theoretical knowledge with the practical professional issues. Participation in apprenticeship or internship programs enables acquiring the first experience and prepares pupils and students to enter the labor market. Through internship and apprenticeship programs the Group is implementing its long-term goals related to acquiring the best, from the point of view of business needs and organizational culture, pupils, students and graduates. 655 people took advantage of the apprenticeship and internship programs at TAURON Group in 2019.

TAURON Group's internship program called "Join" ("Przyłącz się") also has its permanent place among the initiatives related to the cooperation with the academic community. The goal of the program is to prepare, during 5-month internships, the most talented students of the domestic universities to enter the labor market, enable trainees to obtain comprehensive professional development in the field of modern energy, get to know the enterprise's organization system, as well as the conditions and rules in force at the company, and develop the right attitude towards the tasks performed.

The next, second edition of the program was carried out in 2019, with 20 interns taking part, undergoing internships at 8 of the Group's subsidiaries (TAURON Wydobycie, TAURON Wytwarzanie, TAURON Ciepło, TAURON Polska Energia, TAURON Obsługa Klienta, TAURON Sprzedaż, TAURON Dystrybucja, Kopalnia Wapienia "Czatkowice").

The second edition of TAURON Group's Ambassador Program was continued in 2019.



As part of this edition, 9 Ambassadors from 6 partner universities, carried out their proprietary promotional activities at their universities.

The main goal of the program is to engage students in the process of developing a positive image of TAURON Capital Group in the academic environment and generate interest in the offer of internships, apprenticeships and work among the best students and graduates. As part of the program, we establish cooperation with the students who have innovative and fresh ideas about initiatives promoting the Group, and also provide us with inspiration on how to change and adapt the student-dedicated programs to meet the ever-increasing requirements.

TAURON Capital Group implements its long-term strategy, a part of which is the cooperation with patronage classes, providing education in the professions that are key for the organization, thus promoting employment at TAURON Group's subsidiaries after completing education. These initiatives enable students to learn the profession in a real work environment by organizing practical classes and professional internships, providing support in equipping the schools' workshops that enable practical vocational training and engaging the Group's specialists, with some teaching experience and many years of professional experience at the Group, in the teaching process. By the end of 2019, TAURON included 47 classes in its patronage, including 3 new classes in 2019. As part of patronage classes, education is provided in such professions as, among others: underground mining technician, power sector technician, electrician technician, mechatronics technician, electronics technician and solid mineral processing technician.

TAURON Group was actively involved in the implementation of the project entitled: Developing a model of vocational and practical training program in the energy sector, co-financed from the European Social Fund, in 2018-2019. The goal of the project was to prepare solutions with respect to engaging employers in the organization of practical vocational training, including: developing a quality framework for internships and apprenticeships for students pursuing practical training at enterprises, taking into account the European framework of professional internships and developing model practical vocational training programs for professions at the technician's qualifications level.

Pilot apprenticeship programs were implemented at 4 of TAURON Capital Group's sites (TAURON Wytwarzanie, TAURON Ciepło, TAURON Dystrybucja Branch in Częstochowa and Opole) in the period from March to June 2019. The pilot project covered 103 students from 4 schools providing education in the profession of an electrician technician.

For the second time TAURON Group took part in a local project organized by the Katowice City Hall entitled: Katowice, a City of Professionals. As in the first edition, the main goal of the project was to encourage young people, facing the choice of a further education path, to undertake education in the first level technical and industry vocational schools, to show professional prospects related to the vocational and technical education, and to increase the level of knowledge and public awareness with respect to the dual education system. During the second edition, nearly 300 students from 10 elementary schools in Katowice visited TAURON Group's production plants. As part of the study visits, Katowice's eighth graders had the opportunity to become acquainted with the operations of the Łaziska Power Plant, Jaworzno III Power Plant and Katowice Heat and Power Plant. The whole campaign promoting vocational education is complemented by educational lessons at schools devoted to the topic of choosing a further path of vocational education, as well as visits to the industry and technical schools.

Other initiatives

At TAURON Capital Group, we are aware of the fact that supporting the idea of work-life balance is an inseparable element of efficient human resource management. For the sake of our employees, we invest in medical care and programs encouraging more physical activities, we implement health-promoting initiatives that are more and more attractive and tailored to the needs of the employees, and promote a healthy lifestyle in order to develop healthy habits. A series of campaigns were organized in 2019 to show how to take care of health and prevent occupational or civilization-related diseases, including:

- a photo competition, organized by Wsparcie Grupa TAURON, on sports topics "I am active / I take care of health", aimed at encouraging the employees to share their ways of how to stay fit and healthy;
- a series of workshops organized for TAURON Obsługa Klienta's employees with respect to stress management and prevention of burnout, conducted by a psychologist at the Company's 12 locations;
- conducting lectures for TAURON Obsługa Klienta's employees regarding the so-called "OFFICE diets" ("Diety OFFICE"), combined with the individual diet consultations, with the goal to promote a healthy lifestyle and providing instruction on maintaining the correct posture. The initiative was implemented as part of the "Health full time" campaign.

Training sessions on the pre-medical first aid dedicated to the employees of the individual TAURON Group's Subsidiaries are continuously enjoying great interest. Their goal is to transfer knowledge and practical skills with respect to the behavior and response in the situations that pose a threat to human health and life. Training programs deal with the issues related to the legal grounds and rules of conduct at the place of danger, as well as sets of topics related to the individual types of injuries. The training sessions are conducted by the qualified paramedics with many years of experience.

TAURON Capital Group took part in the Two hours for the family campaign for the sixth time. Symbolic 2 hours are a great excuse to slow down the fast pace of life for a moment and spend time with your family. This year, the theme of the International Family Day celebrations was "Small and large travel" and the attractions accompanying the celebration were related to this theme, i.e. the weekly "Family MegaPower" ("Rodzinna MegaMoc") campaign, as part of which numerous attractions and competitions were prepared for the employees, encouraging them to spend time with their loved ones.



The opening event of the "Family MegaPower" ("Rodzinna MegaMoc") campaign was a lecture held as part of the TAURON Group Open University entitled: How to strengthen the feeling of self-esteem in children and be a good enough parent? During the lecture such topics as the existence of a "perfect parent", basic dilemmas of parenthood, and ensuring a child's sense of security, acceptance and being loved were raised.

As part of the activities focused on age management, TAURON Dystrybucja organized a series of pilot workshops dedicated to the employees in the pre-retirement age. One day workshops called "Before I Retire - Psychological Aspects of Change", for about 40 people, were held at the Branch in Opole.

The goal of the workshop was to provide support for the employees in preparing for a change, i.e. the retirement, and the challenges that are associated therewith. The topics discussed during the meetings covered the psychological aspects of the retirement and the ways of dealing with changes in life. The participants also received the practical hints on how to maintain a sense of contentment and happiness in mature adulthood (at a senior age). Many of them admitted that the workshop had been a good opportunity for personal development and thinking about their plans for the time after the retirement.

4.7. TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy

TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy regulates the standards of the process of recruitment and induction (onboarding, orientation) of the new employees at TAURON Group. The policy also specifies the rules related to filling both vacant as well as the newly created jobs with people with the desired professional qualifications and competences. The policy sets out assumptions regarding the selection of employees, understood as all actions taken to fill the vacancy: from the moment of defining the staffing needs until the moment of completing the adaptation of a newly recruited employee. 1 723 employees were hired by TAURON Group in 2019. The detailed data on the employment structure at TAURON Group is provided in section 4.6 Human resources management policy.

Due diligence procedures and internal regulations

Due diligence procedures employed under the Policy include, first of all, the structured forms of recruitment. In case of TAURON Group the include the following:

- open internal recruitment,
- closed internal recruitment,
- external recruitment.

Priority is given to internal recruitment at TAURON Group, which has a positive effect on the development of human resources within the Group, creates opportunities for promotion or taking an equivalent position in another business unit, and creates natural career paths and encourages employees to further their improvement and development.

Every employee selection process requires an individual approach, depending on the specifics of the given position. The selection of the given recruitment method is preceded by the examination of the internal or external labor market (depending on the selected recruitment form), as well as the analysis of the budget allocated to the given recruitment process.

Employees are selected at TAURON Group using, among others, the following methods:

- open internal recruitment (announcements in TAURON Group's intranet, recommendations (referrals) by employees of other employees as potential candidates, e-mail to all employees),
- closed internal recruitment (recommendations (referrals) by employees of other employees as potential candidates, employees with a development potential),
- external recruitment (advertisements in the press, Internet, at universities, recommendations (referrals) by employees of persons from outside TAURON Group's subsidiaries as potential candidates, recruitment agencies).

In order to achieve the best recruitment results with the most optimal cost approach possible, an efficient selection of employees at TAURON Group is based on the following assumptions and principles:

- selecting employees based on the long-term employment and staff development plans, taking into account planned personnel changes (promotions, transfers, layoffs, etc.),
- integration with the human resources management policy conducted at TAURON Group,
- focus on creating choice opportunities through searching for at least several candidates for one job position to be filled,
- standardization of the criteria used in the selection of employees for specific positions and the application of methods, principles and procedures allowing for an objective comparison of individual candidates within one recruitment process,
- reliability, impartiality and professionalism applicable to all participants in the selection process without any exceptions;
- maintaining high standards of contact and communication with the candidates each time (specific rules, among other with respect to inviting the candidates for interviews, forms and scope of providing feedback),
- maintaining standards related to the use of the selection tools,
- ethical behavior towards the candidates, including, for example, meeting deadlines, providing information on the results of the recruitment process,
- ensuring the confidentiality of the recruitment process for the candidates at all the stages thereof.

Actions taken and results achieved

In order to adapt to the changes taking place on the labor market, we undertake a number of initiatives that enhance the image of TAURON Capital Group as a good and desirable employer.

Participation in Job Fairs organized by the universities is a regular element of the activities promoting TAURON Group in the academic community. TAURON Capital Group promoted its job offers, among others, during two editions of the Employers and Entrepreneurship Exchange organized by the Silesian University of Technology in Gliwice and during the Job Fair organized by the University of Economics in Katowice in 2019. Participation in the above initiatives enables us to promote the current job offers, apprenticeships and internships coming from all of the Group's subsidiaries. This form of the employer branding activities also gives us the opportunity to conduct an initial interview with the potential candidates, as well as to promote the organizational culture, attitudes and values that we follow every day in the organization.

The Employee Referral Program was launched at TAURON Group in 2019. This is an additional recruitment activity that allows for reaching more candidates through the involvement of the Group's employees. The goal of the program is to acquire candidates with the required potential, i.e. with the desired professional qualifications and competences, based on the referrals of the people who are already employed by the organization.

The document regulating the implementation of the activities in this area are the Rules for making employee referrals in the recruitment process at TAURON Group. The main benefits of implementing the Program include, among others, the optimization of the recruitment costs, shortening of the duration of the recruitment, as well as strengthening of the involvement of the Group's employees and of the awareness of the impact on shaping the human resources at TAURON Group.

In order to attract the candidates interested in working at TAURON Capital Group, the Recruitment Hotline for job candidates was launched at the end of 2019. The main purpose of the hotline is to encourage people with qualifications that are in line with the Group's current needs to start working for the company. The direct contact with the hotline consultants provides quick access to the information on the available job offers, details of the requirements for the positions offered, the recruitment process and the information about benefits offered by the Group.



The launch of the hotline was accompanied by a wide-ranging campaign promoting the initiative Work at TAURON. Join the group of our specialists (professionals)!

4.8. TAURON Group's Anti-corruption Policy

The basic document regulating the area of preventing corruption at TAURON Capital Group is TAURON Group's Anti-corruption Policy. The overriding goal that guided the creation and implementation of the Policy was to define uniform rules and standards of conduct that allow for the identification, prevention and mitigation of the risk of corruption and other fraud (abuse) at the subsidiaries.

The implementation and compliance with the Anti-corruption Policy is to ensure the compliance of the operations of TAURON Capital Group's subsidiaries with the applicable law, the internal and intra-corporate regulations, as well as the ethical principles, thus ensuring proper protection of the interests, reputation and image of the subsidiaries and TAURON Capital Group, as well as the transparency of actions towards the external entities.

The Policy applies to all of the employees, management board members and supervisory bodies of companies, as well as the proxies and the powers of attorney. The Group also requires compliance with the standards of behavior set out in the Policy by the external entities.

The purpose of the Policy is to counteract not only corruption activities, but also other abuse (fraud), which include, for example:

- theft or misappropriation of company assets (cash, materials, products, tools, equipment) or the property of external entities with which the employee has business relations,
- deliberate falsifying of company documents or entering false information and data into their content,
- managing the company's documentation in an unreliable or untruthful manner, in particular destroying, deleting, concealing, altering or falsifying documents regarding the company's operations,
- deliberate disclosing of information inconsistent with the facts in the financial statements,
- using the company's resources for private purposes.

The areas susceptible to the risk of corruption or other fraud related to the operations of TAURON Capital Group include in particular:

- purchasing proceedings,
- cooperation with the external entities,
- implementation of the investment processes,
- transactions with related entities,
- expenses related to business trips or entertainment,
- representation and advertising expenses, including invitations and gifts,
- expenditures on the marketing and consulting services,
- cash transactions
- donations and sponsorship agreements.

The following ways of implementing the Anti-corruption Policy by TAURON Capital Group were defined:

1. The Group exercises due diligence to ensure that contacts with the external entities are open and transparent, so as to exclude the possibility of corruption and other abuse.
2. The Group undertakes to take appropriate (in particular lawful), adequate and proportionate actions in relation to the occurrences of corruption and other abuse. In particular, the company shall notify law enforcement authorities of any potential violations of the legal regulations in the event of a justified suspicion of such violations.
3. Employees and external entities are encouraged to provide information on the violations of the Policy as well as other irregular behavior.
4. Raising of the employees' awareness with respect to the possibility of identifying corrupt activities and other abuses is ensured through information activities, training, initiatives related to the elimination of corruption events, enabling proper understanding of the Policy and the use of its principles by employees in their daily work.
5. Cooperation with the external entities to eliminate corruption and other abuse.

Due diligence procedures

The standards recommended for the compliance management system with respect to counteracting corruption and protecting whistleblowers at companies listed in the Warsaw Stock Exchange of 08.10.2018 contain the recommendations on how to shape the compliance function at an organization, as well as on the introduction of solutions that minimize the risk of the emergence of unethical behavior, conducive to corruption and conflict of interest. In addition, these standards indicate what actions exhaust the features of the concept of due diligence with respect to shaping the organization's procedures and processes aimed at preventing corruption.

The activities of the Compliance Officer and the Compliance Coordinators at TAURON Capital Group are based on the guidelines presented in the standards set out by the Best Practices of WSE Listed Companies.

