

NON-FINANCIAL REPORT

of TAURON Capital Group
for 2021

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LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

It is our unchanging priority to develop renewable energy sources as part of the Green Turn of TAURON. To accelerate this process, we began working on a new strategy. The document will set new goals with respect to climate challenges and customer expectations. In addition, the new strategy will be our response to the market in connection with the tightening climate policy, in particular the European Green Deal and the Fit for 55 Package.

The development of renewable energy sources was a priority for TAURON Group in 2021. In order to stay on the growth curve, we intensified activities focused on increasing the volumes of production from the wind and sun. From the beginning of last year, some of the electricity we were generating came from the photovoltaic farm in Jaworzno. We have also completed construction works on a photovoltaic farm with a total capacity of 14 MW in Choszczno. In addition, we have started the construction of two wind farms - Piotrków and Majewo, with a total capacity of 36 MW, and a photovoltaic farm with a capacity of 100 MW in Mysłowice. Additionally, we have concluded a number of framework agreements aimed at securing the rights to the new RES generation units' construction projects.

TAURON Group is involved in the process of establishing the National Energy Security Agency, where coal-fired generation assets are to be transferred. Last year, we also signed a letter of intent with the Ministry of State Assets, under which TAURON Group's coal mines are planned to be sold to the State Treasury. We have also made the decision to keep the district heating assets within the Group's structure, with the intention to convert them from coal to gas by 2030, which will allow us to strengthen our leading position on the district heating supplier market in the Upper Silesia-Zagłębie Metropolitan Area.

Aware of the increasing importance of sustainable development factors in our operations, we established the ESG Committee in 2021. As a result, setting directions and goals related to ESG as well as reporting on the implementation thereof will be carried out in a new, fully coordinated fashion.

The entire 2021 year also brought us a number of challenges related to the COVID-19 pandemic. Bearing in mind the health and safety of our workforce, we made the decision to continue maintaining the implemented precautionary measures, adapted to the specifics of TAURON Group's subsidiaries' operations. In addition, we initiated a number of supporting activities, among others we provided the funding for the voluntary tests for the presence of the SARS-CoV-2 virus antibodies. We also undertook pro-social aid activities, making targeted donations for the purchase of equipment for foundations and medical institutions located in the area of our operations. The customer service solutions introduced due to the pandemic will remain with us for years, including a large scale acceleration of the digitization of processes.

It is important for us that the Report that I submit to you is a comprehensive and transparent document, therefore both the layout as well as the content of the publication are based on the structure and guidelines of the international reporting standard GRI (Global Reporting Index). Focusing on the disclosure of key non-financial issues related to the operations of TAURON Capital Group, presented taking into account the environment (stakeholders) and anticipated trends, this Report aims, first and foremost, to disclose the method used to create value for our stakeholders.

The changing regulatory environment, rising prices of CO₂ emission allowances and accelerating climate change prompt us to systematically verify our assumptions and adapt to the growing expectations of stakeholders as well as to take further actions to minimize the impact of our activities on the planet. We hope that in 2022 we will be able to widen the options for obtaining further funding and intensify our expansion towards increasing the share of zero- and low-carbon assets in the Group's generation portfolio.

For this year, full of new challenges, I would like to thank all shareholders, customers and employees of TAURON Capital Group.

Yours respectfully,
Artur Michałowski

acting as the President of the Management Board
Vice President of the Management Board of TAURON Polska Energia S.A.

1. Information on TAURON Capital Group's Report and legal basis

1.1. Information on the Report, legal basis

The 2021 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 1-8 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 presented in this Report from the point of view of the entire TAURON Capital Group and are provided on a consolidated basis.

The subject matter scope of the Report has not changed significantly as compared to 2020. The Report covers the following subsidiaries: TAURON Polska Energia, TAURON Wydobycie, TAURON Wytwarzanie, Nowe Jaworzno Grupa TAURON, TAURON Ciepło, TAURON Ekoenergia, TAURON Dystrybucja, TAURON Nowe Technologie, TAURON Dystrybucja Pomiary, Bioeko Grupa TAURON, TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Obsługa Klienta, Kopalnia Wapienia „Czatkowice”, Spółka Usług Górniczych, TAURON Serwis, the special purpose vehicles set up to manage the wind assets, TAURON Czech Energy, TAURON Ubezpieczenia and Wsparcie Grupa TAURON. This set of companies, also included in the Financial Statements, is representative for 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 Non-financial Report of TAURON Capital Group for 2020 was published on March 31, 2021).

Due to the growing importance of non-financial data, the Non-financial Report has been prepared for the third time in the history of TAURON Group, constituting an independent, autonomous document.

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.

1.2. Reporting methodology

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

- Confirming the map of stakeholders and defining the material aspects of the reporting;
- Conducting a materiality analysis of topics to be covered in the Report;
- 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 this Report based on the collected data in accordance with the Accounting Act of September 29, 1994, as subsequently amended, 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

Seeing growing interest in non-financial data that allows for understanding the organization in a broader context, this Report presents the content that can be used by the stakeholders interested in the value creation process by TAURON Capital Group, including, in particular, investors, analysts and bondholders, employees, customers, suppliers, business partners, local communities, legislators, regulatory bodies (regulators) and decision makers.

This Report is based on the Global Reporting Initiative standard - GRI Standards (core level). The Report presents indices from the categories of the basic (core level) 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 should be credible and comprehensive. When drafting the texts we applied the principle of brevity and the principle of linking the information presented.

1.4. Stakeholder mapping

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 thereof 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 capabilities as well as implementing the agreements reached.

With the above purpose in mind as the starting point, the process of identifying and mapping TAURON Capital Group's stakeholders was carried out in December 2019 in cooperation with the experts from the AGH University of Science and Technology and the Institute of Accounting and Taxes. The process was verified and confirmed to be up to date in 2022. It was also considered as the initial and basic stage of developing functionalities related to sustainable development as well as the basis for conducting a comprehensive materiality analysis for the purpose of this Report. Johnson & Scholes methodology was used as part of this step.

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

- 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 obtained results confirmed the existence of the above identified groups of TAURON Capital Group's stakeholders. As it turned out that no

stakeholders outside the previously identified groups had been found among the responses to the Group's posts or messages.

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

As part of the stakeholder map, the impact of individual stakeholder groups on TAURON Group was determined on a five-point scale (where -5 points means no impact at all, +5 points means a very high impact). The interest of individual stakeholder groups in TAURON Group is shown in the same way, by placing them on a scale from -5 (complete lack of interest) to +5 (very high level of interest).

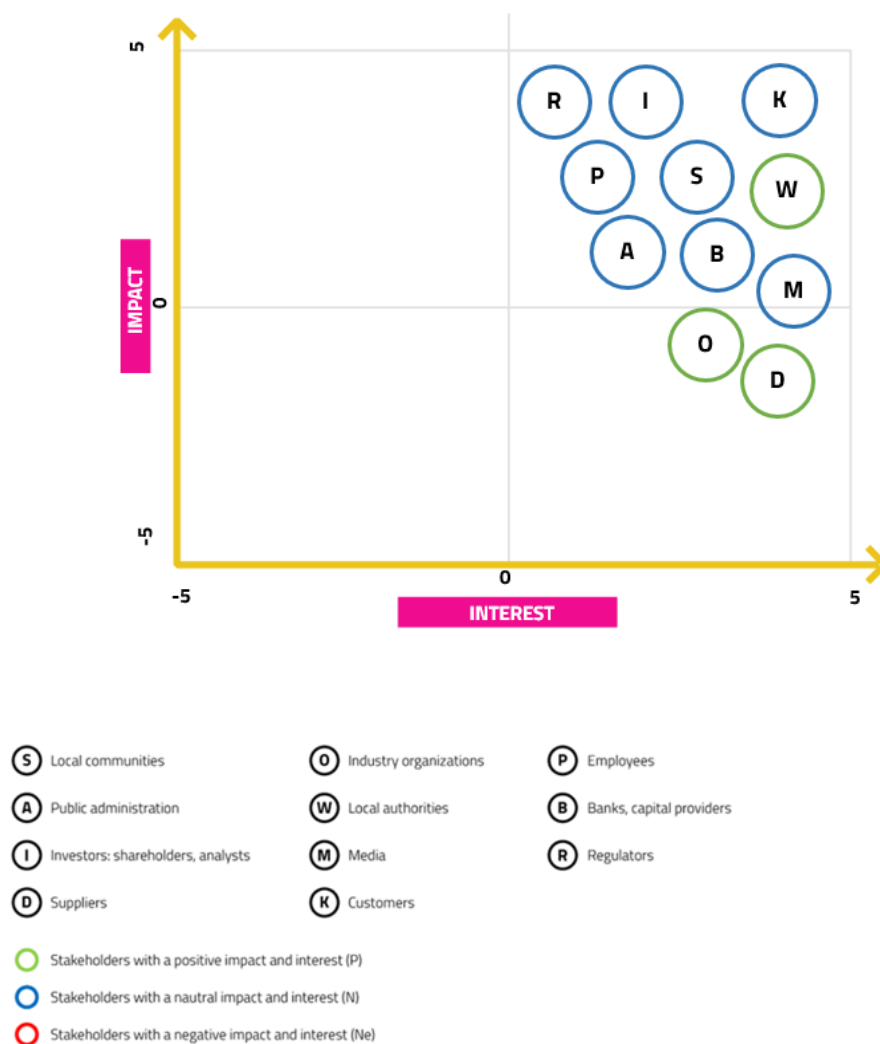


Figure no. 1. Johnson & Scholes matrix illustrating the map of TAURON Capital Group's stakeholders in 2020

Having conducted the above mapping process at the end of 2019, it was concluded that the map of stakeholders presented in Figure 1 is also valid for 2020.

1.5. Material aspects of the reporting

The starting points for the process of selecting material aspects of reporting in this Report are:

- Johnson & Scholes matrix (section 1.4) developed as a result of stakeholder mapping, prepared at the end of 2019, verified and confirmed in 2021;
- AA1000 Stakeholder Engagement Standard – 2015 Edition (the co-called AA1000 SES standard).

Based on the above assumptions, in cooperation with the experts from the AGH University of Science and Technology and the Institute of Accounting and Taxes, the process of selecting important reporting aspects was

carried out, with the involvement of key stakeholders, identified in the Johnson & Scholes matrix, in the December 2020 - January 2021 time frame. The preparation of this Report was based on the results of the above mentioned process were used.

In accordance with the market analysis principles and the AA1000 SES standard, the process of defining material aspects of the reporting was composed of:

- quantitative research - surveys,
- qualitative research – workshops and interviews.

They were implemented in two groups of stakeholders representing the key categories:

- internal stakeholders – developing the perspective of TAURON Group,
- external stakeholders – developing the perspective of TAURON Group's environment.

The quantitative research was used for the initial, statistical determination of the importance (weight) of the topics (issues) to be reported. The goal of the qualitative research, on the other hand, was to obtain the confirmation by stakeholder representatives from key groups of the importance (weight) of the topics (issues) identified as a result of the quantitative research.

Due to the epidemic limitations, both types of research were conducted on-line. The quantitative research was based on online surveys, while the qualitative research was based on individual interviews with experts conducted using electronic applications, as well as on-line workshops carried out with the use of Internet platforms. Their preparation and implementation was undertaken by an independent research and development unit - the AGH University of Science and Technology (AGH).

In case of the internal stakeholders, the quantitative and qualitative research covered the managerial staff and employees of TAURON Capital Group. The perspective developed this way takes into account the opinions of the entire Group. Therefore, separate points of view of the individual subsidiaries are not specified, as the Group is treated as a whole. Within its framework, however, it is possible to identify individual lines of business (Mining, Generation, Heat, RES, Distribution, Customer Service and Supply) for which the indicators that are the most important from the point of view of their operations have been selected and reported.

Almost 600 responses from the internal stakeholders were collected based on the on-line questionnaire. As part of the qualitative research, several-hour-long workshops with the Group's management were held. The meeting was attended by managers, among others, dealing with strategy, customer, environment, risk, human resource management, compliance and communications.

With respect to the external stakeholders, the research process covered the following groups of key stakeholders: public administration, banks and capital providers, suppliers, investors, shareholders and analysts, customers, media, industry organizations (including the ones related to corporate social responsibility and environmental organizations), regulators as well as the local government. As a result, more than 450 stakeholder responses were obtained. The above was the basis for the stakeholder panel conducted on January 8, 2021, with the representatives of all the above mentioned key stakeholder groups, and additionally also the representatives of the universities (AGH) participating therein.

The results of the identification by the external and internal stakeholders of the materiality level of non-financial topics (issues) to be reported by TAURON Capital Group are provided in the materiality matrix, presented in Figure 2.

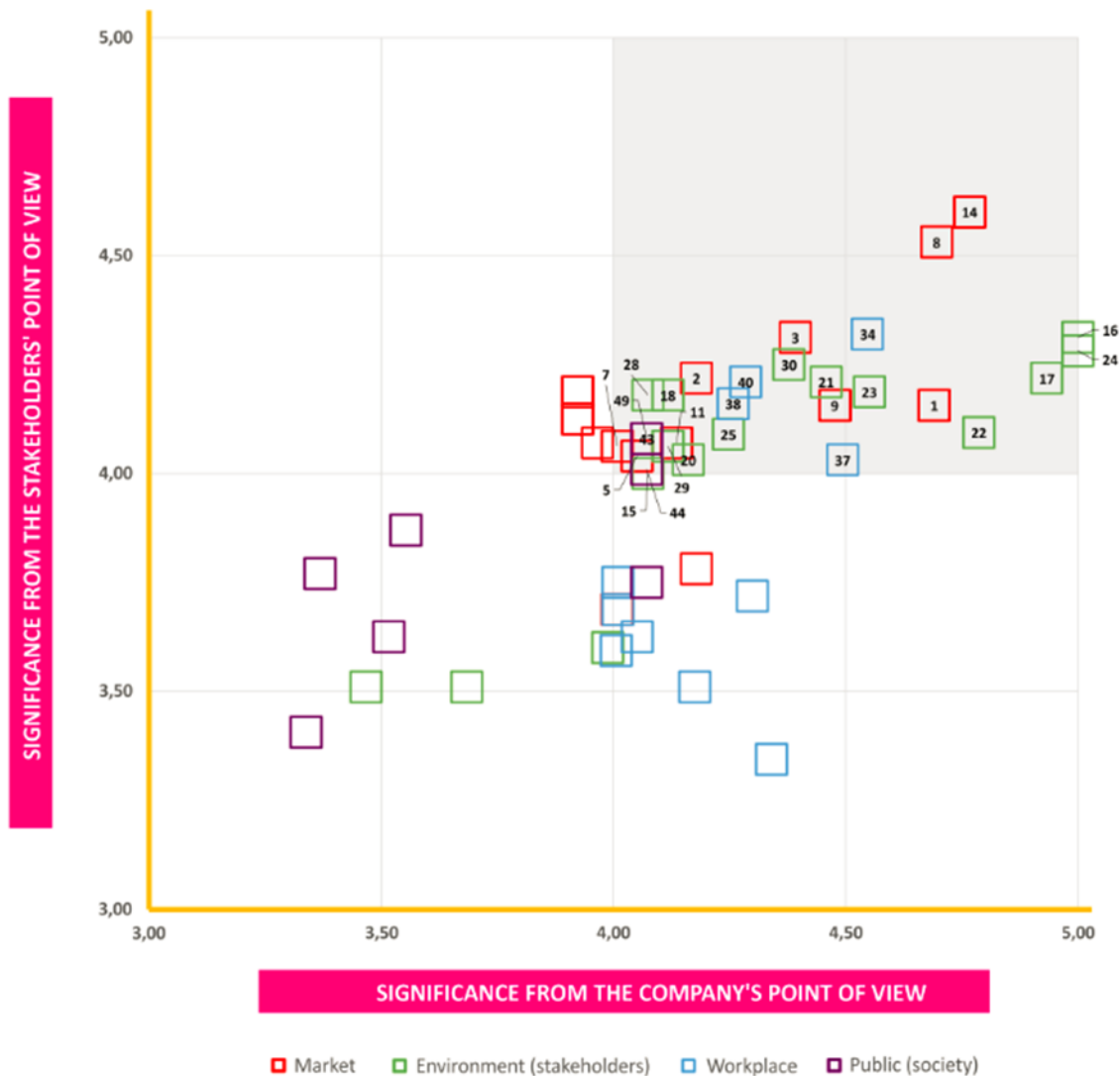


Figure no. 2. The level of significance of the individual non-financial topics (issues) for TAURON Capital Group and its environment (stakeholders)

Based on the results of stakeholder indications, material non-financial topics (issues) (with a weight of 4 (important) and higher (very important)) to be reported by TAURON Capital Group for 2021 were summarized. They are presented in table no. 1.

Table no. 1. Non-financial topics (issues) selected by stakeholders during the materiality analysis to be reported by TAURON Capital Group

| The number in the group of topics (issues) considered | Topics (issues) selected during the materiality analysis | 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 |

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| 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 |
| 5 | Ethics in marketing, adherence to high ethical standards in communications | market |
| 7 | Customer service standards, implementation of new customer service channels and significant technological solutions, complaint handling system, consumer service | market |
| 8 | Security of customer data | market |
| 9 | Introduction of the European Green Deal | market |
| 11 | The company's policy towards prosumers | market |
| 14 | The role of coal-based energy in the energy mix and in creating added value | market |
| 15 | Climate change, progressive global warming and weather anomalies related thereto | environment |
| 16 | Investments aimed at increasing the share of energy produced from renewable sources and energy storage technologies, as well as supporting sustainable development | environment |
| 17 | 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 |
| 18 | Environmental management strategy, environmental management systems and risk management - a comprehensive, integrated approach of the company to the analysis of environmental impact at each stage of the company's operations (adopted policies, strategies, norms, standards, setting environmental targets) | environment |
| 20 | Investing in environmental protection projects, financing research projects, with respect to reducing the negative impact on the environment, investments to increase the share of energy from renewable sources | environment |
| 21 | Efficient management of water resources (measuring consumption, reducing consumption, water and sewage management, impacting water reservoirs and sewage) | environment |
| 22 | Efficient management of the consumption of the raw materials used in the electricity production process | environment |
| 23 | Efficient management of energy consumption (metering, targets, reduction/optimization of consumption) | environment |
| 24 | Emissions to the atmosphere (types and quantity of substances emitted - measurements, targets) | environment |
| 25 | Waste management | environment |
| 28 | Educational activities for employees, suppliers, customers and local communities, engaging customers in environment protection | environment |

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| 29 | Research and development initiatives as well as innovative solutions related to the natural environment protection and energy saving (efficiency) | environment |
| 30 | The use of innovative technologies, products and services that are environmentally friendly | environment |
| 34 | Promotion of occupational health and safety (OHS) rules | work place |
| 37 | Education and development of the employees at various levels in the organization | work place |
| 38 | Internal communication with the employees | work place |
| 40 | Ensuring equal opportunities in the workplace, diversity management policy, workforce age and knowledge management, family-friendly company and work-life balance | work place |
| 43 | Support for the society in the fight against the SARS CoV-2 virus | society |
| 44 | Supporting the local community, developing a good neighborhood policy; activities at the level of individual subsidiaries | society |
| 49 | Conducting a dialogue with the stakeholders | society |

1.6. GRI indices

- 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 Strategy for the years 2016-2025

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

The operations of energy companies are affected by a number of factors that shape their immediate and further environment. Such factors also have an impact on the choice of the adequate strategy. In addition to the fundamental aspects, such as political, regulatory, economic, social and technological factors, the environmental and climate issues are playing a key role now.

There has been a significant acceleration of legislative work at the European level, aimed at preparing specific actions to enable the economy of the European Union to be based on low- and zero-emission sources. These activities have a significant impact on the domestic electricity market, accelerating the sector's transition. The above has a direct impact on TAURON Group and its strategic decisions.

TAURON Group is implementing the Green Turn of TAURON, announced in 2019, that envisages a sustainable transition towards low-emission operations. Due to the tightening of the European Union's climate policy, in particular the European Green Deal and the Fit for 55 Package, TAURON is working on a new strategy that will intensify activities related to the Group's energy transition. The new Strategy will set strategic goals in the short, medium and long term that will constitute a response to the climate and environmental challenges, market changes and customer expectations. Maintaining the competitive position will be possible through the development of renewable energy sources (RES), maintaining the reliability of electricity and heat distribution and offering modern solutions for the customer.

2.2. TAURON Group against the backdrop of the world's greatest challenges – climate changes and insufficient resources

The consequences of rapid climate change include an increase in average air and ocean temperatures, widespread melting of snow and ice as well as rising sea levels. The effects of climate change in the form of extreme weather conditions are expected to become even more intense and visible over time.

In order to limit the negative impact of economic activities on the climate decisions have been made at the European level to accelerate work on the European Union's climate neutrality. In December 2019, the European Green Deal strategy was announced and the EU's 2050 climate neutrality target was approved. The proposed EU strategy aims to transform Europe into a climate neutral, fair and prosperous society with a sustainable, resource-efficient and competitive economy.

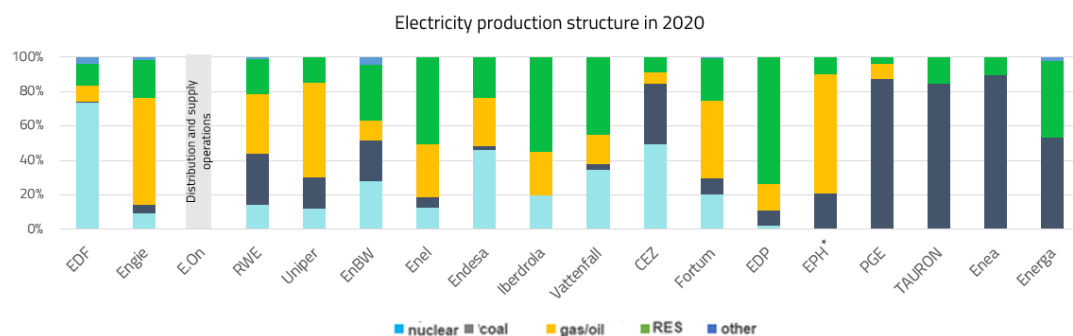
Achieving climate neutrality by 2050 will be a great challenge for Poland and the Polish energy sector. The regulations stemming from the European Green Deal will also have a material impact on the operations of TAURON Group. More information on the Group's climate impact and adaptation to climate change is provided in section E 1.1.2. TAURON Group's Climate Policy.

Economic growth is inextricably associated with the use of water resources and mineral resources, including fossil energy resources. The industrial sector that uses fossil fuels must take into account the supply limits, worsening of the availability conditions thereof, and ultimately their exhaustion. For these reasons, where possible, technical solutions allowing for the so-called closing of circuits, i.e. reuse of the resources, are applied. More information on the Group's use of the environment and the circular economy is provided in section E 1.1.1. TAURON Group's Environmental Policy.

2.3. TAURON Group against the European power market backdrop

Currently the main trend with respect to the changes taking place in the environment of the energy groups in Europe is the development of renewable energy sources. This is accompanied by decarbonization, electrification of the transportation, energy efficiency or decentralization of electricity generation as well as the improvement of the quality and security of electricity supply. This is reflected in the European energy groups' generation mixes and installed capacity.

Figure no. 3 presents a comparison of the generation mix and installed capacity among selected largest energy groups in Europe.



| 2020 | Installed capacity GW | | | | | | | | | | | | | | | | | |
|-------|-----------------------|-------|------|------|--------|------|------|--------|-----------|------------|------|--------|------|------|------|--------|------|--------|
| | EDF | Engie | E.On | RWE | Uniper | EnBW | Enel | Endesa | Iberdrola | Vattenfall | CEZ | Fortum | EDP | EPH | PGE | TAURON | Enea | Energa |
| total | 144,5 | 101,0 | - | 40,7 | 33,5 | 12,5 | 84,0 | 21,6 | 48,0 | 29,3 | 14,6 | 50,3 | 23,7 | b.d. | 18,0 | 6,1 | 6,3 | 1,4 |
| OZE | 33,3 | 31,1 | - | 10,1 | 3,7 | 4,9 | 44,1 | 7,7 | 34,8 | 12,5 | 3,1 | 8,8 | 18,6 | b.d. | 1,0 | 0,7 | 0,4 | 0,5 |
| solar | 2,2 | 3,1 | - | 0,2 | - | 0,0 | 3,9 | 0,5 | 1,9 | 0,1 | 0,1 | 0,3 | 0,3 | b.d. | 0,0 | - | - | 0,0 |
| wind | 8,4 | 10,1 | - | 8,5 | - | 1,9 | 12,4 | 2,4 | 19,7 | 3,5 | 0,7 | 0,1 | 11,2 | b.d. | 0,7 | 0,4 | 0,1 | 0,2 |
| hydro | 22,5 | 17,8 | - | 0,6 | 3,7 | 2,5 | 27,8 | 4,7 | 13,2 | 8,9 | 2,3 | 8,4 | 7,1 | b.d. | 0,4 | 0,1 | 0,1 | 0,2 |

| 2019 | Installed capacity GW | | | | | | | | | | | | | | | | | |
|-------|-----------------------|-------|------|------|--------|------|------|--------|-----------|------------|------|--------|------|------|------|--------|------|--------|
| | EDF | Engie | E.On | RWE | Uniper | EnBW | Enel | Endesa | Iberdrola | Vattenfall | CEZ | Fortum | EDP | EPH | PGE | TAURON | Enea | Energa |
| total | 122,3 | 96,8 | - | 43,4 | 32,5 | 13,8 | 84,4 | 23,4 | 45,7 | 30,5 | 14,6 | 14,2 | 26,7 | 13,3 | 17,8 | 5,2 | 6,3 | 1,4 |
| OZE | 32,3 | 26,9 | - | 10,0 | 3,7 | 4,4 | 41,2 | 7,4 | 32,0 | 12,1 | 1,7 | 5,2 | 19,6 | 0,8 | 1,0 | 0,7 | 0,4 | 0,5 |
| solar | 1,8 | 2,6 | - | 0,1 | - | 0,0 | 3,1 | 0,4 | 1,0 | 0,0 | b.d. | 0,3 | 0,1 | 0,0 | 0,0 | - | - | 0,0 |
| Wind | 7,8 | 7,4 | - | 8,6 | - | 1,7 | 10,3 | 2,3 | 17,8 | 3,0 | b.d. | 0,2 | 10,7 | 1,0 | 0,6 | 0,4 | 0,1 | 0,2 |
| hydro | 22,5 | 16,3 | - | 1,2 | 3,7 | 2,5 | 27,8 | 4,7 | 13,2 | 8,9 | b.d. | 4,7 | 8,8 | 0,0 | 0,4 | 0,1 | 0,1 | 0,2 |

*EPH electricity production structure based on the 2019 data. Others include, among others, pumped storage hydro power plants, waste incineration plants.

Figure no. 3. 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

Against the background of the European market, Polish energy groups are characterized by a large share of coal technologies in their generation capacity. Electricity production among the European energy groups presented is much more diversified. Generating units based on coal do not have a majority share in their fuel mix.

Analyzing the installed capacity over the years 2020/2019, a trend involving rising investments in renewable energy sources and departing from coal is clearly visible. An example of this is EnBW or Enel, whose total installed capacity went down in 2020 as compared to 2019, while the RES based capacity went up at the same time.

A similar situation can be observed in case of CEZ, whose total capacity remained at the same level and the RES capacity doubled within a year.

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. 2.

Table no. 2. Summary of the strategic directions most often set by the largest energy groups in Europe

| | | |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------------------|
| Developing services and solutions for the Customers aiming for climate neutrality | Efficient grid infrastructure | RES expansion |
| CO₂ emissions reduction | Departure from coal Carbon footprint improvement | Climate protection, social objectives and corporate culture differentiation |
| Gas-fired power decarbonization | Digitization as an efficiency improving factor | Hydrogen technology development |

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

European energy groups increasingly emphasize social issues and sustainable development aspects in their strategies, referring to the adopted UN Sustainable Development goals and EU regulations. In their core business, they take into account the broadly understood concept of climate care, i.e. the development of renewable sources, reduction of emissions, abandonment of electricity generation based on coal fuel and reduction of the carbon footprint. Striving for climate neutrality, the energy groups expand their offering by adding the so-called ecological services and products. Another direction is ensuring the security of supplies and the quality of distributed electricity, with an increase in unstable renewable energy sources (RES) and the number of prosumers.

In addition to the development of renewable energy sources, the activities related to the modernization of energy infrastructure, digitization of processes and implementing smart metering are gaining momentum. A common practice is to link investments in RES with PPAs (i.e. Power Purchase Agreements). Along with the increase in the supply of renewable energy sources, including also small prosumer installations, the development of electricity storage technology, including hydrogen technology, is becoming more important.

Expansion of Renewable Energy Sources - declarations of energy companies

As the environment is changing, energy companies are updating their plans and strategic goals. Figure 4 presents the declarations of the European power companies regarding capital expenditures and expansion of the RES assets.

Growth of Renewable Energy Sources declarations of selected energy companies in Europe

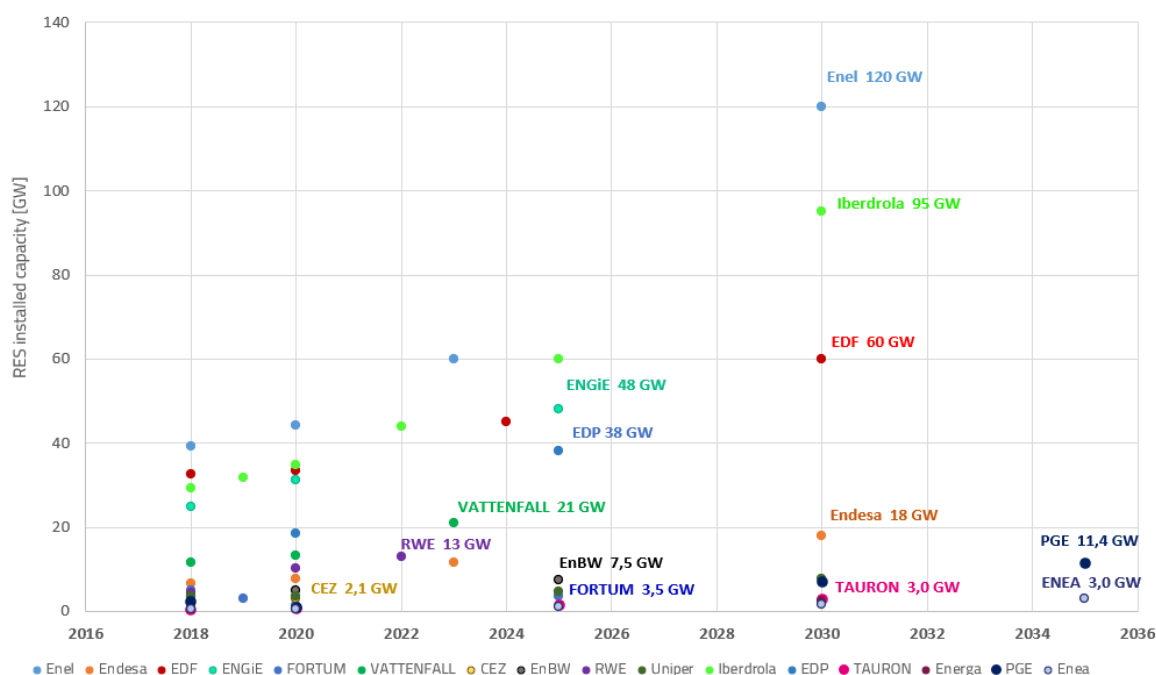


Figure no. 4. Declarations of the European power companies regarding capital expenditures and expansion, in the coming years, with respect to new generation capacity based on the RES assets

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

In 2020, an Italian company Enel had the highest installed RES capacity among the energy companies presented, with 44.1 GW. In its strategic plans, it assumes increasing RES capacity to 120 GW by 2030. Iberdrola, another energy company with installed RES capacity of 34.8 GW in 2020, is planning to achieve installed capacity of renewable energy sources of more than 90 GW by 2030. French EDF assumes achieving 60 GW of RES capacity in 2030, from more than 33 GW in 2020. ENGIE Group, the second company operating in France, is planning to increase its capacity by approx. 17 GW by 2025 (from approx. 31 GW in 2020 to 48 GW in 2025). The Portuguese energy group EDP is planning to increase the RES capacity by approximately 20 GW over the years 2020-2025 and ultimately achieve a target capacity of 38 GW in 2025.

On the domestic market, PGE Group had the largest installed RES capacity in 2020, i.e. 1.0 GW (excluding the capacity of the pumped storage hydro power plants). PGE's ambition is to achieve approx. 7 GW of installed RES capacity (excluding the pumped storage hydro power plants), including 2.5 GW of offshore wind capacity by 2030. The group is planning to have approx. 11 GW of renewable energy capacity in 2035, and to achieve climate neutrality by 2050. At the end of December 2021, Enea Group updated its Expansion Strategy by 2030 with an outlook until 2040. According to the new strategic plan, Enea is intending to increase its RES installed capacity to 1.7 GW in 2030, to 3.0 GW in 2035 and to 4.0 GW by 2040. Enea Group has declared that it will achieve climate neutrality by 2050. In May 2021, Energa Group, operating within the structure of the PKN ORLEN fuel and energy group, adopted the Group's Strategic Expansion Plan for 2021-2030, which provided for achieving approx. 1.1 GW of installed capacity in onshore renewable sources and participating in projects to build offshore wind farms with a capacity of approx. 1.3 GW. Ultimately, Energa's RES capacity will reach 2.6 GW in 2030.

In the Update of the Strategic Directions TAURON Group declared an increase of its low and zero emission installed capacity to approx. 1.6 GW by 2025, and to approx. 3 GW by 2030. The Group has also communicated its readiness to take part in off-shore wind farm development projects.

CO₂ emission reductions – declarations of energy groups

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. Figure no. 5 illustrates the declarations of the power companies related to the CO₂ emission reduction targets by 2030.

CO2 emission reduction
versus the 2018 levels

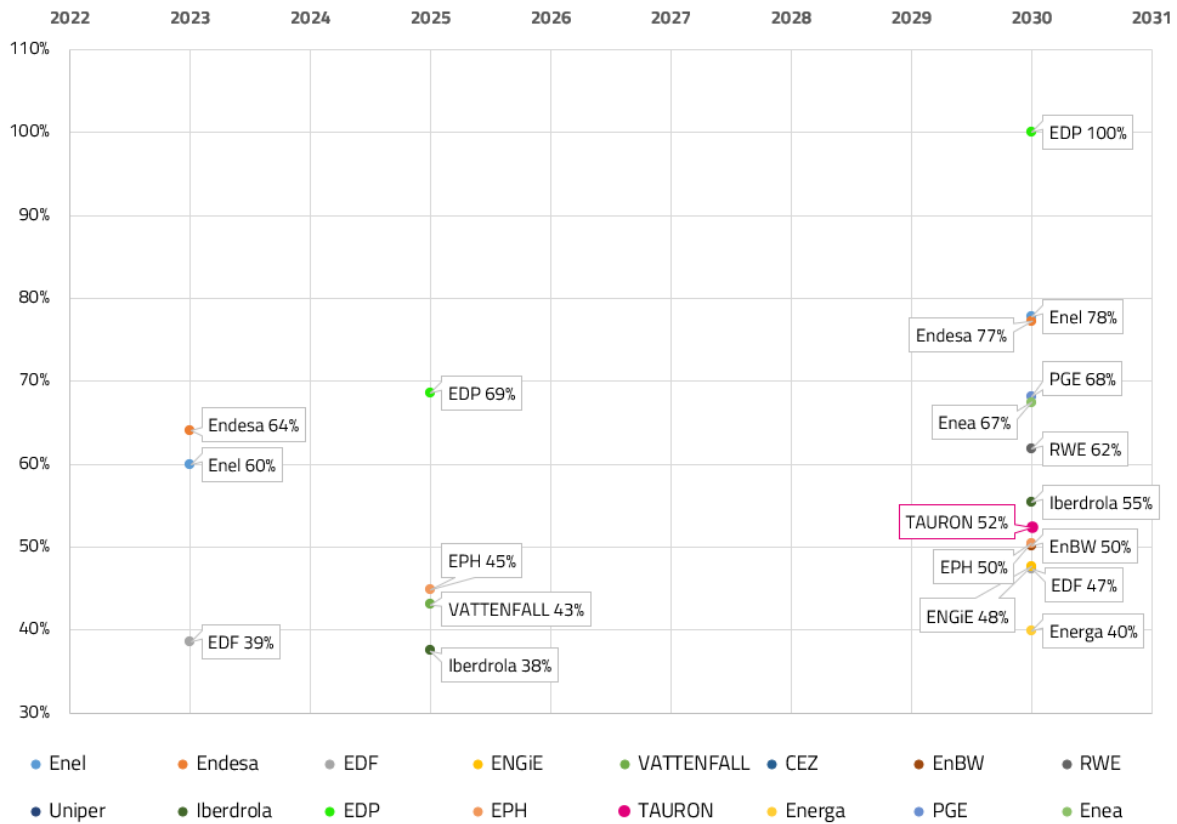


Figure no. 5. CO₂ emission reduction targets of the European energy companies

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

EDP Group has the most ambitious plans among the European energy groups, and its goal is to achieve 100% zero emissions electricity production by 2030. Pursuing this goal, the group is planning a reduction of unit (specific) CO₂ emissions by 69% (as compared to the 2018 level) by the end of 2025. Another group planning a large reduction of emissions is Enel – a reduction by 78% in 2030. Iberdrola declares that by 2030 the group's emissions will be reduced by 55% and its operations in Europe will be climate neutral.

EnBW declares achieving climate neutrality in 2035, and the company plans to reduce unit (specific) emissions by 50% by 2030, and also Uniper declares its operations on the European market will be climate neutral in 2035.

RWE is planning a 62% reduction in emissions in 2030, and a full decarbonization of its generation assets portfolio in 2040. EDF Group has set itself the goal of achieving a zero-emission level by 2050, planning to reduce emissions by 47% in 2030. Enel, Endesa, EDF, VATTENFALL, Iberdrola, Uniper and FORTUM have declared their operations will be climate neutral by 2050.

TAURON Group is planning to reduce emissions by more than 50% by 2030. PGE has declared a reduction of unit (specific) CO₂ emissions by 68% by 2030, while Enea, in line with its new strategy, will reduce emissions by 67%. Energa will reduce unit (specific) emissions by 40% by 2030 (as compared to 2018). PGE and Enea, as well as ORLEN Group, the owner of Energa Group, have declared their operations will be climate neutral by 2050.

2.4. TAURON Group against the Polish energy market backdrop

In addition to TAURON Capital Group, 3 large, vertically integrated energy groups: PGE, ENEA and ENERGA as part of Orlen Group, are currently operating on the power market in Poland, The consolidated energy groups (PGE, TAURON, ENEA, ENERGA) had a 70% 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 2021. The Group is the third largest electricity generator on the Polish market. The Group's gross electricity production stood at 15.59 TWh in 2021.

Figures 6 and 7 present information on electricity generated in Poland during 9 months of 2021 and installed capacity as of September 30, 2021.

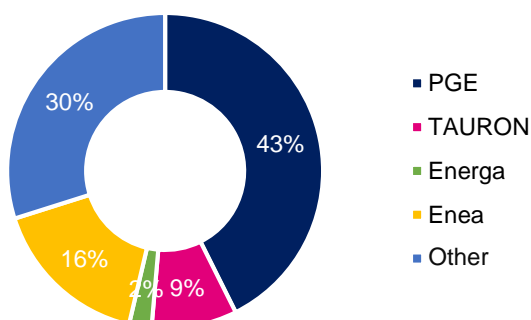


Figure no. 6. Gross electricity production - estimated market shares after 9 months of 2021

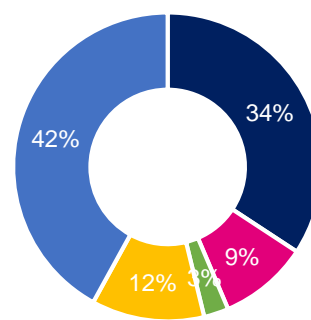


Figure no. 7. Installed capacity - estimated market shares after 9 months of 2021

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 final consumers stood at approx. 37% (taking into account 5 largest distributors) in the first three quarters of 2021. TAURON Capital Group's distribution grids cover more than 18% of the country's territory. Figure no. 8 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 2021. TAURON Group's electricity distribution volume came in at 53.97 TWh in 2021.

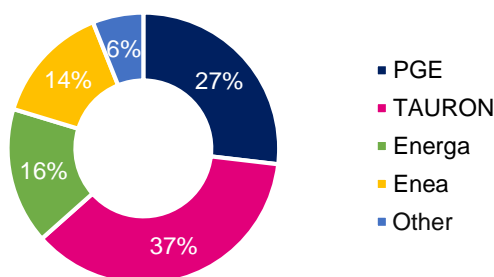


Figure no. 8. Electricity distribution in Poland - estimated market shares after 9 months of 2021

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

Supply

When comparing the data after the first three quarters of 2021, TAURON Group was the second, after PGE, largest supplier of electricity in Poland. TAURON Group's retail electricity supply reached 33.41 TWh for the full year 2021. The number of the Supply Segment's customers stood at approx. 5.6 million in 2021.

Figure no. 9 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 2021.

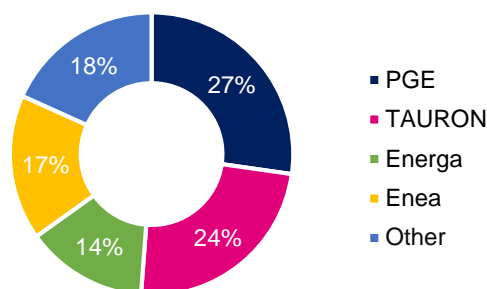


Figure no. 9. Electricity supply to the final consumers in Poland - estimated market shares after 9 months of 2021

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

2.5. TAURON Capital Group's strategic determinants related to the external environment

The most significant changes in the external environment of TAURON Capital Group are the regulatory changes, particular the ones related to the climate and environment protection. The global warming, increase of the pollution and a serious smog problem in Poland that have been observed for years, are forcing specific actions to minimize the negative impact of business operations on the environment.

Short term outlook

Until 2025 the power sector will focus its efforts on the development of renewable sources. On one hand, this is the result of an increase in prices on the wholesale electricity market, and on the other hand, it is a consequence of the strong support for the development of renewable energy sources and the growing cost competitiveness of such technology as compared to the ever more expensive conventional electricity generation. The energy sector decarbonization tendency observed in recent years is gaining momentum, which is reflected in the regulations related to the increase in environmental requirements for coal fired units. In many cases, the above results in a permanent lack of profitability. Additionally, the change in the approach of the financial sector towards lending only to environmentally sustainable investment projects is accelerating the transition of the energy sector. 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. The possibility of achieving at least partial independence of the fast rising electricity prices is also important. According to the Polish Energy Policy (PEP) until 2040, it is assumed that the achievable capacity in PV technologies will reach 5 GW in 2025. In the short term, the installed capacity in onshore wind technology will also increase - according to the PEP 2040 assumptions, the estimated installed capacity of onshore wind power in Poland will stand at approx. 9.6 GW in 2025. The amendment to the distance act (the so-called 10H) can be an impulse spurring further expansion of wind energy. The new forecasts indicate a potential faster growth rate of the development of wind and PV sources than those outlined in PEP 2040.

Offshore wind farms are a new and promising investment direction. The opportunity for the emergence of large-scale offshore renewable energy sources is provided by the Act on the Promotion of Electricity Generation in Offshore Wind Farms, which entered into force in 2021. According to investors' declarations, the production of electricity from the first wind farm in the Polish zone of the Baltic Sea will start as early as 2025. The most advanced works are carried out by PGE, PKN Orlen and Polenergia. According to PEP 2040, offshore capacity will stand at approx. 0.7 GW by 2025. The estimates included in the PEP indicate that approx. 2.6 GW of capacity will be retired from the national system in 2021-2025. It should be emphasized, however, that despite the growing number of renewable energy installations, coal will continue to be the basic fuel in the domestic energy sector until 2025.

Due to the situation of the industry in Poland the energy sector's business model is undergoing a change. Efforts are made towards spinning off of conventional coal based energy from the energy groups into separate entities and focus activities on RES, distribution and supply of electricity and new products. At the government level, work is underway to establish the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE), where coal-fired generation assets will be concentrated.

In terms of the macroeconomics, 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. This will be a consequence of the wider spreading of the use of electricity, for example, for heating purposes in connection with counteracting low emissions. In the coming years, the development of new energy storage technologies to a level that would enable their cost efficient implementation on a system-wide scale should not be expected. Electricity price volatility due to the large share of uncontrollable (intermittent) sources can be an impulse for the wider spreading and use of energy storage facilities for system purposes. The nature of transmission systems and distribution grids is changing from the traditional direction of electricity flow from the power plant to the transmission system, and further to the distribution grid and customers, to increasing flows in the opposite direction, i.e. from the low voltage grids to the higher voltage grids. This forces undertaking investment activities aimed at grid metering, including data transmission and IT systems supporting network management in order to maintain stability through flow control (load capacity of grid elements), voltage and short-circuit power control. The low and medium voltage grids require large expenditures on modernization, so that they can absorb the avalanche of distributed generation installations. Distribution grids, especially in areas with low electricity consumption density, become a guarantor of stability and security, as well as a kind of "energy storage" for the prosumer sources and the other renewable energy sources (RES).

From TAURON Group's point of view, the most important issues that will affect the energy sector until 2025 include:

- implementation of the government solutions for hard coal mining and coal energy;
- 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;
- decisions regarding the option of financing investments in gas assets;
- decommissioning of some conventional generating units due to their deteriorating competitive position versus other energy sources;
- integration of the European energy market and the reduction of the importance of the local markets in favor of the regional markets related thereto, 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 (balancing, aggregation, DSM, capacity reservation, etc.);
- further growth of the prosumer installations.

Medium term outlook

In terms of electricity generation technology, the continuation of the fast development of renewable energy sources and the probable development of electricity storage technology are forecast in the 2026-2030 time frame. 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 continue to support the development of renewable energy sources and at the same time impose the ever higher costs and restrictions on conventional energy, making it permanently unprofitable. The share of coal in the domestic energy mix will decrease significantly. According to the forecasts provided in PEP 2040, an increase in capacity in PV installations up to more than 7 GW, as regards the wind capacity, an increase in onshore wind installations' capacity to approx. 9.6 GW, and in offshore wind installations' capacity to 5.9 GW is expected in 2030. By 2030, further shutdowns of unprofitable coal-fired units will take place. It is estimated in PEP 2040 that approx. 4 GW of generation capacity will be retired in the 2026-2030 time frame. However, there is an opportunity for large, modern conventional power generating units that will be stabilizing the national power system. As a result of shutting down coal units a peak power deficit may arise in the NPS, which may create potential for the development of sources based on natural gas, provided that such investment projects could be financed.

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. It is assumed that consumer awareness will be increasing further in connection with the digitization processes, access to the prosumer installations and smart grid solutions. 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 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.

Growing energy awareness in combination with increasing energy costs will cause more and more interest in energy efficiency, energy saving and in-house production and storage of energy from RES. Economic incentives and better technologies will result in the intensification of thermo-modernization activities and increased purchases of less and less energy-consuming devices (including by the households). Additionally, the popularity of pro-ecological behavior patterns will grow. More and more customers will accept the higher cost of electricity, provided it comes from ecological generation sources.

Long term outlook

The role of the renewable sources will be steadfastly growing in the long term and they will push out the coal-based electricity over the next two decades. In the longer term, there will also be a significant transition of the national energy mix and an increase of the share of renewable energy sources to more than 60% by 2040. In the time frame up to 2050, the greatest challenge for Poland will be to ensure stable electricity supply.

The energy sector will have to adapt to climate change, and in particular to the effects of extreme weather and climate related events, such as hurricanes, droughts or floods.

In the long term, the possibility of the emergence of breakthrough technologies on the market that will have a significant impact on the energy business may be assumed. It is forecast that hydrogen technologies will be spreading widely in energy, manufacturing industry and transportation, and energy storage technologies will be developed.

Sustainable development

The 2030 Sustainable Development Goals (presented in Figure no. 10) were adopted by all UN member states (193 countries in total, including Poland) in September 2015, setting the framework for an action strategy based on the concept of sustainable development. The agenda included 17 sustainable development goals and 169 detailed tasks related thereto, to be achieved by 2030. The UN goals provide the framework for the formulation of policies for the sustainable development (growth) of economies worldwide:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Clean and Affordable Energy
8. Economic Growth and Decent Work
9. Innovation, Industry, Infrastructure
10. Reducing Inequality
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institution
17. Partnership for the Goals



Figure no. 10. UN Sustainable Development Goals 2030 (the so-called Agenda 2030)

Source: website

European companies place a great weight on the implementation of the UN Sustainable Development Goals, as they emphasize it in their reports and stock market publications. They include:



Goal 7 – Providing everyone with access to sources of stable, sustainable and modern energy at an affordable price

Goal 9 – Build resilient (stable) infrastructure, promote sustainable industrialization and foster innovations

Goal 11 – Make cities and residential settlements safe, resilient (stable), sustainable and supporting social inclusion

Goal 13 – Take urgent actions to combat climate change and its consequences

Table no. 3. 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 strategy, • Fit for 55 legislative package (reduction of greenhouse gas emissions - 55% by 2030), • Need to adapt generating units to the BAT conclusions • Winter package and curtailment of support systems for conventional energy (EPS 550), • EU taxonomy and its impact on the options for financing investment projects in the energy sector, • RES and energy efficiency directives, EU ETS emissions trading system, • Operation of the capacity market, support for individual RES technologies • Funds for the energy transition, • Poland's Energy Policy until 2040, National Plan for Energy and Climate for the years 2021-2030, • Regulations in the financial sector that curtail financing for the conventional generation assets, • Work on government programs for the mining industry and conventional energy. | <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, • Increasingly frequent occurrence of extreme weather conditions - droughts, hurricanes, severe heat waves, heavy rains and floods, • Further rising of sea levels; irreversible changes in river ecosystems and the Baltic Sea (eutrophication, loss of water biodiversity), • Depletion of natural resources • Increased importance of the circular economy and minimizing of waste generation. | <ul style="list-style-type: none"> • Rising conventional electricity generation costs (high prices of CO₂ emission allowances), decreasing economic profitability of coal units, • High natural gas costs, • Rising electricity prices, • Reduction or lack of financing for conventional energy, preferential financing for RES • Rising RES generation, • High inflation rate and increase in costs of materials, services and labor, • Limited possibilities of thermal coal mining, • Thermal modernization activities, increase of energy efficiency, • Generational and competence gap problem, • Risk of power shortage in the system. | <ul style="list-style-type: none"> • Increase in anti-carbon sentiment among the public, • Increase in the society's ecological awareness, • Willingness to incur higher costs of electricity, if it comes from RES, • Improvement of the image of companies using energy from RES, • Increased customer awareness and customer requirements in terms of the quality of services provided and customer service, changing customer needs, • Negative perception of waste storage. | <ul style="list-style-type: none"> • Falling prices for renewable and distributed technologies • Fast development of prosumer energy, • Need to adapt the grid to the two-way electricity flow • Development of electromobility, • Development of energy storage facilities; • Digitization of the energy sector, development of smart metering, • Technology development with respect to the circular economy, • Emergence of energy self-sufficient buildings - Near Zero Emission Buildings. |

2.6. TAURON Capital Group's Strategy and its assumptions

In 2019 TAURON Group announced an update of the strategic directions, the so-called TAURON's Green Turn, which was a supplement to the Group's Strategy published in 2016. The update focuses on the Group's sustainable transition towards low-carbon operations. The adopted update of the strategic directions confirmed the legitimacy of the Group's expansion based on:

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

In general, TAURON Group is planning to increase the share of low- and zero-emission sources in its generation structure (mix) from 10% in 2018 to nearly 30% in 2025 and more than 60% in 2030. The assumed energy mix of TAURON Group will be the result of investments in low- and zero-emission assets and a reduction in the number of generation units based on coal fuel. The effect of the change in the structure of TAURON Group's installed capacity will be a significant reduction of the CO₂ emissions. Unit (specific) CO₂ emissions are expected to clock in significantly below 550 kg/MWh in 2030.

