



# NON-FINANCIAL REPORT

of TAURON Capital  
Group for 2022

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# LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-22

Ladies and Gentlemen,

We have a difficult year of hard work behind us, fraught with many challenges, including those related to the energy crisis caused by the Russia's invasion of Ukraine. The entire economy, both in Poland and globally, experienced a huge turmoil in the raw materials market, while the energy market required a number of regulations. Despite these problems, also thanks to the exceptional commitment of our workforce, TAURON Group was functioning smoothly, providing our customers with uninterrupted access to electricity and heat at acceptable prices. During this period, we were steadfastly pursuing our expansion objectives at TAURON Group's subsidiaries, while continuing to maintain our leadership of Poland's transformation.

In June 2022, we announced a new strategy: "Green Turn of TAURON. Energy Around the Clock". The document outlines in detail the directions of our expansion, making our company's efforts in line with the rapid changes of the European and global energy industry. In the strategy, we have adopted a sustainable development path, in line with the global trends, including taking into account the sustainable goals of the United Nations.

We have not remained passive in view of the challenges faced by the Ukrainian people and energy professionals in the war ravaged Ukraine, we describe our efforts in this regard further on in the Report.

In every activity we take into account the interests of our customers, employees as well as those of the environment and climate. TAURON's priorities continue to include sustainable development and the pursuit of ensuring universal access to reliable and modern energy services at affordable prices. We make our contribution to increasing the share of renewable energy sources in the global energy mix, we want to expand international cooperation aimed at facilitating access to research on clean energy and technologies in the field of renewable energy, energy efficiency, as well as to promote investing in energy infrastructure and clean energy technologies.

Our strategy, based on the assumption of achieving climate neutrality in 2050, places a strong emphasis on developing renewable energy sources. Reducing CO<sub>2</sub> emissions and ensuring the supply of electricity to more than 5.8 million customers, through further investments in the distribution grids and digitization, will allow us to remain a vital link in Poland's national energy system.

This is why we were focused on TAURON Group's transformation in 2022. The change is already visible, as the State Treasury has acquired 100 percent of the shares of TAURON Wydobycie, which includes the Sobieski, Janina and Brzeszcze coal mines. Thus, as of 2023, the Group is no longer conducting hard coal mining operations. We also continue our efforts aimed at spinning-off the coal-based generation assets to the National Energy Security Agency. The Group will have renewable electricity sources with a total capacity of 1.6 GW by 2025, and 3.7 GW by 2030. This will allow for reducing the carbon intensity of the production by 80%, down to 160 kgCO<sub>2</sub>/MWh.

TAURON Group is continuously taking steps aimed at minimizing the potential negative social implications associated with the transition of the energy sector. The processes of spinning-off the mining and coal-fired generation assets, which were implemented in 2022, took place with transparent dialogue with the workforce. In order to ensure job preservation, TAURON Group Employment Stabilization Agreement, providing protection of the workforce, was signed. The measures taken by TAURON Group are conducive to implementing the strategy and maintaining the highest level of knowledge, competence and skills of our employees, ensuring continuity of the business processes. We educate our employees both with respect to professional qualifications as well as with respect to new technologies, including those related to renewable energy sources. The Group's values: Partnership, Development and Boldness, as well as ethical standards and respect for human rights, are at the core of our organizational culture.

The report I am presenting to you is a comprehensive and transparent document, therefore both the layout as well as content of the publication are based on the structure and guidelines of the international reporting standard GRI (Global Reporting Index). Once again, I would like to emphasize that the sustainable development issues are extremely important for our organization, and since last year, the ESG-related goals have been an integral part of our Strategy. The implementation of the adopted directions will contribute to the prevention of the negative effects of our activities and will have a positive impact on the economy, environment and society. Our priority is development carried out in a complementary manner with respect for human rights and international efforts aimed at accomplishing the Sustainable Development Goals.

I sincerely thank all shareholders, customers, as well as employees of TAURON Capital Group for their trust and commitment.

Yours respectfully



A handwritten signature in blue ink, appearing to read 'Paweł Świątek'.

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

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

## 1.1. Information on the Report, legal basis

GRI 2-1, GRI 2-2, GRI 2-3, GRI 2-4

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 Company, with its registered office in Katowice at ul. Ks. P. Ściegiennego 3, was registered in the National Court Register on January 8, 2007, under the name: Energetyka Południe S.A. The change of the Company's name to its current name, i.e. TAURON Polska Energia S.A., was registered on November 16, 2007. TAURON Polska Energia's shares have been listed on the Warsaw Stock Exchange (WSE) since 2010. TAURON is operating as a joint stock company (publicly listed corporation), its share capital stands at PLN 8 762 746 970.00 and is split into 1 752 549 394 shares. The main shareholders include State Treasury 30.06%, KGHM Polska Miedź S.A. 10.39%, Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund) 5.06%. The other shareholders hold 54.49% of the shares. TAURON is conducting its operations in Poland and on a small scale in the Czech Republic.

The Report has been 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.
- Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088 and its delegated acts, i.e.:
  - Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical qualification criteria for determining the conditions under which the given economic activity qualifies as making a significant contribution to climate change mitigation or adaptation, as well as for determining whether such an economic activity does not cause serious damage to any other environmental objective.
  - Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by clarifying the content and presentation of the information on environmentally sustainable business activities to be disclosed by companies subject to 29a of Directive 2013/34/EU, and specifying the method for fulfilling this disclosure obligation.
- Communication from the European Commission dated 20.06.2019. "Guidelines for reporting non-financial information: Supplement on reporting climate-related information" (2019/C 209/01).
- GRI Standards.
- WSE guidelines for ESG reporting.

**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 Group and are provided on a consolidated basis.

The subject matter scope of the Report has not changed significantly as compared to 2021. 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, Energetyka "Cieszyńska", TAURON Inwestycje, Usługi Grupa TAURON, the special purpose vehicles set up to manage the wind assets, 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. The Report does not include entities over which TAURON Group does not have control.

TAURON Capital Group's non-financial reporting process takes place on an annual basis, and the publication date coincides with the publication of the financial statements. The Non-financial Report of TAURON Capital Group for 2022 was published on March 29, 2023. Contact details for the stakeholders is available on the website at the address: <https://www.tauron.pl/tauron/o-auronie/kontakt>.

Due to the growing importance of the non-financial data, the Non-Financial Report has been prepared for the fourth time in the history of TAURON Group, constituting an independent, autonomous document. The Report for 2022 does not introduce any material adjustments or additions to the data for previous reporting periods.

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 Group were analyzed.

## 1.2. Reporting methodology

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

- conducting the strategic process of stakeholders mapping and defining the material aspects of the reporting,
- conducting a materiality analysis of the 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 applicable legal regulations and the guidelines with respect to non-financial information reporting (GRI Standards, WSE guidelines for ESG reporting).

## 1.3. Reporting standard

*GRI 2-5, GRI 2-14*

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 has been drawn up in accordance with the Global Reporting Initiative – GRI 2021 standard. In addition, the Report includes proprietary indicators, references to the 10 Principles of the Global Compact, as well as the ESG indicators (based on the WSE guidelines). The scope of information provided in the Report also refers to the expectations of the international ESG ratings. GRI indices and other indices are listed in the final section of the document.

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.

The content of this Report have been reviewed and approved by the Management Board and the Supervisory Board. The Report has not been verified by any external entities.

## 1.4. Stakeholder mapping

*GRI 3-1, GRI 3-2, GRI 2-29*

Developing good relations with the stakeholders is of key importance for TAURON Group. The cooperation with the stakeholders constitutes the foundation for the Group to achieve success in both business operations, as well as social activities. Partnership relations with the stakeholders have a significant impact on the long term strategy and the sustainable (balanced) approach to the business operations. TAURON Group maintains a social license to operate ("license to operate") by developing good relationships with local communities.

For this reason, the Group has been conducting a process of mapping and involving its stakeholders for a number of years. This activity is carried out systematically and in accordance with methodological principles, thus forming the basis for the performance of the Group's business activities in terms of the idea of sustainable development.

This process is carried out by TAURON Group with respect to both the strategic mapping (for the entire TAURON Capital Group) as well as the operational mapping (for the individual investment projects implemented by the Group).

Accordingly, another strategic mapping exercise took place in the fall of 2022, conducted in cooperation with experts from the University of Science and Technology (AGH) and the Institute of Accounting and Taxation.

**TAURON Group's stakeholder mapping process was conducted in terms of full compliance with the AA1000 Stakeholder Engagement Standard - 2015 Edition (the so-called AA1000 SES standard), and also using the ICMM (International Council on Mining & Metals) guides, titled "Stakeholder Research Toolkit. Stakeholder Research Toolkit, based substantively on the Johnson&Scholes methodology.**

TAURON Group's stakeholder mapping began with the identification of the stakeholder groups. First, a quantitative survey was used, which, based on the data from the Ministry of Climate and Environment and the Energy Regulatory Office, allowed for a generic analysis of the stakeholders present in the energy market in Poland. Secondly, a detailed generic analysis of the stakeholder responses to the communications and reports authored by TAURON Group in the July 2021 - August 2022 time frame was conducted.

The above activities allowed for identifying the following groups of TAURON Capital Group's stakeholders in 2022:

- local communities,
- public administration,
- investors, shareholders, analysts,
- suppliers,
- industry organizations,
- local government,
- media,
- customers,
- employees
- media,
- customers,
- employees,
- banks, capital providers,
- regulators,
- innovators, start-ups,
- non-government organizations,
- natural environment and climate,
- research and science community,
- business partners,
- competition.

The next two-part stage of the stakeholder mapping process was the stakeholder diagnostics and classification. First, the level of the stakeholder interest in the organization was analyzed, followed by the level of impact of each stakeholder on the organization. Both parts of the analysis used the Johnson&Scholes methodology indicated above, based on an assessment of the level of interest and impact on a scale from -5 (very low level) to +5 (very high level). At the same time, the type of this level was indicated, defined as positive, neutral and negative.

Stakeholder interest levels were analyzed through the use of a quantitative survey, involving an in-depth analysis of the stakeholder reactions to the communications and reports authored by TAURON Group during the July 2021 - August 2022 time frame. A total of 22 957 stakeholder responses were identified, which allowed for obtaining fully methodologically correct analytical material for assessing interest in each identified group.

Stakeholder impact levels were, in turn, studied using a quantitative survey, based on a survey tool, conducted in October 2022 among top managers, and supported by a methodological workshop lasting several hours, led by an external specialist from AGH.

The results of the above mentioned surveys in both areas allowed for defining four categories of stakeholders, identified within the Johnson&Scholes matrix for TAURON Group. One of them became the Key Stakeholders (with interest levels from 0 to +5 and impact levels from 0 to +5), representing the most impactful and important stakeholders of the Group.

Completing of the above activities allowed for drawing up the final TAURON Group stakeholder map. This resulted in the Johnson&Scholes stakeholder matrix, which is presented in Figure no. 1.



Figure no. 1. Johnson & Scholes matrix illustrating the map of TAURON Capital Group's stakeholders in 2022



**In accordance with the mapping process, the following groups have been identified as the key stakeholders of TAURON Capital Group in 2022:**

- local communities,
- public administration,
- investors, shareholders, analysts,
- industry organizations,
- local government,
- media,
- customers,
- employees,
- banks, capital providers,
- innovators, start-ups,
- non-government organizations,
- natural environment,
- research and scientific community,
- business partners,
- competition.

The stakeholder map constitutes a fundamental value in terms of the ongoing sustainability process across the TAURON Group's entire value chain. Identifying and developing desirable relationships with various stakeholder groups, is an important part of the activities performed as part of the Group's business strategy. The above result also represents the starting point for determining the materiality of the reporting aspects for 2022, as these are issues in the implementation of which the key stakeholders have a significant role.

The cooperation with the individual stakeholders is described in the specific sections of this Report and additionally in the Report of the Management Board on the Operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022, in section 8.8. Investor Relations.

## **1.5. Material aspects of the reporting**

*GRI 3-1, GRI 3-2*

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 in the fall of 2022,
- AA1000 Stakeholder Engagement Standard – 2015 Edition (the co-called AA1000 SES standard) and the European Commission's Communication on reporting non-financial information (non-financial reporting methodology) (2017/C 215/01)

In cooperation with the experts from the AGH University of Science and Technology and the Institute of Accounting and Taxes, the process of selecting material aspects of reporting was carried out by TAURON Group, with the involvement of the key (external and internal) stakeholders, identified in the Johnson & Scholes matrix.

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

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

They were implemented in two groups of stakeholders representing the key stakeholder 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.

In order to reach the largest possible number of people, 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 AGH's independent research and development unit.

In case of the internal stakeholders, the quantitative and qualitative research covered the managerial staff and employees of TAURON 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 (Generation, Heat, RES, Distribution, Customer Service and Supply) for which the indicators (metrics) that are most important from the point of view of their operations have been selected and reported.

539 responses from the internal stakeholders were collected based on the on-line questionnaire, including the feedback of the employees (including managers). As part of the qualitative research, workshops with the Group's management were held on 10.01.23. The meeting was attended by managers, mainly the ones dealing with strategy.

With respect to the external stakeholders, the research process covered the following groups of key stakeholders: public administration, banks and capital providers, investors, shareholders and analysts, customers, media, industry organizations (including the ones related to corporate social responsibility and environmental organizations), regulators, local communities, as well as the local government. The qualitative research was conducted between 18.01.2023 and 1.02.2023. As a result, more than 30 888 stakeholder responses were obtained. The above was the basis for the stakeholder panel lasting several hours, conducted on February 3, 2023, with the representatives of all of 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 no. 2**



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

Based on the results of stakeholder indications, 21 material non-financial topics (issues) (with a weight of 4 (important) and higher (very important)), identified out of the 52 reported, in four areas covering the non-financial

aspects: Market, Environment, Workplace, Society (Public), to be reported by TAURON Capital Group for 2022 were compiled. 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
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
6	Adaptation of offerings to differentiated customer needs and solutions for vulnerable groups (need-based access for specific groups, special solutions for less affluent consumers, seniors, single parents, etc.).	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
11	The company's policy towards prosumers	market
12	Existence of prosumers	market
15	Rise of fuel and energy prices	market
16	Increase of the inflation rate in Poland	market
18	Investments aimed at increasing the share of energy produced from renewable sources and energy storage technologies, as well as supporting sustainable development	environment
19	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
22	Investing in environmental protection projects, financing research projects, with respect to the possibilities of reducing the negative impact on the environment, investments to increase the share of energy from renewable sources	environment
24	Efficient management of the consumption of the raw materials used in the electricity production process	environment

25	Efficient management of energy consumption (metering, targets, reduction/optimization of consumption)	environment
26	Emissions to the atmosphere (types and quantity of substances emitted - measurements, targets)	environment
32	The use of innovative technologies, products and services that are environmentally friendly	environment
33	Terms of employment and compensation (Transparent compensation and benefits system, working time control, flexible forms of employment)	work place
36	Promotion of occupational health and safety (OHS) rules	work place
52	Educational activities with respect to the functioning of the electricity market, energy efficiency and the safe use of electricity and its infrastructure.	society

## 2. TAURON Capital Group's Strategy for the years 2022-2030 with an outlook until 2050

GRI 3-3

### 2.1. Conditions of the environment determining the choice of TAURON Group's strategy

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

There has been a significant acceleration of legislative work at the European level, aimed at developing specific actions to enable the economy of the European Union to be based on low- and zero-emission sources. Russia's aggression has further strengthened the EU's actions for climate and Europe's energy independence. 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.

In June 2022, TAURON announced a new TAURON Group Strategy for the years 2022-2030 with an outlook until 2050, which addresses the challenges posed by the transition of the electric power industry. In the process of developing the Strategy, a thorough analysis of the macroeconomic, market and regulatory environment, as well as the sector's forecasts and development directions, was carried out, translating them into opportunities and risks for TAURON Group in the time frame up to 2030. The Group's new Strategy assumes energy transition, increasing the capacity of renewable sources in the generation portfolio and, in the long term, striving for climate neutrality. The strategy sets strategic goals, in the short, medium and long term, that constitute a response to the climate and environmental challenges, market changes and customer expectations.

### 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 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. In 2022, in response to the difficulties and disruptions in the global energy market caused by Russia's invasion of Ukraine, the European Commission unveiled the REPowerEU plan - accelerating the transition to green energy: making Europe independent of Russian fossil fuels long before 2030 in the wake of the Russian invasion of Ukraine and the growing energy crisis.

Achieving climate neutrality by 2050 and the regulations stemming from the European Green Deal 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 1.1.3. 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. More information on the Group's climate impact and adaptation to climate change 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 mix and installed capacity.



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

Electricity generation mix of selected Energy Groups in Europe in 2021

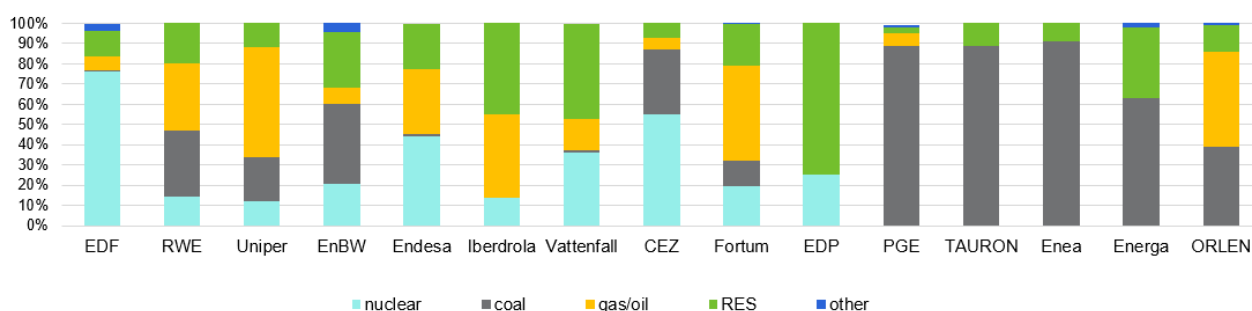


Figure no. 3. Comparison of the generation mix and among selected energy groups in Europe in 2021

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

Table no. 2. Comparison of the installed capacity among selected energy groups in Europe in 2020 and 2021

Total installed capacity as of the end of 2020 and 2021																
<b>2020</b>																
GW	EDF	RWE	Uniper	EnBW	Endesa	Iberdrola	Vattenfall	CEZ	Fortum	EDP	PGE	TAURON	Enea	Energa	ORLEN	
Total	144.5	40.7	33.5	12.5	21.6	55.1	29.3	13.9	50.3	23.7	18.0	6.1	6.3	1.4	3.2	
RES	33.3	10.1	3.7	4.9	7.8	34.9	12.4	3.1	8.8	18.6	0.9	0.7	0.4	0.5	0.6	
<b>2021</b>																
GW	EDF	RWE	Uniper	EnBW	Endesa	Iberdrola	Vattenfall	CEZ	Fortum	EDP	PGE	TAURON	Enea	Energa	ORLEN	
Total	117.3	36.1	31.6	12.7	21.1	58.3	29.2	11.8	47.1	24.7	17.8	5.0	6.3	1.4	3.3	
RES	34.8	11.2	3.7	5.1	8.4	38.1	13.2	3.1	8.5	19.6	0.9	0.6	0.4	0.5	0.7	
Solar	n.a.	0.5	-	0.0	1.1	3.3	0.1	0.1	0.0	0.6	0.0	0.0	0.0	0.0	0.0	
Wind	n.a.	n.a.	n.a.	2.0	2.5	20.7	4.0	0.7	n.a.	11.8	0.7	0.4	0.1	0.2	0.3	
Hydro	n.a.	0.5	3.7	1.0	4.7	14.1	8.9	2.3	8.4	7.1	0.1	0.1	0.1	0.2	0.3	

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.

In 2021, the largest increases in installed RES capacity were reported by Iberdrola (+3.2 GW), EDF (+1.5 GW), RWE (+1.1 GW) and EDP (+1.0 GW). The other noticeable trend is the shift away from fossil-fuel-based generation sources. This is exemplified by the operations of CEZ Group, whose total installed capacity declined by 2.1 GW in 2021, with renewables' capacity unchanged. These trends are also noticeable among domestic companies.

Investments in renewable generation, decarbonization of the sector and sustainable operations are currently the key directions of the power sector companies' operations. Figure no. 4 shows the strategic plans and directions of selected power companies.

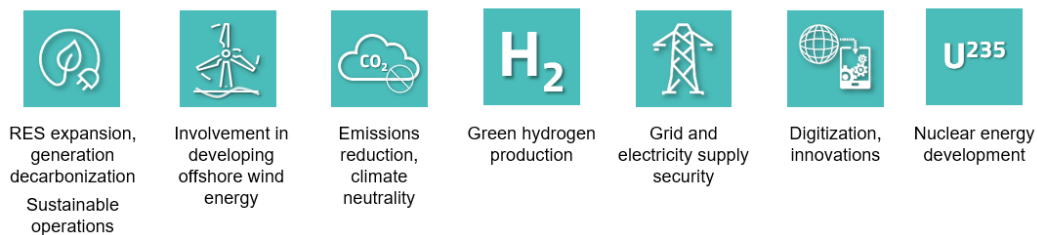


Figure no. 4. Summary of the strategic directions most often set by the selected energy groups in Europe

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 the EU regulations. In their core business operations, 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 energy supply and the quality of distributed electricity, with an increase in unstable (intermittent) renewable energy sources (RES) and the number of prosumers. In addition to the development of renewable energy sources, the activities related to security of electricity supply, infrastructure upgrades and process digitalization or electromobility are important. Investments in new hydrogen-burning gas capacity and the development of nuclear operations (including ERP and SMR units) are gaining importance.

#### Expansion of Renewable Energy Sources - declarations of energy companies

As the environment is changing, energy companies are updating their plans and strategic goals. Figure no. 5 presents the declarations of the European energy companies regarding capital expenditures and expansion of the RES assets.

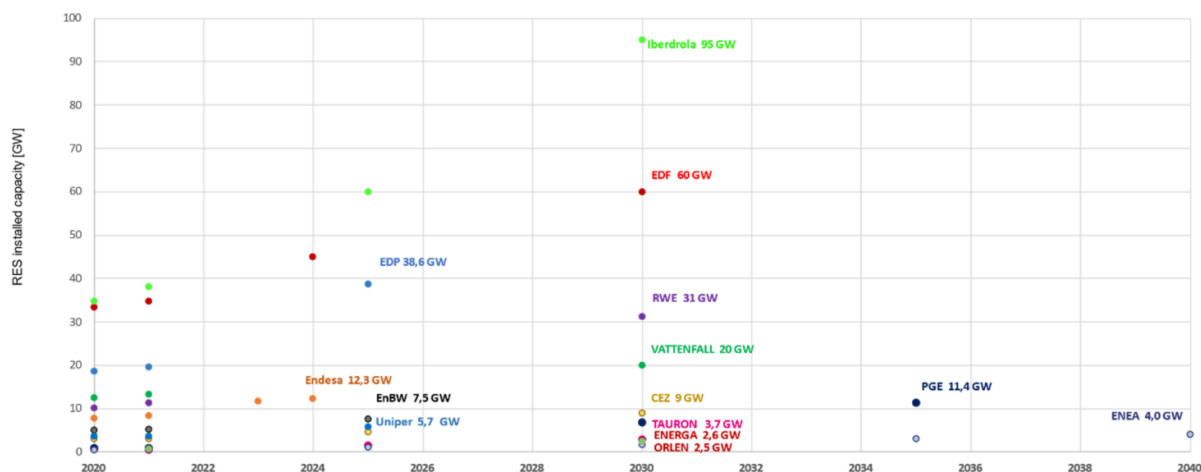


Figure no. 5. Declarations of the European energy companies regarding capital expenditures and expansion, in the coming years, with respect to new generation capacity based on the RES assets

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

In 2021, Iberdrola had the highest installed RES capacity among the energy companies presented, with 38.1 GW. In its strategic plans, it assumes increasing RES capacity to 95 GW by 2030. French EDF, the second ranked group, whose installed RES capacity stood at 34.8 GW in 2021, is planning to achieve installed capacity of renewable energy sources of approximately 60 GW by 2030. EDP Group is assuming achieving the RES capacity of 38.6 GW in 2025, up from almost 20 GW in 2021. RWE Group is planning to increase capacity by approx. 20 GW by 2030 (from 11.2 GW of RES in 2021, up to 31 GW in 2030).

On the domestic market, PGE Group had the largest installed RES capacity in 2021, i.e. 0.9 GW. PGE's ambition is to achieve approx. 7 GW of installed RES capacity, including 2.5 GW of offshore wind capacity by 2030. The group is assuming to have approx. 11 GW of renewable energy capacity in 2035, and to achieve climate neutrality by 2050. In its Expansion Strategy by 2030 with an outlook until 2040, Enea Group 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. The Strategic Plan of Energa Group, operating within the structure of the PKN ORLEN fuel and energy group, assumes 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 June 2022, TAURON announced a new TAURON Group Strategy for the years 2022-2030 with an outlook until 2050. With respect to the expansion of renewable energy sources the new strategy assumes increasing the installed capacity to 1.6 GW by 2025, and to 3.7 GW by 2030, as well as achieving climate neutrality by 2050.

**CO<sub>2</sub> emission reductions – declarations of energy groups**

Apart from the development of renewable energy sources power sector companies are declaring emission reductions and the transition to zero-emission electricity generation in their strategic plans. Figure no. 6 presents the declarations of the power companies related to the CO<sub>2</sub> emission reduction targets by 2040.

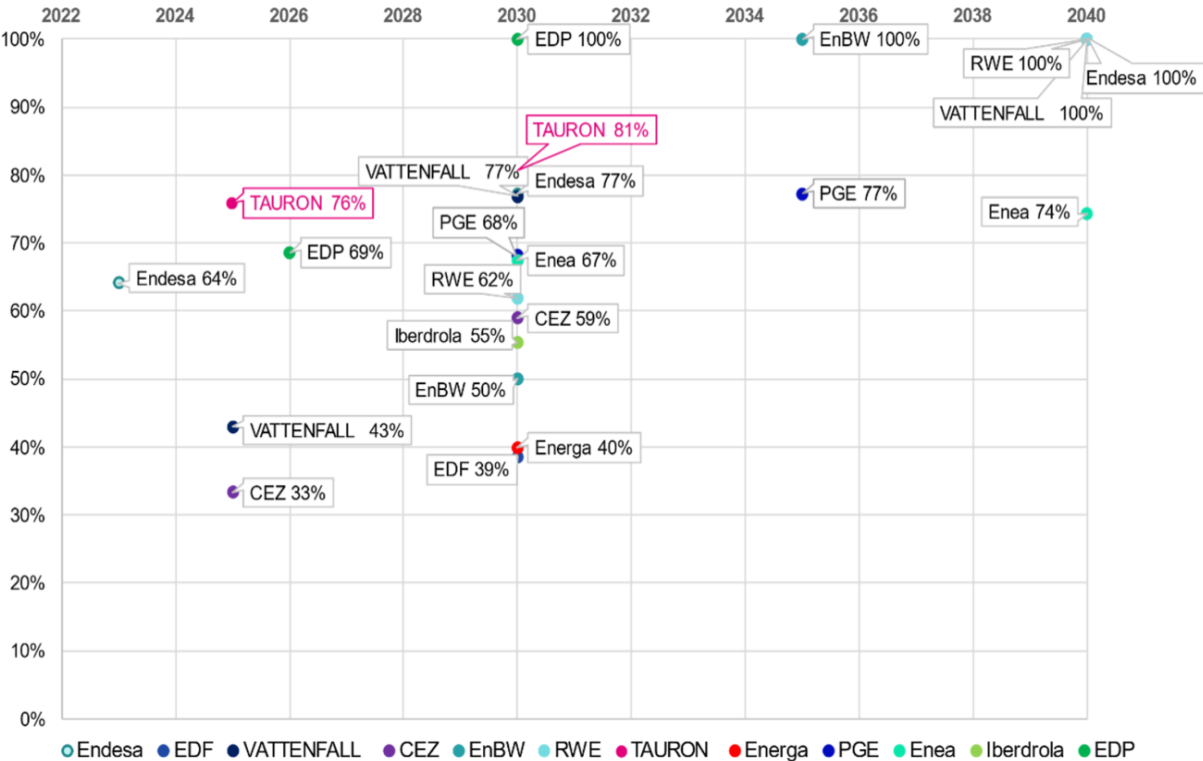


Figure no. 6. CO<sub>2</sub> emission reduction targets of the European energy companies

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

EDP Group has the most ambitious target with respect to emissions reduction among the European energy groups, having declared achieving climate neutrality by 2030. Further groups declaring 100% emissions reduction include EnBW group that intends to achieve the target by 2035, while RWE group, Endesa and VATTENFALL plan to achieve this target by 2040.