TAURON Capital Group's due diligence can be demonstrated based on, among others:

- adoption and application of TAURON Group's Corporate Social Responsibility Code of Conduct,
- adoption and application of TAURON Group's Compliance Policy,
- regulating the compliance management function at TAURON Group,
- adoption and application of the Anti-Corruption Code at TAURON Group,
- adaptation to the recommendations regarding the ban on creating mechanisms to finance property and personal gains,
- conducting compliance training,
- starting the process of implementing anti-corruption clauses for use in the contracts,
- adoption and application of the Rules for accepting and giving gifts at TAURON Group,
- regulating of the sponsorship issues,
- regulating and implementing of the Fraud (Abuse) Reporting System at TAURON Group and conducting of the fact finding investigations,
- implementation and application of the Contractors Credibility Assessment Procedure at TAURON Group,
- implementation and application of the Principles (Code) of Conduct for controls at TAURON Group's subsidiaries.

Actions taken and results achieved

Among the activities undertaken as part of TAURON Group's Anti-corruption Policy, the functioning of the system for reporting, investigating and probing corruption activities and other abuse (fraud) is of key importance.

Each employee is obliged to study the provisions of the Policy, to strictly comply with its content and to sign an appropriate statement.

The data on collecting the statements at TAURON Polska Energia S.A. and TAURON Group's other subsidiaries is provided in Table no. 57.

Table no. 57. Percentage of employees of TAURON Capital Group's individual subsidiaries who signed, as of 31.12.2019, a statement on their familiarity with the Group's anti-corruption policy

Company	% of employees whose statements have been collected	Has the process of collecting the statements been completed or is it underway?
TAURON Polska Energia S.A.	90%	Underway
Kopalnia Wapienia „Czatkowice” sp. z o.o.	95 %	Underway
Spółka Ciepłowniczo-Energetyczna Jaworzno III sp. z o.o.	89%	Underway
Spółka Usług Górniczych sp. z o.o.	93% among white collar workers 7 % among blue collar workers	Underway
TAURON Ciepło sp. z o.o.	99 %	Underway (continuation among the new personnel)
TAURON Dystrybucja S.A.	94 %	Underway
TAURON Dystrybucja Pomiary sp. z o.o.	85%	Underway
TAURON Dystrybucja Serwis S.A.	81%	Underway
TAURON Ekoenergia sp. z o.o.	No data as of December 31, 2019	Underway
TAURON Ekoserwis sp. z o.o.	100%	Underway (continuation among the new personnel)
TAURON Obsługa Klienta sp. z o.o.	72%	Underway
TAURON Sprzedaż sp. z o.o.	94%	Underway
TAURON Ubezpieczenia sp. z o.o.	92%	Underway
TAURON Wydobywanie S.A.	None	Underway
TAURON Wytwarzanie S.A.	90% among the employees with access to a computer	Underway

Employees are also required to promptly provide information on any justified suspicion of corruption or other fraud (abuse). To this end, TAURON Capital Group provides:

- appropriate communication channels allowing employees and external entities to securely (including anonymously) report potential violations,
- confidentiality of the data of the reporting person and the information provided,
- protection against all forms of retaliation for the individuals who report corrupt activities and other abuse (fraud) in good faith.

Separate communication channels through which you can report any type of irregularity:

- a) in person: to the immediate superior or the Compliance Officer or the Compliance Coordinator,
- b) in writing, to the following address: Compliance Officer, ul. Ks. Piotra ściegiennego 3, 40 -114 Katowice,
- c) by phone: + 48 32 774 22 22,
- d) e-mail: compliance@tauron.pl,
- e) Abuse (Fraud) Report form available at: <https://www.tauron.pl/tauron/o-tauronie/formularz-zgloszenia-naduzycia/>,

used to report behavior inconsistent with the applicable law, internal or intra-corporate regulations of TAURON Capital Group or ethical standards set out in TAURON Group's Corporate Social Responsibility Code of Conduct.

External entities, in particular the contractors (counterparties) and other stakeholders of TAURON Group's Subsidiaries, in the case of identifying irregularities within the operations of TAURON Group, have the option of using the Abuse (Fraud) Report Form.

In special cases, notifications can be sent in writing directly to the Company's Supervisory Board.

Specific notification channels comply with the requirements set out in the Public Offering Act.

Superiors who receive reports of potential corrupt activities or other abuse (fraud) should immediately inform the Compliance Officer of this fact, and in case of a company other than TAURON Polska Energia - the Compliance Coordinator.

Compliance Officer, and in a Company other than TAURON Polska Energia S.A. the Compliance Coordinator, upon receipt of the notification, confirms that the person submitting the application has accepted it. With the exception of anonymous reports, he / she verifies its accuracy and undertakes, with due diligence, follow-up actions to clarify the circumstances indicated in the report in accordance with the procedures in force in this respect at TAURON Capital Group.

Compliance Officer, and in a Company other than TAURON Polska Energia S.A. the Compliance Coordinator informs the person submitting the report about the final result of the fact finding investigation or about its extension.

All the reports received are subject to entry in the Fraud Register, and an explanatory report is drawn up for each fact finding investigation.

In the event corruption actions or other abuse (fraud) has been confirmed, the subsidiaries take corrective actions to prevent similar events in the future. Compliance Officer, and in Companies other than TAURON Polska Energia S.A. Compliance Coordinators undertake educational and information activities in order to provide understandable and easily available information on the principles of reporting corrupt activities or other abuse (fraud) at TAURON Capital Group.

TAURON Polska Energia S.A. also monitors the procedures as well as the internal and intra-corporate regulations in force at TAURON Capital Group, also in terms of improving and developing the system of counteracting corruption and other abuse (fraud).

20 notifications were received using the Fraud Report Form at TAURON Group in 2019.

Due diligence procedures functioning as part of the Anti-Corruption Policy also include the Principles of accepting and giving gifts at TAURON Group introduced in January 2019. The rules supplement the applicable TAURON Group's Corporate Social Responsibility Code of Conduct and TAURON Group's Anti-Corruption Policy with respect to giving and accepting gifts by persons performing work for TAURON Capital Group's subsidiaries.

The purpose of the described document is to develop awareness among the employees of TAURON Capital Group's subsidiaries regarding the type of gifts (including invitations) that can be received or handed in connection with the performance of official duties, and to define the conditions in which their acceptance or handing is unacceptable. The implementation and compliance with the Rules is to eliminate situations where accepting gifts could affect the business decisions taken by the Group's subsidiaries.

The general rule obligates all of the employees to refrain from accepting gifts from customers or other employees that could result in exerting an influence on the recipient or could give rise to the obligation to take or forego a specific action with respect to the official duties entrusted thereto, or affect current or future business decisions of TAURON Capital Group's subsidiaries.

An employee of TAURON Capital Group may accept a gift only if the criteria specified in the above-mentioned Principles are collectively met. Any doubts regarding the appropriateness of accepting a gift should be consulted with an immediate superior or the Compliance Officer at TAURON Polska Energia.

The rules for accepting and giving gifts at TAURON Group are adapted to the requirements set out in the "Standards recommended for the compliance management system with respect to countering corruption and the whistleblower protection system in place at companies listed on the markets organized by the Warsaw Stock Exchange" adopted on October 8, 2018 by the Warsaw Stock Exchange. The standards referred to above contain recommendations on how to shape the compliance function in an organization, as well as on the introduction of solutions that minimize the risk of unethical behavior, conducive to corruption and conflict of interest. In addition, these standards are in line with the proposed changes to such regulations as the Act on the Liability of Collective Entities, indicating what actions exhaust the features of the concept of due diligence with respect to shaping the organization's procedures and processes aimed at preventing corruption.

TAURON Group's anti-corruption campaign

TAURON Capital Group carried out an anti-corruption campaign in 2018 and 2019 under the slogan: Play with us for honest attitudes in our company - learn about Anti-Corruption Policy at TAURON Group!

The goal of the campaign was to:

- inform about zero tolerance policy against corruption and other abuse (fraud),
- promote the principles of fair play (honesty and transparency in action),
- point out dirty play (e.g. theft, misappropriation, falsification),
- inform about possible ways of reporting abuse (fraud).

The information on the campaign was posted on the internal intranet site and distributed to the employees via email.

Compliance Awards 2019 Prize

The jury (board) of the Compliance Awards 2019 competition awarded TAURON Capital Group a prize in the category Compliance Idea of the Year for its anti-corruption campaign. Compliance Awards 2019 is a nationwide competition organized by the Compliance Institute, in which prizes are awarded in three categories: Compliance Officer of the Year, Compliance Idea of the Year, Compliance Advisor of the Year. The award of the prize is decided by the members of the jury (board) who sit on the program board of the Compliance magazine. TAURON Capital Group's anti-corruption campaign was recognized for innovation and unconventional nature, as well as for promoting knowledge on preventing fraud at TAURON Group via a dedicated website, available at <https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance#slide1>

Anti-trust activities

TAURON Capital Group implemented the Procedure for Countering Bid Collusion at TAURON Group in July 2018. The purpose of the document is to define uniform rules of conduct to be applied during the purchase order (contract) award procedure, which will allow for the detection, notification and prevention of bid collusion among contractors entering into procedures organized by the contracting authority.

TAURON Capital Group's purchasing cells are required to take part in training sessions on bid collusion and detection of cartels organized in cooperation with entities dealing with anti-trust protection at least once a year.

In connection with the above, the Power of Attorney, together with the Compliance Team, conducted a dedicated training in May 2019 entitled: Bid collusion and other difficulties in implementing public procurement procedures, including the concept of a new public procurement law for the employees of the purchasing area and the Compliance Coordinators from the entire TAURON Capital Group.

Verification of contractors

In order to ensure protection against the risk of establishing cooperation with entities operating not in accordance with the provisions of law, good customs and commercial practices, and in particular to reduce the risk of participation in the tax fraud and money laundering schemes, TAURON Capital Group has introduced the *Procedure to assess the credibility of contractors (counterparties) at TAURON Group*.

The contractor's credibility is assessed by TAURON Capital Group based on the following information:

- legal and financial characteristics,
- thus far operations,
- contract terms,
- equity (capital) and personal ties.

In addition, TAURON Group has been applying the split payment mechanism since July 2018. It is one of the methods used to combating VAT fraud and scams. The application of the split payment mechanism has been indicated by the Ministry of Finance as one of the prerequisites of the due diligence process to be applied by the buyers of goods in domestic transactions.

To date, around 900 contractor (counterparty) credibility reports have been issued throughout TAURON Group.

4.9. TAURON Group's WHS Policy

The employees of TAURON Capital Group are a key group of stakeholders. The important aspects in this area are issues related to ensuring their safety at the work place. This is reflected in TAURON Group's 2017-2025 Sustainable Development Strategy, as well as in the Work Health and Safety (WHS) Policy established on the basis of that document.

The Work Health and Safety (WHS) Policy is a set of regulations aimed at continued improvement of work (occupational) health and safety standards. By applying the provisions provided therein TAURON Capital Group steadfastly seeks to eliminate work related accidents as well as minimize the occurrence of occupational diseases and the number of potentially accident prone incidents.

The safety of employees, customers, contractors, guests and the other stakeholders is an absolute priority that has a significant impact on the decisions and actions taken by TAURON Capital Group's subsidiaries.

The policy defines the principles of operation, as well as the rules of conduct that serve the implementation of TAURON Capital Group's four basic goals with respect to work health and safety (WHS), i.e.:

- eliminating accidents at work of all employees and employees working for the benefit of TAURON Capital Group's subsidiaries and any other persons in the area where the subsidiaries are conducting their operations,
- ensuring optimal working conditions for all employees and those working for TAURON Capital Group
- improving the qualifications of employees of TAURON Capital Group aimed at increasing competences with respect to improving their safety and the safety of employees and people who are in the area of their work,
- improving an effective work health and safety (WHS) management system.

Due diligence procedures and internal regulations

Work Health and Safety (WHS) Policy is the overarching document describing the uniform system of occupational health and safety at TAURON Capital Group.

As part of the Group's Work Health and Safety (WHS) Policy, each of the subsidiaries, due to the specifics of its operations, has its own regulations in this area, which are fully compliant with the requirements and applicable laws. In addition, the work health and safety (WHS) regulations are adapted to the nature of the work and tasks performed. At companies whose operations profile involves production and distribution, i.e. TAURON Wydobycie, TAURON Wytwarzanie, TAURON Ciepło, Kopalnia Wapienia „Czatkowice”, TAURON EKOENERGIA and TAURON Dystrybucja – the issues related to the protection of the health and life of employees have a special meaning, which is expressed in extended safety systems, as well as inspections of working conditions, compliance with the work health and safety regulations and rules at individual work stations.

In accordance with the Work Health and Safety (WHS) Policy the WHS rules are valid for all persons staying at TAURON Capital Group's sites. External entities that carry out work at the Group's subsidiaries are obliged to comply with the applicable procedures, including with respect to health and safety of employees. Employees of external companies (contractors and subcontractors) are also required to have up-to-date medical examinations (clearances) and appropriate qualifications and authorizations for the works performed. Some of TAURON Capital Group's subsidiaries (especially those where work conditions are particularly dangerous) also introduce additional requirements and training for external entities.

The most important documents regulating health and safety at work are the Integrated Work (Occupational) Safety and Health Management System at TAURON Wydobycie, Work (Occupational) Health and Safety Management

Actions taken and results achieved

Due to the consistent pursuit of a decrease in the number of accidents, activities promoting safe behavior at the workplace are intensified, and the individual subsidiaries run numerous information and educational campaigns. In 2019, at TAURON Group they included, among others:

- "Good to see you" campaign (each employee received a reflective band that improves visibility on the road and thus increases the chances of a safe return home) (at TAURON Ciepło),
- Work Health and Safety campaign "Time to be particularly careful", which was aimed at improving safety and health by making the employees aware of the causes of accidents at work, while the main gadget of this project was a key ring that reminded each employee of safety during the most "accident prone" working hours (key rings together with the ICE card "in case of emergency" were forwarded to each organizational unit) (at TAURON Ciepło),
- art competition related to the topic of the Work (Occupational) Safety and Health "Draw safety". It was a poster competition promoting safe behavior and work organization. The authors of the three best competition entries were awarded with money prizes (at TAURON Ciepło),
- safety calendars hung from January 2019 on employee boards and in the changing rooms (at TAURON Ciepło),
- in 2019, the WHS unit organized the 6th WHS Knowledge Competition, which was an eliminator to the 22nd National Competition on the Knowledge of Work Safety at Power Plants and Combined Heat and Power Plants. The purpose of conducting the in-house Health and Safety Knowledge Competition was to expand the knowledge of all aspects of the safety of TAURON Ciepło employees in the workplace and to promote safety issues in line with the adopted policy (at TAURON Ciepło),
- implementation of the Work Health and Safety Improvement Plan (at TAURON Wytwarzanie),
- promoting the idea of "Zero accidents at work" (at TAURON Wytwarzanie),
- organization of the "WHS Open Doors Day" for the employees, which included, among others expanding the knowledge of the applicable health and safety regulations at TAURON Wytwarzanie, regarding the organization of safe work on power equipment, along with the conclusions, the possibility of conducting additional exercises on resuscitation mannequins, practical aspects of the use of handheld fire-fighting equipment (at TAURON Wytwarzanie and external companies),
- conducting the Work (Occupational) Health and Safety Knowledge Competition for the employees (at TAURON Wytwarzanie),
- training in stress management and prevention of burnout (at TAURON Obsługa Klienta)
- conducting of the Social Reviews of the Working Conditions (in the entire TAURON Capital Group),
- first aid training (in the entire TAURON Capital Group),
- using VR technology as a modern method supporting the training programs, among others for the electricians (at TAURON Dystrybucja).