The following assumptions were made in 2019 as part of the main strategic directions:

The 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, aiming ultimately to reach installed capacity of 1.1 GW in 2025,
- invest in photovoltaic farms, aiming ultimately to reach installed capacity of 0.3 GW in 2025,
- 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. The following assumptions were made as part of the above steps:

- market verification of the potential divestment of the Janina Coal Mine and TAURON Ciepło (Heat),
- sale of the shares in the companies: Elektrociepłownia Stalowa Wola and PGE EJ 1,
- permanent decommissioning of the 120 MW units by 2020 and, after 2025 – the 200 MW units.

In accordance with the assumptions of TAURON's Green Turn, TAURON Group will have installed capacity of 5.7 GW in 2025, of which nearly 30% will be low and zero-emission sources, while as of the end of 2030 the Group will have installed capacity of 4.6 GW, of which more than 65% will be low and zero-emission sources.

According to the update of the strategic directions, the increase in the Group's value will be based on maintaining the stable Distribution segment and conducting sales of energy and energy-related products and services tailored to the customer needs. The Group's Distribution Line of Business will be striving to maintain the leading position on the Polish market in terms of the grid operation security and efficiency. In turn, the Supply Line of Business will be seeking to maintain the status of a leader in the energy industry in customer relationships based on high quality service and product leadership.

With respect to the implementation of TAURON's Green Turn, the Group significantly increased its RES capacity – as compared to 2018, i.e. the time before the update of the strategic directions, the total installed capacity in hydro, wind and photovoltaic technologies was increased by more than 60% (from 0.3 GW to 0.5 GW in 2021). This increase was mainly due to the acquisition of wind farms (180 MW) in 2019 and the commissioning of PV farms (11 MW). Further wind (Piotrków 30 MW, Majewo 6 MW) and photovoltaic (Choszczno II 8 MW and Mysłówice 37 MW) projects are under construction.

TAURON has also commenced preparations for the participation in offshore wind farm construction projects. In 2021, the Group strengthened its cooperation with industry partners, among others by signing a letter of intent on the cooperation in the field of offshore wind energy in the area of the Polish Exclusive Economic Zone of the Baltic Sea, and then signing a conditional agreement with PGE regarding the purchase of shares in a project company (special purpose vehicle). At the same time, TAURON Group joined the "Sectoral Agreement for the development of offshore wind energy in Poland", with its goals being providing support for the development of the sector in Poland

and maximizing the "local content" in the supply chain for offshore wind farms built in the Polish exclusive economic zone.

As part of the implementation of the strategic options aimed at making the Group's asset portfolio more flexible, in 2019 a market verification process of the option of divesting the Janina Coal Mine was carried out, which was completed at the end of the same year due to the lack of interest from potential buyers. At the same time, TAURON was working on making the mining segment profitable, among others through the implementation of the TAURON Wydobycie Turnaround Program. In 2021, TAURON signed a letter of intent with the State Treasury regarding the acquisition by the State Treasury of 100% of TAURON Wydobycie subsidiary shares. Currently, work is underway aimed at completing the internal reorganization of the Group, and subsequently conducting the TAURON Wydobycie subsidiary shares sale transaction.

In 2019, the process of divesting TAURON Ciepło subsidiary began. After conducting the market verification of the option of selling this subsidiary and taking into account the current growth perspectives for the domestic heating sector, in 2021 a decision was made to keep TAURON Ciepło within the structure of TAURON Capital Group.

In 2021, a letter of intent was signed with PGNiG Group regarding a potential transaction Elektrociepłownia Stalowa Wola S.A. shares sale transaction and an agreement for the sale of shares in PGE EJ 1 was signed with the State Treasury.

With respect to conventional energy, a schedule of shutdowns of obsolete coal-fired units was implemented. In the years 2020-2021, approx. 1 GW of coal-fired generation capacity was retired, i.e. all 120 MW units were decommissioned.

In 2021, TAURON was actively participating in the works on the implementation of the government program leading to the spinning off of coal-based generation assets from energy groups, as part of which TAURON, PGE, Enea and Energa and the State Treasury concluded an agreement on the cooperation in the spinning off of coal assets and their integration within the National Energy Security Agency (NABE). As part of the concluded agreement, TAURON is carrying out the schedule of implementing the Group's asset integration model and getting ready to conduct the due diligence and valuation process.

The implementation of the above-mentioned government programs for the mining and energy sectors will allow for a socially acceptable transition of the domestic energy sector.

Currently, works are underway to finalize the new TAURON Group's Strategy, which will be a response to the current challenges facing the power sector, including the more stringent climate and environmental policy of the European Union. As a principle the activities of TAURON Group will focus on sustainable operations by continuing the Green Turn and striving for climate neutrality along with the simultaneous participation in the above-mentioned government solutions for the hard coal mining and coal-based energy sectors. With respect to the system (district) heating line of business, it is assumed that heat generation sources will transition to low-emission fuels and that regulatory requirements for efficient district heating systems will be met. For electricity distribution, it is assumed that significant investment outlays will be allocated to the expansion and modernization of the grid, aimed at improving the quality and reliability of electricity supply, including adapting the grid to the growing installed capacity in renewable sources.

The progressing climate change and its projected effects require fundamental changes to the role and directions of development of the companies operating in the power sector. In view of the most important trend, which is the transition to a low-carbon economy, in its activities and strategic plans TAURON Group takes into account the fact that long term success depends on sustainable development and corporate social responsibility.

TAURON Group contributes to the implementation of the UN Sustainable Development Goals in its operations, through the activities indicated below, presented in Figure 11

Sustainable development of TAURON Group



Figure no. 11. 2030 UN Sustainable Development Goals at TAURON Capital Group

Source: Proprietary compilation

TAURON Group is also supporting other UN goals in its operations, through activities for the benefit of the local community, among others, in the fight against low emissions, it is conducting educational and information campaigns, engaging in natural environment protection projects, by planting trees in forest areas or caring for the life of animals. The Group also takes part in national and European discussions as well as projects with respect to climate related energy transition. TAURON Group also cares about the highest standards in relations with customers and stakeholders, based on a two-way dialogue, and in its activities meets the needs of disadvantaged customers and sensitive consumer groups. The Group is guided by the principle of equal treatment of employees, respect for human rights and counteracting discrimination.

In December 2021, the Management Board of the Company appointed the ESG Committee (E - Environment, S - Social Responsibility and G - Corporate Governance), involving the Group's top management therein.

The tasks of the Committee include, first of all, creating, disseminating and supervising the Group's approach to the sustainable development issues and ensuring the consistency of TAURON Group's Strategy operationalization process with these issues.

2.7. TAURON Capital Group's key non-financial efficiency ratios (metrics, performance indicators)

In order to make the best possible use of the value levers (drivers) set as part of TAURON Group's Strategy and the Update of the Strategic Directions, key non-financial efficiency ratios (metrics, performance indicators) related to TAURON Capital Group's operations are defined in the following areas:

1. reliability and quality of the supply of products and services for the customer,
2. orientation towards the customer and his/her needs (focus on the customer, customer orientation),
3. environment protection,
4. labor safety, ethics culture and employee engagement,
5. social and business partnership.

The below table presents the key non-financial efficiency ratios (metrics, performance indicators) related to TAURON Capital Group's operations in 2020-2021.

Table no. 4. Key non-financial efficiency ratios (metrics, performance indicators) related to TAURON Capital Group's operations in 2020-2021

| Key non-financial efficiency ratio (performance indicator) | Name of capital / element related to capital | Ratio (indicator) nature | unit | Value of the ratio (metric, performance indicator) | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------|----------------------------------------------------|------------|
| | | | | 2020 | 2021 |
| Reliability and quality of the supply of products and services for the customer | | | | | |
| 1. Number of customers of TAURON Capital Group's Distribution Line of Business: individual (households) and business customers | Financial capital / Distribution Segment's Regulatory Asset Base (RAB), capital expenditures, cash flow from operating activities | Stimulant | number | 216 551 | 222 615 |
| 2. Number of cases of non-compliance and complaints related to products and services of TAURON Capital Group with respect to providing information (disclosures) | Financial capital / cash flow from operating activities, net profit, long term rating | Destimulant | number | 0 | 0 |
| 3. Frequency of planned power outages - number of outages (interruptions) / consumer / year (SAIFI) | Financial capital / cash flow from operating activities | Destimulant | minutes | 0.19 | 0.19 |
| Orientation towards the customer and his/her needs | | | | | |
| 4. Number of individual and business customers of TAURON Capital Group's Supply Line of Business | Financial capital / sales revenue, EBITDA, EBITDA margin, net profit, long term rating | Stimulant | Number | 5 590 108 | 5 622 759 |
| 5. Number of TAURON Capital Group's cases of non-compliance related to marketing communications | Social capital / Implemented and applied TAURON Group's PROClient Social Policy | Destimulant | number | 0 | 0 |
| Environment protection | | | | | |
| 6. Percentage share of TAURON Capital Group's RES installed capacity in TAURON Capital 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 | % | 10.5 | 9 |
| 7. Percentage share of TAURON Capital Group's electricity production based on RES in Tauron Capital Group's total electricity production | Production capital / electricity production by hydro, wind, solar and biomass fired power plants and combined heat and power plants | Stimulant | % | 17 | 12 |
| | Production capital / heat production by biomass fired combined heat and power plants | Stimulant | % | 9 | 5 |
| 8. Direct greenhouse gas emissions by TAURON Capital Group - tCO ₂ e | Natural capital / direct greenhouse gas emissions | Destimulant | Mg | 10 093 648 | 13 702 825 |
| 9. Total weight of non-hazardous waste (including the combustion and mining processes' by-products) generated by TAURON Capital Group | Natural capital / total amount of non-hazardous waste | Destimulant | Mg | 1 729 672 | 1 655 250 |
| Labor safety, ethics culture and employee engagement | | | | | |
| 10. Number of meetings with trade union organizations at TAURON Capital Group's subsidiaries | Intellectual capital, Social capital, Human capital / developing relationships based on dialogue, organizational culture based on PRO values | Stimulant | number | 334 | 315 |
| 11. Number of employees at TAURON Capital Group | Human capital / number of employees | Nominant | Number | 25 572 | 25 324 |
| | Human capital / number of training courses conducted by Internal Coaches (Trainers) | | | | |
| | Intellectual capital / knowledge and competences of the Group's employees | | | | |
| 12. Accident rate at TAURON Capital Group | Social capital / organizational culture based on the PRO values | Destimulant | - | 8.3 | 7.9 |
| 13. Share of women among TAURON Capital Group's workforce | Human capital / share of women among the workforce Social capital / TAURON Group's Diversity Policy and TAURON Group's Respect for Human Rights Policy implemented and applied | Nominant | % | 21.5 | 21.8 |

| Key non-financial efficiency ratio | Name of capital / element related to capital | Ratio (indicator) nature | unit | Value of the ratio (metric, performance indicator) | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------|----------------------------------------------------|---------------------------------------------------|
| | | | | 2020 | 2021 |
| 14. Number of training session hours at TAURON Capital Group | Human capital / number of training session hours | Stimulant | '000 | 295 | 385 |
| Social and business partnership | | | | | |
| 15. Number of local and social initiatives that TAURON Foundation has joined | Social capital / support for local initiatives through TAURON Foundation | Stimulant | Number | 144 | 93 |
| 16. Number of projects with respect to corporate social responsibility implemented by TAURON Capital Group | Social capital / implemented and applied TAURON Group's PROClient Social Policy, developing lasting relationships and active dialogue with the stakeholders, support for local initiatives, including via TAURON Foundation | Stimulant | Number | 18 | 22 |
| 17. 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 | | Stimulant | Number | Continuously, in line with the ongoing operations | Continuously, in line with the ongoing operations |
| 18. Number of initiatives implemented by for the employees and communities, related to counteracting COVID-19 | | Stimulant | Number | 11 | 8 |

2.8. TAURON Capital Group's key financial data

TAURON Capital Group's sources of financing include: the company's equity, funds generated from business operations conducted and liabilities. The Group is implementing a number of capital-intensive investment projects, mainly in the electricity distribution line of business. The capital expenditures came in at more than PLN 2.93 billion in 2021.

In 2021, TAURON signed a subordinated bond issue program and new long term loan agreements to provide support for the Group's undertakings related to the Green Turn. The subordinated bond issue program enables the issue of bonds worth up to the amount of PLN 450 million. These funds may be used to finance the Group's ongoing needs and investment projects. In October 2021, TAURON concluded a loan agreement with the European Investment Bank up to the amount of PLN 2.8 billion, to be used for the modernization and expansion of the electricity distribution network. On the other hand, the loan concluded in December 2021 with Erste Group Bank AG enables TAURON to cover expenses related to financing or refinancing its expansion in the area of renewable energy sources, energy efficiency improvement and e-mobility infrastructure development.

The activities aimed at implementing the transition towards a low-emission economy and the investments in the electricity sector related thereto are supported by the European Union funds in the form of earmarked special purpose funds, research programs and other instruments supporting modern, sustainable investment projects.

Due to the fact that the Group is implementing a responsible environmental and climate policy and takes into account the ESG factors, it is possible to take steps to obtain new external financing.

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

Key data on TAURON Group's financial capital in 2019-2021 is presented in table no. 5.

Table no. 5. Key data on TAURON Group's financial capital in 2019-2021

| Key capital data | 2021 | 2020 | 2019* |
|------------------------------------|--------|--------|--------|
| Equity [PLN m] | 16 524 | 16 727 | 19 093 |
| Fixed assets [PLN m] | 33 855 | 33 585 | 35 052 |
| Distribution segment's RAB [PLN m] | 18 988 | 18 255 | 17 470 |
| Net debt [multiple] | 2.4x | 2.5x | 2.8x |
| Capital expenditures [PLN m] | 2 932 | 4 039 | 4 128 |

* Data comparable to the results published for the 01.01.2020-31.12.2020 reporting period

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

- maintaining financial stability thanks to activities aimed at optimizing expenses and the structure of assets,
- steadfast implementation of the financing optimization plan,
- cooperation with banks and financial institutions,
- searching for optimal sources of financing,
- obtaining preferential loans to finance investment projects that have a positive impact on the environment,
- financial risk hedging,
- efficient management of the Group's financial liquidity.

The results achieved as part of TAURON Capital Group's management of financial capital are presented in table no. 6.

Table no. 6. Results achieved by TAURON Capital Group in 2019-2021 as part of the management of financial capital

| Results achieved: | 2021 | 2020 | 2019* |
|---------------------------------------------|--------|---------|--------|
| Sales revenue [PLN m] | 25 614 | 20 850 | 19 558 |
| EBITDA [PLN m] | 4 152 | 4 226 | 3 599 |
| EBITDA margin [%] | 16.2% | 20.3% | 18.4% |
| Cash flow from operating activities [PLN m] | 5 002 | 4 042 | 2 036 |
| Net debt/EBITDA ratio [multiple] | 2.4x | 2.5x | 2.8x |
| Net profit (loss) [PLN m] | 385 | (2 173) | (12) |
| Long term rating** | BBB- | BBB- | BBB |

* Data comparable to the results published for the 01.01.2020-31.12.2020 reporting period

** On October 18, 2021, Fitch ratings agency affirmed TAURON Polska Energia's long term foreign and local currency ratings of "BBB-" with a stable outlook

2.9. GRI indices

- 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

3. TAURON Capital Group during the coronavirus pandemic

In 2021, the COVID-19 pandemic, as in the previous year, was one of the greatest challenges for all global economies. In order to stop the spread of the virus, various forms of restrictions related to economic activities as well as social activities were introduced. In 2020, the pandemic primarily affected the labor market and the stability of small and medium-sized enterprises. Furthermore, 2021 also brought disruptions in the supply chains and long-distance transportation of semi-finished products or components. In addition, the crisis affected the building materials industry, which was accompanied by the growing demand for housing construction (the so-called housing boom), resulting in an increase of the real estate prices. The consequences of the COVID-19 pandemic also include downtime and delays in the production of integrated circuits, which are an electronic component required by the car and electronics manufacturers. The gradual rebound of economic growth in the world and the recovery of electricity demand in 2021 led to a significant decrease in global crude oil reserves and natural gas storage in the EU. According to the National Bank of Poland, this situation led to a strong surge in the prices of energy resources, and the prices of natural gas on the European and Asian markets reached a record level. In 2021, there was also a marked increase in electricity prices, especially in countries where the energy mix is based on natural gas. In Poland, the increase in electricity prices was mainly due to record prices of the CO₂ emission allowances. The pandemic was therefore a major economic threat in 2021, but the public learned to function in the new reality. Greater awareness and better preparation of the society to function in the face of numerous restrictions, contributed to mitigating the dramatic decline in economic activities in 2021.

In recent years, the Polish economy has been one of the fastest growing in the world. According to the forecasts of the National Bank of Poland, the Polish economy in 2021 grew by 5.3%, as compared to a decline by 2.8% in 2020. It is estimated that although the pandemic crisis led to a strong drop of the GDP, the recovery of global activity is progressing faster than following the 2008 financial crisis. The measures implemented to rebuild economic activity contribute to a marked increase of the inflation rate in a number of countries. In Poland, the average annual inflation rate was around 5.0% in 2021, as compared to 3.4% in 2020. On the other hand, the registered unemployment rate was around 5.4% as of the end of 2021, and compared to the end of 2020 it was 0.9% lower. By 2023, the Polish economy will be growing at an average rate of around 5% year on year. Economic recovery is expected due to the rebound of economic activity abroad or an increase in household consumption. However, the GDP growth rate may be constrained by the continued COVID-19 pandemic, continued bottlenecks in the supply chains and less fiscal stimulation of economies. The World Bank has also identified additional risks, such as new COVID-19 mutations, deepening inflation and rising debt that may affect the global economy.

Steps taken by TAURON Group

The risk of coronavirus and its impact on TAURON Capital Group is curtailed, inter alia, by implementing the recommendations of the COVID-19 Risk Monitoring Team operating at TAURON Polska Energia. The main tasks of the team include:

- analyzing information on threats,
- issuing recommendations regarding changes to the work system (introducing remote or hybrid work),
- providing protection and disinfection agents,
- monitoring the body temperature of TAURON Group's employees,
- ongoing communications with the workforce.

In addition, steps are taken in accordance with the Guidelines and Instructions in the event of an infection, developed by the subsidiaries and taking into account the specifics of their operations. Individual subsidiaries have planned control mechanisms that are adequate for the needs and capabilities, among others framework agreements with laboratories with respect to the RT-PCR genetic tests or reimbursement of the costs of tests performed by employees and associates for the presence of coronavirus.

In 2021, preventive actions aimed at ensuring the safety of the workforce and customers as well as the continuity of the operation of the critical infrastructure were continued at TAURON Capital Group's subsidiaries, among others:

- distribution of disinfectants and personal protection equipment (masks, gloves, visors),
- activities of the Team for monitoring the impact of the epidemiological situation related to the occurrence of the COVID-19 virus on the operations of TAURON Group - 115 meetings in 2021,
- conducting regular meetings of teams responsible for dealing with the threats related to the risk of spreading the SARS-CoV-2 virus at individual TAURON Group's subsidiaries,
- conducting of the workforce vaccination campaign,

- promoting vaccination against COVID-19 by preparing posters, newsletters and the completed "#Szczepimy się. Razem damy radę" (#We vaccinate, Together we can make it) video clip, in which TAURON's employees were encouraging their colleagues to vaccinate, setting a good example,
- making a video entitled What matters is the team - in which the employees were thanked for their work during the pandemic,
- encouraging employees to be active by providing them with access to a platform with exercises. The campaign was conducted under the slogan: Stay healthy,
- encouraging employees to donate blood and plasma,
- enabling employees to work remotely, aimed at limiting direct contact between them at the workplace,
- introduction of the rotation work, shift work, home on call duty,
- analysis of legal changes at the national level,
- launching of a number of information campaigns and introducing regulations related to safety rules and antiviral preventive care at work and in the event of the need to perform tasks outside the workplace (e.g. at the customer's premises), rules of conduct in case of a SARS-CoV-2 infection or contact with a person subject to quarantine, isolation or under epidemiological supervision,
- limiting business meetings, briefings, meetings and training,
- signing agreements regarding an option of conducting additional tests for the presence of the SARS-CoV-2 virus.

In March 2021, the temporary hospital in Krynica-Zdrój resumed its operations. It is the first facility that was launched in the autumn of 2020 as part of the government's strategy to build temporary hospitals in each voivodeship (province). TAURON was responsible for providing the technical support for the project.

The SARS-CoV-2 virus pandemic and the restrictions on social and economic activities introduced in Poland contributed, inter alia, to:

- a temporary decline of the demand for electricity and heat among practically all groups of the consumers served by TAURON Capital Group's subsidiaries,
- the need to develop new schedules for the meter reading and support service works and introduce a change in the meter reading systems,
- arising of uncertainty as to the further economic situation in the industries served by TAURON Capital Group's subsidiaries,
- suspension of the option of halting electricity supply for reasons related to a failure of debt collection activities, which may result in indebtedness of the consumers served by TAURON Capital Group's subsidiaries,
- a rise in absenteeism among the workforce,
- halting of debt collection activities and electricity consumption controls,
- arising of the possibility of postponing the deadlines for the completion of projects, programs and undertakings.

G – GOVERNANCE

(Corporate Governance)

G 1. TAURON Capital Group's values

G 1.1. 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 best to customer needs in the Polish power sector.

The mission and vision of TAURON Capital Group are derived directly from the profile of its operations the basis of which is the efficient functioning in order to ensure security of energy supply for Poland's residents and companies operating in Poland. In the era of intense changes in the market environment, progressing digitization, social mobility and the negative impact of human activities on the environment and climate, there is a visible change customer expectations. 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.

G 1.2. 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.

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.

G 1.3. Corporate Social Responsibility Code of Conduct

TAURON Capital Group is applying the principles of the Corporate Social Responsibility Code of Conduct (hereinafter the Code) - a key document on TAURON Group's ethical culture.

The Code was adopted based on the belief that responsible and transparent business conduct, predicated on respect for the law and taking into account the needs of stakeholders, is a prerequisite for sustainable development.

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:

- employee,
- 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 is related to the Compliance Management System being developed by the Group. 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, as well as 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 TAURON Group's Corporate Social Responsibility Code of Conduct,

Due diligence procedures

Due diligence procedures in place under the Corporate Social Responsibility Code of Conduct include a compliance management reporting system, as well as rules related to counteracting corruption, conflict of interest and other irregularities (deficiencies).

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 every 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, 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 detecting the risk of non-compliance or the occurrence of the reported irregularities (deficiencies).

Document update

The content and the graphic design (layout) of TAURON Group's Corporate Social Responsibility Code of Conduct was updated in 2021.

G 2. Documents supporting the ESG management process

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, Codes and Principles for use at TAURON Capital Group:

- Corporate Social Responsibility Code of Conduct,
- TAURON Group's Anticorruption Policy,
- TAURON Group's Corporate Purchasing Policy,
- TAURON Group's Subsidiaries Contractors (Counterparties) Code of Conduct,
- TAURON Group's Compliance Policy,
- TAURON Group's Principles of Counteracting Conflict of Interest,
- Personal Data Protection Policy for TAURON Group Entities,
- TAURON Group's Security Management System Policy,
- TAURON Group's Environmental Policy,
- TAURON Group's Climate Policy,
- TAURON Group's Human Capital Policy,
- TAURON Group's Diversity Policy,
- TAURON Group's Recruitment Principles,
- TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination,

- TAURON Group's Respect for Human Rights Policy,
- TAURON Group's Work Health and Safety (WHS) Policy,
- TAURON Group's PROClient Social Policy,
- Strategic Research Agenda,
- TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) Projects.

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 policy of communications with the numerous stakeholders of TAURON Capital Group, who may familiarize themselves with the annually published reports on the implementation thereof.

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 according to the individual documents (policies) and the results of the application thereof in 2021.

Environmental, Social and Governance (ESG) aspects are becoming increasingly important not only due to the regulatory framework but also due to the shifting priorities of banks as well as institutional and individual investors.

Therefore, in December 2021, the Management Board of the Company appointed the ESG Committee (E - Environment, S - Social Responsibility and G - Corporate Governance), involving the Group's top management therein.

The core task of the Committee includes creating, disseminating and supervising the Group's approach to the ESG issues. The Committee is to ensure the consistency of TAURON Group's Strategy operationalization process with these issues.

G 3. TAURON Group's Business Model

G 3.1. TAURON Polska Energia S.A. Company Management Principles

In accordance with the provisions of the *Regulations of the Management Board of TAURON Polska Energia S.A.* (Regulations of the Management Board), the Management Board shall conduct the affairs of the Company and represent it in all judicial and extra-judicial proceedings. All of the issues connected with managing the Company, which are not restricted by the legal regulations and the provisions of the *Articles of Association of TAURON Polska Energia S.A.* (Company's Articles of Association) to the competence of the General Meeting (GM) 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.* (Organizational Regulations), the Company shall be managed directly by the Management Board of the Company, as well as through proxies (power of attorneys), Executive Directors or persons holding other positions reporting directly to the Members of the Company's Management Board.

The Company shall carry out its tasks through:

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

G 3.1.1. Management Board of TAURON Polska Energia S.A.

The current 6th term of office of the Company's Management Board began its run on July 15, 2020.

In accordance with the *Articles of Association of TAURON Polska Energia S.A.* the common term of office shall last 3 years.

The composition of the Company's Management Board as of December 31, 2020, is as follows:

1. Artur Michałowski - Vice President of the Management Board for Trading and acting as the President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Krzysztof Surma - Vice President of the Management Board for Finance,
4. Jerzy Topolski - Vice President of the Management Board for Asset Management.

The composition of the Company's Management Board as of the date of drawing up this report is as follows:

1. Artur Michałowski - Vice President of the Management Board for Trading and acting as the President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Krzysztof Surma - Vice President of the Management Board for Finance,
4. Jerzy Topolski - Vice President of the Management Board for Asset Management,
5. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

The changes to the composition of the Management Board TAURON Polska Energia S.A. that took place in 2021 and by the date of drawing up this Report, as well as the descriptions of the experience and competences of the Members of the Management Board of TAURON Polska Energia S.A are described in detail in section 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 2021.

Competences and description of the procedures of the Management Board of TAURON Polska Energia S.A.

The Management Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association and the provisions of the *Regulations of the Management Board of TAURON Polska Energia Spółka Akcyjna with its registered office in Katowice* which are available on the Company's website at the address: <https://www.tauron.pl>. When performing their duties the Members of the Company's Management Board shall be acting in accordance with the principles provided in the Best Practice 2021.

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.

The meetings of the Management Board shall be convened by the President of the Management Board or a Vice President of the Management Board designated thereby. The meetings of the Management Board shall also be convened on the motion of the majority of the Vice Presidents of the Management Board as well as on the motion of the Chairperson of the Supervisory Board. The meetings shall be held at the Company's registered office on the date set by the person that has convened the meeting. In justified cases the meetings of the Management Board may be held outside the Company's registered office. The President of the Management Board or a Vice President of the Management Board designated thereby shall chair the meetings of the Management Board

The Management Board shall vote in an open ballot, unless otherwise provided for in the legal regulations. The result of the ballot shall be recorded in the minutes of the meeting.

The resolutions of the Management Board shall be passed by an absolute majority of the votes in the presence of at least the majority of the Members of the Management Board. In case of an equal number of the votes the President of the Management Board shall have a casting vote. A Member of the Management Board shall inform the Management Board of any conflict of interest that has arisen or the possibility of the arising thereof and shall not participate in the reviewing of the matter or the voting on a resolution in a matter in which a conflict of interest may arise in relation thereto. The Management Board may pass resolutions by voting in writing or using the means of direct remote communications. The resolution shall be valid when all of the Members of the Management Board have been notified of the content of the draft resolution and at least the majority of the Members of the Management Board participated in adopting the resolution. The voting in accordance with the above procedures shall be ordered by the President of the Management Board or a Member of the Management Board designated thereby, including setting the final deadline for casting of the votes by the Members of the Management Board. The Members of the Management Board voting against the resolution may submit a dissenting opinion to the minutes, which shall be recorded in the minutes along with the justification thereof. The decisions of the Management Board which are the decisions on the ongoing matters (daily business) that do not require a resolution shall be recorded only in the minutes.

The internal division, among the Members of the Management Board, of the tasks and responsibilities for the individual business areas of the Company's operations, as defined in the *Organizational Regulations of TAURON Polska Energia S.A.* and including the independent work positions as well as the organizational units reporting directly to the Executive Directors, whose work is managed (supervised) by the Members of the Company's Management Board, is defined by the Company's Management Board Resolution No. 18/VI/2022 of January 25, 2022 regarding the assignment of individual organizational units of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A.

The structure of the Company's business areas reporting to the individual Members of the Company's Management Board is presented on the diagram (flowchart) showing the split of responsibilities of the members of the Company's Management Board, described in section 2.8. of this report and posted on the Company's web site at the address: <https://www.tauron.pl>.

Rules on appointing and dismissing Members of the Management Board of TAURON Polska Energia S.A.

The Company's Management Board shall be composed of 1 to 6 persons, including the President and Vice Presidents. Members of the Company's Management Board shall be appointed and dismissed by the Company's Supervisory Board for a common term of office lasting 3 years, except for the 1st term that lasted 2 years. In accordance with the Company's Articles of Association, each of the Members of the Company's Management Board can be dismissed or suspended in office by the Company's Supervisory Board or the Company's General Meeting.

In order to recruit a person with whom an agreement for providing the management services at the Company will be concluded, the Company's Supervisory Board shall announce a competition and conduct a qualification procedure for the position of the President or Vice President aimed at verifying and assessing the candidates' qualifications and selecting the best candidate. A candidate for a Member of the Company's Management Board must meet the requirements set forth in § 16, clauses 3 and 4 of the Company's Articles of Association. The announcement (notice) of the qualification procedure is published on the Company's web site at the address: <https://www.tauron.pl> and in the Public Information Bulletin of the Minister competent to exercise the rights related to the State Treasury's shares. The Company notifies the shareholders of the results of the qualification procedure.

G 3.1.2. Supervisory Board of TAURON Polska Energia S.A.

The current, sixth term of office of the Company's Supervisory Board, began its run on July 15, 2020, i.e. on the date of holding the Ordinary General Meeting of the Company approving the financial statements for the last full financial year of the tenure of the members of the Company's Supervisory Board of the fifth term, i.e. for the financial year 2019.

In accordance with the Company's Articles of Association it is a common term of office and it shall last 3 years.

The composition of the Company's Supervisory Board as of December 31, 2021 is as follows:

1. Piotr Tutak - Chair of the Supervisory Board,
2. Teresa Famulska - Vice Chair of the Supervisory Board,
3. Katarzyna Taczanowska - Secretary of the Supervisory Board,
4. Stanisław Borkowski - Member of the Supervisory Board,
5. Leszek Koziarowski - Member of the Supervisory Board,
6. Ryszard Madziar - Member of the Supervisory Board,
7. Grzegorz Peczkis - Member of the Supervisory Board,
8. Marcin Wawrzyniak - Member of the Supervisory Board.

The composition of the Company's Supervisory Board as of the day of drawing up this Report is as follows:

1. Piotr Tutak - Chair of the Supervisory Board,
2. Teresa Famulska - Vice Chair of the Supervisory Board,
3. Katarzyna Taczanowska - Secretary of the Supervisory Board,
4. Stanisław Borkowski - Member of the Supervisory Board,
5. Dariusz Hryniów - Member of the Supervisory Board,
6. Leszek Koziarowski - Member of the Supervisory Board,
7. Ryszard Madziar - Member of the Supervisory Board,
8. Grzegorz Peczkis - Member of the Supervisory Board,
9. Marcin Wawrzyniak - Member of the Supervisory Board.

The changes to the composition of the Supervisory Board of TAURON Polska Energia S.A. that took place in 2021, as well as the descriptions of the experience and competences of the Members of the Supervisory Board of TAURON Polska Energia S.A are described in detail in section 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 2021.

Competences and description of the procedures of the Supervisory Board of TAURON Polska Energia S.A.

The Supervisory Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association and the provisions of the *Regulations of the Supervisory Board of TAURON Polska Energia S.A. with its registered office in Katowice* which are available on the Company's website at the address: <http://www.tauron.pl/>. When performing their duties the Members of the Company's Supervisory Board shall be acting in accordance with the principles provided in the Best Practice 2021.

Members of the Supervisory Board of the Company, when performing the functions and duties assigned, shall be guided in their conduct, including in making decisions, by independence of their own opinions and judgments, acting in the interest of the Company.

The Supervisory Board of the Company shall work by way of a debate, analyzing the situation of the Company and the Group against the background of the industry and the market on the basis of materials provided thereto by the Management Board of the Company, and the internal systems and functions of the Company, as well as obtained from outside, using the results of the works of its Committees.

The main form of the Supervisory Board performing the oversight of the Company's operations shall be the meetings of the Supervisory Board. The Supervisory Board shall perform its obligations collectively. The meetings of the Company's Supervisory Board shall be convened by the Chairperson of the Supervisory Board or the Vice Chairperson of the Supervisory Board by presenting a detailed agenda of the meeting:

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

The meetings of the Supervisory Board shall be held at the Company's registered office. In justified cases a meeting may be convened at a different venue.

In order to convene a meeting all Members of the Company's Supervisory Board must be invited in writing at least 7 days before the date of the Supervisory Board's meeting. For important reasons the Chairperson of the Supervisory Board may shorten this period to 2 days, defining the way the invitations should be distributed. Notifications of the Supervisory Board's meeting shall be sent by electronic mail. In the notification of the Supervisory Board's meeting the Chairperson shall define the date of the meeting, venue of the meeting and the detailed draft agenda. The Supervisory Board of the Company shall meet on as needed basis, however not less frequently than once every 2 months. The Supervisory Board may hold meetings without convening a formal meeting if all Members of the Supervisory Board are present and nobody objects against the fact of holding the meeting or against the agenda of the meeting.

A change of the proposed agenda of the meeting may occur when all Members of the Company's Supervisory Board are present at the meeting and no one raises an objection against the changed agenda of the meeting. An issue not included in the agenda of the meeting should be included in the agenda of the next meeting.

Participation in a meeting of the Supervisory Board shall be a Supervisory Board Member's duty. A Member of the Supervisory Board shall provide information on the reason for his/her absence in writing. Excusing an absence of a Member of the Supervisory Board shall require a resolution of the Company's Supervisory Board. Members of the Company's Management Board may take part in the Supervisory Board's meetings unless the Supervisory Board raises an objection. Participation of the Company's Management Board's members in the Supervisory Board meetings shall be mandatory if they have been invited by the person convening the meeting of the Supervisory Board. Other persons may also take part in the meetings if they have been invited in the above mentioned way.

The Supervisory Board may seek opinions of experts using the knowledge of the Company's employees, including in particular, legal counsels who provide regular legal assistance for the Company.

The Supervisory Board may also appoint independent experts to obtain an opinion and make the appropriate decision, as well as invite them to meetings of the Supervisory Board. In case a transaction of the Company with a related entity requires an approval of the Supervisory Board of the Company, before adopting a resolution on granting consent, the Supervisory Board assesses whether it is necessary to first seek an opinion of an external entity that will carry out the valuation of the transaction and analysis of its economic effects. If the conclusion of the transaction with a related entity requires the approval of the General Meeting, the Supervisory Board of the Company prepares an opinion on the legitimacy of concluding such a transaction and in such a case assesses the need for a prior seeking of an opinion of an external entity. In the cases referred to above, the Supervisory Board of the Company adopts a resolution to commission the selected expert to carry out the work, obliging the Management Board of the Company to conclude an applicable agreement.

The meetings of the Supervisory Board shall be chaired by the Chairperson of the Supervisory Board, and in case of his/her absence by the Vice Chairperson of the Supervisory Board. For important reasons, with the consent of the majority of the Members of the Supervisory Board present at the meeting, the person chairing the meeting shall be obligated to subject to a vote a motion to interrupt the meeting and set the date of resuming the meeting of the Company's Supervisory Board. The Supervisory Board shall make decisions in the form of resolutions. The Supervisory Board's resolutions shall be passed mainly during the meetings thereof. The Supervisory Board shall pass resolutions if at least half of its members are present at the meeting and all of its members have been invited in the appropriate manner defined in the Regulations of the Supervisory Board. Subject to the mandatory legal regulations in force, including the Code of Commercial Companies and the provisions of the Company's Articles of Association, the Supervisory Board shall pass resolutions by an absolute majority of votes of the persons present at the meeting where the absolute majority of votes shall be understood as more votes cast "for" than "against" and "abstain". Resolutions shall not be passed on matters not included in the agenda unless all Members of the Supervisory Board are present and nobody raises an objection. This shall not apply to the resolutions on excusing a Supervisory Board's Member's absence at the meeting. Resolutions shall be voted on in an open ballot. A secret ballot shall be ordered only in the cases stemming from the provisions of the law.

In accordance with the Company's Articles of Association the Supervisory Board may pass resolutions in writing or using means of direct remote communications. Passing a resolution in such a way shall require a prior notification of all Members of the Supervisory Board of the content of the draft resolution and the participation of at least half of the Members of the Supervisory Board in passing the resolution. The Company's Supervisory Board may pass resolutions this way as long as no Member of the Company's Supervisory Board raises an objection. When voting on a resolution in the above mentioned way a Member of the Company's Supervisory Board shall indicate his/her vote, i.e. "for", "against" or "abstain". A resolution with a note that it has been passed in writing or by voting using the means of direct remote communications shall be signed by the Chairperson of the Supervisory Board. Resolutions passed this way shall be presented at the forthcoming meeting of the Supervisory Board along with the result of the voting.

Participation in a meeting of the Company's Supervisory Board using the means of direct remote communications, i.e. a conference call or a video conference, shall be allowed. In case the Members of the Company's Supervisory Board take part in a meeting of the Company's Supervisory Board using the means of direct remote communications, the resolutions shall be passed if at least half of the Members of the Company's Supervisory Board participate in the vote.

The Members of the Supervisory Board shall take part in the meetings and exercise their rights and responsibilities in person, and while performing their duties they shall be obliged to act with due diligence. The Members of the Supervisory Board shall be obliged to keep confidential information related to the Company's activities that they have acquired in connection with holding their seat or on another occasion.

The Supervisory Board may, for important reasons, delegate its individual members to perform certain supervision (oversight) activities on their own for a defined period of time. The Supervisory Board may delegate its members, for a period not longer than three months, to temporarily perform the duties of the Members of the Management Board who have been dismissed, submitted their resignation or if for other reasons they cannot perform their functions. The above mentioned delegation shall require obtaining a consent of the Member of the Supervisory Board who is to be delegated.

The detailed description of the activities of the Supervisory Board in the last financial year is provided in the Report on the Activities of the Company's Supervisory Board, submitted on an annual basis to the General Meeting (GM) and published on the Company's website at the address: <http://www.tauron.pl>.

The Company's Supervisory Board may appoint from among its members permanent or temporary (ad hoc) working groups, committees to perform specific actions. The standing committees of the Company's Supervisory Board shall be:

1. Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. (Audit Committee),
2. Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A. (Nominations and Compensation Committee),
3. Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. (Strategy Committee).

The composition, tasks and rules (procedures) of operation of the above mentioned committees shall be defined in the regulations thereof passed by the Supervisory Board.

The information on the composition of the committees of the Supervisory Board of TAURON Polska Energia S.A. and the changes thereof that took place in 2021, as well as the descriptions of their competences and activities are provided in section 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 2021.

Rules on appointing and dismissing Members of the Supervisory Board of TAURON Polska Energia S.A.

The Supervisory Board of the Company shall be composed of 5 to 9 persons, appointed for a common term of office lasting 3 years, except for the first term that lasted 1 year. In accordance with the Company's Articles of Association members of the Company's Supervisory Board shall be appointed and dismissed by the General Meeting (GM), subject to the following:

1. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10 clause 5 of Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise at least 25% of the total votes in the Company, the State Treasury shall be entitled to appoint and dismiss Members of the Company's Supervisory Board in the number equal to half of the maximum number of members of the Company's Supervisory Board defined in the Company's Articles of Association (in case such number is not integral it shall be rounded down to an integral number, for example 4.5 shall be rounded down to 4) and increased by 1, provided that the State Treasury:
 - 1) shall be obliged to vote at the General Meeting (GM) on establishing the number of Members of the Company's Supervisory Board that would correspond to the maximum number of Members of the Company's Supervisory Board defined in the Company's Articles of Association in case such a motion is submitted to the Company's Management Board by a shareholder or shareholders who hold a number of votes that entitle them to exercise at least 5% of the total number of votes in the Company, ,
 - 2) shall be excluded from the voting at the General Meeting (GM) on appointing and dismissing other members of the Company's Supervisory Board, including independent members of the Company's Supervisory Board; this shall not, however, apply to the case when the Company's Supervisory Board cannot act due to its membership being smaller than required by the Company's Articles of Association, and the shareholders present at the General Meeting (GM), other than the State Treasury, do not supplement the membership of the Company's Supervisory Board in accordance with the distribution of seats in the Company's Supervisory Board defined in this section,
2. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10 clause 5 of the Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise less than 25% of the total number of votes in the Company, the State Treasury, represented by the minister competent to exercise the rights related to the State Treasury's shares, shall be entitled to appoint and dismiss one member of the Company's Supervisory Board,
3. appointing and dismissing members of the Company's Supervisory Board by the State Treasury pursuant to the above mentioned clause 1 or 2 shall take place by means of a statement submitted to the Company.

In accordance with the Articles of Association of the Company, at least two Members of the Supervisory Board of the Company should meet the independence criteria specified in the Act of May 11, 2017, on certified auditors, audit firms and public supervision, and should not have actual and significant connections with a shareholder holding at least 5% of the total number of votes in the Company.

Members of the Company's Supervisory Board shall submit to the Company, prior to their appointment as members of the Supervisory Board, a written statement on compliance with the independence criteria mentioned in the above act as well as on the existence or non-existence of the actual and significant connections with a shareholder holding at least 5% of the total number of votes in the Company. In case a situation occurs where the independence criteria are not fulfilled, a Member of the Supervisory Board shall be obligated to inform the Company promptly thereof.

Information on the compliance by the Members of the Supervisory Board of TAURON Polska Energia S.A. with the independence criteria is posted on the Company's website at: <https://www.tauron.pl>, and is presented in detail in section 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 2021.

G 3.1.3. General Meeting of TAURON Polska Energia S.A.

Competence and description of the procedures of the General Meeting of TAURON Polska Energia S.A.

The procedures and powers of the General Meeting of TAURON Polska Energia S.A. are defined in the Articles of Association of TAURON Polska Energia S.A. and in the Regulations of the General Meeting of TAURON Polska Energia S.A. which are available on the website of TAURON Polska Energia S.A. at the address: <http://www.tauron.pl/>.

The competences of the General Meeting of TAURON Polska Energia S.A. are described in detail in section 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 2021.

A General Meeting shall be convened by way of a notice posted on the Company's website and in a manner defined for providing the current information (disclosures) by public companies. In case a General Meeting is convened by

an entity or a body other than the Management Board on the basis of the regulations of the Code of Commercial Companies, as convening of a General Meeting requires the Management Board's cooperation, the Management Board shall be obligated to perform any activities defined by law in order to convene, organize and conduct a General Meeting that takes place either at the Company's registered office or in Warsaw.

A General Meeting shall be opened by the Chairperson of the Company's Supervisory Board, and in case he/she is absent the following persons shall be entitled to open the General Meeting in the given order: the Vice Chairperson of the Company's Supervisory Board, the President of the Company's Management Board, a person designated by the Company's Management Board or a shareholder who registered at the General Meeting such a number of shares that entitle him/her to exercise the highest number of votes. Subsequently, the Chairperson of the General Meeting shall be elected from among the persons entitled to participate in the General Meeting.

A General Meeting 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 Company's Articles of Association state otherwise. A General Meeting may order a break in the meeting by the majority of two thirds of the votes. Breaks shall not exceed 30 days in total.

A break in the General Meeting's session may take place only in exceptional situations indicated each time in the justification of the resolution, prepared based on the reasons presented by a shareholder requesting the ordering of the break.

The resolution of the General Meeting on ordering a break shall clearly indicate the date of the session's resumption, however, such a date shall not create a barrier for the participation of the majority of shareholders in the resumed meeting, including the minority shareholders.

Description of the shareholders' rights and the way they are exercised

The description of the shareholders' rights and the way they are exercised is provided in detail in section 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 2021.

G 3.1.4. 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. shall be 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. shall take place by way of a resolution of the General Meeting, passed by the majority of three fourths of the votes, and shall then require issuing of a decision by a competent court on entering the amendment into the register of entrepreneurs (business register). The consolidated text of the Articles of Association of TAURON Polska Energia S.A., including the amendments passed by the General Meeting, shall be adopted by the Supervisory Board by way 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 shall require two thirds of the votes in the presence of persons representing at least half of the share capital.

G 3.2. 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.

G 3.2.1. 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 a part of the Lines of Business and the shared service centers. The 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 with respect to the management of TAURON Group's entities, including, enabling achieving of the effects assumed in the Strategy.

G 3.2.2. TAURON Group Business and Operational Model

The Business and Operational Model is a response to the needs and goals set out in TAURON Group's Strategy. In recent years, changes taking place in the external and internal environment of the Group resulted in the need to undertake works on updating the document. As a result of the completed review, on February 24, 2021, the Management Board of the Company adopted the updated Business and Operating Model of TAURON Group. This

document defines the Group's management model, defines the high-level architecture of the processes as well as the functions and tasks of the Corporate Center, Lines of Business and other units.

Moreover, in order to ensure flexibility, resilience and adaptation of TAURON Group to the changes in the environment, in particular those resulting from climate change, the current Business and Operating Model of Taron Group takes into account the role of ESG (as an increasingly important tool of the communications with the environment (stakeholders)). The scope of the five process streams around which the Group's operations are focused, i.e. Strategy, Finance, Asset Management and Development, Corporate Support and Operational Processes, was also verified and updated. Comprehensive provisions were introduced to indicate the independence of the Distribution System Operator's operations (unbundling).

The foundations of the Business and Operational Model include:

- building the value of TAURON Group as a whole (priority of the economic interest of the Group),
- environment protection and adaptation to the challenges stemming from climate change,
- focus on customers (internal and external),
- adhering to the Group's values (PRO values),
- accelerating and simplifying the decision making processes,
- taking advantage of the knowledge and qualifications of TAURON Group's personnel.

The Business Model introduces the division of roles and responsibilities, based on the assignment of process competences among the Corporate Center, Lines of Business and Shared Service Centers. This division is shown in Figure 12.

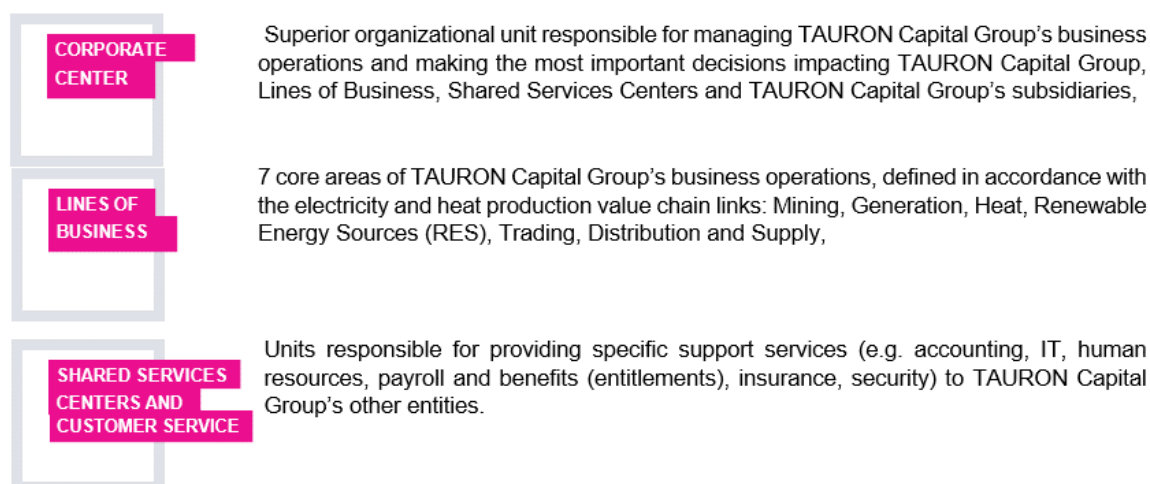


Figure no. 12. The division of obligations (duties) and responsibilities under TAURON Capital Group's business model in 2021

TAURON Group's business operations aimed at implementing its mission and vision based on its values and the Corporate Social Responsibility Code of Conduct are conducted based on seven Lines of Business (Segments), defined in accordance with the Group's value chain links: Mining, Generation, Heat, Renewable Energy Sources (RES), Trading, Distribution and Supply. Within the structure of TAURON Group, which is a vertically integrated enterprise, the Distribution System Operator (hereinafter DSO) is functioning in the Distribution Line of Business. Additionally, there are other subsidiaries operating as part of the Group, whose operations are focused on providing support services for the Group's other subsidiaries, such as, for example, accounting, IT services, human resources, payroll and benefits, insurance services, security services. Customer service is provided by one of the Group's subsidiaries for the Supply Line of Business and, taking into account the independence of the DSO and other unbundling rules, for the Distribution Line of Business.

TAURON Group's business model is presented in figure no. 13.