The declarations on achieving climate neutrality by 2050 were announced by: EDF, FORTUM, CEZ, Uniper, Iberdrola and the Polish energy groups: TAURON, PGE, Enea and Energa.

In its new strategy TAURON Group is planning to reduce emissions down to 200 kg CO<sub>2</sub>/MWh in 2025 r. (i.e. by 76% compared to the level of 2018), and to the level of 160 kg CO<sub>2</sub>/MWh by 2030 r. (by 81%).

**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. 8% in the first 9 months of 2022. The Group is the third largest electricity generator on the Polish market. The Group's gross electricity production stood at 15.6 TWh in 2022.

Figures no. 7 and 8 present information on electricity generated in Poland during the first 9 months of 2022 and installed capacity as of September 30, 2022.

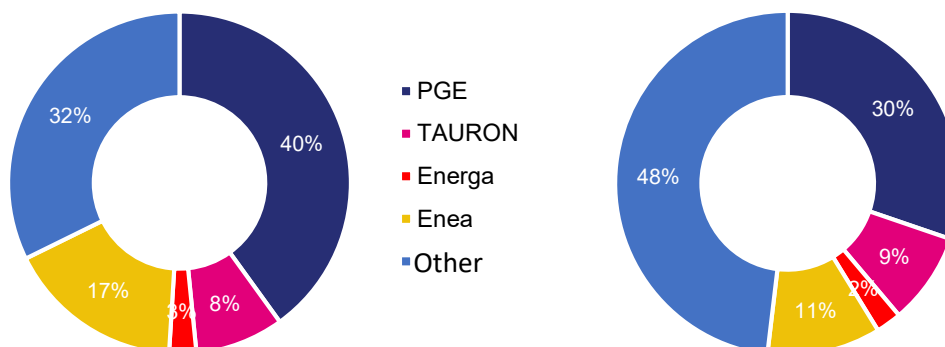


Figure no. 7. Gross electricity production - estimated market shares in the first 9 months of 2022

Figure no. 8. Installed capacity - estimated market shares after the first 9 months of 2022

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% in the first three quarters of 2022. TAURON Capital Group's distribution grids cover more than 18% of the country's territory. Figure no. 9 presents the estimated Polish market shares of the individual energy groups in the distribution of electricity according to the data for the first three quarters of 2022. TAURON Group's electricity distribution volume came in at 53.68 TWh in 2022.

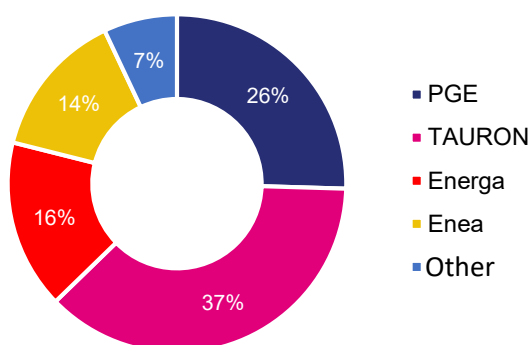


Figure no. 9. Electricity distribution in Poland - estimated market shares in the first 9 months of 2022

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

## Supply

When comparing the data after the first three quarters of 2022, TAURON Group was the second, after PGE, largest supplier of electricity in Poland. TAURON Group's retail electricity supply reached 31.1 TWh for the full year 2022. The number of the Supply Segment's customers stood at approx. 5.7 million in 2021.

Figure no. 10 presents the estimated Polish 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 2022.

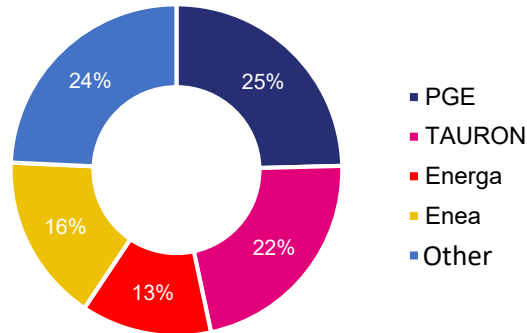


Figure no. 10. Electricity supply to the final consumers in Poland - estimated market shares in the first 9 months of 2022

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 Group are the regulatory changes, in 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. The consequences of the armed conflict in Ukraine and macroeconomic changes also have a strong impact on the operation of the electricity market.

### Short term outlook

The European Union's decarbonization as well as energy and climate policy sets the course for energy development. In accordance with the main objective of the European Green Deal, the EU is to achieve climate neutrality by 2050. Russia's aggression against Ukraine, resulting in higher prices for fossil fuels, CO<sub>2</sub> emission allowances, and consequently high electricity prices, is accelerating legislative work aimed at achieving energy independence of the EU economy based on low- and zero-carbon sources.

Current European Union regulations, the lack of financial support options for fossil fuel-based units, record gas and CO<sub>2</sub> prices are severely limiting investment and development decisions in conventional power generation. As a result, the national energy business model is changing. Efforts are made towards spinning off of coal-based conventional power generation from energy groups into separate entities and focus operations on RES, electricity distribution and supply, as well as new products. At the government level, work is underway to establish the National Energy Security Agency (NABE), where coal-fired generation assets will be grouped.

Until 2025 the power sector will focus its efforts on the development of renewable sources. A rapid expansion of RES sources is being observed, especially with respect to photovoltaic installations, which is primarily related to the possibility of achieving at least partial independence of the fast rising electricity prices is also important chance to become independent from rapidly rising electricity prices, the cost competitiveness of the technology and available support programs that reduce investment costs. Poland's Energy Policy (PEP 2040) assumed more than 5 GW of PV technology capacity by 2025. As of the end of 2022, the nationwide installed PV capacity stood at 12.2 GW, demonstrating the rapid growth of this market.

The prosumer market will be growing steadily in the near term. In the residential subsector, the growth rate will depend on the electricity prices on the market in the coming years, while analysts unanimously expect further growth in the self-producer market, business prosumers and a faster growth of the CPPA and PPA contracts. The biggest challenge for the development of the photovoltaic market will be administrative restrictions and constraints arising from the quality of the distribution grids, mainly the low and medium voltage grids.

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. As of November 2022, the total installed capacity of onshore wind technology stood at approx. 7.8 GW. The liberalization of the distance act may be a trigger spurring a further expansion of wind energy.

Offshore wind farms are a promising investment direction. According to the 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.



It should be emphasized that despite the growing number of renewable energy installations, coal will continue to be the primary fuel in the national power industry, ensuring the security of the power system, until 2025.

In the district heating segment, an important issue will be to provide fuel at acceptable prices and to begin the process of decarbonizing district heating assets.

The end of the restrictions related to Covid-19 and the ongoing hostilities in Ukraine are fostering an increase in industrial production and thus leading to an increase in demand for electricity.

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.

In the short term, the digitization of sales processes, in terms of acquiring, quickly processing and utilizing data, will become very important. Accelerating transformation, changing work styles, automating and simplifying payments and product purchase paths are just some of the factors that further accelerate changes in the sales area. Customers' environmental awareness and the rise of organic products are now playing a major role.

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 coal energy,
- European and national regulations accelerating the power sector's decarbonization,
- options and costs of financing investments in gas assets,
- changes in the existing operation of the market related to the abolition of the power exchange trading obligation,
- 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,
- further growth of the photovoltaic installations,
- amendment of the distance law for wind farms

### 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, it is estimated that approx. 4 GW of generation capacity will be retired in the 2026-2030 time frame. As a result of shutting down coal units a peak power deficit may arise in the NPS (National Power System), 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 in energy efficiency and, at the same time, still large potential for electricity consumption growth. Greater importance will be given to customers' environmental awareness, a change in their approach to the way they consume electricity, and the use of 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.

The possibility of developing hydrogen technologies (accelerating research and pilot work related to hydrogen production and use) should be taken into account.

## 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 domestic 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. After 2030, the development of nuclear technology is possible as part of the transition of district heating. Assuming that PEP 2040 will be updated in the near future, this likely scenario will strengthen the role of nuclear technology in this area.

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

In September 2015, all UN member states (a total of 193 countries, including Poland) adopted measures based on the concept of sustainable development in the form of the 2030 Sustainable Development Goals (presented in Figure 11). The Agenda included 17 Sustainable Development Goals (SDGs), and 169 specific tasks related thereto, to be achieved by 2030. The UN goals provide a framework for defining sustainable development policies for economies around the world:

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. 11. UN Sustainable Development Goals 2030 (the so-called Agenda 2030)

Source: website

Table no. 3. Main external factors that impact the selection and implementation of TAURON Capital Group's strategic directions

Main external factors	Characteristics of the selected external factor
1. Political and regulatory	<ul style="list-style-type: none"> <li>• European Green Deal – EU climate neutrality by 2050 strategy,</li> <li>• Fit for 55 legislative package - reduction of greenhouse gas emissions - 55% by 2030,</li> <li>• RePower EU - a strategy aimed at making Europe independent of Russian fossil fuels,</li> <li>• EU Taxonomy (Directive 2020/852) and its impact on the options for financing investment projects in the energy sector,</li> <li>• Need to adapt generating units to the BAT conclusions,</li> <li>• Winter package and curtailment of support systems for conventional energy (EPS 550),</li> <li>• RES and energy efficiency directives, EU ETS emissions trading system,</li> <li>• Hydrogen strategy – a priority role of hydrogen in achieving climate neutrality,</li> <li>• Funds to be used for the energy transition,</li> <li>• Operation of the capacity market, support for individual RES technologies,</li> <li>• Abolition of the power exchange trading obligation</li> <li>• Regulations in the financial sector that preclude financing for the conventional generation assets,</li> <li>• Poland's Energy Policy until 2040, National Plan for Energy and Climate for the years 2021-2030,</li> <li>• Work on government programs for the mining industry and conventional energy.</li> </ul>
2. Environmental	<ul style="list-style-type: none"> <li>• Increase in average global temperature as a result of greenhouse gas emissions,</li> <li>• High level of dust air pollution in Poland (smog),</li> <li>• High level of greenhouse gas emissions,</li> <li>• Increasingly frequent occurrence of extreme weather conditions - droughts, hurricanes, severe heat waves, heavy rains and floods,</li> <li>• Further rising of sea levels; irreversible changes in river ecosystems and the Baltic Sea (eutrophication, loss of water biodiversity),</li> <li>• Depletion of natural resources</li> <li>• Increased importance of the circular economy and minimizing of waste generation.</li> </ul>
3. Economic and market related	<ul style="list-style-type: none"> <li>• The energy crisis, Russia's aggression against Ukraine and pressure to become independent from energy raw materials (commodities) from Russia,</li> <li>• High conventional electricity generation costs (high prices of the CO<sub>2</sub> emission allowances) compared to the RES generated electricity,</li> <li>• Lack of financing for conventional energy, preferential financing for RES,</li> <li>• Rapid growth in the level of generation from RES, further supported by the need to ensure energy security and independence from gas,</li> <li>• Very high inflation rate and increase in costs of materials, services and labor,</li> <li>• Limited possibilities of thermal coal mining,</li> <li>• Thermal modernization activities, increase of energy efficiency,</li> <li>• Generational and competence gap problem,</li> <li>• Risk of power shortage in the system.</li> </ul>
4. Social	<ul style="list-style-type: none"> <li>• Deterioration of public sentiment caused by high inflation and the energy crisis (increased spending due to rising prices of goods and services as well as high electricity and gas tariffs),</li> <li>• Increase in anti-carbon sentiment among the public,</li> <li>• Increase in the society's ecological awareness,</li> <li>• Improvement of the image of companies consuming energy from RES,</li> <li>• Increased customer awareness and customer requirements in terms of the quality of services provided and customer service, changing customer needs,</li> <li>• Negative perception of waste storage.</li> </ul>

Main external factors	Characteristics of the selected external factor
5. Technological	<ul style="list-style-type: none"> <li>• Falling prices for renewable and distributed technologies</li> <li>• Fast development of prosumer energy,</li> <li>• Need to adapt the grid to the two-way electricity flow,</li> <li>• Development of electromobility,</li> <li>• Development of energy storage facilities,</li> <li>• Digitization of the energy sector, development of smart metering,</li> <li>• Technology development with respect to the circular economy,</li> <li>• Emergence of energy self-sufficient buildings - Near Zero Emission Buildings.</li> </ul>

## 2.6. TAURON Capital Group's Strategy and its assumptions

GRI 2-12, GRI 2-13

TAURON Group Strategy for the years 2022-2030 with an outlook until 2050 was adopted as of June 22, 2022. The document is a response to the challenges arising from the situation on the market and in the electricity sector, particularly related to the transition of the industry.

The main objective set in the document is to build TAURON Group's value through modern solutions for customers and climate while maintaining its financial stability. This goal will be implemented based on three priorities:

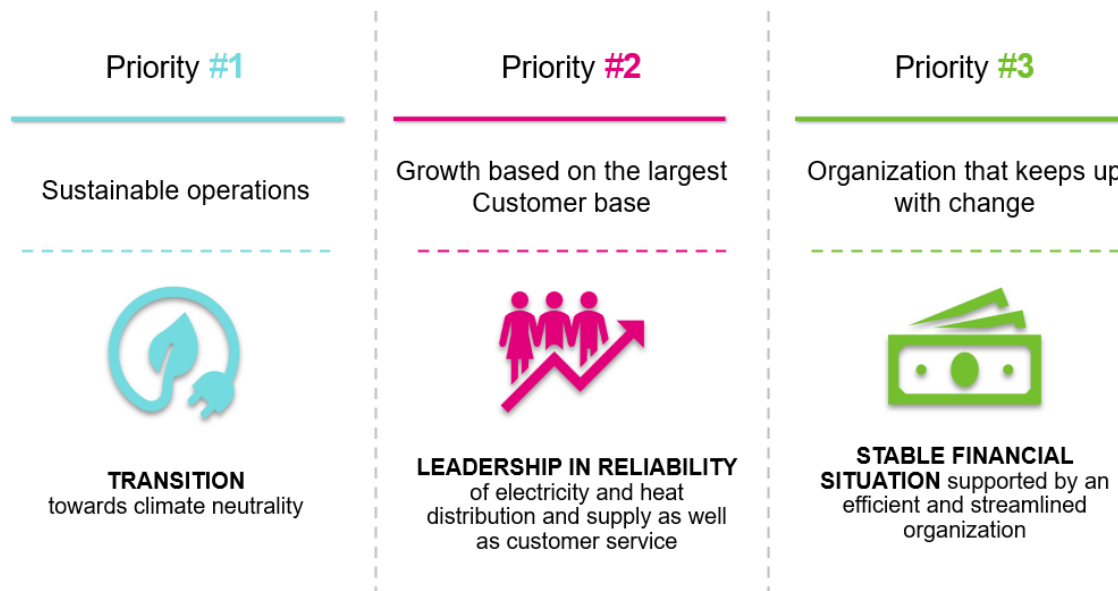


Figure no. 12. TAURON Group's strategic priorities.

Source: proprietary compilation

The Group has clearly defined goals and action plans to achieve them. The key metrics for the implementation of TAURON Group's Strategy are as follows:

- EBITDA of PLN 4.5 billion in 2025 and more than PLN 6.5 billion in 2030
- Maintain the net debt to EBITDA ratio at a safe level
- Increase in installed RES capacity to 1.6 GW in 2025 and to 3.7 GW in 2030
- Reduce emissions to 200 kg CO<sub>2</sub>/MWh in 2025 and below 160 kg CO<sub>2</sub>/MWh in 2030
- Implementation of smart metering - 100% smart meters by 2030
- New connections of customers to the district heating network – approx. 450 MWt by 2030
- Maintain high customer service standards - First Time Resolution (FTR) rate > 90% in 2030.

**As part of its transition to climate neutrality, TAURON will be developing capacity in renewable energy and is ultimately planning to achieve:**

- 0.7 GW of installed wind capacity by 2025 and 1.1 GW by 2030
- 0.7 GW of installed solar capacity by 2025 and 1.4 GW by 2030

- participation in offshore wind development with strategic partners and in-house development of up to 1 GW of installed capacity by 2030; further 1.1 GW of capacity after 2030

TAURON Group's renewable energy installed capacity growth ambitions by 2030 are shown in Figure no. 13.

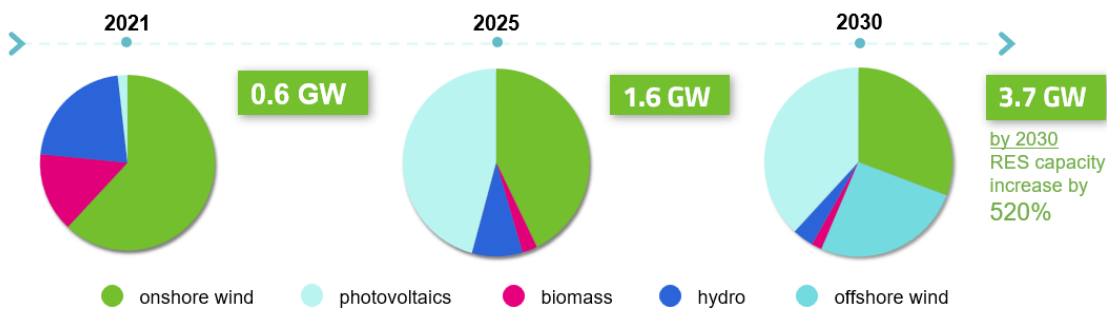


Figure no. 13: Growth of TAURON Group's installed capacity in renewable energy by 2030

Source: proprietary compilation

The strategy presents an optimal path of sustainable development that will ensure TAURON Group's financial stability and growth prospects while taking into account the high volatility of the macro environment and ensuring an integrated approach to environment challenges.

The key areas of the new Strategy are: Distribution, Renewable Energy Sources (RES), District Heating and Customer. The Distribution Line of Business, through continued development and modernization of the grid, will be striving to maintain its position as a segment generating stable, regulated revenue for the Group. The main roles of the RES Line of Business include investing in renewable energy sources and implementing of energy storage technologies. Profitable development of the Heat Line of Business based on a program to transition to low-carbon sources is planned. The role of the Supply Line of Business is to increase customer satisfaction through high quality customer service and improvements of offerings and processes, as well as digitalization and automation. In addition, investments in a circular economy and efficient use of resources are assumed. With respect to the Mining and Generation Lines of Business - government solutions for coal mining and coal-fired power generation are being implemented.

The Group's new investment projects will be carried out with reference to technical qualification criteria for determining the conditions under which the given economic activity qualifies as making a material contribution to climate change mitigation or adaptation, as well as for determining whether such economic activity does not cause serious damage to any of the other environmental objectives, defined as:

- mitigation of the effects of climate change,
- adaptation to climate change,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems.

### Implementation of Priority #1 Sustainable Operations

The Group's priority is to increase installed capacity in renewable energy while reducing the CO<sub>2</sub> emissions.

In 2022, a total of 44 MW of renewable capacity was commissioned (a 30 MW Piotrków wind farm and a 6 MW Majewo wind farm, as well as an 8 MW Choszczno II PV farm). In addition, the decisions on going ahead with the implementation of RES projects with a total capacity of 224 MW were taken last year. The total installed RES capacity stands at 659 MW in 2022, which corresponds to 42% of the implementation of the RES target for 2025.

TAURON is also preparing to participate in the offshore wind farm projects. In September 2022, TAURON acquired a stake in PGE Baltica 4 sp. z o.o. (Ltd.) from PGE. At the beginning of this year, PGE Baltica was granted a permit to erect and use artificial islands. In April 2022, TAURON applied for permits for the erection or use of artificial islands in the Lawica Odrzana area.

Works were also underway to prepare a comprehensive program to modernize and improve the efficiency of TAURON's hydroelectric power plants. In addition, the following investment projects were launched in 2022: the construction of a small 2 MW hydroelectric power plant in Rożnów and the installation of a turbine at the Lubachów hydroelectric power plant.



A priority initiative undertaken in 2022 was also the implementation of the timetable for the government's program leading to the spin-off of coal-fired generation assets from the energy groups and their integration into the National Energy Security Agency (NABE). TAURON conducted activities related to the spin-off of TAURON Wytwarzanie subsidiary from TAURON Group and their transfer to the State Treasury. As part of the implementation of the letter of intent signed with the State Treasury in 2021 regarding the acquisition of 100% of the shares in TAURON Mining subsidiary by the State Treasury, 100% of the Company's shares were transferred to the State Treasury on December 31, 2022.

With respect to the transition of the district heating towards low- and zero-emission sources, the following projects are being prepared (in the pipeline): the energy transition of ZW Katowice and the construction of a PV farm together with an energy storage facility for the needs of ZW Bielsko-Biała EC1. While the projects at the implementation stage include: the construction of a 140 MWt gas-fired boiler at ZW Katowice for the needs of the district heating market and the construction of a peaking and back-up boiler plant at ZW Bielsko-Biała EC-2.

TAURON is also committed to the development of the Circular Economy through the implementation of TAURON Group's Environmental Policy and the actions taken with respect to the utilization of the Combustion By-products and the Mining By-products. Among other things, in 2022, the by-product status was obtained for the ash and slag mixtures at TAURON Ciepło's Kamienna Góra Generating Plant and the Central District Heating Plants in Olkusz and Zawiercie, while also new products were developed through certification and industry feedback. For more on TAURON Group's environmental policy, see Section E 1.1.1. TAURON Group's Environmental Policy.

The Strategy identifies conducting works on innovative solutions to support the Group's transition as one of the directions of its further growth. TAURON is working on the development and implementation of energy storage technologies through, among others, the implementation of projects including energy storage integrated with RES, storage aimed at improving the quality parameters of electricity and stabilizing grid operation, as well as the development of a portfolio of products in the field of energy storage and other projects carried out as part of its R&D activities. In line with the Strategy, preparations have been commenced for the construction of the Rożnów II pumped storage power plant.

Projects related to the production and use of green hydrogen and the production of ammonia from green hydrogen are also underway.

In preparation for the construction of a state-of-the-art nuclear source, a small modular reactor (SMR) R&D project was launched in 2022, and a Letter of Intent was signed for the cooperation between TAURON and KGHM regarding this technology.

### **Implementation of Priority #2 Growth based on the largest customer base**

Ensuring the security of energy supply and the quality of electricity and heat, as basic services, is the key strategic direction pursued by the Distribution and Heat Lines of Business. The most important actions taken in the Distribution Line of Business affecting the improvement of quality parameters include: increasing the degree of grid automation (in 2022, the number of remotely controlled switches per 100 km of MV overhead line had increased to 13), upgrading the existing networks to insulated overhead lines and cable lines (at the end of 2022, more than 40% of MV lines had been cabled), adapting the distribution grid to increased power flows in both directions (in 2022, micro-installations with the capacity of 908 MW had been connected to the grid), improving the diagnostics of the operating status of the MV and LV networks through the use of smart substation metering technology and digitalization of the metering databases (nearly 17% of Customers are equipped with remote readout meters; more than 87% of the transformer substations have remote readout meters installed).

With respect to the district heating market development, the Ligota Project – the expansion of the Katowice South district heating market and the Low Emission Elimination Program are being implemented.

As part of efforts aimed at maintaining high customer satisfaction indices and implementing modern IT tools, in 2022 the customer service quality indices (CSI, NSP, CES) were improved, customer service standards were raised and the digitalization of customer service channels was carried out, while not forgetting the vulnerable customers.

### **Implementation of Priority #3 An organization that keeps up with change**

TAURON entered into a new syndicated loan agreement worth PLN 4 billion in 2022, the proceeds from which can be used, among other things, to finance the Group's capital expenditures, including RES. In addition, the Group took advantage of the aid funds available. The total amount of financing obtained for the investment projects carried out in 2022 stands at more than PLN 446 million.

With respect to human capital management, the most important issue in 2022 was the effective conducting of the social dialogue with the workforce aimed at preparing for changes in the employment structure and the evolution of the organization in connection with the spin-off of the generation, mining and security lines of business assets outside the structure of TAURON Group.

## ESG engagement and activity management

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 goal, which is the transition to a low-carbon economy, in its new Strategy TAURON Group took into account the UN Sustainable Development Goals. TAURON Group supports the implementation of all of the UN goals in its operations, and in particular it focuses on 5 goals related to the Group's characteristics presented in Figure no. 14.



Figure no. 14. 2030 UN Sustainable Development Goals at TAURON Group

Source: Proprietary compilation

TAURON Group pursues the following ESG related directions and goals:

- As part of the natural environment protection efforts such directions as: combating climate change and environmental degradation, strengthening the implementation of GOZ and sustainable infrastructure are being pursued. Goals set to be implemented: seeking to minimize hard coal consumption and achieving climate neutrality by 2050, providing support for the fight against low emissions, taking measures promoting the growth of a circular economy, adaptation to climate change.
- With respect to social responsibility, the following directions are indicated: employees as a key value of TAURON Group, customer orientation, social and business partnerships. Goals set to be implemented: a work environment that supports employee development ensuring compliance with the principles of ethics and diversity, providing support for customers in their pursuit of sustainable development and strengthening their competitiveness through the development of green product offerings, introduction of facilities and elimination of barriers for people with disabilities, increase in the level of customer satisfaction and digitalization of customer service processes, support for public welfare activities as well as effective and transparent dialogue.
- As part of the corporate governance the goals assumed include ensuring safety based on best practices and standards, applying corporate governance in accordance with best practices, managing risks and the internal control system, developing the organization's ethical culture. Goals set to be implemented: managing TAURON Group in line with corporate governance, ESG-related management objectives, developing positive relations with shareholders, ensuring the functioning of systems (including compliance management, risk management, internal control, fraud reporting), ensuring security and data protection, strengthening resilience to cyber threats.

TAURON Group is also supporting the 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 takes care of 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 vulnerable 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.

In October 2022, TAURON joined the UN Global Compact Network Poland organization. UN Global Compact is the world's largest initiative bringing together companies and institutions pledging to conduct their business operations in a sustainable manner. Members of the organization include entities from public, private and academic institutions focused on working towards the United Nations Global Goals.

## 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 the Strategy, key non-financial efficiency ratios (metrics, performance indicators) related to TAURON Capital Group's operations are defined in the following areas of activity:

- reliability and quality of the supply of products and services for the customer,
- orientation towards the customer and his/her needs (focus on the customer, customer orientation),
- environment protection,
- labor safety, ethics culture and employee engagement,
- 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 2021-2022.

Table no. 4. Key non-financial efficiency ratios (metrics, performance indicators) related to TAURON Capital Group's operations in 2021-2022.