An important element in promoting work health and safety (WHS) rules is continued raising of the awareness of employees and subcontractors with respect to occupational safety, mainly through dedicated training courses, which are conducted in the form of meetings and workshops, and in an interactive form (e-learning platform training). Due to the fact that the best promoters of safe behavior at the work place are employees themselves, subsidiaries organize internal training courses, information campaigns, as well as work health and safety knowledge contests.

The above actions significantly influence the employee accident rates at TAURON Capital Group.

202 accidents occurred at TAURON Group's subsidiaries in 2019, leading to the total of 206 people getting injured. There were 2 fatal accidents among them. The total number of accidents decreased by 7 incidents as compared to 2018. The number of the most tragic accidents, i.e. fatalities, increased from one incident in 2018 to two cases in 2019. The number of minor accidents decreased from 202 in 2018 to 200 accidents in 2019. As compared to the previous year, no major accidents were recorded in 2019. The accident frequency rate was 7.8 in 2019. The employee accident rate (accident frequency rate) broken down by gender (Injury rate - IR) is presented in Table no. 58.

Table no. 58. GRI 403-9. Employee accident rate (accident frequency rate) broken down by gender at TAURON Capital Group in 2019

	2019
TOTAL NUMBER OF ALL ACCIDENTS	202
Women	11

Men	195
NUMBER OF FATAL ACCIDENTS AT WORK	2
Women	-
Men	2
NUMBER OF MINOR ACCIDENTS AT WORK	200
Women	11
Men	193
NUMBER OF MAJOR ACCIDENTS AT WORK	-
Women	-
Men	-
NUMBER OF GROUP ACCIDENTS	4
Women	-
Men	8
ACCIDENT FREQUENCY RATE	7.8
Accident frequency rate = (number of accidents at work x 1000) / average employment in 2018.	
Women	0.4
Men	7.5
ACCIDENT SEVERITY RATE	67.2
Accident severity rate = Total number of days of inability to work of victims of accidents at work / Number of persons injured in accidents at work (excluding fatalities)	
Women	46.1
Men	68.4

Due to the steadfast pursuit of a decrease in the number of accidents, activities promoting safe behavior at the workplace are continuously intensified. These include numerous training courses, covering both the employees as well as external entities performing work for TAURON Capital Group's subsidiaries. The percentage TAURON Group's people of trained in 2019 is presented in Table no. 59.

Table no. 59. GRI EU18. Percentage of TAURON Capital Group's employees, contractors and subcontractors that have undergone WHS training in 2019

2019	Kopalnia Wapienia "Czatkowice"	TAURON Ciepło	TAURON Wydobycie	TAURON Wytwarzanie	TAURON Dystrybucja Pomiary
Percentage of employees employed by contractors who underwent the above WHS training	0%	61%	83%	26%	77%

TAURON Group's WHS Rules apply to all persons staying at TAURON Group's plants (sites). External entities performing works at the Group's subsidiaries are obliged to comply with applicable procedures, including with respect to the health and safety of employees. The employees of external companies (contractors and subcontractors) are also required to have valid medical examinations, appropriate qualifications and authorizations to perform work. Some of TAURON Group's subsidiaries (especially those where working conditions are particularly dangerous) also introduce additional requirements and training for the external entities.

At Kopalnia Wapienia "Czatkowice" and TAURON Wydobycie, due to the industry specifics and the nature of the business operations, each employee of an external company undergoes training on the knowledge of the rules and principles of work health and safety, including the safety of performing the tasks entrusted thereto.

At TAURON Ciepło and TAURON Wytwarzanie subsidiaries, pursuant to the internal regulations, training is carried out for the supervision personnel of the external companies with respect to the existing threats to safety and health at the workplace, as well as they are familiarized with the internal regulations in force at the subsidiary. At the same time, contractors (the supervision personnel of the external companies) are required to train persons performing the subject of the contract / order with respect to the existing threats to safety and health on site and during the performance of the works, as well as to familiarize them with the internal normative acts, according to the scope of the works to be performed. As a consequence, 100% of employees of contractors or subcontractors should be trained (indirect training).

4.10. Strategic Research Agenda (SAB)

TAURON Capital Group is carefully analyzing the changes in the environment that affect its entire value chain. Its individual elements determine or are likely to have a significant impact on this chain in the foreseeable future. We see an intense development and potential importance of distributed power generation sources, the advancing digitization of the distribution grids and the change in the role of the electricity consumer, who, from being a passive market participant, is turning into its active player or even the so-called prosumer. We do not perceive the technological progress as a threat, but as an opportunity to become the sector's leader of innovation.

Due diligence procedures and internal regulations

R&D and innovation activities that TAURON Capital Group is placing a strong emphasis on in its Strategy, are reflected in the Strategic Research Agenda (SAB) adopted in 2018 and steadfastly implemented in 2019. Portfolio based management of research and development projects has been introduced by TAURON Capital Group as part of the Research and Development Area, in line with the priority directions of innovative as well as research and development activities.

SAB is a document that precisely describes the directions for the development of innovations and provides a more detailed elaboration of the Strategy. A separate project portfolio has been created for each direction, in which key challenges, development goals and research areas have been identified. Such a structure of the SAB supports the selection of specific projects and rejection of others, as well as allows for an optimal allocation of the financial resources. SAB includes the following portfolios:

- Customer and His / Her Needs;
- Intelligent Grid Services;
- Distributed Power Generation;
- Low Emission Generation Technologies.

Thus, TAURON Capital Group's research and development as well as innovation activities are implemented and expanded based on the complete and detailed strategic assumptions - with the clearly defined goals and results set on the time horizon.

SAB is consistent with and complementary to the other strategic documents, developed or adopted by TAURON Capital Group, including, first and foremost, with respect to the investment (capex) projects or asset management.

Actions taken and results achieved

The implementation of SAB takes place on several levels, forming the so-called innovation ecosystem, including in the pro-climate context. In addition to the traditionally understood research and development activities (research and development projects, cooperation with the scientific units and innovative business partners), the cooperation with start-ups, implemented under the accelerator programs and the Corporate Venture Capital (CVC) – EEC Magenta fund, has also gained significant importance at TAURON Capital Group.

Research and investment projects aimed at ensuring the reliability of electricity supply and promoting sustainable development within the Group and by TAURON Group are illustrated in Table no. 60.

Table no. 60. GRI EU DMA. Research and investment projects in 2019 aimed at ensuring the reliability of electricity supply and promoting sustainable development within and by TAURON Group

			2019
INVESTMENT PROJECT CATEGORIES	Investment project type – investment project name (broken down into categories in the table)	Description what the given investment project is related to	Costs (incurred in conjunction with the implementation of the investment project) PLN
Renewable energy technologies	Developing a platform that aggregates the generation and control (adjustment) potential of the distributed renewable energy sources and energy storage facilities (units) as well as selected categories of consumers whose demand can be controlled (managed)	Creating an innovative Virtual Power Plant platform (hereinafter referred to as "VPP") - allowing aggregation of the generation and control (adjustment) potential of the distributed renewable energy sources, energy storage facilities (units) and selected categories of controllable loads. Adaptation of the required infrastructure of the Lubachów Hydroelectric Power Plant (Elektrownia Wodna Lubachów) to operate in the Virtual Power Plant mode.	6 124 491.00
TOTAL COSTS IN THE CATEGORY			6 124 491
	Distributed energy 2.0 operating model - self-balancing power grid areas	The goal of the project is to develop technologies enabling setting up of local power grids, called micro grids. The algorithms to be used to control the operation of the system will be developed, and a comprehensive database will be created, while in order to obtain full information on the micro grid's parameters, a number of tests will be carried out to evaluate the correctness of the operation of the individual components and of the technology as a whole. The result of the Project will be a pilot installation and the detailed technical documentation of the solution, that would allow for its implementation both on the Polish as well as the foreign market.	288 536.97
Electricity distribution	MV / LV station monitoring system with a functionality enabling detecting events in the medium voltage grid	The goal of the project is to verify the technical assumptions and evaluate the business usefulness of the metering system provided by the company iGrid, selected as part of the startup support accelerator program: Pilot Maker. The system allows for a faster detection of some events occurring in the medium voltage grid, based on the measurements on the 0.4 kV side, as compared to the solution based on the balancing meters, as a result of which it is possible to locate faults in the MV distribution grid faster.	622 655.00
	System for assessing the propagation and improving the electricity quality parameters in the distribution grids (SOPJEE)	The project's goal is to develop a system for assessing the propagation and improving the electricity quality parameters (SOPJEE) in the distribution grids. TAURON Dystrybucja's existing metering infrastructure (more than 220 stationary and more than 200 mobile measurement points) will be used for this purpose, as well as a new, extended system for the monitoring and evaluation of the propagation of electricity quality parameters (JEE) will be built.	578 980.00

TOTAL COSTS IN THE CATEGORY		1 490 172	
Transmission and distribution technologies	Imaging of the overhead lines	Verification of the ability to employ the new technologies for inventory taking and assessing the technical condition of our LV infrastructure on a larger scale in a comprehensive and efficient manner. The project's goal is also to reduce the time and cost it takes to inspect the grid, increase the quality of the materials and data acquired, and increase the fault detection efficiency. In addition, the verification of the ability to link (share) the obtained data with the systems used by TAURON Dystrybucja (in particular ZMS).	1 286 356.00
	Distribution grid operation automation	Development of an innovative system for effective monitoring and support of the protection devices that meet the DMS (Distribution Management System) assumptions, along with the development of the protection controller prototype (including sirens) in the MV network.	1 210 930.00
	Integrated Grid Diagnostics System	The goal of the project is to conduct R&D works aimed at developing a prototype of an IT system supporting the process of managing the population of HV / MV transformers based on the multi-parameter analysis of the measurement results (ZSDS for short).	751 730.00
TOTAL COSTS IN THE CATEGORY		3 249 016	
Advanced technologies (storage, recovery, etc.)	Hybrid system for reducing the emissions of acid components and fly ash in the flue gases	The goal of the project is to test, in the conditions of a demonstration installation, a hybrid filter installed to replace an electrostatic precipitator. The hybrid filter responds to the market demand for a universal and flexible solution enabling the modernization of the existing dust removal and treatment systems or the construction of the new ones. In addition, the compactness of the solution allows for the installation of the device in places where the local conditions or the existing infrastructure prevents expansion or modernization.	1 128 313.96
	CO ₂ methanation system for storing electricity through the production of SNG	The project involves the conversion of CO ₂ into synthetic natural gas. The main goal of the CO ₂ -SNG project is to develop an advanced flexible methanation reactor and the CO ₂ -SNG installation, enabling the storage of surplus electricity, e.g. from the renewable sources.	527 204.04
	Flexibility of the existing power generating units with limited capital expenditures	The project focuses on developing a control and monitoring system for improving flexibility (IFCAMS) that would lead to the flexible use of the coal fired generation units. It is expected that the technology developed will allow power plants to be operated efficiently taking into account the new requirements for power (load) ramp (run) up / run back. The use of IFCAMS will shorten the time of the power (load) ramp (run) up and run back and will reduce the operational costs associated with numerous unit failures (due to the reduction of the current technical minimum).	230 710.00

	Development of the industrial design of carbonate fuel cells and ceramic electrolyzers enabling the integration with the power-to-gas installations	The goal of the project is to improve the chemical energy storage process (a substitute for natural gas, SNG), mainly based on the higher efficiency of the high temperature electrolysis and the use of the carbonate fuel cells for CO ₂ capture from the flue gases, which does not require the supply of electricity from the power plant to the capture system. In addition, both of the innovations introduced enable their integration on the heat and electricity generation side.	438 230.00
	e-BUS project	Energy storage using the mobile infrastructure	46 280.00
	Energy storage systems for the DSO needs	Demonstration project involving the use of the stationary energy storage system as the grid operation stabilization element, Smart Grid element (ESS Cieszanowice), The uninterruptible power supply system for the consumers in the distribution grids (sESS).	133 083.00
	Development and implementation of a technological process for reducing the HCl emissions in the flue gas from the fluidized bed boilers	The goal of the project is to adapt TAURON Wytwarzanie's Generating Units in an optimal manner to the new environmental and market requirements, in force beyond 2021, related to the Commission Implementing Decision (EU) 2017/1442 of July 31, 2017 establishing the best available techniques (BAT) conclusions for large combustion plants. The works are carried out at the Łagisza, Jaworzno and Siersza power plants.	2 608 200.00
	Developing and testing an adaptive electricity storage system based on the second life of the batteries coming from electric vehicles	The goal of the project is to develop a prototype of a battery storage in two capacity variants, based on the reuse of the lithium-ion batteries from the electric transportation, and to test it, in 3 use cases, including the preliminary definition of the model of the production accompanying processes related to the transformation of the batteries for a new application and supply chain model.	156 000.00
	Development and implementation of a technological process for the processing of waste from the fluidized bed boilers, using CO ₂ for the production of a cement substitute	The goal of the project is the construction and commissioning of a demonstration installation for the processing of waste from the fluidized bed boilers, using CO ₂ in the production process of the composites for applications in the construction industry and / or in the geo-engineering applications, to fill the post-mining voids in hard coal mining. The project is in line with the assumptions of the Circular Economy.	180 000.00
TOTAL COSTS IN THE CATEGORY			5 448 021
Innovative related services (e.g. remote meters)	Development of advanced technology for the monitoring and predictive analysis of the technical condition of the boiler to increase the reliability of the boiler unit	The origin of the project is associated with the need to improve the availability of the 460MWe unit. The technologies being developed should definitely increase the efficiency and reduce the costs of the diagnostics of the heat exchange surface inside the boiler, improving its availability and increasing the economic efficiency of its operation. The goal of the project is to develop two complementary technologies / tools for the advanced diagnostics of the wear of the heat exchange elements inside the boiler. The first solution would be used for the precise (detailed) monitoring of the technical condition of the heat exchange elements inside the boiler, which could operate at high temperatures, the second solution would be used for the analysis and interpretation of the results obtained in the context of the prediction of the erosive wear of the heating surfaces of the boiler's furnace chamber and the required repairs.	301 610.00

Internet of Things (IOT)	Development of the Internet of Things technology in cooperation with the city of Wrocław. The project's goal is to develop a platform for collecting data and managing a smart city, which will be expanded with the arrival of a new type of sensors of various types, for measuring various quantitative parameters. In the first phase, the project focuses on air quality monitoring, waste management and parking areas management.	1 989 790.00
HEMS (Home Energy Management System) program	The purpose of the Program, addressed to a retail customer, is to prepare TAURON Group to acquire a new revenue stream for the Group's subsidiaries, by developing a strategy, organization and model for the provision of the services and selling products under HEMS, based on the existing as well as the new products and services.	5 850.00
Platform for managing data coming from the advanced metering infrastructure (MDM - Meter Data Management)	The goal of the project is to develop a platform for managing data coming from the advanced metering infrastructure. It will enable conducting of advanced analyses of large metering data sets, based on the innovative mathematical and statistical models. This, in turn, will contribute to achieving increased capabilities of observing the distribution grid, making more efficient decisions with respect to the maintenance and development of the grid infrastructure, increasing the operational efficiency and numerous business benefits for the DSOs.	651 330.00
TOTAL COSTS IN THE CATEGORY		2 948 580
TOTAL AGGREGATE COSTS		19 260 280

4.11. TAURON Group's Corporate Purchasing Policy

TAURON Group's Corporate Purchasing Policy, which has been in force since 2010, implements the priorities set out in the Group Strategy regarding ensuring financial stability.