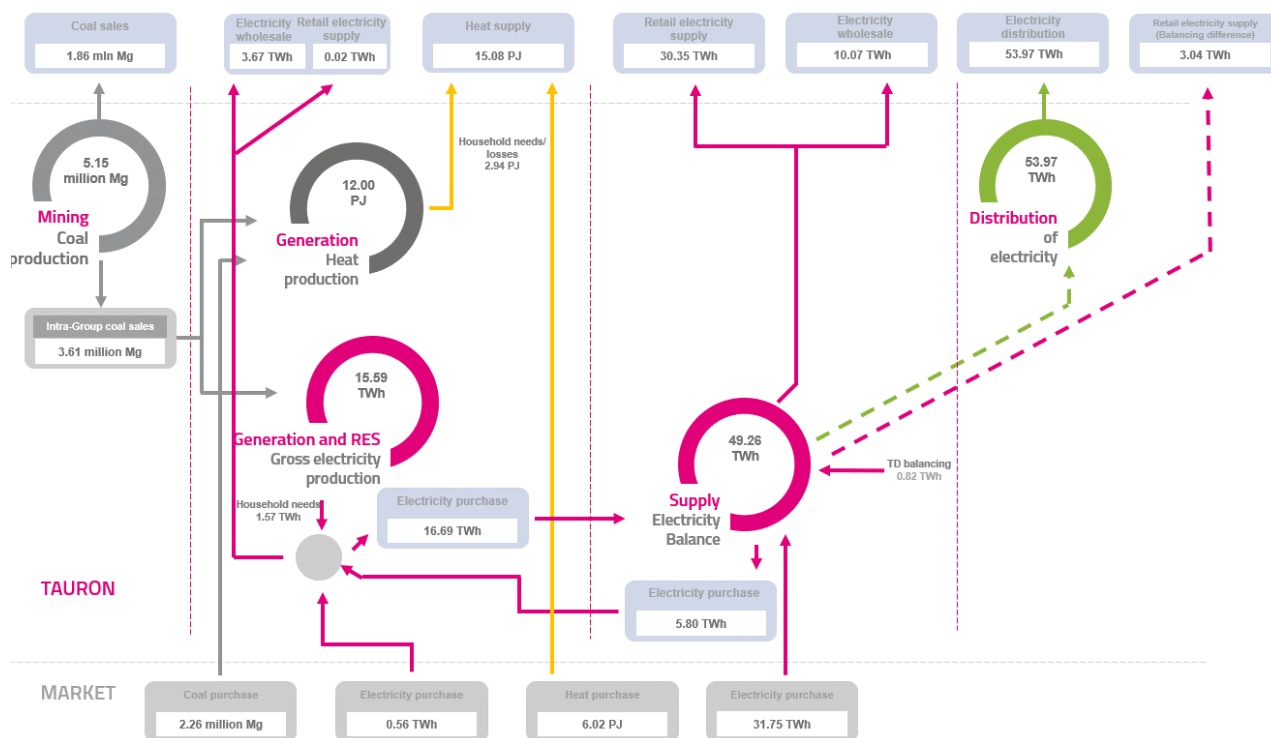


Figure no. 13. TAURON Group's business model in 2021

TAURON Capital Group's production capital

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 the individual segments, as well as the significant differences in the age of the individual machines and devices.

The development of the Group's operations is in line with the European and global trends, and the coming years will be a period of the generation segment's transition. The plan is to retire inefficient coal-fired units and develop new low and zero emission sources. It is assumed that by 2025 their share in the installed capacity will stand at around 30%, and in 2030 it will reach over 65%. Such actions will allow for reducing the emissions of all pollutants by 2030, including the CO₂ emissions by more than half. As of the end of 2020, almost all of 120 MW units were shut down, except for two at the Stalowa Wola Branch, whose shutdown date was postponed until February 2021 (970 MW in total). Further units with a total capacity of 2.5 GW, mainly the 200 MW units, will be decommissioned in the years 2026-2030, while at the same time the development of low and zero-emission generation sources will be continued. Additionally, the construction of a 5 MW photovoltaic power plant on TAURON Group's post-industrial land in Jaworzno and the construction of the 6 MW Choszczno I photovoltaic farm have been completed. The Choszczno II photovoltaic farm with a total capacity of 8 MW is near completion. The largest contribution to TAURON Group's financial result comes from the Distribution Line of Business, in which the largest capital expenditures are also incurred - in the region of 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 the quality indicators, security of electricity supply and resilience to weather conditions, including the ever more frequently occurring extreme weather conditions associated with climate change.

The key data on TAURON Group's production capital in 2019-2021 is presented in Table no. 7.

Table no. 7. Key data on TAURON Group's production capital in 2019-2021

| Key data on the capital | 2021* | 2020 | 2019 |
|---------------------------------|-------|------|------|
| Hard coal extracting coal mines | 3 | 3 | 3 |

| | | | |
|-----------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Hard coal fired power plants (number) | 6 | 6 | 5 |
| Hard coal fired power plants (installed capacity) | 5,2 GWe; 1,2 GWt | 5,2 GWe; 1,3 GWt | 4,3 GWe; 1,35 GWt |
| Combined heat and power plants (quantity) | 4 | 4 | 4 |
| Combined heat and power plants (installed capacity) | 0.35 GWe; 1,1 GWt | 0.35 GWe; 1.2 GWt | 0.35 GWe; 1.2 GWt |
| Proprietary district heating networks - TAURON Ciepło (length) | 896 km | 888 km | 857 km |
| Heat supply | 15.08 PJ | 11.6 PJ | 12.0 PJ |
| Hydroelectric power plants (number) | 34 | 34 | 34 |
| Hydroelectric power plants (installed capacity) | 133 MW | 133 MW | 133 MW |
| Wind power plants (number) | 9 | 9 | 9 |
| Wind power plants (installed capacity) | 381 MW | 381 MW | 381 MW |
| Photovoltaic power plants (number) | 2 | | |
| Photovoltaic power plants (installed capacity) | 11 MW | | |
| Cogeneration engines - gas from methane drainage (number) | 4 | | |
| Cogeneration engines - gas from methane drainage (installed capacity) | 10.8 MWe | | |
| Electricity distribution lines (length) | 245 800.km | 241 600 km | 237 000 km |
| Transformers (distribution) | 60 800 | 60 900 | 58 900 |
| MV/LV stations | 61 600 | 59 100 | 60 900 |
| HV/MV stations HV/MV | 495 | 493 | 491 |
| Capital expenditures (PLN million) | 2 932 | 4 039 | 4 128 |
| Depreciation (PLN million) | 2 100 | 1 954 | 1 992 |

* As of 31.12.2021

TAURON Group's management of the production capital is performed through efficient operations, as well as expansion and modernization investments, including:

- related to connecting new consumers (and producers) to the distribution grid, expanding and upgrading the grid in order to improve the quality and reliability of the power supply for electricity consumers;
- new capacity in renewable technologies and improving the productivity of the existing assets;
- adapting the generating units to the operational conditions in force beyond 2021, stemming from the introduction of the BAT Conclusions
- expanding and upgrading the district heating network.

The results achieved in 2019-2021 as part of TAURON Group's management of production capital are presented in Table no. 8.

Table no. 8. GRI 301-1, EU2. Results achieved by TAURON Capital Group in 2019-2021 as part of TAURON Group's management of production capital

| Results achieved | 2021 | 2020 | 2019 |
|--------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| Commercial coal production by segment groups: coal dust, medium size lump coal, large size lump coal, eco-pea coal | 5.15 million Mg | 4.54 million Mg | 3.78 million Mg |
| Net electricity production | 14.3 TWh | 11.4 TWh | 12.7 TWh |

| | | | |
|-------------------------------------------|-----------|-----------|-----------|
| including electricity production from RES | 1.7 TWh | 2.0 TWh | 1.4 TWh |
| Heat distribution | 9.42 PJ | 8.44 PJ | 8.51 PJ |
| Heat generated | 12.00 PJ | 11.63 PJ | 10.85 PJ |
| Electricity distribution | 53.97 TWh | 50.26 TWh | 51.73 TWh |

Mining

It comprises mainly hard coal mining, processing (separating, cleaning) and sales to the utility scale power plants, district heating industry and individual customers. Apart from hard coal mining, other mining operations are also conducted, involving open pit extraction of limestone, as well as its processing and sales within the Group and outside the Group.

The operations of this Line of Business are conducted by the following subsidiaries: TAURON Wydobywanie S.A., Kopalnia Wapienia "Czatkowice" sp. z o.o. and Spółka Usług Górniczych sp. z o.o.

The current structure of TAURON Wydobywanie S.A. is based on the model composed of the Center (Centrum), with its seat in Jaworzno, and three production plants (coal mines): Zakład Górniczy Sobieski (Sobieski Coal Mine) in Jaworzno, Zakład Górniczy Janina (Janina Coal Mine) in Libiąż and Zakład Górniczy Brzeszcze (Brzeszcze Coal Mine) in Brzeszcze. The Center's operations include, among other, shared functions management, planning and sales. The production facilities are mainly dealing with hard coal mining and processing (separating, cleaning). This Line of Business also includes a subsidiary that provides mining works services – Spółka Usług Górniczych sp. z o.o.

Kopalnia Wapienia "Czatkowice" sp. z o.o. is an open pit mine, extracting high quality carbonate limestone deposits, located in the Krzeszowice municipality. The limestone from the Czatkowice deposit is widely used in the power generation, steel making, construction, lime, cement, sugar and road building industries, as well as in agriculture.

Generation

It comprises electricity generation using conventional sources and renewable energy sources, including the biomass burning process. The operations are conducted by TAURON Wytwarzanie S.A. subsidiaries and Nowe Jaworzno Grupa TAURON sp. z o.o. Electricity generation by the conventional units is carried out by the power plants with the total capacity of approx. 5.2 GWe and 1.2 GWt and by the 49 MWe biomass fired generating unit. The power plants are located in the following cities: Łaziska Górne, Będzin, Trzebinia and Jaworzno (including the 910 MWe unit). This Line of Business also includes the TAURON Serwis sp. z o.o. subsidiary that provides technical maintenance (support) services.

In addition, a 5 MW photovoltaic farm was operated in 2021, built on the site of a former coal-fired power plant. This unit will ultimately be managed as part of the RES Line of Business.

Heat

It comprises heat generation, transmission and distribution as well as supply, using the co-generation sources. Heat generation is carried out by 4 combined heat and power plants, with the total capacity of approx. 0.35 GWe and 1,2 GWt, located in the following cities: Katowice, Tychy, Bielsko-Biała and Czechowice-Dziedzice, as well as by local boiler houses. The generating units are using hard coal and biomass for their production. The district heating 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 district heating networks on the territory of, among others, Katowice, Dąbrowa Górnicza, Sosnowiec, Będzin, Chorzów, Siemianowice Śląskie, Jaworzno and Mysłowice, including 896 km of TAURON Ciepło's own networks, and 122 km of SCE Jaworzno III's networks.

Renewable Energy Sources

It comprises electricity generation using renewable energy sources, except for biomass burning, which, according to the Business Model, is carried out within the Generation and Heat Lines of Business. Electricity production from biomass is also classified as renewable energy at TAURON Group. This line of business is managing 33 hydroelectric power plants with the total capacity of nearly 133 MW, located primarily in the south of Poland, 9 wind based power plants with the total capacity of 381 MW, located mainly in the north of Poland, and a 6 MW

photovoltaic power plant. The segment's operations are conducted by TAURON Ekoenergia sp. z o.o., TAURON Zielona Energia, special purpose vehicles set up to build new RES sources and TAURON Ekoservis sp. z o.o., a subsidiary providing support and maintenance services for the hydro assets.

Distribution

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

The operations are conducted by TAURON Dystrybucja S.A. subsidiary that performs the function of the DSO, including guaranteeing independence and compliance with the unbundling requirements. 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 the CO₂ emission allowances and property rights arising from the 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 the mining and burning processes' by-products carried out by Bioeko Grupa TAURON sp. z o.o. subsidiary.

Supply

It comprises the supply of electricity and natural gas, as well as related products, to the final consumers. 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 market. 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 Nowe Technologie S.A. subsidiary. The company is managing approx. 745 thousand street lamps.

In 2021, TAURON Group also offered the broadband Internet access services. The service is provided by TAURON Obsługa Klienta sp. z o.o.

The other operations are a part of a separate line of business called Shared Services Centers. It includes such services, provided for TAURON Group's subsidiaries as, among others, 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. As part of the operations of TAURON Obsługa Klienta sp. z o.o., customer service is also provided for the TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. subsidiaries and, taking into account the need to ensure independence of the DSO and compliance with other unbundling rules, for TAURON Dystrybucja S.A.

Figure no. 14 presents the structure of TAURON Capital Group's Lines of Business.

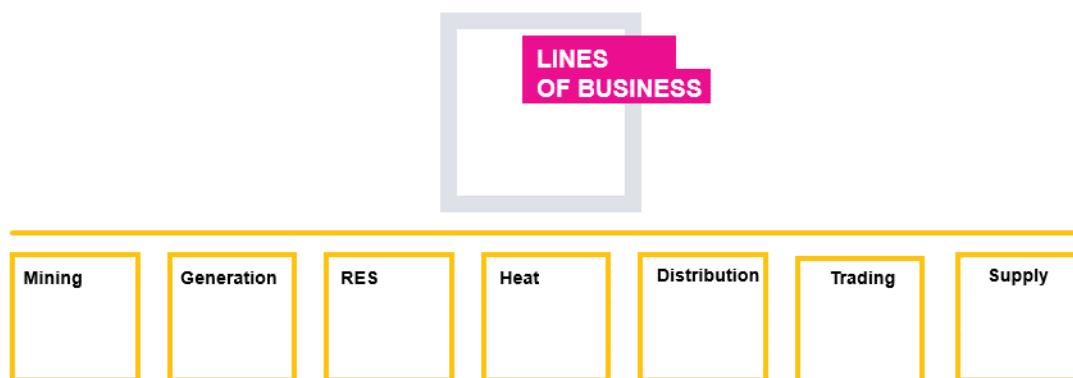


Figure no. 14. TAURON Capital Group's Lines of Business in 2021

G 3.3. TAURON Capital Group's organization

TAURON Capital Group's organization, that implements the Group's business model described in section G 3.2.2., should be viewed according to three aspects:

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

G 3.3.1. Process based organization

The regulations implemented in 2018, along with the Business Model, introduced management by processes within TAURON Capital Group. In 2021, as part of the update of the Business and Operational Model, the functions and tasks performed as part of process management were reviewed. The process documentation describes the split of competences and recurring actions performed, operational processes, including the descriptions of exchanged products and services. Processes are the superior organization in relation to the organizational structure of the 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. 15 shows mega-processes identified at TAURON Group (the highest process level).

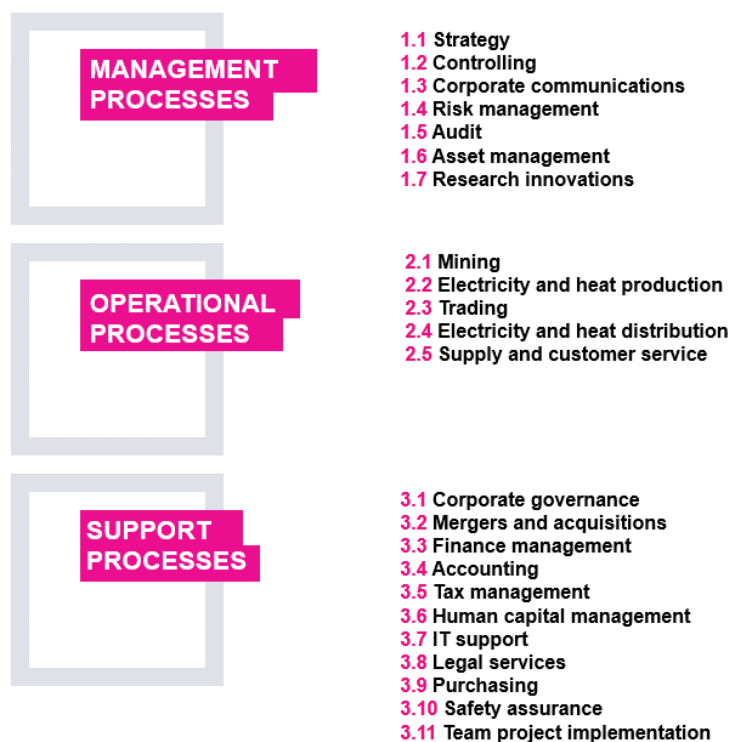


Figure no. 15. TAURON Capital Group's mega-processes in 2021

The owners of the mega-processes (the highest process level) are the 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 subsidiaries. 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 recurring processes.

The goal of the process based management model implemented was to benefit from the operating synergies among TAURON Capital Group's various subsidiaries, share and use best practices, standardize and automate processes, and also to ensure coherence of actions taken within TAURON Capital Group's subsidiaries 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 subject to assessment and are modified accordingly to improve their efficiencies. The process documentation is published in the intranet and is 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 subsidiaries and support the operations of the Group's subsidiaries as a single entity.

G 3.3.2. Organization by Lines of Business

TAURON Capital Group's operations are implemented based on seven Lines of Business: Mining, Generation, Heat, Renewable Energy Sources (RES), Trading, Distribution and Supply.

Lines of Business are responsible for implementing the core processes and support processes at the Line of Business level and they participate in management processes and support processes implemented at the Group level. They are presented, including the assignment of the individual subsidiaries of TAURON Group thereto, in figure no. 16.

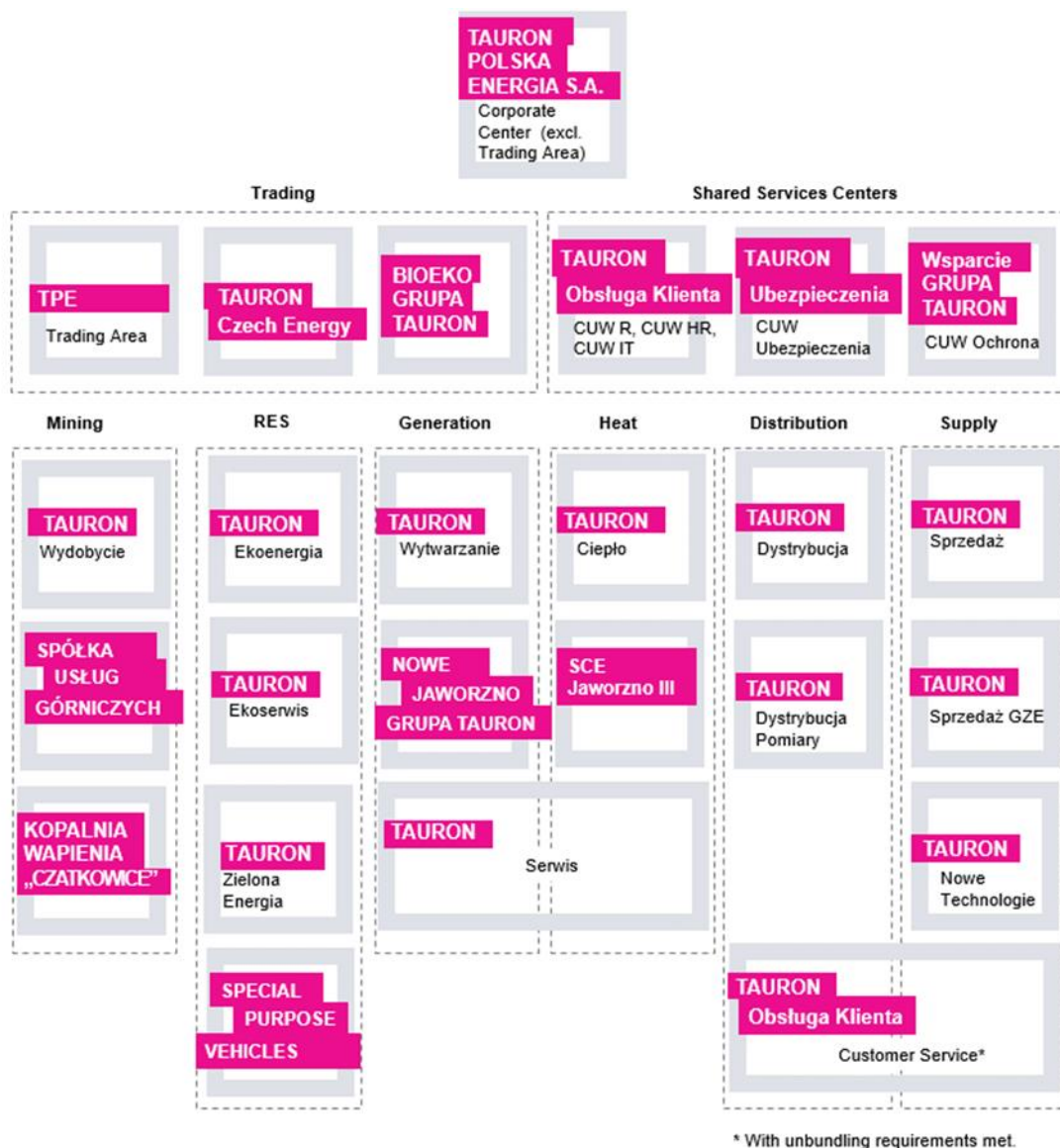


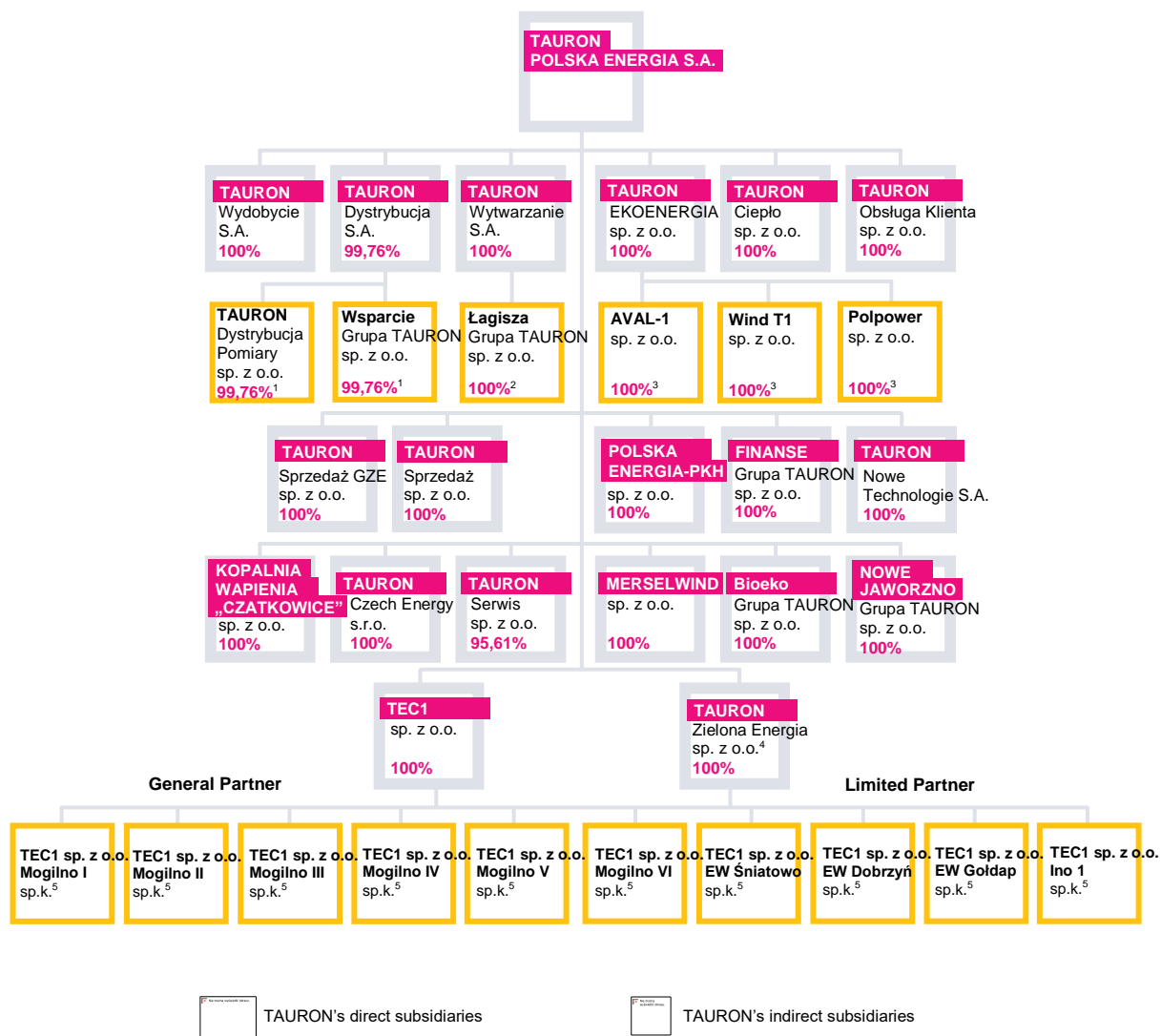
Figure no. 16. Assignment of TAURON Capital Group's subsidiaries to Lines of Business and Shared Services Center (CUW) in 2021

G 3.3.3. Formal and legal organizational structure

Na dzień 31 grudnia 2021 r. do spółek Grupy Kapitałowej TAURON, oprócz jednostki dominującej TAURON Polska Energia S.A., zaliczało się 35 spółek zależnych, objętych konsolidacją oraz 4 podmioty współzależne ujęte w skonsolidowanym sprawozdaniu finansowym na dzień 31.12.2021 roku TAURON Polska Energia S.A. metodą praw własności, tj. Elektrociepłownia Stalowa Wola S.A., TAMEH HOLDING Sp. z o.o., TAMEH POLSKA Sp. z o.o., TAMEH Czech s.r.o.

As of December 31, 2021, TAURON Capital Group's subsidiaries, besides the TAURON Polska Energia S.A. parent company, included 35 subsidiaries subject to consolidation and 4 jointly controlled entities (co-subsidiaries) included in the consolidated financial statements, as of December 31, 2021, of TAURON Polska Energia S.A. based on the equity method, i.e. Elektrociepłownia Stalowa Wola S.A., TAMEH HOLDING Sp. z o.o., TAMEH POLSKA Sp. z o.o., TAMEH Czech s.r.o.

TAURON Capital Group's structure is presented in figure no. 17.



¹ The shares in TAURON Dystrybucja Pomiary and Wsparcie Grupa TAURON are held by TAURON indirectly via TAURON Dystrybucja subsidiary,

² The shares in Łagisza Grupa TAURON sp. z o.o. (Łagisza Grupa TAURON) are held by TAURON indirectly via TAURON Wytwarzanie subsidiary.

³ The shares in AVAL-1, Wind T1 and Polpower are held by TAURON indirectly via TAURON EKOENERGIA subsidiary.

⁴ Formerly TEC3 sp. z o.o.

⁵ In the indicated limited partnerships: TEC1 is the General Partner, TAURON Zielona Energia is the Limited Partner

Figure no. 17. Core TAURON Capital Group's subsidiaries in 2021, 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. 13 in section 2.8 presents the current split of competences within the Management Board of TAURON Polska Energia S.A. is provided in section G 3.1. TAURON Polska Energia S.A. Company Management Principles

G 3.4. Changes to the principles of TAURON Polska Energia S.A. and TAURON Capital Group Management

Changes to the principles of the Company's management

In 2021, the Company amended the Organizational Regulations twice.

Taking into account the progressing changes in the business environment, requiring the optimization and strengthening of the internal organization, on April 14, 2021, the Management Board of the Company adopted the

new wording of the Organizational Regulations, which was approved by the Supervisory Board on April 26, 2021, taking effect as of May 4, 2021. The change to the Organizational Regulations involved, in particular, setting up competence centers grouping Business Areas into Divisions responsible, in terms of the subject matter, for the key areas of the Company's operations.

Subsequently, taking into account the challenges faced by the Company, related to the transition of the energy sector and the hard coal mining sector. The Organizational Regulations were verified by the Management Board of the Company, in particular in terms of improving an internal management system and enhancing the internal communication, as well as the need to adapt to emerging business opportunities and comply with assumed TAURON Group's Strategy and the Best Practice 2021. A consequence of the above activities was the introduction of another change to the Organizational Regulations, which involved in particular the liquidation of the Divisions, while the Business Areas managed by Executive Directors were assigned directly to the Members of the Management Board. On November 9, 2021, the Management Board of the Company adopted the current version of the *Organizational Regulations of TAURON Polska Energia S.A.*, which was approved by the Company's Supervisory Board on November 16, 2021, and took effect on December 1, 2021.

The organizational structure of TAURON Polska Energia S.A., as of December 31, 2021, and as of the day of drawing up this Report is presented in Figure no. 18.

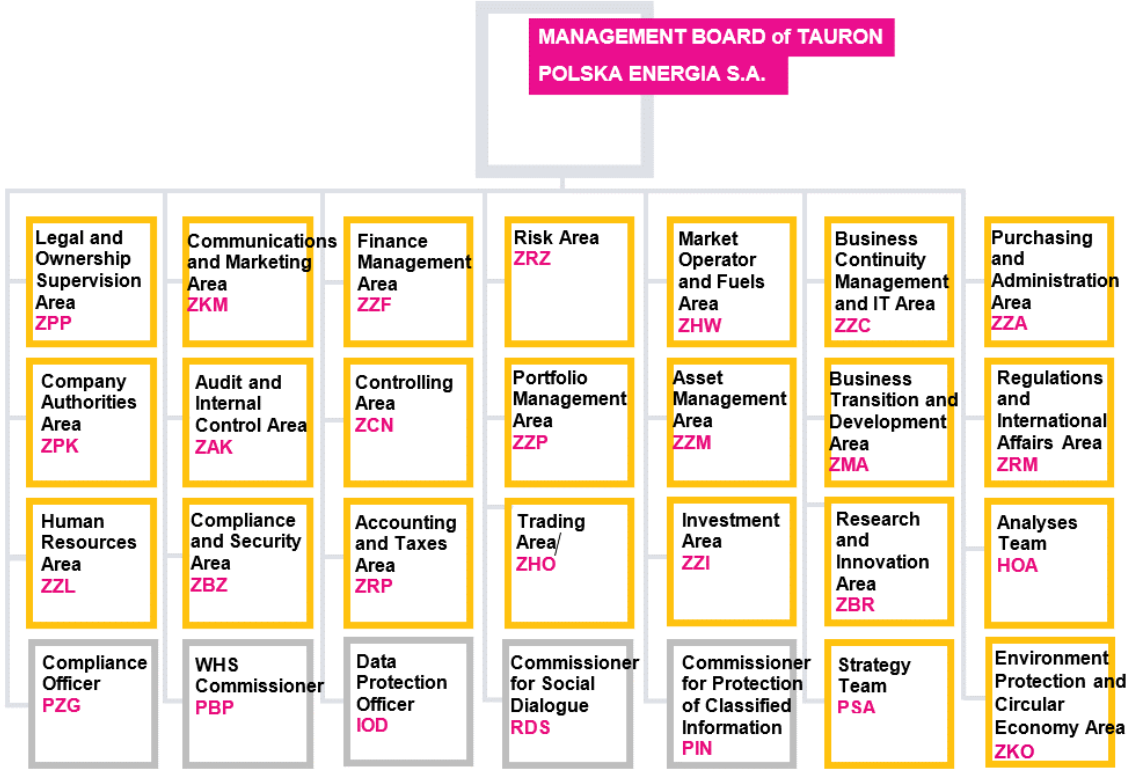


Figure no. 18. Organizational diagram of TAURON Polska Energia S.A.

In connection with the new Organizational Regulations, the required modifications of the scopes of functions of the individual Lines of Business in the Company's organizational structure were also made.

As of January 25, 2022, the Management Board of the Company, by way of a resolution, assigned to the Members of the Management Board of the Company, directly, the individual lines of business and the independent (autonomous) work positions.

The diagram showing the division of responsibilities of the Members of the Management Board of TAURON Polska Energia S.A. as of the day of drawing up this Report is presented in Figure no. 19.

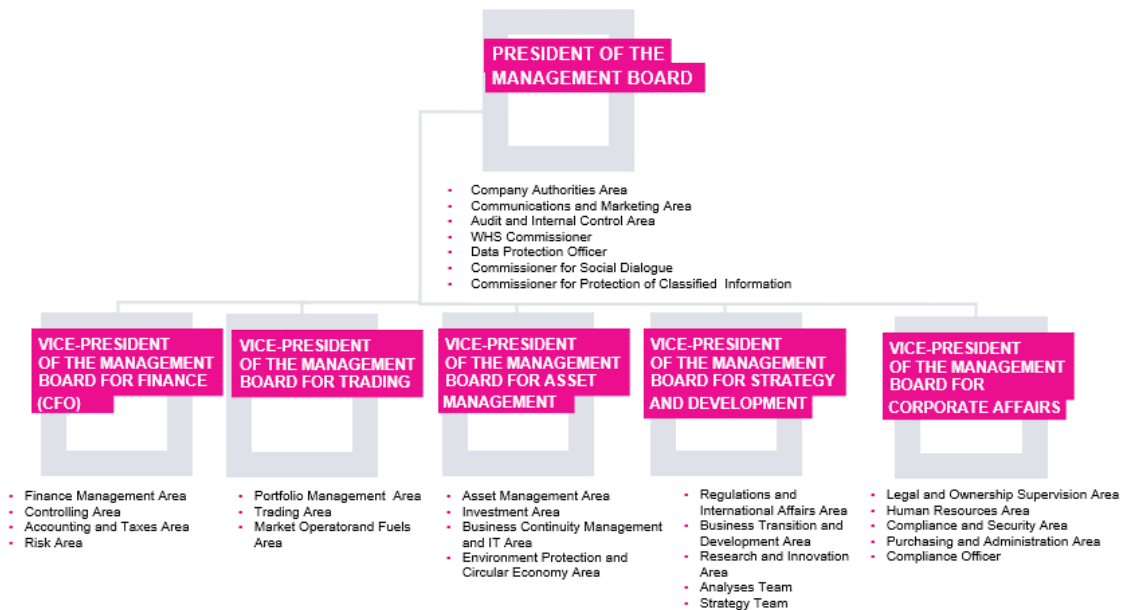


Figure no. 19. The diagram showing the division of responsibilities of the Members of the Management Board of TAURON Polska Energia S. A.

Changes to the principles of TAURON Capital Group's management

In February 2021, the works, commenced in 2020, on updating the Business Model, which defines TAURON Capital Group's management model, in place thus far, were completed. Launched as of February 24, 2021, the updated Business Model emphasizes the role of ESG as an increasingly important tool of communications with the environment (stakeholders) in order to provide flexibility, resilience and adaptation of TAURON Capital Group to the changes in the environment, in particular those stemming from climate change.

The updated Business Model was developed taking into account the requirements related to the unbundling, established in the *Compliance Program - Program for Ensuring Non-discriminatory Treatment of Users of the Distribution System at TAURON Dystrybucja S.A.*, approved by the President of the ERO and the generally applicable provisions of law, taking into account the legal, functional and organizational separation of the DSO within the structure of TAURON Capital Group.

As part of the works on updating the Business and Operational Model, the functions and tasks performed within all of TAURON Capital Group's mega-processes were reviewed, which was done jointly with their owners, and the provisions were updated or the required additional functions and tasks were formulated, adequately assigning the competences to the Corporate Center, Lines of Business and the Shared Services Centers.

The assessment of the process maturity of selected processes of TAURON Capital Group, using *TAURON Group's Process Maturity Model* in force at TAURON Capital Group, was continued in 2021. 565 selected processes were assessed, which represented 21% of TAURON Capital Group's processes in place. As a result of the assessment completed in 2021, 80% of TAURON Capital Group's processes assessed achieved level IV or level V of process maturity on an eight-level scale. The maturity assessment is continued in 2022, based on the plans defined by TAURON Capital Group's subsidiaries.

G 4. TAURON Capital Group's main risks and the management thereof

G 4.1. 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 (including in terms of resource efficiency), 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 changes taking place at both the European as well as the national law levels.

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, Winter Package, FIT for 55, Grid Codes, ETS Directive, BAT conclusions, European Green Deal, European Commission guidelines on climate impact reporting),
- not seen before 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,
- further development of the distributed and prosumer energy,
- 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 an innovative and low-emission economy, and achieving, in the long run, climate neutrality as well as implementing circular economy 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 adequate for the external conditions. In particular, the risk management system functioning in this respect at TAURON Group is geared towards implementing adequate and effective responses to potential threats, as well as towards the possibilities of taking advantage of emerging market opportunities.

G 4.2. 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:

as part of the first line of defense - functional control performed by:

- lower and middle level management,
- the Group's other personnel;

as part of the second line of defense - independent control performed by the following functions:

- risk management,
- compliance assurance
- safety assurance

as part of the third line of defense: institutional control performed by the internal audit.

The results of the Internal Audit Team's activities are reported directly to the senior management and the Audit Committee/Board. The way the so-called Three Line Defense Model is organized is illustrated in Figure no. 20



TAURON Figure no. 20. TAURON Capital Group's three line defense model

G 4.3. TAURON Capital Group's risk management objective and principles

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 a negative one (threat), as well as a positive one (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 the Group achieving its strategic goals, including sustainable generation of its financial results and protection of the Group's current economic value (preventive function), as well as supporting decision-making processes.

TAURON Capital Group's risk management:

1. It is based on the risk management process that provides comprehensive and consistent rules for identifying, measuring and responding to risk.
2. Covers all elements of the value chain.
3. Provides centralized risk measurement, monitoring and control functions, and also the ability to evaluate the full risk profile in the organization and consistent risk management principles.
4. Ensures independence of the risk taking function from its control and monitoring.
5. Ensures a clear split of competences and responsibilities, in particular by introducing the risk ownership function.
6. Is a pro-active process, focused on an appropriately early identification of threats, allowing for taking preventive measures.
7. 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.
8. Places a strong emphasis on developing awareness, training and encouraging personnel to use the knowledge of risks in daily activities.
9. Co-creates TAURON Capital Group's internal audit system, constituting, along with the compliance and security management functions, an element of the Three Line Defense Model.

G 4.4. 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 framework and rules. The objective of the ERM Strategy is to ensure the consistency of managing the individual risk categories that were detailed in separate regulations, aligned to 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. 21.



Figure no. 21. 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 2021.

G 4.4.1. 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 no. 22 presents TAURON Capital Group's ERM System Architecture. The detailed description of its individual elements is provided in the Report of the Management Board on the Operations of TAURON Capital Group for 2021.

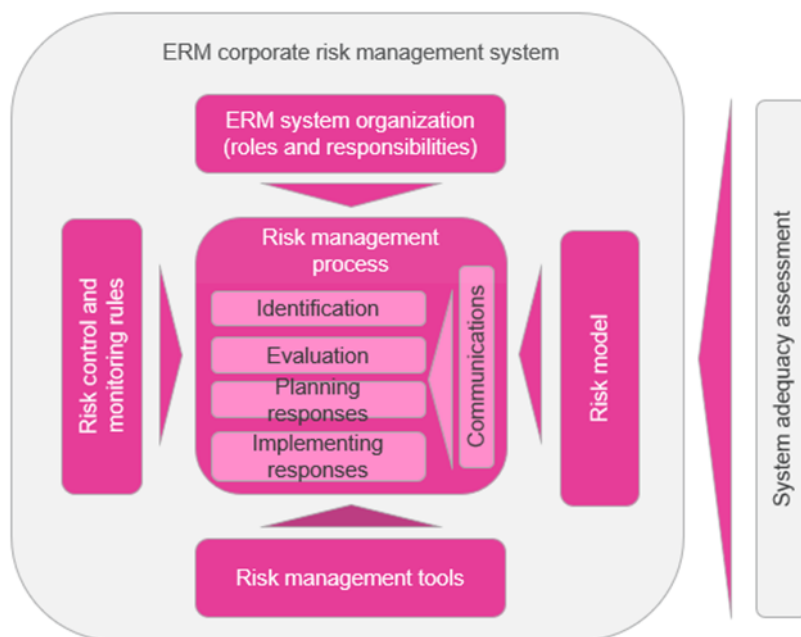


Figure no. 22. TAURON Capital Group's ERM System Architecture

The rest of the section includes 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 2021.

G 4.4.2. 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 communications among the risk management process participants.

Figure no. 23 presents TAURON Capital Group's risk management process.

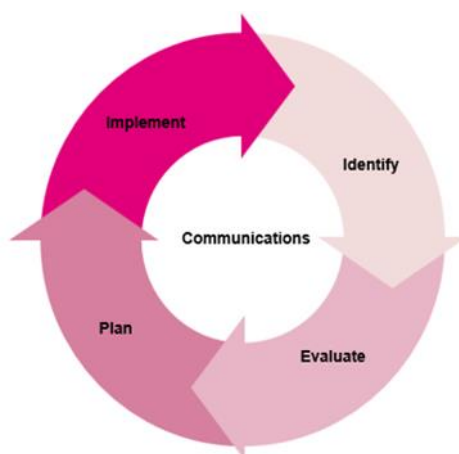


Figure no. 23. TAURON Capital Group's risk management process

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 responses 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 response 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, inform whether the activities carried out thus far are effective and if risk management is bringing the assumed effect of maintaining the value of the EWI indicators 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.

G 4.4.3. Roles and responsibilities of the risk management system's participants

The key assumption of TAURON Group's risk management system 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 is 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 adequate 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 three separate teams are set up: for the trading (commercial) risk area, for the financial and credit risk area and for the operational and regulatory risk management. Oversight of the enterprise (corporate) 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. 9.

Table no. 9. Description of TAURON Capital Group's ERM System participants' roles and responsibilities

| 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. |
| TAURON Supervisory Board's Audit Committee | 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 Appetite and Risk Tolerance, including the global limits for the specific risks. 4) Managing the risks of special importance for TAURON Capital Group's operations. 5) Providing adequate resources for the needs of the ERM System. |
| Risk Committee | <ol style="list-style-type: none"> 1) Overseeing the correctness of TAURON Capital Group's risk management process flow. 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 Appetite and Risk Tolerance, including the global limits for the specific risks, and also applying to the Management Board for the approval or change thereof. 5) Overseeing the preparation of the 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 (risk identification methods, processes and procedures, evaluation, monitoring and control). 3) Support and oversight of the system's participants in the risk management implementation and evaluation of its efficiency. 4) Risk monitoring and control at TAURON Group level, including control of the consumption of the Operating Limits, Global Limits and Risk Tolerance. 5) Preparing and providing the risk reports to authorized risk management process participants. 6) Actions aimed at developing supportive organizational culture and raising awareness with respect to TAURON Capital Group's risk management. |
| Executive Director for Internal Audit | <p>Periodic review of the correctness of designing and implementing as well as the effects of actions taken within the ERM System.</p> |
| Management Board of a subsidiary | <ol style="list-style-type: none"> 1) Responsibility for effectiveness of risk management within a subsidiary. 2) Promoting risk management culture at a subsidiary. 3) Responsibility for the adequate reactions to risks 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 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 the 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, and also for the communication and reporting within the risk management implemented. 3) Responsibility for adherence to the imposed Operating Limits. |

G 4.4.4. 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 Appetite, approved by the Company's Management Board, that defines the basic framework used by TAURON Capital Group for risk management. In accordance with the adopted approach, TAURON Capital Group's priority is to maintain the maximum security at the level allowing for the implementation of TAURON Capital Group's strategic goals.

Based on the Risk Appetite, the Risk Tolerance is approved, that specifies TAURON Capital Group's maximum permitted risk exposure value, in particular taking into account the specifics and scope of the operations thereof. The Risk Tolerance is expressed in the form of a set of metrics and boundary conditions limiting the risk exposure. The Risk Tolerance is a practical translation of the Risk Appetite, in particular taking into account the division into key categories of the Specific Risks and the Global Limits related thereto.

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 adequately early identification of threats by measuring the causes of the individual threats. At the same time, that system allows for an adequately early taking of remedy actions, before the individual threats actually materialize.

G 4.4.5. 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).

G 4.4.6. 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 as well as the pandemic risk,
 - Compliance Risk - risks related to non-compliance, internal and external abuse (fraud), 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 related to 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.

G 4.4.7. Assessment of the adequacy and the functioning of the risk management system

TAURON Group's 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 fast changing environment. That process is also subject to a periodic, internal and independent assessment of adequacy and reviews, in particular based on:

1. Ongoing assessment by the Executive Director for Risk and the Risk Committee with respect to its adequacy and alignment with the changes to the structure and specifics of TAURON Capital Group's operations, as well as with the changing environment,
2. Periodic evaluation conducted by the Executive Director for Risk who, not less seldom than once a year, prepares a report on the assessment of adequacy of the ERM System's architecture for the members of the Risk Committee,
3. Periodic evaluation conducted by the Executive Director for Audit and Control, as part of performing the institutional (third line of defense), conducts an independent audit of TAURON Capital Group's risk management with respect to the appropriate implementation of the rules by the process participants, as well as its adequacy and effectiveness.

G 5. TAURON Group's due diligence procedures

G 5.1. Internal control and audit procedure

TAURON Capital Group's internal audit and internal control process 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 and Internal Control Area at TAURON Polska Energia S.A. include: planning and implementation of the audit tasks of the verifying and advisory nature, as well as performance of the internal control tasks – institutional control performing the detection function (detection control) and the prevention function. The basic objective of the internal control is to minimize the risk of incurring losses by TAURON Capital Group.

The audit and advisory activities are carried out by the Internal Audit Team conducting planned and ad hoc audit tasks both at TAURON Polska Energia S.A. as well as at TAURON Capital Group's subsidiaries. The Internal Audit Team, based on the Annual Audit Plan for the given calendar year, performs audit tasks of a process nature, assesses the current level of individual risks and the effectiveness of the management thereof. As part of the audit activities, the correctness of the examined processes and the effectiveness of the control mechanisms are also verified. If any irregularities are identified, the auditors recommend taking adequate corrective actions (remedies). 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.

Institutional control, understood as a set of inspection activities as part of internal control system in place, is carried out at the level of TAURON Capital Group by the Internal Control Team and by the organizational units competent for internal control operating at some of the subsidiaries. The control tasks are performed in the form of ad hoc and scheduled controls (audits). The Internal Control Team also carries out specialized controls (audits, inspections) of TAURON Capital Group's IT, OT and security systems.

The Audit and Control Area conducted 21 scheduled and ad hoc tasks in 2021.

The implementation of the new model for the periodic assessment of the Internal Control System was also commenced with its goal to provide the Management Board and the Audit Committee of the Company's Supervisory Board with independent and objective information on the functioning of the control mechanisms in business processes.

The goal of the Audit and Internal Control Area's organization is 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 organizational reporting to the President of the

Management Board allows the Area to maintain the required independence and objectivity needed for the effective performance of their duties. The Executive Director for Audit and Internal Control was also provided with the possibility of periodic reporting directly to the Chairperson of the Audit Committee, as a representative of the standing committee established within the Supervisory Board of TAURON Polska Energia. This empowerment is implemented in the applicable Organizational Regulations of the Company.

G 5.2. 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 standalone 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

The Company 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. The Company's Vice President of the Management Board for 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. The detailed information on the composition, competences and description of the activities of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. is presented in section 9.11 of this report.

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 grade 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.

The accounting functions at TAURON Group's subsidiaries are to a significant degree integrated - TAURON Capital Group's material subsidiaries' financial and accounting services are performed by CUW-R (Shared Services Center – Accounting) and as a result of that TAURON Capital Group's financial and accounting processes are to a large degree 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 and TAURON Capital Group's full year consolidated financial statements are subject to an audit by a certified auditor. In 2018, the Company selected an entity authorized to audit and review the financial statements of the Company and of TAURON Capital Group's material subsidiaries, as well as the consolidated financial statements. The contract with the entity authorized to audit financial statements was concluded for the audit of the financial statements and the consolidated financial statements for the years 2019-2021, as well as for the review (audit) of the interim financial statements and the interim consolidated financial statements for the 6-month periods ending on June 30, 2019, June 30, 2020 and June 30, 2021. In November 2021, the Company selected an entity authorized to audit and review financial statements and consolidated financial statements for the years 2022-2024.

The rule related to changing the audit firm of the Company and TAURON Capital Group

The Company has in place the *Policy for selecting an audit firm to conduct an audit and review of the financial statements and the consolidated financial statements of TAURON Polska Energia S.A.*, adopted by the Audit Committee of the Company's Supervisory Board, which includes the following rule:

1. maximum duration of continuous audit engagements (mandates) carried out by the same audit company or an entity related to that audit company or any member of the network operating in the EU countries that such audit companies are members of, shall not exceed 10 years,
 2. after the 10-year duration of the mandate (engagement) neither the audit company, nor any member of its network operating within the European Union shall conduct an audit of the Company for the subsequent 4 years,
 3. a key certified auditor shall not conduct an audit of the Company for a period longer than 5 years,
 4. a key certified auditor may again conduct an audit of the Company after at least 3 years have elapsed from the completion of the last audit.
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G 5.3. TAURON Capital Group's Key Policies, Codes and Principles in force as part of the Corporate Governance

G 5.3.1. 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 whose goal is to define uniform rules and standards of conduct that allow for the identification, countering and mitigation of the risk of corruption activities as well as 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 entire TAURON Capital Group, as well as the transparency of actions towards the external entities.

The Policy applies to all of the employees, members of the management board and supervisory authorities of the subsidiaries, 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 goal 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 the company documents or entering false information and data into their content,
- managing the company's documentation in an unreliable (inaccurate) 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 (procurement) 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 are 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 activities 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 Anti-corruption Policy as well as other irregular behaviors.

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 application of its principles by employees in their daily work.
5. Cooperation with the external entities in order to eliminate corruption activities and other abuse (fraud).

Due diligence procedures

The activities of the Compliance Officer and the Compliance Coordinators at TAURON Capital Group are based on the guidelines presented in the Standards recommended for the compliance management system with respect to counteracting corruption and protecting whistleblowers at the companies listed on the markets organized by the Warsaw Stock Exchange adopted on October 8, 2018.

In 2021, the monitoring of compliance risks was carried out at TAURON Group. As part of the monthly risk monitoring, the risk of internal abuse, the risk of external abuse, the risk of unethical behavior, the risk of non-compliance due to non-compliance with the law and the risk of corruption are reported.

Actions taken and results achieved

Among the activities undertaken as part of TAURON Group's Anti-corruption Policy, the investigating and probing (fact finding) of corruption activities and other abuse (fraud) are of key importance.

Each employee is obliged to study the provisions of TAURON Group's Anti-corruption Policy, to strictly comply with its content and to sign an appropriate statement on having familiarized himself/herself with the Policy. Such statements are most often stored in the employee's personal files.

Newly hired employees are also familiarized with the Anti-corruption Policy.

In 2021, the staff of the compliance departments//areas at Spółka Usług Górniczych and TAURON Wydobycie took steps aimed at extending the scope of the periodic WHS training in order to include therein the topics related to compliance and GDPR.

In addition, TAURON Polska Energia S.A. provides monitoring of the procedures as well as the internal and intra-corporate regulations in force at TAURON Capital Group, also with a view to make improvements and develop a system of counteracting corruption and other abuse (fraud).

G 5.3.2. TAURON Group's Corporate Purchasing Policy

TAURON Capital Group's Corporate Purchasing Policy, in force since 2010, implements the priorities set out in the Group's 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 entire TAURON Capital Group. So far, a common tree of purchasing categories has been implemented, consolidated categories have been designated at TAURON Group as well as key categories at the subsidiaries for which there is an obligation to prepare a purchasing strategy or a purchasing platform.

TAURON Group's Corporate Purchasing Policy is to facilitate the implementation of the 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.

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

Single common purchasing regulations were 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. It should be emphasized that the common procurement regulations are gradually updated pursuant to the changing legal regulations. Subsequent updates are also a response to the changing market environment. The purchasing area is cooperating closely with the Compliance area as well as the audit and taxes area in order to improve the purchasing process.