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)	
				2022	2021
<b>Reliability and quality of the supply of products and services for the customer</b>					
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	221 364	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	0.22	0.19
<b>Orientation towards the customer and his/her needs</b>					
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	5 698 004	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
<b>Environment protection</b>					
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	%	13	9
	Production capital / electricity production by hydro, wind, solar and	Stimulant	%	11	12

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)	
				2022	2021
7. Percentage share of TAURON Capital Group's electricity production based on RES in Tauron Capital Group's total electricity production	biomass fired power plants and combined heat and power plants Production capital / heat production by biomass fired combined heat and power plants	Stimulant	%	5	5
8. Direct greenhouse gas emissions by TAURON Capital Group - tCO <sub>2</sub> e	Natural capital / direct greenhouse gas emissions	Destimulant	Mg	13 773 702	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	1 435 616	1 655 250
<b>Labor safety, ethics culture and employee engagement</b>					
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	291	315
11. Number of employees at TAURON Capital Group	Human capital / number of employees Human capital / number of training courses conducted by Internal Coaches (Trainers) Intellectual capital / knowledge and competences of the Group's employees Social capital / personnel education and development	Nominant	number	25 740	25 324
12. Accident rate at TAURON Capital Group	Social capital / organizational culture based on the PRO values	Destimulant	-	6.6	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	%	22.2	21.8
14. Number of training session hours at TAURON Capital Group	Human capital / number of training session hours	Stimulant	'000	398	385
<b>Social and business partnership</b>					
15. Number of local and social initiatives that TAURON Foundation has joined	Social capital / support for local initiatives through TAURON Foundation	Stimulant	number	181	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	27	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

## 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 3.96 billion in 2022.

TAURON Group is gradually increasing the range of financing sources used, aimed at supporting the projects related to TAURON Group's Strategy and the Green Turn. In 2022, TAURON signed a new syndicated loan

agreement for the amount of PLN 4.0 billion, the funds from which can be used to refinance the existing financing, finance TAURON Group's capital expenditures, including those in the RES segment, and finance TAURON Group's general corporate expenses, excluding those relating to the coal assets. The concluded syndicated loan agreement is linked to the achievement of the sustainable development indicators in the form of the RES capacity expansion rate and the CO<sub>2</sub> emission reduction rate.

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 an acceptable level.

The key data on TAURON Group's financial capital in 2020-2022 is presented in Table no. 5.

*Table no. 5. Key data on TAURON Group's financial capital in 2020-2022*

Key capital data	2022	2021	2020
Equity [PLN m]	16 614	16 524	16 727
Fixed assets [PLN m]	35 053	33 855	33 585
Distribution segment's RAB [PLN m]	20 499	18 988	18 255
Net debt [multiple]	2.9x	2.4x	2.5x
Capital expenditures [PLN m]	3 962	2 932	4 039

TAURON Group's management of financial capital is carried out by way of:

- maintaining financial stability thanks to the 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 by TAURON Capital Group with respect to financial capital management are presented in Table no. 6.

*Table no. 6. GRI 2-6. Results achieved by TAURON Capital Group with respect to financial capital management in 2020-2022*

Results achieved:	2022	2021	2020
Sales revenue [PLN m]	37 341	25 614	20 850
EBITDA [PLN m]	4 016	4 152	4 226
EBITDA margin [%]	10.8%	16.2%	20.3%
Cash flow from operating activities [PLN m]	2 775	4 955	4 042
Net debt/EBITDA ratio [multiple]	2.9x	2.4x	2.5x
Net profit (loss) [PLN m]	(134)	385	(2 173)
Long term rating*	BBB-	BBB-	BBB-

\* 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

\*\* from continuing and discontinued operations.

### 3. TAURON Capital Group amid the war in Ukraine

The aggression of the Russian Federation against Ukraine began in February 2022. In the opinion of TAURON Capital Group, the key consequences of the aggression and the risks resulting from it, which had an impact on TAURON Capital Group in 2022, are as follows:

- crisis on the energy fuel market resulting from the restrictions imposed on the trade exchange with the Russian Federation causes the supply disruptions with respect to the fossil fuels and, as a consequence, leads to a step increase in the volatility and the levels of the prices of the raw materials listed on the commodity markets (including crude oil, gas and coal). This situation (occurring mainly during the second half of 2022) had an impact on an increase in the variable costs of electricity generation, while the options for passing on this cost to bring about the increase in the revenues from the supply and production of electricity were limited. In order to mitigate the above risks, TAURON Group updated its trading strategy on an ongoing basis and responded in a flexible manner to the rapidly changing market conditions,
- restriction on the supply of hard coal with respect to the contracts concluded with the external suppliers, the logistics disruptions with respect to the hard coal transportation, as well as the regulatory changes which affected the levels of the hard coal inventories required by law. In order to mitigate the above risks, measures were taken to maximize the hard coal supplies from TAURON Wydobycie and to source additional deliveries of fuel both on the domestic as well as foreign markets,
- high volatility of the prices of electricity in all of the market segments, both in Poland as well as on the European markets, which leads to the continued maintaining of the high level of the market risk. With respect to the trading, the high volatility of the costs of hedging (including the profiling and the trading balancing) the demand of the end customers in the Supply Line of Business was observed. In order to mitigate the above mentioned risks, measures aimed at minimizing the risk exposure were taken by updating the trading strategy on an ongoing basis, as well as by shaping the electricity and gas offers for the business and the retail (household) customers,
- continued high volatility of electricity prices and related products, causing an increase in trading deposits (margins) resulting from contracts entered into on the electricity exchange market. As part of its response, TAURON Group made the maximum use of non-cash forms of collateral and offsetting of deposits (margins) between the Supply and Generation Lines of Business,
- rise of the inflation rate in Poland, as a result of which the Monetary Policy Council was regularly raising the NBP reference (prime) rate. The volatility of the interest rates was having an impact on the costs of servicing the financing at TAURON Group, as well as it will be affecting the amount of the capital employed in the Distribution Line of Business in 2023. As a result of the economic disturbances, the increased volatility of the foreign exchange (FX) rates and the weakening of the Polish zloty was also observed, which mainly affected the cost of purchasing the CO<sub>2</sub> emission allowances and led to an increase in the cost of purchasing the hard coal from abroad as well as the valuation of the EUR denominated debt,
- observed gradual deterioration of the economic situation in Poland, and what follows, the decline of the electricity supply and distribution volume (observed, in particular, in the third and the fourth quarters of 2022), which had an impact on the level of the revenue of the Distribution Line of Business as well as of the Supply Line of Business. With respect to risk mitigation, TAURON Group was taking actions related to the commercial aspects (balancing of the sale position and the product changes aimed at curbing the impact of the changes in the demand on TAURON Group),
- escalation of the wage claims and the potential social unrest at TAURON Capital Group as a consequence of the rise of the inflation rate in Poland. With respect to the risk mitigation, among other things, the social dialogue is conducted between TAURON's Management Board and the Social Council on the basis of the concluded Agreement on the cooperation as part of the social dialogue with the workforce at TAURON Group as a result of which the applicable agreements were signed,
- implementation of significant national regulations aimed at limiting demand for electricity, introduction of mechanisms to limit electricity price increases for the final consumers, introduction of margin restrictions for electricity generators and trading companies, as well as changes in the rules of operation of the wholesale electricity market (abolition of the power exchange trading obligation, changes in the rules of price setting on the balancing market). The introduction of the above regulations affected TAURON Group's trading activities in 2022 and will also affect the results of the Supply Line of Business, Conventional Generation Line of Business, RES Line of Business, Heat Line of Business and Distribution Line of Business in 2023. In terms of mitigation activities, consultations were held on shaping the draft regulations within industry organizations, among others. Actions were also taken to adjust TAURON Group's trading strategy to the changes in the regulatory environment, as well as actions aimed at the technical and operational implementation of the solutions imposed by these regulations.



With respect to the financial risk and the illiquidity risk, as of the date of drawing up the report, TAURON Group had sufficient financial resources to enable it to meet its current obligations, as well as to carry out the investment activities that had been initiated.

In the subsequent periods, at least some of the risk factors mentioned above are expected to continue to persist, and their impact on TAURON Group's liquidity and earnings will depend on the impact of the Russian Federation's aggression on the developments in the market, economic and geopolitical environment. It should be pointed out that the situation related to the Russian military forces' aggression against Ukraine and its impact on the market and regulatory environment is highly volatile, and its future implications are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the aggression, the further evolution of the situation, including a potential escalation of the hostilities, as well as its impact on the condition of the economy in Poland and worldwide. The impact of the identified risks may also depend on the further regulatory steps announced at the EU level, as well as at the national level, with respect to implementing intervention measures as well as shaping of the future energy market.

**In addition to the continuation of the risk factors identified above, the possibility of the following risks occurring in the subsequent periods should be kept in mind:**

- economic disturbances that may lead to the financial difficulties for some of TAURON Group's customers and counterparties and thus to an increase of the credit risk. As part of its response, TAURON Group was carrying out both initial as well as ongoing verification of the financial condition of its counterparties and applying instruments aimed at hedging the credit exposure,
- continued high volatility of the prices of raw materials and the prices of electricity and related products, persistently high inflation rate, as well as possible disruptions to the supply chains of goods and services, may translate into the timing and profitability of ongoing and planned investment processes. As part of the response, the individual investment activities were subjected to detailed analysis and risk assessment based on the updated knowledge and forecasts, both prior to the release of funds, as well as during the course of the activities,
- changes in the EU's energy balance and, as a consequence, the increased level of the utilization of TAURON Capital Group's generating units, which may result in a decrease in their availability rate and the risks arising from the capacity obligations imposed on some of them. In this respect, measures such as the ongoing monitoring of the condition of the assets, analysis of the causes of the failures, taking the preventive measures, monitoring the quality of the overhaul works, as well as optimizing the cost of repurchasing electricity were taken,
- risks with respect to security and cybersecurity, including the potential restrictions in access to the IT/OT infrastructure systems, the internet and the GSM network, and the physical security of the critical infrastructure elements, the breach of which may cause the disruptions in the functioning of the operational processes and business continuity. At the national level, the alert levels were maintained, indicating the elevated risk associated with the possibility of an occurrence of terrorist incidents. As part of the response, among other things, measures were taken to verify the critical IT systems and the critical OT systems, and to secure the continuity of their operation through the review and update of the business continuity and recovery plans in the event of the unavailability thereof.

In the other areas, as of the date of drawing up this information, TAURON Capital Group has not identified the direct effects of the aggression on its own operating activities and business operations, and the continuity of the functioning of its business processes was not at risk. TAURON Capital Group did not have any assets located on the territory of Ukraine, Russia and Belarus. There were no significant changes in the past due receivables balances. No significant risks were identified in 2022 with respect to the implementation of TAURON Group's long term expansion directions and Strategy. The current and potential challenges identified in the investment and restructuring processes and related to the volatility of the prices of the raw materials, disruptions in the supply chains of goods and services, as well as inflation, were analyzed in detail based on the updated knowledge and forecasts before making any commitments and releasing significant financial resources.

TAURON Capital Group, taking note of the scale of the risks related to the current situation, was monitoring the impact of the war in Ukraine on an ongoing basis and was taking steps aimed at minimizing the potential effects of the risk materializing, as well as at maintaining the continuity of the operations of the critical infrastructure. In connection with the situation arisen, the dedicated Crisis Teams were set up at TAURON Group's Subsidiaries, in order to monitor the impact of the current situation on the business processes and to take actions in the event of identifying a risk of the interruption or disruption thereof.

#### **Actions taken to help war-stricken Ukraine**

Since the beginning of Russia's invasion on Ukraine, TAURON has been carrying out extensive activities aimed at supporting war refugees, implementing such actions both through its individual subsidiaries as well as TAURON Foundation. TAURON also donates in-kind assistance to rebuild the energy infrastructure in Ukraine, providing access to basic services.

With respect to financial and non-financial assistance to Ukraine, TAURON has taken the following actions:

- in cooperation with the Poland Business Run Foundation, a day-care center for Ukrainian children and their mothers, called "Haven for Children" was launched at TAURON Arena Cracow. The day care center conducted educational, sports and recreational activities. It also took care to provide adequate psychological support for temporary pupils. All those staying at the facility received free meals. Throughout the duration of the project, 3 767 children from Ukraine were provided with care,
- special service channels were prepared in Ukrainian, for example a dedicated simplified website that allowed Ukrainian citizens and NGOs that provide support for them to deal with the most common matters: [tauron.pl/dla-ukrainy](http://tauron.pl/dla-ukrainy). In addition, basic processes such as meter installation or electricity supply contract signing were simplified and accelerated for Ukrainian citizens. Furthermore, Ukrainian citizens were able to talk to TAURON consultants in their native language via the service hotline. In the first 3 months since the war broke out, TAURON Group concluded 844 contracts with Ukrainian citizens,
- TAURON Dystrybucja subsidiary provided in-kind assistance aimed at rebuilding energy infrastructure in Ukraine. The first tranche of technical support, carried out in March 2022, included 25 transformers and six tons of power cables. In April 2022, another shipment was handed over, containing elements of the power infrastructure, including approx. 15 kilometers of power cables, 168 poles and nearly 4 000 additional items to be used for the construction of power lines. In November and December 2022, another shipment of power equipment and materials was handed over: 21 km of cables, 129 insulators, 39 current transformers and 11 overhead circuit breakers. In total, the value of the donated materials stands at nearly PLN 1.6 million. The infrastructure related assistance is carried out in cooperation with the Government Strategic Reserve Agency,
- 100 camp beds were donated to the Silesian province for the purpose of organizing accommodation for the refugees,
- fundraisings were organized among TAURON Group's employees as part of which the participants were able to make payments to the TAURON Foundation's account and donate gifts for the refugees from Ukraine.










In addition, as part of its relief efforts for refugees from Ukraine, the Management Board of TAURON Polska Energia decided to make a donation of PLN 1 million to the TAURON Foundation to support the Ukrainian population affected by the war.

TAURON Foundation had also provided support to selected associations, foundations, schools or universities. Key figures on the assistance provided by the TAURON Foundation to Ukraine in 2022 are presented in Table 7.

Table no. 7. Key data on humanitarian assistance for Ukrainian refugees provided by the TAURON Foundation in 2022

Beneficiary	Type of support	Amount	UN goal supported by initiative*
Polish Medical Mission Association	Covering part of the cost of equipment for a field hospital in Ukraine	PLN 50 000	
Cross Borders Foundation of Katowice	Purchase of equipped medical backpacks and wound care supplies	PLN 150 000	
St. Martin de Porres Foundation from Ukraine	Purchase and installation of a heating system at the St. Martin de Porres Center in Fastov, Kyiv region	PLN 170 000	
Polish Red Cross	Purchase of food, dressing materials and securing other priority needs	PLN 100 000	

Beneficiary	Type of support	Amount	UN goal supported by initiative*
Caritas of the Archdiocese of Katowice	Humanitarian aid for refugees from Ukraine	PLN 50 000	  
SOS Children's Villages Associations	Helping foster children evacuated from Ukraine	PLN 50 000	 
Opole University	Covering the cost of stay of 270 refugees from Ukraine at student dormitories	PLN 100 000	 
Slow Beskid Foundation from Korczyn	Subsidized holiday stay for the children from Ukraine	PLN 110 000	

\* with respect to the war situation in Ukraine

# **G – GOVERNANCE**

## **(Corporate Governance)**

## G 1. TAURON Capital Group's values

### G 1.1. Mission, vision

#### Mission

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*We care about the customer. We care about the planet.  
We choose the Green Turn of TAURON.*

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#### Vision

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*TAURON – the company of first choice.*

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TAURON Capital Group's mission and vision stem from a strategy that responds to market changes, customer expectations as well as climate and environmental challenges. The prerequisite for the implementation of the mission and vision is to act in accordance with corporate values and principles described in TAURON Group's Corporate Social Responsibility Code of Conduct in relations with co-workers, natural environment and stakeholders.

TAURON Group's market position obligates it to boldly and steadfastly implement innovative and competitive solutions, and to keep up with changing challenges and business trends.

### G 1.2. Corporate values

TAURON Group's corporate values are the symbols and determinants of the Group's organizational culture. They are the starting point for the Principles of Conduct described in detail in TAURON Group's Corporate Social Responsibility Code of Conduct. Corporate values should guide everyone in the execution of their daily tasks as signposts on the road to the implementation of the goals set out in TAURON Group's strategy.

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

Corporate Social Responsibility Code of Conduct (hereinafter referred to as the Code) is a key document shaping the ethical culture of TAURON Group. All employees of TAURON Group, as well as suppliers and persons providing services to our organization, are required to familiarize themselves with the Code and to act in accordance with its provisions.

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 is public, available not only to employees, but also to external entities on TAURON's website.

The Code contains a clear and comprehensible combination of TAURON Group's mission, vision and corporate values. The Code also defines the most important values and principles of conduct to be followed by employees and stakeholders of TAURON Group in the areas related to:

- employee,
- natural environment,
- stakeholders

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

TAURON Group is continuously 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 the Group's values, support the achievement of business goals.

### Due diligence procedures

Due diligence procedures in place as part of 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 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.

In addition, after the end of every calendar year, the Compliance Officer prepares a 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's implementation, indication of measures taken or proposed in cases of detecting the risk of non-compliance or the occurrence of the reported irregularities (deficiencies).

In addition, due diligence procedures include mandatory e-learning training for all TAURON Group employees with access to a computer workstation titled "Corporate Social Responsibility Code of Conduct."

E-learning training on the Corporate Social Responsibility Code of Conduct was provided in 2022 to 72% of TAURON Group's employees with access to the training platform.

Employees, as well as persons providing services for the benefit of TAURON Group, are obliged to become familiar with the Code and act in accordance with the provisions thereof.

TAURON Group's Corporate Social Responsibility Code of Conduct is available on the Company's website in Polish and English versions at: <https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance>.

### Document update

The content and the graphic design (layout) of TAURON Group's Corporate Social Responsibility Code of Conduct was updated in 2022.

## G 2. Documents supporting the ESG management process

### GRI 2-24

Various Policies, Codes and Principles have been adopted for use at TAURON Group, the main purpose of which is to systematize the activities carried out, as well as to precisely define the objectives and periodically monitor the degree of the implementation thereof. TAURON Group is increasingly including the environmental, social and corporate governance issues in its internal regulations. The selected internal documents supporting the ESG management are presented in Table 8.

Table no. 8. GRI 2-23, GRI 2-24. Selected internal documents supporting the ESG management

Public documents	Internal documents	Comments	Competency based supervision within the Management Board
TAURON Group's Corporate Social Responsibility Code of Conduct			President of the Management Board



<a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/kodeks-odpowiedzialnego-&lt;br/&gt;biznesu">https://www.tauron.pl/tauron/o- tauronie/kodeks-odpowiedzialnego- biznesu</a>			
	TAURON Group's Human Capital Management Policy	Internal document, a policy summary is available: <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/raportowanie-esg">https://www.tauron.pl/tauron/o- tauronie/raportowanie-esg</a>	President of the Management Board
	TAURON Group's Environmental Policy <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/tauron-dla-&lt;br/&gt;otoczenia/polityka-srodowiskowa-&lt;br/&gt;grupy-tauron">https://www.tauron.pl/tauron/o- tauronie/tauron-dla- otoczenia/polityka-srodowiskowa- grupy-tauron</a>		Vice President of the Management Board for Asset Management
	TAURON Group's Climate Policy <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/tauron-dla-&lt;br/&gt;otoczenia/polityka-klimatyczna-&lt;br/&gt;grupy-tauron">https://www.tauron.pl/tauron/o- tauronie/tauron-dla- otoczenia/polityka-klimatyczna- grupy-tauron</a>		Vice President of the Management Board for Asset Management
	TAURON Group's Anti-corruption Policy	Internal document, a policy summary is available: <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/zgodnosc-compliance">https://www.tauron.pl/tauron/o- tauronie/zgodnosc-compliance</a>	President of the Management Board
	TAURON Group's Compliance Policy		President of the Management Board
	TAURON Group's Principles of Counteracting Conflict of Interest	Internal document, a policy summary is available: <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/zgodnosc-compliance">https://www.tauron.pl/tauron/o- tauronie/zgodnosc-compliance</a>	President of the Management Board
	TAURON Group's Contractors (Counterparties) Credibility Assessment (Vetting) Procedure	Internal document, a policy summary is available: <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/zgodnosc-compliance">https://www.tauron.pl/tauron/o- tauronie/zgodnosc-compliance</a>	President of the Management Board
	TAURON Group's Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism		President of the Management Board
	TAURON Group's Respect for Human Rights Policy <a href="https://www.tauron.pl/tauron/o-&lt;br/&gt;tauronie/zgodnosc-compliance">https://www.tauron.pl/tauron/o- tauronie/zgodnosc-compliance</a>		President of the Management Board
	TAURON Group's Corporate Purchasing Policy		Vice President of the Management Board for Corporate Affairs
	TAURON Group's Subsidiaries Contractors (Counterparties) Code of Conduct	Document available on TAURON Group's purchasing platform	Vice President of the Management Board for Corporate Affairs
	TAURON Group's Work Health and Safety (WHS) Policy		President of the Management Board
	Strategic Research Agenda <a href="https://www.tauron.pl/tauron/tauron-&lt;br/&gt;innowacje">https://www.tauron.pl/tauron/tauron- innowacje</a>		Vice President of the Management Board for Strategy and Development
	TAURON Group's Intellectual Property Policy <a href="https://www.tauron.pl/tauron/tauron-&lt;br/&gt;innowacje/polityka-wlasnosci-&lt;br/&gt;intelektualnej-grupy-tauron">https://www.tauron.pl/tauron/tauron- innowacje/polityka-wlasnosci- intelektualnej-grupy-tauron</a>		Vice President of the Management Board for Strategy and Development

TAURON Group's Corporate Risk Management Policy		Vice President of the Management Board for Finance
TAURON Group's Policies for managing risks: trading, financial, operational, credit, regulatory and project risks		Vice President of the Management Board for Finance
TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) Projects	Key CSR projects: <a href="https://www.tauron.pl/tauron/otoczenia/tauron-dla-otoczenia/projekty">https://www.tauron.pl/tauron/otoczenia/tauron-dla-otoczenia/projekty</a>	President of the Management Board
TAURON Group's Principles of Conducting Sponsoring Activities		President of the Management Board
Personal Data Protection Policy for TAURON Group Entities		President of the Management Board
TAURON Group's Security Management System Policy		Vice President of the Management Board for Asset Management
TAURON Group's Business Continuity Policy		Vice President of the Management Board for Asset Management
TAURON Group's Diversity Policy		President of the Management Board
TAURON Group's Recruitment Principles		President of the Management Board
TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination		President of the Management Board
TAURON Group's PROClient Social Policy		President of the Management Board

The documents listed in Table no. 8 ensure compliance of TAURON Group's operations with the requirements specified in art. 49 b, clauses 2 and 3 of the Act on Accounting. They also represent an important part of conducting a transparent policy of communications with the numerous stakeholders of TAURON 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 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.

The ESG issues related to the environment, social responsibility and governance are very important for TAURON and the commitments in this regard are highlighted in the Group' Strategy.

**Therefore, the ESG Committee, appointed by the Management Board, has been in place since December 2021, engaging the Group's top management in managing activities aimed at protecting the environment and climate (E), the entire society and the highest Corporate Governance standards.**

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

GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-19

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,
  - 2) Teams, constituting organizational units (business units) reporting to the Members of the Management Board, Executive Directors or the Deputy Executive Directors. The activities of the Team are managed by the Team Leader (Manager),
2. independent (autonomous) work positions:
  - 1) Executive Directors and the Deputy 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 (autonomous) 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.

GRI 2-15, GRI 2-17, GRI 2-18

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 full 3 financial years.

**The composition of the Company's Management Board as of December 31, 2022, and as of the date of drawing up this report:**

1. Paweł Szczeszek - President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Bogusław Rybacki - Vice President of the Management Board for Asset Management,
4. Krzysztof Surma - Vice President of the Management Board for Finance,
5. Tomasz Szczegieliński - Vice President of the Management Board for Trading,
6. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

The changes to the composition of the Management Board of TAURON Polska Energia S.A. that had taken place in 2022 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 2022.

#### **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/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>. 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. Members of the Management Board may also participate in the meeting using the means of direct remote communications. 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 (statement of reason) 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 (autonomous) work positions as well as the organizational units (business 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. 336/VI/2022 of September 15, 2022, *regarding the assignment of individual organizational units of the Company and independent (autonomous) 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 G 3.4. of this report and posted on the Company's web site at the address: <https://www.tauron.pl/tauron/o-tauronie/wladze-spolki>.

The Management Board is responsible for managing the company and setting the direction of TAURON Group's activities, including the accomplishment of the long term goals set, in accordance with the adopted strategy assuming the sustainable development of the Group. The decisions related to ESG are made in accordance with the best practices, stakeholder expectations and the best knowledge. Members of the Management Board delegate the responsibilities with respect to the sustainable development issues to the management team, and in particular to the ESG Committee. TAURON Polska Energia's Management Board periodically presents the effects of implementing the activities related to the ESG issues to the Supervisory Board and the Strategy Committee and the Audit Committee appointed as part of the Supervisory Board's remit, among others, by discussing the assessment of the effectiveness of the functioning of the risk management and internal control systems, the presentation of a report on the scope of tasks with respect to the Compliance and the progress in implementing the adopted TAURON Group's Strategy that also includes the goals in the ESG area.

In the reported period, in order to develop its knowledge, competence, skills and experience, in the field of sustainable development, the Management Board, among others, took part in numerous conferences and panel

discussions during which the issues related to the sustainable development were discussed, such as for example: Nationwide Poland Energy Summit 2022, Congress 590, ESG Congress Poland's Power of Business, the debate during PRECOP, TOGETAIR Conference and the European Economic Congress. Aware of the importance of the ESG issues, TAURON's Management Board decided to join the UN Global Compact - a global initiative of the UN grouping the sustainable business.

#### **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 full financial years, except for the 1st term that lasted 2 years. The term of office of a Member of the Management Board shall expire, at the latest, on the date of the General Meeting which approves the financial statements for the last full financial year of the term of office of the Member of the Management Board. 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 (recruitment) 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 (recruitment) procedure.

#### **Policy of compensation for the Members of the Management Board of TAURON Polska Energia S.A.**

The compensation system for the Members of the Management Board of TAURON Polska Energia S.A. and the key managers is described in detail in the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022, in chapter 11, Policy of Compensation for the Members of the Management Board and the Supervisory Board.

### **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, 2022, and as of the day of drawing up this report:**

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

The changes to the composition of the Supervisory Board of TAURON Polska Energia S.A. that took place in 2022, 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 2022.

#### **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/tauron/relacje-inwestorskie/informacje-o>

[spolce/dokumenty-spolki](#). 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 meeting of the Company's Supervisory Board 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 Members of the Company's Management Board in the Supervisory Board's 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 adequate 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, 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 the 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 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 2022, 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 2022.

### **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 full financial years, except for the first term that lasted 1 year. The term of office of a Member of the Supervisory Board shall expire, at the latest, on the date of the General Meeting which approves the financial statements for the last full financial year of the term of office of the Member of the Supervisory Board. 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 TAURON Capital Group for the financial year 2022.

#### **Policy of compensation for the Members of the Supervisory Board of TAURON Polska Energia S.A.**

The compensation system for the Members of the Supervisory Board of TAURON Polska Energia S.A. is described in detail in the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022, in chapter 11, *Policy of Compensation for the Members of the Management Board and the Supervisory Board*.

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

#### **Description of the procedures and competence 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/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

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, regulatory filings) 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, and as the 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 (statement of reason) 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.

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 TAURON Capital Group for the financial year 2022.

### **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 2022.

#### **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 implementation of the goals through tailored solutions with respect to the management of TAURON Group's entities, enabling achieving of the effects assumed in the Strategy.

#### **G 3.2.2. TAURON Group's Business and Operational Model**

*GRI 2-6, GRI 301-1*

The Business and Operational Model is a response to the needs and goals set out in TAURON Group's Strategy. 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. 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)). TAURON Group's

Business and Operational Model also includes comprehensive provisions indicating the independence (unbundling) of the operations conducted by the Distribution System Operator (hereinafter also called: DSO).