The main goal of implementing the Corporate Purchasing Policy was the need to create a transparent, competitive and efficient purchasing organization operating within the entire TAURON Capital Group.

TAURON Group's Corporate Purchasing Policy enables the implementation of strategic goals of the Purchasing Area, in particular with respect to:

- improving the efficiency of purchasing processes by implementing efficiency metrics,
- increasing the use of electronic tools in the purchasing, by developing and implementing the assumptions for the functioning and further development of the Purchasing Organization Support System,
- further centralization of the purchasing processes by defining, in the Corporate Purchasing Policy, the rules for determining the consolidated categories as well as the key competences and responsibilities of the purchasing category manager, the rules for developing and creating the Purchase Strategy and accounting for the achievement of the purchase objectives.

Due diligence procedures and internal regulations

Due diligence procedures with respect to the Corporate Purchasing Policy include all actions aimed at the continuous improvement of the purchasing processes, both with regard to acquiring goods as well as the operational purchase order processing. To be able to more fully achieve the above objective, the Purchase Order (Contract) Award Regulations and Purchase Strategies have been implemented.

Purchase Order (Contract) Award Regulations

A single common purchasing regulation was implemented for all of the Group's Subsidiaries in 2015,, along with the tender documentation templates. Regulations define the principles of planning, preparation and the manner of proceeding and awarding Purchase Orders. As a result, the purchasing process in the entire Capital Group is transparent and uncomplicated from the point of view of potential contractors.

Purchase Strategies

Thanks to the prepared Purchase Strategies, it is possible to develop a Knowledge Base in the Purchasing Organization Support System (SWOZ) with respect to purchasing optimizations used for the given purchasing category.

The above actions are primarily aimed at reducing the risk in the supply chain area and gaining access to solutions and innovations used by the suppliers.

The management of categories is inseparably connected with the centralization of purchases, which allows, among others, for strengthening of the purchasing position of the ordering (contracting) party, the ability to directly communicate with the suppliers at the strategic level, standardization of the purchasing processes throughout the organization, unifying the conditions of cooperation with the suppliers across the individual subsidiaries and efficient planning of the needs.

Purchase strategies also facilitate an exchange of knowledge in the event of a potential rotation of the purchase category managers and enable long-term collection of knowledge and experience among them.

Actions taken and results achieved

All of the above activities are aimed at simplifying and standardizing the purchasing process. Increasing competitiveness is a key task for the purchasing area. Competitiveness is a guarantee of the cost reduction, risk reduction in the area of supply chain and access to the best solutions on the market. Higher competitiveness of offers (bids) is also projecting a positive image of the ordering (contracting) party on the market as a transparent and professional entity.

4.12. Code of Conduct for Contractors of TAURON Group's Subsidiaries

An important initiative implemented at TAURON Capital Group as part of a responsible supply chain is the inclusion of the sustainability criteria into the purchasing process management standard. TAURON Group promotes the idea of social responsibility among its suppliers. It expects cooperation with the contractors (counterparties) who respect human rights and act in accordance with the legal regulations, ensure safe and dignified working conditions and apply not only the highest ethical standards, but also take care of the environment and the climate.

The criteria regarding corporate social responsibility were defined and collected in a single document, i.e. the Code of Conduct for Contractors of TAURON Group's Subsidiaries. It has been a mandatory criterion used in the process of qualifying contractors since December 2017. The Code is an applicable standard in the Capital Group, promoting responsibility among stakeholders and encouraging the implementation of responsible practices among the suppliers.

Due diligence procedures and internal regulations

The goal of the Code of Conduct for Contractors of TAURON Group's Subsidiaries is to define uniform standards and transparent rules of conduct as part of their business operations, in particular with respect to the contractors (counterparties). The Code also includes the rules related to the employee (among others work health and safety, discrimination, personnel policy, forced labor, employing children and minors), the natural environment (environment protection, responsible resource management, taking care of the climate), interactions with the stakeholders (among others fair competition, combating fraud (abuse), security and protection of information, investor relations).

The Code is applied in relations with the contractors (counterparties) of TAURON Group's subsidiaries and is applicable to all employees, members of the management board and supervisory bodies of the subsidiaries, as well as proxies and powers of attorney.

The Code is associated with TAURON Capital Group's other policy documents:

- TAURON Group's Corporate Social Responsibility Code of Conduct,
- TAURON Group's Policy of Respect for Human Rights,
- TAURON Group's Anti-Corruption Policy,
- The procedure for assessing the credibility of TAURON Polska Energia S.A.'s contractors,
- TAURON Group's rules for organizing ventures in cooperation with external entities,
- TAURON Group's Purchase Order (Contract) Award Regulations.

Actions taken and results achieved

A contractor (counterparty) who takes part in the proceedings organized by TAURON Capital Group's subsidiaries is obliged to submit a statement confirming that he has studied TAURON Group's Corporate Social Responsibility Code of Conduct and compliance with its provisions. The above statement was posted on the Company's website at: http://swoz.tauron.pl/platform/HomeServlet?MP_module=main&MP_action=publicFilesList.

4.13. Personal data protection policy for TAURON Group's entities

General Data Protection Regulation (GDPR) has been applicable in the European Union since May 25, 2018. The entry into force of this regulation changed the approach to the protection of personal data, imposing a number of new obligations on data controllers, such as the introduction of new data security procedures or informing the Polish supervisory authority (PUODO) and GDPR rights entities (e.g. TAURON Group's customers) about personal data breaches. As part of the GDPR (RODO) project, TAURON Group has undertaken a number of actions aimed at implementing the requirements of the Regulation due to the need to:

- ensure the protection of personal data regardless of the place of its processing,
- appoint a Personal Data Protection Officer at TAURON Group's subsidiaries (IOD),
- ensure mandatory notification of personal data breaches,
- ensure the default protection of personal data and the protection of privacy at the design stage (privacy by design),
- implement the rights of the customers and contractors (counterparties) that the data is applicable to (e.g. "the right to be forgotten"),
- update the content of the information clauses and consents regarding the processing of personal data,
- adapt the IT systems to the new security requirements for personal data processing.

The following principles are enforced at TAURON Capital Group:

- Legality of personal data processing: we process personal data in accordance with the generally applicable law, based on an established legal basis;
- Reliability: personal data is processed in a fair, adequate, appropriate and required manner for the purposes of its processing;
- Purposefulness: personal data is processed for specific purposes;
- Accountability: TAURON Group effectively documents the handling of the given data in order to be fully accountable and prove the fulfillment of the legal obligations regarding its processing;
- Minimization: TAURON Group minimizes the processing of personal data, we provide it only for the required purposes, of which we inform in advance;

- Correctness: we take care of the correctness of data with the utmost diligence, verifying it and enabling its owners (entities subject to GDPR), for example, to update the data;
- Security: we place particular emphasis on the security of personal data processing using IT systems, implementing tools and procedures aimed at increasing cyber security. We implement and update procedures, optimizing the security of personal data, and train staff in this regard.

TAURON Capital Group applies the Personal Data Protection Policy for TAURON Group's entities. Taking into account the processing of personal data, the document sets out the principles and obligations related to the security and confidentiality of such data, as well as regarding access to the information on its processing for the data subjects. In the event that, despite the security measures applied, a breach of personal data protection (e.g. data leakage or loss) has occurred, the Data Protection Controllers (Administrators) at TAURON Group, using the specially prepared forms, inform persons that the given personal data is applicable to, of such an occurrence, doing it in manner in accordance with the legal regulations.

Due diligence procedures and internal regulations

Due diligence procedures provided in this Policy include in particular:

1. General principles for the processing of personal data specified in art. 5 of GDPR. 2. Rules ensuring that data is processed in accordance with the law - art. 6-11 of GDPR. 3.
2. Obligations of the Data Controllers (Administrators) to comply with the rights of persons whose data is processed - art. 12-23 of GDPR.
3. Regulations on the fulfillment of the general obligations with respect to the data processing entrusted with the Data Controller (Administrator) and the Processing Entity (e.g. template of the agreement for entrusting the processing of personal data) - art. 24-31 of GDPR.
4. The necessary security measures for data processing, taking into account the nature of the scope, context and purposes of data processing - Art. 32- 36 of GDPR.
5. Control mechanisms over data processing in the form of monitoring the compliance with the regulations and the accepted processing procedures by the Data Protection Officer - art. 27-43.
6. Requirements for the transfer of data to third countries and international institutions - Art. 44 - 49 of GDPR.

In the Policy, in accordance with art. 24 and art. 32 of the GDPR, while performing the above mentioned obligations with respect to ensuring the compliance, measures taking into account the state of technical knowledge, costs, nature, scope, context, purposes of processing, as well as the risks to which the processed data is exposed, have been implemented.

Actions taken and results achieved

TAURON Capital Group undertook intensive activities In 2019 to demonstrate its care for the security of the personal data processed, by:

1. Ensuring the update of the internal regulations, including the Policy, to the extent related to the changing environment.
2. Keeping the inventory of equipment and software used for processing the information, including their type and configuration, up to date.
3. Performing periodic analyses of the risk of a loss of integrity, availability (accessibility) or confidentiality of the information and taking measures to minimize this risk, pursuant to the results of the analysis completed.
4. Undertaking actions to ensure that the persons involved in the information processing process hold the applicable authorizations and participate in this process to an extent adequate to the tasks and duties carried out by them to ensure the information security.
5. Immediately changing the authorizations in the event of a change in the tasks of the persons referred to in item 4.
6. Providing training for the people involved in the information processing process, with particular regard to such issues as:
 - a. threats to information security,
 - b. consequences of violating information security rules, including the legal liability,
 - c. using measures to ensure information security, including devices and software that minimizes the risk of human errors,
7. Ensuring the protection of the information processed against theft, unauthorized access, damage or interference, by:
 - a. monitoring access to the information,
 - b. activities aimed at detecting unauthorized information processing activities,
 - c. providing measures to prevent unauthorized access at the level of operating systems, network services and applications.
8. Establishment of and compliance with the basic principles guaranteeing security of work in case of mobile processing and remote work.

9. Securing the information in a manner that prevents its unauthorized disclosure, modification, deletion or destruction.
10. Including, in the support services contracts signed with third parties, provisions guaranteeing an appropriate level of information security.
11. Setting the rules for dealing with the information that minimize the risk of a theft of information and the information processing means, including mobile devices.
12. Implementation of an appropriate level of security in the ICT systems, involving, in particular:
 - a. taking care of software updates,
 - b. minimizing the risk of information loss as a result of a failure,
 - c. protection against errors, loss, unauthorized modification,
 - d. using cryptographic mechanisms in a manner adequate to the threats or the requirements of a legal provision,
 - e. ensuring the security of system files,
 - f. reducing the risks arising from the use of the published technical vulnerabilities of the ICT systems,
 - g. taking immediate action after noticing the undisclosed vulnerabilities of IT systems to the possibility of security breaches,
 - h. checking the compliance of ICT systems with the relevant security standards and policies.
13. Implementation of a system for immediately reporting incidents of the information security breaches in a specific and pre-defined manner, enabling prompt taking of corrective actions.
14. Periodic internal audit with respect to the information security, at least once a year.

The number of justified complaints regarding breaches of customer privacy received by TAURON Group from the external entities decreased by 50% in 2019, as compared to 2018 (measured since May in 2018), however, the number of justified complaints regarding a breach of customer privacy received from the regulatory authorities went up by 100%.

Table No. 61 presents material complaints regarding breaches of customer privacy and loss of customer data at TAURON Group in 2019.

Table no. 61. GRI 418-1. Material complaints regarding breaches of customer privacy and loss of customer data at TAURON Group in 2019

Total number of data leakage, theft or loss of customer data cases found	245
Number of justified complaints regarding breaches of customer privacy received from third parties and recognized by the organization	2
Number of justified complaints regarding breaches of customer privacy received from the regulatory authorities	4
Total number of justified complaints regarding breaches of customer privacy	6

TAURON Sprzedaż and TAURON Sprzedaż GZE are the main centers for the arising of material complaints regarding breaches of customer privacy and loss of customer data in 2019 (92%). The increase in the growth rate of the total number of detected data leaks, thefts or cases of its loss (+ 355%) results from the increase in the scale of the processing of the customers' personal data in 2019, especially in the new projects as compared to 2018.

In 2020, a detailed analysis of the subject structure and growth factors of the said indicators (rates) will be performed, along with the recommendations on how to reduce their magnitude.

4.14. Policy of compliance with the Principles of Ethics and preventing Mobbing and Discrimination at TAURON Capital Group

The policy of compliance with the Principles of Ethics and preventing Mobbing and Discrimination at TAURON Capital Group was implemented in May 2019, replacing the Policy of preventing mobbing and discrimination at TAURON Group in place since 2017. This policy defines the rules for reporting the violations of the Ethics, Mobbing and Discrimination Rules as well as the tasks, rights and obligations of TAURON Group's Ethics Committee.

There are two sub-committees within TAURON Group's Ethics Committee:

- Internal sub-committee, whose members are appointed and dismissed by the Management Board of the given Subsidiary, that at the same time appoints the Chair of the Subcommittee;
- Group sub-committee, composed of eight members, appointed from among the representatives of the trade unions operating at TAURON Group and eight representatives of the Employers, appointed by the Management Board of TAURON Polska Energia S.A.

The employee has been given a choice of which Subcommittee he / she would like to turn to in order to have his / her notification reviewed.