Purchasing Strategies

Thanks to the prepared Purchasing 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.

Purchasing 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 gaining access to the best solutions available 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.

G 5.3.3. TAURON Code of Conduct for Contractors (Counterparties) 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 with respect to TAURON Group's contractors (counterparties) were defined and collected in a single document, i.e. the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries. It has been a mandatory criterion used in the process of qualifying contractors (counterparties) 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 (Counterparties) of TAURON Group's Subsidiaries is to define uniform standards and transparent rules of conduct as part of the business operations conducted by the subsidiaries, in particular with respect to the relationships with the contractors (counterparties). The Code also includes the rules related to the workforce (among others work health and safety, discrimination, personnel policy, forced labor, hiring 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 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 (vetting) 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 to comply with its provisions. The above statement is posted on the Company's website at: https://swoz.tauron.pl/swoz2/platform/application?MP_action=publicFilesList&folder=000f0003&MP_module=main

G 5.3.4. TAURON Group's Compliance Policy

TAURON Group's Compliance Policy defines the basic principles of operation of TAURON Group's Compliance Management System, in particular: the objective, structure, tools, stages and areas of compliance management.

The Compliance Policy applies to all employees, members of the management board and supervisory bodies of the subsidiaries, as well as the proxies and powers of attorneys of TAURON Group.

The Compliance Management System's task is to reduce the risk of sanctions, financial losses as well as the loss of reputation, while contributing to building and consolidating the positive image of TAURON Group. This system was created taking into account the needs and specifics of the entire organization and covers the activities of all organizational units of TAURON Group's subsidiaries.

TAURON Group's Compliance Management System includes:

- Compliance Officer,
- Compliance Coordinators
- Ethics Committee.

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 TAURON Group's Anti-Corruption Policy,
- conducting Compliance training as well as information and education campaigns related to Compliance,
- implementing anti-corruption clauses to be included in the contracts,
- adoption and application of the TAURON Group's Rules for accepting and giving gifts,
- regulating and implementing TAURON Group's Fraud (Abuse) Reporting System and conducting the fact finding investigations (probes),
- implementation and application of TAURON Group's Contractors (Counterparties) Credibility Assessment (Vetting) Procedure,
- implementation and application of the Principles (Code) of Conduct for controls at TAURON Group's subsidiaries.
- implementation and application of the TAURON Group's Procedure for counteracting money laundering (anti-money laundering) and financing of terrorism.

G 5.3.5. TAURON Group's Principles (Rules) of counteracting a conflict of interest

TAURON Group's Corporate Social Responsibility Code of Conduct says: "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 interests of TAURON Group. We openly communicate cases that constitute or may constitute a source of conflict of interest, and we take actions aimed at minimizing the risk of a conflict of interest emerging."

Therefore, TAURON Group is running its operations in a transparent manner, respecting the provisions of law, the provisions of internal and intra-corporate regulations as well as the highest ethical standards, which translates into actions aimed at eliminating situations that may lead to a conflict of interest.

The Principles (Rules) of Counteracting a Conflict of Interest are also in force at TAURON Group. Their purpose is to: identify circumstances that constitute a conflict of interest or may cause it, define the rules for preventing, identifying and managing a conflict of interest, and increasing the level of awareness among employees in terms of identifying, avoiding and disclosing a conflict of interest.

TAURON Group employees are obliged to report the possibility of an emergence of a potential or actual conflict of interest.

Conflict of interest registers are kept in order to document circumstances or events that may result or result in the emergence of a conflict of interest at 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 S.A., one of the employee's basic obligations is to inform his/her superior of taking up additional employment, commencing business operations or performing specific jobs (orders), the scope of which may lead to a conflict of interest between him/her and the employer.

G 5.3.6. Personal data protection policy for TAURON Group's entities

Personal Data Protection Policy for TAURON Group's entities is in force at TAURON Capital Group.

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 (persons that the given personal data is applicable to), in force at TAURON Group. 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 (data subjects), of such an occurrence, doing it in manner in accordance with the legal regulations.

Due diligence procedures provided in the described 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. a template of the agreement for entrusting the processing of personal data) - art. 24-31 of GDPR;
4. The necessary data processing security measures, 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 2021, TAURON Group continued updating the implementation of the requirements of the Regulation due to the need to:

- ensure the protection of personal data regardless of the place of its processing,
- carry out risk analyses in order to assess the effects of personal data protection
- ensure mandatory notification of protection 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.

In the Policy, in accordance with art. 24 and art. 32 of GDPR, in the performance of the above mentioned compliance obligations, measures have been implemented that take 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.

The following principles are enforced at TAURON Capital Group:

- Legality (lawfulness) of personal data processing: personal is processed data in accordance with the generally applicable law, based on an established legal basis;
- Reliability: personal data is processed in a fair (reliable), adequate, relevant 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 persons' 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, disclosing it only for the necessary purposes, of which the information is provided in advance;
- Correctness: TAURON Group takes care of the correctness of data with the utmost diligence, verifying it and enabling its owners (entities subject to GDPR rights), for example, to update the data;
- Security: particular emphasis is placed on the security of personal data processing using IT systems, implementing tools and procedures aimed at increasing cyber security. Procedures optimizing the security of personal data are implemented and updated, and TAURON Group's workforce is trained in this regard.

Actions taken and results achieved

TAURON Capital Group undertook further intensive activities in 2020 to demonstrate its care for the security of the personal data processed, by:

1. Ensuring the update of the internal regulations, including the preparing changes to 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 thereby to ensure information security.
5. Promptly 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. use of measures to ensure information security, including devices and software that minimize the risk of human errors,
7. Ensuring the protection of the information processed against theft, unauthorized access, damage or interference thereof, 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, modifications, 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. promptly taking actions after noticing the undisclosed vulnerabilities of the IT systems to the possibility of security breaches,
 - h. checking the compliance of ICT systems with the relevant security standards and policies, including the data retention implementation.
13. Implementation of a system for promptly reporting incidents of the information security breaches in a specific and pre-defined manner, enabling taking of corrective (remedial) actions quickly.
 14. Internal audit with respect to the information security, including in particular an audit of the IT systems in which personal data is processed.

In 2021, there was no justified complaint regarding a breach of customer privacy received from the regulatory authorities, while the number of justified complaints regarding a breach of privacy of the GDPR data subject received from external entities and recognized by TAURON Group's subsidiaries decreased from 341 complaints in 2020 to 2 complaints in 2021. The above is the result of the measures taken to correct and optimize the confidentiality and integrity of personal data processed by the administrators (data controllers), as well as of increasing the quality and shortening the response time to requests from the GDPR subjects (persons whose data was processed).

The increase in the total number of identified leaks, thefts or cases of loss of customer data to 674 cases in 2021 (growth rate versus last year in the region of more than 1000%) is a consequence of the data leakage at the Processors of TAURON Sprzedaż Sp. z o.o. (contractor processing customers' personal data on behalf of the administrator – data controller) as a result of a failure to ensure a server's security.

In order to ensure the security of the data subjected to the leak, immediately after the incident, TAURON Group implemented continuous monitoring and remedial actions involving mainly:

- providing persons affected by the possibility of unauthorized access to data with the information on the incident and the potential consequences thereof,
- providing customers exposed to the risk of unauthorized access to personal data the possibility of free use of the "Alert BIK" service,
- setting up an e-mail address dedicated to the event: kontakt.odo@tauron.pl, via which customers were able to report all issues related to the case,
- conducting an information campaign on the website www.tauron.pl, on which a section of key information on a possible breach of the security of personal data relating to the incident in question was made available to clients.

In addition, during the two consecutive weekends following the incident, a dedicated TAURON Group service hotline was operating, answering questions of customers whose data could have been the subject of a breach.

The below table presents material complaints regarding breaches of customer privacy and loss of customer data at TAURON Group in 2021.

Table no. 10. GRI 418-1. Material complaints regarding breaches of customer privacy and loss of customer data at TAURON Capital Group in 2021

| Material data on customer privacy in 2021 | |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Total number of data leakage, theft or loss of customer data cases found | 674 |
| Number of substantiated (justified) complaints regarding breaches of customer privacy received from third parties and recognized by the organization | 2 |
| Number of substantiated (justified) complaints regarding breaches of customer privacy received from the regulatory authorities | 0 |
| Total number of substantiated (justified) complaints regarding breaches of customer privacy | 2 |

TAURON Sprzedaż and TAURON Sprzedaż GZE are the centers for the arising of material complaints regarding breaches of customer privacy and loss of customer data (data leakage) in 2021.

G 5.3.7. TAURON Group's Security Management System Policy

TAURON Group's Security (Safety) Management System Policy was implemented in July 2018 and it applies to all of TAURON Group's subsidiaries. Currently, the process of updating its provisions is underway, with its completion scheduled for Q1 2022.

The Security (Safety) Policy and the detailed regulations related thereto form a uniform, coherent and comprehensive Security (Safety) Management System within TAURON Group, which:

- provides an optimal level of Security (Safety), adequate to the existing threats,
- takes into account the identified risks,
- provides a structured response to threats that minimize the effects or eliminate the risk of the occurrence thereof,
- ensures that the actions taken are systemic in nature, aimed at achieving the planned security (safety) goals.

The Security Policy defines TAURON Group's approach to ensuring security (safety) as part of its business operations and describes the operation of the Security Management System, which will be maintained by TAURON Group.

The policy defines standards, rules of conduct and organizational structures with respect to security (safety) within TAURON Group, including the assignments of competences and responsibilities.

Security (safety) management as part of the implemented Security (Safety) Management System has been divided into substantive areas, including among others:

1. Management of the Safety Management System,
2. Information security management,
3. IT/OT systems security management,
4. Physical security management,
5. Personnel security management,
6. Management of security incidents.

Within each area, detailed internal and intra-corporate regulations are developed.

The Security Management System is based on international standards with respect to information security management, such as ISO 27001 and NIST standards.

Due diligence procedures and internal regulations

As part of the Security (Safety) Management System, a number of intra-corporate regulations have been established, regulating in detail specific security (safety) aspects in the given area of operations:

1. TAURON Group's Security (Safety) Management System Policy - general document,
2. TAURON Group's Information Classification and Handling Policy,
3. TAURON Group's Physical Security Policy, along with a set of detailed requirements for physical security,
4. TAURON Group's 4. Principles of IT System Management in the TAURON Group,
5. A comprehensive set of security standards for the IT/OT area,
6. TAURON Group's Incident Management Principles.

For the purpose of clarifying in detail the aspects of security (safety) management, companies may develop internal regulations, applying the principle that these regulations may not lower the level of security (safety) sanctioned by the intra-corporate regulations.

As part of the Security (Safety) Management System, there is a set of processes responsible for various aspects of security (safety) management that are implemented accordingly throughout TAURON Group.

Actions taken and results achieved

Due to the fact that the security (safety) of TAURON Group comes largely down to the attitudes and behavior of employees and colleagues, a number of educational activities are carried out to raise awareness and competences with respect to broadly understood security (safety):

1. Mandatory e-learning training for all employees,
2. Mandatory introductory training in basic security (safety) aspects for newly hired employees,

3. Substantive (subject matter) training for employees responsible for various aspects of security (information security, IT/OT security, security audits),
4. In addition, the rules in force in the Policy are recalled through information campaigns and content available on the Group's intranet website,
5. Alerts and security (safety) information (bulletins) as reactions to current and emerging threats for TAURON Group.

TAURON Group is undertaking a number of activities to ensure the security (safety) of TAURON Group's infrastructure, including by:

1. Maintaining an extensive infrastructure for monitoring security (safety), physical security and IT/OT security,
2. The use of technical and organizational safeguards (physical security, ICT security),
3. Maintaining structures responsible for detection and quick response to security incidents (own CSIRT, SOC, SMA),
4. Cooperation with state authorities and services in identifying and neutralizing threats as well as attacks against TAURON Group's systems and infrastructure,
5. Conducting security audits and tests,
6. Applying the security by design and security by default principles in designing, ordering, maintaining systems and infrastructure that affect security,
7. Participation in the structures of the National Cybersecurity System,
8. Building business continuity plans based on the intra-corporate regulations regarding business continuity management,
9. Cooperation with entities from the power sector with respect to the exchange of information on threats, response to incidents, providing feedback and agreeing on common security standards.

TAURON Group is undertaking a number of activities aimed at ensuring security (safety) and raising awareness of TAURON Group's customers, including by:

1. Providing information to customers on threats directly related to them, e.g. extortion, phishing, spoofing for TAURON Group, fake SMS messages, etc.,
2. Maintaining and updating information on threats directly related to customers on TAURON Group's website.

G 5.4. Risks related to TAURON Capital Group's sustainable development

Risks related to TAURON Group's sustainable development are classified in accordance with the Risk Model described in section G 4.4.6. Based on that the following risk categories have been identified:

1. Legal risk presented in section G 5.4.1. of this Report,
2. Compliance risk presented in section G 5.4.2. of this Report,
3. Purchasing process risk presented in section G 5.4.3. of this Report,
4. Risk related to climate change presented in section E 1.2.1. of this Report,
5. Environmental risk presented in section E 1.2.2. of this Report,
6. Social risk presented in part S 2.2.1. of this Report,
7. Human capital management risk presented in section S 1.2.1. of this Report,
8. Internal communications risk presented in section S 1.2.2. of this Report,
9. Work Health and Safety (WHS) risk presented in section S 1.2.3. of this Report.


Each of the risks is also assigned a trend and a materiality level, as indicated below:



G 5.4.1. Legal Risk

Table no. 11 presents the Legal Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G 4.4.6, the Legal Risk is classified in the category: Operational risk/Environment (stakeholders).


Table no. 11. Legal Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | Response to risk |
|----|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Legal Risk | Risk related to the non-compliance with the legal regulations, wrong interpretation of the new laws and regulations, requirements imposed by the regulator and the oversight authorities. The consequences of the materialization of risk may include financial penalties, criminal and civil law liability, damage to the Group's image. | →  | <ul style="list-style-type: none"> • Continuous monitoring of the regulatory environment and changes to the legal regulations, including social issues, respect for human rights, anti-corruption, environment protection and employee issues. • Implementation of the required changes to the internal and intra-corporate regulations. • Establishing working groups to prepare and implement the changes required due to the legal environment. • Continuous cooperation with the authorities performing oversight of the energy market and the capital market. • Consultations with the organizational units with respect to the planned key regulations in the area of compliance • Employee training with respect to the knowledge of the legal regulations and the internal regulations. |

G 5.4.2. Compliance Risk

Table no. 12 presents the Compliance Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section 5.4.6, the Compliance risk is classified in the category: Operational Risk/Compliance Risk.

Table no. 12. Compliance Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | 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 with respect to 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 fraud (abuse) to their immediate superior, the Ethics Committee, the Compliance Officer/Compliance Coordinator, or via the abuse (fraud) notification (reporting) 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 (principles). • Implementation of TAURON Group's Anti-Corruption Policy. |

| | | | | |
|----|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <ul style="list-style-type: none"> • Applying of the principles stemming from TAURON Group's Corporate Social Responsibility Code of Conduct. • Implementation of the provisions 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 assault and hacker attacks, tax fraud, theft, vandalism, counterfeiting, dirty money laundering, terrorist attack. | <p>→</p> <p>■</p> | <ul style="list-style-type: none"> • Raising employee awareness through training and information campaigns on the existing threats of external abuse (fraud). • Implementation of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries. • Implementation of anti-corruption clauses in the contracts with the contractors (counterparties). • 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 the contractors (counterparties) and testing (vetting) 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 and spreading an organizational culture based on TAURON Group's values and principles. |
| 3. | The risk of unethical behavior and mobbing | The risk includes the occurrence of unethical behavior resulting, in particular, in a lack of cooperation, bad atmosphere in the team, mobbing, harassment, insults, discrimination of employees. | <p>→</p> <p>■</p> | <ul style="list-style-type: none"> • Developing an organizational culture based on TAURON Group's values and principles • Conducting information activities in order to familiarize the employees with TAURON Group's standards of conduct and corporate values defined in TAURON Group's Corporate Social Responsibility Code of Conduct, TAURON Group's Respect for Human Rights Policy, TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination. • Promoting knowledge with respect to the principles of social coexistence, moral standards and principles of equity adopted for use in the society. • Raising employee awareness through training and information campaigns on ethical behavior. • 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/ . |
|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

G 5.4.3. Purchasing Process Risk

Table no. 13 presents the Purchasing Process Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G 4.4.6. the Purchasing Process Risk is classified in the category: Operational Risk/Customers and Contractors (Counterparties).

Table no. 13. Purchasing Process Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | 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 as well as ensure compliance with the ethical and moral standards during the implementation thereof. 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 a loss of credibility with the stakeholders. | → ■ | <ul style="list-style-type: none"> • Implementation of the provisions of the Code of Conduct for the Contractors (Counterparties) of TAURON Group. • Applying of TAURON Group's Anti-Corruption Policy. • Applying of anti-corruption clauses in the contracts with the contractors (counterparties). • Implementation of the Respect for Human Rights Policy. • Standardization of the principles (rules) of conducting proceedings in the purchasing process and the transparency thereof. • Developing lasting relationships with the contractors (counterparties) based on trust and mutual respect. • Expecting the contractors (counterparties) 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, as well as information security and protection. • Applying of the standard contract forms (drafts, templates) and standard clauses in the contracts regarding compliance with human rights by TAURON Capital Group's business partners. |

G 5.5. Fraud Reporting (Whistleblowing) System

TAURON Group has a Fraud Reporting (Whistleblowing) System in place, which is a systematic sequence of consecutive actions aimed at receiving and reviewing the received notification and informing the notifying person about the results of the investigation.

The Fraud Reporting (Whistleblowing) System is a part of the organization's compliance management system.

The Fraud Reporting System is operated based on the provisions contained in TAURON Group's Corporate Social Responsibility Code of Conduct, TAURON Group's Compliance Policy and TAURON Group's Anti-Corruption Policy.

As part of this system, it is possible to whistle blow illegal activities and violations of the intra-corporate regulations through the communications channels adopted at TAURON Group, i.e.:

- in person to the Compliance Officer,
- in writing, to the following address: Compliance Officer, ul. Ks. Piotra Ściegiennego 3, 40-114 Katowice,
- by phone: + 48 32 774 22 22,
- via e-mail: compliance@tauron.pl,
- via the Abuse (Fraud) Reporting Form available at: <https://www.tauron.pl/tauron/o-tauronie/formularz-zgloszenia-naduzycia/>.

At TAURON Group's subsidiaries, abuse (fraud) can be reported in person, by phone, or in writing to the address of the Compliance Coordinator.

Employees are required to immediately report any reasonable suspicion of corruption or other abuse (fraud). For this purpose, TAURON Capital Group provides:

- the above mentioned communications channels allowing employees and external entities to safely (including anonymously) report potential violations,
- confidentiality of the reporting person's data and the information provided,
- protection against any form of retaliation against anyone who reports, in good faith, corruption or other abuse (fraud).

External entities, in particular contractors (counterparties) and other stakeholders of TAURON Group's subsidiaries, in case they have identified irregularities in TAURON Group's operations, also have an option to use the Fraud (Abuse) Report Form.

The Compliance Officer, and in case of a company other than TAURON Polska Energia, a Compliance Coordinator, having received the notification, confirms to the person submitting the notification the fact of its receipt, excluding anonymous reports, and verifies its authenticity, and then undertakes, with due diligence, follow-up actions in order to investigate the circumstances indicated in the notification in accordance with the procedures in force in this respect at TAURON Capital Group.

The Compliance Officer, and in case of a company other than TAURON Polska Energia, the Compliance Coordinator, informs the person submitting the notification, excluding anonymous reports, about the final result of the fact finding (investigation) procedure or about its extension in connection with the ongoing analysis of the facts described in the notification.

All of the reports received are entered in the Fraud (Abuse) Register.

If corruption or other abuses (fraud) are confirmed, the subsidiaries take corrective measures aimed at preventing similar events in the future. The Compliance Officer, and in case of companies other than TAURON Polska Energia, the Compliance Coordinators undertake educational and information activities in order to provide understandable and easily accessible information on the principles of reporting corruption or other abuse (fraud) at TAURON Capital Group.

A total of 106 potential cases of irregularities were reported at TAURON Group in 2021, including 31 notifications filed via the Fraud Report Form. Total number of anonymous reports: 26.

The draft act of October 14, 2021, on the protection of persons who report breaches of the law, implementing the provisions of Directive of the European Parliament and of the Council (EU) 2019/1937 on the protection of persons reporting breaches of EU law was published on the website of the Government Legislation Center on October 18, 2021.

The analysis of the intra-corporate regulations has demonstrated that TAURON Group has implemented tools and solutions with respect to reporting abuse (fraud), which, in order to fully adapt them to the Act, require relevant changes/updates after the above-mentioned act's entry into force.

The Compliance Officer, together with the Compliance Team of TPE S.A., on an ongoing basis monitor the course of the legislative works related to the introduction of the Act.

The activities performed by the Compliance Officer with the support of the Compliance Team are proportional and in line with the current legislative works and, at this stage of the legislative works, do not pose a risk of non-compliance due to non-compliance with the law.

G 6. GRI Indices

- 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 102-45 Entities included in the consolidated financial statements
- GRI 102-25 Conflict of interest
- 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 102-9 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 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 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

E – Environment (Environment and Climate)

E 1. TAURON Capital Group's strategy and business model in the context of climate and environment protection requirements

Being aware of the progressing climate changes and their effects, as well as of the important role and tasks of the power sector in the broadly understood transition to a low emission economy, TAURON Group is taking actions aimed at reducing the negative impact of TAURON Group on the climate and the environment and taking the greatest possible advantage of the opportunities associated therewith. The Group was organized in a long chain of operations covering virtually all of the value building stages: from acquiring fuel, through electricity generation and distribution, up to supplying the product to the final consumer. For the energy industry, the climate impact includes both, the weather related occurrences, as well as the regulatory changes and changes in customer attitudes. All of this is not without significance for the business model and Strategy. TAURON Group monitors the changes in the regulatory area, both at the European, as well as the national level, aimed at minimizing the negative impact on the climate and the environment, and the departure of the financial institutions and insurers from the cooperation with entities operating coal assets. The above determines the weight of the climate and environmental issues as well as the development of RES at TAURON Group. In accordance with the Update of the Strategic Directions, adopted in May 2019, TAURON Group will reduce its emissions by more than 50% by 2030, as shown in Figure no. 24.

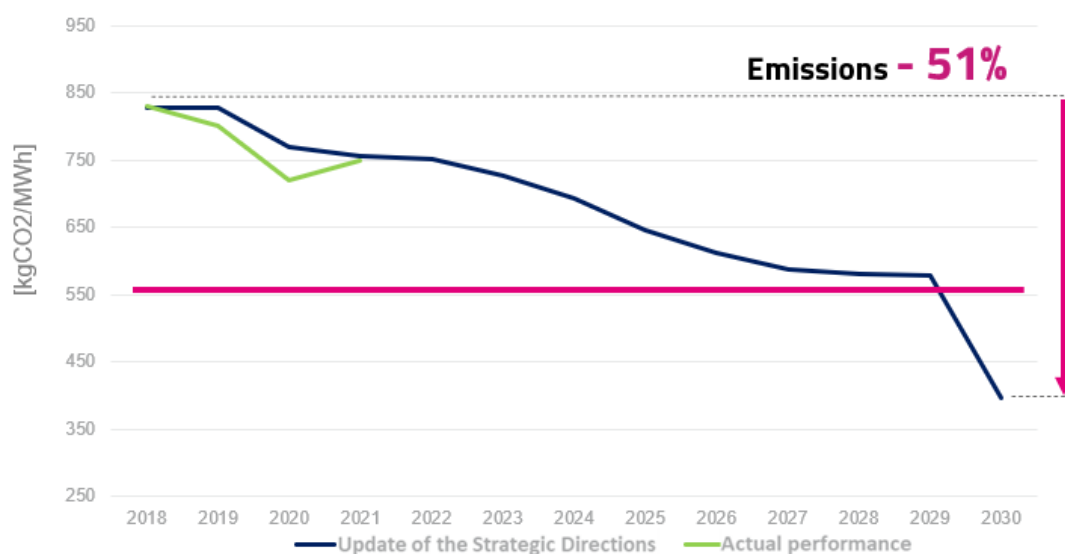


Figure no. 24. Planned CO₂ emissions by TAURON Capital Group in 2018-2030

TAURON Group's current Strategy and its business model are in line with the implementation of the terms of the Paris Accord, assuming limiting global warming to a value below 2°C as well as striving and taking actions aimed at not exceeding the temperature increase of more than 1.5°C. In case the expected curbing of the temperature increase does not materialize, the measures and actions taken will have to be more radical, and their implementation will be significantly accelerated.

Based on the scenario assuming warming at a maximum level of 2°C, changes in the external environment will be 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 customer awareness and behaviors will be deeper and faster.

The growing energy awareness, combined with the rising energy cost, will lead to the ever higher and rising interest in energy efficiency, energy saving and electricity production from the renewable energy sources (RES). Social pressure and the EU regulations are causing Poland to introduce increasingly more stringent environmental standards and a rising taxation of the CO₂ emissions (fees 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 55% in 2030 will be implemented through the supply controls – that is why the development of low- and zero-emission energy sources is so important.

The improvements of energy efficiency and the levels of greenhouse gas emissions in 2021 are presented in section E 1.1.2. TAURON Group in the area of environment - activities, impact, protection, results and E 1.1.4. TAURON Group and the climate and sustainable business development - activities, impact, trends, results.

In the long term, the impact of TAURON Group on natural resources will be decreasing, both due to the need to comply with the expected tightening of the environmental requirements and climate policy, through investments in new, low and zero-emission energy sources, but also due to the permanent shutdown of worn-out (obsolete) conventional units or their spinning off from TAURON Group.

The Group's transition towards low and zero-emission energy will impact the business model, shifting the place where the revenue is generated in the value chain.

More on TAURON Group's Strategy in section 2 TAURON Group's Strategy for the years 2016 – 2025.

E 1.1. Policies supporting the management of the following areas: environment, climate, sustainable development in the value chain

E 1.1.1. TAURON Group's Environmental Policy

Environment protection is a strictly controlled and regulated area in the energy and mining industry, both on the national law level, as well as on the EU regulations' level. Notwithstanding the applicable general provisions, TAURON Group, taking responsibility for the consequences of using natural resources, is taking actions that go beyond legal obligations defined in the documents titled TAURON Group's Environmental Policy and TAURON Group's Climate Policy.

TAURON Group's Environmental Policy (Environmental Policy) adopted by the Management Board in 2017 and updated as needed, 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 that should be followed in environment related matters. The Environmental Policy 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 includes the general principles, values and vision followed by TAURON Capital Group in order to limit the impact on the natural environment, both as part of the direct, as well as the indirect impacts throughout the entire value chain. The document also presents the principles of responsible communications related to the environmental issues, ensuring the clarity and understanding of the operations of TAURON Group that may impact the environment as well as of the activities undertaken for the benefit of the environment.

E 1.1.2. TAURON Group in the area of environment - activities, impact, protection, results

TAURON Capital Group, acting in accordance with the legal regulations and in compliance with the provisions of the administrative decisions relevant for the performance of its operations, takes into account the needs related to environment protection and acts in a way that contributes to accomplishing a broader objective, which is sustainable development, and in particular the implementation of the closed circuit economy and the implementation of the environmental resource efficiency targets

Due diligence procedures and internal regulations

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

Minimizing of the negative impacts on the environment is effectively implemented by TAURON Group taking into account the specifics of the operations conducted, technological development and access to the environmentally friendly technologies. Some of TAURON Capital Group's subsidiaries have implemented a certified environment management system in accordance with the ISO14001 standard. TAURON Wytwarzanie, representing conventional electricity generation, has additionally received the European Community's Eco-Management and Audit Scheme (EMAS), the EU's environmental certification system, aimed at creating a sustainable development culture in an organization and efficient management of available resources and energy, operating pursuant to Regulation (EC) No 1221/2009 of the European Parliament and of the Council of November 25, 2009, on voluntary participation by organizations in the European Community's Eco-Management and Audit Scheme.

TAURON Capital Group is monitoring, on an ongoing basis, the main aspects of the direct and indirect environmental impact of its operations, and the most important environmental performance indicators (metrics) are communicated in the form of monthly reports to the managers overseeing operating activities, including the top managers and the management board members.

Actions undertaken that bring environmental effects and results achieved

As a result of the BAT program for TAURON's coal-fired generating units, completed in mid-2021, starting from August 2021 the coal power generating units, having been modernized ecologically, have met the requirements of the "BAT conclusions" and thus have contributed to a further reduction of the emissions of sulfur dioxide, nitrogen oxides and dust to the atmosphere, and to the additional reduction of emissions of other air pollutants, such as hydrogen chloride and hydrogen fluoride as well as mercury.

The program aimed at adapting TAURON Group's generating units to comply with the operational conditions in force beyond 2021 covered the following ecological investment projects of TAURON Wytwarzanie:

- Jaworzno III Power Plant, units no. 1, 3, 5 – the construction of the selective catalytic reduction (SCR) installations,
- Łaziska Power Plant, units no. 9, 10, 11, 12 – the refurbishment of the existing selective catalytic reduction (SCR) installations,
- Łaziska Power Plant, units no. 9 and 10 – the refurbishment of the wet flue gas desulfurization (FGD) installation, including erecting the additional desulfurization level, connecting the flue gas ducting and construction of the new plastic flue gas ducting in the stack,
- Łaziska Power Plant – the refurbishment of the flue gas desulfurization (FGD) installation's sewage treatment plant.

The total budget of the BAT Program, based on the concluded contracts for the implementation of the above projects, included expenditures amounting to approx. PLN 311.2 million, of which only approximately PLN 27.6 million was spent in 2021 due to the final stage of the program.

TAURON Group's other production units, which will be operated in the subsequent years from 2021 onwards and to which the requirements of the "BAT conclusions" will apply, will also comply with them, due to having been modernized in previous years or having obtained relevant derogations (derogations from the BAT conclusions obtained under administrative decisions on the changes to the integrated permits in the procedure involving the participation of the public).

The expected ecological effects for the environment stemming from the implementation of the BAT Program and specified solely for TAURON Group's modernized generation units (Łaziska Power Plant and Jaworzno III Power Plant units) allowed for the reduction of the specific (unit) emissions of sulfur oxides and nitrogen oxides into the air to the following levels:

The specific (unit) SO₂ emission index - units 9 and 10 at the Łaziska Power Plant

| | 2021 | 2020 |
|------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| fuel g/GJ | 48 (SO ₂ =130 mg/m ³ , O ₂ ref.) | 74 (SO ₂ =200 mg/m ³ , O ₂ ref.) |

The specific NO_x emissions index - units 1, 3, 5 at the Jaworzno III Power Plant and units 9-12 at the Łaziska Power Plant

| | 2021 | 2020 | xxx |
|------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|-----|
| fuel g/GJ | 56 (NO _x =150 mg/m ³ , O ₂ ref.) | 74 (NO _x =200 mg/m ³ , O ₂ ref.) | |

As part of the investment projects and sustainable development program, the tasks related to connecting new facilities to TAURON Ciepło's district heating networks were carried out and the Low Emission Elimination Program was continued by successively connecting of the individual facilities, previously heated by individual heat sources.

TAURON Nowe Technologie has commissioned low-emission gas-fired cogeneration units using gas from demethanization of the Brzeszcze Coal Mine with a total capacity of 10.8 MWe. As a result of methane combustion this gas is converted into CO₂ whose greenhouse effect potential is many times lower.

TAURON Dystrybucja, by implementing the modernization and replacement of the existing assets on an ongoing basis, especially the tasks related to the alteration of the switchgear systems, switch rooms (indoor substations) or transformer/switch substations, makes a direct contribution to the improvement of the soil and groundwater safety.

TAURON Group assumes responsibility for 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 2021 is approximately PLN 32.7 million, which is illustrated in Table no. 14.

Table no. 14. Estimated charges to be paid for the business use of the environment by TAURON Capital Group due for 2021

| # | Subsidiary name | Charges ¹ for the business use of the environment due for 2021 (PLN '000) |
|--------------|----------------------------|--------------------------------------------------------------------------------------|
| 1. | TAURON Wytwarzanie | 11 913.5 |
| 2. | TAURON Wydobycie | 14 944.5 |
| 3. | TAURON Ciepło | 4 119.6 |
| 4. | TAURON Dystrybucja | 232.1 |
| 5. | KW Czatkowice | 67.1 |
| 6. | TAURON Nowe Technologie | 33.8 |
| 7. | TAURON Obsługa Klienta | 17.3 |
| 8. | TAURON Ekoenergia | 563.9* ** |
| 9. | TAURON Sprzedaż | < 0.8** |
| 10. | Bioeko Grupa TAURON | 4.5 |
| 11. | Nowe Jaworzno Grupa TAURON | 770.8 *** |
| 12. | Wsparcie Grupa TAURON | 1.2 |
| Total | | 32 668.3 |

¹Partly estimated data, the annual settlement has not been completed.

* Charge for water consumption for the purpose of running hydropower plants, assessed at the rate of PLN 1.24 per 1 MWh of electricity produced by the hydro power facilities in 2021 is PLN 558.4 thousand and a fee of PLN 5.5 thousand for discharging rainwater or snowmelt into the waters.

** Extent of using the environment does not generate charges, as their amount is below the threshold starting from which fees are paid.

*** In total for 2021. The 910 MW unit's incomplete operation period - on June 11, 2021 there was an emergency shutdown for repair during the warranty period.

Emissions, waste water (sewage) and waste

In 2021, TAURON Group's generation units were operated with extraordinary intensity as a consequence of the needs of the NPS (KSE) operator and the necessity to replace the most modern 910 MW coal-fired unit in Jaworzno, which had been operated for slightly more than half a year and, starting from June 11, it was put out of service for repair during the warranty period. As a result, the absolute air emissions of the NO_x, SO₂ compounds and dusts increased in relation to the previous year. In spite of that, the emissions of TAURON Group in 2021 are significantly below the levels defined as the maximum allowed annual loads of substances released into the air according to the permits. This is due to the fact that all operating generation units of TAURON Wytwarzanie and TAURON Ciepło achieve the concentration levels of sulfur dioxide, nitrogen dioxide and dust below the current permitted limit values, while the 200 MW units and the biomass-fired boilers (RES) achieve emission levels at the level of the limit values specified in the BAT conclusions, which came into force in August 2021. In addition to the implementation of the program for the construction and modernization of the flue gas treatment installations, the conventional power generation units use solid fuels of adequate quality and the updated equipment operation procedures are applied in order to meet the environmental requirements.

As part of its operations related to the environmental management TAURON Group is performing an ongoing monitoring of the emissions of the NO_x, SO₂ compounds and dusts into the atmosphere and the emissions in 2021 and in the previous 2021 are presented in Tables no. 15, 15-a and 15-b.

Table no. 15. GRI 305-7. Emissions of the NO_x, SO₂ compounds and other significant compounds into the atmosphere by TAURON Capital Group in 2021 and 2020

| TOTAL | | |
|-----------------|-----------|-----------|
| | 2021 | 2020 |
| NO _x | 8 322 641 | 7 490 740 |

| | | |
|-----------------|-----------|-------------|
| SO ₂ | 7 247 774 | 7 050 794 |
| Total dust | 428 683 | 435 182 |
| Other * | 8 050 431 | 5 971 549 * |

* The items Other and Total for 2020 were recalculated (methane emissions are not included as they were transferred to the Scope 1 direct emissions, including the adequate conversion using the GWP factor (25) for CH₄ => CO₂e according to GHG Protocol - AR5).

Table no. 15-a. GRI 305-7. Emissions of the NOx, SO₂ compounds and other significant compounds into the atmosphere by TAURON Capital Group in 2021 and 2020, per individual subsidiaries

| | Kopalnia Wapienia "Czatkowice" | | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Wydobycie | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TAURON Nowe Technologie | | TOTAL | |
|-----------------|--------------------------------|-------|--------------------|-----------|---------------|-----------|------------------|----------|------------------------------------------|----------------|-------------------------|------|------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| NOx | 278 | 684 | 6 050 299 | 6 238 530 | 1 426 435 | 1 102 230 | 37 678 | 37 668 | 807 906 | 111 628 | 46 | - | 8 322 641 | 7 490 740 |
| SO ₂ | 52 | 27 | 4 683 464 | 5 392 053 | 2 029 341 | 1 537 689 | 55 188 | 55 188 | 479 726 | 65 837 | 3 | - | 7 247 774 | 7 050 794 |
| Total dust | 8 985 | 6 507 | 233 768 | 282 085 | 84 884 | 82 311 | 59 358 | 44 372 | 41 688 | 19 907 | | - | 428 683 | 435 182 |
| Other * | | | 5 519 617 | 4 551 863 | 2 437 741 | 1 366 787 | 50 745 | 46 651 * | 42 327 | 6 248 | | - | 8 050 431 | 5 971 549 * |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

* the items Other and Total for 2020 were recalculated (currently methane emissions are not included as they were transferred to the Scope 1 direct emissions, including the adequate conversion using the GWP factor (25) for CH₄ => CO₂e according to GHG Protocol - AR5).

Table no 15-b. GRI 305-7. Operational limits of emissions of significant compounds into the atmosphere at TAURON Capital Group's individual subsidiaries, applicable in 2021

| SOURCE | Maximum annual number of tons | | |
|------------------------------|-------------------------------|-----------------|---------|
| | NOx | SO ₂ | Dust |
| TAURON Wytwarzanie | 31 198.7 | 43 872.9 | 4 136.0 |
| TAURON Ciepło | 3 037.6 | 4 234.2 | 469.4 |
| Nowe Jaworzno Grupa TAURON | 3 380.6 | 3 380.6 | 227.8 |
| TAURON Nowe Technologie | 116.2 | 9.2 | - |
| TAURON Wydobycie | 37.8 | 55.6 | 63.3 |
| Kopalnia Wapienia Czatkowice | Not determined* | Not determined* | 36.2 |

* Emissions are not determined for the substance, the emissions of which do not exceed 10% of the reference value (benchmark) or 10% of the permitted levels in the air averaged per hour.

In the first half of 2021, despite the COVID 19 pandemic underway, the last of the investment tasks related to the modernization of the air protection installation at Łaziska and Jaworzno III Power Plants, was completed, and thanks to that the coal units planned for further operation, which were also the participants of the capacity market, were prepared for the new environmental requirements specified in the BAT conclusions starting from August 2021.

TAURON Group's costs and expenditures for the projects related to environment protection are presented in Table 16.

Table no. 16. TAURON Group's costs and expenditures for the projects related to environment protection (excluding climate-related expenditures)

| | |
|-----------------------------------------------------------------------------------------------------------|-------------------|
| TAURON Group's total spending on environment protection | PLN 345.0 million |
| Including capital expenditures related to environment protection | PLN 36.5 million |
| Share of capital expenditures in spending on environment protection | approx. 10.6 % |
| Share of capital expenditures related to environment protection in the Group's total capital expenditures | approx. 1.2 % |

Following the principle of resource efficiency, TAURON Group is also monitoring and optimizing the consumption of water used for technological process purposes on an ongoing basis. This is done by closing the water circuits and by recirculating water with relatively good parameters to other production processes, with lesser requirements, for reuse. In 2021, a significant decrease in water consumption for technological purposes was recorded, which was associated with the complete stopping of the operation of the generation units that use solid fuels at the Stalowa Wola site (from May 2021) - currently at this location the market demand is satisfied by a modern low-emission cogeneration unit fired using the gas fuel.

Nowe Jaworzno Grupa TAURON's (NJGT) 910 MW unit and TAURON Wytwarzanie's Łaziska Power Plant in Będzin meet the highest quality requirements for the combined cycles and are equipped with water conditioning (treatment) installations based on modern membrane techniques.

The climate changes observed, including the hydrological drought phenomenon that has been growing in recent years, directly affect the availability of the resources considered as renewable, such as for example water. Sustainable use of these resources is implemented in the energy industry, among others by applying operational limits on the amount of water taken directly from the environment (surface and groundwater intakes, presented in table no. 17.

Table no. 17. Maximum daily limits for direct water intake from the environment in force in 2021

| Source | Maximum daily quantity m ³ /d |
|--------|------------------------------------------|
|--------|------------------------------------------|

| | Coal mine drainage water (including the ground water to be used for the coal mine needs) | Ground water | Surface water |
|------------------------------|------------------------------------------------------------------------------------------------|--------------|---------------|
| TAURON Wydobycie | 158 934 (8 256) | | |
| TAURON Wytwarzanie | | 14 376 | 877 272** |
| TAURON Ciepło | | | 7 209.6 |
| TAURON Dystrybucja | | 11.9 | |
| TAURON Ekoenergia | | 3,8 | |
| Kopalnia Wapienia Czatkowice | | 3,5 | 240 |

* The above table does not include the so-called reverse water intake for electricity generation purposes by hydropower plants, nor limits stemming from civil law contracts with external suppliers.

** The value includes the so-called reverse water intake in an open cooling system.

The consumption of water used in the production processes by TAURON Capital Group in 2021 is shown in Tables no. 18 and no. 18-a.

Table no. 18. GRI 303-3. TAURON Capital Group's total water consumption per source in 2021 and 2020

| [m ³ /year] | TOTAL | |
|---------------------------------------------------------------------------|--------------------|--------------------|
| | 2021 | 2020 |
| rivers | 47 230 609 | 117 712 190 |
| wetlands | 0 | 0 |
| ground water | 46 577 742 | 46 458 181 |
| rain water picked up directly and stored | 278 954 | 318 988 |
| water from the city network | 4 143 445 | 3 613 660 |
| Other | 18 741 603 | 15 941 437 |
| Total volume of water consumed from all sources taken into account | 116 972 353 | 184 044 456 |

Table no. 18-a. GRI 303-3. TAURON Capital Group's total water consumption per source broken down by subsidiaries in 2021 and 2020

| [m3/year] | TAURON Wydobywanie | | Kopalnia Wapienia "Czatkowice" | | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Ekoenergia | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TOTAL | |
|---------------------------------------------------------------------------|--------------------|-------------------|--------------------------------|---------------|--------------------|--------------------|------------------|------------------|-------------------|--------------|------------------------------------------|----------------|--------------------|--------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Surface water (rivers, lakes) including water from wetlands | | | | | | | | | | | | | | |
| rivers | 0 | 0 | 47 075 | 48 465 | 46 701 176 | 117 350 726 | 482 358 | 312 999 | 0 | 0 | 0 | 0 | 47 230 609 | 117 712 190 |
| wetlands | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other: | | | | | | | | | | | | | | |
| ground water | 45 704 009 | 45 471 280 | 80 | 92 | 873 168 | 986 281 | 0 | 0 | 485 | 528 | 0 | 0 | 46 577 742 | 46 458 181 |
| rain water picked up directly and stored | 0 | 0 | 0 | 0 | 278 954 | 318 988 | 0 | 0 | 0 | 0 | 0 | 0 | 278 954 | 318 988 |
| water from the city network | 411 991 | 792 963 | 30 809 | 22 688 | 2 149 767 | 1 680 253 | 1 549 598 | 1 116 587 | 1 280 | 1 169 | 0 | 0 | 4 143 445 | 3 613 660 |
| Other | 0 | 0 | 0 | 0 | 13 457 328 | 14 565 846 | 1 188 230 | 759 936 | 0 | 0 | 4 096 045 | 615 655 | 18 741 603 | 15 941 437 |
| Total volume of water consumed from all sources taken into account | 46 116 000 | 46 264 243 | 77 964 | 71 245 | 63 460 393 | 134 902 094 | 3 220 186 | 2 189 522 | 1 764 | 1 697 | 4 096 045 | 615 655 | 116 972 353 | 184 044 456 |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

* 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.

By optimizing waste water treatment processes, modernizing and applying new waste water treatment methods, as well as a result of shutting down the coal and biomass fired units at the Stalowa Wola site, TAURON Group has significantly reduced the total quantity of waste water produced. The quality and quantity of wastewater is subject to ongoing monitoring and the total volume of waste water produced (discharged) as a result of TAURON Capital Group's operations in 2021, including its utilization method (destination), is shown in Tables no. 19 and no. 19-a.

Table no. 19. GRI 306-1. Total volume of TAURON Capital Group's waste water [m3] in 2021 and 2020 by quality and utilization method (destination)

| Waste water dump site taking into account emergency heat dumps | TOTAL m ³ | |
|--------------------------------------------------------------------------------------|----------------------|--------------------|
| | 2021 | 2020 |
| Waste water discharged into the sewage system (municipal companies) | 984 342 | 815 147 |
| Waste water discharged by means of transportation to the waste water treatment plant | 564 | 524 |
| Waste water discharged to the surface water: | | |
| Rivers | 60 126 611 | 128 817 551 |
| Other | 1 400 842 | 153 285 |
| Total waste water volume | 62 512 359 | 129 786 507 |

Table no. 19-a. GRI 306-1. Total volume of TAURON Capital Group's waste water [m³] in 2021 and 2020 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 | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TOTAL | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Waste water discharged into the sewage system (municipal companies) | 0 | 0 | 212 938 | 114 400 | 287 311 | 287 587 | 483 091 | 412 367 | 1 002 | 793 | - | - | 984 342 | 815 147 |
| Waste water discharged by means of transportation to the waste water treatment plant | 0 | 0 | 0 | 0 | 416 | 385 | 0 | 0 | 148 | 139 | - | - | 564 | 524 |
| Waste water discharged to the surface water: | | | | | | | | | | | | | | |
| Rivers | 45 267 | 33 605 | 16 522 878 | 85 205 063 | 43 373 193 | 43 455 515 | 184 794 | 122 855 | 479 | 513 | - | - | 60 126 611 | 128 817 551 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 400 842 | 153 285 | 1 400 842 | 153 285 |
| Total waste water volume | 45 267 | 33 605 | 16 735 816 | 85 319 463 | 43 660 920 | 43 743 487 | 667 885 | 535 222 | 1 628 | 1 445 | 1 400 842 | 153 285 | 62 512 359 | 129 786 507 |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

* Discharge of sewage through the company's sewage system to the sewage treatment plant of TAURON Wytwarzanie (civil law agreement) and further after treatment, discharge of sewage to surface waters.

Decommissioning of units using solid fuel at TAURON Wytwarzanie S.A. in Stalowa Wola in 2021 led to the significant reduction of the amount of waste water discharged to surface waters (rivers).

Waste management - actions taken and results achieved

TAURON Capital Group is undertaking numerous actions aimed at minimizing the negative impact on the environment, including minimizing the waste generated from processes and activities within the entire value chain.

In accordance with the principles of the Environmental Policy, the Group has a hierarchy in place for dealing with waste.

Tables no. 20 and 20-a as well as 21 and 21-a present the total weight of waste by type and utilization (handling) method.

Table no. 20. GRI 306-2. Total weight of hazardous waste [t] in 2021 and 2020, by waste type and waste utilization (handling) method

| | 2021 | 2020 |
|--------------------------------------|--------------|------------|
| Reuse | 9.3 | 101.6 |
| Recycling | 2.2 | 541.4 |
| Recovery (including energy recovery) | 494.3 | 103.0 |
| Neutralization | 24.7 | 148.8 |
| Storage | 36.2 | 5.1 |
| Other * | 437.4 | 52.4 |
| TOTAL WASTE WEIGHT | 1 004 | 952 |

* The Group does not generate nuclear waste.

Table no. 20-a. GRI 306-2. Total weight of hazardous waste [t] in 2021 and 2020, by waste type and waste utilization (handling) method, per subsidiary

| | weight of hazardous waste [tons] | | | | | | | | | | | | | | | | |
|--------------------------------------|-----------------------------------|-------------|--------------------|-------------|--------------------|-------------|---------------|-------------|-------------------|------------|--------------------|--------------|---------------------------------------------|-------------|--------------|------------|-------|
| | Kopalnia Wapienia "Czatkowice" | | TAURON Wytwarzanie | | TAURON Wydobywanie | | TAURON Ciepło | | TAURON Ekoenergia | | TAURON Dystrybucja | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TOTAL | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| Reuse | 0.0 | 0.0 | 0.0 | 9.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9.3 | 92.3 | 0.0 | 0.0 | 9.3 | 101.6 |
| Recycling | 0.0 | 0.0 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 541.4 | 0.0 | 0.0 | 2.2 | 541.4 |
| Recovery (including energy recovery) | 0.0 | 0.0 | 194.9 | 76.6 | 0.0 | 0.0 | 10.0 | 8.0 | 0.0 | 0.0 | 0.0 | 289.4 | 18.4 | 0.0 | 0.0 | 494.3 | 103.0 |
| Neutralization | 0.0 | 0.0 | 5.8 | 10.1 | 0.0 | 0.0 | 0.0 | 3.0 | 0.0 | 0.0 | 0.0 | 18.9 | 135.7 | 0.0 | 0.0 | 24.7 | 148.8 |
| Storage | 0.0 | 0.0 | 9.4 | 0.5 | 4.2 | 3.4 | 2.0 | 1.0 | 0.0 | 0.0 | 0.0 | 20.5 | 0.2 | 0.0 | 0.0 | 36.2 | 5.1 |
| Other | 24.5 | 26.2 | 0.0 | 0.0 | 38.1 | 26.2 | 0.0 | 0.0 | 129.9 | 0.0 | 0.0 | 244.9 | 0.0 | 0.0* | 0.0* | 437.4 | 52.4 |
| TOTAL WASTE WEIGHT | 24.5 | 26.2 | 211.2 | 96.5 | 42.3 | 29.6 | 12.0 | 12.0 | 129.9 | 0.0 | 584.2 | 788.0 | 0.0* | 0.0* | 1 004 | 952 | |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

* Due to the short period of operation of the unit after commissioning, the operational waste that could be a source of hazardous waste was not subject to balancing. This type of waste from the maintenance services is managed by specialized external entities.