A new TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050 was adopted in June 2022. The key assumptions of the above mentioned strategy include the spin-off of the coal assets outside TAURON Group, the development of the renewable energy capacity, as well as the digitalization and ensuring information security. These issues were taken into account in the update of the Business Model, which in 2022 included: bringing all of TAURON Group's subsidiaries under the Business Model, assigning new subsidiaries to the specific Lines of Business, dividing of the roles within IT/OT, clarifying the issues related to the RES acquisitions.

Due to the reorganization processes underway at TAURON Group, affecting the ultimate shape of TAURON Group's structure and its Business and Operational Model, further updates resulting from the implementation of TAURON Group's Strategy are assumed.

**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, qualifications and competences of TAURON Group's personnel.

**The assumptions of the Business and Operational Model include:**

- being applicable at all of TAURON Group's subsidiaries,
- providing support for the building of TAURON Group's value in line with the Group's Strategy,
- acting in accordance with the corporate values (PRO values),
- Group wide organizational and decision making consistency,
- ensuring compliance with the principles of "unbundling" towards the DSO within TAURON Group,
- clear division of duties and responsibilities,
- efficient exchange of information, utilization of the personnel knowledge,
- variability of the Business and Operational Model,
- flexibility, resilience and adaptation to changes in the external and internal.

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 no. 15.

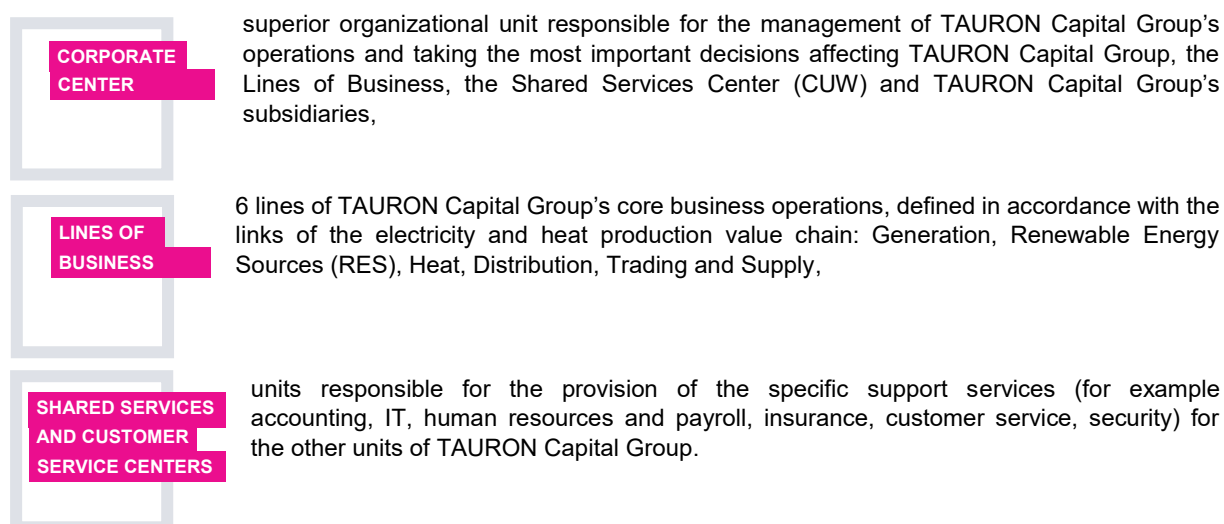


Figure no. 15. The division of obligations (duties) and responsibilities under TAURON Capital Group's business model in 2022 (excluding the Mining Line of Business that had been functioning until December 31, 2022, in connection with the transfer of ownership of the shares of TAURON Wydobycie to the State Treasury as of that date)

TAURON Group is operating in the fuel and energy sector mainly, on the Polish market, and the products and services offered as well as the sales amount are described in the Management Report on the operations of

TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022, in chapter 5.2 Financial Results of TAURON Capital Group by Segments of Operations. TAURON Group does not offer products and services that have been banned and/or withdrawn, or those that are the subject of a public debate or public concern. The fuels, products and services required to conduct the operations are acquired through transparent purchasing procedures.

The Group’s business operations were conducted in 2022 based on six Lines of Business (Segments): Generation, Heat, Renewable Energy Sources (RES), Distribution, Trading and Supply. Within the structure of TAURON Group, which is a vertically integrated enterprise, the Distribution System Operator is functioning as part of the Distribution Line of Business. As of 31.12.2022, TAURON Wydobycie (Mining) subsidiary was spun off and divested to the State Treasury, whose operations included the performance of the hard coal mining processes at three coal mines.

There are subsidiaries functioning as part of the Group, whose operations are focused on providing the support services for the Group’s other subsidiaries, such as, for example, accounting, IT services, human resources, payroll and benefits (entitlements), insurance services, security services (these operations were spun off and divested in December 2022). Customer service is provided by the TAURON Obsługa Klienta subsidiary for the Supply Line of Business and for the Distribution Line of Business (in compliance with the principles of unbundling).

TAURON Group’s business model is presented in Figure no. 16.

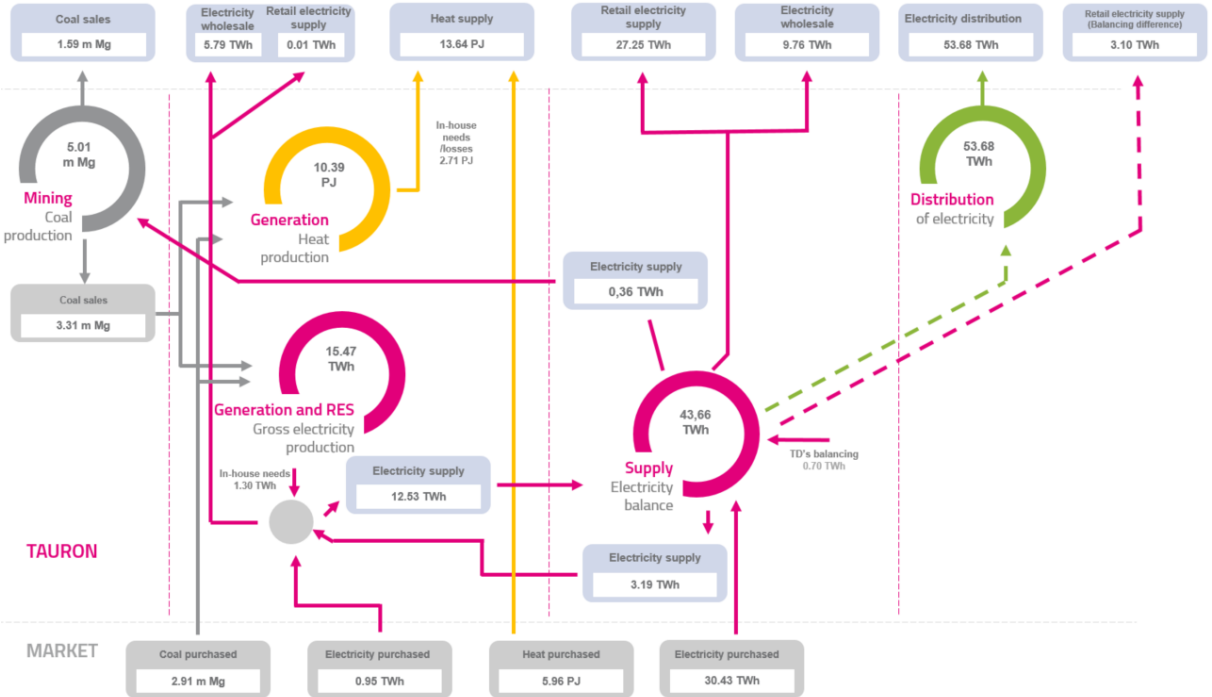


Figure no. 16. TAURON Group’s business model in 2022

**TAURON Capital Group’s production capital**

The carrying amount (balance sheet value) of all of TAURON Group’s assets is more than PLN 45 billion (including the fixed assets’ carrying value of 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, as well as of the entire generation and mining plants.

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 Group’s transition towards the decarbonization. After the operation of the 120 MW coal-fired generating units was discontinued in 2021, the TAURON Wytwarzanie (Generation) subsidiary is planned to be transferred to the National Energy Security Agency (NABE) with 2.5 GW of available capacity, mainly the 200 MW power generation units, which will lead to the exclusion of the coal-fired power generation from the Group’s operations. The hard coal fuel will be used only by the combined heat and power plants with the prospect of decarbonization by 2030. The development of new low- and zero-carbon power generation sources is planned. It is assumed that in 2025-2030 their share in the installed capacity will reach approximately 80%. Such measures will reduce the CO<sub>2</sub> emissions by approximately 14 million Mg by 2030.

The total installed capacity of the renewable energy sources stood at 659 MWe in 2022. The total installed capacity of the RES assets that were commissioned in 2022 clocked in at 44 MWe. These were:



- 30 MWe Piotrków wind farm,
- 6 MWe Majewo wind farm,
- 8 MWe Choszczno II PV farm.

TAURON Group launched further RES projects with a total capacity of 224 Mwe in 2022. These were:

- 37.14 MWe Mysłowice (quarters no. II) PV farm,
- 45.6 MWe Proszówek (stage I) PV farm,
- 58.5 MWe Mierzyn wind farm,
- 30 MWe Warblewo wind farm,
- 33 MWe Gamów wind farm,
- 19.6 MWe Nowa Brzeźnica wind farm.

The largest contribution to TAURON Group's economic performance (earnings) 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, including also the prosumer energy sources, 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 the customers and the quality requirements set by the President 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 the cable lines in the distribution grid and thus improving the quality indicators, security of electricity supply and resilience to the extreme weather conditions.

The key data on TAURON Group's production capital in 2020-2022 is presented in Table no. 9.

Table no. 9. GRI 2-6. Key data on TAURON Group's production capital in 2020-2022

Key data on the capital	2022*	2021	2020
Hard coal extracting coal mines	3	3	3
Hard coal fired power plants (number)	6	6	6
Hard coal fired power plants (installed capacity)	4.1 GWe; 0,8 GWt	5.2 GWe; 1.1 GWt	5.2 GWe; 1.3 GWt
Combined heat and power plants (number)	4	4	4
Combined heat and power plants (installed capacity)	0.35 GWe; 1.1 GWt	0.35 GWe; 1.1 GWt	0.35 GWe; 1.2 GWt
Proprietary district heating networks - TAURON Ciepło (length)	904 km	896 km	888 km
Heat supply	13.64 PJ	15.08 PJ	11.6 PJ
Hydroelectric power plants (number)	34	34	34
Hydroelectric power plants (installed capacity)	133 MW	133 MW	133 MW
Wind power plants (number)	11	9	9
Wind power plants (installed capacity)	417 MW	381 MW	381 MW
Photovoltaic power plants (number)	3	2	
Photovoltaic power plants (installed capacity)	19 MW	11 MW	
Cogeneration engines - gas from methane drainage (number)	4	4	
Cogeneration engines - gas from methane drainage (installed capacity)	10.8 MWe	10,8 MWe	
Electricity distribution lines (length)	246 500 km	245 800 km	241 600 km
Transformers (distribution)	59 800	60 800	60 900
MV/LV transformer stations and MV network switchgears	62 100	61 600	59 100
HV/MV stations	497	495	493
Capital expenditures (PLN million)	3 962	2 932	4 039



Depreciation (PLN million)	2 216	2 101	1 954
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\* As of 31.12.2022

\*\* from continuing and discontinued operations

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

- investments 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,
- expanding and upgrading the district heating network,
- seeking to build low- and zero-carbon heat sources.

The results achieved by TAURON Group in 2020-2022 with respect to production capital management are presented in Table no. 10.

Table no. 10. GRI 301-1. Results achieved by TAURON Capital Group with respect to production capital management in 2020-2022

Results achieved	2022	2021	2020
Commercial coal production by segment groups: coal dust, medium size lump coal, large size lump coal, eco-pea coal	5.01 million Mg	5.15 million Mg	4.54 million Mg
Net electricity production	14.16 TWh	14.3 TWh	11.4 TWh
including electricity production from RES	1.48 TWh	1.7 TWh	2.0 TWh
Heat distribution	8.62 PJ	9.42 PJ	8.44 PJ
Heat generated	10.58 PJ	12.00 PJ	11.63 PJ
Electricity distribution	53.68 TWh	53.97 TWh	50.26 TWh

## Mining

Until December 31, 2022, the operations related to hard coal mining, cleaning (upgrading) and sales to the utility scale power plants, district heating industry and individual customers had been conducted. The operations in this area were conducted by: TAURON Wydobycie and Spółka Usług Górniczych. The structure of the TAURON Wydobycie (Mining) subsidiary was based on a 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 included, among others, shared functions management, planning and sales. The production facilities were mainly dealing with hard coal mining and cleaning (upgrading). This Line of Business also included a subsidiary that provided mining works services – Spółka Usług Górniczych. As a result of the spin-off process under way in 2022, these assets were divested to the State Treasury as of the end of 2022.

In addition to coal mining, also mining operations that involve open-pit extraction of limestone, as well as the processing and sales thereof within the Group and outside the Group, are conducted. The operations in this area are carried out by Kopalnia Wapienia "Czatkowice" (Czatkowice Limestone Mine), an open-pit mine that extracts high quality deposits of Carboniferous limestone, located in the Krzeszowice municipality. The limestone from the Czatkowice deposit is widely used in the energy, metallurgical, 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 the TAURON Wytwarzanie subsidiary and Nowe Jaworzno Grupa TAURON company which was incorporated into TAURON Wytwarzanie in 2022. Electricity generation by the conventional units is carried out by the power plants with the total capacity of approx. 4.1 GWe and 0.9 GWt and by the 49 MWe biomass fired generating unit as well as by the 5 MW photovoltaic power plant. The power plants are located in the following cities: Łaziska Górne, Będzin, Trzebinia and Jaworzno. This Line of Business also includes the TAURON Serwis subsidiary that provides technical maintenance (support) services. Activities aimed at spinning off TAURON Wytwarzanie from TAURON Group to the State Treasury (in accordance with the government's program to create NABE), as an entity operating coal-fired generation assets, were carried out in 2022. Among other things, the services previously outsourced to other TAURON Group's subsidiaries were reconstituted at the company. Research and development projects, as well as investment activities, were spun off to TAURON Inwestycje subsidiary, which will remain within TAURON Group's structures.

## Heat

It comprises heat generation, using the co-generation sources, transmission and distribution as well as supply. Heat generation is carried out by 5 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, Czechowice-Dziedzice and Cieszyn, as well as by the local boiler houses. The co-generation units are using hard coal and biomass for their production, while the heat generation units also use oil and gas. The district heating operations are conducted by the TAURON Ciepło, SCE Jaworzno III and Energetyka Cieszyńska subsidiaries, that are, in total, operating more than 1 thousand km of the distribution district heating networks on the territory of, among others, Katowice, Dąbrowa Górnicza, Sosnowiec, Będzin, Chorzów, Siemianowice Śląskie, Jaworzno, Mysłowice and Cieszyn, including 904 km of TAURON Ciepło's own networks, 119 km of SCE Jaworzno III's own networks and 55 km of Energetyka Cieszyńska's network.

## 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 34 hydroelectric power plants with the total capacity of 133 MW, located primarily in the south of Poland, 11 wind based power plants with the total capacity of nearly 417 MW, located mainly in the north of Poland, and a 14 MW photovoltaic power plant. The segment's operations are conducted by TAURON Ekoenergia, TAURON Zielona Energia, special purpose vehicles set up to build new RES sources and TAURON Ekoserwis (a subsidiary providing support and maintenance services for the hydro power 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 the TAURON Dystrybucja subsidiary that performs the function of the DSO. 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 subsidiary.

## Trading

It comprises electricity wholesale trading, as well as trading and management of the CO<sub>2</sub> emission allowances and property rights arising from the guarantees of origin (GO) of electricity, as well as fuels. Such operations are conducted by the TAURON Polska Energia and TAURON Czech Energy 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 the Bioeko Grupa TAURON subsidiary.

## Supply

It comprises the supply of electricity and natural gas, as well as the related products, to the final consumers. The operations are conducted by the TAURON Sprzedaż and TAURON Sprzedaż GZE 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 the TAURON Nowe Technologie subsidiary. The company is managing approx. 721 thousand street lamps. In 2022, TAURON Group also offered the broadband Internet access services. The service is provided by the TAURON Obsługa Klienta subsidiary.

## Shared Services

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 the TAURON Obsługa Klienta subsidiary, managing insurance policies for all of the Group's subsidiaries – the TAURON Ubezpieczenia subsidiary, security and order keeping services – the Wsparcie Grupa TAURON subsidiary. The property security service business was spun off from TAURON Group in December 2022, as a result of the optimization measures and the need to raise security level of TAURON Group's power infrastructure.

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 the TAURON Obsługa Klienta subsidiary customer service is also provided for the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries and, taking into account the need to ensure independence of the DSO and compliance with other unbundling rules, for the TAURON Dystrybucja subsidiary. Figure no. 17 presents the structure of TAURON Group's Lines of Business.

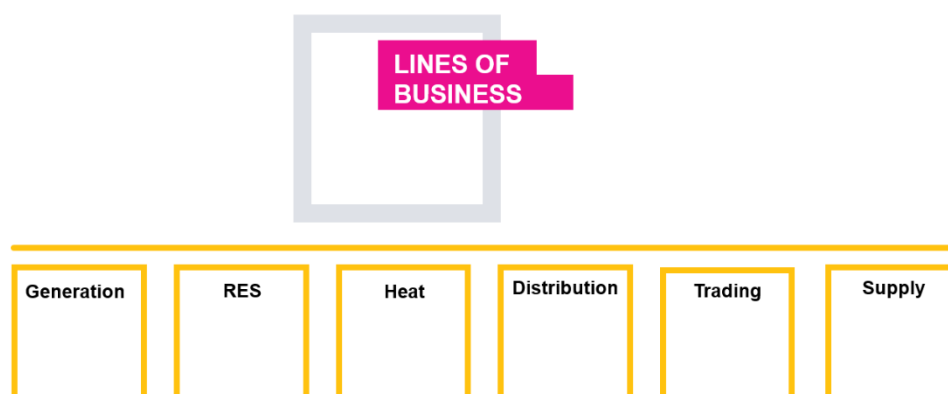


Figure no. 17. Structure of TAURON Group's Lines of Business (excluding the Mining Line of Business that had been functioning until December 31, 2022, in connection with the transfer of ownership of the shares of TAURON Wydobycie to the State Treasury as of that date)

## 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 Group. In 2022, as part of the update of the Business and Operational Model, the functions and tasks performed as part of process management were reviewed and updates were introduced with respect to:

- the Model covering all of TAURON Group's subsidiaries – in order to standardize TAURON Group's management principles with respect to all of its entities,
- assigning TAURON Group's new subsidiaries to the Lines of Business,
- IT/OT systems, in order to ensure a consistent approach to the IT/OT systems management across TAURON Group,
- division of competences with respect to the acquisition of the RES projects.

The process documentation describes the division 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. 18 shows mega-processes identified at TAURON Group (the highest process level).



Figure no. 18. TAURON Capital Group's mega-processes in 2022

The owners of the mega-processes (the highest process level) are the designated directors at TAURON Polska Energia. The process documentation (maps, diagrams and process sheets) defines and describes the 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 making competences (powers) for the recurring activities.

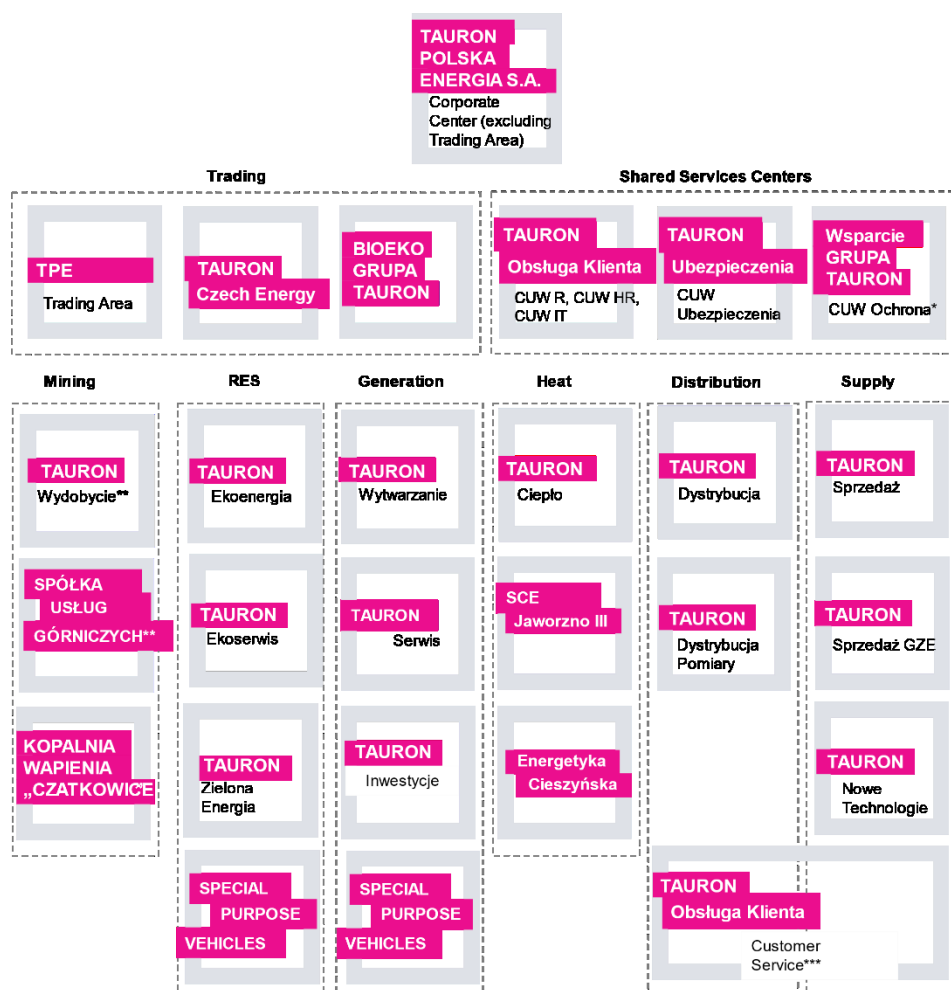
The goal of the process based management model implemented is to benefit from the operating synergies among TAURON Group's various subsidiaries, share knowledge and use the best practices, standardize and automate processes, and also to ensure consistency of actions taken within TAURON Capital Group's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

The essence of the management by processes lies in a continuous search for and implementation of efficiencies along with a 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 conducted based on six Lines of Business: Generation, Heat, Renewable Energy Sources (RES), Distribution, Trading, 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. 19.



\*Security services were spun-off and divested in December 2022. WGT's other operations have been carried out as part of the Usługi Grupa Tauron subsidiary since 2023  
 \*\*Companies divested to the State Treasury in December 2022.  
 \*\*\* with unbundling requirements having been met.

Figure no. 19. Assignment of TAURON Capital Group's subsidiaries to the Lines of Business and Shared Services Center (CUW) in 2022

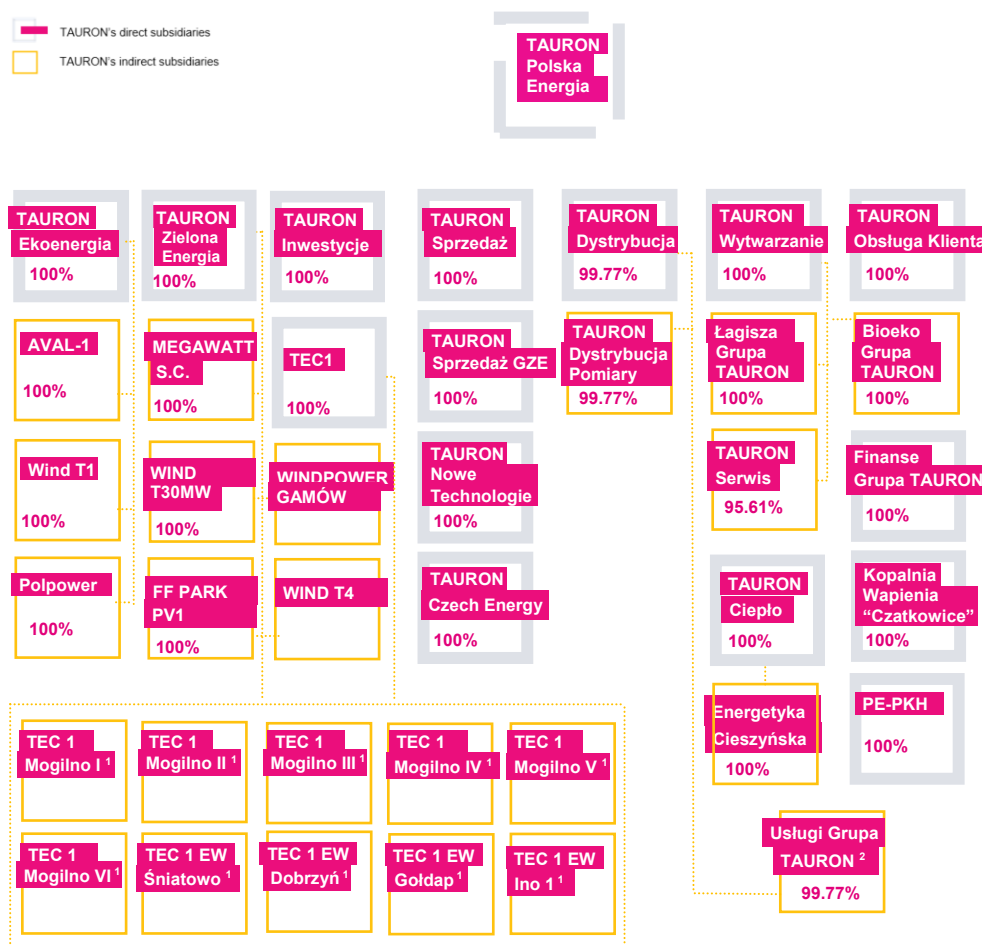
### G 3.3.3. Formal and legal organizational structure

#### GRI 2-2

As of December 31, 2022, and as of the date of drawing up this report TAURON Capital Group's key subsidiaries, besides the TAURON Polska Energia S.A. parent company, included 39 subsidiaries subject to consolidation that are listed below.

In addition, as of December 31, 2022, and as of the date of drawing up this report, the Company, directly or indirectly, held shares in 33 other companies.

TAURON Capital Group's structure, including the companies subject to consolidation, as of December 31, 2022, is presented in Figure no. 20.



<sup>1</sup>TEC1 sp. z o.o. is the General Partner, TAURON Zielona Energia sp. z o.o. is the Limited Partner.  
<sup>2</sup>formerly Marselwind sp. z o.o.

Figure no. 20. TAURON Capital Group's structure, including the companies subject to consolidation, as of December 31, 2022

### 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 are split among the President of the Management Board (CEO) and the Vice Presidents of the Management Board. The current division 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's Management Principles

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

GRI 2-11

### Changes to the principles of the Company's management

In 2022 amendments were introduced to the Organizational Regulations that consisted in setting up of the Corporate Area, the tasks of which include formal corporate governance, process based management in TAURON Group, and development of internal and intra-corporate regulations in TAURON Group. In addition, the said amendments included unambiguous and precise division of task, competences, and responsibilities of individual Business Areas, independent work positions, and Teams reporting directly to members of the Management Board.



The organizational structure (diagram) of TAURON Polska Energia S.A., as of December 31, 2022, and as of the day of drawing up this Report is presented in Figure no. 21.