Due diligence procedures and internal regulations

The main assumptions used as part of the Policy of compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination at TAURON Group include:

- ensuring compliance with the Principles of Ethics with respect to preventing employee rights violations and conflicts between Employees,
- defining the principles of counteracting Mobbing and Discrimination cases at the workplace and in connection with the performance of work, ensuring the implementation of the labor law provisions,
- undertaking intervention measures and mitigating the effects of identified cases of violations of the Principles of Ethics, in particular the cases of Mobbing, Discrimination,
- taking disciplinary measures against persons committing violations of the Principles of Ethics, in particular regarding Mobbing or Discrimination,
- strengthening positive relations among Employees.

TAURON Group's Corporate Social Responsibility Code of Conduct is a regulation supporting the Policy of Compliance with the Principles of Ethics and counteracting Mobbing and Discrimination, which includes TAURON Group's corporate values and the principles of conduct at TAURON Group in three areas: employee, natural environment and stakeholders. They provide a guidepost on conduct for all employees.

Actions taken and results achieved

The Policy of compliance with the Principles of Ethics and counteracting Mobbing and Discrimination at TAURON Group is implemented through the e-learning training courses aimed at developing and strengthening positive relations among the Employees and preventing the cases of mobbing or discrimination as well as ongoing education of the employees. The e-learning training is a mandatory training for all of the newly hired employees. The other employees are reminded of the Policy rules through the information campaigns and content available on the intranet website.

4.15. TAURON Group's due diligence procedures

4.15.1. Internal control and audit procedure

The internal audit process at TAURON Capital Group is organized in such a way as to ensure broadly understood security of the Group's operations, while supporting the implementation of the Strategy's objectives. As part of its control and audit activities, the Group strives to increase the predictability of achieving strategic goals - including stable achievement of the assumed financial result - by also focusing on the potential risks that may threaten the value levers (drivers) that are key for the implementation of the Strategy.

The main goals of the Audit Area at TAURON Polska Energia S.A. include: planning and implementation of the audit tasks, including advisory and opinion forming activities, as well as the control tasks, including the performance of the ad hoc controls commissioned. As part of the audit activities, the correctness of the audited processes and the effectiveness of the control mechanisms are also verified. If any irregularities are identified, the auditors recommend taking appropriate corrective actions. The implementation of the recommendations is the responsibility of the management of the audited entities, and the degree of the implementation of the audit recommendations is monitored on an ongoing basis. The above tasks are implemented by two teams: the Strategic Audit Team, dealing with the strategic tasks, covering TAURON Capital Group and the Operational Audit Team, carrying out specialized operational tasks at the level of the Group's individual subsidiaries and its lines of business.

Similarly, the control (inspection) activities are organized at the Group level and carried out by the Internal Control Team and at the level of the subsidiaries by the controllers employed by such subsidiaries. In addition, within the Audit and Control Area, there is a unit specializing in the control of the area of IT, OT and security systems. Tasks carried out by these units include both the scheduled audits as well as the ad hoc audits commissioned on an ongoing basis.

The organization of the Area aims to enable covering the entire operations of the organization with the scope of the audits and controls, both from the point of view of the needs of TAURON Capital Group as well as those of the individual subsidiaries. The direct reporting to the President of the Management Board allows the Audit Area to maintain the required independence and objectivity.

The Audit and Control Area conducted 19 scheduled tasks, including 11 audit tasks and 8 control tasks in 2019. In addition, works were carried out to build and develop a model for the periodic assessment of the Internal Control System in place at TAURON Polska Energia S.A. as well in the entire TAURON Capital Group. The Audit and Control Plan for 2020 includes 13 audit tasks, as well as 23 control tasks. The works on the construction and development of the model for the periodic assessment of the Internal Control System will also be continued.

4.15.2. Most important aspects of internal control and risk management with respect to the process of drawing up financial statements and consolidated financial statements

Supervision over application of consistent (uniform) accounting rules by TAURON Capital Group's subsidiaries when developing reporting packages for the purpose of drawing up TAURON Capital Group's consolidated financial statement

In order to ensure consistent accounting principles based on International Financial Reporting Standards (IFRS) approved by the European Union the Accounting Policy of TAURON Polska Energia S.A. Capital Group (Accounting Policy) was developed and implemented by TAURON Capital Group. This document shall be accordingly updated in case there are changes to the regulations. The rules defined in the Accounting Policy shall be applicable to TAURON's stand-alone financial statements and TAURON Capital Group's consolidated financial statements. TAURON Capital Group's subsidiaries shall be obligated to apply the Accounting Policy when preparing the reporting packages that provide the basis for preparing TAURON Capital Group's consolidated financial statements.

Furthermore, TAURON Capital Group developed and implemented an intra-group regulation that comprehensively regulates issues related to the rules and deadlines for preparing the reporting packages for the purpose of consolidated financial statements. The reporting packages shall be validated by the holding company's Consolidation and Reporting Office and by an independent certified auditor during an audit or review of TAURON Capital Group's consolidated financial statements.

Procedures used to authorize and provide opinions on TAURON Polska Energia's financial statements and TAURON Capital Group's consolidated financial statements

TAURON Polska Energia has implemented financial statements' authorization procedures. Quarterly, half year and full year financial statements of the Company and TAURON Capital Group's consolidated financial statements shall be approved by the Company's Management Board before being published. Full year financial statements of TAURON and TAURON Capital Group's consolidated financial statements shall be additionally presented for evaluation to the Company's Supervisory Board before being published. Vice President of the Management Board for the Company's Finance (Chief Financial Officer) shall oversee the preparation of financial statements, while the Management Boards of the subsidiaries included in the consolidation shall be responsible for preparing the reporting packages for TAURON Capital Group's consolidated financial statements.

Supervisory Board's structure includes the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.

IT systems as well as financial and accounting processes

TAURON Capital Group's subsidiaries maintain accounting books (ledgers) which constitute the basis for preparing financial statements using ERP financial and accounting computer systems, enabling system audits of the correctness of the document flow and classifying of the business events. Consolidated financial statements are prepared using an IT tool used to consolidate financial statements, providing system control with respect to the coherence (integrity) and timeliness of preparing the consolidation data.

TAURON Capital Group's subsidiaries have implemented IT and organizational solutions that provide control of access to the financial and accounting system and ensure adequate protection and archiving of the accounting books. Access to IT systems is restricted based on applicable access rights assigned to authorized personnel. Control mechanisms are applied in the process of granting and changing access rights to the financial and accounting systems. The rights granted are also subject to periodic verification.

Due to the integration of the accounting functions and the transfer of TAURON Capital Group's material subsidiaries' financial and accounting services to CUW-R (Shared Services Center – Accounting) TAURON Capital Group's financial and accounting processes were gradually unified. The subsidiaries adjusted their own procedures to the flow of the financial and accounting processes, taking into account the specifics of the individual segments.

TAURON Capital Group's Business Model clearly distributes responsibilities with respect to the financial and accounting processes between the Company (indicated as the Corporate Centre) and the subsidiaries and CUW R, indicating that the Corporate Centre is the owner of processes associated with accounting and reporting of TAURON Capital Group. With respect to the tasks of the Corporate Centre, strategic functions associated with the development of the model of operations and standards of TAURON Capital Group were indicated in the area of accounting and supervision of the implementation of standards in the accounting area in the subsidiaries and CUW R. Moreover, it was indicated that the Company as the Corporate Centre is responsible for drawing up the Company's financial statements and the consolidated financial statements of TAURON Capital Group. A clear split of responsibilities and strong emphasis on the fulfillment of the supervisory functions by the Corporate Centre in relation to CUW R and the subsidiaries is, inter alia, aimed at improving the process of preparing the financial statements.

Subjecting TAURON Polska Energia's financial statements and TAURON Capital Group's consolidated financial statements to an audit and reviews by an independent certified auditor

The Company's full year financial statements are subject to a review by a certified auditor. In 2017, the Company selected an entity authorized to audit and review the financial statements of TAURON Capital Group's material subsidiaries and the consolidated financial statements. The contract with the entity authorized to audit financial statements was concluded for the audit of financial statements for 2017, and then, after the entry into force of the Act of May 11, 2017 on certified auditors, audit companies and public oversight, was adapted to the new provisions in the form of an annex covering the audit of financial statements for 2018 and the full year consolidated financial statements of TAURON Capital Group are subject to an audit by an independent certified auditor. The interim financial statements of the Company and the interim consolidated financial statements of the TAURON Capital Group.

4.16. GRI indices described in this section

- Supported infrastructure investments and services for society through commercial activities, transfer of goods and pro-bono activities. The impact of these activities on society
- GRI 103-2 The management approach and its components in the areas: environmental, social, human rights, anti-corruption, HR, including indicating material topics within the given area
- GRI 102-17 Internal and external mechanisms enabling advice on behavior in ethical and legal issues as well as matters related to the integrity of the organization
- GRI 102-32 Role of the top management authority in reporting
- GRI 205-1 Operations assessed for risks related to corruption
- GRI 205-2 Communication and training about anti-corruption policies and procedures
- GRI 205-3 Confirmed incidents of corruption
- GRI 403 Occupational health and safety management system
- GRI 403-9 Rates of injury, occupational diseases, lost days and absenteeism, and the number of work-related fatalities by region and gender
- GRI 416-1 Number of accidents
- GRI EU18 Percentage of employees, contractors and subcontractors who underwent health and safety training
- GRI 417 The management approach in marketing and labeling
- GRI 417-2 Cases of non-compliance of products and services regarding information and labeling
- GRI 417-3 Cases of non-compliance regarding marketing communications
- GRI EU 3 Number of individual and business customers
- GRI 418 The management approach to customer privacy
- GRI 418-1 Material complaints regarding breaches of customer privacy and loss of customer data
- GRI EU-DMA The management approach in research and development
- GRI EU DMA Research and investment to ensure reliability of energy supply and promote sustainable development
- GRI 405 The management approach to equality and diversity
- GRI 406-1 Incidents related to discrimination and corrective actions
- GRI 203-1 Investments in products and services
- GRI 206-1 Legal actions for anti-competitive (anti-trust) behavior
- GRI 401 The management approach to employment
- GRI 102-8 Information on employees and other workers
- GRI 405-1 Composition of staff broken down by age and gender and minority
- GRI 401-3 Parental leave
- GRI 102-41 Collective bargaining agreements
- GRI 404-1 Number of training hours per employee
- GRI 404-2 Competence enhancement programs
- GRI 403-1 Number of employees associated in trade unions
- GRI 305-1 Direct greenhouse gas emissions
- GRI 302-1 Total consumption or production of energy from renewable and non-renewable sources
- GRI EU2 Net volume of energy produced, broken down into main energy sources
- GRI 305-7 NOx, SOx and other significant air emissions
- GRI 303-1 Total water consumption by source
- GRI 306-1 Total sewage volume by quality and destination
- GRI 306-2 Total weight of waste by type of waste and methods of waste management
- GRI EU-DMA The management approach in waste management
- GRI 302-3 Energy consumption
- GRI EU18 Percentage of employees, contractors and subcontractors of TAURON Capital Group who underwent work health and safety training
- GRI 305-5 Greenhouse gas emissions reduction
- GRI EU1 Installed generation capacity broken down into main types of raw material and regulatory requirements
- GRI EU 28 Frequency of interruptions in the energy supply to customers
- GRI EU 29 Average duration of interruptions in the supply of distributed energy

5. TAURON CAPITAL GROUP'S MAIN RISKS AND THE MANAGEMENT THERE OF

5.1. What TAURON Group expects as a result of the regulatory and market changes

Due to the changes taking place in the European climate policy as well as social and economic transformations, the energy sector is experiencing a fast rise in the impact of the broadly understood environment on its results and operations. The most important factors affecting the functioning of TAURON Group include regulatory transformations taking place at both the European as well as the national law levels.

In recent years, intense legislative processes on the part of the European Union bodies have been observed. The energy and the environment sectors are among the competence areas that are shared between the European Union and the Member States. Therefore, the majority of the EU's activities in this area will have a significant impact on the operations of TAURON Group.

Recent years have demonstrated a very rapid pace of changes taking place not only in the regulatory environment, but also in the Group's economic, macroeconomic or market environment. In particular, the following factors are observed:

- introducing further and tightening the existing regulations and requirements with respect to the environment protection and counteracting climate change (among others the Winter Package, Grid Codes, ETS Directive, BAT conclusions, the European Commission guidelines on climate impact reporting),
- increase in the volatility of the prices of electricity and related products,
- steadfast change of the energy mix towards low or zero emission electricity generation sources,
- development of the distributed and prosumer energy sector model,
- advancing integration of the European electricity markets,
- increase of the awareness of TAURON Group's stakeholders regarding the environment protection and climate impact.

TAURON Group assumes that the above mentioned trends will continue, aiming at a further transition towards developing an innovative and low-emission economy, and achieving, in the long run, climate neutrality in the European Union.

Due to the above, TAURON Group is actively monitoring both the regulatory environment as well as the market environment in order to prepare an action plan corresponding to the changing conditions for conducting market operations. In particular, the risk management system functioning in this respect at TAURON Group is geared towards implementing appropriate and effective responses to possible threats, as well as towards the possibility of taking advantage of emerging market opportunities.

5.2. Three line defense model

In order to ensure safe functioning of the organization, the so-called three line defense model is in place at TAURON Capital Group and it constitutes an internal control system. It includes:

- a) as part of the first line of defense - functional control performed by:
 - lower and middle level management,
 - the Group's other personnel
- b) as part of the second line of defense - independent control performed by the following functions:
 - risk management,
 - compliance assurance
 - safety assurance,
- c) b) as part of the third line of defense: institutional control performed by the internal audit.

The results of the Internal Audit's activities are reported directly to the senior management and the Audit Committee / Board. The way the so-called three lines of defense are organized is illustrated in Figure no. 36.



Figure no. 36. TAURON Capital Group's three line defense model

5.3. Risk management objective and principles at TAURON Capital Group

At TAURON Capital Group risk is understood as an uncertain occurrence or a group of occurrences that, in case of materializing, will have an impact on achieving by TAURON Capital Group of its defined strategic goals, both negatively (threat), as well as positively (opportunity).

In line with its Strategy TAURON Polska Energia is implementing the process of managing the risk related to the operations of TAURON Capital Group. The primary goals of risk management include ensuring the broadly understood security of TAURON Capital Group's operations. In particular, risk management is to ensure increased predictability of TAURON Capital Group achieving its strategic goals, including sustainable generation of its financial results.

TAURON Capital Group's risk management:

1. Covers all elements of the value chain,
2. Provides centralized risk measurement, monitoring and control function, and also ability to evaluate the full risk profile in the organization and coherent risk management principles,
3. Ensures independence of the risk taking function from its control and monitoring
4. Ensures a clear split of competences and responsibilities, in particular by introducing the risk ownership function,
5. Is an active process, focused on an appropriately early identification of threats, allowing for taking preventive measures,
6. Is a systematic and continuously improved process which allows for aligning it on an ongoing basis to TAURON Capital Group's specifics and organizational structure, as well as to the changing environment,
7. Places a strong emphasis on developing awareness, training and encouraging personnel to use the knowledge of risks in daily activities,
8. Co-creates at TAURON Capital Group the internal audit system, constituting, along with the compliance and security management functions, an element of the three line defense.