Table no. 21. GRI 306-2. Total weight of non-hazardous waste [t] in 2019 and 2020, by waste type and waste utilization (handling) method

| | 2021 | 2020 |
|--------------------------------------|------------------|------------------|
| Reuse | 155 | 0 |
| Recycling | 2 203 | 3 606 |
| Recovery (including energy recovery) | 1 581 107 | 1 434 488 |
| Neutralization | 1 286 | 274 |
| Dump (landfill) | 5 969 | 8 958 |
| Storage | 9 656 | 30 701 |
| Composting | 0 | 0 |
| Other | 54 875 | 251 644 |
| TOTAL WASTE WEIGHT | 1 655 250 | 1 729 672 |

Table no. 21-a. GRI 306-2. Total weight of non-hazardous waste [t] in 2021 and 2020 by quality and utilization method (destination), per subsidiary

| | weight of non-hazardous waste [tons] | | | | | | | | | | | | | | | | | |
|--------------------------------------|--------------------------------------|------------|--------------------|----------------|--------------------|------------------|---------------|---------------|-------------------|------------|--------------------|--------------|------------------------------------------|------------|------------------|------------------|-----------|-----------|
| | Kopalnia Wapienia "Czatkowice" | | TAURON Wytwarzanie | | TAURON Wydobywanie | | TAURON Ciepło | | TAURON Ekoenergia | | TAURON Dystrybucja | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TOTAL | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| Reuse | | | 155 | | | | | | | | | | | | | | 155 | |
| Recycling | | | 943 | 872 | | | | | | | | 1 260 | 2 734 | | | | 2 203 | 3 606 |
| Recovery (including energy recovery) | | | 75 824 | 166 308 | 1 468 313 | 1 231 386 | 36 273 | 36 304 | | | | 696 | 490 | | | | 1 581 107 | 1 434 488 |
| Neutralization | | | 801 | 14 | | | | 7 | | | | 478 | 251 | | | | 1 286 | 274 |
| Dump (landfill) | | | 5 969 | 8 958 | | | | | | | | | | | | | 5 969 | 8 958 |
| Storage | | | 981 | 893 | 6 359 | 28 485 | 2 016 | 1 323 | | | | 300 | | | | | 9 656 | 30 701 |
| Composting | | | | | | | | | | | | | | | | | | |
| Other | 91 | 286 | 2 063 | 2 005 | 50 897 | 248 883 | | | 186 | 200 | 500 | | | 1 137 | 269 | | 54 875 | 251 643 |
| TOTAL WASTE WEIGHT | 91 | 286 | 86 737 | 179 050 | 1 525 569 | 1 508 754 | 38 296 | 37 636 | 186 | 200 | 3 235 | 3 475 | 1 137 | 269 | 1 655 250 | 1 729 670 | | |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

Circular economy

TAURON Capital Group is actively looking for solutions that would implement the idea of the Circular Economy whose goals include:

1. taking care of the natural environment,
2. reducing the harm caused by the waste produced,
3. maximizing the use of the by-products of the combustion related to electricity generation or of the coal mining,
4. minimizing the costs related to the disposal (neutralizing) of environmentally harmful waste and providing new functionalities to the areas transformed as a result of industrial activities,
5. partnership collaborations in the field of circular economy.

As part of the operations of TAURON Capital Group, the cycles of substances produced by the Group are closed and the re-use of the combustion and mining by-products is being spread in the economy and industry. The reuse of substances contributes to the protection of natural resources and the reduction of the amount of waste deposited in landfills.

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

3.8 million Mg of the process by-products, coming from thermal combustion and mining of coal, was generated in 2021, with as much as 61% 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.

In 2021, TAURON Wytwarzanie and Nowe Jaworzno Grupa TAURON brought to the market as much as 100% of ashes and boiler slag coming from coal combustion as by-products from 7 system power plants, to be used in construction, road engineering (building), mining and agriculture.

The below figure presents the structure (composition) of ashes, sludge, gypsum and aggregates generated by TAURON Capital Group, brought to the market in 2021.

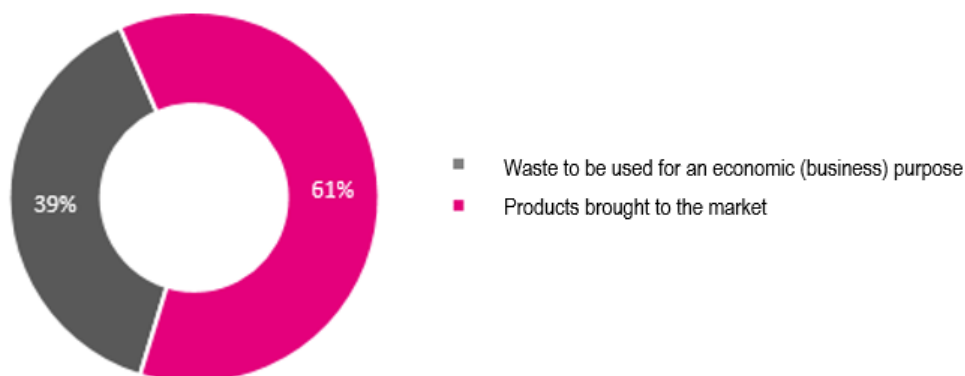


Figure no. 25. Structure (composition) of ashes, sludge, gypsum and aggregates generated by TAURON Capital Group, brought to the market in 2021

TAURON Capital Group's power plants produced 149 thousand Mg of ashes in 2021 that was used as valuable raw material in fire prevention by the coal mines. Ashes from TAURON Capital 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 Wydobyćie's coal mines.

100% of TAURON Ciepło's by-products, i.e. 239 000 Mg, is reused in various industries. In 2021, the contract under which almost 1 million tons of ash-slag from TAURON Wytwarzanie were used to build the S-19 expressway was completed.

TAURON Wydobyćie processes post-mining waste, as a result of which high-quality construction and road aggregates are obtained. 197 thousand Mg of aggregates and materials produced from the post-mining waste were placed on the market in 2021.

The below figure presents the structure (composition) and quantities of the combustion and mining by-products generated by TAURON Capital Group, brought to the market in 2021.

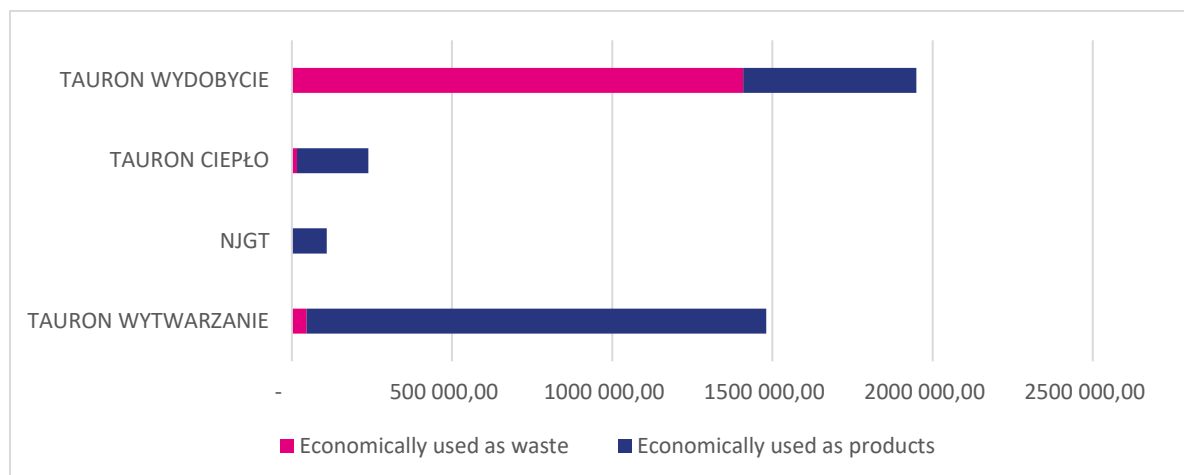


Figure no. 26. Structure (composition) and quantities of the combustion and mining by-products generated by TAURON Capital Group, brought to the market in 2021

TAURON Capital Group focuses on local cooperation and the use of waste materials, using the waste stored in settling tanks and at waste dump (landfill) sites.

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

Biodiversity

TAURON Capital Group has knowledge of the areas that are valuable from the nature point of view, whose locations are subject to its impact, including the NATURA 2000 network areas. One of such areas is even created as part of the industrial infrastructure of Zakład Górniczy Brzeszcze (Brzeszcze Coal Mine), which was established in order to provide the hydrotechnical protection of the Upper Vistula against saline underground waters coming from the drainage of hard coal mines. The "Brzeszcze" underground water 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. The Vistula river, 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 9 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, Whiskered tern, Black-crowned night heron, Common moorhen, Gadwall, Common redshank, Black-headed gull, Black-necked grebe. A relatively high numbers are reached by: Eurasian bittern, Black tern and Great crested grebe.

In addition, Kopalnia Wapienia "Czatkowice" is also conducting environmental monitoring pursuant to the legal provisions.

The results of the monitoring achieved in 2021 are presented below:

1. Chiropterofaunal monitoring

In 2021, as part of the chiropterofauna monitoring, research was carried out in the winter shelters of bats and in their feeding grounds.

It was determined that 563 bats from 8 species hibernated in the winter shelters penetrated. The condition of the population of the Horseshoe bat and the Geoffroy's bat in the winter shelters was assessed as suitable – their number went up as compared to the previous years. In case of the lesser horseshoe bat a small decrease of its number was observed in the Raclawicka Cave (Jaskinia Raclawicka), while its number increased in the Bat Cave (Jaskinia Nietoperzowa). In case of the other objects and bats, no negative changes are observed as compared to the previous years, both in terms of the assessment of the number of bats population as well as the condition of their habitats.

The assessment of the habitat conditions at the Raclawicka Cave (Jaskinia Raclawicka), one of the key winter shelters of the Kraków Upland, has not changed as compared to the previous years.

Two colonies of breeding bats of the Horseshoe bat and the Geoffroy's bat were found in the monastery in Czerna. In case of both species, the number of colonies was comparable or higher than in the previous years.

In the close vicinity of Kopalnia Wapienia "Czatkowice", the presence of two small breeding colonies of the ciliated scabbard was found in the church in Tenczynek and in the Palace in Krzeszowice (there is also a colony of lesser horseshoe bat here).

The hunting and field listening activities completed indicate that in the areas where trees were planted, the activity of bats and the wealth of their species went up.

2. Ornithological monitoring – of the breeding birds in the protection zone

The Kopalnia Wapienia "Czatkowice" protection zone (strip) covered by the study is a very attractive breeding ground for many species of birds, including those that are scarce or endangered in Poland and Europe.

Thanks to proper forestry management, the described area provides a shelter for a number of bird species, including many of those that are deprived of breeding habitats year by year.

Similar as in the previous years, 2 species from Annex 1 of the Birds Directive were found in 2021 - red-backed chrysanthemum and rowan. These species are currently finding optimal conditions for growth in the area covered by the study.

In 2021, the numbers of many species significantly increased. Overall, there were 187 detections (in 2020 - 118 detections, in 2019 - 169, in 2018 - 129).

The major part of TAURON Group's operations in the entire value chain is carried out in a manner ensuring the protection and development of biodiversity. The principles and directions of actions according to the Environmental Policy include:

1. Promoting nature protection, and in particular the preservation of habitats, plant and animal species located within the key locations, in order to protect biodiversity and the functioning of ecosystems.
2. Taking into account the impacts of the key assets on biodiversity.

In 2021, promoting of nature protection, and biodiversity in particular, was achieved through:

- spreading knowledge and shaping responsible attitudes among TAURON Group's employees, among others in 2021, as part of the internal communications, the knowledge of the Code of Good Practice was disseminated: Gardening against invasive plants of foreign origin. TAURON Group, which was noted by the General Directorate for Environmental Protection in good examples of the Code's use;
- running the campaign entitled Our stork,
- implementation of the project What to plant so as not to overdo it,
- promotion of the Landscape Day.

TAURON Group's approach to biodiversity in the medium term is gaining new meaning in connection with the potential liquidation of the permanently decommissioned generation assets and granting of the new functionalities to the post-industrial areas (land), as well as in the light of the goal of developing zero-emission assets based on the photovoltaic and wind power plants.

Each "new" or "restored" site under potential consideration for the operations of the Group's subsidiaries is subject to analyses and assessment in terms of the possibility of maintaining the integrity of ecosystems and is subjected to a nature inventory (also a preliminary one without long term nature monitoring), including with respect to the biodiversity of the existing and adjacent flora and fauna, along with the determination of favorable conditions for its preservation and even development.

The designed photovoltaic farms are planned to be implemented with the goal to preserve the largest possible biologically active area.

Actions taken and results achieved

When implementing RES development projects TAURON Capital Group always takes into account the requirements specified in the decisions on environmental conditions with respect to activities aimed at the protection of biodiversity.

In 2021, the Group was preparing itself for the obligation to verify the sustainable development criteria for the biomass used for electricity generation purposes.

TAURON Group's total consumption of renewable raw materials in the form of biomass came in at more than 517 thousand tons in 2021.

The subsidiaries operating biomass burning installations (TAURON Wytwarzanie and TAURON Ciepło), covered by the emission allowances trading system, and the biomass supplier (Bioeko Grupa TAURON) obtained certificates of the voluntary certification system authorizing them to issue documents confirming the sustainable development criteria, which means that from January 1, 2022, when new requirements come into force, the biomass used for the Group's electricity generation purposes will meet the criteria expected for reducing the greenhouse gas emissions.

E 1.1.3. TAURON Group's Climate Policy

TAURON Group's pro-climatic activities had begun before the announcement of the Communication 2019/C 209/01 and the attachments related thereto (the first documents announcing pro-climate legislation for enterprises in the European Union). The Group introduced the Update of the Strategic Directions in May 2019, as part of which the so-called Green Turn of TAURON is being implemented. With respect to the above, in November 2019, the Management Board of TAURON Polska Energia S.A. also adopted to be applied the document entitled: TAURON Group's Climate Policy.

Effectively counteracting the climate change and the sustainable development are the two main objectives of TAURON Group's Climate Policy. This document is also in line with the assumptions of the Green Turn of TAURON 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.

E 1.1.4. TAURON Group and the climate and sustainable business development - operations, impact, trends, results

In 2021, TAURON joined the group of companies reporting information on climate and water management under the CDP project. The disclosure under the CDP is voluntary. The standard helps to fully track the progress in adapting activities to climate change in accordance with the idea of sustainable development and to improve reporting.

Publications in this format are a response to the expectations of stakeholders, especially investors for whom it is of growing importance to know whether the companies in which they want to invest are aware of the risks and opportunities related to the climate and manage their impact on its change and take adaptive measures.

This international survey aims to ensure that companies transparently disclose information on climate and the impact on the changes thereof.

The addition of TAURON to this study, with the company being in the first phase of transformation (first assessment D), will allow for the tracking and evaluation of the activities undertaken by the Group in the following years.

As part of the questionnaires related to the areas of climate change ("Climate Change") and water management ("Water"), TAURON prepared data and information needed to provide detailed answers to the questions grouped in 14 thematic sections of the survey on climate change and 9 sections related to water management, ensuring consistency with the reporting standard for the previous years.

A comprehensive discussion of the climate related issues is particularly important due to the diversity of TAURON Group's generation sources (presented in tables no. 22 and 22-a, as well as 23 and 23-a).

Table no. 22. GRI EU1. TAURON Capital Group's installed capacity, broken down into main types of the raw material and the regulatory requirements in 2021 and 2020

| Installed capacity in MW by the type of fuel used | TOTAL | |
|-------------------------------------------------------------------------------------------------------------------------------------|-------|-------|
| | 2021 | 2020 |
| Hard coal | 7 157 | 7 157 |
| Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's demethanization) | 176 | 165 |
| Biomass* | 238 | 381 |
| Heating oil** | 269 | 269 |
| Wind based electricity*** | 381 | 381 |
| Hydroelectricity*** | 133 | 133 |
| Solar energy*** | 11 | 0 |

* total electric (MWe) and thermal (MWt) installed capacity.

** total thermal (MWt) installed capacity.

*** total electric (MWe) installed capacity.

The Group is also operating photovoltaic micro-installations used for in-house needs. TAURON Ekoenergia has panels with the capacity of 12.26 kW installed on the roofs of its buildings, operated for the company's in-house needs, while TAURON Dystrybucja has 120 kW of such capacity. Photovoltaic micro-installations are also operated by TAURON Ciepło (the heat plant in Zawiercie).

Table no. 22-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 2021 and 2020

| Installed capacity in MW by the type of fuel used | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Ekoenergia | | Kopalnia Wapienia „Czatkowice” | | NOWE Aktywa "Zielony Zwrot TAURONA" | | Nowe Jaworzno Grupa TAURON | | TAURON Nowe Technologie | | TOTAL | |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|--------------------|--------------------|-------------------|---------|--------------------------------|-------|-------------------------------------|---------|----------------------------|-----------|-------------------------|------|--------------|-------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Hard coal* | 4186 MWe 953 MWt | 4186 MWe 953 MWt | 307 MWe 796 MWt | 307 MWe 796 MWt | - | - | - | - | - | - | 914,6 MWe | 914,6 MWe | - | - | 7 157 | 7 157 |
| Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's demethanization)* | - | - | 164 MWt | 164 MWt | - | - | 1 MWt | 1 MWt | - | - | - | - | 10,8 MWe | - | 176 | 165 |
| Biomass* | 50 MWe 78 MWt | 105 MWe 166 MWt | 40 MWe 70 MWt | 40 MWe 70 MWt | - | - | - | - | - | - | - | - | - | - | 238 | 381 |
| Heating oil** | 140 MWt | 140 MWt | 132 MWt | 129 MWt | - | - | - | - | - | - | - | - | - | - | 269 | 269 |
| Wind based electricity*** | - | - | - | - | 201 MWe | 201 MWe | - | - | 180 MWe | 180 MWe | - | - | - | - | 381 | 381 |
| Hydroelectricity*** | - | - | - | - | 133 MWe | 133 MWe | - | - | - | - | - | - | - | - | 133 | 133 |
| Solar energy*** | 5 MWe | - | - | - | - | - | - | - | 6 MWe | - | - | - | - | - | 11 | - |

* total electric (MWe) and thermal (MWt) installed capacity.

** total thermal (MWt) installed capacity.

*** total electric (MWe) installed capacity.

Table no. 23. GRI EU1. TAURON Capital Group's installed capacity, broken down into types of generation units in 2021 and 2020

| Installed capacity in MW by the type of generation unit: | TOTAL | |
|----------------------------------------------------------|-------|-------|
| | 2021 | 2020 |
| Power plants (MWe) | 5 686 | 5 720 |
| Power plants (MWt) | 1 171 | 1 259 |
| Combined heat and power plants (MWe) | 347 | 347 |
| Combined heat and power plants (MWt) | 1 014 | 1 014 |
| Heat plants (MWt) | 146 | 146 |

Table no. 23-a. GRI EU1. TAURON Capital Group's installed capacity, broken down into types of generation units, per subsidiary in 2021 and 2020

| Installed capacity in MW by the type of generation unit: | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Ekoenergia | | Kopalnia Wapienia „Czatkowice” | | NOWE Aktywa "Zielony Zwrot TAURONA" | | Nowe Jaworzno Grupa TAURON | | TAURON Nowe Technologie | | TOTAL | |
|----------------------------------------------------------------|--------------------|-------|---------------|-------|-------------------|------|-----------------------------------|------|----------------------------------------|------|-------------------------------|-------|----------------------------|------|--------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Power plants (MWe)* | 4 241 | 4 291 | - | - | 334 | 334 | - | - | 186 | 180 | 914.6 | 914.6 | 10.8 | - | 5 686 | 5 720 |
| Power plants (MWt) | 1 171 | 1 259 | - | - | - | - | - | - | - | - | - | - | - | - | 1 171 | 1 259 |
| 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** | 1** | - | - | - | - | - | - | 146 | 146 |

* Power plants (MWe) total includes photovoltaic farms' and gas engines' generation (TAURON Nowe Technologie).

** Kopalnia Wapienia "Czatkowice" boiler house / heat (thermal) plant.

One of the most important commitments with respect to climate change 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 as well as striving not to exceed the temperature increase of more than 1.5°C in relation to the pre-industrial levels.

TAURON Group's Climate Policy refers to all types of activities and operations carried out within TAURON Group's value chain, the effects of which have an impact upon climate change or constitute the implication thereof, including in particular:

- measures that enable 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 different 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 appended thereto and fulfills the provisions thereof.

The due diligence procedures that accommodate the climate sensitive issues, implemented gradually since 2020, have been included in:

1. Risk management - process based management of climate risk in the short, medium and long term (2020 -2025 - 2030) has been 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 2022 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 three subsidiaries, TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON, are covered by the obligation to participate in the so-called European Emissions Trading System (ETS), the climate related issues are included in the operational decision making processes at such subsidiaries.

Establishment of TAURON Group's ESG committee

At the end of 2021, TAURON Polska Energia established the ESG Committee, whose task and role is to coordinate all issues related to the impact of climate change in the current operations of TAURON Group in connection with the set Strategic goals (medium and long term).

TAURON Group's main strategic goals related to climate change have to a large extent already been communicated as part of the Green Turn of TAURON, including the most important goals for 2030 envisaging a significant increase in the share of low and zero-emission sources in TAURON Group's installed capacity and a decrease in the emissions for energy production by 50% as compared to the base year 2018.

The chairperson of the ESG committee is a representative of TAURON Group's highest level of management – the Vice President for Assets of TAURON Polska Energia S.A., and the members of the ESG committee are also the representatives of middle and senior management responsible, among others, for strategy, communications, human resources and environmental protection.

The role of the ESG Committee will be in particular (starting from 2022):

- adopting directions of ESG activities and metrics for TAURON Group's Strategy,
- providing feedback on/recommending/launching ESG initiatives at TAURON Group,
- accounting for the achievement of ESG goals (metrics),
- adopting the content of the annual report on the implementation of ESG objectives and issuing conclusions and recommendations in this regard for the Management Board of TAURON Polska Energia S.A.,
- reviewing the action plan in light of the changing global context and approving recommendations in this regard.

Thus, the up to now designation and adoption of ESG related directions and goals and reporting on the implementation thereof, which in 2021 took place within the individual operational divisions of TAURON Group, will be implemented in a new, fully coordinated dimension.

In addition, in parallel to taking the decision to appoint the ESG Committee, the following areas for review and development in the coming years were identified, related to the impact of TAURON Group's activities with respect to climate change as well as the directions and goals resulting from the implementation of the Green Turn of TAURON:

- review of the options available to reduce the Scope 1 direct emissions in the conditions where it is necessary to provide services to the NPS,
- review of the options to further reduce the Scope 3 indirect emissions as part of activities related to the initiatives created throughout the value chain,
- review and revision of the short and medium term decarbonization targets related to the emissions reduction in the generation line of business (electricity and heat) for TAURON Group,
- defining indicators and the monitoring thereof with respect to increasing the share of EBITDA from sustainable activities in the entire value chain,
- defining indicators and the monitoring thereof with respect to the growth of the capital expenditures / CAPEX for sustainable activities throughout the value chain,
- integration of the Group's of activities with respect to the "Crisis Response Program",
- developing initiatives for more efficient use of natural resources,
- integration at the Group level of the superior environmental efficiency monitoring system and implementation of universal monitoring indicators,
- development of the environmental guidelines for liquidated activities and for the use of industrial sites for new functionalities,
- development of sustainable products and services.

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, is implemented as part of the system-wide approach to Asset Management.

Also with respect to 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) new investment projects.

Based on the document Poland's Environmental (Ecological) Policy 2030 and the ISOK (National IT Protection System) portal, regions were identified that were more exposed to the physical risk related to climate, in order 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 (Ecological) Policy 2030 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 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 too low or too high water level in the rivers, is presented in Table no. 24.

Table no. 24. The number of days on which the electricity production at TAURON Ekoenergia did not take place in 2021 due to the low water levels in the rivers

| River | Power plant | The number of days in the month with no production | | | | | | | | | | | | Total |
|-----------------|--------------|----------------------------------------------------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|-------|
| | | January | February | March | April | May | June | July | August | September | October | November | December | |
| Odra | Brzeg | 4 | 19 | 4 | 3 | 14 | | 1 | 3 | | 1 | | 3 | 52 |
| | Janowice | | | | | 2 | | | | | | | | 2 |
| | Kopin | | 1 | | | | | | | | | | | 1 |
| | Wrocław II | | | | | | | 28 | 24 | | | | | 52 |
| Bóbr | Bobrowice II | | | | | 1 | | | | | 1 | 1 | 3 | |
| Nysa Kłodzka | Opolnica | | | | | 11 | | | | | 2 | 1 | 14 | |
| | Ławica | | | | | 1 | | | | | | | 1 | |
| Wisła | Dąbie | | | | | 2 | | | 4 | | | | 6 | |
| | Przewóz | | | | | 1 | | | | | | | 1 | |
| Potok Bystre | Kuźnice | 15 | 28 | 31 | 6 | | | | | | | | 80 | |
| Mała Panew | Turawa | 6 | 6 | 10 | | | 27 | 16 | | | | | 65 | |

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 as a consequence, breaking of the power lines, as well as periodic and local flooding. The percentage of this type of failures at TAURON Dystrybucja in 2021 is illustrated in Table no. 25.

Table no. 25. Share of mass failures in total failures at TAURON Dystrybucja in 2021

| Share of mass failures in total failures | Number of mass failures |
|------------------------------------------|-------------------------|
| 17.4% | 2 |

Failures often result in interruptions in the supply of electricity, the frequency and duration of which are illustrated in tables no. 26 and 27.

Table no. 26. GRI EU 28. Frequency of the interruptions in the supply of electricity to the consumers of TAURON Dystrybucja in 2021

| Interruption type | CP * (number of interruptions / consumer / year) |
|-------------------------------------------------------------------------------------------|--------------------------------------------------|
| CPmd - regulatory interruption frequency indicator in the area: large cities | 0.43 |
| CPmp - regulatory interruption frequency indicator in the area: cities with county rights | 1.12 |
| CPm - regulatory interruption frequency indicator in the area: cities | 1.77 |
| CPw - regulatory interruption frequency indicator in the area: large villages | 3.89 |

* Formerly SAIFI (System Average Interruption Frequency Index), replaced with the area related indicators: CPmd, CPmp, CPm, CPw. The methodology used to calculate the CPmd, CPmp, CPm, CPw indices is the same as the methodology used to calculate the SAIFI index. SAIFI (System Average Interruption Frequency Index) - 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. 27. GRI EU 29. Average duration of the interruptions in the supply of electricity distributed by TAURON Dystrybucja in 2021

| Interruption type | CTP * (minutes / consumer / year) |
|-------------------------------------------------------------------------------------------|-----------------------------------|
| CTPmd - regulatory interruption duration indicator in the area: large cities | 11.32 |
| CTPmp - regulatory interruption duration indicator in the area: cities with county rights | 61.81 |
| CTPm - regulatory interruption duration indicator in the area: cities | 84.42 |
| CTPw - regulatory interruption duration indicator in the area: large villages | 203.59 |

* Formerly SAIDI, replaced with the area related indicators: CTPmd, CTPmp, CTPm, CTPw. The methodology used to calculate the CTPmd, CTPmp, CTPm, CTPw indices is the same as the methodology used to calculate the SAIDI index. 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. 28).

Table no. 28. Targets and implementations 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 (metric) | MV cable length share in relation to the total length of the MV lines (%), unit | |
|-------------------------|---------------------------------------------------------------------------------|----------------|
| Year | Target | Implementation |
| 2019 | - | 38.4% |

| | | |
|------|---------|--------|
| 2020 | 38.65%* | 38.73% |
| 2021 | | 39.71% |
| 2025 | 41.00%* | - |
| 2030 | 45.00% | - |

* Targets for 2020 and 2025 have been recalculated taking into account the specifics of new connections to the MV grid and the pace of the RES development, and in accordance with the forecast of the specifics of the grid load.

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 the data and analyses, winters have been much milder in the area served by TAURON Ciepło (Silesia-Dąbrowa metropolitan area, as well as 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. 27 and 28.

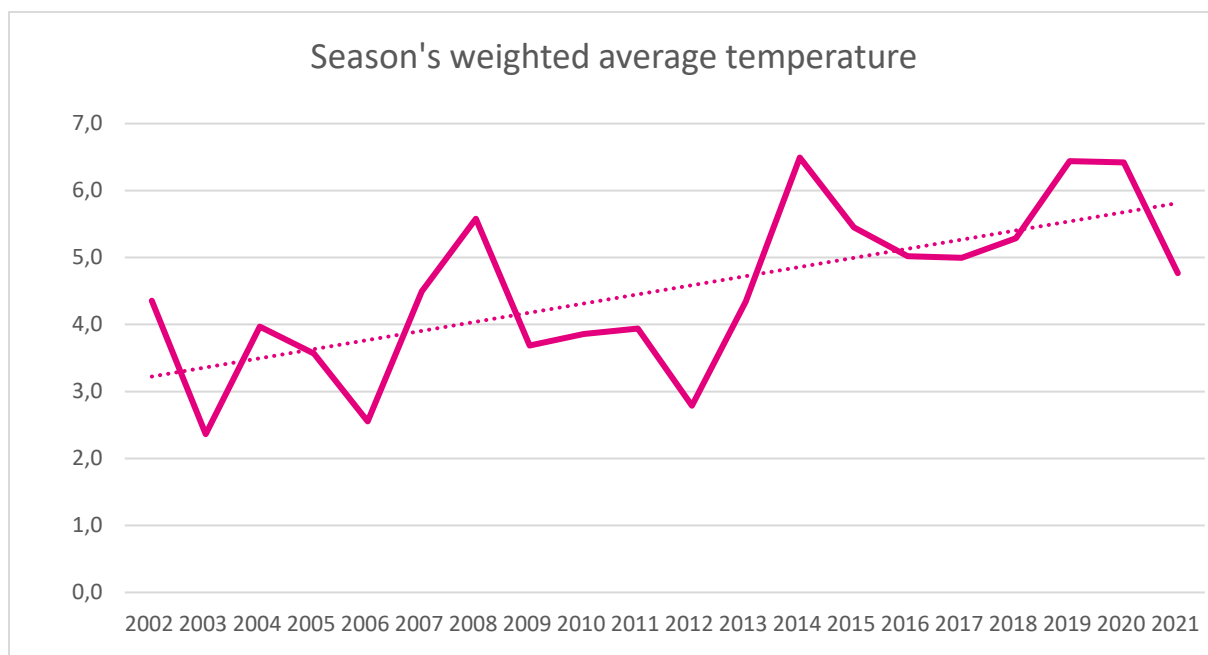


Figure no. 27. Chart of the weighted average air temperature in Poland during the heating season - trend of changes in 2011-2021 [°C].

In the same period of 2002 to 2021, the length of the heating season was extended by 20 days, which somewhat mitigated the difference resulting from an increase in the season temperature. However, this does not make up for an increase in outside temperatures.

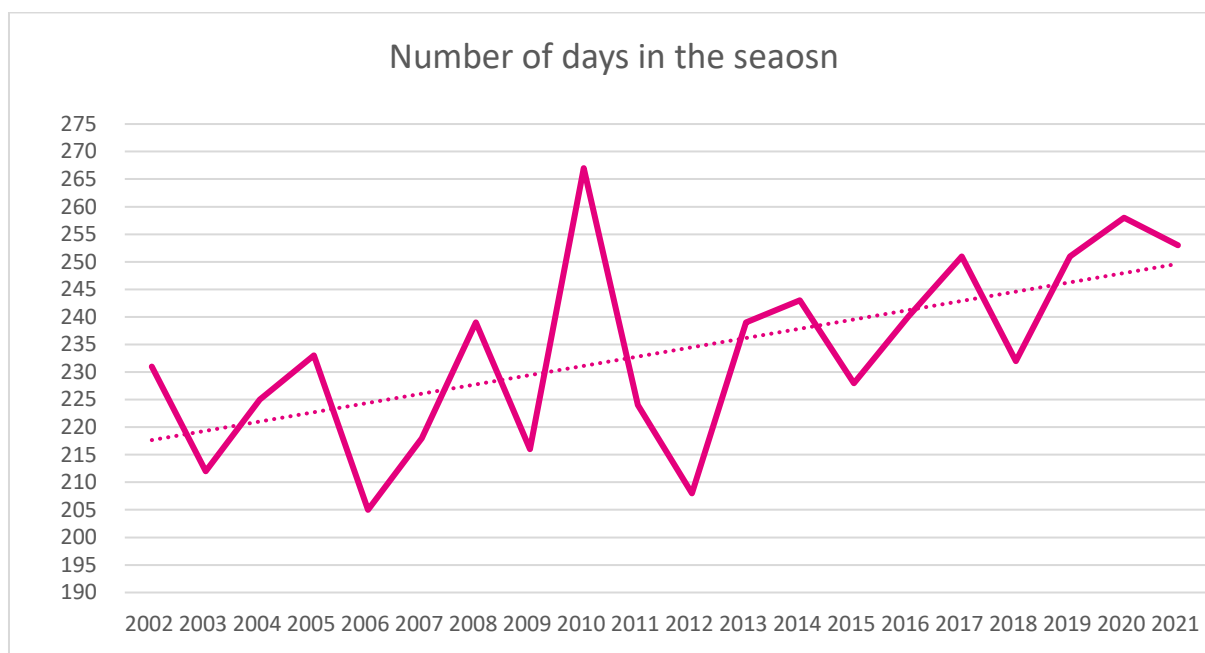


Figure no. 28. Length of the heating season in the years 2002 - 2021. The data is applicable to PEC Katowice in the years 2002-2011 and TAURON Ciepło in the years 2011-2021 [days].

Comparing the 2021 data to the 2020 data, the heat production as well as the demand for heat supply at TAURON Ciepło, during the heating period were at a much higher level, with a difference in heat production (increase) amounting to approximately 31.5%. This was a consequence of two factors: length of the season (extension) and the average temperature of the heating season in 2021 (lower than in 2020), while the situation related to COVID-19 did not really affect a change of the preferences of the district heating users.

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 2020 are reflected in Table No. 29.

Table no. 29. GRI 305-5. Reduction of the greenhouse gas emissions by TAURON Capital Group in 2021

| | 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 boiler to a biomass-only boiler (Jaworzno II), | voluntary | 344 440 |
| TAURON Ciepło | Change in the type of fuels used | voluntary | 302 091 |
| TAURON Nowe Technologie | Burning of methane (coal mine demethanization) in cogeneration engines | voluntary | 188 046 |
| KW „Czatkowice” | Modernization of the plant's technological process system and liquidation of the 6 MWt coal fired boiler house | voluntary | 2116 |
| TAURON Dystrybucja | Jelenia Góra Branch carried out an investment project at ul. W. Pola 47, 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 |

| | | | |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------|
| TAURON Dystrybucja | Thermo-modernization was implemented at 5 locations (Opole Branch - 3, Częstochowa Branch - 1 and Jelenia Góra Branch - 1). The coal-fired boiler house in Opole was shut down. | voluntary | 123.7* |
| TAURON Dystrybucja | "Modernization of GPZ (Transformer/Switching Station) Wadowice" including thermal modernization of the station | voluntary | 22.1 |
| TOTAL REDUCTIONS | | | 837 067 |

* Due to the change of the boiler room and the transfer of the heat supply service, the GHG Scope 1 emissions became Scope 3 emissions.

Actions taken and results achieved

Cooperation with partners to counter climate change

TAURON Group engages in the public discussion on energy transition concerning climate related issues on an ongoing basis. Despite the COVID-19 pandemic, it also began cooperation with non-business partners in 2021.

Matters related to energy transition were also discussed on an ongoing basis during such working groups as the Regional Energy Council at the Silesian Union of Municipalities and Counties or the Regional Team for the Initiative of Mining Regions at the Marshal of Silesia. In 2021, TAURON was also operationally involved in the work on the National and Regional Just Transition Plans.

TAURON Group's impact on 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, TAURON Ciepło and Nowe Jaworzno Grupa TAURON, as well as unorganized emissions 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 by TAURON Capital Group in 2021 are presented in tables 30 and 30-a.

With regard to the final consumer, TAURON Group, by offering and selling products within its value chain (mainly electricity and gas fuels), causes greenhouse gas emissions accounted for as Scope 3 indirect emissions. Scope 3 indirect emissions also include GHG emissions from the transportation of fuels, materials and products (the Group's subsidiaries and intermediaries) as well as GHG emissions from business trips. In 2021, it was respectively:

- approx. 20.6 million tCO₂e (Scope 3) related to the consumption of electricity sold to the final consumers,
- approx. 0.7 million tCO₂e (Scope 3) related to the consumption of the sold natural gas and from the Brzeszcze Coal Mine demethanization,
- approx. 0.043 million tCO₂e (Scope 3) related to the transportation of fuels, materials and products as well as business trips.

Scope 2 and Scope 3 indirect greenhouse gas emissions are presented in tables 30-b and 30-c. The methodology used to determine indirect emissions and factors to calculate indirect GHG emissions (Scope 2 and 3) are presented directly under tables 30-b and 30-c.

Table no. 30. GRI 305-1. Direct greenhouse gas emissions [tCO₂] by TAURON Capital Group in 2021 and 2020 (Scope 1)

| | TOTAL AGGREGATE | |
|-------------------------------------------------------------------------------------------------------------------|-----------------|-----------|
| | 2021 | 2020 |
| Emissions related to electricity generation | 11 837 461 | 8 848 777 |
| Emissions related to heat generation | 1 169 995 | 1 227 458 |
| Emissions from gas leaks, including those associated with accidents and direct emissions accompanying coal mining | 678 537 | 723 215 |

| | | |
|--------------------------------------------------------------------------|-------------------|-------------------|
| Emissions related to the transportation of materials, products and waste | 16 832 | 16 954 |
| Total direct emissions | 13 702 825 | 10 816 405 |
| Biogenic emission | 646 531 | 754 122 |

Table no. 30-a. GRI 305-1. Direct greenhouse gas emissions [tCO₂] by TAURON Capital Group in 2021 and 2020, per subsidiary (Scope 1)

| | Greenhouse gas emissions | | | | | | | | | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------|--------------------|------------------|------------------|------------------|--------------------------------|----------------|--------------------|--------------|------------------------------------------|-----------|-------------------------|------|-----------------|-------------------|------------|
| | [tCO ₂] | | | | | | | | | | | | | | | | |
| | Kopalnia Wapienia "Czatkowice" | | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Wydobycie ¹⁾ | | TAURON Dystrybucja | | Nowe Jaworzno Grupa TAURON ²⁾ | | TAURON Nowe Technologie | | TOTAL AGGREGATE | | |
| 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| Emissions related to electricity generation | | | 9 429 331 | 8 007 159 | 909 119 | 624 146 | | | | | 1 478 110 | 217 472 | 20 901 | | | 11 837 461 | 8 848 777 |
| Emissions related to heat generation | 7 394 | 5 291 | 331 916 | 521 536 | 830 048 | 700 251 | | | 637 | 380 | - | - | - | | | 1 169 995 | 1 227 458 |
| Emissions from gas leaks, including those associated with accidents and direct emissions accompanying hard coal extractions | | | 443 | 373 | 0 | 0 | 675 537 | 722 755 | 2 467 | 87 | 90 | 0 | | | | 678 537 | 723 215 |
| Emissions related to the transportation of materials, products and waste | 4 253 | 3 704 | 1 192 | 1 231 | 843 | 1 247 | 365 | 1 876 | 9 951 | 8 883 | 92 | 13 | 136 | | | 16 832 | 16 955 |
| Total direct emissions | 11 647 | 8 995 | 9 762 882 | 8 530 299 | 1 739 166 | 1 325 644 | 675 902 | 724 631 | 13 055 | 9 350 | 1 478 292 | 217 485 | 20 901 | 0 | | 13 702 825 | 10 816 405 |
| Biogenic emissions | | | 344 440 | 535 361 | 302 091 | 218 761 | | | | | - | - | - | - | | 646 531 | 754 122 |

¹⁾ Methane emissions from the coal mine ventilation system, the purpose of which is to ensure the safety of the workforce, are not limited in a technically justified manner due to climate protection and they are the so-called off-balance sheet methane emissions. They are calculated and taken into account in order to pay the fees due for the economic use of the environment. According to the GHG Protocol reporting standard, methane emissions are included in Scope 1 direct emissions and this where they have been assigned as of 2021, along with a relevant conversion of the corresponding emissions from 2020. CO₂e equivalent emissions for methane calculated on the basis of the greenhouse effect potential index according to GHG Protocol - AR5 (GWP-25 for CH₄ => CO₂e) accounted for approx. 5% of the total Scope 1 direct emissions in 2021 and for approx. 7% in 2020. Brzeszcze Coal Mine also has a mine methane drainage plant, in which in 2021, 100% of methane was captured and used (sold) in the amount of approx. 50 million Nm³, so that the captured methane was not a source of direct emissions to the atmosphere, but was a primary energy source for external recipients and for the TAURON Nowe Technologie subsidiary. In 2021, TAURON Nowe Technologie launched cogeneration systems (CHP) based on four gas engines with a total capacity of 12.4 MWe, located near the Brzeszcze Coal Mine and in nearby Brzeszcze-Jawiszowice.

²⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

Table no. 30-b. GRI 305-1. Indirect greenhouse gas emissions (tCO₂e) by TAURON Capital Group in 2021 in connection with the operations conducted by the subsidiaries (Scope 2)

| Indirect greenhouse gas emissions [tCO ₂ e] | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2021 | Explanatory notes |
| Indirect emissions related to the use of purchased electricity and transmission losses (balancing difference) related to electricity distribution | 1 680 893 | It includes all of the electricity purchased by the Group's subsidiaries and the amount of electricity related to the transmission losses (balancing difference) in connection with the operations conducted by TAURON Dystrybucja S.A. ¹⁾ |
| Total indirect emissions (Scope 2) | 1 680 893 | - |

¹⁾ The indicator (metric) used to calculate indirect GHG emissions related to the use of the electricity purchased and transmission losses is assumed based on the underlying data: <https://www.tauron.pl/tauron/o-tauronie/spolki-grupy/tauron-sprzedaz/struktura-paliw>, i.e. in the same value equal to 0,650 Mg CO₂e / MWh.

Table no. 30-c. GRI 305-1. Indirect greenhouse gas emissions (tCO₂e) by TAURON Capital Group in 2021 in connection with the operations conducted by the subsidiaries (Scope 3)

| Indirect greenhouse gas emissions [tCO ₂ e] | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2021 | Explanatory notes |
| Indirect emissions related to the use of electricity purchased by the final consumer | 20 637 500 | It includes all of the electricity sold by the Group's supply subsidiaries ¹⁾ . The sales volume to the final consumer that was generated from the sources of the Group's subsidiaries is not included. |
| Indirect emissions related to the use of the sold gas fuel by the final consumer | 668 280 | It includes the volume of the gas fuels sold by the Group's supply subsidiaries ¹⁾ and the sales of the coal mine gas from the Brzeszcze Coal Mine demethanization to the final consumers outside the Group ¹⁾ |
| Indirect emissions related to the transportation of fuels (including biomass) and from the services purchased with respect to the transportation of products and waste from major production processes | 41 226 | It includes the transportation of coal and biomass to the subsidiaries ²⁾ : TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON ³⁾ and the transportation of products and waste from the main production processes carried out by external entities for a dedicated entity of the Bioeko Grupa TAURON subsidiary |
| Indirect emissions from business trips | 2 115 | It includes selected Group's subsidiaries. The calculations based on fuel consumption. |
| Total indirect emissions (Scope 3) | 21 349 121 | - |

¹⁾ The indicator (metric) used to calculate indirect GHG emissions related to the use of the electricity purchased and transmission losses is assumed based on the underlying data: <https://www.tauron.pl/tauron/o-tauronie/spolki-grupy/tauron-sprzedaz/struktura-paliw>, i.e. in the same value equal to 0,650 Mg CO₂e / MWh. For the gas fuel and the coal mine gas from the Brzeszcze Coal Mine's demethanization the indicator (metric) for the calculation of indirect GHG emissions was adopted based on the KOB and ZE source data for the settlement of GHG emissions for 2021 in the EU ETS trading system, i.e. in the amount of 55.83 Mg CO₂e / GJ of gas fuel and 55.42 Mg CO₂e / GJ of the coal mine gas from the Brzeszcze Coal Mine's demethanization station.

²⁾ The indicator (metric) used to calculate indirect GHG emissions related to the transportation of materials are assumed in accordance with the underlying data: „Guidelines for Measuring and Managing CO₂ Emission from Freight Transport Operations. A. McKinnon (UK)” respectively:

- transportation by trucks on the roads - 62 g CO₂e / ton-km (the mean value for two data sources) and 239 396 576 tkm as the total number of ton kilometers calculated based of the actual weights of fuel and product loads as well as the average length of the road routes, transportation of fuel by rail - 22 g CO₂e/ton-km and 1 195 031 172 tkm as the total number of ton-kilometers calculated on the basis of the actual weights of fuel and product loads as well as the average length of the railway routes.
- Ton-kilometers take into account the weight of the materials transported from the place of initial fuel loading to the destination (the Group's subsidiaries), including the imports.

Ton-kilometers for the transportation of biomass take into account the averaged distance for the entire volume of biomass from the producer to the destination.

Transports commenced at the end of 2020 were not taken into account.

³⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period).

Improving efficiency throughout the value chain

Actions taken for the climate are also reflected in various types of investment projects carried out by TAURON Capital Group's subsidiaries in 2021 and in the previous years, which have a direct and indirect impact on reducing specific (unit) fuel and energy consumption as well as reducing or avoiding gas emissions to the atmosphere.

The Group's subsidiaries are undertaking a number of activities aimed at improving energy efficiency, which is reflected in the acquisition of energy efficiency property rights in the quantity of 85 toe in 2021. The Group's subsidiaries with the highest primary energy savings potential are getting ready to implement an energy management system.

The number of electric vehicle charging stations connected to the power grid of the Group's subsidiary went up by another 43 stations in 2021.

TAURON Nowe Technologie, a subsidiary dedicated to the operation and maintenance of street lighting in the area of the Group's operations, continued in 2021 the program of replacing the street lights with the energy saving lighting (approx. 15.7 thousand units), which will allow for annual savings in the final electricity consumption by the consumers (21 municipalities) in the estimated amount of approx. 4 565 MWh/year.

At the end of 2020, TAURON Wytwarzanie completed the construction of a photovoltaic farm in Jaworzno (5 MWe), and the effects of the production from that renewable energy source have been accounted for starting from 2021.

From 2021, the effects of the production of the photovoltaic farms are settled: the farm in Jaworzno (5 MWe) commissioned at the end of 2020 by TAURON Wytwarzanie and the farm in Choszczno (6 MWe) operationally managed by TAURON Ekoenergia.

TAURON Dystrybucja is implementing a long term program of replacing electricity meters with a new type of "smart-metering". In 2021, the number of the "smart-metering" type meters stood at approx. 840 000 units.

Preparation and adaptation of the infrastructure taking into account the need to adapt to climate change is one of the significant items of TAURON Capital Group's capital expenditures. As part of these activities, among others, the alteration and replacement of the grid (including adaptation to the RES grid connections), modernization of stations in order to increase their efficiency, replacement of lighting with the energy saving solutions, construction of "e-mobility" and "e-grid" infrastructure were carried out. The expenditures on the projects related to climate change adaptation are presented in Table no. 31.

Table no. 31. Expenditures on the projects related to climate change adaptation

| | |
|-------------------------------------------------------------------------------------------------------------------------|-----------------|
| Total capital expenditures related to TAURON Group's climate change adaptation projects | PLN 352 million |
| Share of the capital expenditures related to climate change adaptation projects in the Group's total investment outlays | approx.12.0 % |

The operations of TAURON Ekoenergia (including those of the companies managed thereby as well as the subsidiaries thereof), which are based entirely on the production of electricity from renewable sources, have a positive impact on the climate. As a result of the optimization of the wind farms' production assets and the favorable conditions at the locations thereof, very good results were achieved, both in the form of a significant reduction of the in-house needs ratio (efficiency) as well as an increase in the electricity produced from RES. Tables no. 32 and 32-a present the volume of electricity produced by TAURON Group's generation units in 2021, broken down by the main energy sources.

Table no. 32. GRI EU2. Volume of net electricity and heat generated by TAURON Capital Group, broken down into main energy sources in 2021 and 2020

| | Electricity [GWh] | | Heat [GJ] | |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Hard coal | 12 248 | 9 179 | 9 642 750 | 8 261 963 |
| Sludge | 187 | 163 | 449 533 | 342 560 |
| Liquid fuels | 94 | 74 | 475 187 | 211 557 |
| Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's demethanization) | 50 | 2 | 148 263 | 287 507 |
| Biomass | 434 | 628 | 546 895 | 940 709 |
| Wind | 831 | 936 | 0 | 0 |

| | | | | |
|--------------|---------------|---------------|-------------------|-------------------|
| Hydro | 402 | 395 | 0 | 0 |
| Solar energy | 11 | 0 | 0 | 0 |
| TOTAL | 14 257 | 11 377 | 11 262 629 | 10 044 296 |

Table no. 32-a. GRI EU2. Volume of net energy generated by TAURON Capital Group, broken down into main energy sources, per subsidiary in 2021 and 2020

| | TAURON Wytwarzanie | | | | TAURON Ciepło | | | | TAURON Ekoenergia | | | | NOWE Aktywa "Zielony Zwrot TAURONA" | | | | Nowe Jaworzno Grupa TAURON ¹⁾ | | | | TAURON Nowe Technologie | | | | TOTAL | | | | | | | |
|--------------------------------------------------------------------------------|--------------------|-------|-----------|-----------|-------------------|-------|-----------|-----------|-------------------|------|-----------|------|-------------------------------------|------|-----------|------|------------------------------------------|------|-----------|------|-------------------------|------|-----------|------|-------------------|------|-----------|--------|--------|------------|------------|-----------|
| | Electricity [GWh] | | Heat [GJ] | | Electricity [GWh] | | Heat [GJ] | | Electricity [GWh] | | Heat [GJ] | | Electricity [GWh] | | Heat [GJ] | | Electricity [GWh] | | Heat [GJ] | | Electricity [GWh] | | Heat [GJ] | | Electricity [GWh] | | Heat [GJ] | | | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | | | |
| Hard coal | 9 269 | 8 100 | 2 587 608 | 3 032 232 | 1 186 | 848 | 7 055 142 | 5 229 731 | | | | | | | | | 1 794 | 230 | | | | | | | | | | | 12 248 | 9 179 | 9 642 750 | 8 261 963 |
| Sludge | 101 | 108 | 136 801 | 168 483 | 85 | 55 | 312 732 | 174 076 | | | | | | | | | | | | | | | | | | | | | 187 | 163 | 449 533 | 342 560 |
| Liquid fuels | 93 | 73 | 384 805 | 102 868 | 1 | 1 | 90 383 | 108 689 | | | | | | | | | | | | | | | | | | | | | 94 | 74 | 475 187 | 211 557 |
| Natural gas and coke oven gas as well as other energy production related gases | 1 | 2 | 38 | 3 940 | | | 148 225 | 283 567 | | | | | | | | | | | | | 50 | | | | | | | | 50 | 2 | 148 263 | 287 507 |
| Biomass | 216 | 473 | 174 302 | 669 275 | 218 | 154 | 372 593 | 271 434 | | | | | | | | | | | | | | | | | | | | | 434 | 628 | 546 895 | 940 709 |
| Wind | | | | | | | | | 402 | 472 | | | 414 | 464 | | | | | | | | | | | | | | | 831 | 936 | | |
| Hydro | | | | | | | | | 417 | 395 | | | | | | | | | | | | | | | | | | | 402 | 395 | | |
| Solar energy | 5 | | | | | | | | 6 | | | | | | | | | | | | | | | | | | | | 11 | | | |
| TOTAL | 9 684 | 8 757 | 3 283 555 | 3 976 799 | 1 491 | 1 058 | 7 979 075 | 6 067 497 | 825 | 867 | 0 | 0 | 414 | 464 | 0 | 0 | 1 794 | 230 | 0 | 0 | 50 | 0 | 0 | 0 | | | | 14 257 | 11 377 | 11 262 629 | 10 044 296 | |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period)

TAURON Capital Group's approach to sustainable development

In order to implement the vision of sustainable development, TAURON Group made efforts in 2021 to update its strategic directions and business model to include the fast growth in the installed capacity of low and zero-emission generation sources. As a result, TAURON Group will be creating added value for all stakeholders in the coming years, while at the same time benefiting from the chosen direction of energy transition of its assets and curbing the related risks (transition risks). In connection with the above, TAURON Group puts at the center its commitment to achieving the goals of sustainable development - SDG 13 "Actions to counteract climate change".