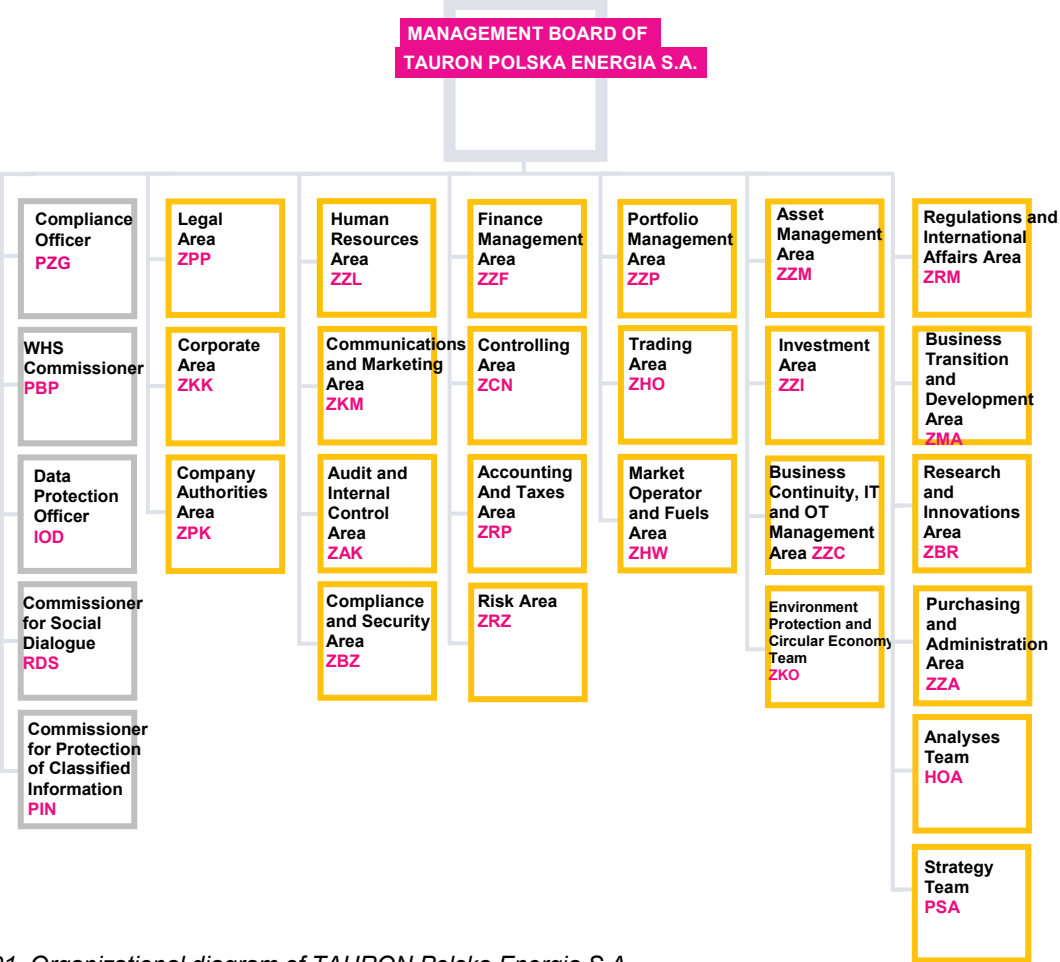


Figure no. 21. Organizational diagram of TAURON Polska Energia S.A.

As of September 15, 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 business areas 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. 22.

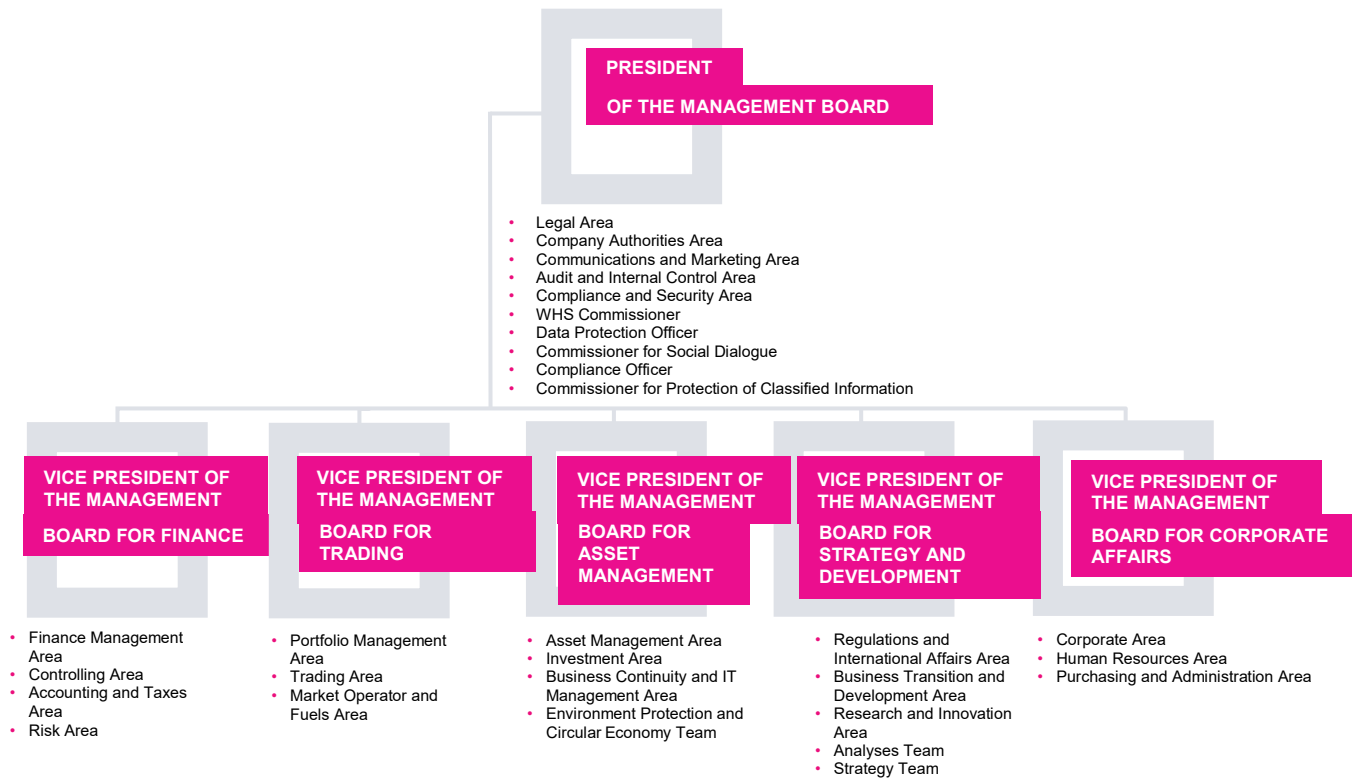


Figure no. 22. The diagram showing the division of responsibilities of the Members of the Management Board of TAURON Polska Energia S. A.

### Changes to the principles of TAURON Capital Group's management

TAURON Group's Business and Operational Model in place defines the management model of TAURON Capital Group, emphasizing 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.

Over the course of 2022, the TAURON Group's Business and Operational Model was updated twice, taking into account the Group's changing needs and operating environment (conditions).

## 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), and the military conflict in Ukraine, 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 level.

Recent years have demonstrated a very rapid pace of changes taking place in the Group's regulatory, economic, macroeconomic and 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, REPower EU, Grid Codes, ETS Directive, Directive on industrial emissions, European Green Deal, European Commission guidelines on climate impact reporting),
- implementation of regulations with respect to freezing of the electricity, gas and heat prices in Poland, which is a consequence of the ongoing conflict in Ukraine and its impact on the economic environment (embargo on the hydrocarbons imported from Russia, increase in gas, electricity, coal prices),
- 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 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/Supervisory Board. The way the so-called Three Line Defense Model is organized is illustrated in Figure no. 23.



Figure no. 23. 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, planning and responding to risk as well as communications among the process participants.
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. Oversees the Risk Committee as an expert team that initiates, analyzes, monitors, controls and supports the functioning of the risk management system at TAURON Capital Group on a permanent and continuous basis.
7. Is a pro-active process, focused on an adequately early identification of threats, allowing for taking preventive measures.
8. 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.
9. Places a strong emphasis on developing awareness, training and encouraging personnel to use the knowledge of risks in daily activities.
10. Co-creates TAURON Capital Group's internal audit system, constituting, along with the compliance assurance and security management functions, an element of the Three Line Defense Model.
11. It uses tools to effectively implement the process, i.e. risk charter (card), risk register, risk response plan, volatility models, scoring models and risk limits.
12. It is based on a risk model that defines a consistent classification of risks, enabling their uniform and comprehensive recognition at TAURON Capital Group's level.

#### **G 4.4. TAURON Group's risk management strategy**

The Enterprise Risk Management System (ERM System) is governed by the Enterprise Risk Management Strategy at TAURON Group that defines the organization's risk management framework and rules, and its goal 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:

The basic classification of the corporate risk is presented in Figure no. 24.

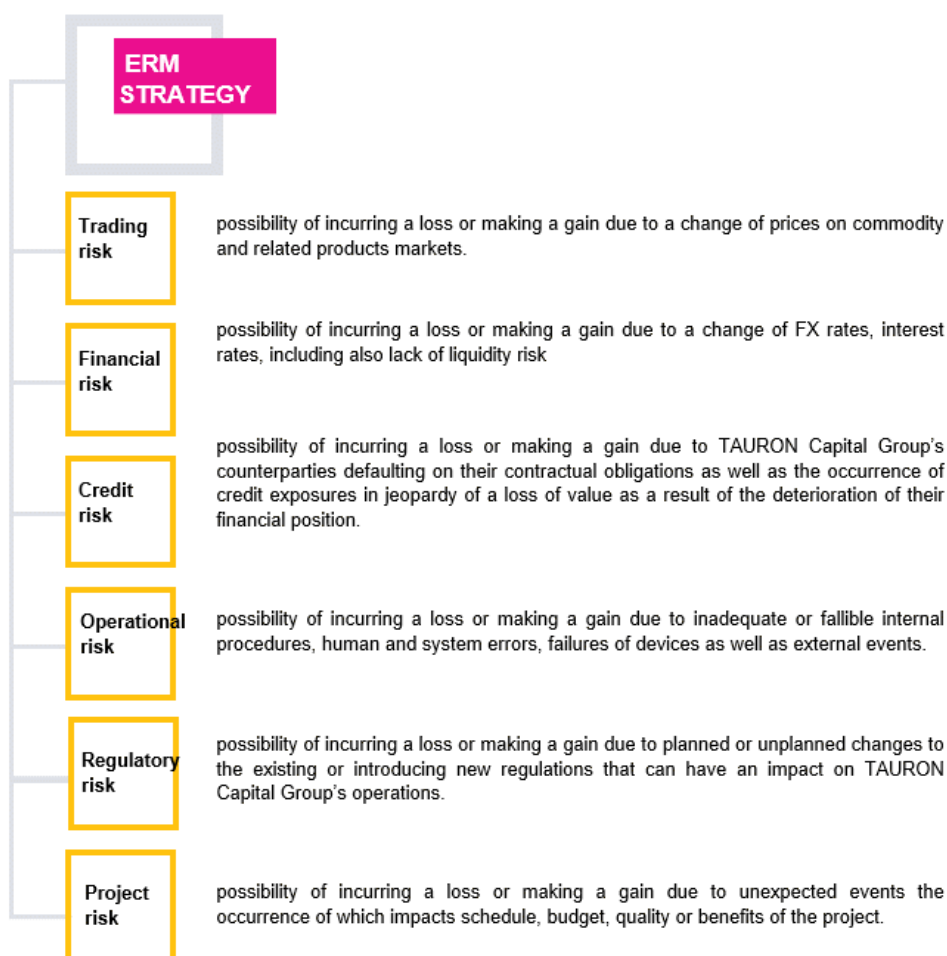


Figure no. 24. Description of TAURON Capital Group's specific risks in the ERM system

#### G 4.4.1. Roles and responsibilities of the risk management system's participants

The key assumption of the ERM 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 the Parent Company's 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.

As part of the ERM process the roles and responsibilities of all the participants of TAURON Capital Group's risk management system are defined in detail.

The links between the various roles and documents regulating TAURON Capital Group's ERM System in detail at are presented in Figure no. 25.

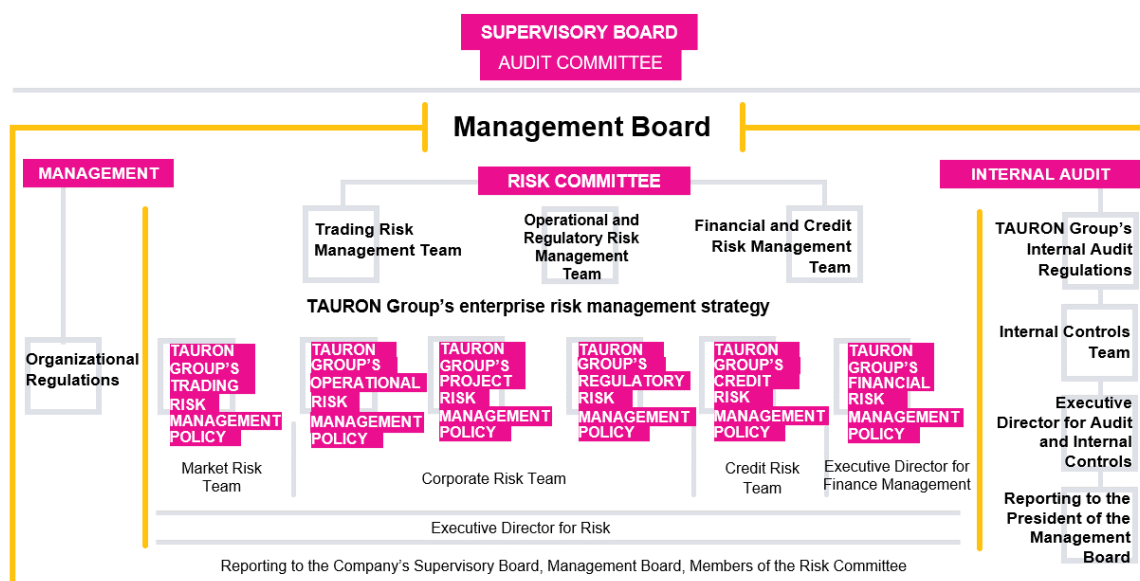


Figure no. 25. The links between the various roles in the context of the ERM Strategy and the documents regulating the ERM System in detail

All of the above specific risks take into account climate opportunities and risks.

#### G 4.4.2. Risk management tools

The basic risk control tool is the Risk Appetite, approved by the Company's Management Board and the Risk Tolerance that specifies TAURON Capital Group's maximum permitted risk exposure value. The Risk Tolerance level 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 the key categories of the Specific Risks and the Global Limits related thereto. Based on the adopted Risk Tolerance value as well as the approved Global Limits, the Risk Committee approves the sets of the Operational Limits dedicated to the individual risks or the groups thereof.

While carrying out the Risk Management Process (ERM), estimates are made of the probability and impact of risks (both threats and opportunities), placing a value (valuation) on the impact of the individual risk factors on the planned level of EBITDA or other economic data that is material from the point of view of TAURON Group's operations. The values (valuations) in question constitute a company secret and are not publicly available.

In addition, it is possible to separate and aggregate the individual groups of risk factors (and, similarly, business opportunities) for the purpose of placing a value (valuation) on them and estimating their probability and impact, particularly in the area related to climate change and energy transition of assets (transition risks and opportunities).

#### G 4.4.3. 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 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 and safety 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 include planning and implementation of the audit and control tasks within TAURON Group, creating and coordinating of the principles of the functioning of the audit and internal control at TAURON Group as well as providing support for the organization in maintaining an effective internal control system.

The audit activities are carried out by the Audit Teams of the Audit and Internal Control Area at TAURON Polska Energia, conducting planned and ad hoc audit tasks both at TAURON Polska Energia, as well as at TAURON Capital Group’s subsidiaries. The Audit Teams, based on the Annual Audit Plan for the given calendar year, while performing process based audit tasks, assess the current level of the individual risks and the effectiveness of the management thereof. As part of the audit activities, the correctness of the audited processes as well as the adequacy and the implementation of the control mechanisms in the audited processes 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.

Internal control (conducted by the owner) is understood as a set of activities of a detective (detection control), preventive (preventive control) and corrective (correction of irregularities and deficiencies) nature. The control (audit) tasks are performed in the form of ad hoc and scheduled controls (audits) by the audit teams composed of the employees holding the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions as part of the Audit and Internal Control Area at TAURON Polska Energia, as well as by the organizational units competent for the internal control operating at some of the subsidiaries.

#### **The Audit and Internal Control area conducted 21 scheduled and ad hoc tasks in 2022**

A new model for the periodic Evaluation of the Internal Control System has been implemented to provide the Management Board of TAURON Polska Energia and the Audit Committee of the Company’s Supervisory Board with independent and objective information on the functioning of the control mechanisms in the business processes. As part of the above mentioned model, the assessment of the adequacy, implementation and effectiveness of the selected control mechanisms related to the risks assessed as significant for the Internal Control System was initiated, for the first time, in 2022.

The goal of the organization of the Audit and Internal Control Area is to enable the scope of audits and controls to cover the entire operations of the organization, both from the perspective of the needs of TAURON Group as well as those of the individual subsidiaries. On the other hand, the direct organizational reporting to the President of the Management Board allows the Area to maintain the necessary independence and objectivity required to perform its duties effectively. The Executive Director for Audit and Internal Control has also been provided with the ability to periodically report directly to the Audit Committee, as a standing committee established within the Supervisory Board of TAURON Polska Energia. This empowerment is implemented in the Company’s Organizational Regulations currently in force.

### **G 5.2. Most important aspects relate to the internal controls and risk management with respect to the process of drawing up financial statements and consolidated financial statements**

Supervision over the 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 statements

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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.

In addition, 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 Team and by an independent certified auditor during an audit or review of TAURON Capital Group's consolidated financial statements.

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Procedures used to authorize and provide opinions on the Company'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.

The Supervisory Board's structure includes the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.

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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 consistency (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. In 2022, as part of the implementation of the government's program of Poland's electricity sector's transition, which envisages the spinning off of the coal assets from power companies that the State Treasury is a shareholder of to the National Energy Security Agency, the reorganization works were carried out to integrate the assets intended to be spun off into a single entity (i.e. TAURON Wytwarzanie S.A. subsidiary), which also included the transfer of the accounting services for the assets to be spun off to TAURON Wytwarzanie S.A.

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.

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Subjecting the Company'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 November 2021, the Company selected an entity authorized to audit and review the financial statements as well as the consolidated financial statements of the Company and to audit the financial statements of selected TAURON Capital Group's subsidiaries. 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 2022-2024, 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, 2022, June 30, 2023 and June 30, 2024.

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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.

## G 5.3. TAURON Capital Group's Key Policies, Codes and Principles in force as part of the Corporate Governance

GRI 3-3

### G 5.3.1. TAURON Group's Anti-corruption Policy

GRI 2-24, GRI 205-1, GRI 205-2, GRI 205-3, GRI 206-1

TAURON Group has adopted a zero-tolerance policy on corruption.

The basic document regulating the area of counteracting 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 an occurrence of corruption activities as well as other fraud (abuse).

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 taken towards the external entities.

The Policy applies to all of the employees, members of the management board and supervisory authorities, as well as the proxies and the powers of attorney of the subsidiaries. TAURON 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 (fraud).
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 (fraud). 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. Anti-corruption clauses are introduced in contracts with the external entities.
5. Raising of the employees' awareness with respect to the possibility of identifying corrupt activities and other abuse (fraud) 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.
6. 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's subsidiaries are based on the guidelines presented in the Standards recommended for the compliance management system with respect to counteracting corruption and the whistleblowers protection system at the companies listed on the markets organized by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), adopted on October 8, 2018.

As part of the due diligence procedures, among other things, the ongoing monitoring of compliance risks is conducted, as part of which data is collected on the cases of corruption and other fraud at TAURON Group's Subsidiaries.

The due diligence procedures also include the mandatory training for all of TAURON Group's employees with access to a computer work station named "TAURON Group's Compliance Management System". This training presents issues related to, among others, counteracting corruption, conflict of interest prevention, rules for accepting and giving gifts.

E-learning training on TAURON Group's Compliance Management System was provided in 2022 to 75% of TAURON Group's employees with access to the training platform

## 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.

No cases of corruption had been identified in 2022.

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

In addition, TAURON Polska Energia 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).

A brochure outlining the most important provisions of TAURON Group's Anti-Corruption Policy is posted on TAURON's website.

An educational and informational campaign entitled "Compliance Chasing Corruption" was carried out at TAURON Group in 2022, as part of which a podcast was recorded with the participation of the Compliance Officer and the Compliance Coordinator at the TAURON Nowe Technologie subsidiary.

As part of TAURON Group's Compliance Day 2022, a training panel was held to discuss the rules for accepting and giving gifts at TAURON Group.

## G 5.3.2. TAURON Group's Corporate Purchasing Policy

### GRI 2-24

The Corporate Purchasing Policy implements the priorities set out in TAURON Group's Strategy regarding ensuring financial stability. TAURON Group's Strategy formulates expectations for the purchasing area, as a continuation of actions taken to improve the efficiency of the purchasing processes and increase the maturity level of the purchasing processes at TAURON Group

TAURON Group's Corporate Purchasing Policy is to facilitate the implementation of the strategic goals of the Purchasing Area, in particular with respect to:

- centralizing TAURON Group's most important purchasing processes,
- standardizing the purchasing procedures and processes at TAURON Group,
- increasing the level of digitalization of the purchasing processes at TAURON Group.

## 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 Purchasing Strategy document, whose sample constitutes an appendix to the Corporate Purchasing Policy, have been implemented.

## Purchase Order (Contract) Award Regulations

A single common purchasing regulations have been in place at TAURON Group for a number of years, along with the tender documentation templates. The regulations define the principles of planning, preparation and the manner of proceeding and awarding the Purchase Orders (Contracts), and ensure transparency of the purchasing process at TAURON Group. The events of 2022, i.e. the war in Ukraine, forced the introduction of an additional verification (vetting) of the contractors with whom cooperation is undertaken based on the so-called sanction regulations. The changing market, business and legal environment requires a flexible approach to the purchasing regulations, resulting in the subsequent updates thereof. The purchasing area is cooperating closely with the organizational units responsible for compliance, audit and internal control, personal data protection and taxes in order to improve the purchasing process.

The principle of equal treatment of contractors associated with the public procurement law does not allow for the exclusions of contractor from the supply chain due to the footprint generated by their operations and the negative impact on climate. Engagement with suppliers to improve environmental performance in the current state of the law is done on a voluntary basis on the part of suppliers, who can give a non-binding consent to disclose information on the impact of their operation on the environment and climate.

## Purchasing Strategies

A Purchasing Strategy is developed for selected purchasing categories, which presents an action plan aimed at optimizing purchasing and reducing the risk of a given purchase, as well as gaining access to solutions and innovations implemented by the suppliers. It also enables the creation of a Knowledge Base in the Purchasing Organization Support System (System Wspierania Organizacji Zakupów - SWOZ) for the contractor market. Due to the changing market conditions and deteriorating availability of products or services, a decision was made in some areas to change some purchasing categories or decentralize them, in order to increase competitiveness by allowing smaller contractors to perform contracts (fulfill purchase orders).

### Actions taken and results achieved

Implementation of the goals established in the Corporate Purchasing Policy resulted in the simplification and standardization of the purchasing process. The key metric of the efficiency of the purchasing process is the increase in the number of bids submitted in the tender proceedings, the so-called increase in the competitiveness of the proceedings, which translates into cost reduction, reduction of the supply chain risks and gaining access to the best solutions available on the market. The higher competitiveness of the proceedings is also projecting a positive image of the ordering (contracting) party on the market, as a transparent and professional entity.

## G 5.3.3. Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries

### GRI 2-24

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 corporate 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) are defined and collected in a single document, i.e. the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries. The Code is an applicable standard in the Capital Group, promoting responsibility among stakeholders and encouraging the implementation of responsible practices among suppliers (including compliance with environmental standards included in legally binding agreements with 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 as proxies and powers of attorney.



The Code is linked 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 (counterparties),
- 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) that takes part in the proceedings organized by TAURON Capital Group's subsidiaries is obliged to submit a statement confirming that it has studied TAURON Group's Corporate Social Responsibility Code of Conduct and to comply with its provisions.

### **G 5.3.4. TAURON Group's Compliance Policy**

GRI 2-24

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 attorney of TAURON Group.

The objective of the Compliance Management System is to create such factual situation at TAURON Group in which compliance risks are kept to a minimum.

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 is run by:**

- Compliance Officer with the support of the Compliance Team at TAURON Polska Energia,
- Compliance Coordinators at TAURON Capital Group's subsidiaries,
- Ethics Committee.

The Compliance Officer is responsible for:

- supervision of TAURON Group's compliance management related activities,
- compliance risk management,
- ensuring compliance of TAURON Group's activities with applicable legal regulations, intra-corporate and internal regulations as well as ethical standards,
- overseeing and conducting of fact finding investigations (including receiving of reports and taking follow-up activities) related to the breaches of legal regulations, internal and intra-corporate regulations as well as ethical standards,
- advising and issuing guidelines and communications related to compliance,
- overseeing of the conducting of activities aimed at counteracting and mitigating the risks of a conflict of interest, corruption or other irregularities,
- overseeing of TAURON Group's activities aimed at counteracting money laundering (anti-money laundering activities) and financing of terrorism,
- coordinating of TAURON Group's activities related to raising of the awareness with respect to compliance,
- reporting on compliance management at TAURON Group,
- co-designing of the internal control system.

#### **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,
- adoption and application of TAURON Group's Anti-Corruption Policy,
- adoption and application of TAURON Group's Human Respect Policy
- conducting of the 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 (Whistleblower 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 (audits) at TAURON Group's subsidiaries.
- implementation and application of TAURON Group's Procedure for counteracting money laundering (anti-money laundering) and financing of terrorism.

The Compliance Officer, together with the Compliance Team, conducts cyclical monitoring of the compliance risks that may have a negative impact on TAURON Group's operations. As part of the monthly risk monitoring, the data on fraud, unethical behavior, non-compliance with laws and corruption is aggregated.

In the event of risk materialization, a Risk Response Plan is triggered, according to which the acceptable state for the limit of that risk is to be reached. Based on the aggregated data, a report is prepared quarterly for the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. (and every six months the reports for the Supervisory Board of TAURON Polska Energia S.A. are prepared). The above mentioned reports and statements contain the information on the identified risks.

After the end of every calendar year, the Compliance Officer prepares a TAURON Group Compliance Report containing information on the functioning of the Compliance Management System at TAURON Group, including, among other things, an assessment of the adequacy and effectiveness of the system, along with a description of the significant issues related to the functioning of the system. The report also includes the information on the identified compliance risks.

### Compliance Training

Due diligence also includes training and information activities at TAURON Group.

The Compliance Officer, together with the Compliance Team, conducted training sessions on compliance management at TAURON Group for the newly hired TAURON Polska Energia S.A. employees, as well as the training courses targeted at selected substantive areas of TAURON Group's operations in 2022.

On 19/10/2022, another Compliance Day was held, which included the following trainings:

- "The latest compliance trends and challenges for the management teams related thereto",
- "All faces of the conflict of interest", i.e. what falls under the conflict of interest category at TAURON Group?,
- "Verification (vetting) of counterparties on sanctions lists", i.e. a pill of knowledge on the application of the sanctions regulations at TAURON Group,
- "Can I accept it or not?" – i.e. TAURON Group's rules for accepting and giving gifts,
- How is the implementation of the Act on whistleblowers progressing at TAURON Group?,
- Shouldn't a whistleblower be afraid? – a few comments on the Act on the protection of persons reporting law violations (Whistleblower Protection Act),
- Draft Due Diligence Directive, or what obligations are lurking for entrepreneurs?