5.4 TAURON Group's risk management strategy

The enterprise risk management system (ERM System), implemented at TAURON Capital Group's level, constitutes a set of rules, standards and tools allowing for implementing the primary goal of risk management which is, broadly understood, ensuring safety (security) of TAURON Capital Group's operations. This system is governed by the document entitled *Enterprise Risk Management Strategy at TAURON Group* (ERM Strategy) that defines TAURON Capital Group's enterprise risk management rules. The goal of the ERM Strategy is to ensure the consistency of managing the individual risk categories that were detailed in separate regulations, aligned with the specifics of the individual threat groups.

As part of the ERM System, the following Specific Risks are identified within TAURON Group, for which separate Policies tailored to the nature and specifics of the given group of threats are defined:

- trading (commercial) risk,
- credit risk,
- financial risk,
- operational risk,
- regulatory risk,
- project risk.

The description of TAURON Capital Group's specific risks in the ERM system is presented in Figure no. 37.



Figure no. 37. Description of TAURON Capital Group's specific risks in the ERM system

The detailed rules for managing TAURON Capital Group's specific risks are described in the Report of the Management Board on the Operations of TAURON Capital Group for 2019.

5.4.1. Risk management system architecture

The center of the ERM System is a risk management process that includes ongoing activities such as risk identification, risk measurement, and developing and implementing a response to risk. The architecture of the ERM system also includes elements that are to ensure the effective functioning of the process, including

- 1) Organization of the ERM System.
- 2) Risk control and monitoring rules.
- 3) Risk model.
- 4) Risk management tools.
- 5) Assessment of the adequacy and functioning of the ERM system.

Figure 38 presents the architecture of the ERM system functioning at TAURON Capital Group. The detailed description of its individual elements is provided in the Report of the Management Board on the Operations of TAURON Capital Group for 2019.

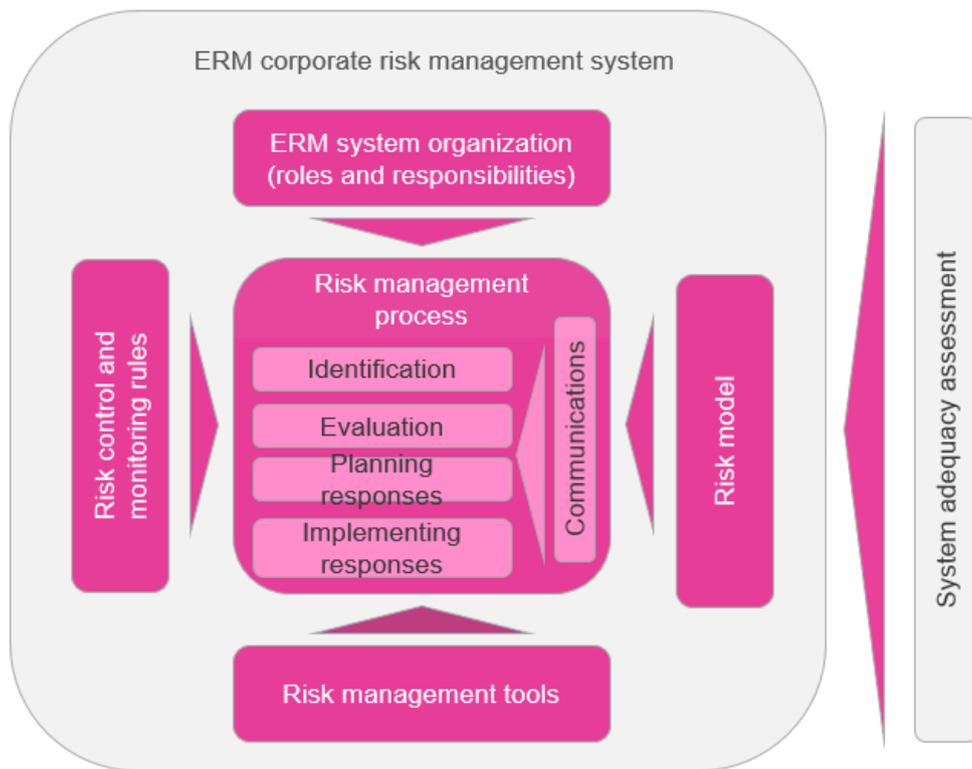


Figure no. 38. Architecture of TAURON Capital Group's ERM system

The rest of the section provides brief descriptions of the elements of the risk management system architecture. The extended descriptions are provided in the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for 2019.

5.4.2. Risk management process

The process of enterprise risk management ensures the comprehensive and consistent risk management rules linked with one another in terms of methodology and information. The process of enterprise risk management means taking continuous measures comprising risk identification, risk assessment, planning of risk response, implementation of the adopted risk response and communication between risk management process participants.

Figure no. 39 presents the risk management process at TAURON Capital Group.

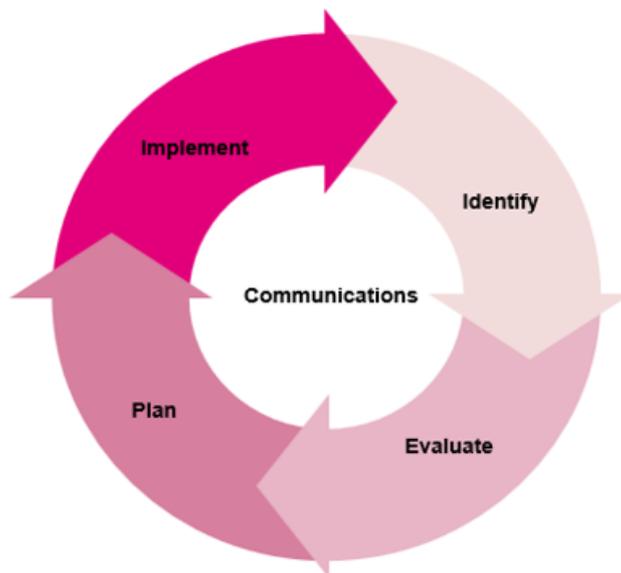


Figure no. 39. Risk management process at TAURON Capital Group

Risk identification consists in determining the potential events that may affect the implementation of business goals of TAURON Capital Group. The main purpose of this step is to create or update a list of risks that may affect the achievement of the business goals. The identified risks are described in accordance with the adopted methodology and have a specific context providing information on the impact of their materialization on the business goals.

Risk assessment consists in determining the potential financial and non-financial effects of the materialization of the risk affecting the implementation of specific goals and assigning the risk class thereto, defining the materiality of the risk from the point of view of its impact on the achievement of the goals.

Planning consists in the preparation of the dedicated response to the risk identified in order to achieve the desirable results. The planned actions constituting the prepared risk response are dependent and adapted to the current level of the Key Risk Indicators (KRI), and in particular those among them that act as Early Warning Indicators (EWI).

Implementation of risk response consists in practical implementation of the responses to the identified risk, prepared in the planning process. The defined set of actions as part of the risk response, specified in the planning process, is dependent on the current level of the EWI indicators. The implementation of the subsequent activities as part of the response to risk requires ongoing monitoring of risk indicators, which is to provide information on what set of activities should be implemented and, at the same time, indicate whether the activities carried out are effective and risk management is bringing the assumed effect of maintaining the value of the EWI indicators EWI within the acceptance range.

Communication consists in a continuous flow of information among the participants of the process, which is to ensure full knowledge on the current risk status and the effectiveness of the activities conducted as part of the response to risk. The periodical risk reporting is also an element of this process.

5.4.3. Roles and responsibilities of the risk management system's participants

The key assumption of the risk management system at TAURON Group is a clear and precise split of tasks and responsibilities, ensuring no conflict of interest. In particular, the system guarantees independence of the risk taking function from risk control and monitoring. This is achieved through the centralization of the control function at TAURON Polska Energia S.A. level, while maintaining the organizational and functional separation of the risk taking function. The rules in place at TAURON Capital Group introduce the function of the Risk Owner, i.e. the person responsible for managing the given risk as well as developing and implementing an effective response to a threat. While the control function, process coordination, as well as the responsibility for the correct functioning of the risk management system was placed at TAURON Polska Energia S.A., in the Area of the Executive Director for Risk.

A special role, as part of the risk management process, is performed by the Risk Committee as an expert team that persistently and continuously initiates, analyzes, monitors, controls, supports and oversees the functioning of TAURON Capital Group's risk management system. The members of the Risk Committee include persons with appropriate knowledge of the Company and its environment as well as the required qualifications and empowerments. The task of the Risk Committee is to set norms and standards for risk management at TAURON Capital Group and oversight of the risk management process effectiveness. Within the Risk Committee two separate teams are set up, one for the trading (commercial) risk area and the other for the financial and credit risk area. Oversight of the enterprise risk management system is performed directly by the Risk Committee.

Within the ERM System the roles and responsibilities of all the participants of TAURON Capital Group's risk management system are defined in detail. The detailed description of the roles and responsibilities is provided in table no. 62.

Table no. 62. Description of the ERM System participants' roles and responsibilities at TAURON Capital Group

PARTICIPANT	PARTICIPANT'S ROLES AND RESPONSIBILITIES
TAURON Supervisory Board	<ol style="list-style-type: none"> 1) Assessment of the ERM System, especially of its adequacy and effectiveness. 2) Empowerment to audit the Company's operations with respect to enterprise risk management, in terms of compliance with the expectations of the shareholders, supervisory and regulatory authorities.
Audit Committee, TAURON Supervisory Board	Monitoring the ERM System's effectiveness.

TAURON Management Board	<ol style="list-style-type: none"> 1) Assessment of the ERM System's adequacy, effectiveness and efficiency. 2) Taking formal decisions related to the key elements TAURON Capital Group's enterprise risk management, including approving the list of risks with respect to which the Management Board will be performing the Risk Owner's function. 3) Approving TAURON Capital Group's risk tolerance and global limits for the key risks. 4) Managing the risks of special importance for TAURON Capital Group's operations
Risk Committee	<ol style="list-style-type: none"> 1) Overseeing TAURON Capital Group's risk management process. 2) Control of (auditing) TAURON Capital Group's risk exposure. 3) Providing opinions and recommending to the Management Board the shape of the individual elements of the risk management infrastructure. 4) Defining TAURON Capital Group's risk tolerance and global limits for the key risks, and also applying to the Management Board for the approval or change thereof. 5) Overseeing the preparation of the quarterly information for the Management Board on all important issues related to TAURON Capital Group's risk.
Executive Director for Risk	<ol style="list-style-type: none"> 1) Coordinating the risk management process on all levels and in all areas (lines of business) of the organization's operations. 2) Responsibility for the development of the ERM System (threat identification, evaluation monitoring and checking methods, processes and procedures). 3) Support and oversight over the system's participants in the risk management implementation and evaluation of its efficiency. 4) Preparing and providing the risk reports to authorized risk management process participants. 5) Actions aimed at developing supportive organizational culture and raising awareness with respect to TAURON Capital Group's risk management.
Executive Director for Internal Audit	Periodic review of the correctness of designing and implementing as well as the effects of actions taken within the ERM System.
Management Board of a subsidiary	<ol style="list-style-type: none"> 1) Responsibility for risk management within a subsidiary. 2) Promoting risk management culture in a subsidiary. 3) Responsibility for the appropriate reactions to risk and the effectiveness thereof. 4) Appointing Risk Owners at the given subsidiary. 5) Approving, in justified cases, plans of response to risks and taking ongoing decisions related to dealing with risk in case the established risk values (escalation threshold) are exceeded. 6) Taking ongoing decisions related to dealing with risk in case the established risk values (escalation threshold) are exceeded
Risk Owner	<ol style="list-style-type: none"> 1) Responsibility for actions related to the implementation of the risk management process as part of the entrusted area of responsibility, in context of an impact on the ongoing operations as well as on the implementation of the strategic, operational and financial goals of the unit. 2) Responsibility for preparing a plan and for implementing a reaction to risk in case its established values are exceeded, and also for the communications and reporting within the risk management implemented.

5.4.4. Risk control and monitoring rules

The purpose of the adopted risk control and monitoring rules is to limit TAURON Capital Group's exposure to factors that may have an adverse impact on its functioning. The basic risk control tool is the risk tolerance approved by the Management Board that defines the value of the maximum permitted risk exposure at TAURON Capital Group.

The process of defining the risk tolerance takes into account the specifics and scope of TAURON Capital Group's operations. Its level is defined as a value, and the rules of measurement of individual risks in the organization ensure the consistency of risk measurement with the applied tolerance definition. The risk tolerance constitutes the basis for allocation of its level to the global limits dedicated to a single risk or many specific risks. Subsequently global limits are allocated to operating limits within the specific risk management. The key assumption is to guarantee independence of the risk taking function from risk control and monitoring which guarantees safety of the functioning of the organization.

A supplementary tool used for risk monitoring and control comprises the Early Warning System based on the catalogue of Key Risk Indicators - KRI and Early Warning Indicators - EWI. The system functioning based on the KRI and EWI indicators enables an appropriately early identification of threats by measuring the causes of the individual threats. At the same time this system allows for an appropriately early taking of remedy actions, before the individual threats actually materialize.

5.4.5. Risk management tools

Risk management tools used by TAURON Capital Group allow for effective implementation of the individual stages of the process. TAURON Capital Group uses, in particular, the following tools:

- 1) Risk identification / review questionnaire, i.e. a document in the form of a table, specifying the detailed information that should be collected in the risk identification or periodic review process,
- 2) Risk card, i.e. a document containing the detailed information on the identified risk.
- 3) Risk register, i.e. a document in the form of a table with a summary of the risks associated with the operations of TAURON Capital Group, containing, in particular, their descriptions, categories and valuations.
- 4) Risk response plan, i.e. a document containing a prepared action plan, the early enough launching of which will allow for reducing exposure to a given risk to an acceptable level before it occurs, as well as for limiting the effects of the risk at the time of its materialization
- 5) Risk assessment form, which is a tabular summary of detailed information on risk measurement, including, among others, the determination of the impact and the probability associated therewith of risk materialization and the information on the current level of risk measurement parameters (KRI / EWI).