TAURON is seeking to be one of the leaders of the energy transition in Poland and therefore in 2021 it revised its long term investment plan to increase and provide adequate funds to continuously develop renewable energy (SDG 7). In 2021, the Photovoltaics Development Program was modified with a view to use the Company's own industrial areas and convert such land to perform new functionality.

In addition, in line with SDG 9 "Industry, innovation and infrastructure" and SDG 11 "Sustainable cities and municipalities", the Group intends to promote electrification and increase in the consumption of electricity from renewable energy sources as well as the development of new services for the final consumers, focusing on providing adequate infrastructure.

The main goal of TAURON Group in the medium term is to speed up the decarbonization process – to change the fuel mix of its electricity generation segment (an acceleration of the activities related to the construction of the new RES sources) and promote electrification - consumption of electricity from renewable energy sources (RES), thus enabling stopping of the global warming and achieving the targets to be accomplished in accordance with the Paris Accord.

The Green Turn of TAURON, constituting a kind of a sustainable development plan, takes into account the results of the materiality analysis and synergies with the directions of the Strategy. TAURON Group defined the directions of activities related to sustainable development and identified, as part thereof, the specific goals to be implemented in the 2021-2025 time frame. Every year, these goals will be updated and new goals will be set to ensure compliance with the business strategy and the results achieved so far, to increasingly integrate sustainable development throughout the value chain. Anticipating global trends, TAURON Group tries to identify such business opportunities that provide an advantage, following the changes in the energy sector towards sustainable development based on the change of the mix to low and zero emission.

The Sustainable Development Plan, predicated on clear and ambitious goals, reaffirms the leading role of TAURON Group in promoting and accelerating the energy transition, creating long term added value for all stakeholders.

TAURON medium and long term goals - TAURON Group's sustainable development

Both assuming a warming at the level of at most 2 °C, as well as seeking not to cause a warming by more than 1.5 °C, will translate into TAURON Group's business model and strategy. However, their expected consequences may be different over time. The so-called electricity production mix will have to undergo a gradual change. The Sustainable Development Indices that will reflect the transition process include: the RES Capacity Growth Index (shown in Table no. 33) and the Emissions Reduction Index (shown in Table no. 34).

Table no. 33. Targets 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% |
| Result achieved | 2020 | 2021 | - | - |
| | 27 % | 19 % | | |

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 the year 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. 34. 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% |
| Result achieved | 2020 | 2021 | | |
| | 6% | 3% | | |

Emissions Reduction Index denotes the average annual CO₂ emissions 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;

$WE_{CO_2,r}$ [MgCO₂/MWh] denotes the CO₂ emission index in year r, accounted for under the Community Emissions Trading Scheme;

$WE_{CO_2,2018}$ [MgCO₂/MWh] denotes the CO₂ emission index in the base year, accounted for under the Community Emissions Trading Scheme;

r denotes a calendar year r ;

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 emissions index is calculated as follows:

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

where:

$WE_{CO_2,r}$ [MgCO₂/MWh] denotes the CO₂ emission index for gross electricity production

$E_{CO_2(ee)r}$ [MgCO₂] oznacza emisje CO₂ w roku r przypadające na produkcję energii elektrycznej brutto z paliw kopalnych i biomasy oraz OZE w roku r

$P_{ee(brutto)r}$ [MWh] denotes the CO₂ emissions in year r for gross electricity production from fossil fuels and biomass as well as RES in year r .

TAURON Group's long term goals with respect to sustainable development of are also presented in section E 2.1. Climate Neutrality 2050.

Use of natural capital, outcomes and results, implementation of the 2021 goals

The Group's dependence on the natural capital varies in different lines of business. Mining, Generation and Heat Lines of Business depend 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.

Natural capitals defined by TAURON Group, which are used and impacted thereby - minerals (coal, gas, limestone), air, water, solar energy, biomass - are used throughout the entire business chain.

TAURON Group's dependence on the individual types of the natural capital in 2021 and 2020 (and 2019 – raw materials used) is presented in tables no. 35-40.

Table no 35. GRI 301-1. Raw materials used by TAURON Capital Group in 2021, 2020 and 2019

| TOTAL | 2021 | 2020 | 2019 |
|----------------------------------|------------|------------|-----------|
| NON-RENEWABLE RESOURCES * | | | |
| Net coal [tons] | 6 419 493 | 4 888 015 | 6 082 657 |
| Net coal production [tons] | 5 146 853 | 4 541 216 | 3 784 980 |
| Sludge [tons] | 248 142 | 249 980 | 315 247 |
| Natural gas [m ³] | 30 057 357 | 12 067 032 | 8 220 614 |
| Heating oil [tons] | 40 340 | 26 324 | 26 575 |
| Diesel oil [m ³] | 6 796 | 6 289 | 6 857 |
| Limestone [tons] | 269 563 | 197 288 | 252 865 |
| Limestone production [tons] | 2 011 529 | 1 722 376 | 1 717 980 |
| RENEWABLE RESOURCES | | | |
| Agro biomass [tons] | 82 283 | 124 203 | 88 220 |
| Forest biomass [tons] | 435 137 | 553 537 | 332 592 |

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

Table no. 36. GRI 302-1. Total consumption of energy from non-renewable sources (in-house and acquired) in GJ (gross chemical energy of fuels) at TAURON Capital Group in 2021 and 2020

| [GJ] | TAURON Wytwarzanie | | TAURON Ciepło | | Tauron Wydobycie | | TAURON Ekoenergia | | Kopalnia Wapienia "Czatkowice" | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TAURON Nowe Technologie | | TOTAL | |
|-------------------------------|--------------------|-------------------|------------------|-------------------|------------------|---------------|-------------------|--------------|--------------------------------|----------------|------------------------------------------|------------------|-------------------------|------|--------------------|--------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| hard coal | 99 815 693 | 87 111 351 | 17 052 882 | 12 732 980 | | | | | | | 15 038 064 | 2 172 985 | | | 131 906 639 | 102 017 316 |
| natural gas and coke oven gas | 5 636 | 27 807 | 171 197 | 351 523 | | | | | 71 858 | 59 962 | | | 377 146 | | 625 837 | 439 292 |
| sludge | 1 231 319 | 1 326 569 | 1 007 697 | 662 881 | | | | | | | | | | | 2 239 016 | 1 989 451 |
| heating oil | 1 460 360 | 882 855 | 118 006 | 144 724 | | | | | | | 112 662 | 65 839 | | | 1 691 027 | 1 093 417 |
| liquid fuels | | 16 606 | | 16 822 | 15 706 | 25 315 | 1 716 | 1 344 | 57 395 | 49 990 | 1204 | 194 | | | 76 021 | 110 270 |
| TOTAL | 102 513 009 | 89 365 188 | 1 125 703 | 13 908 930 | 15 706 | 25 315 | 1 716 | 1 344 | 129 253 | 109 952 | 15 151 930 | 2 239 017 | 377 146 | | 136 538 541 | 105 649 746 |

Table no. 37. GRI 302-1. Total consumption of energy from renewable sources in GJ (gross chemical energy of fuels) at TAURON Capital Group in 2021 and 2020, per subsidiary

| [GJ] | TAURON Wytwarzanie | | TAURON Ciepło | | Tauron Wydobycie | | TAURON Ekoenergia | | Kopalnia Wapienia "Czatkowice" | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TAURON Nowe Technologie | | TOTAL | |
|--------------|--------------------|------------------|------------------|------------------|------------------|------|-------------------|----------------|--------------------------------|------|------------------------------------------|------|-------------------------|------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| biomass | 2 469 469 | 5 712 043 | 2 846 271 | 2 072 414 | | | | | | | | | | | 5 315 766 | 7 784 457 |
| wind | | | | | | | 116 135 | 120 625 | | | | | | | 116 135 | 120 625 |
| hydro | | | | | | | 20 920 | 20 383 | | | | | | | 20 920 | 20 383 |
| TOTAL | 2 469 469 | 5 712 043 | 2 846 271 | 2 072 414 | | | 137 055 | 141 008 | | | | | | | 5 452 821 | 7 925 465 |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period)

Table no. 38. GRI 302-1. Total energy consumption (purchased and in-house) by type in GJ (Electricity purchased and generated, used for the needs of the organization - heating, cooling, electricity, steam) at TAURON Capital Group in 2021 and 2020, per subsidiary

| [GJ] | TAURON Wytwarzanie | | TAURON Ciepło | | Tauron Wydobycie | | TAURON Ekoenergia | | Kopalnia Wapienia "Czatkowice" | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TAURON Nowe Technologie | | TOTAL |
|--------------|--------------------|------------------|------------------|----------------|------------------|----------------|-------------------|----------------|--------------------------------|--------------|------------------------------------------|----------------|-------------------------|----------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| electricity | 3 958 072 | 3 744 271 | 920 715 | 743 907 | 995141 | 1271330 | 142 081 | 145 292 | 84012 | 71820 | 669 395 | 109 144 | 2875 | - | 6 772 290 |
| Heat | 656 536 | 772 116 | 249 281 | 194 107 | 183672 | 240356 | 1124 | 956 | 6755 | 4962 | 144553 | 77068 | 0 | - | 1 241 921 |
| TOTAL | 4 614 608 | 4 516 388 | 1 169 996 | 938 014 | 1178813 | 1511686 | 143 205 | 146 248 | 90767 | 76782 | 813 948 | 186 212 | 2 875 | - | 8 014 211 |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period)

Table no. 39. GRI 302-1. Energy supply in GJ (net less in-house needs) at TAURON Capital Group in 2021 and 2020, per subsidiary

| [GJ] | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Wydobycie | | TAURON Ekoenergia | | Kopalnia Wapienia "Czatkowice" | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TAURON Nowe Technologie | | TOTAL | |
|--------------|--------------------|-------------------|-------------------|------------------|------------------|----------|-------------------|------------------|--------------------------------|----------|------------------------------------------|----------------|-------------------------|----------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| electricity | 34 252 433 | 30 821 153 | 5 366 004 | 3 809 911 | 0 | 0 | 2 946 901 | 3 120 101 | 0 | 0 | 6 458 294 | 828 625 | 115 | - | 49 202 747 | 38 579 789 |
| heat | 3 283 555 | 3 976 799 | 7 979 075 | 6 067 497 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - | 11 262 629 | 10 044 296 |
| TOTAL | 37 535 987 | 34 797 952 | 13 345 078 | 9 877 408 | 0 | 0 | 2 946 901 | 3 120 101 | 0 | 0 | 6 458 294 | 828 625 | 179 115 | - | 60 465 376 | 48 624 086 |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period)

Table no. 40. GRI 302-1. Total energy consumption in GJ at TAURON Capital Group in 2021 and 2020, per subsidiary

| [GJ] | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Wydobycie | | TAURON Ekoenergia | | Kopalnia Wapienia "Czatkowice" | | Nowe Jaworzno Grupa TAURON ¹⁾ | | TAURON Nowe Technologie | | ŁĄCZNIE | |
|----------------------------------------------|--------------------|------------|---------------|-----------|------------------|-----------|-------------------|------------|--------------------------------|---------|---------------------------------------------|-----------|----------------------------|------|-------------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| total energy consumption by the organization | 72 061 125 | 60 262 672 | 9 020 970 | 7 041 950 | 1 609 637 | 1 511 686 | -2 664 925 | -2 831 501 | 220 020 | 131 782 | 9 507 583 | 1 596 626 | 200 905 | - | 89 955 315 | 72 246 229 |

¹⁾ Data for the Nowe Jaworzno Grupa TAURON subsidiary covers the period of the 910 MW unit's operation from January 1, 2021 to June 11, 2021 (emergency shutdown during the warranty period)

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 translate into shrinking of the 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 listing of assets most exposed to such restrictions.

The Group is also monitoring the rate of energy consumption related to its operations on an ongoing basis, as shown in the indices in Table no. 41.

Table no. 41. GRI 302-3. Energy consumption at TAURON Capital Group in 2021, per subsidiary

| | TAURON Wytwarzanie | | TAURON Ciepło | | TAURON Ekoenergia | | TAURON Ekoenergia Nowe Aktywa Wiatrowe | | Nowe Jaworzno Grupa TAURON ¹⁾ | |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|--------|---------------|---------|-------------------|-------|----------------------------------------|-------|------------------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Energy consumption rate [%] (energy consumption for in-house needs / gross energy production) | 10.97% | 11.51% | 8.10% * | 8.13% * | 4.64% | 4.48% | 0.81% | 0.68% | 9.39%** | 11.64%** |
| Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production) | 10.75% | 11.41% | 14.80% | 16.71% | 4.64% | 4.48% | 0.81% | 0.68% | 9.39%** | 11.64%** |
| Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production) | 13.17% | 12.31% | 3.03% * | 2.74% * | - | - | - | - | - | - |

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

** It does not take into account the consumption of process steam for the unit's start-up needs. Due to the relatively short period of operation from the unit's commissioning and due to the still ongoing works related to the optimization of the individual systems and installations, the energy consumption index will systematically improve until the value declared at the design stage is reached.

TAURON Group has inventoried, during inventory energy audits, potential tasks related to reducing energy consumption. The targets related to energy consumption were set based on such measures, as shown in Tables no. 42, 42-a and 41-b.

Table no. 42. Targets, and results achieved, with respect to energy consumption set to be achieved by TAURON Capital Group by 2030

| Subsidiary | Target | 2019 | 2020 | 2025 Target | 2030 Target |
|--------------------------------|---------------------------------------|------|-------------|-------------|-------------|
| Kopalnia Wapienia „Czatkowice” | Electricity consumption rate [kWh/t] | 22.7 | 22.7 | 21.1 | 20.0 |
| | Result achieved - 2021 | | 22.2 | | |
| TAURON Wydobywanie | Electricity consumption rate* [kWh/t] | 70.9 | 60.0 | 50.8 | 48.3 |
| | Result achieved - 2021 | | 58.2 | | |

* excluding the additional consumption due to the construction of the Grzegorz Shaft (investment project put „on ice”).

Table no. 42 - a. Targets, and results achieved, with respect to energy consumption set to be achieved by TAURON Capital Group by 2030, per subsidiary

| | TAURON Wytwarzanie | | | TAURON Ciepło | | | Nowe Jaworzno Grupa TAURON | |
|---------------------------------------------------------------------------------------------------------------------|--------------------|-------|--------|---------------|---------|-------|----------------------------|---------|
| | 2020 | 2025 | 2030 | 2020 | 2025 | 2030 | 2025 | 2030 |
| Energy consumption rate [%] (energy consumption for in-house needs / gross energy production) | 10.9 % | 11.1% | 8.73%* | 8.88% * | 8.44% * | 9.1% | 8.63%** | 8.16%** |
| Result achieved – 2021 | 10.97% | | | 8.10%* | | | 9.39% | |
| Energy consumption rate - electricity [%] (electricity consumption for own needs / gross electricity production) | 10.7% | 10.8% | 15.05% | 15.61% | 17.09% | 10.5% | 8.63%** | 16%** |
| Result achieved – 2021 | 10.75% | | | 14.80% | | | | |
| Energy consumption rate - heat [%] (heat consumption for own needs / gross heat production) | 12.6% | 13.9% | 2.77% | 2.98% * | 2.89% * | 9.2% | | |
| Result achieved – 2021 | 13.17% | | | 3.03%* | | | | |

* It 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).

** The target set assuming the average annual load of the generating unit above 70% of the nominal rated power.

The 2021 targets in terms of energy consumption rates for TAURON Wytwarzanie and TAURON Ciepło subsidiaries reached values higher than those assumed in terms of energy consumption for electricity production. The reasons for this can be as follows:

- need to operate TAURON Wytwarzanie units as centrally controlled (dispatched) generation units that stabilized the power system in the south of Poland in highly volatile energy flow conditions, also with respect to international trade (imports/exports). This resulted in the operation of the units at sub-optimal operating points (high volatility of the efficiency of the individual generating units);
- much more frequent than assumed number of start-ups and shutdowns of TAURON Wytwarzanie generation units;
- high heat production combined with the reduction of the operation in the condensation mode at TAURON Ciepło translated into a slightly better result of the energy consumption rate for heat production and worse than assumed for electricity production.

Table no. 42-b. Target, and result achieved, for transmission losses set to be achieved by TAURON Dystrybucja in 2021

| Subsidiary | Index name | 2020 Target | 2025 Target | 2030 Target |
|--------------------|-------------------------------------------|---------------|-------------|-------------|
| TAURON Dystrybucja | Value of the balancing difference index * | 4.14 % | 3.96 % | 3.90 % |
| | Result achieved (2021) | 3.88 % | | |

* Index calculated 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

Climate related opportunities

The Group can turn the climate related risk into opportunities by offering products and services that contribute to mitigating climate change or adapting thereto. TAURON Group is observing a clear trend underway that involves a redirection of the consumers' and business customers' choices towards products and services that are less harmful to the climate. This is a key factor leading to the development of the so-called ECO line. Such an offering increases the resilience of the product portfolio against climate change. In addition, as part of the sales of certified products, the so-called EKO Product Line, including contracting the sale of the electricity "certified based on its origin" to business customers, a total of 1 088 GWh of green energy coming from TAURON Group's in-house sources was contracted.

EKO product lines (for business and individual customers) are products that allow, among others, for the conscious purchase, by the Group's customers, of electricity produced by renewable energy installations or by low-emission generation sources and confirmed by the applicable certificates from independent institutions (Polish Energy Certification Society, TUV Sud). The EKO products sales' results are presented in Table no. 43.

Table no. 43. Increase in 2021 vs. 2020 of the sales of TAURON Capital Group's products aimed at achieving the climate neutrality target

| Sales of selected EKO Line Products and Services | | Metric type | Increase |
|-------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------|----------|
| EKO product line | EKO Premium | Increase in the value of Certificates of Origin issued period - y/y | 118.3 % |
| | EKO Biznes | | |
| | EKO Standard | | |
| EKO electricity for an individual customer | | Change in the number of customers choosing the product at the end of the period - y/y | 91.7 % |
| Photovoltaics | | Change in the quantity of installations sold | 19.9 % |
| Passive Power Compensation | | Change in the quantity of services sold | 25.8 % |
| Enterprise Energy Audit | | Change in the quantity of services sold | 39.1 % |
| Implementation of the replacement of street lighting with low-energy lighting | | pcs. | 15 682 |

As a principle, TAURON does not take on targeted financing, with funds dedicated directly to the given investment task, as it obtains funds that enable financing of TAURON Group's corporate and investment activities within its value chain. Pursuant to the terms of some of the agreements, TAURON is obliged to implement the indicated investment projects, comply with specific sustainable development indicators, as well as act in accordance with the principles of climate and social policy, the implementation of which is confirmed by relevant reports submitted to the financial institutions. In addition, in some financing agreements, TAURON undertakes not to allocate funds from the given financing to finance activities related to the operations of the generation (conventional sources) and mining lines of business.

Table no. 44 presents the allocation of funds from TAURON Group's individual sources of financing for investment purposes aimed at minimizing the negative impact of the Group's operations on the climate.

Table no. 44. Summary of financing obtained by TAURON Capital Group for pro-climate investment projects

| Financing entity | financing instrument | loan amount under the contract | debt as of 31.12.2020 | 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 2018-2022 |
| 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 2018-2022 |
| European Investment Bank | loan | 295 000 000,00 PLN | 162 250 000.00 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 | 225 000 000.00 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 | 2 800 000 000.00 PLN | 0.00 PLN | Financing of the investment program with respect to electricity distribution grids in southern and south-western Poland in 2022-2026. |
| Intesa Sanpaolo S.P.A. operating via Intesa Sanpaolo S.P.A. Spółka Akcyjna Oddział w Polsce | loan | 750 000 000.00 PLN | 750 000 000.00 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 |
| A series bond issue (TPE1025) | bonds | 1 000 000 000.00 PLN | 1 000 000 000.00 PLN | The proceeds from the Bond issue may be used to: (i) finance the RES projects construction/acquisition costs, (ii) finance the Group's distribution operations as well as the general corporate activities related to RES or the zero-emission energy transition, and (iii) |

| | | | | | | |
|----------------------------------------------|---------------------------------|----------------------|--------------------|--|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | refinance the Group's debt taken on to finance the above projects. |
| | | | | | | The proceeds from the Bond issue cannot be used to finance new and existing coal-fired units, the operations of TAURON Wydobycie S.A. and the operations of TAURON Wytwarzanie S.A. (in case of projects other than those indicated in the paragraph above) |
| Erste Group Bank AG | | loan | 500 000 000.00 PLN | | 0.00 PLN | Financing or refinancing development with respect to renewable energy sources, improving energy efficiency and expanding e-mobility infrastructure. |
| | | | | | | The funding objectives must be in line with the criteria set out in the European Union taxonomy for determining whether and to what extent an economic activity qualifies as environmentally sustainable. |
| NFOŚiGW | | repayable funding | 82 500 000.00 PLN | | 0.00 PLN | Construction of a photovoltaic farm on the territory of the reclaimed landfill of the combustion waste from the Jaworzno III power plant in Mysłowice-Dzieńkowice, along with the construction of a 110kV cable line and a 110/20kV station. |
| WFOŚiGW (Regional Protection and Water Fund) | (Regional and Water Management) | Environment TW loan | 40 000 000.00 PLN | | 4 000 000.00 PLN | Construction of a RES Production Unit at PKE S.A. Jaworzno III Power Plant - Power Plant II |
| WFOŚiGW (Regional Protection and Water Fund) | (Regional and Water Management) | Environment TW loan | 11 318 300.00 PLN | | 11 092 000.00 PLN | Construction of a photovoltaic farm in Jaworzno |
| WFOŚiGW (Regional Protection and Water Fund) | (Regional and Water Management) | Environment KWC loan | 292 955.60 PLN | | 112 284.60 PLN | Thermo-modernization of the Car Service Station at Kopalnia Wapienia "Czatkowice" sp. z o.o. |

E 1.2. TAURON Capital Group's climate and environmental risks and opportunities

E 1.2.1. Risk and opportunities related to climate change

Effective fight against climate change and sustainable development are one of the main assumptions implemented as part of the Green Turn of TAURON concept. Taking the above into account and being aware of climate change underway, 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 weather related events (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 risks.

Moreover, within the framework of the Risk Model, one of the elements is the estimation of the value of risk and opportunity (business impact). Using such a tool, it is also possible to determine the impact of the given risk/opportunity factor in relation to EBITDA or estimated revenues from TAURON Group's operations.

E 1.2.1.1. Physical Risk

Table no. 45 presents the Physical Risk related to climate change identified at TAURON Capital Group. In accordance with the Risk Model described in section G.4.4.6., the Physical Risk related to climate change is classified in the category: Operational Risk/Environment; Operational Risk/Technology and infrastructure; Operational Risk/ customers and contractors (counterparties); Trading (commercial) Risk/Trading.

Table no. 45. Physical Risk related to climate change identified at TAURON Capital

| # | Risk name | Risk description | Trend and risk materiality | Response to risk |
|----|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Short-term physical risk (acute risk) | <p>The risk is related to:</p> <ol style="list-style-type: none"> 1. 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), 2. 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. <p>The risk materialization also results in:</p> <ol style="list-style-type: none"> 1. increased costs of maintaining transmission systems resulting from the costs of fixing failures, a decrease in the volume of electricity and heat supply, a decrease in the volume of production, a deterioration of the electricity distribution quality indicators affecting the regulated revenue, 2. 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. 3. the need to shut down individual power generating units due to the too low water level in rivers, the water from which is used to cool the units, <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> | <p>→</p> <p>■</p> | <ol style="list-style-type: none"> 1. Applying TAURON Group's Climate Policy. 2. Planning and implementing projects that are aligned with the sustainable development activities. 3. Applying TAURON Group's Strategic Asset Management Plan 4. Supporting innovative technologies with the potential of significant energy savings. 5. Conducting business operations that affect the climate in accordance with the sustainable development principles 6. Maintaining the required level of the pollution reduction devices' efficiency (performance). 7. Frequent assessment of compliance of the activities with the legal requirements regarding climate impact. 8. 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. 9. Optimization of investment outlays allocated for asset replacement, active monitoring of the condition of the machinery, equipment and installations. |

| | | | | |
|----|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | <p>10. Raising the professional qualifications and work culture of employees by organizing courses and training sessions.</p> <p>11. Responding to an emergency situation by the technical operational personnel and the automated protection systems.</p> <p>12. Property insurance against fortuitous events (excluding the underground assets).</p> <p>13. Introduction of IT tools with respect to improving the monitoring and management of failure rates.</p> <p>14. 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.</p> |
| 2. | Long-term physical risk | <p>The risk is related to:</p> <ol style="list-style-type: none"> 1. 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, 2. drop, 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, 3. 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, 4. 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>The risk includes risks identified and managed by TAURON Group: volume and margin risk, company assets related risk and market risk.</p> | <p>→</p> <p>■</p> | <ol style="list-style-type: none"> 1. Ongoing offering updates, launching of the multi-packet products for sale. 2. Conducting marketing activities, acquiring new customers. 3. Activities focused on retaining current customers and recovering the lost ones. 4. Daily measuring and reporting of the portfolio positions. |

E 1.2.1.2. Climate Risk related to the transition

Table no. 46 presents the Climate Risk related to the transition identified at TAURON Capital Group. In accordance with the Risk Model described in section G.4.4.6., the Climate Risk related to the transition is classified in the category: Operational Risk/Environment; Regulatory Risk/Regulations; Operational Risk/Customers and Contractors (Counterparties); Trading (commercial) risk/Trading; Financial and Credit Risk/Finance and Credit.

Table no. 46. Risk related to the transition identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | Response to risk |
|----|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------|
| 1. | Risk related to the transition | Risk related to the tightening of the European Union's climate policy, the tightening of the environmental requirements resulting from the | ↗ | 1. Applying TAURON Group's Climate Policy. |

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| | <p>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 in-house 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 include:</p> <ol style="list-style-type: none"> 1. 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, growth of prosumers, resulting primarily in a loss of revenue in the individual segments of TAURON Group's business operations resulting from the reduced demand, 2. change of the market conditions for the operations of TAURON Group's subsidiaries, in particular as a result of the tightening of the European Union's climate policy, the growing ecological awareness of the public, the activities supporting energy efficiency (departure from the use of coal as fuel, growth of prosumers, support for thermal insulation, construction of in-house 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, 3. difficulties or an increase in the cost of raising capital to finance operations based on fossil fuels, 4. loss of reputation due to involvement in fossil fuels, 5. the need to transform the assets and, as a consequence, the need to incur additional expenses as a result of the climate change, 6. difficulty or an increase in the insurance costs for the assets based on fossil fuels, 7. 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, 8. an increase in the price of the CO₂ emission allowances and, as a consequence, a decrease in the margin in the conventional electricity segment, 9. a decrease in demand for electricity as a result of energy efficiency and growth of the prosumers segment, 10. a decrease of the demand for the products offered thus far by TAURON Group's subsidiaries, 11. limiting or discontinuing the operations based on fossil fuels and carbonates, 12. the need to restructure employment resulting from a change in the business operations profile, 13. impediments to administrative procedures involving the public by non-government organizations, 14. a decline in the company value, 15. 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> | <p>2. Defining and updating as well as implementing TAURON Group's Strategy.</p> <p>3. Update of TAURON Group's Strategic Research Agenda.</p> <p>4. Adaptation of TAURON Group's Investment Strategy to the guidelines stemming from the Climate Policy and the Investment Strategy.</p> <p>5. Ongoing analysis of the draft ordinances (regulations) and acts.</p> <p>6. Active participation in the work of teams providing opinions on projects and proposing optimal solutions.</p> <p>7. 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.</p> <p>8. 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.</p> <p>9. Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's operations on the climate change.</p> <p>10. Promoting eco-mobility or climate-neutral mobility.</p> <p>11. Cooperation with business and social partners with respect to adaptation to climate change</p> |
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E 1.2.1.3. Opportunities stemming from climate change and transition

Climate changes, processes and behaviors related thereto, observed within the environment and market trends as well as the pursuit of the 2050 climate neutrality target also create business opportunities for TAURON Group in the medium and long term. TAURON Group's strategic lines of business can be developed in a sustainable manner, in particular by implementing the concept of the Green Turn of TAURON towards energy transition to zero-emission energy generation in the long term. The climate neutrality target is also conducive to the creation of new dedicated products, and in the medium and long term, it may allow for an increase in revenues and creating added value throughout the entire chain of TAURON Group's business operations. Taking these factors into account, the following categories of opportunities related to climate change have been distinguished in a manner similar to the risk management system:

Table no. 47. Opportunities stemming from climate change and related to the transition identified for TAURON Group

| # | Opportunity name | Description | Trend and materiality | Managerial approach and management |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | <p>Long term physical opportunity</p> <p>increase / decrease in demand for electricity and heat as a consequence of temperature changes resulting from climate change</p> <p>(medium and long term)</p> | <p>The opportunity is related to:</p> <p>1, An increase or decrease in demand for electricity and heat and, consequently, an increase or decrease in the output of the value chain. The demand for electricity is also affected by the temperature, the fluctuations of which may affect TAURON Group's operations. The increase in the number of hot days in the climatic zone for the operations conducted by TAURON Group may contribute to the increase (net per year) of revenues related to electricity generation.</p> <p>2. The opportunity includes the identification of climate change scenarios and, consequently, the intensification of the implemented direction of the Green Turn of TAURON's and zero-emission in the medium term and long term.</p> | <p>→</p> <p>■</p> | <p>1. Applying TAURON Group's Climate Policy.</p> <p>2. Technological diversification and the direction of the Group's development towards low and zero emission economy mean that the impact of changes (positive and negative) in the climate variable is positive / mitigated at the business level throughout the entire supply chain. To ensure that its operations always account for the weather and climate developments, the Group adopts a number of practices, such as for example weather forecasting, real time monitoring and long term climate scenarios.</p> <p>3. Planning and implementing projects that are aligned with the sustainable development activities.</p> <p>4. Conducting business operations that affect the climate in accordance with the sustainable development principles</p> <p>5. Optimization and growth of investment outlays for sustainable operations and low and zero emission generation assets.</p> <p>6. Gradual adaptation of the production assets to the consequences of weather development and volatility of weather conditions, in particular in the Distribution Line of Business.</p> |
| 2. | <p>Opportunity related to transition</p> <p>policies and regulations with respect to shaping the prices of the CO2 emission allowances, incentives for the energy sector's transition, greater opportunities to invest in renewable energy sources</p> <p>(medium and long term)</p> | <p>The opportunity is related to:</p> <p>Policies and regulations regarding the energy transition may have an impact on the development and size of investments as well as on the return on invested capital</p> | <p>↗</p> <p>■</p> | <p>1. By implementing the direction of the Green Turn of TAURON, in the medium term TAURON wants to minimize its exposure to the risk of transition, while at the same time seeing an opportunity in the progressive "decarbonization" of the energy sector. The strategic activities of the Group that are focused on investments in renewable energy sources, in the grids and for the benefit of the customers, allow us to mitigate potential threats and take advantage of opportunities related to the energy transition</p> |

| | | | | |
|----|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Opportunity related to transition (market) decarbonization and changes of the trends (medium and long term) | The opportunity is related to: Changes in commodity and energy prices, evolution of the energy mix, changes in retail consumption, changes in the competitive environment . | → ■ | 1. TAURON Group is maximizing its opportunities by adopting a strategy based on energy transition and the fast development of renewable energy generation and electrification as a future trend for energy consumption. 2. Taking into account the energy transition scenarios, the Group assesses the impact of trends in the share of renewable sources in the energy mix, electrification and the growth of electric vehicle sales in order to estimate their potential impact on the future operations to be conducted. |
| 4. | Opportunity related to transition widespread electrification of industries | The opportunity is related to: An increase in margins and greater investment opportunities as a result of the transition with respect to the development of new electric technologies dedicated to households and residential housing as well as to electric transportation . | → ■ | 1. Trends in electrification of transportation and households as well as residential housing will have a potential impact on our future business operations. 2. The Group is maximizing its opportunities thanks to a strong position in new businesses and "smart." Services. |

E 1.2.2. Environmental Risk

Table no. 48 presents the Environmental Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G.4.4.6., the Environmental Risk is classified in the category: Operational Risk/Technology and infrastructure.

Table no. 48. Environmental Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | 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 the applicable standards) pollution, damage, disruptions or failures of installations or equipment that would have a negative impact on the environment.</p> <p>The risk also involves the possibility of:</p> <ol style="list-style-type: none"> 1. a lack of valid environmental decisions, 2. depositing waste in places not intended for this purpose or not in accordance with the operating conditions of the facilities designated for such purpose, 3. occurrence of a crisis situation: e.g. fire, displacement of earth masses, extreme weather events, 4. use of waste not in accordance with the authorized intended purpose, 5. a lack of adequate safeguards reducing the negative impact of TAURON Group's operations on the environment, 6. release of hazardous substances to the environment, | → ■ | <ol style="list-style-type: none"> 1. Applying TAURON Group's Environmental Policy. 2. Conducting business operations that affect the environment in accordance with the sustainable development principles. 3. Conducting and intensifying activities aimed at increasing the utilization of the UPS/UPW waste. 4. Striving to maximize the management (utilization) of the post-production waste generated at all of TAURON Group's coal mines. 5. Striving for the optimum management of water resources. 6. Ongoing supervision over compliance with the conditions of the environmental decisions. 7. Maintaining the required level of the pollution reduction devices' efficiency (performance). 8. Frequent assessment of compliance of the activities with the legal requirements with respect to the environment protection. |

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| | <p>7. social protests.</p> <p>The consequence of the materialization of the risk is the degradation of the natural environment and penalties for a failure to comply with the environmental requirements, the need to fix the deficiencies, curtailment of the 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 TAURON 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.</p> | <p>9. Implementation of the investment projects with respect to the environment protection in order to minimize the consequences of an adverse impact of mining and processing operations on the environment and climate.</p> <p>10. Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's operations on climate change.</p> |
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E 2. Revenue from sustainable operations

In 2021, the EBITDA of TAURON Capital Group related to sustainable low emission activities: products, services and technologies, came in at PLN 376 million and it was generated mainly by the RES operating segment. Certain compensation related to the increase in the EBITDA from sustainable activities for 2021 occurred due to increased production from renewable energy sources (wind, hydro and additionally two photovoltaic installations). CAPEX dedicated to sustainable low-emission activities: products, services and technologies, stood at PLN 325 million. This was related to the implementation of investments in renewable energy sources (among others, the construction of the Piotrków wind farm and the photovoltaic farms), and grid investments ("growth rate of RES grid connections" and grid hardening), which translated into a percentage increase in the spending on sustainable investment projects, reaching approx. 11% of the total CAPEX for the Group's investment projects implemented in 2021.

Table no. 49. Revenue and capital expenditures (CAPEX) indicators related to sustainable operations for TAURON Capital Group in 2021

| Revenue indicators related to sustainable operations | | TOTAL |
|------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------|
| | Unit | 2021 |
| EBITDA related to sustainable low emission activities: products, services and technologies (1) | PLN million | 376 |
| | % of EBITDA from all of the Group's operating segments | 9% |
| CAPEX* related to sustainable low emission activities: products, services and technologies (2) | PLN million | 325 |
| | % of the Group's CAPEX | 11% |

(1) EBITDA indicator related to "sustainable low emission activities: products, services and technologies" includes solely RES electricity generation operating segment. The share of the EBITDA from the sustainable operations in the Group's EBITDA for 2021 is presented in relation to the RES operating segment, which generates more than 80% of the EBITDA from the sustainable operations.

(2) CAPEX indicator related to "sustainable low emission activities: products, services and technologies" includes CAPEX for: RES electricity generation operating segment, infrastructure and grids (RES grid connections growth rate and grid hardening), e-products (excluding the sales of gas and electricity from conventional sources), utilization of a part of the gas from the Brzeszcze Coal Mine's methane drainage by a Group's subsidiary.

E 2.1. Climate neutrality 2050

The roadmap (presented in table no. 49) of TAURON Group's decarbonization and the approach to the ESG management with respect to climate neutrality and the net-zero 2050 target:

- Reduction of the installed capacity of conventional electricity and heat generation sources with high emissions in the medium term and the change of the fuel mix by increasing the share of zero-emission and low-emission sources.
- Intensification of the activities related to climate change in the subsequent years and focus on digitization. Following the trend of widespread electrification of industries (consumption/increase in demand for electricity).

- Innovations, the circular economy, e-products and cybersecurity as growth accelerators.
- Reduction of the carbon footprint of Scope 1 - climate neutrality 2050 (zero emissions) and Scope 3 - low-emission supply chain as well as supply and distribution of low and zero emission energy.

Table no. 50. "Road map" and intermediate targets on the way seeking to achieving climate neutrality by TAURON Group by 2050

| Activity | 2021-2025 Intermediate Target | 2021 Results | Status | ESG topics | Sustainable Development Goals (SDG) |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------|-------------------------------------|
| Scope 1 direct GHG emissions unit (specific) reduction | -23% in 2025 as compared to the base year 2018 (Target 640 kgCO ₂ eq/MWh) (1) | -10% as compared to the base year 2018 (Result 750 kgCO ₂ eq/MWh) (1) | ACTIVE | E G | 13 |
| Renewable generation sources' capacity expansion plan | +1.0 GW of new RES capacity (2) | +0.011 GW of new RES capacity (2) +0.081 GW of RES capacity (under construction) | ACTIVE | E G (I) | 7 13 |
| Low-emission and zero-emission generation sources' heat (thermal) capacity expansion / change plan | +0.261 GW of low-emission and zero-emission heat (thermal) capacity (3) | +0 GW of new low-emission and zero-emission heat (thermal) capacity (3) +0.216 GW of capacity (under construction) | ACTIVE | E G (I) | 13 |
| Adaptation of the conventional assets to comply with the environmental requirements (BAT conclusions) | PLN 311.2 million* of capital expenditures on environment protection – BAT program (adaptation of the assets to the requirements of the BAT conclusions and to the capacity market) | PLN 27.6 million of capital expenditures on environment protection – BAT program | COMPLETED | E (I) | 13 |
| Sustainable development: EBITDA** from sustainable operations / Group's EBITDA) | - | 8.5%** - share of EBITDA from sustainable operations | ACTIVE (2021 achievement) PLANNED (2025 target definition) | E G | |
| Sustainable financing - better use | - | - | PLANNED (2025 target definition) | G | 7 13 |

* continuation of the BAT Program carried out in 2018 - 2021

** share of EBITDA from sustainable operations in the Group's EBITDA in 2021 is presented in relation to the RES operating segment, which generates more than 80% of the EBITDA from the sustainable operations.

(1) Direct GHG emissions unit indicator in kgCO₂eq/MWh is calculated in relation to electricity production (TAURON Group's subsidiaries included: TAURON Wytwarzanie, TAURON Ciepło, TAURON Ekoenergia as well as the company's subsidiaries or the companies managed thereby, TAURON Nowe Technologie). The intermediate 2025 target value corresponds to the graphical data - Figure no. 14 TAURON Capital Group's planned CO₂ emissions level in 2018-2030.

(2) New RES capacities based on wind energy and photovoltaic farms (2021-2025 Expansion Plan).

(3) Replacement of the capacity of the conventional heat generation sources (coal and heavy heating oil) (baseload and peak units) with low and zero-emission heat generation sources. Only TAURON Ciepło is included.

E – Environmental

G – Governance

(I) – Investments

In addition, TAURON Group is planning to take steps in 2022 to verify its targets, applying an approach consistent with the criteria and recommendations of the Science Based Targets (SBTi) initiative, however without conducting certification. It is a supplement to the direction of actions adopted under the TAURON Group's Climate Policy aimed at limiting global warming and not exceeding the temperature by 1.5 °C in the long term, in line with the Paris Accord and the targets of the United Nations according to the "2030 Agenda for Sustainable Development".

Thus, starting from 2022, TAURON Group's striving to achieve, in the long term, the zero GHG emissions within the value chain by 2050, which is applicable to the direct emissions (Scope 1), will be subject to checking and verification, In addition, the indirect emissions (Scope 2 and 3) will be curtailed based on the Science Based Targets (SBTi) criteria and recommendations.

Direction – Energy transition

The future for energy generation

In order to achieve complete decarbonization by 2050, TAURON Group, by developing an update of the strategic directions, confirmed its indirect goal in the fight against climate change stemming from the implementation of the Green Turn of TAURON, setting the goal of reducing the Scope 1 direct greenhouse gas emissions by at least 50% by 2030 as compared to 2018,

To achieve this target, TAURON is planning additional capacity in renewable sources, so as to achieve a 65% share of zero and low-emission sources' installed capacity. At the present stage, the most likely scenario for reducing the share of conventional power generation capacity in TAURON Group's fuel mix is the spinning off and divestment of its coal assets to another entity. More on this topic in section 2.6. TAURON Capital Group's Strategy and its Assumptions.

Electrification, digitization and creation of new development platforms

To promote electrification and increase the consumption of electricity from RES, TAURON Group aims to expand its range of products and services in order to raise customer satisfaction. The main goals in this regard include the installation of 566 electric vehicle charging points by the end of 2025, but also, with respect to promoting electrification, strengthening the grid infrastructure.

In addition, taking into account the role of infrastructure, in particular for decarbonization purposes, the planned actions include the goal of increasing the flexibility and resilience of the grid infrastructure by investing in digitization and in raising the quality and efficiency of the services provided, also by using new development platforms. The main goals set for 2025 include improving the CTP and CP indicators (equivalent to SAIDI and SAIFI) by not less than 20% as compared to 2021 and achieving the target of more than 5.8 million final consumers with active smart metering (data to be used as part of the new development platforms) in place by 2025.

E 3. GRI indices

- GRI 203-1 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 EU DMA Research and investments to ensure reliability of energy supply and promote sustainable development
- 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 NO_x, SO_x 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 305-5 Direct greenhouse gas emissions
- 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
- GRI 102-15 Key impact, risks and opportunities
- GRI 102-16 Key areas of impact, risks and opportunities
- GRI 201-2 Financial implications and other risks and opportunities related to climate change

S – SOCIAL

(Social Responsibility)

S 1. TAURON Capital Group's Human Capital Management Strategy

The range of the Group's business operations, both in terms of geography as well as competence areas, employing more than 25 300 employees, has a significant impact upon the complexity of the human capital management process. TAURON Group strives to optimize, standardize and digitize the human capital management processes so as to provide employees and management with tools to effectively support the organization, ensure a dialogue based environment, introduce changes and develop the organization, taking into account business and external factors. It is also crucial to participate in the energy transition process and provide the organization with the competences required to maintain business continuity and the competences of the future.

TAURON Group is seeking to create flexible conditions for the development of knowledge and skills as well as to create a work environment based on cooperation and partnership. Employee opinion polls are conducted and their results form the basis for building and implementing action plans aimed at increasing commitment and creating an attractive workplace, in compliance with the standards of compliance, at all TAURON Group's subsidiaries, with the principles of ethics, respect for diversity and counteracting mobbing and discrimination.

The key data on TAURON Group's human capital in 2019-2021 is presented in Table no. 51.

Table no. 51. Key data on TAURON Group's human capital in 2019-2021

| Key data | 2021 | 2020 | 2019 |
|-------------------------------------------------------------------------|--------|--------|--------|
| Number of employees (in persons as of 31.12) | 25 324 | 25 572 | 26 086 |
| Share of women among the workforce | 21.8% | 21.5% | 21.4% |
| Share of men among the workforce | 78.2% | 78.5% | 78.6% |
| Share of college graduates among the workforce | 35.9% | 34.8% | 33.8% |
| Share of high school graduates among the workforce | 43.2% | 43.5% | 43.3% |
| Share of vocational and elementary school graduates among the workforce | 20.9% | 21.7% | 22.9% |
| Rotation rate | 7.05% | 6.67% | 6.51% |

TAURON Capital Group's human capital management strategy is performed through the implemented processes in place presented in Figure no. 29:

HUMAN CAPITAL MANAGEMENT



Figure no. 29. Processes implemented as part of TAURON Capital Group's Human Capital Management Strategy

Through active management of human capital TAURON Group achieved in 2019-2021 the results presented in Table no. 52.

Table no. 52. Results achieved by TAURON Capital Group in 2019-2021 as part of TAURON Group's management of human capital

| Results achieved | 2021 | 2020 | 2019 |
|---------------------------------------------------------------------------------------------------|---------|---------|---------|
| Number of training course hours | 385 000 | 295 000 | 478 000 |
| Number of the participants of TAURON Group Open University (the number of Tauronet views in 2021) | 2 000 | 7 000 | 2 700 |
| Number of training courses conducted by Internal Coaches | 155 | 84 | 167 |
| Number of Internal Coaches | 104 | 86 | 83 |
| Number of persons trained by Internal Coaches | 1 600 | 1 100 | 1 800 |
| Number of interns/apprentices | 265 | 263 | 655 |
| Number of patronage classes | 52 | 53 | 47 |
| Number students in patronage classes | 1 200 | 1 000 | 1 300 |
| Number of participants in the Development Squared initiative | 2406 | 950 | no data |

S 1.1. Policies and Principles supporting Human Capital Management

S 1.1.1. TAURON Group's Human Capital Management Policy

TAURON Group's Human Capital Management Policy is a document that focuses on acquiring, developing and maintaining competencies that are key to organizational efficiency and achieving the Group's strategic goals in a specific reality.

The goal of the regulations contained in this policy is the broadly understood support for employees and managers in creating an environment conducive to dialogue, introducing changes and striving for the development of the organization. Among the priorities set by the Policy, there are also issues such as creating an organizational culture based on cooperation and partnership, supporting bottom-up initiatives, independence and development of the personnel.

The policy defines the mission and vision of TAURON Group's human capital management.

Human capital management mission

With passion and commitment we are creating and implementing solutions shaping the organizational culture and work environment that provide support for the implementation of the goals defined in the Strategy

Human capital management vision

We are a partner for the Management Team and Workforce in building an efficient company, based on clear rules and modern solutions

The document also sets out strategic areas of activities related to employee issues. They include:

- organization development,
- efficiency management,
- competences and development management.

In each area, specific goals are set and activities aimed at achieving them are identified. Their comprehensive description is presented in Table no. 53.