The event was attended by more than 650 employees from various TAURON Group's subsidiaries.

### Compliance Awards 2021

In 2022, the award in the category of Whistleblowing Project of the Year during the 2021 Compliance Awards was given to the report entitled "Whistleblowing - good practices for ethical business," a project that TAURON Polska Energia's Compliance Area was also involved in.

The project included:

- conducting a series of dialogue sessions on the subject of whistleblowers protection, with the business, administration and NGOs representatives invited, among others, to take part in those sessions,
- a market survey aimed at verifying the condition of the whistleblowing in Poland for the year of the directive's transposition.

The author of the report is the law firm Domański Zakrzewski Palinka sp.k., with the support of the United Nations Global Compact Network Poland and with the participation of the representatives of the business community (including TAURON Group), public, social organizations and experts with respect to whistleblowing, labor law, personal data protection and compliance.

### **G 5.3.5. TAURON Group's Principles of counteracting a conflict of interest**

*GRI 2-15, GRI 2-24*

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 takes place when, acting in his/her own interest or in the interest of any entity, the employee at the same time carries out activities against the interests of TAURON Group. We openly communicate cases that constitute or may constitute a source of a conflict of interest, and we take actions aimed at minimizing the risk of a conflict of interest emerging."

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

An employee is obliged to immediately report to his/her immediate superior and TAURON's Compliance Officer, and, at the Subsidiaries other than TAURON, to the Compliance Coordinator, the possibility of a potential or actual conflict of interest occurring.

In addition, in accordance with TAURON Polska Energia's Labor Regulations in force, one of the basic duties of an employee is to inform his/her superior if he/she undertakes an additional employment, business activities or performs assignments whose scope may lead to a conflict of interest between the employer and the employee.

If a potential conflict of interest is reported, the Compliance Officer at TAURON Polska Energia would issue an opinion in this regard. In order to document the circumstances or events that may result in or cause a conflict of interest at the subsidiaries, conflict of interest registers are maintained. A practical manifestation of counteracting conflicts of interest at TAURON Group is also the submission by the members of tender committees and experts, for the purposes of the given purchasing procedure, of the statements that they are not in a legal or factual relationship with the contractor that could raise reasonable doubts with respect to their impartiality.

With regard to the Members of the Management Board of TAURON Polska Energia an obligation to avoid undertaking professional or non-professional activities that could lead to a conflict of interest has been introduced.

Conflicts of interest are not disclosed to stakeholders.

#### **Actions taken and results achieved**

The Compliance Officer at TAURON Polska Energia, and at TAURON Group's other subsidiaries, the Compliance Coordinator, in accordance with the Company's policies, conducts outreach and training activities aimed at raising the employees' awareness with respect to preventing, reporting and managing a conflict of interest.

As part of Compliance Day 2022, a training course on counteracting a conflict of interest at TAURON Group was conducted for the interested employees of TAURON Group.

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

*GRI 2-24, GRI 2-27, GRI 418-1*

With respect to personal data protection, TAURON Capital Group has a Personal Data Protection Policy for TAURON Group's entities in place, as well as internal processes regarding this matter, including, among others, processes dealing with risk analysis, counterparty assessment, disclosures and advisory services or audit implementation. These activities comply with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27.04.2016 on the protection of natural persons in relation to the processing of personal data and on the free flow of such data and the repealing of Directive 95/46/EC (General Data Protection Regulation), hereinafter GDPR.

The documentation indicated sets out the principles and obligations of the Administrator (Controller) with respect to ensuring security and confidentiality of personal data, as well as regarding access to the information on its processing for the persons (data subjects) that the given personal data is applicable to. 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 (data subjects), whose personal data is processed by TAURON, of such an occurrence, doing it in a 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. Obligations of the Data Controllers (Administrators) to comply with the rights of persons whose data is processed - art. 12-23 of GDPR.
4. Regulations on the fulfillment of the general obligations with respect to the data processing entrusted with the Data Controller (Administrator) and the Processing Entity (among others, templates of the agreement for entrusting the processing of personal data to an entity other than TAURON Group's Subsidiaries, personal data sharing agreements or personal data co-management agreements were updated) - art. 24-31 of GDPR.
5. 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.
6. 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.
7. Requirements with respect to the transfer of data to third countries and international institutions - Art. 44 - 49 of GDPR.

### In 2022, TAURON Group updated the adopted measures stemming from the GDPR due to the need to:

- ensure the protection of personal data irrespective 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 data protection by default and personal data protection by design,
- implement the rights of the customers and contractors (counterparties) whose data is processed by TAURON,
- 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 the GDPR, in the performance of the above mentioned compliance obligations, measures that take into account the state of technical knowledge, costs, nature, scope, context, purposes of processing, as well as the risks for persons to whom data is related have been implemented.

### The following principles are enforced at TAURON Capital Group:

- legality (lawfulness) of personal data processing: personal data is processed 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 solely 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, processing it only for the necessary purposes, arising under the provisions of law,
- 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 the security of data processing. Procedures optimizing the security of personal data are implemented and updated, and TAURON Group's personnel is trained in this regard.

### Actions taken and results achieved

TAURON Capital Group undertook further intensive activities in 2022 to demonstrate its care for the security of the personal data processed, by:

1. Ensuring the update of the internal regulations with respect to personal data protection (updates to the Policy were prepared, internal processes of the Data Protection Officer were updated).
2. Keeping the inventory of equipment and software used for processing the information, including their type and configuration, up to date.
3. 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.
4. Promptly changing the authorizations in the event of a change in the tasks of the persons referred to in item 4 (review of user rights).

5. Providing training for the people involved in the information processing process, with particular regard to such issues as:
  - a. requirements for the proper processing of personal data and the reduction of the security risks of its processing,
  - 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.
6. Ensuring the protection of the information processed against theft, unauthorized access, damage or interference thereof, by:
  - a. monitoring of access to the information (review of user rights),
  - 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.
7. Establishment of and compliance with the basic principles guaranteeing security of work in case of mobile processing and remote work.
8. Securing the personal data in a manner that prevents its disclosure, modifications, deletion or destruction by an unauthorized person.
9. Including, in the support services contracts signed with third parties, of the provisions guaranteeing an adequate level of information security by meeting certain requirements to ensure the confidentiality of the entrusted personal data (personal data processing entrustment agreement).
10. 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.
11. Implementation of an adequate 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 by the users in a manner adequate to the threats or the requirements of a legal provision,
  - e. ensuring the security of system files,
  - f. promptly taking actions after noticing the undisclosed vulnerabilities of the IT systems to the possibility of security breaches.
12. Preparing for an implementation of a system for promptly reporting of incidents, enabling the identification and analysis of breaches of personal data protection security, so that corrective action can be taken quickly.

There was no justified complaint regarding a breach of customer privacy received from the regulatory authorities in 2022, while the total number of identified leaks, thefts or incidents of customer data loss increased by 32 complaints in 2022 to 706 complaints, i.e. a 4.7% increase in the number of complaints compared to the same period in 2021.

Increase in the contracted agreements' performance operations in 2022 by TAURON Obsługa Klienta Sp. z o.o., at the strategic supply and distribution companies, i.e. TAURON Sprzedaż Sp. z o.o., TAURON GZE Sp. o.o. and TAURON Dystrybucja S.A. by approx. 2 million (to 12 million) compared to 2021 generated a strong increase in the number of legitimate customer privacy violation complaints received from third parties and acknowledged by TAURON, which rose by 76, compared to 2021. (2021/2022 percentage change of more than 3800%), as a result of errors on personal data processing operations (human error), errors of TAURON's postal operator, i.e. the Polish Post (delivery of a package to a TAURON customer to the wrong address), and the currency of TAURON customers' personal data in its processing operations (a failure to update TAURON customers' contact details).

Actions aimed at correcting (reducing) an increase in the number of legitimate complaints related to the violations of customer privacy received from external entities and acknowledged by TAURON, will be a priority for TAURON's personal data protection area in 2023.

Material complaints regarding breaches of customer privacy and loss of customer data at TAURON Group in 2022 is presented in Table no. 11.

*Table no. 11. GRI 418-1. Substantiated complaints regarding breaches of customer privacy and loss of customer data at TAURON Capital Group in 2022*

Material data on customer privacy in 2022	
Total number of data leakage, theft or loss of customer data cases found	706

Number of substantiated (justified) complaints regarding breaches of customer privacy received from third parties and acknowledged by the organization	78
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	78

TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Dystrybucja subsidiaries are the centers for the arising of material complaints regarding breaches of customer privacy and loss of customer data (data leakage) in 2022.

### G 5.3.7. TAURON Group's Security Management System Policy

GRI 2-16, GRI 2-24

TAURON Group's Security (Safety) Management System Policy was implemented in July 2018 and it applies to all of TAURON Group's subsidiaries. The update of the provisions of the document was published in Q1 2022.

The Security (Safety) Policy and the specific regulations related thereto form a unified, consistent and comprehensive Security (Safety) Management System within TAURON Group that:

- 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 seeking to achieve the planned security (safety) goals.

The Policy defines TAURON Group's approach to ensuring security (safety) as part of its business operations and describes the functioning of the Security Management System, which is 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. As part of the above mentioned Policy update, among other things, new rules for conducting security audits and the security requirements for third parties were implemented.

Security (safety) management has been divided into substantive areas, including among others:

1. Safety Management System,
2. Information security,
3. IT/OT systems security,
4. Physical security,
5. 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 27000 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 Principles of IT System Management,
5. A comprehensive set of security standards for the IT/OT area,
6. TAURON Group's Incident Management Principles.
7. TAURON Group's Principles of cooperation of the Task Teams in the event of an announcement of the CRP alert degrees in the event of a terrorist threat related to the ICT systems.
8. TAURON Group's Requirements for Designers and Contractors of Technical Security Systems and Fire Alarm Systems at TAURON Group.
9. TAURON Group's Guidelines for the use of Unmanned Aerial Vehicles.
10. TAURON Group's Principles of reuse and safe destruction of information carriers .

For the purpose of clarifying in detail the aspects of security (safety) management, the subsidiaries 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.

#### Communication of the critical incidents

TAURON Group defines a critical incident as an incident that causes or may cause a serious deterioration of the quality or an interruption of the continuity of the provision of a key service (within the meaning of the Act of July 5, 2018, on the National Cyber Security System). In the event of an occurrence of such an incident, the information on the incident is communicated to the supervisory bodies and to the Management Board in accordance with *TAURON Group's Security Incident Management Principles* in force.

#### 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 the broadly understood security (safety):

- mandatory e-learning training for all employees,
- mandatory introductory training in basic security (safety) aspects for the newly hired employees,
- training on the classifying and handling of Information for TAURON Group's employees, including on the use of the dedicated technical solutions,
- substantive (subject matter) training for the employees responsible for various aspects of security (information security, IT/OT security, security audits),
- promoting the principles in force according to the Policy through information (outreach) campaigns and content available on the Group's intranet site,
- 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:

- maintaining an extensive infrastructure for monitoring security (safety), physical security and IT/OT security,
- using technical and organizational safeguards (physical security, ICT security),
- maintaining structures responsible for the detection and rapid response to security incidents (in-house Security Operation Center (SOC) operating for 24 hours a day whose employees use special tools such as Security Information Event and Management Software (SIEM) and Security Orchestration Automation & Response (SOAR) as well as an in-house Computer Security Incident Response Team (CSIRT) with high competences in the field of cyber security),
- cooperation with state authorities and services in identifying and neutralizing threats as well as attacks against TAURON Group's systems and infrastructure,
- conducting security audits and tests carried out using in-house resources and with the involvement of external companies,
- applying the *security by design* and *security by default* principles in designing, ordering, maintaining systems and infrastructure that affect security,
- participation in the structures of the National Cybersecurity System,
- cooperation with the power sector entities 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:

- providing information to customers on threats directly related to them, e.g. extortion, *phishing*, spoofing for TAURON Group, fake SMS messages, etc.,
- maintaining and updating information on threats directly related to customers on TAURON Group's website.



## G 5.3.8. TAURON Group's Business Continuity Policy

GRI 2-24

TAURON Group's Business Continuity Policy was implemented in October 2020. The document was updated in 2022 and TAURON Group's Business Continuity Policy was replaced by a document called TAURON Group's Business Continuity Management Policy, based on the PN-EN ISO 22301:2020 standard - Common Safety: Business Continuity Management System - Requirements.

Ensuring availability, reliability and quality of the product and service delivery to the customer and maintaining business continuity is a priority for TAURON Group, which is in line with TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050.

TAURON Group, as the entity responsible for providing the key services such as the electricity and heat generation and distribution, is committed to:

- meet the requirements related to the Business Continuity Management System (BCMS) at TAURON Group, which arise, among other things, from the legal, regulatory, organizational and industry requirements as well as the best practice, taking them into account in the internal corporate regulations,
- identify the services and processes that are key from the point of view of their availability (key services, critical processes) for the internal and external customers, and carry out the Business Impact Analysis (BIA) for them, and identify the risks and their assessment as part of the Risk Analysis (RA),
- ensure adequate resources, mechanisms and means for the proper functioning of the BCMS at TAURON Group,
- developing, maintaining, testing, documenting and improving of the Business Continuity Plans and the Disaster Recovery Plans, ensuring TAURON Group's entities uninterrupted continuity of the operations in the event of the unexpected situations disrupting the normal operations, including the emergencies,
- continuous improvement of TAURON Group's BCMS.

TAURON Group's Business Continuity Management Policy, developed for this purpose, is the foundation of the BCMS, defining its objectives, scope and the division of the responsibilities within TAURON Group. The structure of the BCMS described therein takes into account the context of TAURON Group's operations and its commitment to developing the broadly understood operational resilience in the energy sector.

### Access to Basic Services

Ensuring access to the electricity at the reasonable prices is currently one of the primary legal and social obligations undertaken by TAURON Group's Management Board. TAURON Group provides access to the power grid for more than 5.8 million households located on approximately 18% of Poland's territory. The TAURON Dystrybucja subsidiary performs the duties of the Distribution System Operator (DSO), thereby taking on the burden of ensuring the uninterrupted electricity supply for the industry, households, hospitals, schools, institutions, etc. With respect to ensuring the non-discriminatory access to the grid, the DSO not only meets the requirements of the law, but also takes the broader measures aimed at providing the customers with support in the implementation of the grid connection procedures and in the selection of an electricity supplier, as well as pre-empts the requirements of the law by implementing projects aimed at providing the support for the improvement of its customers' efficiency (for example by installing the remote readout meters).

In accordance with the law, the customers choose an electricity seller for themselves. Free market supply of electricity and, until 2022, gas is carried out by TAURON Sprzedaż and TAURON Sprzedaż GZE. Both subsidiaries are offering customers the comprehensive products (electricity distribution and electricity supply). TAURON Sprzedaż acts as a supplier of last resort in the designated area of operations. This means that in the event that another supplier selected by the customer is unable to carry out the electricity supply (e.g. in the event of a bankruptcy), the provision of the electricity supply is automatically taken over by TAURON Sprzedaż, ensuring the uninterrupted electricity supply to the customers. Recently, there have been many cases of bankruptcy of the electricity supply companies and TAURON Sprzedaż secured the continuity of the power supply for several thousand customers. TAURON Sprzedaż supports its customers in improving the efficiency of energy consumption through the educational activities, and by offering advisory services and selling energy efficient equipment, as well as the automation and intelligent systems, thanks to which the customers are able to save energy. TAURON's counseling, sales and support with respect to the implementation of the grid connection procedures for the residential photovoltaic installations makes it easier for the customers to achieve individual goals for reducing the system electricity consumption leading to the lower CO<sub>2</sub> emissions.

The TAURON Ciepło subsidiary is engaged in the production of the system heat (district heating) and its distribution in the area of the Silesia and Dąbrowa conurbation, among others, but also in the markets of the smaller cities,

such as Bielsko Biala, Zawiercie, Kamienna Góra, which are not as business development oriented markets as a large metropolitan area with more than 2 million residents. Providing thermal comfort in the buildings and urban infrastructure facilities is undoubtedly a basic service that allows the community to function - ensuring the supply of hot water and heat that heats the buildings is a guarantee of thermal safety, even in the event of extreme weather conditions. TAURON produces and supplies heat for more than 800 000 residents. The access to the system heat (district heating) ensures comfort and promotes the elimination of the low emissions. The cost of heating flats and buildings, thanks to the efficiency of the heat production and distribution process, is kept at a reasonable level. TAURON took over 100% of the shares in and the management of Energetyka Cieszyńska in 2022. The corrective action was taken to secure the production and supply of the heat to the city's residents in the situation that had arisen due to the loss of liquidity.

The development of the civilization and the widespread digitization in all walks of life means that basic services include the broadband internet access. The lock-down experience during the coronavirus pandemic increased the demand for all services and at the same time forced an increase in their availability with the use of the IT channels. This applies to the ability to deal with the official matters, education, commerce, access to information and all of the other services. Providing access to the broadband Internet is a measure aimed at reducing the digital exclusion and is one of the basic services in today's world. TAURON Obsługa Klienta (Customer Service), as an Access Network Operator, is engaged in ensuring the expansion and provision of the Internet access in areas with a lower degree of urbanization, and therefore more difficult and less attractive for business. In a number of areas where there was a shortage of the fiber optic network, TAURON has built lines providing broadband access for more than 100 000 households. The expansion is continued and TAURON is extending access to more and more customers. It is noteworthy that these activities were implemented with the use of the support funds, as the commercially operating telecommunications companies were not interested in pursuing such activities. Thanks to the performance of these activities, the Internet access has been provided for the households, schools and institutions – thus reducing the digital exclusion of the population living in the areas deprived of the Internet access.

As an employer, the Group maintains high European standards of providing access to basic services for both its own employees as well as it spreads awareness of the expected standards among its subcontractors. In accordance with the applicable legal regulations, TAURON Group's employees, irrespective of the type of work they perform, are provided with access to the potable water in adequate quantities. The employees use both the public water dispensers as well as the bottled water intended for the employees performing their work in the field.

### **G 5.3.9. The Procedure for Assessing (Vetting) the Credibility of TAURON Group's Contractors (Counterparties)**

#### *GRI 2-24*

TAURON Group has implemented the Procedure for Assessing (Vetting) the Credibility of Contractors in order to provide protection against the risk of entering into cooperation with entities acting against the law, principles of good conduct and business practices, and in particular to reduce the risk of participation in:

- tax fraud and money laundering procedures,
- cooperation with entities placed on the Sanctions Lists, subject to the financial sanctions or specific restrictive measures.

Assessment of the reliability of contractors (counterparties) is made on the basis of:

- legal and financial characteristics of the contractor (counterparty),
- information on the counterparty's operations,
- terms of the contract,
- capital (equity) and personal ties,
- information on the counterparty being subject to sanctions.

#### **Due diligence procedures**

The Compliance Officer and, at TAURON Group's subsidiaries, the Compliance Coordinators issue reports on the examination of the credibility of counterparties. In addition, as part of the conducted assessment of the credibility of counterparties, potential risks of starting or continuing cooperation with a counterparty are identified.

The Compliance Area issued a total of 1138 counterparty credibility examination reports in 2022.

The information on the external entities for which the significant risks of commencing the cooperation had been identified was periodically reported by the Compliance Officer of TAURON Polska Energia to the Audit Committee of the Supervisory Board and the Supervisory Board of TAURON Polska Energia.

In addition, in 2022, TAURON Group carried out an educational and informational campaign entitled "Know your counterparty, or why and how to verify (vet) TAURON Group's counterparties?" as part of which a report presenting

the most important information on the procedure for verifying counterparties at TAURON Group was published, and a number of training sessions were held for TAURON Group's employees interested in the subject.

### **G. 5.3.10. TAURON Group's Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism**

GRI 2-24

In order to ensure the compliance within TAURON Group with the requirements under the Act on Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism of March 1, 2018, TAURON Group's Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism was introduced, which regulated the exchange and protection of information within TAURON Group and covered all of the Group's subsidiaries.

TAURON Group does not accept any business relationships with entities involved in money laundering or financing of terrorism, including those subject to financial sanctions or specific restrictive measures.

Obligated institutions within TAURON Group are:

- TAURON Obsługa Klienta (Customer Service),
- TAURON Ubezpieczenia (Insurance).

#### **Due diligence procedures**

TAURON Group's subsidiaries that are obligated institutions have their own internal procedures for counteracting money laundering and financing of terrorism, and every six months these subsidiaries report on their implementation to TAURON Polska Energia.

The Compliance Officer, together with the Compliance Team, every year organize AML training for employees of TAURON Group's subsidiaries that are obligated institutions.

In addition, due diligence procedures include mandatory training entitled. "Counteracting Money Laundering (Anti-Money Laundering) and the Financing of Terrorism" available on the e-learning platform for all employees of TAURON Obsługa Klienta (Customer Service) and TAURON Ubezpieczenia (Insurance) subsidiaries.

### **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 adopted by TAURON Capital Group. 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 and regulatory risk**

Table no. 12 presents the Legal Risk identified at TAURON Capital Group. In accordance with the Risk Model adopted by TAURON Capital Group, the Legal Risk is classified in the category: Operational risk/Environment (stakeholders), while the Regulatory Risk is classified as a separate category.

Table no. 12. 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.	→ 	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Implementation of the required changes to the internal and intra-corporate regulations.</li> <li>3. Establishing working groups to prepare and implement the changes required due to the legal environment.</li> <li>4. Continuous cooperation with the authorities performing oversight of the energy market and the capital market.</li> <li>5. • Consultations with the organizational units with respect to the planned key regulations in the area of compliance.</li> <li>6. Employee training with respect to the knowledge of the legal regulations and the internal regulations.</li> </ol>
2.	Regulatory Risk	The possibility of incurring a loss or gaining a benefit due to the planned or unplanned changes to the existing Regulations or the enactment of the new Regulations that may have an impact on TAURON Group's operations (at the national and European levels).	↗ 	<ol style="list-style-type: none"> <li>1. Continuous monitoring of the regulatory environment and changes to the legal regulations.</li> <li>2. Active participation in the consultations with respect to the planned regulations (industry organizations, government agencies).</li> </ol>

## G 5.4.2. Compliance Risk

GRI 2-23

Table no. 13 presents the Compliance Risk identified at TAURON Capital Group. In accordance with the Risk Model adopted by TAURON Capital Group, the Compliance risk is classified in the category: Operational Risk/Compliance Risk.

Table no. 13. GRI 2-23. 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.	→ 	<ol style="list-style-type: none"> <li>1. Education and training activities among employees, including mandatory e-learning training with respect to the values and standards defined, among others, in TAURON Group's Corporate Social Responsibility Code of Conduct.</li> <li>2. Effective functioning of the whistleblowing system in the organization, enabling TAURON Group's employees to report potential cases of fraud (abuse) to their direct superior, the Ethics Committee, the Compliance</li> </ol>

			<p>Officer/Compliance Coordinator, or via the abuse (fraud) notification (reporting) form available at <a href="http://www.tauron.pl/">http://www.tauron.pl/</a>.</p> <ol style="list-style-type: none"> <li>3. Conducting of fact finding investigations by the Compliance Officer or Compliance Coordinators.</li> <li>4. Building an organizational culture based on TAURON Group's values and policies (principles).</li> <li>5. Implementation of TAURON Group's Anti-Corruption Policy.</li> <li>6. Applying of the principles stemming from TAURON Group's Corporate Social Responsibility Code of Conduct.</li> <li>7. Implementation of the provisions of TAURON Group's Rules for accepting and giving gifts.</li> </ol>
2.	External abuse (fraud) risk	<p>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.</p> <p style="text-align: center;">→</p> <p style="text-align: center;">■</p>	<ol style="list-style-type: none"> <li>1. Raising employee awareness through training and information campaigns on the existing threats of external abuse (fraud), including the Compliance Management System in place at TAURON Group.</li> <li>2. Implementation of the provisions of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries.</li> <li>3. Implementation of anti-corruption clauses in the contracts with the contractors (counterparties).</li> <li>4. Implementation of the provisions of TAURON Group's Anti-Corruption Policy.</li> <li>5. Effective use of the 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 available at <a href="http://www.tauron.pl/">http://www.tauron.pl/</a>.</li> <li>6. Monitoring the cooperation with the contractors (counterparties) and checking (vetting) their credibility at TAURON Group.</li> <li>7. 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 (whistleblowing) system.</li> <li>8. Building and spreading an organizational culture based on TAURON Group's values and principles.</li> </ol>
3.	The risk of unethical behavior and mobbing	<p>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 style="text-align: center;">→</p> <p style="text-align: center;">■</p>	<ol style="list-style-type: none"> <li>1. Developing an organizational culture based on TAURON Group's values and principles.</li> <li>2. 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.</li> <li>3. Promoting knowledge with respect to the principles of social coexistence, moral standards and</li> </ol>

- principles of equity adopted for use in the society.
4. Raising employee awareness through training and information campaigns on ethical behavior.
  5. Effective use of the 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 available at <http://www.tauron.pl/>.

### G 5.4.3. Purchasing Process Risk

Table no. 14 presents the Purchasing Process Risk identified at TAURON Capital Group. In accordance with the Risk Model adopted by TAURON Capital Group, the Purchasing Process Risk is classified in the category: Operational Risk/Customers and Contractors (Counterparties).

Table no. 14. 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 purchasing proceedings conducted, their erroneous implementation, unplanned increase in the purchase costs (budget overruns), 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 proceedings, damage to the image of TAURON Capital Group and a loss of credibility with the stakeholders. Risk of a lack of environmental and climate responsibility on the supply chain side.	→  ■	<ol style="list-style-type: none"> <li>1. Implementation of the provisions of the Code of Conduct for the Contractors (Counterparties) of TAURON Group's Subsidiaries.</li> <li>2. Applying of TAURON Group's Anti-Corruption Policy.</li> <li>3. Applying of anti-corruption clauses in the contracts with the contractors (counterparties).</li> <li>4. Implementation of the Respect for Human Rights Policy.</li> <li>5. Standardization of the principles (rules) of conducting proceedings in the purchasing process and the transparency thereof.</li> <li>6. Developing lasting relationships with the contractors (counterparties) based on trust and mutual respect.</li> <li>7. 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.</li> <li>8. 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.</li> </ol>



## G 5.5. Whistleblowing System

GRI 2-26, GRI 2-27

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

The Whistleblowing System is a part of the organization's compliance management system. The Whistleblowing System is operated based on the provisions contained in TAURON Group's Corporate Social Responsibility Code of Conduct and TAURON Group's Anti-Corruption Policy.

As part of this system, it is possible to report (whistle blow) activities that are in breach of the commonly applicable law and the violations of the internal and 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](mailto: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 identity 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 Capital Group's operations, also have an option to use the Fraud (Abuse) Report Form.

The Compliance Officer, and in case of a company (subsidiary) 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 the 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 (subsidiary) other than TAURON Polska Energia, the Compliance Coordinator, informs the person submitting the notification, excluding the 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.

TAURON Group also maintains Fraud Registers.

If corruption or other abuses (fraud) are confirmed, the subsidiaries take corrective (remedial) measures aimed at preventing similar events in the future. The Compliance Officer, and in case of companies (subsidiaries) 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.

### Case reporting statistics

A total of 226 potential cases of irregularities were reported at TAURON Group in 2022, including 150 notifications filed via the Fraud Report Form. Total number of anonymous reports: 73.

No cases of corruption had been identified in 2022.

During the reporting period, no material cases of non-compliance with the laws and regulations had been identified, and no material penalties for the non-compliance with the laws and regulations or any non-financial sanctions for the non-compliance were imposed on TAURON Group.

#### **Actions taken and results achieved**

As part of the 2022 update of TAURON Group's Corporate Social Responsibility Code of Conduct, the process of reporting violations and taking follow-up actions has been streamlined.

Fact finding probes were conducted in relation to the reports received.