5.4.6. Risk model

Risk model defines a consistent risk classification, enabling a consistent and comprehensive capturing of risk across TAURON Capital Group. Each risk identified is assigned to specific categories and sub-categories. The main risk categories and sub-categories, in accordance with TAURON Capital Group's Risk Model in place, include:

- 1) **Operational risk**, within which the following risks are identified:
 - **Environment** - risks determining the impact of the external environment (stakeholders) on the implementation of TAURON Group's goals,
 - **Technology, infrastructure and security** - all events having an adverse effect on the security of employees, information as well as the generation, transmission, mining or IT infrastructure,
 - **Employees and organizational culture** - risks related to employee issues and organizational culture,
 - **Compliance Risk** - risks related to non-compliance, internal and external abuse as well as unethical behavior,
 - **Customers and contractors (counterparties)** - risks related to the volatility of the supplies / services market, failure of the customer / contractor (counterparty) to meet contractual obligations and the adverse changes or terminations of commercial contracts by customers, affecting both volume as well as margin.
- 2) **Financial and credit risk**, within which the following risks are identified:
 - **Finance and credit** – risks related to changes in exchange rates and interest rates, as well as the risk of TAURON Group's contractors (counterparties) defaulting on contractual obligations.
- 3) **Trading (commercial) risk**, within which the following risks are identified:
 - **Trading** - risks determining the market volatility of electricity and related products market prices to which the enterprise is exposed.
- 4) **Regulatory risk**, within which the following risks are identified:
 - **Regulations** - risks determining the adverse impact of changes in the legislation at the national and the European level having a direct impact on the operations of TAURON Group

5.4.7. Assessment of the adequacy and the functioning of the risk management system

Risk management is a systematic process subject to continuous improvement which allows for aligning it on an ongoing basis to TAURON Capital Group's specifics and organizational structure, as well as to the changing environment. It is also subject to a periodic, internal and independent assessment of adequacy and reviews:

- ERM System is subject to continuous reviews with respect to its adequacy and alignment with the structure and specifics of TAURON Capital Group's operations, as well as to the changing environment,
- not less seldom than once a year the Executive Director for Risk prepares a report on the assessment of adequacy of the ERM System's architecture for the members of the Risk Committee, Executive Director for Audit, as part of performing the institutional (third line of defense), periodically conducts an independent audit of risk management at TAURON Capital Group verifying the appropriate implementation of the rules by the process participants, as well as its adequacy and effectiveness

5.5. Risks related to TAURON Group's sustainable development

Risks related to the sustainable development of TAURON Group are classified in accordance with the Risk Model described in section 5.4.6. The following categories of risks related to the development of TAURON Group have been identified

- 1) Social risk
- 2) Risk related to climate change
- 3) Human capital management risk
- 4) Work Health and Safety (WHS) risk
- 5) Internal communication risk
- 6) Environmental risk
- 7) Purchasing process risk
- 8) Legal risk
- 9) Compliance risk

5.5.1. Social risk

Table no. 63 presents Social Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Social risk is classified in the category: Operational risk / Employees and organizational culture

Table no. 63. Social Risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Social risk	The risk includes the risk of non-compliance with customer service standards, implementation of sales contracts, external communications and marketing activities, as well as the risk related to the protection of personal data. The risk materialization results in a loss of reputation and the customers' trust, disputes with customers, a failure to achieve goals, including sales goals, and possible penalties for non-compliance with the legal requirements regarding personal data protection.	→	<ul style="list-style-type: none"> • Adoption and implementation of the PRO Client Social Policy. • Conducting of the dialogue with customers, including customer satisfaction surveys, tailoring the product offering to their needs, ensuring high quality of customer service. • Developing relationships with customers and the market environment. • Responsibility for the product, including for the quality and security of supply, tailoring the product offering to customer expectations. • Protection of privacy and security of the customers' personal data. • Deploying tools supporting the implementation of the client social policy. • Standardization of the draft contracts (contract templates) with customers and their adaptation to the changes in legal regulations as well as the optimization of the sales and service processes. • Implementation of the promotional activities in accordance with the adopted TAURON Brand Strategy and TAURON Group's Sponsorship Strategy for 2018-2025, including respect for human rights and conducting responsible marketing activities.
2.	Corporate social responsibility area management risk	Risk related to the involvement of TAURON Capital Group in activities that do not respond to the needs of stakeholders resulting in a loss of confidence on the part of various stakeholder groups, loss of credibility and messages generated by the company in society	→	<ul style="list-style-type: none"> • Implementation and performance of the CSR project plan, which specifies all activities, including the justification thereof, • Approval of the key activities by authorized areas.
3.	Risk of reputation management by shaping the brand image	The risk associated with the use of the TAURON brand in combination with adverse, controversial activities that have a negative impact on the Group's image, which in effect projects the inappropriate image of the company.	→	<ul style="list-style-type: none"> • Supervising the process of establishing the methodology for conducting promotional and sponsorship campaigns, approving of the key activities by authorized areas, • Implementing the Visual Identification System, appointing a Team responsible for assessing and approving the image building projects.

5.5.2. Risk related to climate change

Effective fight against climate change and sustainable development are one of the main stipulations implemented as part of TAURON's Green Turn concept. Taking the above into account and being aware of climate change, the risks associated with climate change have also been identified as part of the Risk Model. They include:

- physical risk - resulting from the physical effects of climate change adversely affecting the operations of TAURON Group's subsidiaries, in particular as a consequence of specific events related to the weather (storms, floods, heat waves), climate changes leading to temperature changes or hydrological drought,
- risk related to the transition - including risks resulting from the transition to the low emission economy resilient against climate change; for example, regulatory, financial, social, technological.

5.5.2.1. Physical risk

Table no. 64 presents the Physical Risk related to climate change identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Physical Risk related to climate change has been classified in the category: Operational Risk / Environment; Operational Risk / Technology and infrastructure; Operational Risk / customers and contractors; Trading (commercial) risk / Trading.

Table no. 64. Physical Risk related to climate change identified at TAURON Capital

#	Risk name	Risk description	Risk trend	Response to risk
1.	Short-term physical risk (acute risk)	<p>The risk is related to:</p> <ul style="list-style-type: none"> - frequent occurrence of extreme temperatures, greater rainfall intensity that can cause floods at any time of the year, uneven rainfall resulting in longer periods of no rainfall, intermittent abrupt rainfall (torrential rain), - increase in the frequency and intensity of hurricanes, strong winds, incidentally accompanied by tornadoes and lightnings causing machinery and equipment failures, distribution grid failures (electricity, heat), more frequent drought occurrences and water restrictions related thereto, as well as an increased risk of fires. The risk materialization also results in: <ul style="list-style-type: none"> - increased costs of maintaining transmission systems resulting from the costs of fixing failures, a decrease in the volume of electricity and heat sales, a decrease in the volume of production, a deterioration of the electricity distribution quality indicators affecting the regulated revenue - sharp fluctuations of market prices due to the occurrence of extreme temperatures affecting the levels of demand and the ability to satisfy such demand by the supply side. <p>The risk includes the risks identified and managed by TAURON Group: environmental risk (in the context of excessive impact on the climate), weather risk, company assets related risk and market risk.</p>	<ul style="list-style-type: none"> • Adoption and implementation of TAURON Group's Climate Policy, • Conducting business operations that affect the climate in accordance with the principles of sustainable development. • Maintaining the required level of the pollution reduction devices' performance, • Frequent assessment of compliance of the activities with the legal requirements regarding climate impact, • Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's activities on climate change, gradual adaptation of the production assets to the consequences of extreme weather occurrences and the volatility of weather conditions, in particular in the lines of business sensitive to these factors, • Optimization of investment outlays allocated for asset replacement, active monitoring of the condition of the machinery, equipment and installations. • Increasing of the professional qualifications and work culture of employees by organizing courses and training courses. • Responding to an emergency situation by the technical operational personnel and the automated protection systems. • Property insurance against fortuitous events (excluding the underground assets). • Introduction of IT tools with respect to improving the monitoring and management of failure rates. • Gradual adaptation of the production assets to the consequences of extreme weather occurrences and volatility of weather conditions, in particular in the Distribution Line of Business. 	
2.	Long-term physical risk	<p>The risk is related to:</p> <ul style="list-style-type: none"> - decrease in the volume of sales of the products offered by TAURON Group's subsidiaries, in particular as a result of a temperature deviation from the planned values, resulting primarily in a loss of revenues in the individual segments of TAURON Group's operations as a consequence of reduced demand, 	<ul style="list-style-type: none"> • Ongoing offering updates, introduction of the multi-packet products for sale, • Conducting marketing activities, acquiring new customers, • Activities focused on retaining current customers and recovering the lost ones, • Daily measurement and reporting of the portfolio positions, 	

#	Risk name	Risk description	Risk trend	Response to risk
		<p>- reduction, especially in summer, of the water levels in rivers and water reservoirs, and an increase in their temperature, which generates a decrease in the efficiency of the generating units and a decline in the dispatchability of the units during the peak electricity demand periods. The above may lead to a blackout in an extreme scenario,</p> <p>- change of the market conditions for the operations of TAURON Group's subsidiaries, in particular as a result of changes in the weather conditions resulting in a drop of the margin in the Generation Line of Business (CDS / volume) and, in general, an increase of the costs and a decrease of the revenues,</p> <p>- increased failure rate of the machines and devices constituting the assets of TAURON Group's subsidiaries due to permanent climate changes - such as prolonged droughts, global warming, for example.</p> <p>The risk includes risks identified and managed by TAURON Group: volume and margin risk, company assets related risk and market risk.</p>		<ul style="list-style-type: none"> • Trading (commercial) risk management through a system for assigning and controlling the risk limits (e.g. VaR and stop loss) • Adoption of an optimal trading strategy and implementation of mechanisms used to hedge the trading position, • Optimization of investment outlays for asset replacements, active monitoring of the condition of the machinery, equipment and installations, • Gradual adaptation of the production assets to the climate change.

5.5.2.1. Climate risk related to the transition

Table no. 65 presents the Climate Risk related to the transition identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Climate Risk related to the transition has been classified in the category: Operational Risk / Environment; Regulatory Risk / Regulations; Operational Risk / Customers and Contractors; Trading (commercial) risk / Trading; Financial and Credit Risk / Finance and Credit.

Table no. 65. Risk related to the transition identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Risk related to the transition	<p>Risk related to the tightening of the European Union's climate policy, the tightening of the environmental requirements resulting from the climate change, the growing awareness of the customers with respect to the climate change, the activities supporting energy efficiency (growth of prosumers, support for thermal insulation, construction of own electricity and heat sources, departure from the coal use as fuel), a change in the conditions of TAURON Group's operations (the need to adapt the company to the challenges of changes resulting from the climate change, including the technological adaptation to the global low-emission solutions).</p> <p>The consequences of the risk include the reputation, technology, policy and regulatory issues, as well as the market issues. In particular, the effects of the risk may be:</p> <p>- decrease in the volume of sales of the products offered by TAURON Group's subsidiaries, in particular as a result of the development of energy efficiency, insulation of buildings, development of prosumers, resulting primarily in a loss of revenue in the individual segments of TAURON Group's business operations resulting from the reduced demand</p> <p>- change of the market conditions for the operations of TAURON Group's</p>		<ul style="list-style-type: none"> • Applying of TAURON Group's Climate Policy, • Defining and updating as well as implementing of TAURON Group's Strategy, • Update of TAURON Group's Strategic Research Agenda, • Adaptation of TAURON Group's Investment Strategy to the guidelines stemming from the Climate Policy and the Investment Strategy, • Update and implementation of the TAURON Group's Sustainable Development Strategy, • Ongoing analysis of the draft ordinances and acts, • Active participation in the work of teams providing opinions on projects and proposing optimal solutions, • Gradual adaptation of TAURON Group's production assets and energy mix to the production of renewable energy and zero and low-emission electricity generation technologies, • Gradual withdrawal of the anthropogenic sources of greenhouse gas emissions coming from fossil fuels through the development of renewable energy and zero and low-emission electricity generation technologies, • Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's operations on the climate change

#	Risk name	Risk description	Risk trend	Response to risk
		<p>subsidiaries, in particular as a result of the tightening of the European Union's climate policy, the growing ecological awareness of the customers, the activities supporting energy efficiency (departure from the coal use as fuel, growth of prosumers, support for thermal insulation, construction of own electricity and heat sources) resulting in a drop of the margin in the Generation Line of Business (CDS / volume) and, in general, an increase of the costs and a decrease of the revenues</p> <ul style="list-style-type: none"> - difficulties or an increase in the cost of raising capital to finance operations based on fossil fuels, - loss of reputation due to involvement in fossil fuels, - the need to transform the assets and, as a consequence, the need to incur additional expenses as a result of the climate change, - difficulty or an increase in the insurance costs for the assets based on fossil fuels, - an increase in the costs of the environmental fees and the need to incur additional investment outlays to adapt the assets to the environmental requirements - an increase in the price of the CO₂ emission allowances and, as a consequence, a decrease in the margin in the conventional electricity segment - a decrease in demand for electricity as a result of energy efficiency and growth of the prosumers segment, - a decrease of the demand for the products offered thus far by TAURON Group's subsidiaries, - limiting or discontinuing the operations based on fossil fuels and carbonates, - the need to restructure employment resulting from a change in the business operations profile, - impediments to administrative procedures involving the public by non-governmental organizations - a decline in the company value, - inability to meet market expectations due to the lack of the expected products in the portfolio <p>The risk includes risks identified and managed by TAURON Group: climate change, reputation, regulatory, volume and margin, market, obtaining of the financing, company assets, human resources related risks.</p>		

5.5.3. Human capital management risk

Table no. 66 presents the Human capital management risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Human capital management risk has been classified in the category: Operational Risk / Employees and organizational culture.

Table no. 66. Human capital management risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Human capital management risk	Risk related to the employee issues, including diversity, participation, employment and working conditions, relations with the trade unions and respect for the right of freedom of association, human capital management, career path and recruitment management, training systems, health and safety at work as well as, in the long run, the need to restructure employment due to climate change, forcing a change of the business operations profile. The materialization of the risk may result in the interruptions or disruptions in the operational work, employee complaints, collective labor disputes, strikes, loss of specialized staff and difficulties in reproducing it.	→	<p>Adoption and implementation of the Employee Recruitment, Selection and Adaptation Policy.</p> <ul style="list-style-type: none"> • Adoption and implementation of the Policy of Compliance with Ethics Principles and Counteracting Mobbing and Discrimination. • Taking care of the development of the employees' competences, including through the participation in training courses. • Conducting consultations with social organizations at the TAURON Capital Group. • Implementation of the HR policy based on the Competence Model and the applicable remuneration and labor law regulations (Remuneration Regulations, ZUZP, Labor Regulations). • Adoption and implementation of the Diversity Policy. • Adoption and implementation of the Human Rights Respect Policy.

5.5.4. WHS risk

Table no. 67 presents the WHS risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the WHS risk has been classified in the category: Operational Risk / Employees and organizational culture.

Table no. 67. WHS risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	WHS risk	Risk related to ensuring health and safety at work. The materialization of the risk results in employee injury, loss of health or excessive exposure of the employee to factors harmful to health, compensation paid for damage to health.	→	<ul style="list-style-type: none"> • Prioritizing the safety of employees, customers, contractors and stakeholders in the business operations undertaken, • Adoption and implementation of TAURON Group's Work Health and Safety Policy, • Ensuring optimal working conditions, • Conducting active monitoring of the working conditions and the correctness of work organization, • Raising employees' qualifications with respect to improving work safety, • Conducting training courses, implementing and improving the WHS management system.