Table no. 53. Strategic areas of activities defined by TAURON Capital Group's human capital management

| Area: Organization development | Process |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Goal: Implementing and promoting organizational culture that supports TAURON Group's development. | |
| Strengthening employee engagement and creating a safe and inspiring work environment; <ul style="list-style-type: none"> • openness to communication with employees, • obtaining and providing feedback, • engaging employees in improving the work environment. | Employee Opinion Survey Employee communication Employer Branding Management by objectives |
| Building the image of TAURON Group as an attractive employer - both inside and outside the organization: <ul style="list-style-type: none"> • surveying the opinion of employees, • creating tools that allow to ensure easy and efficient communication with employees, • cooperating with universities and schools. | Employee Opinion Survey Employee communication Employer Branding Management by objectives |
| Ensuring an efficient flow of information and creating conditions for a partner dialogue with the workforce: <ul style="list-style-type: none"> • strengthening cooperation among areas and among generations: • creating an environment that is friendly to the exchange of knowledge and experience, • promoting knowledge sharing | Social dialogue Development initiatives Knowledge and age management |
| Building relationships with customers and strengthening awareness with respect to environment protection, climate change and commitment to promoting the Green Turn of TAURON | Employer Branding |
| Supporting TAURON Group in the process of changes through access to knowledge and market solutions: <ul style="list-style-type: none"> • designing development programs and providing knowledge, • monitoring market trends and solutions. | Development initiatives |
| Area: Organization efficiency management | Process |
| Goal: Focus on efficiency management. | |
| Clear and consistent defining of roles, tasks and required authorizations at work positions. | Position evaluation system Job description book |
| Defining clear compensation rules, based on market conditions, that motivate people to work efficiently: <ul style="list-style-type: none"> • supporting the implementation of tasks and goals that stem from the Strategy, • creating performance related employee compensation systems, • building tools that support management by objectives. | Employment, wages and benefits management Management by objectives Social dialogue |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Minimizing the risk associated with human capital management. | TAURON Group's risk management system |
| Ensuring compliance with the principles of ethics and diversity: <ul style="list-style-type: none"> conducting educational activities, taking care of an environment free from mobbing and discrimination. | Regulations related to diversity, ethics and counteracting mobbing and discrimination |
| Optimizing, standardizing and digitizing the Human Capital Management Area processes, increasing the flexibility and efficiency of the organization. | Human Capital Management Mega-process |
| Area: Competences and development management | Process |
| Goal: Supporting the development of competences | |
| Ensuring continuous development of employee competences so as to keep them aligned with the needs of the changing energy sector: <ul style="list-style-type: none"> developing new competences that prepare for change management, focusing on acquiring new qualifications and improving employees' competences. | Development initiatives Recruitment |
| Creating a culture based on self-development: <ul style="list-style-type: none"> Supporting employees through various individual development tools. | Employee Opinion Survey Employee communication Employer Branding Management by objectives |
| Ensuring the continuity of competences for the energy sector by educating pupils and students. | Development initiatives Recruitment |
| Taking care of employee retention: <ul style="list-style-type: none"> creating opportunities for development for employees and ensuring a motivating atmosphere at work, implementing pro-employee solutions. | Development initiatives Employee induction |
| Ensuring knowledge transfer between generations: <ul style="list-style-type: none"> implementing development programs, implementing internal training programs, ensuring the exchange of experiences between generations. | Knowledge and age management Development initiatives |
| Ensuring the development of leadership competences of the Management Personnel. | Competence model Development conversation |
| Creating and improving tools for the development, motivation and evaluation of the employees' potential. | Development conversation |

Tables no. 54-57 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 no. 54. GRI 102-8-a. Number of TAURON Capital Group's employees by type of labor contract and gender as of 31.12.2021, per subsidiary

| NUMBER OF EMPLOYEES | TAURON Polska Energia | TAURON Wytwarzanie | TAURON Ekoenergia | TAURON Dystrybucja | TAURON Nowe Technologie | TAURON Dystrybucja Pomiary | TAURON Sprzedaż | TAURON Sprzedaż GZE | TAURON Czech Energy | TAURON Obsługa Klienta | TAURON Ciepło | Kopalnia Wapienia Czatkowice | Polska Energia Pierwsza Kompania Handlowa | Bioeko Grupa TAURON | Wsparcie Grupa TAURON | TAURON Serwis | Nowe Jaworzno Grupa TAURON | TAURON Zielona Energia | TOTAL | |
|---------------------------------------------------------------------------------------------|-----------------------|--------------------|-------------------|--------------------|-------------------------|----------------------------|-----------------|---------------------|---------------------|------------------------|---------------|------------------------------|-------------------------------------------|---------------------|-----------------------|---------------|----------------------------|------------------------|-------|---------------|
| LABOR CONTRACTS | | | | | | | | | | | | | | | | | | | | |
| TOTAL NUMBER OF EMPLOYEES UNDER LABOR CONTRACTS, INCLUDING: | 413 | 6 285 | 2 216 | 179 | 7 898 | 123 | 1 475 | 314 | 9 | 14 | 2 625 | 1 431 | 296 | 3 | 176 | 1 263 | 401 | 182 | 21 | 25 324 |
| women | 189 | 525 | 363 | 45 | 1 211 | 47 | 266 | 168 | 6 | 7 | 1 896 | 251 | 46 | 3 | 34 | 407 | 26 | 14 | 9 | 5 513 |
| Men | 224 | 5 760 | 1 853 | 134 | 6 687 | 76 | 1 209 | 146 | 3 | 7 | 729 | 1 180 | 250 | 0 | 142 | 856 | 375 | 168 | 12 | 19 811 |
| INCLUDING: | | | | | | | | | | | | | | | | | | | | |
| FOR A DEFINITE PERIOD OF TIME (including for a trial period and as a substitute): | 13 | 147 | 12 | 18 | 386 | 19 | 56 | 58 | 1 | 0 | 414 | 66 | 46 | 0 | 78 | 235 | 32 | 3 | 11 | 1 595 |
| women | 6 | 13 | 4 | 7 | 67 | 9 | 12 | 28 | 1 | 0 | 322 | 9 | 7 | 0 | 11 | 73 | 7 | 0 | 5 | 581 |
| men | 7 | 134 | 8 | 11 | 319 | 10 | 44 | 30 | 0 | 0 | 92 | 57 | 39 | 0 | 67 | 162 | 25 | 3 | 6 | 1 014 |
| FOR AN INDEFINITE PERIOD OF TIME: | 400 | 6 138 | 2 204 | 161 | 7 512 | 104 | 1 419 | 256 | 8 | 14 | 2 211 | 1 365 | 250 | 3 | 98 | 1 028 | 369 | 179 | 10 | 23 729 |
| women | 183 | 512 | 359 | 38 | 1 144 | 38 | 254 | 140 | 5 | 7 | 1 574 | 242 | 39 | 3 | 23 | 334 | 19 | 14 | 4 | 4 932 |
| men | 217 | 5 626 | 1 845 | 123 | 6 368 | 66 | 1 165 | 116 | 3 | 7 | 637 | 1 123 | 211 | 0 | 75 | 694 | 350 | 165 | 6 | 18 797 |

Table no 55. 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 31.12.2021, per subsidiary

| NUMBER OF EMPLOYEES | TAURON Polska Energia | TAURON Wydobywanie | TAURON Wytwarzanie | TAURON Ekoenergia | TAURON Dystrybucja | TAURON Nowe Technologie | TAURON Dystrybucja Pomiaru | TAURON Sprzedaż | TAURON Sprzedaż GZE | TAURON Czech Energy | TAURON Obsługa Klienta | TAURON Ciepło | Kopalnia Wapienia Czątkowice | Polska Energia Pierwsza Kompania Handlowa | Bioeko Grupa TAURON | Wsparcie Grupa TAURON | TAURON Serwis | Nowe Jaworzno Grupa TAURON | TAURON Zielona Energia | TOTAL |
|----------------------------------------------------------------------------------------|--------------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------------|-------------------------------|--------------------|------------------------|------------------------|---------------------------|------------------|---------------------------------|----------------------------------------------|---------------------|-----------------------|------------------|-------------------------------|---------------------------|--------------|
| EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT | | | | | | | | | | | | | | | | | | | | |
| TOTAL NUMBER OF EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT: | 17 | 227 | 79 | 10 | 26 | 5 | 13 | 14 | 0 | 1 | 129 | 8 | 20 | 6 | 6 | 942 | 36 | 6 | 2 | 1 547 |
| women | 5 | 7 | 15 | 4 | 8 | 1 | 5 | 5 | 0 | 1 | 114 | 0 | 8 | 1 | 0 | 239 | 3 | 0 | 0 | 416 |
| men | 12 | 220 | 64 | 6 | 18 | 4 | 8 | 9 | 0 | 0 | 15 | 8 | 12 | 5 | 6 | 703 | 33 | 6 | 2 | 1 131 |
| PERSONS UNDER MANAGEMENT CONTRACTS: | 4 | 2 | 4 | 2 | 5 | 2 | 2 | 4 | 0 | 0 | 4 | 3 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 44 |
| women | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 8 |
| men | 4 | 2 | 3 | 2 | 5 | 2 | 2 | 0 | 0 | 0 | 2 | 3 | 1 | 1 | 2 | 1 | 2 | 2 | 2 | 36 |
| SELF EMPLOYED PERSONS: | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| women | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| men | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |

| | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------------------------------|---|-----|----|---|----|---|---|---|---|---|-----|---|----|---|---|-----|----|---|---|-------|-----|
| EMPLOYEES UNDER THE GROUP'S SUPERVISION: | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 123 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 129 |
| women | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 110 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 115 |
| men | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14 |
| PERSONS ON POSTGRADUATE INTERNSHIPS: | 2 | 70 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 73 |
| women | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| men | 1 | 70 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 72 |
| PERSONS PROVIDING SERVICES UNDER A CIVIL LAW AGREEMENT | 3 | 152 | 71 | 3 | 15 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 14 | 5 | 0 | 936 | 29 | 1 | 0 | 1 232 | |
| women | 2 | 7 | 14 | 1 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 1 | 0 | 236 | 3 | 0 | 0 | 277 | |
| men | 1 | 145 | 57 | 2 | 8 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 8 | 4 | 0 | 700 | 26 | 1 | 0 | 955 | |
| EMPLOYEES OF THE SUPERVISORY BOARD | 8 | 3 | 4 | 5 | 3 | 3 | 5 | 4 | 0 | 1 | 2 | 3 | 5 | 0 | 4 | 4 | 5 | 3 | 0 | 62 | |
| women | 2 | 0 | 0 | 3 | 0 | 1 | 0 | 0 | 0 | 1 | 2 | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 13 | |
| men | 6 | 3 | 4 | 2 | 3 | 2 | 5 | 4 | 0 | 0 | 0 | 3 | 3 | 0 | 4 | 2 | 5 | 3 | 0 | 49 | |

Table nr 56. GRI 102-8-c. Table no. 56. GRI 102-8-c. Employment of employees at TAURON Capital Group based on a permanent labor contract type by gender as of 31.12.2021, per subsidiary

| NUMBER OF EMPLOYEES | TAURON Polska Energia | TAURON Wydobycie | TAURON Wytwarzanie | TAURON Ekoenergia | TAURON Dystrybucja | TAURON Nowe Technologie | TAURON Dystrybucja Pomiary | TAURON Sprzedaż | TAURON Sprzedaż GZE | TAURON Czech Energy | TAURON Obsługa Klienta | TAURON Ciepło | Kopalnia Wapienia Czatkowice | Polska Energia Pierwsza Kompania Handlowa | Bioeko Grupa TAURON | Wsparcie Grupa TAURON | TAURON Serwis | Nowe Jaworzno Grupa TAURON | TAURON Zielona Energia | TOTAL |
|---------------------|---------------------------------------------------|------------------|--------------------|-------------------|--------------------|-------------------------|----------------------------|-----------------|---------------------|---------------------|------------------------|---------------|------------------------------|-------------------------------------------|---------------------|-----------------------|---------------|----------------------------|------------------------|---------------|
| | WORKING UNDER A LABOR CONTRACT, INCLUDING: | | | | | | | | | | | | | | | | | | | |
| FULL TIME: | 406 | 6 282 | 2 209 | 178 | 7 873 | 123 | 1 471 | 312 | 6 | 12 | 2 612 | 1 428 | 295 | 3 | 172 | 1 229 | 400 | 182 | 20 | 25 213 |
| women | 183 | 523 | 360 | 44 | 1 196 | 47 | 263 | 167 | 4 | 5 | 1 886 | 250 | 46 | 3 | 34 | 383 | 26 | 14 | 9 | 5 443 |
| men | 223 | 5 759 | 1 849 | 134 | 6 677 | 76 | 1 208 | 145 | 2 | 7 | 726 | 1 178 | 249 | 0 | 138 | 846 | 374 | 168 | 11 | 19 770 |
| PART TIME: | 7 | 3 | 7 | 1 | 25 | 0 | 4 | 2 | 3 | 2 | 13 | 3 | 1 | 0 | 4 | 34 | 1 | 0 | 1 | 111 |
| women | 6 | 2 | 3 | 1 | 15 | 0 | 3 | 1 | 2 | 2 | 10 | 1 | 0 | 0 | 0 | 24 | 0 | 0 | 0 | 70 |
| men | 1 | 1 | 4 | 0 | 10 | 0 | 1 | 1 | 1 | 0 | 3 | 2 | 1 | 0 | 4 | 10 | 1 | 0 | 1 | 41 |

Table no. 57. GRI 102-41. Percentage of TAURON Capital Group's employees covered by collective bargaining agreements as of 31.12.2021, per subsidiary

| | TAURON Polska Energia | TAURON Wytwarzanie | TAURON Ekoenergia | TAURON Dystrybucja | TAURON Nowe Technologie | TAURON Dystrybucja Pomiary | TAURON Sprzedaż | TAURON Sprzedaż GZE | TAURON Czech Energy | TAURON Obsługa Klienta | TAURON Ciepło | Kopalnia Wapienia Czałkowice | Polska Energia Pierwsza Kompania Handlowa | Bioeko Grupa TAURON | Wsparcie Grupa TAURON | TAURON Serwis | Nowe Jaworzno Grupa TAURON | TAURON Zielona Energia | TOTAL | |
|-----------------------------------------------------------------------|--------------------------|--------------------|-------------------|--------------------|-------------------------|----------------------------|-----------------|---------------------|---------------------|------------------------|---------------|------------------------------|-------------------------------------------|---------------------|-----------------------|---------------|----------------------------|------------------------|-------|---------------|
| Total number of persons employed (from table 102-8-a) | 413 | 6 285 | 2 216 | 179 | 7 898 | 123 | 1 475 | 314 | 9 | 14 | 2 625 | 1 431 | 296 | 3 | 176 | 1 263 | 401 | 182 | 21 | 25 324 |
| Total number of employees covered by collective bargaining agreements | 0 | 6 272 | 2 216 | 179 | 7 881 | 105 | 1 471 | 314 | 9 | 0 | 2 625 | 1 412 | 295 | 0 | 0 | 1 263 | 0 | 182 | 0 | 24 224 |
| Percentage of employees covered by collective bargaining agreements | 0,0% | 99,8% | 100,0% | 100,0% | 99,8% | 85,4% | 99,7% | 100,0% | 100,0% | 0,0% | 100,0% | 98,7% | 99,7% | 0,0% | 0,0% | 100,0% | 0,0% | 100,0% | 0,0% | 95,7% |

Due diligence procedures and internal regulations

The documents supporting the implementation of the goals of TAURON Capital Group's Human Capital Management Policy include:

- TAURON Group's Compensation Principles;
- TAURON Group's Recruitment Principles,
- Principles for improving the qualifications of the Employees, in place at TAURON 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;
- Talent Programs, in place at TAURON Group's individual subsidiaries;
- Principles of Cooperation with Schools and Universities;
- Regulations of the "Join" Program – TAURON's internship PROgram;

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. This basic premise allows for building an organizational culture that enables the employees to take on and implement new challenges, search for innovation, increase efficiency as part of their daily tasks and increase the level of job satisfaction.

In 2021, TAURON Group again faced the challenge of quickly identifying potential problems, to which it had to respond equally quickly. Remote work using online tools, virtual meetings and teleconferences has become a necessity today, and not, as before, a choice that was given to employees. All this entailed not only the need to redefine the ways of functioning in the new reality, but above all to define the crisis management system, which is aimed at taking appropriate steps to limit or minimize the negative effects of the epidemic

One of the due diligence procedures implemented as part of the Human Capital Management Policy is the ongoing monitoring of the metrics related to the human resources management area at all of TAURON Group's subsidiaries. Particular emphasis was placed on constructive and open dialogue with the workforce. TAURON Group's subsidiaries held 315 meetings of the employers with the trade union organizations in 2021. In total, the trade union organizations had about 17.9 thousand members among TAURON Group's employees (i.e. 71% of the total number of employees) at the end of 2021.

During regular meetings and consultations the representatives of the workforce 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.

Employee satisfaction surveys

The due diligence procedures also include employee satisfaction surveys conducted every two years. In the Third edition of the survey, conducted at the Group's key subsidiaries in 2021, the employees of TAURON Group's 15 subsidiaries had an opportunity to express their opinion on how they assess the individual aspects of work at the subsidiary and at the Group, answering 10 closed questions and also being able to enter any additional comments as part of the open question.

With a turnout of 55% (i.e. 10,303 votes), a more complete picture of the situation was obtained on topics relating to three thematic areas: satisfaction, commitment and communications. All responses were aggregated and summarized in the form of three indicators: satisfaction, commitment and communications.

The survey results demonstrated that TAURON Group's employees:

- are satisfied with the work at their company (satisfaction rate - **74%**),
- declare a very strong commitment to the performance of their tasks and obtaining the best possible results of work (commitment rate - **91%**),
- rate TAURON Group better and better in terms of communications, understood as providing important information about the company (communications rate - **64%**)

In addition to the numerical results, comments were collected (in response to the open-ended question), which covered issues related to, inter alia, workplace and working conditions, atmosphere, pandemic situations, development opportunities, sense of security and stability.

The results obtained are a starting point for in-depth analyses and developing, together with managers and employees, of further action plans.

Top Quality HR Certificate for TAURON Polska Energia

In 2021, TAURON Polska Energia and TAURON Obsługa Klienta again participated in the study organized by the Polish Association of Human Resources Management entitled Top Quality HR. As part of the study, the Association verified and awarded the top marks to the individual areas of human capital management, among others: motivation and compensation systems, employee development, recruitment and competence management, employee communications and building the employer's brand. The Group's new initiative, the Training Catalog, was particularly highly appreciated, as part of which, last year, employees were offered four training modules: expert knowledge, tools, management competences and personal development. The positive result of the study led to obtaining the 2022 Top Quality HR Certificate.

Just transition

TAURON Group has undertaken a number of activities aimed at preparing the workforce for the energy transition process. The activities were taken in parallel with respect to all sources of potential financing:

- National Just Transition Plan,
- National Reconstruction Program,
- Modernization Fund,
- Just Transition Fund.

The project fiches submitted assume, among others:

- retraining, financing training for the employees,
- support in setting up one's own business,
- matching skills and qualifications to the job offers available on the market,
- preparation for the recruitment processes (CV, cover letter, job interview),
- analysis of the labor market and professions/scarce competences,
- analysis of the impact of the outplacement program dedicated to the power plant's workforce (supporting the layoffs process) on the level of commitment and satisfaction as well as employability of the employees in order to achieve the highest possible effectiveness in finding a new job,
- relocation of the employees to other branches or other subsidiaries of TAURON Group - relocation package - reimbursement of accommodation and travel costs in the form of a monthly lump sum based on a periodic calculation taking into account the applicable prices,
- programs dedicated to persons acquiring entitlement to the pre-retirement benefits or acquiring up to 5 years of retirement rights - additional severance pay, paid employee absenteeism ("Fixed term leaves").

TAURON Group also participated in the START project – the technical assistance of the European Commission for the projects submitted under the Just Transition Fund, to which it was qualified by the Marshal's Office of the Małopolska Region. As part of the START assistance, the Group received support with respect to the project aimed at diagnosing the competency needs of the organization in the face of transition.

Development and training

Current market trends and technological development, changes taking place both globally as well as locally, a competitive market and increasing requirements force much faster pace and flexibility in terms of personal development 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. All of the development activities at TAURON Capital Group are implemented according to the 70-20-10 principle (effective learning principle), 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 empowerments 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).

TAURON Capital Group's employees can choose from a wide range of internal training and external development opportunities, among others, in the form of participation in industry conferences, seminars, workshops, specialist training, e-learning training or language courses.



Table no. 58 presents the key data on employee training at TAURON Capital Group as of December 31 in 2019-2021.

Table no. 58. Key data on employee training at TAURON Polska Energia and TAURON Capital Group as of December 31, 2019, December 31, 2020, December 31, 2021.

| Key data on employee training | TAURON | | | TAURON Group | | |
|--------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2019 | December 31, 2020 | December 31, 2021 |
| 1. Average number of training hours per employee by job (position) group, including: | 176 | 42 | 63 | 109 | 62 | 91 |
| 1) Management Board and Directors | 88 | 10 | 23 | 45 | 26 | 40 |
| 2) Management positions | 51 | 15 | 15 | 32 | 14 | 24 |
| 3) Administrative staff (white collar positions) | 28 | 16 | 19 | 14 | 9 | 10 |
| 4) Blue collar positions | 9 | 1 | 6 | 18 | 13 | 17 |
| 2. Number of training hours per employee by gender, including: | 16 766 | 6 801 | 7 552 | 477 618 | 294 945 | 383 796 |
| 1) Women | 6 624 | 2 996 | 3 572 | 79 871 | 49 704 | 65 794 |
| 2) Men | 10 142 | 3 806 | 3 980 | 397 747 | 245 240 | 318 002 |

Key statistics on the training carried out at TAURON Group in 2021 are presented in figure no. 30.

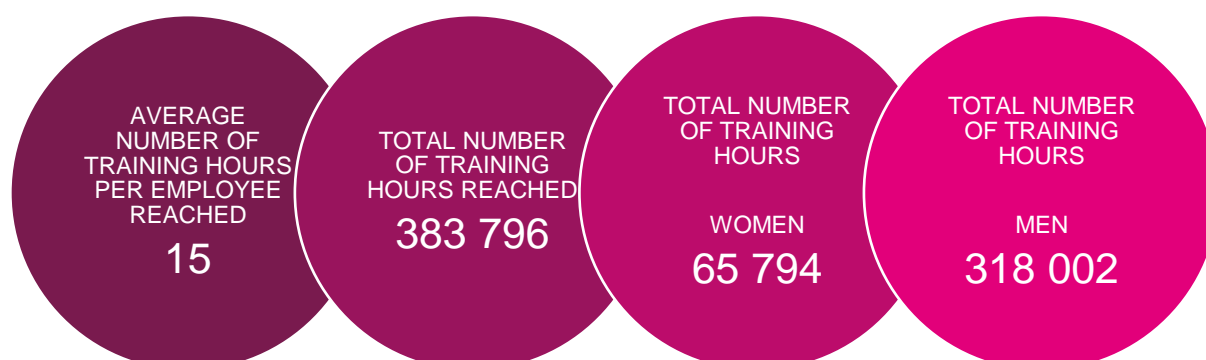


Figure no. 30. GRI 404-1 - The number of training hours per employee at TAURON Capital Group in 2021

Development Conversation

One of the more important projects carried out as part of TAURON Group's human capital management is the Development Conversation process. Based on the Group's Competence Model in place, the initiative assumes the need for the continuous development of the employees' competences in line with the changing business challenges. Development Conversations conducted last year at the Group's selected subsidiaries demonstrated a number of benefits that open communications and individual approach to the employees' needs, in combination with the directions of the organization's development, bring.

Postgraduate studies - Executive Master of Business Administration (MBA)

In order to meet the challenges of the changing business environment and implementing the Group's values, in 2021, MBA studies were launched, dedicated to the management team of TAURON Polska Energia S.A. The goal of the studies is to transfer and systematize the knowledge required in the company management process. 29 employees were invited to participate in the initiative.

TAURON Group Open University

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 initiative constitutes a platform enabling an exchange of views and experiences, it also provides the opportunity to gain knowledge and additional competences

The initiative was continued in 2021 but, due to the epidemic situation, the lectures were moved online to a virtual auditorium. 7 online lectures were delivered, attended by nearly 2 000 employees. Some of the lectures were posted on the Intranet and can be used by the employees without time limits.

Internal Trainers (Coaches) Academy

The goal of the initiative is to provide support for the development of employees using the internal resources. An Internal Trainer is an employee of TAURON Capital Group who willingly shares expert knowledge with others, and at the same time develops his/her coaching potential. TAURON supports activities aimed at facilitating appropriate selection and didactic (pedagogical) preparation of the internal trainers to conduct training courses. The trainer is personally involved in the study of the training needs, designs the training and supports the process of implementing the new competences in the organization. 104 internal trainers completed a total of 155 training sessions for more than 1 600 of TAURON Group's employees in 2021.

Development Squared

Development Squared - a series of webinars conducted in four thematic areas: development, knowledge sharing, cooperation, health. The project was developed as a response to the difficult situation related to the COVID-19 pandemic that made it impossible to conduct training in a traditional form. Thanks to Skype and Office 365 technology, fully interactive meetings are possible, that make participants more active. The project's participants include all of TAURON Group's employees with access to the intranet (approximately 17 000 persons). 49 webinars were held in 2021, on 21 different topics, conducted by 12 trainers. More than 2 406 of TAURON Group's employees took part in the initiative.

Training Catalogue

One of the new tools implemented at TAURON Polska Energia in the last quarter of 2021 is the Training Catalog. Thanks to the setting up of a training base in four modules: expert knowledge, management competences, personal development, tools, the employees can participate in training sessions of their choice every month, while developing their skills and knowledge, in accordance with an individual development plan.

E-learning

In addition to the training courses carried out using the traditional method, TAURON Capital Group provides its employees with continuous access to training on the e-learning platform, which is particularly important during the pandemic and the restrictions related thereto. 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. The employees have continuous, unlimited access to training available on the special e-learning platform. It includes both training courses on the Group-wide regulations, specialist training courses on IT systems, as well as training courses developing leadership and interpersonal competences.



Platforma **e-learning**
Kliknij po więcej!

In 2021, the employees, thanks to the e-learning training courses, got to know, inter alia, TAURON Group's latest regulations related to counteracting mobbing and discrimination or found out how to conduct valuable development conversations. In total, nearly 13 000 employees participated in more than 37 000 e-learning training courses in 2021.

Manager's Zone and "#wzMOcnijsię" (power up yourself)

Manager's Zone is a space in the intranet dedicated to managers. The management team have a permanent access to specialist articles on the subject of broadly understood management, team management support tools, interesting on-line events (Mediateka) and recommended books. The Manager Zone newsletter is distributed regularly, in which we provide information about news in the Zone and cover the most current topics.

In 2021, more than a dozen articles were published on the current trends in the management area, e.g.

- Competences of the future,
- Stress management,
- How to build a culture of responsibility,
- The Pareto principle and decision making,
- Courage of the manager,
- Empathy of the manager
- The art of resting,
- Assessing and appreciating,
- Employee experience,
- Employee training and development.

Quick Tips

Preventive and informational activities aimed at raising awareness and understanding of the current regulations and the applicable rules of counteracting COVID - 19 were continued throughout the entire Capital Group in 2021. Quick tips is a series of weekly short cards on the homepage of TAURON Group's intranet – Tauronet

Two hours for the Family and the Children's Day

As part of this initiative TAURON Group organized the Family Week for its workforce, run under the slogan "Rodzina MegaMoc. Trzymajmy się razem!" (Family MegaPower. Let us stick together!" All of the events were held virtually, contests and sports competitions were held, thanks to a special application that enables recording one's activities in terms of walking, running and cycling.

Almost 17 000 employees with access to the intranet, were able to actively participate in all of the events

Heart week and health week

At the turn of October and November 2021, two initiatives were implemented to promote a healthy lifestyle and preventive examinations (testing) among the Group's employees. The Heart Week, related to the World Heart Day, consisted of a series of publications on the intranet on the prevention of heart disease, competitions and knowledge quizzes on this subject. The health week was devoted primarily to the prevention of breast and prostate cancer. As part of the health week, two lectures were held in the series: TAURON Group Open University - A healthy woman and a healthy man in the 21st century, and the Oncological Prevention Program in the field of breast and prostate cancer. Nearly 500 employees participated in the lectures.

S 1.1.2. TAURON Group's Diversity Policy

In accordance with TAURON Group's Diversity Policy (hereinafter: Diversity Policy) adopted 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. 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 due diligence procedures in place under the Diversity Policy include first and foremost activities aimed at:

- developing the work environment based on respect, openness, reliability 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,
- applied regulations with respect to benefits (entitlements),
- implemented flexible forms of work time and ability to work remotely,

and solutions dedicated for 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 is seeking to provide the work environment based on respect and fairness (justice), within which each employee may fully realize his/her individual potential. 2021 was spent on developing the assumptions and concept of the Knowledge and Age Management project and on raising the HR area's business awareness in this respect. As part of the project, two training courses were held on the transfer of competences and process management in the organization.

This goal is accomplished through the implementation of numerous training programs, supporting the development of the competences of each employee.

The most important among them include:

- TAURON Group Open University - the goal of creating and continuing the idea of the University is to provide employees with permanent access to knowledge and information on current topics, related to both business as well as personal development or the individual passions of employees
- 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 development of competences within TAURON Group;
- Development Squared - is a series of weekly webinars conducted by the HR personnel from selected subsidiaries of TAURON Group. Webinars are conducted in four thematic areas: development, knowledge sharing, cooperation, health
- "Mum works" program – the program is targeted at 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 mums 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. 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. 59;
- Continuation of activities with respect to creating intergenerational brigades - experienced employees share their professional knowledge, passing on the secrets of the art of mining to younger employees;
- Disseminating knowledge of diversity among employees using the available information channels, i.e.: work health and safety (WHS) training, management personnel meetings, giant screens, notice boards.
- Diversity appreciation week - an initiative implemented in 2021 as part of the Managers Forum at TAURON Obsługa Klienta. The action dedicated to the representatives of the managerial staff at all levels of management. The goal of the initiative was to broaden knowledge, develop skills and strengthen attitudes aimed at appreciating the potential of diversity in teamwork. The leaders were invited to participate in webinars and workshops covering such issues as: dealing with difficult emotions in a team, how to build psychological safety in a team, important aspects of strengthening employee engagement in remote work, building mental resilience, people management in the VUCA and BANI world. The key message of the initiative was to draw attention to and appreciate the potential of diversity in teamwork - with particular emphasis on aspects of diversity such as age, knowledge and experience. Taking into account the

individual needs of managers, the proposed topics also include topics related to GDPR or the possibility of using mindfulness sessions. 243 employees took part in the initiative;

- social dialogue and active cooperation with trade unions as well as the activity of the Ombudsman for Social Dialogue. The number of meetings with trade unions at the Group's companies and the percentage of employees covered by collective bargaining agreements are presented in Table no. 60.

One of the important activities undertaken as part of the Diversity Policy is also cooperation with the educational community, which translates into the creation of patronage classes. The internship and apprenticeship programs support the development of skills of young people, and mentors have the opportunity to share their knowledge and experience. By the end of 2021, TAURON had covered 52 classes with its patronage.

In 2021, similar to the previous year, the number of apprenticeships and internships at TAURON Group decreased due to the epidemic. 265 people took part in the programs in 2021. As part of the implementation of the Diversity Policy, there were several foreigners among the interns. The detailed description of the above activities and projects is provided in the section regarding Human Resources Management Policy.

Risks that may have an adverse impact on the application of the Diversity Policy related to the Group's operations:

The risk areas related to non-compliance with the principles of the Diversity Policy include:

- occurrence of mobbing and discrimination, in particular due to age, sex, education, origin, race, in particular in terms of equality of the rules of remuneration and promotion, and equal opportunities with respect to access to training
- increase in social unrest related to unequal treatment,
- increasing employee turnover,
- occurrence of a competence gap,
- loss of the external image and confidence in the TAURON brand.

Table no. 59. GRI 401-3. Parental leave at TAURON Capital Group in 2021

| | TAURON Group's total | Women | Men |
|-------------------------------------------|----------------------|-------|-----|
| Percentage of returns to work | 80% | 56% | 90% |
| Retention rate following a parental leave | 94% | 82% | 97% |

Table no. 60. Number of meetings with trade union organizations functioning at the Group's subsidiaries and percentage of employees covered by collective bargaining agreements

| Results achieved | 2021 | 2020 | 2019 |
|-------------------------------------------------------------------------------------------|-------|--------|-------|
| Number of meetings with trade union organizations functioning at the Group's subsidiaries | 315 | 334 | 329 |
| Percentage of employees covered by collective bargaining agreements | 95.7% | 95.6 % | 95.7% |

Being aware of the positive impact of a diverse work environment on the knowledge and experience sharing processes, the breakdown of the workforce and the management board of TAURON Group by age and gender is presented in tables no. 61 and no. 62.

Table no. 61. GRI 405-1. Composition of TAURON Capital Group's workforce broken down by age and gender as of 31.12.2021

| | 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 | 172 | | | 2 496 | | | 9 361 | | | 13 295 | | | 25 324 | | |
| | 0 | 78 | 94 | 26 | 1 340 | 1 130 | 799 | 5 027 | 3 535 | 1 344 | 6 581 | 5 370 | 2 172 | 13 023 | 10 129 |
| women | 0 | 24 | 13 | 4 | 285 | 139 | 396 | 2 480 | 1 527 | 28 | 261 | 357 | 429 | 3 048 | 2 036 |
| men | 0 | 54 | 81 | 22 | 1 055 | 991 | 403 | 2 547 | 2 008 | 1 316 | 6 320 | 5 013 | 1 743 | 9 975 | 8 093 |
| SHARE IN PERCENTAGE (in reference to all of the company's employees) | 1% | | | 10% | | | 37% | | | 52% | | | 100% | | |
| Share in percentage (in reference to the number of employees in the given employment category) | | | | | | | | | | | | | | | |
| TOTAL | - | 45% | 55% | 1% | 54% | 45% | 9% | 54% | 38% | 10% | 49% | 40% | 9% | 51% | 40% |
| women | - | 14% | 8% | 0% | 11% | 6% | 4% | 26% | 16% | 0% | 2% | 3% | 2% | 12% | 8% |
| men | - | 31% | 47% | 1% | 42% | 40% | 4% | 27% | 21% | 10% | 48% | 38% | 7% | 39% | 32% |

Table no. 62. Composition of the Management Boards of TAURON Capital Group's subsidiaries as of December 31, 2021, broken down by gender and age

| | 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 | | 45 | |
| TOTAL | 0 | 22 | 23 |
| women | 0 | 2 | 2 |
| men | 0 | 20 | 21 |
| Composition of the Management Board in percentages broken down by age and gender [%] | | | |
| (percentage share versus entire Management Board) TOTAL | - | 49% | 51% |
| (percentage share versus all women in the Management Board) women | - | 50% | 50% |
| (percentage share versus all men in the Management Board) men | - | 49% | 51% |

S 1.1.3. TAURON Group's Recruitment Principles

TAURON Group's Recruitment Principles were updated in 2021. 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. 1203 employees were hired by TAURON Group in 2021. The detailed data on TAURON Group's employment structure is provided in section S 1.1.1. TAURON Group's Human Capital Management Policy of this Report.

Due diligence procedures and internal regulations

Due diligence procedures employed under the Policy include, first of all, the following structured forms of recruitment:

- internal recruitment within a subsidiary (actions aimed at finding job candidates, to fill the vacancies, from among the personnel of the given TAURON Group's subsidiary, recommendations (referrals) by employees of other employees as potential candidates, e-mail messages to all employees),
- internal recruitment within TAURON Group (actions aimed at finding job candidates, to fill the vacancies, from among the personnel of other TAURON Group's subsidiaries, (announcements (notices) in the Group's intranet, recommendations (referrals) by employees of other employees as potential candidates, employees with a development potential),
- external recruitment (actions aimed at finding job candidates by posting job advertisements on the external market (outside TAURON Group), advertisements in the press, online, at universities, recommendations (referrals) by employees of persons from outside TAURON Group's subsidiaries as potential candidates, recruitment agencies).

Priority is given to internal recruitment at TAURON Group, which 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, as well as the analysis of the budget allocated to the given specific recruitment process.

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 TAURON Group's Human Resources Management Policy in place,
- 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;
- every time maintaining high standards of contact and communication with the candidates (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.

Due to the COVID-19 pandemic underway in 2021, the processes of recruitment as well as induction and adaptation of new employees were carried out online, in accordance with the highest standards and with the use of modern technologies.

Actions taken and results achieved

In 2021, TAURON Group implemented a new recruitment system (ATS). The indispensable tool provides comprehensive support for the process, from the acquisition of candidates and data processing, through communications with candidates and the close cooperation between the manager and the recruiter. In addition, TAURON Group's recruiters participated in training on market trends with respect to recruitment, e.g. Candidate Experience.

In order to adapt to the changes taking place on the labor market, a number of initiatives that enhance the image of TAURON Capital Group as a good and desirable employer are undertaken at TAURON Group.

Job (Career) Fairs

Participation in Job (Career) Fairs organized by the universities and other entities is a regular element of the activities promoting TAURON Group in the academic community. TAURON Capital Group promoted its job offers during the Engineering Job and Entrepreneurship Fair in Gliwice and the JOBICON Job Festival. Participation in the above initiatives enabled promoting the current job offers, apprenticeships and internships coming from all of the Group's subsidiaries. This form of the employer branding activities also provides an opportunity to conduct an initial interview with the potential candidates, as well as to promote the organizational culture, attitudes and values that the Group follows.

Employee Referral Program

The Employee Referral Program was continued at TAURON Group in 2021. This is an additional recruitment activity that allows for reaching more candidates through the involvement of the Group's employees in the search process. 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 as part of TAURON Group's recruitment process. The main benefits of implementing the Program include, among others, the optimization of the recruitment costs, shortening of the recruitment's duration, as well as the strengthening of the involvement of the Group's employees and of the awareness of their impact on shaping the human resources at TAURON Group. This year, we have managed to completely digitize the Program by implementing it as an additional module in the new recruitment system.

Cooperation with the education sector

The cooperation of TAURON Capital Group with the education sector focuses primarily on the process of the practical (hands-on) training of future professionals. The projects undertaken with schools, universities (TAURON Group cooperates with 12 partner universities) or local governments are also aimed at promoting TAURON Group and the energy industry among pupils, students and graduates. As part of cooperation with the educational community in 2021, internship and apprenticeship programs were organized, cooperation with student organizations, career offices and research clubs was undertaken, numerous lectures and profession teaching lessons were organized.

In addition, TAURON Group is trying to have a real impact on the shape of education activities and projects in Poland, through active participation in many projects in the field of education, e.g. "Sectoral agreement for the development of the hydrogen economy in Poland", Sector Qualifications Framework for Energy.

The educational offer dedicated to the energy industry is supported by TAURON Group through, among others:

- scholarships for the best students of patronage classes,
- modeling of the didactic processes, organization of training courses, educational meetings both for students of the school as well as for its teaching staff,
- participation of TAURON's employees in conducting qualification exams,
- possibility for students to participate in subject matter lectures/workshops conducted by TAURON's employees,
- possibility of students to participate in lectures/workshops aimed at developing students' interpersonal skills,
- organizing practical classes as well as apprenticeships and internships in real working conditions,
- equipping laboratories with the equipment required to conduct experiments related to electricity.

GrEnFin Project

TAURON Polska Energia is taking part in an international project entitled GrEnFin - Greening Energy Market and Finance, which was prepared by the University of Bologna. The project was financed by the European Commission as part of the Erasmus + program, KA2 - Knowledge Alliances. Its goal is to provide energy sector stakeholders (electricity suppliers, private companies, research institutes, etc.) with the training of a sustainable energy specialist on the labor market. The outcome of the project will be the development of a master's degree program for the EU students in green energy and finance, as well as the development of a training program for the employees from the energy sector already active on the labor market. The academy made up of students and professionals will be conducting summer schools together to test the pilot training module. Additionally, a university pilot class will be launched to test the new path of the master's degree program studies. Thanks to the participation in the project, TAURON Group will be able to contribute to the process of sustainable transition of the European Union's economy by investing in knowledge and competences with respect to higher education and vocational training.

As part of the project the following activities were carried out:

- 3 Associated Partners were invited to cooperate, namely: the Silesian University of Technology, Wrocław University of Science and Technology and the University of Agriculture in Krakow;
- the second Summer School was organized by the University of Economics in Katowice. Due to the ongoing coronavirus pandemic, all classes were held remotely. As part of the event, TAURON representatives prepared a case study in the field of renewable energy;
- TAURON Group's employees participated in training courses dedicated to people working in the energy industry;
- a survey was conducted among selected employees of the Group with respect to education and competences required in the industry. The results of the survey will inspire further work in the Project.

Implementation doctorate

TAURON Group launched a project to develop employee competences by initiating a number of three-party agreements with universities. As a consequence, 24 employees from the entire Group began doctoral studies. The project assumes the harmonious use and expansion of knowledge, so that an employee reaching the next level of academic career could transfer the acquired experience and knowledge to students, and at the same time satisfy the company's identified needs. TAURON has signed agreements with the Silesian University of Technology and the AGH University of Science and Technology, the University of Economics in Krakow, the University of Silesia, the Jagiellonian University and the Warsaw School of Economics. The main assumptions of the program are to create a platform for tripartite cooperation among universities, the company and the doctoral student, as well as to carry out research, the results of which will be used in solving the challenges facing the company. The doctorates will cover the research spectrum in the field of humanities, social sciences, exact and technical sciences. Six of TAURON Group's subsidiaries are taking part in the project - TAURON Polska Energia, TAURON Dystrybucja, TAURON Wytwarzanie, Kopalnia Wapienia Chatkowice, TAURON Ekoenergia and TAURON Sprzedaż.

S 1.1.4. TAURON Capital Group's Policy of compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination

TAURON Capital Group's Policy of compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination was implemented in May 2019, replacing TAURON Group's Policy of Counteracting Mobbing and Discrimination in place since 2017. This Policy defines the rules for reporting the violations of the Ethics, Mobbing

and Discrimination Principles as well as the tasks, empowerments and obligations of the Ethics Committee. The Policy was updated in 2021. The introduced changes were related to the need to make the work of the Ethics Committee (Internal Sub-committee and the Group Sub-committee) more efficient and to update the provisions of the Policy due to the regulatory changes. In particular, they were related to:

- increasing the number of members of the Group Subcommittee of the Ethics Committee to twelve,
- establishing the function of the Deputy Chair of the Group Subcommittee of the Ethics Committee,
- consolidating the provisions related to the works of the Ethics Committee,
- updating the definitions in connection with the change in the Labor Code with respect to mobbing and discrimination,
- the method of reporting the number of cases handled by the individual Ethics Committees,
- other consolidating changes.

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.

An employee is given a choice which Subcommittee he/she would like to turn to in order to have his/her notification (report) reviewed.

Due diligence procedures and internal regulations

The main assumptions used as part of TAURON Group's Policy of compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination include:

- ensuring compliance with the Principles of Ethics with respect to preventing employee rights violations and conflicts among 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 and 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, and it includes the Group's corporate values and the principles of conduct in three areas: employee, natural environment and stakeholders (environment).

Actions taken and results achieved

TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination is implemented through the e-learning training courses. They are mandatory for all of the newly hired employees. The other employees are reminded of the Policy principles through information campaigns and content available on the Group's intranet website.

In 2021, both the Policy and the e-learning training were updated. The introduced changes were related to, inter alia, changes with respect to submitting complaints, reviewing them, as well as convening meetings of the Committee. In addition, the definition of discrimination has been extended to include unwanted behavior of sexual nature or relating to an employee's gender, the purpose or effect of which is to violate dignity.

In 2021, training was conducted for all members of TAURON Group's Ethics Committee (both the Internal Subcommittees of the individual subsidiaries as well as the Group Subcommittee). The project assumed conducting 6 training courses with respect to competence development of people reviewing reports of negative behavior at TAURON Group (28 people were trained).

In February 2021, a training dedicated to the management team of TAURON Polska Energia S.A. on counteracting mobbing and discrimination in the workplace was also held, and it included, among others:

- mobbing from the organizational and legal point of view, with particular emphasis on the differences between the enforcement of the execution of official duties and mobbing,

- practical aspects of mobbing occurring in labor relations,
- analysis of the cases that have occurred.

S 1.1.5. TAURON Group's Respect for Human Rights 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 Respect for Human Rights Policy 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 principles dedicated to the respect for human rights and protection with respect to interacting with the stakeholders, in particular the counterparties (contractors) and business partners, as well as with respect to local communities.

Due diligence procedures and internal regulations

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

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

- respect and promote respect for human rights and ensure the protection thereof,
- 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 an unequal treatment situation occurring. 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 TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination.

Actions taken and results achieved

The Ethics Committee is operating at TAURON Group in order to consider potential violations of the rules. "Mobbing - legal and psychological aspects" training for its members, the personnel of the Human Resource Area of TPE S.A. and the Compliance Team was conducted as part of the Virtual Compliance Day 2020. As part of the event a "Get to know Compliance at TAURON Group ... and find out what we do" panel was also held. All of TAURON Group's employees were able to participate in it.

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

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

Several dozen trade union organizations that group about 71% of employees are operating within TAURON Capital Group. Additionally, in order to ensure proper dialogue and exchange of experience, the Social Council of TAURON Capital Group was established, which represents the trade union organizations

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

S 1.1.6. TAURON Group's WHS Policy

TAURON Group's 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 persons employed by and 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 persons employed by and working for TAURON Capital Group
- raising the qualifications of the employees of TAURON Capital Group, aimed at increasing competences with respect to improving their safety and the safety of other employees as well as persons who find themselves 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, binding for all entities present on TAURON Capital Group's sites, document describing the Group's uniform system of occupational health and safety.

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 the subsidiaries 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 are of particular importance, which is expressed in extensive safety systems, as well as inspections of working conditions, compliance with the work health and safety (WHS) regulations and rules at the individual work stations.

The most important documents regulating the work health and safety (WHS) issues include TAURON Wydobycie's Work (Occupational) Safety System implemented on April 1, 2021, TAURON Ciepło's Work (Occupational) Health and Safety Management Procedures or TAURON Wytwarzanie's Quality, Environment Protection and Work Safety Policy.

External entities that carry out work at the Group's subsidiaries are also obliged to comply with the applicable procedures, including with respect to health and safety of the employees. The employees of external companies (contractors and subcontractors) are also required to have up-to-date medical examinations (clearances, certificates) as well as relevant qualifications and authorizations for the works performed. Some of TAURON Capital Group's subsidiaries (especially those where working conditions are particularly dangerous) also introduce additional requirements and training for external entities.

Actions taken and results achieved

In order to improve the labor safety of the workforce, information and educational activities are intensified at TAURON Group's subsidiaries. They include, among others, the following projects conducted in 2021:

- Work Health and Safety (WHS) Knowledge Competition at TAURON Ciepło - due to the prevailing epidemiological condition, the competition was organized via the Group's intranet;
- Modular training courses entitled: Work safely - you have someone to come back to;
- Information campaign on the methods of providing first aid in the era of the new threat such as the COVID-19 coronavirus;
- Training employees who drive company cars in safe and economic driving techniques;
- Creating the Minute for OHS tab in TAURON Group's Intranet;

- Webinar: Road plague - human inattention;
- Popularizing of the content related to broadly understood safety in the non-professional aspect as part of the series: Take care of your safety;
- Quizzes related to work safety;
- Continuation of the activities undertaken as part of the "4Z" program - raising the employees' awareness of safety when operating belt conveyors, expanding knowledge with respect to threats occurring at work stations and developing the ability to identify them, along with the introduction of elements aimed at improving the workforce safety culture of the employees.

An important element in promoting the Work Health and Safety (WHS) rules at TAURON Group is the raising of the awareness of the employees and subcontractors, mainly through dedicated training courses, which in 2021 were conducted in the form of online meetings and workshops, as well as via an interactive e-learning platform.

Accident frequency rates

There were 206 accidents at TAURON Group's subsidiaries in 2021, leading to the total of 210 persons getting injured. There were 2 larger scale (group) accidents among them that led to 4 persons getting injured. In comparison to 2020, there was not a single fatal accident reported among the Group's workforce in 2021. The total number of accidents decreased by 6 incidents in 2021 as compared to 2020. The number of minor accidents also declined from 211 in 2020 to 205 accidents in 2021. As compared to the previous year, there was 1 major (severe) accident reported in 2021.

The accident frequency rate was 7.9 in 2021 and it was lower than the accident frequency rate reported in 2020 (8.3).

The employee accident rate (accident frequency rate) broken down by gender (Injury rate - IR) is presented in Table no. 63.

Table no. 63. GRI 403-9. Employee accident rate (accident frequency rate) broken down by gender at TAURON Capital Group in 2021

| | |
|---------------------------------------------------------------------------------------------|-------------|
| TOTAL NUMBER OF ALL ACCIDENTS | 206 |
| Women | 8 |
| Men | 202 |
| NUMBER OF FATAL ACCIDENTS AT WORK | - |
| Women | - |
| Men | - |
| NUMBER OF MINOR ACCIDENTS AT WORK | 205 |
| Women | 8 |
| Men | 197 |
| NUMBER OF MAJOR ACCIDENTS AT WORK | 1 |
| Women | - |
| Men | 1 |
| NUMBER OF GROUP ACCIDENTS | 2 |
| Women | - |
| Men | 4 |
| ACCIDENT FREQUENCY RATE | 7,9 |
| Accident frequency rate = (number of accidents at work x 1000) / average employment in 2020 | |
| Women | 0,3 |
| Men | 7,7 |
| ACCIDENT SEVERITY RATE | 60,0 |

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 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 | 121,3 |
| Men | 67,6 |

Due to the steadfast pursuit of a decrease in the number of accidents, activities promoting safe behavior at the workplace are continuously intensified. They include numerous training courses, covering both the employees as well as external entities performing work for TAURON Capital Group's subsidiaries. The percentage of TAURON Group's persons trained in 2021 is presented in Table no. 64.

Table no. 64. GRI EU18. Percentage of the employees employed by the contractors and subcontractors that have undergone the above WHS training

| 2021 | TAURON Serwis | TAURON Ciepło | TAURON Wydobycie | TAURON Wytwarzanie | TAURON Dystrybucja Pomiary | Spółka Usług Górniczych |
|-----------------------------------------------------------------------------------------------------------------------|---------------|---------------|------------------|--------------------|----------------------------|-------------------------|
| Percentage of the employees employed by the contractors and subcontractors that have undergone the above WHS training | 100% | 85% | 100% | 33% | 93% | 100% |

At TAURON Wydobycie all of the employees of external companies, i.e. contractors and subcontractors, attend additional WHS training under the Geological and Mining Law Act, before starting work at the company's coal mines. It is a prerequisite to be allowed to work at the coal mines. The above mentioned training is conducted with respect to work health and safety regulations applicable at the coal mines, running coal mine operations as well as fire safety, occurring threats, work order and discipline, rescue plan, communications and alerting rules, knowledge of the work area, as well as reporting accidents and threats.

At TAURON Dystrybucja, each contractor and subcontractor, proceeding to perform the work, undertakes in the contract that its employees have valid periodic work health and safety (WHS) training. However, before starting work, each employee, be it of a contractor or a subcontractor, must be familiarized with the general information on work health and safety (WHS) - attached as appendix no. 2 to IOBP.

At Kopalnia Wapienia Łatkowice, when hiring employees of external (outsourced) companies, they are required to have up-to-date medical examinations (certificates), relevant qualifications and authorizations to perform the work. The initial training is carried out according to the approved General Work Health and Safety (WHS) Training Program for employees of external companies and also on-the-job training is conducted. A coordinator is appointed to cooperate with the employees of an external company and control the compliance with work health and safety (WHS) regulations.

TAURON Serwis, as a subsidiary of TAURON Group, deals with the maintenance and repairs of energy facilities. In accordance with the specific nature of its operations, TAURON Serwis employees as well as the employees of the subcontracting companies are trained each time before starting work.

At TAURON Wytwarzanie the employees of external companies and their subcontractors are bound by an internal normative act regarding the employment of external companies with respect to the application of the provisions and principles of work health and safety, which include, inter alia, training requirements for the employees of external companies, as well as the described required documents that the external company is obliged to provide before proceeding to the implementation of the contract/order.

TAURON Wytwarzanie S.A. conducts training for the supervisory staff of external companies with respect to the threats to safety and health at the workplace, as well as to familiarize them with internal regulations in force at the company with regard to work (occupational) health and safety as well as fire safety.

Contractors, on the other hand, are obliged to train persons performing the subject of the contract/order with respect to threats to health and safety at workplace and during the performance of the works, as well as to familiarize themselves with internal normative acts in force at TAURON Wytwarzanie SA, with regard to work (occupational)

health and safety as well as fire safety, relevant for the given scope of work. Every time in case of subcontractors, the Contractor is obliged to fulfill the obligations described above.

Procedures for counteracting SARS-CoV-2 are described in detail in section 3 of this Report

TAURON Group's obligation to ensure safe and hygienic work conditions during the SARS-CoV-2 virus pandemic led to the further functioning of the Team for monitoring the impact of the epidemiological situation on TAURON Group's operations established on March 11, 2020. Similar, dedicated crisis management teams were set up at the Group's individual subsidiaries. Their main tasks included and still include:

- monitoring of the status of the epidemiological threat and the ongoing monitoring of the availability of the employees and services provided by TAURON Group's subsidiaries,
- developing and recommending solutions aimed at reducing the risk and their effects on TAURON Group's resources,
- keeping the employees informed on an ongoing basis by means of adequate messages distributed throughout the organization or at the individual subsidiaries.

S 1.2. Human Capital Related Risks



TAURON Group's main human capital related risks include:

- Human Capital Management Risk,
- Internal Communication Risk,
- WHS Risk.

S 1.2.1. Human Capital Management Risk

Table no. 65 presents the human capital management risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G 4.4.6., the human capital management risk is classified in the category: Operational Risk/Employees and organizational culture.

Table no. 65. Human Capital Management Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | 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. |   | <ol style="list-style-type: none"> 1. Adoption and implementation of TAURON Group's Recruitment Principles. 2. Adoption and implementation of TAURON Group's Human Capital Management Policy. 3. Adoption and implementation of the Policy of Compliance with Ethics Principles and Counteracting Mobbing and Discrimination. 4. Care for the development of the employees' competences, including through the participation in training courses. 5. Conducting consultations with social organizations operating at TAURON Capital Group. 6. Implementation of TAURON Group's Human Capital Management Policy based on the Competence Model and the applicable compensation and labor law regulations (Compensation Regulations, ZUZP, Labor Regulations). 7. Applying the provisions of the Diversity Policy. 8. Implementation of the provisions of the Respect for Human Rights Policy. |

S 1.2.2. Internal Communication Risk

Table no. 66 presents the Internal Communication Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G 4.4.6., the Internal Communication Risk is classified in the category: Operational Risk/Employees and organizational culture.

Table no. 66. Internal Communication Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | 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 the 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). | → ■ | <ol style="list-style-type: none"> 1. Developing relationships with TAURON Capital Group's workforce and close cooperation with the Social Dialogue Ombudsman. 2. The use and development of the available communication tools to provide relevant information to the employees of TAURON Capital Group. 3. When providing relevant information - organizing face to face (direct) meetings of the management team with the workforce. 4. Ongoing monitoring of the situation and events taking place at TAURON Capital Group's subsidiaries that may cause social concerns. 5. Regular periodic meetings with the representatives of the subsidiaries, that deal with the internal communication, in order to exchange information 6. Applying the provisions of TAURON Group's Communications Strategy. |

S 1.2.3. WHS Risk

Table no. 67 presents the WHS risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G 4.4.6., the WHS Risk is classified in the category: Operational Risk/Employees and organizational culture.