In addition, in order to build awareness with respect to counteracting fraud, training sessions were organized in 2022, including the "Shouldn't a whistleblower be afraid? Draft Act on the Protection of Whistleblowers" training course held as part of the Compliance Day 2022 for the personnel of TAURON Group's Human Resources Area, the Compliance Coordinators and other employees interested in the subject.

# **E – Environment (Environment and Climate)**

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

GRI 305-4, GRI 3-3

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. TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050, adopted in June 2022, defines three priorities and a series of actions aimed at a socially acceptable energy transition of TAURON Group in order to ultimately achieve climate neutrality by 2050. For the energy industry, the climate impact includes both, the weather related occurrences, as well the as the regulatory changes and the shifts in customer attitudes. All of this is not without significance for the business model and the Strategy. TAURON Group monitors the regulatory changes and the changes of the financial institutions' policies. 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 Strategy adopted in June 2022, TAURON Group will increase the share of the RES capacity in the Group's generation mix to approx. 80% in 2030, which will allow for reducing the emissions from approx. 750 kg CO<sub>2</sub>/MWh in 2021, to less than 160 kg CO<sub>2</sub>/MWh, as shown in Figure no. 26.

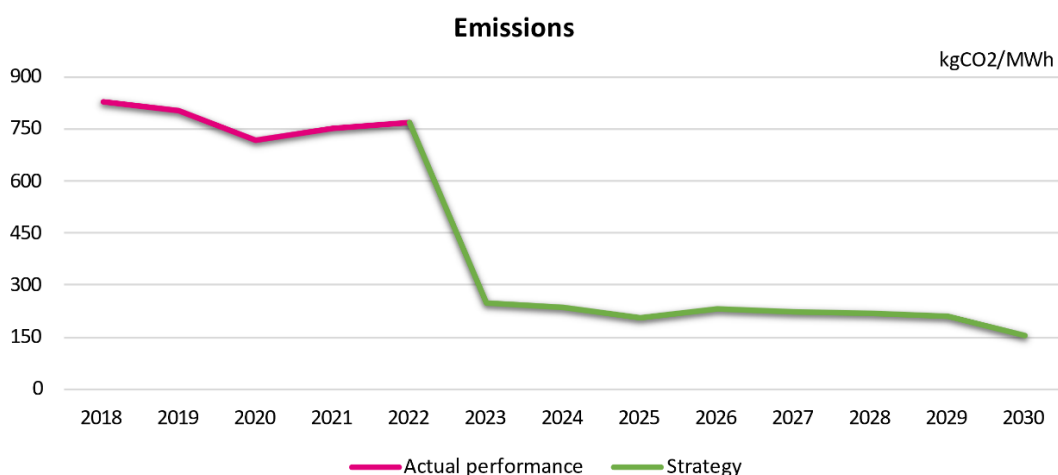


Figure no. 26. . GRI 305-4. TAURON Group's commitments are reflected in the CO<sub>2</sub> emissions planned to be achieved by 2030.

TAURON Group's currently implemented Strategy and its business model are in line with the implementation of the terms of the Paris Agreement, assuming limiting global warming to a value below 2<sup>o</sup>C as well as striving and taking actions aimed at not exceeding the temperature increase rate of more than 1.5<sup>o</sup>C. In the 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 rate of 2<sup>o</sup>C, the 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, the 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 Group's opportunity will be the growing energy awareness of the public, coupled with the rising cost of energy, which will result in a growing interest in energy efficiency, energy conservation (saving) and the production of electricity from the renewable energy sources (RES). A significant change in this regard was experienced in 2022 as a result of Russia's aggression against Ukraine and the energy crisis triggered by this aggression, as a result of which countries, energy utility companies and societies in the European Union had to change their existing energy operating models. The war caused by Russia has further highlighted the need for energy independence, which can be achieved, among other things, through the greater use of the renewable energy sources. The social pressure and the EU regulations are causing Poland to introduce increasingly more stringent environmental standards and restrictions for the fossil fuels, including rising costs of the CO<sub>2</sub> emissions (charges for the CO<sub>2</sub> emissions). The high level of the CO<sub>2</sub> emission allowances prices is also associated with the use of the regulatory mechanisms leading to the reduced supply thereof. The EU's commitments to reduce the emissions by 55% in 2030 (the new target of 57% is being agreed upon) will be implemented through the supply controls – that is why the development of the low- and zero-emission energy sources is so important. TAURON Group's strategy responds to these

challenges by increasing capacity in the renewable energy sources, investing in the distribution grids, remote readout meters, digitization and cyber security, as well as the lowering of the CO<sub>2</sub> emission levels.

The improvements of energy efficiency and the levels of the greenhouse gas emissions in 2022 are presented in sections E 1.1.2. TAURON Group in the area of environment - activities, impact, protection, results and E 1.1.4. TAURON Group and climate and sustainable business development - activities, impact, trends, results.

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

The Group's transition towards the low and zero-emission energy will have an impact on 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 2022 – 2030 with an outlook until 2050.

## **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**

*GRI 2-24, GRI 3-3*

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 regulations, TAURON Group, taking responsibility for the consequences of using natural resources, is taking actions that go beyond the legal obligations. Such actions are defined in the documents titled TAURON Group's Environmental Policy and TAURON Group's Climate Policy.

TAURON Group's Environmental Policy adopted by the Management Board in 2017 and updated as needed, defines TAURON 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 the environment related matters. The Environmental Policy is the benchmark for assessing all of the activities of TAURON 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 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**

*GRI 2-25, GRI 3-3, GRI 305-5, GRI 416-1*

#### **TAURON Group's natural capital**

Natural capitals used by TAURON Group - water, solar energy, biomass, minerals (coal, limestone, gas), wind - are used throughout its entire business chain. The Group's aspiration is to use the natural capitals in a responsible manner while minimizing the negative impact on the environment and climate. A confirmation of this approach is the implementation of actions stemming from TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050, adopted by the Management Board in 2022, as part of which a significant change in the weights of the individual natural capitals in TAURON Group's value chain was presented. This will be made possible by the Group's ongoing decarbonization - the spin-off of the coal mining assets outside the Group (which took place as of 31/12/2022) and the readiness to sell the conventional power generation assets (TAURON power plants) based on the coal fuel to NABE (National Energy Security Agency) in 2023. The turn towards the renewable energy sources means a successive increase in the use of the wind and solar energy and a reduction in the use of the non-renewable resources, primarily solid fossil fuels. The new Strategy also emphasizes the need to intensify the efforts aimed at shoring up the circular economy.

The changes in the way the natural capital is used in the perspective of the following years of TAURON Group's business operations will be implemented in such a way as to ensure the certainty of the electricity supply to the customers. In 2022, despite the unfavorable external environment conditions, TAURON Group had a fairly stable raw materials' base, enabling it to supply the Group's conventional generation assets and the external customers. The armed conflict in Ukraine triggered by Russia's aggression caused a global crisis on the fossil fuel market, including hard coal, which in turn necessitated taking of the adequate measures by maximizing the hard coal supplies from the domestic market and supplementing the required supply volumes by importing fuel from the third

countries (including Indonesia and Colombia), outside the Russian Federation's zone of influence. By guaranteeing the fuel supplies from the domestic coal mining and importing entities, the stable power generation during the periods of the volatile or extreme weather conditions that negatively affect the security of the power system was ensured.

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

The tools supporting responsible resource management as part of the natural capital include: TAURON Group's Environmental Policy and TAURON Group's Climate Policy. The Policies comprehensively address all types of activities carried out by the Group that involve an environmental impact and use of resources in accordance with the sustainable development principles.

The resources and raw materials used by TAURON Group are presented in Tables no. 15 and 16.

Table no. 15 GRI 301-1 Non-renewable resource deposits exploited by TAURON Capital Group in 2022

	Number of deposits	Mineral	Number of coal mines	Aggregate area of the mining sites km <sup>2</sup>	Operative resources m ton
8	Primary mineral	hard coal**	3	218.77	324.4*
1		limestone	1	1.34	63.6*
1	Associated mineral	methane	1		

\* In the case of both TAURON Wydobycie and the Kopalnia Wapienia (Limestone Mine) "Czatkowice", the resources have been determined on the basis of the inventory level as of 31.12.2021 minus the extraction for 2022. The exact inventory level of the operative resources as of 31.12.2022 will be known after the preparation of a resource inventory report, which will take into account not only depletion related to extraction, but also changes in the deposit's resources related to the more accurate intelligence, losses and the resource reclassifications made.

\*\*On 31.12.2022 there was a spin-off of coal assets outside the Group.

Table no. 16. GRI 301-1. Raw materials used by TAURON Capital Group in 2020-2022

TOTAL	2022	2021	2020
<b>RENEWABLE RESOURCES</b>			
Agro biomass [tons]	58 946	82 283	124 203
Forest biomass [tons]	356 885	435 137	553 537
<b>NON-RENEWABLE RESOURCES *</b>			
Net coal [tons]	6 518 851	6 419 493	4 888 015
Net coal production** [tons]	5 007 348	5 146 853	4 541 216
Sludge [tons]	203 775	248 142	249 980
Natural gas [m <sup>3</sup> ]	41 940 767	30 057 357	12 067 032
Heating oil [tons]	40 924	40 340	26 324
Diesel oil [m <sup>3</sup> ]	7 105	6 796	6 289
Limestone [tons]	266 639	269 563	197 288
Limestone production [tony]	2 108 880	2 011 529	1 722 376

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

\*\*On 31.12.2022 there was a spin-off of coal assets outside the Group. Discontinued operations

For the primary raw materials used as part of the natural capital, the proximity principle is applied by the Group, thereby reducing the carbon footprint associated with the transportation.

In 2022, 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 415 thousand tons in 2022.**



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. Since January 1, 2022, the biomass used for the Group's electricity generation purposes has met the so-called "sustainable biomass" criteria.

The renewable natural resources used by the Group include:

- biomass,
- water used in a total of 34 run-of-river and reservoir hydro power plants and in conventional power generation processes,
- wind to power 11 wind power plants,
- solar energy was produced by 3 photovoltaic farms with a total capacity of 19 MW at TAURON Group as of the end of 2022.

TAURON Group, acting in compliance with the legal regulations and fulfilling its obligations under the provisions of administrative decisions related to the performance of its business operations, takes into account environmental protection needs and acts in a way that contributes to the accomplishment of the broader goal of sustainable development, in particular, the implementation of a circular economy and the achievement of environmental goals in terms of resource efficiency. More information on the use of the natural capital and the results achieved is provided in the thematic sections related to: Emissions, Wastewater and Waste, Waste Management Program, and Circular Economy.

The areas of potential direct environmental impact of TAURON Group's business activities in 2022 are presented in Table no. 17.

Table no. 17. GRI 3-3. Identification and classification of potential detrimental impact on environment associated with TAURON Group's business activities in 2022

Subsidiary	Aspect	Emissions of pollutants into the air	Pollution emissions to water / water relations	Waste	Land use	Biodiversity**
TAURON Wytwarzanie		Important	Important	Important	Important	Not very important
TAURON Ciepło		Important	Important	Important	Not very important	Not very important
TAURON Wydobywanie		Not very important	Important	Important	Important	Important
TAURON Inwestycje		-	-	Not very important	Important	Not very important
TAURON Nowe Technologie		Not very important	Not very important	-	-	-
TAURON Ekoenergia		-	Important	Not very important	-	Important
Nowe aktywa "Zielony Zwrot TAURONA" *		-	-	-	Not very important	Important
Kopalnia Wapienia "Czatkowice"		Not very important	Not very important	Not very important	Important	Important
Bioeko Grupa TAURON		-	-	Important	Not very important	Not very important
Energetyka Cieszyńska		Important	Not very important	Important	Not very important	Not very important
Marselwind		-	-	-	-	-
TAURON Dystrybucja		-	Not very important	Not very important	-	Important
TAURON Sprzedaż		-	-	-	-	Not very important
TAURON Zielona Energia		-	-	-	Important	Important
TAURON Dystrybucja Pomiarów		-	-	Not very important	-	-

\* TZE, TEC1 I-VI, TEC1 EW Goldap, TEC1 Ino1, Aval 1, Wind T1, Polpawer, Megawatt Wind T4, WindT30MW, FF Park PV1, Windpower Gamów

\*\* direct and indirect impact, potentially negative, but also potentially positive.

## Due diligence procedures and internal regulations

Due to the diverse production and service profiles of TAURON Group's subsidiaries, their impact on the environment varies significantly. Therefore, the principles of the Environmental Policy are transferred to 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. TAURON Group's activities are in compliance with all environmental regulations. The environmental management systems in place at TAURON Group confirm the implementation of environmental activities with due diligence and care for the natural environment. The environmental procedures and instructions functioning at TAURON Group strictly assign roles and responsibilities in the individual processes as well as the procedures to be followed. TAURON Group implements training and awareness programs for employees.

Some of TAURON Capital Group's subsidiaries have implemented a certified environment management system in accordance with the ISO14001 standard. TAURON Wytwarzanie subsidiary, representing conventional electricity generation, has additionally received the certificate of 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 members of the management board.

Through the implemented Eco-Management and Audit Scheme (EMAS), TAURON Group communicates the environmental management issues to the internal and external stakeholders, evaluates and improves environmental performance in one of its largest lines of business (power generation). The operational processes implemented by TAURON Group are subject to external and internal auditing as part of the systems and certifications maintained in accordance with the certificates listed in the table below. The purpose of the environmental management systems in place within TAURON Group is to ensure continuous improvement of the organization in the environmental matters and minimize the negative impact on the natural environment by identifying areas for improvement, creating and implementing activities aimed at improving quality, increasing the efficiency of operations and minimizing the negative impact on the environment, while the certifications obtained as part of the environmental management systems in place confirm that TAURON Group ensures the high quality of its production processes, products and services and meets the requirements of customers and all stakeholders, while implementing activities aimed at protecting the environment and ensuring occupational health and safety. Table no. 18 presents the environmental management system, while Table no. 19 presents the quality and security (safety) management systems in place at TAURON Group in 2022.

Table no. 18 GRI 3-3. Classification of TAURON Group's environmental management systems in 2022.

	Implemented system	Certified system	External audits	Number of locations (facilities sites) covered by the system
Environmental management system	<ul style="list-style-type: none"> <li>• KW "Czatkowice"</li> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> <li>• NJGT</li> <li>• TC ZW Tychy</li> <li>• TC ZW Bielsko Biala EC 1 i EC 2</li> <li>• TC Kamienna Góra</li> <li>• TC CC Zawiercie</li> <li>• TC CC Olkusz</li> <li>• TC Ciepłownie Lokalne</li> </ul>	<ul style="list-style-type: none"> <li>• KW "Czatkowice"</li> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	<ul style="list-style-type: none"> <li>• KW "Czatkowice"</li> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	15
ISO 14 001	<ul style="list-style-type: none"> <li>• KW "Czatkowice"</li> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> <li>• NJGT</li> </ul>	<ul style="list-style-type: none"> <li>• KW "Czatkowice"</li> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	<ul style="list-style-type: none"> <li>• KW "Czatkowice"</li> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	8
EMAS	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza,</li> <li>• TW Jaworzno II</li> </ul>	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> </ul>	<ul style="list-style-type: none"> <li>• TW Łaziska,</li> <li>• TW Łagisza,</li> <li>• TW Siersza,</li> <li>• TW Jaworzno II,</li> </ul>	6

	<ul style="list-style-type: none"> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	<ul style="list-style-type: none"> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	<ul style="list-style-type: none"> <li>• TW Jaworzno III,</li> <li>• TW Stalowa Wola</li> </ul>	
REACH	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> <li>• TC ZW Tychy</li> <li>• TC ZW Bielsko Biała EC 1 i EC 2</li> <li>• TC Kamienna Góra</li> <li>• TC CC Zawiercie</li> <li>• TC CC Olkusz</li> <li>• TC Ciepłownie Lokalne</li> </ul>	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> <li>• TC ZW Tychy</li> <li>• TC ZW Bielsko Biała EC 1 i EC 2</li> <li>• TC Kamienna Góra</li> <li>• TC CC Zawiercie</li> <li>• TC CC Olkusz</li> <li>• TC Ciepłownie Lokalne</li> </ul>	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> <li>• TC ZW Tychy</li> <li>• TC ZW Bielsko Biała EC 1 i EC 2</li> <li>• TC Kamienna Góra</li> <li>• TC CC Zawiercie</li> <li>• TC CC Olkusz</li> <li>• TC Ciepłownie Lokalne</li> </ul>	12

Acronyms: TW – TAURON Wytwarzanie, KW “Czatkowice” – Kopalnia Wapienia “Czatkowice”, TC – TAURON Ciepło, ZW – Zakład Wytwarzania (Generation Plant), CC – Ciepłownia Centralna (Central Heating Plant), NJGT – Nowe Jaworzno Grupa TAURON, EMAS - EcoManagement and Audit Scheme), REACH – Regulation (EC) No. 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorization and Restriction of Chemicals.

Other subsidiaries of TAURON Group do not meet the level of materiality due to the scale of their direct impact on the environment.

Table no.19. GRI 416-1. Classification of the quality and security (safety) management systems in place at TAURON Group in 2022

	Implemented system	Certified system	External audits	Number of locations (facilities, sites) covered by the system
Quality management system	<ul style="list-style-type: none"> <li>• KW “Czatkowice”</li> <li>• WGT</li> <li>• TWd ZG Janina</li> <li>• TWd ZG Sobieski</li> <li>• TWd ZG Brzeszcze</li> </ul>	<ul style="list-style-type: none"> <li>• KW “Czatkowice”</li> <li>• WGT</li> </ul>	<ul style="list-style-type: none"> <li>• KW “Czatkowice”</li> <li>• WGT</li> </ul>	5
ISO 9001	<ul style="list-style-type: none"> <li>• KW “Czatkowice”</li> <li>• WGT</li> </ul>	<ul style="list-style-type: none"> <li>• KW “Czatkowice”</li> <li>• WGT</li> </ul>		2
ISO 17025	<ul style="list-style-type: none"> <li>• TDP</li> <li>• TW LC</li> </ul>	<ul style="list-style-type: none"> <li>• TDP</li> <li>• TW LC</li> </ul>	<ul style="list-style-type: none"> <li>• TDP</li> <li>• TW LC</li> </ul>	2
ISO 45001	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	<ul style="list-style-type: none"> <li>• TW Łaziska</li> <li>• TW Łagisza</li> <li>• TW Siersza</li> <li>• TW Jaworzno II</li> <li>• TW Jaworzno III</li> <li>• TW Stalowa Wola</li> </ul>	6
ISO 22301	<ul style="list-style-type: none"> <li>• TW 6 sites</li> <li>• TC 6 sites</li> <li>• TD all branches</li> <li>• TOK</li> <li>• NJGT</li> </ul>			All sites
Product certificates National Technical Assessments	<ul style="list-style-type: none"> <li>• BGT</li> <li>• TWd</li> </ul>	<ul style="list-style-type: none"> <li>• BGT</li> </ul>	<ul style="list-style-type: none"> <li>• BGT</li> </ul>	17
KZR INiG System – confirming compliance with the requirements of sustainable operations with respect to the supply of biofuels as well as heat and electricity production	<ul style="list-style-type: none"> <li>• BGT</li> <li>• TC</li> <li>• TW</li> </ul>	<ul style="list-style-type: none"> <li>• BGT</li> <li>• TC</li> <li>• TW</li> </ul>	<ul style="list-style-type: none"> <li>• BGT</li> <li>• TC</li> <li>• TW</li> </ul>	All sites
Certificate confirming compliance with applicable requirements and standards GMP+B2 Production of feed ingredients GMP+FC system (based on GMP+C6) GMP International	<ul style="list-style-type: none"> <li>• KWC</li> </ul>			1

Acronyms: TW – TAURON Wytwarzanie, TW LC – TAURON Wytwarzanie Laboratorium Centralne (Central Lab), KW “Czatkowice” / KWC – Kopalnia Wapienia “Czatkowice”, TC – TAURON Ciepło, WGT – Wsparcie Grupa TAURON, TWd – TAURON Wydobywanie, TDP – TAURON Dystrybucja Pomiary, TD – TAURON Dystrybucja, TOK – TAURON Obsługa Klienta, BGT – Biomasa Grupa TAURON, NJGT – Nowe Jaworzno Grupa TAURON, KZR INiG System – a global certification system owned by the Oil and Gas Institute - National Research Institute (Instytut Nafty i Gazu - Państwowy Instytut Badawczy (INiG-PIB)).

## Actions taken with environmental effects and results obtained (COMMITMENT)

The Group's activities in 2022 focused on changing the group's so-called fuel "mix" and investing in RES in order to reduce the group's carbon intensity. These activities were carried out by the dedicated subsidiaries: TAURON Zielona Energia and TAURON Inwestycje. Table no. 20 presents completed, in-progress and under development investments in large scale RES in 2022.

Table no. 20. GRI 305-5. TAURON Group's investments in large scale RES in 2022

	Completed in 2022	In progress	Commenced / under development
Wind farms	<ul style="list-style-type: none"> <li>Piotrków 30 MW</li> <li>Majewo 6 MW</li> </ul>	<ul style="list-style-type: none"> <li>Mierzyn 58,5 MW</li> <li>Warblewo 30 MW</li> <li>Nowa Brzeźnica 19.6 MW</li> <li>Gamów 33 MW</li> </ul>	
PV farms	<ul style="list-style-type: none"> <li>Choszczno II 8 MW</li> </ul>	<ul style="list-style-type: none"> <li>Mysłowice Dzieńkowice: Stage I 37 MW</li> <li>Proszówek 55 MW stage I 45.6 MW</li> </ul>	<ul style="list-style-type: none"> <li>Mysłowice Dzieńkowice: Stage II up to 65 MW</li> </ul>
Total MWs	44 MW	224 MW	65 MW

TAURON Group, as a rule, no longer invested in environmental protection installations for the coal-fired generating units in 2022, which was possible as a result of the time derogations received (under administrative decisions introducing changes to the integrated permits in a procedure involving a public participation) and the investment program aimed at adjusting the "capacity market" and the "BAT Conclusions" completed in mid-2021. In 2022, TAURON's environmentally upgraded coal-fired power units were operating with a regime that met the requirements of the "BAT Conclusions" and thus further reduced the emissions of sulfur dioxide, nitrogen oxides and dust into the air, as well as additional reductions in the emissions of other air pollutants such as chlorine, hydrogen fluoride and mercury from the existing sources.

As part of the investments and sustainable development in the area of the conventional power generation, the focus was on the tasks related to connecting new facilities to TAURON Ciepło's district heating networks, as well as the continuation of the Low Emission Elimination Program through further connections of the buildings, previously heated by the individual sources, or the continuation of the investments in ZWB EC 2 in Czechowice Dziedzice (construction of a new source based on the gas fuel).

In addition, TAURON Ciepło carried out large investment tasks with pro-environmental effects, the most important of which included:

### ZW Katowice:

- modernization of the electrostatic precipitator - reducing the dust emissions and energy intensity of the unit,
- major overhaul of the BCF 100 boiler and turbine unit - reduction of the thermal losses,
- overhauls of the feed pumps - reduction of the energy intensity of the pump units.

### ZW Tychy:

- modernization of the water management system in order to expand the existing water demineralization station with the reverse osmosis lines was begun (the design was completed in 2022, and the implementation of the investment project is planned for 2023). The investment project will make it possible to manage the highly saline wastewater from the ionite treatment stations.

### ZW Bielsko Biała:

- installation and modernization of the flue gas emission control systems at ZWB EC1 and EC2 - In case of EC1, the task was to adapt the flue gas emission measurement system to the legal requirements (BAT). Following the upgrade, the system records the measurement of NH<sub>3</sub>, which can be used to reduce the amount of ammonia emitted into the atmosphere. At the EC2 plant, the flue gas emission monitoring system had to be upgraded bringing it into compliance with the legal requirements (BAT),
- modernization of the OFz-230 boiler at ZWB EC2 in Czechowice-Dziedzice - this has a direct impact on improving the distribution of the bed circulation by reducing the percentage share of coal in the fly and bottom ashes in the boiler, which directly improves the combustion along with a simultaneous reduction in the combustion losses (lower total quantity of ash), which is directly related to meeting the stringent BAT flue gas emission standards for this boiler,

- modernization of the electrostatic precipitator of the BC50 unit at ZWB EC2 - reducing of the dust emissions and the energy intensity of the unit.

Local district heating plants:

- a number of smaller modernization tasks resulting in significant reductions of the electricity consumption.

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, indoor substations or transformer/switch substations (GPZs), 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 2022 is approximately PLN 34.9 million, as shown in Table no. 21.

Table no. 21. Estimated charges to be paid for the business use of the environment by TAURON Capital Group due for 2022

#	Subsidiary name	Charges <sup>1</sup> for the business use of the environment due for 2022 (PLN '000)
1.	TAURON Wytwarzanie (following the consolidation with Nowe Jaworzno Grupa TAURON)	14 793.1
2.	TAURON Ciepło	4 251.7
3.	TAURON Wydobywanie	15 031.4
4.	TAURON Ekoenergia	410.8*
5.	TAURON Dystrybucja	209.3
6.	KW "Czatkowice"	65.6
7.	TAURON Nowe Technologie	66.4
8.	TAURON Obsługa Klienta	-**
9.	TAURON Sprzedaż	-**
10.	Bioeko Grupa TAURON	3.8
11.	Usługi Grupa TAURON / Marselwind	-**
12.	Energetyka Cieszyńska	70.9
13.	TAURON Inwestycje	-**
<b>Total</b>		<b>34 903</b>

<sup>1</sup>Partly 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 2022 is PLN 406.2 thousand and a fee of PLN 4.6 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.

## Emissions, waste water (sewage) and waste

GRI 3-3, GRI 305-7

The Group does not currently have a dedicated program in place aimed at reducing the air emissions from the units burning solid fuels. Such a program was implemented in earlier years and ended with the introduction of the stricter emission standards and operating regimes as of August 2021, reducing the previous impact of the dust, nitrogen oxides, sulfur dioxide, chlorine and hydrogen fluoride emissions on the air quality. Further commitments and measures taken by the Group are focused on reducing the CO<sub>2</sub> emissions. This is due to the fact that all of the operating generating units of TAURON Wytwarzanie and TAURON Ciepło have already achieved the levels of concentrations of the substances emitted into the air in accordance with the best available techniques. In 2022, TAURON Group's generation units were operated with extraordinary intensity as a consequence of the requirements of the National Power System (NPS - KSE) operator and, as a result, the direct absolute air emissions of the NO<sub>x</sub>, SO<sub>2</sub> compounds and dusts increased in relation to the previous year due to the rise of the production output. In spite of that, the emissions of TAURON Group in 2022 are significantly below the levels defined as the maximum allowed annual loads of the substances released into the air according to the permits.

Currently, there are no longer programs in place aimed at reducing the emissions of substances discharged into the air, other than the greenhouse gases. The last such program was implemented in the wake of the publication of the BAT Conclusions, and it was completed in 2021. The ad hoc retrofitting work is currently being carried out on the air protection equipment at the sources burning the solid fossil fuels. Further reduction of the Non-GHG Air Emissions will follow the planned successive change in the Group's fuel mix.

As part of its operations related to the environmental management TAURON Group is conducting an ongoing monitoring of the emissions of the NO<sub>x</sub>, SO<sub>2</sub> compounds and dusts into the atmosphere and the emissions in 2022 and 2021 are presented in Tables no. 22, 22-a and 22-b.

Table no. 22. GRI 305-7. Emissions of the NO<sub>x</sub>, SO<sub>2</sub> compounds and other significant compounds into the atmosphere by TAURON Capital Group in 2022 and 2021 [Mg]

TOTAL	2022	2021
NO <sub>x</sub>	13 148	8 369
SO <sub>2</sub>	10 105	7 250
Total dust	636	429
Other *	8 545	8 050

\* Under the other emissions item, the following compounds and substances are included: CO, HCl, HF, NH<sub>3</sub>, mercury and other metals, others monitored and reported to the National Pollutant Release and Transfer Register database.