5.5.5. Internal communication risk

Table no. 68 presents the Internal communication risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Internal communication risk has been classified in the category: Operational Risk / Employees and organizational culture.

Table no. 68. Internal communication risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Internal communication risk	Risk related to providing incorrect or unverified information within the organization, formulating an unclear / incomplete message, a failure to provide employees with the information of significant importance, resulting in misleading the recipients of the information or a failure to comply with disclosure obligations resulting in the wrong business decisions being made as a result of a lack of reliable (accurate) information, a loss of trust in the employer or administrative penalties (fines).	→	<ul style="list-style-type: none"> • Developing relationships with TAURON Capital Group's social party and close cooperation with the Social Dialogue Ombudsman, • The use and development of available communication tools to provide relevant information to the employees of TAURON Capital Group, • When providing relevant information - organizing direct meetings of the management team with the personnel, • Ongoing monitoring of the situation and events taking place at TAURON Capital Group's subsidiaries that may cause social concerns, • Regular periodic meetings with the representatives of the subsidiaries dealing with the internal communication in order to exchange information, • Developing a communication strategy for the TAURON Group.

5.5.6. Environmental risk

Table no. 69 presents the Environmental risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Environmental risk has been classified in the category: Operational Risk / Technology and infrastructure.

Table no. 69. Environmental risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Environmental risk	<p>Risk related to the impact of the business operations conducted on the natural environment and the use of its resources, including, in particular, the loss of control over the process that would make it impossible to prevent excessive (above applicable standards) pollution, damage, disruptions or failures of installations or equipment that have a negative impact on the environment.</p> <p>The risk also involves the possibility of:</p> <ul style="list-style-type: none"> - a lack of valid environmental decisions, - depositing waste in places not intended for this purpose or not in accordance with the operating conditions of the facilities designated for this, - occurrence of a crisis situation: e.g. fire, displacement of earth masses, extreme weather events, - use of waste not in accordance with the authorized intended used, - a lack of appropriate safeguards limiting the negative impact of TAURON Group's operations on the environment, - release of hazardous substances to the environment, - social protests. <p>The consequence of the materialization of the risk is the degradation of the</p>	→	<ul style="list-style-type: none"> • Adoption and implementation of TAURON Group's Environmental Policy, • Conducting business operations that affect the environment in accordance with the principles of sustainable development. • Ongoing supervision over compliance with the conditions of environmental decisions, • Maintaining the required level of the pollution reduction devices' performance, • Frequent assessment of compliance of the activities with the legal requirements with respect to the environment protection, • Implementation of investment projects in the environmental protection area in order to minimize the consequences of adverse impact of mining and processing operations on the environment and climate, • Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's operations on climate change.

#	Risk name	Risk description	Risk trend	Response to risk
		natural environment and penalties for a failure to comply with the environmental requirements, the need to fix the deficiencies, reduction of production, delays in the implementation of the investment projects, pollution of water sources in a way that prevents their use, destruction of a valuable natural habitat, site or area - environmental compensation, restrictions on further business development, damage to the GROUP's image, limitation of the use of financial assistance programs. The risk also includes an increase in the environmental requirements stemming from the tightening of the European Union's climate policy.		

5.5.7. Purchasing process risk

Table no. 70 presents the Purchasing process risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Purchasing process risk has been classified in the category: Operational Risk / Customer and contractors.

Table no. 70. Purchasing process risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Purchasing process risk	Risk related to the procurement proceedings conducted, their erroneous implementation, unplanned increase in the purchase costs, taking into account methods employed to prevent violation of human rights by business partners, counteract corruption and abuse in the purchasing process and compliance with the ethical and moral standards during its implementation. The consequences of the materialization of the risk include unfavorable purchase agreements, the need to cancel the tender procedures, damage to the image of TAURON Capital Group and credibility with the stakeholders.	→	<ul style="list-style-type: none"> • Adoption and implementation of the Code of Conduct for the Contractors of TAURON Group. • Adoption and implementation of TAURON Group's Anti-Corruption Policy. • Adoption and implementation of the Policy of Respect for Human Rights. • Standardization of the rules of conducting proceedings in the purchasing process and its transparency. • Developing lasting relationships with the contractors (counterparties) based on trust and mutual respect. • Expecting the contractors to comply with the legal regulations, ethical standards and good commercial practices, including work health and safety rules, principles of discrimination and unequal treatment, respect for human rights and dignity of employees, transparent personnel policy, environment protection, fair competition, prevention and countering of fraud, and information security and protection. <p>Application of standard contract forms (drafts, templates) and standard clauses to contracts regarding compliance with human rights by TAURON Capital Group's business partners.</p>

5.5.8. Legal risk

Table no. 71 presents the Legal risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Legal risk has been classified in the category: Operational Risk / Environment.

Table no. 71. Legal risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Legal risk	Risk related to the non-compliance with the legal regulations, wrong interpretation of the new laws and	→	<ul style="list-style-type: none"> • Continuous monitoring of the legal environment and changes to the legal regulations, including social issues,

#	Risk name	Risk description	Risk trend	Response to risk
		regulations, requirements imposed by the regulator and the supervisory authorities. The consequence of the materialization of risk may result in financial penalties, criminal and civil law liability, damage to the Group's image.		<p>respect for human rights, anti-corruption, environment protection and employee issues.</p> <ul style="list-style-type: none"> • Implementation of the changes required to the internal regulations. • Establishing working groups to prepare and implement the changes required due to the legal environment. • Continuous cooperation with the authorities supervising the energy market and the capital market. • Consultations with the organizational units with respect to the planned key regulations for the area of compliance. • Employee training with respect to the knowledge of the legal regulations and the internal regulations.

5.5.9. Compliance risk

Table no. 72 presents the Compliance risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Compliance risk has been classified in the category: Operational Risk / Compliance risk.

Table no. 72. Compliance risk identified at TAURON Capital Group

#	Risk name	Risk description	Risk trend	Response to risk
1.	Internal abuse (fraud) risk	Risk related to the appropriation or use of the Company's assets, its devastation, theft, use of official position for personal gain resulting in financial losses, penal and administrative sanctions, criminal and civil law liability.	→	<ul style="list-style-type: none"> • Education and training activities among employees, including mandatory e-learning training in TAURON Group's Compliance Management System. • Effective use of the whistleblowing system in the organization, enabling TAURON Group's employees to report potential cases of abuse to their immediate superior, the Ethics Committee, the Compliance Officer / Compliance Coordinator, or via the abuse (fraud) notification form at http://www.tauron.pl/. • Conducting fact finding investigations by the Compliance Officer or Compliance Coordinators • Building an organizational culture based on TAURON Group's values and policies. • Adoption and implementation of TAURON Group's Anti-Corruption Policy. • Adoption and implementation of TAURON Group's Corporate Social Responsibility Code of Conduct, • Adoption and implementation of TAURON Group's Rules for accepting and giving gifts .
2.	External abuse (fraud) risk	Risk related to an occurrence of external abuse (fraud) that affects the operations of TAURON Group through: disclosure of information to unauthorized persons, loss of information, commercial espionage, terrorist attempt and hacker attacks, tax fraud, theft, vandalism, counterfeiting, dirty money laundering, terrorist attempt.	→	<ul style="list-style-type: none"> • Raising employee awareness through training and information campaigns on the existing threats of external abuse (fraud), • Adoption and implementation of the Code of Conduct for Contractors of TAURON Group's Subsidiaries. • Implementation of anti-corruption clauses in the contracts with the contractors. • Adoption and implementation of TAURON Group's Anti-Corruption Policy. • Effective use of a whistleblowing system in the organization, enabling reporting of the potential cases of abuse, the system also allows for reporting of abuse (fraud) by the external entities through the abuse (fraud) reporting form at http://www.tauron.pl/.

#	Risk name	Risk description	Risk trend	Response to risk
				<ul style="list-style-type: none"> • Monitoring the cooperation with contractors and testing their credibility at TAURON Group. • Promoting best practices, improving procedures, conducting training courses and applying TAURON Group's Corporate Social Responsibility Code of Conduct, Code of Ethics and functioning of the abuse (fraud) reporting system. • Building an organizational culture based on TAURON Group's values and policies.
3.	Unethical behavior and mobbing risk	The risk includes an occurrence of unethical behavior resulting, in particular, in a lack of cooperation, bad atmosphere in the team, mobbing, harassment, insulting, discrimination of employees.	→	<ul style="list-style-type: none"> • Raising employee awareness through training and information campaigns on the existing threats of external abuse (fraud). • Adoption and implementation of the Code of Conduct for Contractors of TAURON Group's Subsidiaries. • Implementation of anti-corruption clauses in the contracts with the contractors. • Adoption and implementation of TAURON Group's Anti-Corruption Policy. • Effective use of a whistleblowing system in the organization, enabling reporting of potential cases of abuse (fraud), the system also allows for reporting of abuse (fraud) by the external entities through the abuse (fraud) reporting form at http://www.tauron.pl/. • Monitoring the cooperation with contractors and testing their credibility at TAURON Group. • Promoting best practices, improving procedures, conducting training courses and applying TAURON Group's Corporate Social Responsibility Code of Conduct, Code of Ethics and functioning of the abuse (fraud) reporting system.

5.6. GRI profile indices described in this section

- GRI 102-15 Key impact, risks and opportunities
- GRI 103-2 The management approach and its components in the areas: environment, social, human rights, anti-corruption, HR, including indicating material topics within the given area

6. GRI INDEX

- GRI 101 Reporting principles and basics
- GRI 102-14 Statement from senior decision maker
- GRI 102-40 List of stakeholder groups
- GRI 102-42 Identifying and selecting stakeholders
- GRI 102-43 Approach to stakeholder engagement including the frequency of engagement by type and stakeholder group
- GRI 102-44 Key topics and concerns raised by stakeholders and the response from the organization also by reporting them
- GRI 102-45 Entities included in the consolidated financial statements
- GRI 102-46 Defining report content and topic boundaries
- GRI 102-47 List of material topics
- GRI 102-49 Changes in reporting (significant changes from previous periods covered by the report regarding material topics and topic boundaries)
- GRI 102-50 Reporting period
- GRI 102-51 Date of most recent report (if published)
- GRI 102-52 Reporting cycle
- GRI 102-54 Claims of reporting in accordance with the GRI Standards using Core or Comprehensive option
- GRI 102-56 External assurance (Confirmation of credibility)
- GRI 103-1 Explanation of the material topic and its boundary
- GRI 102-55 GRI Index
- GRI 102-1 Organization name
- GRI 102-2 Activities, brands, products and services
- GRI 102-3 Location of headquarters
- GRI 102-4 Location of operations - including the number of countries in which the organization operates, along with the names of those countries, where the main operations of the organization are located, or which are particularly important in relation to topics related to sustainable development discussed in the report
- GRI 102-5 Ownership and legal form
- GRI 102-6 Markets served
- GRI 102-7 Scale of the organization
- GRI 102-10 Significant changes during the reporting period regarding size, structure, ownership form or value chain
- GRI 102-11 Precautionary principle
- GRI 102-16 Values, ethics code, principles, standards, and norms of behavior
- GRI 102-17 Internal and external mechanisms enabling obtaining advice on behavior in ethical and legal issues as well as matters related to the integrity of the organization
- GRI 102-18 Governance structure
- GRI 102-22 Composition of the top management authority
- GRI 102-23 Top management authority
- GRI 102-24 Method of selecting the top management authorities
- GRI 102-26 Role of the top management body in the environment, purpose, values and strategy
- GRI 102-28 Evaluation of the results of the top management body
- GRI 102-32 Role of the top management body in reporting
- GRI 102-25 Conflict of interest
- GRI 201-2 Financial implications and other risks and opportunities associated with climate change
- GRI 203-1 Supported infrastructure investments and services for society through commercial activities, transfer of goods and pro-bono activities. Impact of these activities on society,
- GRI 103-2 The management approach and its components in the areas: environment, social, human rights, anti-corruption, HR, including indicating material topics within the given area
- GRI 102-2 Activities, brands, products, and services
- GRI 102-7 Scale of the organization
- GRI 102-9 Supply chain
- GRI 102-10 Significant changes to the organization and its supply chain in the reported period
- GRI 102-12 External initiatives
- GRI 102-15 Key impact, risks and opportunities
- GRI 102-16 Key areas of impact, risks and opportunities
- GRI 103-1 Explanation of the material topic and its boundary
- GRI 201-1 Value added generated and distributed
- GRI 201-4 Government support - state ownership
- GRI 203-1 Investments in products and services

- GRI 205-1 Operations assessed for risks related to corruption
- GRI 205-2 Communication and training about anti-corruption policies and procedures
- GRI 205-3 Confirmed incidents of corruption
- GRI 403 Occupational health and safety management system
- GRI 403-9 Rates of injury, occupational diseases, lost days and absenteeism, and the number of work-related fatalities by region and gender
- GRI 416-1 Number of accidents
- GRI EU18 Percentage of employees, contractors and subcontractors who underwent work health and safety training
- GRI 417 The management approach in marketing and labeling
- GRI 417-2 Cases of non-compliance of products and services regarding information and labeling
- GRI 417-3 Cases of non-compliance regarding marketing communications
- GRI EU 3 Number of individual and business customers
- GRI 418 The management approach to customer privacy
- GRI 418-1 Material complaints regarding breaches of customer privacy and loss of customer data
- GRI EU-DMA The management approach in research and development
- GRI EU DMA Research and investments to ensure reliability of energy supply and promote sustainable development
- GRI 405 The management approach to equality and diversity
- GRI 406-1 Incidents related to discrimination and corrective actions
- GRI 206-1 Legal actions for anti-competitive behavior
- GRI 401 The management approach to employment
- GRI 102-8 Information on employees and other workers
- GRI 405-1 Composition of staff broken down by age and gender and minority
- GRI 401-3 Parental leave
- GRI 102-41 Collective bargaining agreements
- GRI 404-1 Number of training hours per employee
- GRI 404-2 Competence enhancement programs
- GRI 403-1 Number of employees associated in trade unions
- GRI 305-1 Direct greenhouse gas emissions
- GRI 302-1 Total energy consumption or production from renewable and non-renewable sources
- GRI EU2 Net volume of energy produced, broken down into main energy sources
- GRI 305-7 NOx, SOx and other significant air emissions
- GRI 303-3 Total water consumption by source
- GRI 306-1 Total sewage volume by quality and destination
- GRI 306-2 Total weight of waste by type of waste and methods of waste management
- GRI EU-DMA The management approach in waste management
- GRI 302-3 Energy intensity (consumption)
- GRI EU18 Percentage of TAURON Capital Group's employees, contractors and subcontractors who underwent work health and safety training
- GRI 305-5 Direct greenhouse gas emissions
- GRI EU1 Installed generation capacity broken down into main types of raw material and regulatory requirements

Katowice, March 30, 2020

Filip Grzegorzczak - President of the Management Board

Jarosław Broda - Vice President of the Management Board

Marek Wadowski - Vice President of the Management Board