Table no. 72. WHS Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | Response to risk |
|----|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | WHS Risk | Risk related to ensuring health and safety at work. The materialization of the risk results in an employee injury, loss of health or excessive exposure of an employee to factors harmful to health, compensation paid out for damage to health. | → ■ | <ol style="list-style-type: none"> 1. Prioritizing the safety of the employees, customers, contractors and stakeholders in the business operations undertaken. 2. Applying the provisions of TAURON Group's Work Health and Safety (WHS) Policy. 3. Ensuring optimal working conditions. 4. Conducting active monitoring of the working conditions and the correctness of work organization. 5. Raising employees' qualifications with respect to improving work safety. |

| | | | | |
|----|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | 6. Conducting training courses, implementing and improving the WHS management system. |
| 2. | Pandemic risk | Risk related to the persistence of the pandemic causing disruptions to Poland's economic and administration and bringing about material changes in the market environment, impacting the operating conditions of TAURON Group's subsidiaries. The increase in the number of infection cases leads to a reduction of the business activity, which affects the level of demand for the products offered by TAURON Group's subsidiaries, including, in particular, the electricity distribution and supply volumes. | → ■ | <p>1. Monitoring of the epidemiological threat at TAURON Group.</p> <p>2. Collecting information on threats and identifying potential threats to the safety of the employees of TAURON Group's subsidiaries.</p> <p>3. Developing and recommending solutions aimed at reducing the level of threat to TAURON Group's resources.</p> <p>4. Ongoing monitoring of the risk of the availability of employees and services provided by TAURON Group's subsidiaries.</p> <p>5. Recommending solutions aimed at reducing the effects of the materialization of the threat on TAURON Group's resources.</p> <p>6. Preparing and providing feedback on the content of messages disseminated at the level of TAURON Group and TAURON Polska Energia S.A.</p> <p>7. Use of screening tests.</p> <p>8. Preparing contingency plans in the event of a loss of the Group's key employees.</p> <p>9. Development of backup business continuity plans.</p> <p>10. Undertaking trading activities in order to balance, on an ongoing basis, the buy position versus the observed drops in the volume of electricity sales.</p> <p>11. Taking advantage of market opportunities to secure the position in the Generation line of business (buy-backs).</p> <p>12. Use of the anti-crisis shield mechanisms (facilities).</p> <p>13. Increasing the frequency of monitoring overdue accounts receivable.</p> <p>14. Introducing additional credit risk-taking guidelines and extending the scope of testing (vetting) the financial condition of the customers..</p> <p>15. Introduction of a mechanism to monitor and cap (limit) spending.</p> |

S 2. TAURON Group's social and intellectual capital management

TAURON Group's social capital is based on developing mutual relations both within the organization as well as towards the external environment (stakeholders).

Social dialogue, that is related to both the existing production assets as well as the implementation of new investment projects, plays an important role in developing social capital. TAURON Group is conducting a good neighbor policy, under which it aims to improve the living conditions of local communities and cooperates with local government authorities. The Group is also involved in a number of undertakings for the benefit of the stakeholders, such as charity and education activities, cooperation with academic centers, employee volunteering and providing support for a number of important sports and cultural events.

An important element shaping the social capital of TAURON Group in the coronavirus era were activities aimed at developing the safety culture - understood as the continuous engraining of knowledge, shaping attitudes and

teaching how to behave in practice in a given situation. The Group got involved in a number of educational campaigns addressed to both employees as well as local communities. In 2021, there were also projects aimed at minimizing the social effects of the coronavirus pandemic and supporting the fight against it.

An increasingly important role in managing social capital is also played by activities aimed at shaping the appropriate organizational and business conditions necessary to achieve strategic goals with respect to the relations with the customers and the market environment.

Table no. 68. Results achieved as part of TAURON Capital Group's management of social capital in 2019-2021

| Results achieved | 2021 | 2020 | 2019 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Number of meetings with trade union organizations functioning at the Group's subsidiaries | 315 | 334 | 329 |
| Percentage of employees covered by collective bargaining agreements | 95.7 | 95.6 % | 95.7% |
| 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 | 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 | As part of the business operations conducted |
| Number of local and pro-social initiatives that TAURON Foundation has joined | 93 | 144 | 158 |
| Number of corporate social responsibility projects implemented | 22 | 18 | 11 |
| Number of cases of non-compliance and complaints regarding products and services of TAURON Capital Group with respect to providing information (disclosures) | 0 | 0 | 0 |
| Number of COVID-19 counteracting initiatives implemented for employees and communities | 8 | 11 | - |

The potential of intellectual capital covers with its scope 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, the 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.

Efficient intellectual capital management provides a chance to increase adaptive flexibility and carry out transformational activities aligned to changes in the market environment.

The results achieved as part of TAURON Group's management of intellectual capital in 2019-2021 are presented in Table no. 69.

Table no. 69. Results achieved as part of TAURON Group's management of intellectual capital in 2019-2021

| Results achieved | 2021 | 2020 | 2019 |
|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|
| Number of new research and development projects launched in all of the Group's lines of business | 3 (including 1 project conducted in cooperation with start-ups) | 10 (including 8 projects conducted in cooperation with start-ups) | 18 (including 9 projects conducted in cooperation with start-ups) |
| Number of projects underway in the R&D Area | 33 | 52 | 67 |
| Total value of projects underway | PLN 95 million | PLN 109 million | PLN 178 million |
| Co-financing obtained from external sources for the implementation of the R&D projects | PLN 40 million | PLN 42 million | PLN 48 million |

S 2.1. Policies, Codes, Principles supporting Line of Business (area) management

S 2.1.1. TAURON Group's PRO Client Social Policy

Pursuant to TAURON Group's Strategy for the years 2016-2025 adopted in 2016, the vision according to which TAURON strives to be a company that is best responding to customer needs in the Polish energy industry was defined. Based on the above, 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 supply and customer 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. 70) and extremely significant group of stakeholders.

Table no. 70. GRI EU 3. Number of TAURON Capital Group's individual and business customers as of December 31, 2021

| Supply group type | Supply Line of Business | Transmission and Distribution |
|-----------------------------------|-------------------------|-------------------------------|
| Individual | 5 220 416 | 16 421 |
| Business (including institutions) | 402 343 | 206 194 |
| Total | 5 622 759 | 222 615 |

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 their expectations.

Marketing research

Due diligence procedures implemented as part of the PRO Customer Social Policy include primarily periodic surveys. Their goal is to get to know the customers so as 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 2021 is presented in Table no. 71.

Table no. 71. Surveys carried out by TAURON Capital Group in 2021 as part of the due diligence procedures

| Subject of the survey | Time when the survey was conducted |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Surveys on products / services: | |
| Survey on the Specialist Service Technician product | 03.2021 |
| Survey on the assistance product for the Photovoltaics | 02-03.2021 |
| Survey on the new electricity and gas offering | 05-06.2021 |
| Energy Storage product customer satisfaction survey | 08.2021 |
| Survey on the combined PV+air conditioning+PC+energy storage offering | 09-10.2021 |
| Testing the potential of the QR code in the process of transferring a meter | 01.2021 |
| Monitoring of coherence and transparency of the marketing communications, including in particular the communications related to the new products and offerings, including: | |
| Survey on the effectiveness of the "Service Technicians Team" campaign | 06.2021 |
| Survey on the effectiveness of the "Something" campaign | 11-12.2021 |
| Mystery shopper research at Customer Service Centers and Partner Outlets (4 waves) | Q1, Q2, Q3, Q4.2021 |
| Survey on the awareness of the assistance product possession by customers – household segment | 10-11.2021 |
| Survey on the familiarity with TAURON offering | 11-12.2021 |
| Survey on the awareness of the functioning of the Partner Outlets | 04.2021 |

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 electricity pricing and seniors, were conducted. The summary of such surveys and their quantity are presented in Table no. 72.

Table no. 72. Educational activities carried out by TAURON Capital Group in 2021 as part of the due diligence procedures

| Information campaigns | Activities conducted as part of the campaign |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| | 137 638 – number of the campaign addressees |
| Seniors' campaign - a solution to "SOMETHING broke" („COŚ się zepsuło") | |
| An information and educational campaign aimed primarily at seniors, but also young people, who often act as carers for the elderly. | Promotion on industry and local portals, and also in the local press |
| As part of the campaign, in 2021, with seniors in mind, a guide was prepared on the safety of seniors in the Internet and outside it, as well as actions to be taken in the event of a failure of home appliances. For seniors, educational videos were also prepared, answering the questions: where to look for help in case of home appliance breakdowns, how to pay bills safely via the Internet, how to recognize unsafe e-mails and SMS messages. | Promotion in the social media and as part of the paid online campaign |
| | Distribution of the materials at Customer Service Centers and Partner Outlets |
| | 40 pages of practical knowledge for seniors |
| The next element of the campaign was the competition "Pomoc ma MegaMoc. Łączymy pokolenia" ("Assistance has MegaPower. We connect generations") implemented jointly with a nationwide radio broadcasting station, whose goal was to provide radio and online support for the campaign "Seniors' solution to "SOMETHING broke" („COŚ się zepsuło"). Through this campaign we drew the attention of young people to the problems faced by seniors on a daily basis. | More than 78 thousand unique viewings of the tauron.pl/seniorzy website |

| Information campaigns | Activities conducted as part of the campaign |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The starting point for the entire campaign was the report: Seniors' solution to "SOMETHING broke" („COŚ się zepsuło”), in which the results of a survey conducted among seniors were presented.</p> <p>The materials prepared as part of the campaign were promoted in the press, online and on the radio, as well as posted on the tauron.pl/seniorzy website.</p> | |
| <p>Content platform LEPIEJ (BETTER). lepiej.tauron.pl</p> <p><i>Lepiej. Serwis pełen rozwiązań (Better, Service full of solutions)</i> is a website created to support people in their choices - both those made every day as well as the unusual ones. The service is a response to the problems of the people who want to live BETTER, i.e. calmer, safer, happier and in harmony with nature. The content available on the website explains, in an easy and straightforward manner, the benefits of the solutions available at TAURON as well as on the market of energy products. In addition, there are tips on how to be safe online, related to free time, family life or self-development. The overriding goal of the website is to search for better solutions that will translate into a higher quality of life for each of the readers.</p> <p>The service was prepared in accordance with the principles of digital accessibility. Launched in May 2021, it is continuously supplemented with valuable content.</p> | <p>Promotion in the social media</p> <p>Wide-ranging online campaign</p> <p>Publications on the service in the media</p> <p>More than 200 contents in the Lepiej (Better) service.</p> <p>410 thousand viewings of the Lepiej (Better) service.</p> <p>More than 750 thousand viewings of the articles in the search engines</p> |
| <p>Video materials with a sign language interpreter</p> <p>In order to meet the needs of our customers, especially those that are members of minorities, we have made instructional videos to help understand the mechanics and benefits of having an account in the Mój TAURON (My TAURON) service. The videos were produced in the fourth quarter of 2021 with the assistance and participation of a sign language interpreter. In addition, they offer an option of a written transcription (captioning) of the text spoken by the speaker. Thanks to this, we were able to provide support for our customers in understanding the basic processes that they can perform on the website and encourage them to continue using the Mój TAURON (My TAURON) service. In addition to the video version, we provided customers with the text material containing answers to the most frequently asked customer questions.</p> | <p>Publications of the video materials on mojtauron.pl and on the TAURON YouTube channel</p> <p>8 thousand viewings of the YT videos</p> <p>Useful knowledge in a nut shell, in five 2-minute videos</p> |
| <p>Q4 campaign promoting the online functionalities for the 55+ group</p> <p>In the fourth quarter, a wide-ranging online outreach campaign was conducted for people aged 55+, aimed at providing informing on the online functionalities available for TAURON's customers, such as transferring the meter, paying invoices, providing the meter readings or changing customer data. The effect of the campaign is a significant increase in the awareness of the service functionality among the target group, as well as a more than twofold increase in the number of logins to the website as compared to the previous period.</p> <p>The campaign used both static objects as well as two video spots, which were promoted, among others, in online TV services. The marketing activities contributed to a significant increase in the viewings of the individual functionalities' websites, as well as to unique viewings of the service website.</p> | <p>More than 2 times more viewings of the service website - 660 thousand unique viewings</p> <p>2 times more transitions to the product websites during the campaign</p> <p>Wide-ranging online campaign (performance campaign including mailings, display activities, online TV promotion, affiliations, programmatic)</p> <p>Activities carried out in the offline channels: radio, press, spotify</p> |
| <p>"Bezpieczniki TAURONA" (TAURON Fuses) series educational programs for customers</p> <ul style="list-style-type: none"> • Turn on for the sake of the child, • Turn on for nature, • Turn on at work. <p>Customer education in such areas as safe, conscious and rational use of electricity, first aid, especially after an electric shock, security of electricity supply, environment protection.</p> <p>The campaign is carried out in the media (online, television, radio, press, social media), in the direct communications with local governments, schools, regional education authority (board of education), chambers of commerce, as well as during events.</p> <p>Customer education covered such topics as: electro-waste and energy labels, safe lighting for holidays, tree planting near power lines and caring for trees already planted, safety of works, including agricultural works, performed near power lines, first aid in case of an electric shock.</p> | <p>50 000 users of educational materials on the educational portal for children</p> <p>Promotion on industry and local portals</p> <p>Promotion in the social media</p> <p>Nearly 3 million internet users watched our educational videos</p> <p>60 000 viewings of the first aid course - 3 parts of the on-line training "First aid has megaMOC"</p> |
| <p>Educational campaign for individual customers on photovoltaics</p> | <p>Wide-ranging online campaign</p> |

| Information campaigns | Activities conducted as part of the campaign |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The campaign was aimed at expanding the knowledge and awareness of photovoltaics among household owners. TAURON Dystrybcja has prepared a special guide in which it answers the most frequently asked questions by the prosumers regarding the correct operation of the photovoltaics solutions. Preparing advice and guidelines for the prosumers is also a response to complaints that affect the correct operation of home installations.</p> <p>The company also tested the level of customer knowledge in the field of photovoltaics. The survey covered a group of prosumers whose micro-installations did not work properly having been connected to the grid.</p> <p>TAURON Dystrybcja has also created a special online tool: a form using which it will be more convenient to report home micro-installations. So far, most of such applications have been received by the company by e-mail. Now both the installers as well as the customers are able to use an intuitive and quick-to-use tool. Reporting micro-installations using this form allows one to eliminate the most common errors and shortcomings seen in the applications.</p> <p>The company also organized a Webinar for micro-installation contractors, whose purpose was to provide knowledge on the development of renewable energy sources (RES) in the company's area of operations, the impact of micro-installations on the grid's operation and the presentation of the results of the research on the adjustment capabilities of inverters.</p> | <p>Communications with local governments</p> <p>Promotion of the publication in the industry media, nationwide (online and press) and local (radio)</p> <p>Promotion in the social media</p> <p>Nearly 40 000 „Prosumer Guide” downloads</p> <p>More than 700 participants in the prosumer survey</p> |
| <p>New eBOK service for the distribution customers</p> <p>TAURON Dystrybcja has launched a new self-service portal (electronic Customer Service Center) for households as well as small and medium-sized enterprises customer segment.</p> <p>The distribution customers can use the service (website) on a desktop computer and from anywhere on a tablet or smartphone for 24 hours a day, 7 days a week. On the website, they can view the data and parameters of their contracts and change their contact details themselves. They can also conveniently pay bills and view the history of their payments and invoices.</p> <p>Other options offered by the new eBOK include reporting failures or searching for scheduled outages, checking one's electricity consumption and direct sending and receiving of messages from TAURON Dystrybcja. It is also possible to switch from the service to other distribution services i.e. eLicznik (eMeter) or Przyłączenia (Connections).</p> | <p>Communications in the media</p> <p>A guide for online customers has been prepared - answers to the frequently asked questions</p> |
| <p>A series of online guides for customers on the topics of most interest thereto</p> <p>The guides are related to:</p> <ul style="list-style-type: none"> operation of micro-installations - "Why are micro-installations shutting down", planting trees near power lines and caring for trees already planted - in terms of customer safety, as well as failure-free electricity supply - "What to plant so as not to overdo it", rules of safe operation of electrical devices and safe behavior in the vicinity of energy devices - "Safety conduct near power devices ", changes in the method of calculating the capacity fee for some end users in connection with the amendment to the Act on the Capacity Market - "Change in the method used to assess the capacity charge" information on how to help storks when winter attacks in spring. There are more than 2 200 stork nests on TAURON Dystrybcja's power grid poles. The company has been helping these protected birds survive for years - "How to help storks when winter attacks" TAURON Dystrybcja advises on how to choose an outdoor lighting set that will not only provide a beautiful visual effect, but above all will be safe to use - "How to choose safe lighting for the holidays season" <p>The guides are available on the company's website.</p> | <p>Paid online campaign</p> <p>The guides have been downloaded over 115,000 times</p> <p>Promotion of the publications on the industry websites</p> |
| <p>"Bocian nasz" (Our Stork) program</p> <p>More than 2 200 stork nests are located on TAURON Dystrybcja's power poles. Power engineers take care of them especially in winter, when the birds are not in Poland, and the care and cleansing treatments can be performed on the nests. The scope of works corresponds closely to the life cycle of the birds and the need to ensure safe operation of the power grid.</p> <p>The action is aimed at ensuring the safety of customers, failure-free electricity supply and the safety of storks that build nests on the power poles. An information campaign addressed to the customers draws their attention to the safety of animals that cannot be guaranteed without the safety of our customers. The program is also designed to draw customers' attention to aspects related to environment protection.</p> | <p>Cooperation with local governments</p> <p>Expert support from the Regional Directorates for Environmental Protection</p> <p>2 200 stork nests are located on power poles</p> <p>Information campaign in the media, including the social media</p> |

Customer service through the highest quality sales and service channels

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

In 2021, for privileged persons, at Customer Service Centers (Punkty Obsługi Klienta - POK):

- 1) Provision of priority service was continued.
 - 2) Priority service marking was maintained:
 - 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) The elderly (seniors) and people with disabilities are provided with magnifying sheets and signature boxes.
2. A service queue for seniors has been implemented in the telephone contact channel.

Additional facilities have also been introduced in the telephone contact channel for all customers:

- 1) Further IVR simplifications have been implemented, allowing, among other things, to remind the customer the topic regarding which he made his/her last contact.
- 2) additional functionalities were launched to improve customer service, among others the customer can identify himself/herself before getting connected with the hotline agent.

3. In the online channel:

For the elderly (seniors) and people with disabilities:

- 1) Functionality of the website: www.tauron.pl, on which it is possible to increase the contrast and font size was maintained.
- 2) The tauron.pl/bezbarier subpage was launched, which presents all the facilities introduced for people with hearing, visual and movement disabilities and for seniors.

For all of the customers in the online channel:

- 1) The scope of customer service on the chat has been extended - now the service in this channel is the same, as in other channels.
- 2) The tauron.pl/dla-domu/obsługa-klienta subpage for the customers has been updated.
- 3) The home page tauron.pl has been modernized with respect to positive user experiences.
- 4) The response time in the e-mail channel has been shortened (for selected cases, the response time does not exceed two hours).
- 5) The number of interactions has been reduced to two on the same topic, in the electronic channel. After two e-mail messages, TAURON Group's employees call back the client to speed up the handling of his case (request).
- 6) In online channels, the process of stopping customer service via e-mail in favor of offering customer service via thematic forms, which are posted on the website or in the Mój TAURON (My TAURON) service, has been started. Thanks to this, the customer addresses his/her message directly to the employee specialized in the given topic.
- 7) Another 40 service forms have been digitized, which allow for resolving (handling, fixing) the customer's case without the need to visit the Customer Service Center (POK), as well as without the need to download the application from the website www.tauron.pl in order to print, scan and ship it.
- 8) In the Mój TAURON (My TAURON) service (website), forms have been provided which allow, inter alia, for data update, payment distribution into installments, postponement of the payment date, change of the contracted capacity.

Responsibility towards the customer at the time of the SARS-CoV-2 pandemic

In connection with the COVID-19 pandemic underway, TAURON Capital Group has introduced pro-customer solutions that make it possible to resolve issues without leaving home:

1. Self-service processes and their presentation on the tauron.pl website have been simplified.
2. TAURON's automatic assistant that shows customers how they can solve the given case has been retained.
3. The documents digitized in 2019 have been promoted among the customers:
 - Handover and Acceptance Protocol (PZO),

- Application to conclude or amend a contract (WOZ).
- 4. The customer service and My TAURON (Mój TAURON) mobile application have been promoted, using which the customer independently resolves issues related to electricity and gas.
- 5. The practice of making appointments via the tauron.pl website and via the hotline has been maintained at customer service centers.

All security measures for customers and employees are in place at the stationary customer service centers. Disinfectant dispensers have been replaced with the non-contact dispensers. All of the employees use face masks when serving customers.

In the event of the COVID-19 infection incidents at the Customer Service Center, disinfection and employee tests are carried out to restart the facility as soon as possible and maintain continuity of customer service.

In order to maintain the continuity of service via the remote channels, customer service is carried out in a total of 9 locations provided by the external partners. Such a number of sites ensures the continuity of services provided by the partners – if the COVID-19 cases are found in one location, the service is transferred to the others.

A 50/50 stationary and remote service model was implemented at the external partners, i.e. 50% of the staff work remotely and 50% operate in the stationary mode.

In 2021, TAURON Dystrybucja changed the electronic communication channel for the micro-installation grid connection applications – starting from November 15, 2021, customers can report (submit) micro-installations in electronic form only via the www form. In order to make it easier for the installation contractors to use the new tool, an online training on the use of the form was provided for them.

New electronic forms for handling distribution related matters have been launched on the tauron-dystrybucja.pl website,:

- Ordering the service to be performed at the consumer's additional request,
- Application for placing advertisements/devices on TD's facilities,
- Application to install a meter enabling a remote read-out.

As part of the Distribution Hotline, a dynamic IVR has been launched, enabling customer identification at the IVR level - identification based on the phone number, prediction of the contact topic.

During the time of an increased number of COVID-19 infections, from January to April and in December 2021, temporary restrictions were introduced on the performance of works on the metering systems inside the customers' premises. Such works were related to the meter readings and maintenance works. The works on the metering systems and related to the rectification of failures as well as meter read-outs, that required entry to the premises were carried out with the consent of the customer and with the use of the required personal protection equipment by the relevant personnel. When performing meter read-outs, the company's representatives first asked the customers to provide the meter read-out without going inside the premises.

In order to provide protection against COVID-19, the employees were using personal protection equipment, i.e. face masks or face shields covering the mouth and nose, disposable gloves and disinfectants. With the increase in the number of infections, communication with the employees and customers about the need to use personal protection equipment and maintaining social distance was enhanced. In case of premises or persons subject to isolation, quarantine or epidemiological supervision, the customers were asked to provide such information upon contact with a TAURON Dystrybucja representative, prior to starting any works. The relevant tasks were carried out at a later date agreed upon with the customer.

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 the customers 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, TAURON Group commenced 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. Language consultants who act as ambassadors of simple communication have also been selected at TAURON Obsługa Klienta, TAURON Sprzedaż and at TAURON Dystrybucja.

As part of the TMPL project in 2021:

- a subpage was launched to show the effects of our previous activities: tauron.pl/tmp/,
- at four of TAURON Group's subsidiaries (TAURON Polska Energia, TAURON Sprzedaż, TAURON Obsługa Klienta and TAURON Dystrybucja) 4 Initiative Coordinators, 15 Trainers and 60 Plain Language Consultants were appointed,
- the requirement to agree upon all documents, messages, and marketing materials with plain language consultants before sending them out to the customers or publishing was upheld,
- a website dedicated to the project was updated on the Group's intranet, where users would find: writing style handbook (stylobuk), information on the consultants and language tips written by the consultants.

Almost 700 documents and 1000 messages have been simplified since 2017 thanks to the initiative.

In 2021, TAURON Group celebrated, for the first time, the International Plain Language Day on October 13.

As part of the project, the employees were provided the opportunity to participate in:

- webinar on effective communication at TAURON,
- three quizzes with prizes, thanks to which the employees could test their knowledge of the rules of plain language and the TAURON speaks the way humans do initiative,
- an online meeting with Tomasz Piekot - Simple and classy, or why TAURON speaks the way humans do.

The above activities are conducive to the development of the processes of providing reliable and comprehensible on the products and services offered.

As a result, in 2021, similar as in the previous years (2019-2020), no cases of non-compliance of products and services with respect to the information and labeling thereof, as well as no cases of non-compliance regarding marketing communications were reported in entire TAURON Capital Group.

In accordance with the principles stemming from the PRO Client Social Policy, the marketing message sent by TAURON Group is not only in line with the law, but also with good practices. The above is illustrated in tables no. 73 and no. 74.

Table no. 73. GRI 417-2. Cases of non-compliance of TAURON Capital Group's products and services with respect to the information and labeling thereof in 2021

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

Table no. 74. GRI 417-3. Cases of TAURON Capital Group's non-compliance regarding marketing communications in 2021

| | TAURON Dystrybucja | TAURON Sprzedaż | TAURON Ciepło | TAURON Nowe Technologie | Kopalnia Wapienia Czatkowice | Bioeko Grupa TAURON | TOTAL NUMBER OF CASES |
|----------------------------------------------|--------------------|-----------------|---------------|-------------------------|------------------------------|---------------------|-----------------------|
| Regulations - resulting in a fine or penalty | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Regulations - resulting in a warning | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Internal codes of conduct | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL NUMBER OF CASES | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Handling of complaints

In accordance with the adopted procedure, the customers can file comments on the services provided by TAURON and the quality of service through all available contact channels.

The procedure has been prepared separately for handling matters related to the electricity supply and separately for the services for which the distributor is responsible.

The complaint handling system in place at TAURON Sprzedaż since 2019 is shown in Figure no. 31.

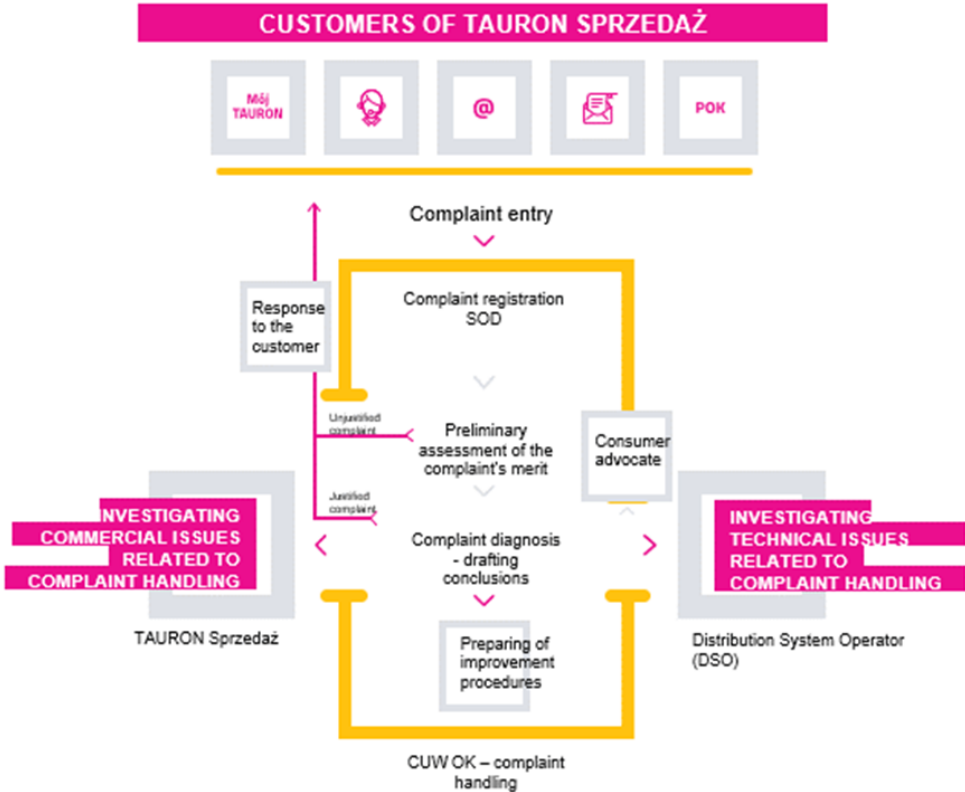


Figure no. 31. Customer complaint handling system in place at TAURON Sprzedaż since 2019

The complaint handling system in place at TAURON Dystrybucja since 2019 is shown in Figure no. 32.

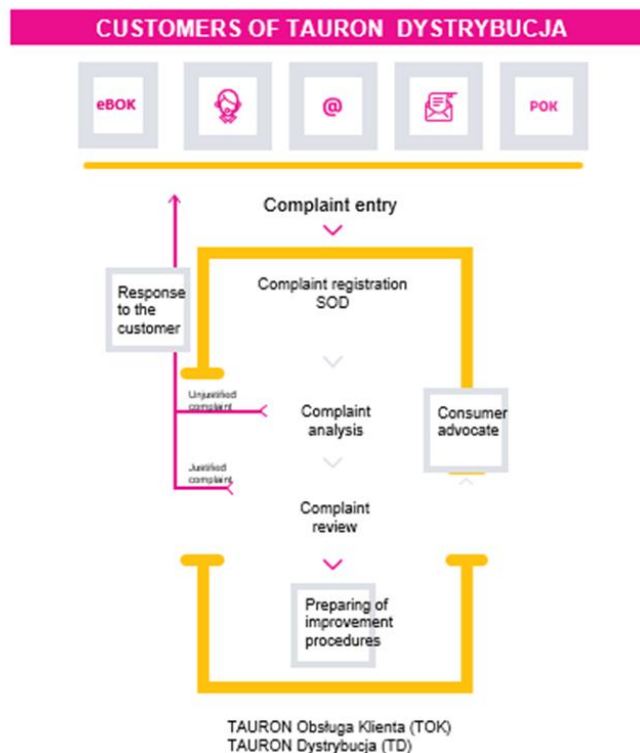


Figure no. 32. Customer complaint handling system in place at TAURON Dystrybucja

Customer Satisfaction Index

Customer Experience Management at TAURON Group

Customer experience is understood at TAURON Group as the sum of interactions with the customer, not only during customer service, but also at all other points of contact with the company. Experience research in 2021 was carried out in the areas where the customer most often meets (faces) the company, i.e. in the process of handling grid connections, contracts, settlements, debt collection and filing a complaint.

The research was carried out:

- via online surveys (every month),
- in the form of interviews conducted quarterly via the hotline.

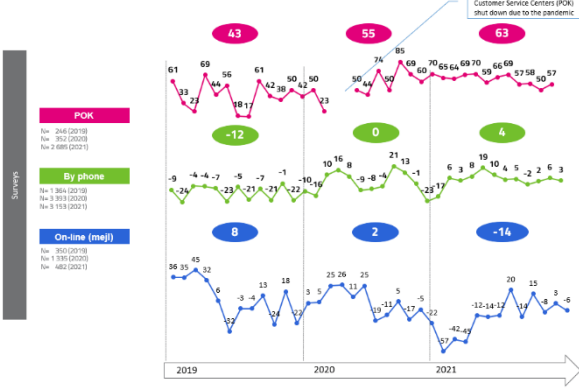
The main areas of research focus include:

- the level of customer loyalty (NPS – Net Promoter Score) - after going through the given process,
- the effort (CES - Customer Effort Score) that the customer put into solving their issue at TAURON.

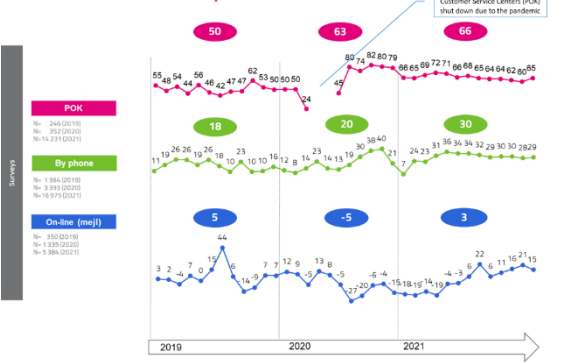
The below charts present the loyalty level (NPS – Net Promoter Score) of the customers following the process that they have participated in and what improvements and changes should be introduced in order to meet the customers' expectations with respect to the customer service (handling) provided.

The below figure below presents the results of the customer loyalty survey (NPS) among TAURON Capital Group's customers from the households segment in the years 2019 - 2021. The complaint area was covered by the survey later, therefore the data is presented for the 08.2020 - 12.2021 time frame.

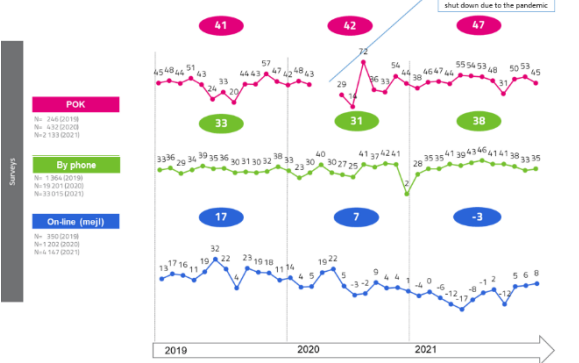
NPS- results with respect to grid connections



NPS- results with respect to contracts (agreements)



NPS- results with respect to billing and payments



NPS- results with respect to debt collection



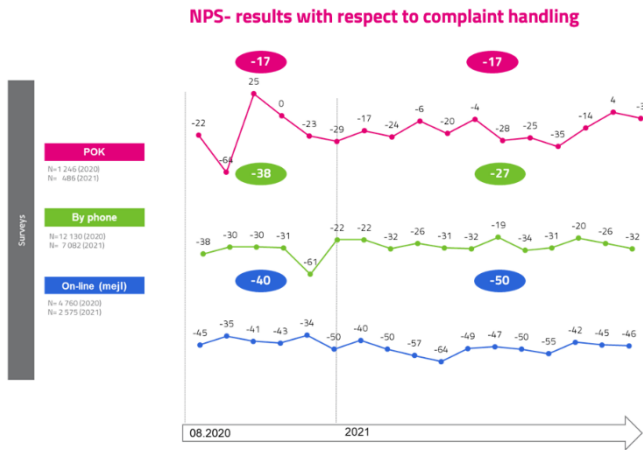
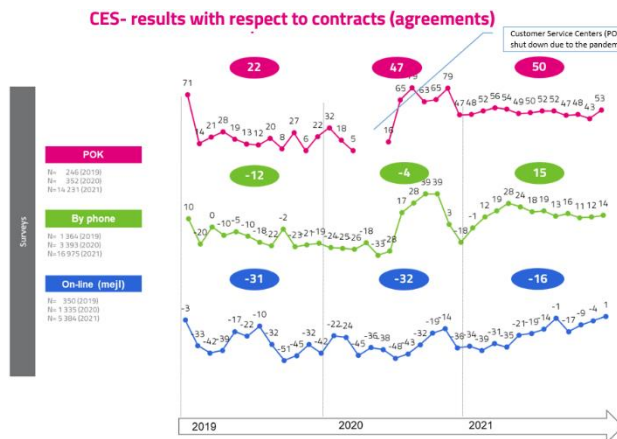
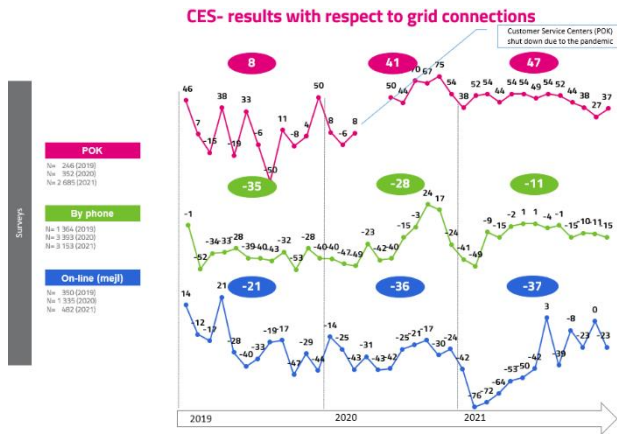


Figure no. 33. Results of the customer loyalty level (NPS) survey among TAURON Capital Group's customers from the households segment in the years 2019 – 2021

The below figure presents the results of the customer effort (CES - Customer Effort Score) among TAURON Capital Group's customers from the households segment in the years 2019 - 2021. The complaint area was covered by the survey later, therefore the data is presented for the 08.2020 - 12.2021 time frame.



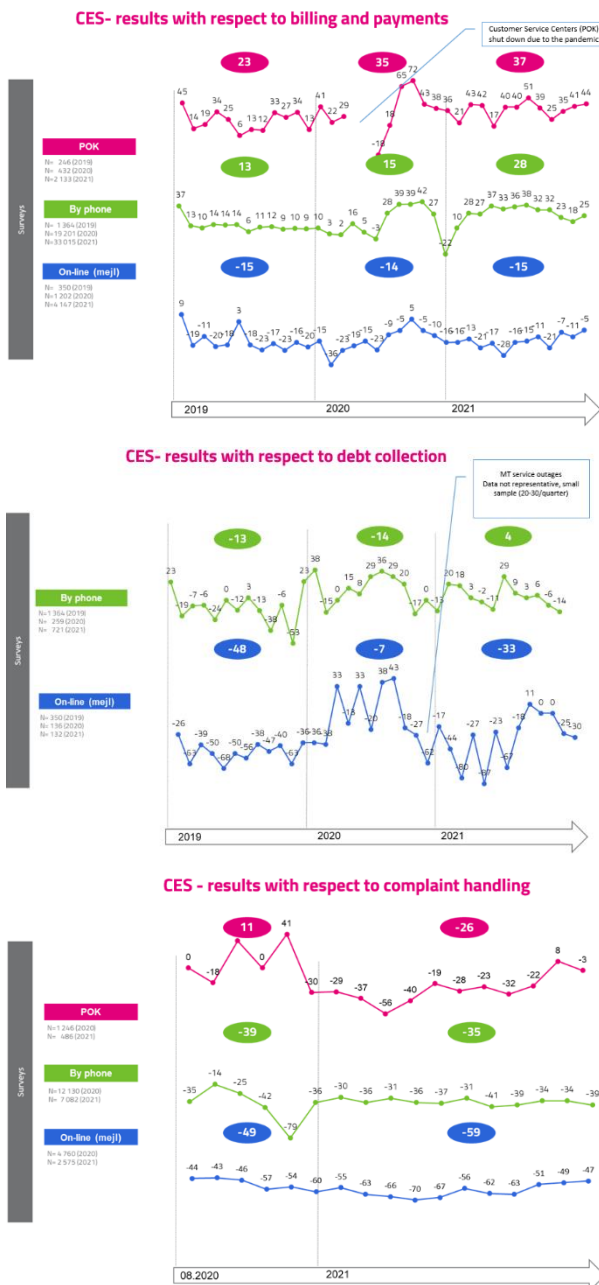


Figure no. 34. Results of the customer effort (CES) survey among TAURON Capital Group's customers from the households segment in the years 2019 - 2021

S 2.1.2. Strategic Research Agenda (SAB)

TAURON Capital Group is carefully analyzing changes in the environment that affect its entire value chain. Its individual elements determine or are likely to have a significant impact on that chain in the foreseeable future. We see an intense development and potential importance of distributed power generation sources, 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 2020. 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

This way 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 through 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. 75.

Table no. 75. GRI EU DMA. Research and investment projects in 2021 aimed at ensuring the reliability of electricity supply and promoting sustainable development within the Group and by TAURON Capital Group

| Investment project categories | Investment project type – investment project name (broken down into categories in the table) | Investment project description | 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 electricity consumers whose demand can be controlled (managed) | The implementation works related to an innovative Virtual Power Plant platform (hereinafter referred to as "VPP"), developed in 2017-2021, - allowing for the aggregation of the generation and control (adjustment) potential of the distributed renewable energy sources, energy storage facilities (units) and selected categories of controllable loads. | 322 934,15 |
| TOTAL COSTS IN THE CATEGORY | | | 322 934,15 |
| Electricity distribution | Distributed energy 2.0 operating model - self-balancing power grid areas | The goal of the project is to verify the technologies that would enable setting up of local power sub-grids, called micro grids. As part of the project, a pilot micro grid installation will be built and tested in terms of: maintaining the balance and continuity of power supply, quality of electricity, operational safety from the perspective of the consumers, devices and the grid, as well as the economic aspects of the entire solution. Based on that, guidelines will be developed enabling the interoperation of microgrids with the electricity distribution grid. The result of the Project's implementation will be a fully functional and tested pilot installation (operating in the actual conditions) as well as the detailed technical documentation of the solution, that would allow for its implementation both on the Polish as well as the foreign market. | 4 214 493,56 |
| | Flexible Distribution - a prototype of a simulation tool | As part of the project, a compendium of knowledge on flexibility services and a case study in a selected pilot area will be developed, including an assessment of the effectiveness of a potential purchase of flexibility services in relation to the planned expenditures on the grid modernization and the possible time frame of such modernization. There will also be an audit of the IT systems' data availability and its usefulness for identifying the needs in terms of acquiring flexibility services and assessing the economic effectiveness of this process. The final product (outcome) of the project will be a prototype of a tool supporting the decision-making process regarding the purchase of flexibility services, based on the analytical and forecasting methods developed as part of the project. | 11 000,00 |
| TOTAL COSTS IN THE CATEGORY | | | 4 225 493,56 |
| Transmission and distribution technologies | 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. | 205 000,00 |
| | Integrated Grid Diagnostics System | The goal of the project is to conduct the 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 (the Polish acronym ZSDS). | 137 126,72 |

| | | | |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| | Remote control of electric circuits in the power grid | The goal of the project is to test a device mounted on TAURON's infrastructure, the main executive element of which in the power circuit is a fuse (a single-phase or three-phase one) enabling remote switching off and on of the protected circuit and restoring power after the protection has been triggered. The pilot project was carried out as part of the KPT ScaleUp acceleration program; the funds to cover the costs of the pilot project came from the Polish Agency for Enterprise Development (PARP). | 250 000.00 |
| TOTAL COSTS IN THE CATEGORY | | | 592 126.72 |
| | 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. | 113 267.36 |
| | Flexibility of the existing power generating units with limited capital expenditures | The project focuses on developing an improved flexibility control and monitoring system (IFCAMS) that impacts the flexible use of the coal-fired generating units. It is expected that the technology developed will allow the power plants to be operated efficiently, taking into account the new requirements for power ramp up/ramp down. The use of IFCAMS will shorten the power ramp up/ramp down time and will reduce the operating costs related to numerous unit failures (thanks to the reduction of the current technical minimum). | 526 967.56 |
| Advanced technologies (storage, recovery, etc.) | 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. | 3 632 013.33 |
| | 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). Due to the delays in component deliveries, no expenditures required in 2021. | 0.00 |
| | 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. | 77 878.00 |
| | Developing and testing an adaptive electricity storage system based on the second life of the batteries coming from electric vehicles (Second Life ESS) | The goal of the project is to develop a prototype of an innovative electricity storage system, based on the reuse of the lithium-ion batteries from the electric transportation, 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. | 831 536.25 |

| | | | |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| | 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 development of the technology for the processing of waste from the fluidized bed boilers, with the use of 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. | 1 843 025.38 |
| TOTAL COSTS IN THE CATEGORY | | | 7 024 687.88 |
| | Development of advanced technology for the monitoring and predictive analysis of the technical condition of the boiler in order to increase the reliability of the boiler unit | The origin of the project is associated with the need to improve the availability (dispatchability) 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 (overhauls). | 422 524.56 |
| Innovative related services (e.g. remote meters) | Development and demonstration of a computer system for operation control and management of the availability (dispatchability) and reliability of the industrial infrastructure based on artificial intelligence algorithms | The goal of the project is to develop a prototype modular computer system based on artificial intelligence algorithms in order to increase the reliability of Tauron Group's generation infrastructure. The goal will be achieved through the creation of a hybrid IT infrastructure, which will include adaptive predictive/prescription models interoperating with the control systems, optimization algorithms, numerical models, databases and algorithms controlling the health of the energy devices. | 3 326 616.74 |
| | Internet of Things (IOT) | Developing the Internet of Things technology in cooperation with the city of Wrocław. The project's goal is to develop and implement an IT architecture for collecting and managing data from the selected areas of a smart city, the deployed solution assumes scaling up with respect to the number of sensor devices and the functional areas supported. In the first phase, the project focuses on air quality monitoring, waste management, smart street lighting and parking areas management, subsequently the city road traffic monitoring functionality was added. The IT environment developed, along with the recommendations, will be the basis for creating and offering the ultimate product to the cities and municipalities. | 106 067.59 |
| | HEMS (Home Energy Management System) Program | The goal 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. Activities related to HEMS focus on maximizing the energy potential of houses and devices, customer convenience and smart use of ecological products. To achieve these goals, modern solutions are used, i.e. artificial intelligence, smart home technology, etc. In 2021. the HEMS program has been extended to include an additional group of addressees - i.e. business customers. | 341 786.23 |
| TOTAL COSTS IN THE CATEGORY | | | 4 196 995.12 |

TOTAL AGGREGATE COSTS

16 362 237.43

S 2.1.3. TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects – support for the social transition

The main document regulating the issues of TAURON Group's responsibility towards the public is TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects adopted by the Management Board of TAURON Polska Energia in 2020. The regulations contained in the document specify what constitutes an activity that is a part of the CSR projects at TAURON Group, what are its goals and dimensions, and how to plan and implement CSR projects to ensure their transparency and compliance with the generally applicable legal regulations, internal and intra-corporate regulations and good practices.

Based on the above as well as on the *Best Practices of WSE Listed Companies 2021* (Best Practices 2021), TAURON Capital Group implements numerous projects aimed at improving the social interest, respecting stakeholders and the principles of ethics, paying particular attention to transparency of operations and open communication in the spirit of dialogue and trust.

In 2021, TAURON Capital Group implemented a total of 10 framework (master) projects with an aggregate value of PLN 2 020 000, dedicated to supporting local communities.

TAURON Group pays particular attention to the proper performance of the role of a responsible member of the community within which it is operating. TAURON Group addresses pro-social projects broadly, proportionally to the range of its business activities.

In terms of the CSR projects addressed to external stakeholders, TAURON Group focuses on a few selected areas:

- The first is to provide support for the development of children and adolescents from families at risk of social exclusion caused by the transformation of the manufacturing industry. The most important projects in this respect, in the era of the social transition of TAURON's region of operations, include cooperation with the House of Guardian Angels Association for Helping Children and Youth, initiated in 2018. The association supports children from the poor post-mining and post-smelting districts, focusing on providing equal opportunities.
- Being aware of the importance of promoting a healthy and active lifestyle, as well as the role played by sport in the upbringing of the youngest generations, TAURON Group launched a program entitled TAURON supports young athletes. As part of the program, TAURON supports entities whose statutory activity is based on running sports projects in such disciplines as volleyball, football and swimming. Since 2018, TAURON Group has also been involved in promoting sport among children and youth by organizing a proprietary football tournament called TAURON Junior Cup.
- Education is another important area of social activities. TAURON Group, as a leader in the energy industry, uses its in-house specialist competences to promote education and knowledge related to exact sciences, as well as safe use of electricity. *Bezpieczniki TAURONA* (TAURON Fuses) is the most important project in the area under discussion. As part of the project, TAURON Group provides ready-made lesson plans for teachers, a guide for parents as well as interesting games and educational materials related to electricity for students. All information is available on the website dedicated to the project: <https://edukacja.bezpieczniki.tauron.pl/>.
- TAURON Group supports numerous Foundations as part of the framework (master) projects. In 2021, TAURON Polska Energia cooperated, among others, with the ISKIERKA Foundation, which helps children with cancer. As part of joint activities, hospital wards in Katowice and Gliwice were renovated, carnival balls for the children under the Foundation's care as well as an integration family picnic were organized.

In addition to the framework (master) projects dedicated to the local communities, smaller projects are also implemented, both at the Capital Group's level as well as those of the individual subsidiaries.

S 2.1.4. Cooperation with the local government authorities

TAURON Capital Group is cooperating and maintaining close relations with the local authorities in the area of its operations.

There are nine proxies responsible for contacts with the local government authorities at TAURON Dystrybucja, whose tasks include holding regular, direct meetings with the presidents and mayors of cities, heads of municipalities, county boards, as well as participation in the County Crisis Management Centers, meetings of the local associations of municipalities and counties, metropolitan areas and other local government associations.

In 2021, proxies responsible for contacts with the local government authorities held 737 meetings in municipalities and 75 meetings in counties in TAURON Group's distribution area.

The meetings were devoted to agreeing the planned investment projects, communicating matters important for TAURON Group, as well as dealing with the current issues related to ensuring electricity supply, implementing distribution contracts, modernizing the grid, eliminating collisions, cutting trees, etc.





The subjects related to the use of renewable energy sources in the municipalities and the electricity billing rules for the prosumers arouse great interest of the local government officials. This is mainly due to the broad opportunities for the municipalities to obtain external funds for the elimination of the low emission sources and the increasing availability of the technological solutions.

S 2.2. Risks related to social capital management

S 2.2.1. Social Risk

Table no. 76 presents Social Risk identified at TAURON Capital Group. In accordance with the Risk Model described in section G 4.4.6., the Social Risk is classified in the category: Operational risk/Employees and organizational culture

Table no. 76. Social Risk identified at TAURON Capital Group

| # | Risk name | Risk description | Trend and risk materiality | Response to risk |
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| 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. |   | <ol style="list-style-type: none"> 1. Applying the PRO Client Social Policy. 2. Conducting the dialogue with customers, including customer satisfaction surveys, tailoring the product offering to their needs, ensuring high quality of customer service. 3. Developing relationships with customers and the market environment. 4. Responsibility for the product, including for the quality and security of supply, tailoring the product offering to customer expectations. 5. Protection of privacy and security of the customers' personal data. 6. Deploying tools supporting the implementation of the client social policy. 7. 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. 8. Implementation of the promotional activities in accordance with the adopted TAURON Brand Strategy and TAURON Group's Sponsorship Strategy for the years 2018-2025, taking into account respect for human rights and conducting responsible marketing activities. |
| 2. | Corporate social responsibility area management risk | Risk related to the involvement of TAURON 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 the society. |   | <ol style="list-style-type: none"> 1. Implementation and performance of the CSR project plan, which specifies all activities, including the justification thereof. 2. Applying the document entitled TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects. 3. Approval of the key activities by the authorized areas. |

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| 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 an inadequate image of the company. | → ■ | <p>1. Supervising the process of establishing the methodology for conducting promotional and sponsorship campaigns, approving of the key activities by the authorized areas.</p> <p>2. Implementing the Visual Identification System, appointing a Team responsible for assessing and approving the image building projects.</p> |
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S 3. GRI Indices

- 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 102-17 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 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 203-1 Investments in products and services
- 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 102-15 Key impact, risks and opportunities
- GRI 102-16 Values, ethics code, principles, standards, and norms of behavior
- Average duration of interruptions in the supply of distributed electricity

- 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
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- 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 29, 2022

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| Artur Michałowski | - acting President of the Management Board Vice President of the Management Board for Trading |
| Krzysztof Surma | - Vice President of the Management Board for Finance |
| Jerzy Topolski | - Vice President of the Management Board for Asset Management |
| Patryk Demski | - Vice President of the Management Board for Strategy and Development |
| Artur Warzocha | - Vice President of the Management Board for Corporate Affairs |