Table no. 22-a. GRI 305-7. Emissions of the NOx, SO<sub>2</sub> compounds and other significant compounds into the atmosphere by TAURON Capital Group in 2022 and 2021, per individual subsidiaries [Mg]

	TAURON Wytwarzanie*		TAURON Ciepło		Kopalnia Wapienia "Czatkowice"		TAURON Wydobywanie		Energetyka Cieszyńska****		TAURON Nowe Technologie**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
NOx	11 994	6 858	1 015	1 426	0	0	38	38	32	-	68	46	13 148	8 369
SO <sub>2</sub>	8 285	5 163	1 679	2 029	0	0	55	55	81	-	4	3	10 105	7 250
Total dust	514	275	60	85	13	9	46	59	4	-	-	-	636	429
Other ***	5 599	5 562	2 881	2 438	0	0	51	51	15	-	-	-	8 545	8 050

\* Data for TAURON Wytwarzanie as a result of the consolidation completed includes the TAURON Group's New Jaworzno division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* For the TAURON Nowe Technologie subsidiary there is no obligation to measure the emissions of dust and other substances.

\*\*\* Under the other emissions item, the following compounds and substances are included: CO, HCl, HF, NH<sub>3</sub>, mercury and other metals, others reported to the National Pollutant Release and Transfer Register database

\*\*\*\* As part of Energetyka Cieszyńska, which was acquired in 2022 (as of the end of December 31, 2022). Data includes incomplete Q4 2022. In 2021, the company was not a part of the Group.

Table no. 22-b. GRI 305-7. Operational limits of emissions of significant compounds into the atmosphere at TAURON Capital Group's individual subsidiaries, applicable in 2022

Source	Maximum amount Mg / year		
	NOx	SO <sub>2</sub>	Dust
TAURON Wytwarzanie	18007.4	15205,0	1155,9
TAURON Ciepło	3 346.7	4 614.9	439.2
Energetyka Cieszyńska	727	205.0	250.0
TAURON Nowe Technologie	116.2	9.2	-
TAURON Wydobywanie	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

TAURON Group's costs and expenditures for the projects related to environment protection are presented in Table no. 23.

Table no. 23. TAURON Group's costs and expenditures for the projects related to environment protection (excluding climate related expenditures)

TAURON Group's total environment protection expenditures	PLN 352.8 milion
including capital expenditures related to environment protection	PLN 40.9 milion
Share of investment outlays in environmental expenditures	approx. 11.6%
Share of environmental investment outlays in the Group's total capital expenditures	8.9%

## Water resources management

GRI 303-1, GRI 303-2, GRI 303-3, GRI 303-4, GRI 3-3

Following the principle of resource efficiency, TAURON Group is also monitoring and optimizing the consumption of water used for the 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.

TAURON Wytwarzanie's the 910 MW power generation unit and Łągisza Power Plant in Będzin meet the highest quality requirements for the combined (steam and water) cycles and are equipped with the water conditioning (treatment) installations based on the modern membrane techniques.

The climate changes observed, including the hydrological drought phenomenon that has been growing in strength in recent years, directly affect the availability of the resources considered as renewable, such as, for example, water. The sustainable use of these resources is implemented in the energy industry, among others, by applying the operational limits on the amount of water taken directly from the environment (surface and groundwater intakes) presented in Table no. 24.

Table no. 24. GRI 303-3. Maximum daily limits for direct water intake from the environment in force in 2022

Source	Maximum quantity per day m <sup>3</sup> /d		
	Water from coal mine drainage (including ground water to be used for the needs of coal mines)	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 figure includes the so-called reverse water intake in an open cooling system.

The Group does not consciously declare water reduction targets for energy production purposes at this time, as it is conducting activities related to:

- the spin-off of TAURON Wytwarzanie outside TAURON Group,
- a change in the energy mix toward the wind power and photovoltaics, both of which do not involve water intake.

Thus, by implementing both of the above measures in the following years, the water intake will fall by a minimum of 70%.

The consumption of water used in the production processes by TAURON Group in 2022 is shown in Tables no. 25 and no. 25-a.

Table no. 25. GRI 303-3. TAURON Capital Group's total water [m<sup>3</sup>/year] consumption per source in 2022 and 2021

[m <sup>3</sup> /year]	Total	
	2022	2021
rivers	45 250 492	47 230 609
wetlands	0	0
ground water	46 729 460	46 577 742
rain water collected directly and stored	339 196	278 954
water from the city network	4 370 059	4 143 445
Other	19 565 350	18 741 603
<b>Total volume of water consumed from all sources taken into account</b>	<b>116 254 558</b>	<b>116 972 353</b>

Table no. 25-a. GRI 303-3. TAURON Group's total water consumption [m<sup>3</sup>/year] per source broken down by subsidiaries in 2022 and 2021

[m <sup>3</sup> /year]	TAURON Wydobycie		TAURON Wytwarzanie*		TAURON Ciepło		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Surface water (rivers, lakes) including water from wetlands</b>														
rivers	0	0	44 720 350	46 701 176	485 005	482 358	0	0	45 137	47 075	0	-	45 250 492	47 230 609
wetlands	0	0	0	0	0	0	0	0	0	0	0	-	0	0
<b>Other:</b>														
ground water	46 039 052	45 704 009	689 838	873 168	0	0	461	485	109	80	0	-	46 729 460	46 577 742
rain water collected directly and stored	0	0	339 196	278 954	0	0	0	0	0	0	0	-	339 196	278 954
water from the city network	470 064 ***	411 991	2 390 316	2 149 767	1 493 038	1 549 598	1 451	1 280	6 574	30 809	8 616	-	4 370 059	4 143 445
Other	0	0	18 922 889	17 553 373	642 461	1 188 230	0	0	0	0	0	-	19 565 350	18 741 603
<b>Total volume of water consumed from all sources taken into account</b>	<b>46 509 116</b>	<b>46 116 000</b>	<b>67 062 589</b>	<b>67 556 438</b>	<b>2 620 504</b>	<b>3 220 186</b>	<b>1 912</b>	<b>1 764</b>	<b>51 820</b>	<b>77 964</b>	<b>8 616</b>	<b>-</b>	<b>116 254 558</b>	<b>116 972 353</b>

\* Data for TAURON Wytwarzanie as a result of the consolidation completed includes the TAURON Group's New Jaworzno division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of Energetyka Cieszyńska, which was acquired in 2022 (as of the end of December 31, 2022). Data includes incomplete Q4 2022. In 2021, the company was not a part of the Group.

\*\*\* Continuation of the "Increasing the use of water from the in-house sources in the technological processes" initiative. The goal achieved is the reduction of the water purchased from Wodociągi Chrzanowskie Sp. z o.o. compared to the 2020 baseline level (baseline level: 792 963 m<sup>3</sup>).

By optimizing the waste water treatment processes, modernizing and applying the new waste water treatment methods, as well as a result of decommissioning the Stalowa Wola open cooling facility, TAURON Group significantly reduced the total quantity of waste water produced already in 2021 relative to 2020. For this reason, no additional initiatives were carried out in 2022 in this regard, since, as in the case of the water intake, the volume of the waste water generated and required to be treated will decrease by a minimum of 70% after the completion of the spin-off of TAURON Wytwarzanie and the increase of the RES sources' capacity in the Group.

The quality and quantity of the waste water is subject to an ongoing monitoring and the total volume of waste water produced (discharged) as a result of TAURON Capital Group's operations in 2022, including its utilization method (destination), is shown in Tables no. 26 and no. 26-a.

*Table no. 26. GRI 303-4. Total volume of TAURON Capital Group's waste water [m<sup>3</sup>] in 2022 and 2021 by quality and utilization method (destination)*

Waste water dump site taking into account emergency heat dumps	Total m <sup>3</sup>	
	2022	2021
Waste water discharged into the sewage system (municipal companies)	982 893	984 342
Waste water discharged by means of transportation to the waste water treatment plant	472	564
Rivers	60 308 666	60 126 611
Other	0	1 400 842
<b>Total waste water volume</b>	<b>61 292 032</b>	<b>62 512 359</b>

Table no. 26-a. GRI 303-4. Total volume of TAURON Group's waste water [m<sup>3</sup>] in 2022 and 2021 by quality and utilization method (destination), per subsidiary

Waste water dump site taking into account emergency heat dumps	Waste water volume [m <sup>3</sup> ]													
	TAURON Wydobycie		TAURON Wytwarzanie*		TAURON Ciepło		TAURON Ekoenergia		Kopalnia Wapienia "Czatkowice"		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Waste water discharged into the sewage system (municipal companies)	347 366	287 311	203 970	212 938	422 532	483 091	1 115	1 002	0	0	7 910	-	982 893	984 342
Waste water discharged by means of transportation to the waste water treatment plant	337	416	0	0	0	0	135	148	0	0	0	-	472	564
Waste water discharged to the surface water:														
Rivers	43 621 926	43 373 193	16 532 273	16 522 878	131 944	184 794	452	479	22 071	45 267	0	-	60 308 666	60 126 611
Other	0	0	0	1 400 842	0	0	0	0	0	0	0	-	0	1 400 842
<b>Total waste water volume</b>	<b>43 969 629</b>	<b>43 660 920</b>	<b>16 736 243</b>	<b>18 136 658</b>	<b>554 476</b>	<b>667 885</b>	<b>1 702</b>	<b>1 628</b>	<b>22 071</b>	<b>45 267</b>	<b>7 910</b>	<b>-</b>	<b>61 292 032</b>	<b>62 512 359</b>

\* Data for TAURON Wytwarzanie as a result of the consolidation completed includes the TAURON Group's New Jaworzno division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of Energetyka Cieszyńska, which was acquired in 2022 (as of the end of December 31, 2022). Data includes incomplete Q4 2022. In 2021, the company was not a part of the Group.

Decommissioning of the units using the solid fuel at TAURON Wytwarzanie in Stalowa Wola in 2021 led to the significant reduction of the amount of waste water discharged to the surface waters (rivers) – in 2020 it was 85 205 063 m<sup>3</sup>.



## Waste management program - actions taken and results achieved

GRI 306-1, GRI 306-2, GRI 3-3

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

In accordance with the principles of the Environmental Policy, the Group has a waste treatment hierarchy in place. The Group's waste management program consists of activities that are adequate to the profile of the individual subsidiaries:

- prevention/avoidance,
- reuse/substitution of the natural materials,
- customer-facing services related to repairs that eliminate or reduce the generation of household electro-waste.

TAURON Group does not generate hazardous waste as part of the main streams of the waste generated in its production processes. As part of the adopted environmental and climate policy TAURON Group is committed to running its processes efficiently in order to keep its commitment to reduce hazardous waste.

The amount of hazardous waste generated in 2022 came in at 891 Mg, which represented less than 0.1% of the waste generated as part of the operations. This quantity is a marginal quantity in the entire area of the generation operations.

All site where hazardous waste is generated and stored are subject to the monitoring and measurement of hazardous waste in order to minimize the amount of hazardous waste generation and optimize processes with respect to hazardous waste management.

Due to the nature of TAURON Group's operations, radioactive waste is also not generated, as well as there are no significant amounts of packaging waste.

Tables no. 27 and 27-a as well as 28 and 28-a present the total weight of waste by type and utilization (handling) method.

Table no. 27. GRI 306-1, GRI 306-2. Total weight of hazardous waste [Mg] in 2022 and 2021, by waste type and waste utilization (handling) method

	2022	2021
Reuse	0.0	9.3
Recycling	354.9	2.2
Recovery (including energy recovery)	298.0	494.3
Neutralization	104.2	24.7
Storage	15.6	36.2
Other *	118.1	437.4
<b>Total waste weight</b>	<b>891</b>	<b>1 004</b>

\* The Group does not generate radioactive waste

Table no. 27-a. GRI 306-1, GRI 306-2. Total weight of TAURON Group's hazardous waste [t] in 2022 and 2021, by waste type and waste utilization (handling) method, per subsidiary

	Weight of hazardous waste [Mg]																
	TAURON Wydobycie		TAURON Wytwarzanie*		TAURON Ciepło		TAURON Ekoenergia		TAURON Dystrybucja		Kopalnia Wapienia "Czatkowice"		Energetyka Cieszyńska**		Total		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
Reuse	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.3	0.0	0.0	0.0	-	0.0	9.3
Recycling	0.0	0.0	2.9	1.1	0.0	0.0	0.0	0.0	352.0	1.1	0.0	0.0	0.0	0.0	-	354.9	2.2
Recovery (including energy recovery)	0.0	0.0	105.1	194.9	26.1	10.0	0.0	0.0	166.9	289.4	0.0	0.0	0.0	0.0	-	298.0	494.3
Neutralization	0.0	0.0	0.8	5.8	0.0	0.0	0.0	0.0	103.4	18.9	0.0	0.0	0.0	0.0	-	104.2	24.7
Storage	2.6	4.2	2.0	9.4	0.6	2.0	0.0	0.0	10.4	20.5	0.0	0.0	0.0	0.0	-	15.6	36.2
Other	89.1	38.1	0.0	0.0	0.0	0.0	1.0	129.9	0.9	244.9	27.1	24.5	0.0	-	118.1	437.4	
<b>Total waste weight</b>	<b>91.7</b>	<b>42.3</b>	<b>110.8</b>	<b>211.2</b>	<b>26.7</b>	<b>12.0</b>	<b>1.0</b>	<b>129.9</b>	<b>633.6</b>	<b>584.2</b>	<b>27.1</b>	<b>24.5</b>	<b>0.0</b>	<b>-</b>	<b>891</b>	<b>1 004</b>	

\* Data for TAURON Wytwarzanie as a result of the consolidation completed includes the TAURON Group's New Jaworzno division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of Energetyka Cieszyńska, which was acquired in 2022 (as of the end of December 31, 2022). Data includes incomplete Q4 2022. In 2021, the company was not a part of the Group.

Table no. 28 GRI 306-1. GRI 306-2. Total weight of non-hazardous waste [Mg] in 2022 and 2021, by waste type and waste utilization (handling) method

	2022	2021
Reuse	0	155
Recycling	3 086	2 203
Recovery (including energy recovery)	1 398 526	1 581 107
Neutralization	937	1 286
Dump (landfill)	4 320	5 969
Storage	22 614	9 656
Composting	0	0
Other	6 134	54 875
<b>Total waste weight</b>	<b>1 435 616</b>	<b>1 655 250</b>

Table no. 28-a. GRI 306-1, GRI 306-2. Total weight of TAURON Group's non-hazardous waste [Mg] in 2022 and 2021 by quality and utilization method (destination), per subsidiary

	Weight of non-hazardous waste [Mg]															
	TAURON Wydobycie		TAURON Wytwarzanie*		TAURON Ciepło		TAURON Ekoenergia		TAURON Dystrybucja		Kopalnia Wapienia "Czatkowice"		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Reuse	0	0	0	155	0	0	0	0	0	0	0	0	0	-	0	155
Recycling	0	0	1 599	943	0	0	0	0	1 480	1 260	0	0	6	-	3 086	2 203
Recovery (including energy recovery)	1 276 374	1 468 313	97 709	75 824	21 642	36 273	0	0	287	696	0	0	2 514	-	1 398 526	1 581 107
Neutralization	0	0	144	801	6	7	0	0	786	478	0	0	0	-	937	1 286
Dump (landfill)	0	0	4 320	5 969	0	0	0	0	0	0	0	0	0	-	4 320	5 969
Storage	20 064	6 359	2 228	981	287	2 016	0	0	36	300	0	0	0	-	22 614	9 656
Composting	0	0	0	0	0	0	0	0	0	0	0	0	0	-		
Other	3 136	50 897	2 166	3 200	0	0	144	186	498	500	240	91	0	-	6 134	54 875
<b>Total waste weight</b>	<b>1 299 574</b>	<b>1 525 569</b>	<b>108 115</b>	<b>87 873</b>	<b>21 935</b>	<b>38 296</b>	<b>144</b>	<b>186</b>	<b>3 088</b>	<b>3 235</b>	<b>240</b>	<b>91</b>	<b>2 520</b>	<b>-</b>	<b>1 435 616</b>	<b>1 655 250</b>

\* Data for TAURON Wytwarzanie as a result of the consolidation completed includes the TAURON Group's New Jaworzno division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of Energetyka Cieszyńska, which was acquired in 2022 (as of the end of December 31, 2022). Data includes incomplete Q4 2022. In 2021, the company was not a part of the Group.

## Circular economy

GRI 306-1, GRI 306-2, GRI 3-3

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

- taking care of the natural environment,
- reducing the harm caused by the waste produced,
- maximizing the use of the by-products of the combustion related to electricity generation or of the coal mining,
- 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,
- partnership collaborations in the field of circular economy.

As part of the operations of TAURON Group, the cycles of substances produced by the Group are closed and the reuse of the combustion and mining by-products is being spread in the economy and industry. The reuse of the 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 Group, thus reducing the consumption of natural resources and curtailing the carbon footprint.

3.2 million Mg of the process by-products, coming from thermal combustion and mining of coal, was generated in 2022, with as much as 62% 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 2022, TAURON Wytwarzanie brought to the market as much as 100% of ashes and boiler slag coming from coal combustion as by-products from 7 system (utility scale) power plants (including the NJGT division, which is now a part of the TAURON Wytwarzanie subsidiary), to be used in construction, (building industry), road engineering, 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 2022.

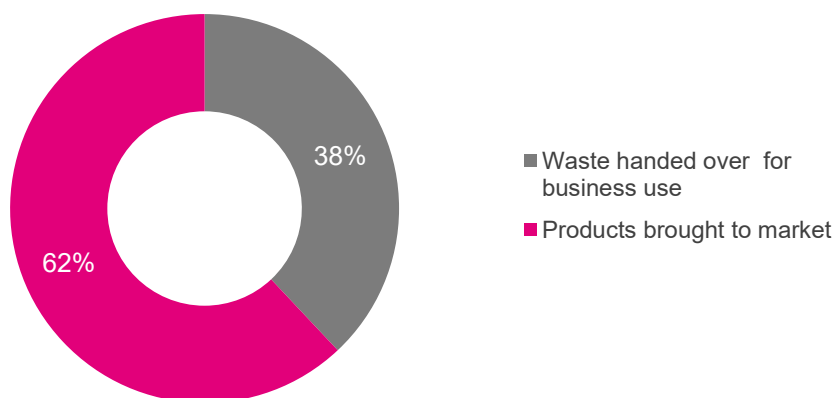


Figure no. 27. Structure (composition) of ashes, sludge, gypsum and aggregates generated by TAURON Group, brought to the market in 2022

TAURON Group's power plants produced 200 thousand Mg of ashes in 2022 that was used as a valuable raw material in fire prevention by the coal mines. The ashes from TAURON Group's power plants and combined heat and power plants cover 100% of the demand for ashes to be used for fire prevention at TAURON Wydobyćie's coal mines.

100% of TAURON Ciepłó's by-products, i.e. 205 thousand Mg, is reused in various industries.

TAURON Wydobyćie processes post-mining waste, as a result of which high quality construction and road aggregates are obtained. 127 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 Group, brought to the market in 2022.

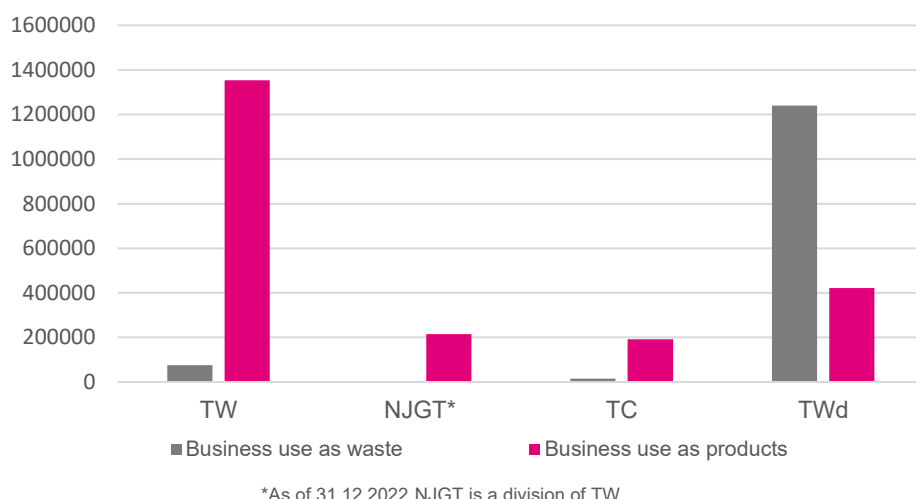


Figure no. 28. Structure (composition) and quantities of the combustion and mining by-products generated by TAURON Group, brought to the market in 2022

TAURON Group focuses on the 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 of the consumption of natural resources, e.g. aggregates, sand or gravel.

In line with its strategy, TAURON Group is developing a new product segment to meet the needs of the household and SME customers. offering the service that involves the professionals repairing, at the source, the malfunctions of the internal electrical installations, radio and television equipment, household appliances, PCs, air conditioning equipment, internal water and sewage systems, locks on front doors and broken windows. The launch of the service offering involving the electricians, locksmiths, glaziers, plumbers or other professionals allows the life cycle of the used products to be extended by repairing them, which is implemented as part of the introduction of activities aimed at spreading circular economy promoting activities.

The number of mass segment customers using the Serwisant (serviceman-type) services (including equipment repair) came in at 1 512 324 in 2022.

### Site Closure and Rehabilitation approach

TAURON Group's approach to dealing with assets and sites after the business operations have been completed thereupon varies depending on the nature of the individual operations and has changed in connection with the planned transition of the sector is shown in Table no. 29.

Table no. 29 TUARON Group's approach to the rehabilitation of the post-industrial sites in 2022.

Type of activity, site	Priorities / directions	Tools
Mining operations	<ul style="list-style-type: none"> <li>minimizing secondary impacts</li> <li>safety / decommissioning of an underground mine entails a radical change of the technical and economic, organizational, legal, geological and mining conditions, as well as requires providing of the protection of an active mine.</li> </ul>	<ul style="list-style-type: none"> <li>strict regulations</li> <li>the decommissioning of underground mining facilities, as long-term process, requires the preparation of a hydrogeological documentation, traffic plans and technical projects for the mining area</li> <li>coal mine drainage plans</li> </ul>
	<ul style="list-style-type: none"> <li>measures aimed at restoring the forest ecosystems through the recultivation to restore forestry in an area covering more than 73 hectares.</li> </ul>	<ul style="list-style-type: none"> <li>technical design of the recultivation of the post-mining excavation of the "Czatkowice" Mining Plant.</li> </ul>



Power plants, combined heat and power plants, heating plants	Discontinuation of operations	<ul style="list-style-type: none"> <li>• allocation (zoning) of the industrial areas for use in the new economic functions (no loss of their industrial character is assumed for social reasons),</li> <li>• adaptation of the existing buildings and industrial sites to stimulate further development or / dismantling and demolitions carried out in accordance with the approved plans and designs taking into account selective waste management</li> </ul>	<ul style="list-style-type: none"> <li>• ways to proceed in case of the termination of operations of the installation specified in the administrative decisions held,</li> <li>• procedures for environmental impact assessments of new activities,</li> <li>• analyses if the activity involves the use, production or release of relevant hazardous substances and having regard to the possibility of soil and groundwater contamination at the site of the installation</li> </ul>
	Transition / Change of fuel	<ul style="list-style-type: none"> <li>• use and adaptation of the existing infrastructure to the new electricity and heat generation technologies,</li> <li>• with respect to expendable assets: dismantling and demolitions carried out in accordance with the approved plans and designs taking into account selective waste management.</li> </ul>	
Landfills, waste storage facilities, large-scale areas historically associated with waste management (GRI 306-2)	Reclaimed land	<ul style="list-style-type: none"> <li>• allocating such land for the new industrial functions related to RES</li> </ul>	<ul style="list-style-type: none"> <li>• reclamation reserves,</li> <li>• reclamation plans,</li> </ul>
	Land undergoing exploitation	<ul style="list-style-type: none"> <li>• planning and designing reclamation aimed at the ultimate new industrial uses</li> </ul>	<ul style="list-style-type: none"> <li>• post-exploitation monitoring,</li> <li>• assessment (screening) of the environmental impact of the new activities.</li> </ul>

\* underground coal mines were spun-off out of TAURON Group's structure as of 31.12.2022. Their decommissioning will be carried out in line with the national "Master Plan" in accordance with the social (workforce) agreement concluded by the government

After the final termination of the activity, the necessary measures are taken to control and, if it would be reasonable, reduce the spread or limit the amount of the substances identified as posing a risk (hazard). In this way, taking into account the current and future use of the land, there is no significant risk to the human health or the environment from the contamination of the soil and groundwater as a result of the prior activities allowed in the permit.

An important change in the trend associated with the transition of the sector is the move away from treating land historically associated with landfill as wasteland, and, instead, assigning it new functions, such as, for example, using it for photovoltaic farms. Due to the specifics of the support structures used to mount solar panels that do not require a high bearing capacity of the native soils, the land previously excluded from the economic use is being restored to the electricity generation functions, without having to exclude the biologically active areas from such use.

## Biodiversity action program

GRI 304-1

### Identification and awareness

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, which is presented in Table no. 30 and Table no. 30-a.

Locations in NATURA 2000 areas where activities (operations) are conducted.

Table no. 30. GRI 304-1. Identification of priority areas for biodiversity

Location of generation assets	NATURA habitats	NATURA birds
	Symbol and name	Symbol and name
TAURON Ekoenergia Hydro power plants <sup>1</sup>		
EW Wrzeszczyn	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)	
EW Olszna		PLB020005 Bory Dolnośląskie (Lower Silesian Forests)

EW Pilchowice I	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)	
EW Pilchowice II	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)	
EW Czychów	PLH120085 Dolny Dunajec (Lower Dunajec River)	
EW Kuźnice	PLC120001 Tatry (Tatra Mountains)	PLC120001 Tatry (Tatra Mountains)
EW Janowice		PLB020002 Grądy Odrzańskie
EW Głębinów		PLB160002 Zbiornik Nyski (Nysa Reservoir)
EW Otmuchów		PLB160003 Zbiornik Otmuchowski (Otmuchów Reservoir)
EW Turawa		PLB160004 Zbiornik Turawa (Turawa Reservoir)
TAURON Ekoenergia Wind farms		
Zagórze		PLB320009 Zalew Szczeciński (Szczecin Lagoon)

<sup>1</sup> Activities in these areas began decades before the establishment of the nature conservation system, in particular the NATURA 2000 network.

Table no. 30-a. GRI 304-1. Identification of priority areas for biodiversity – the distance between the existing business facilities and the nearest NATURA 2000 area

Location of generation assets	NATURA habitats		NATURA birds	
	Distance (km)	Symbol and name	Distance (km)	Symbol and name
TAURON Wytwarzanie				
El. Jaworzno III	6.70	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
El. Jaworzno II	5.62	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
El. Nowe Jaworzno	5.62	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
El. Łaziska			19.76	PLB240001 Dolina Górnej Wisły (Upper Vistula River Valley)
El. Siersza	7.27	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
TAURON Ciepło				
Zakład Wytwarzania Katowice	14.37	PLH240037 Lipienniki w Dąbrowie Górnicy (Lipienniki in Dąbrowa Górnicza)		
Zakład Wytwarzania Tychy			9,96	PLB120009 Stawy w Brzeszczach (Ponds in Brzeszcze)
Zakład Wytwarzania Bielsko EC1	2.59	PLH240005 Beskid Śląski (Silesian Beskid)		
Zakład Wytwarzania Bielsko EC2			4,30	PLB240001 Dolina Górnej Wisły (Upper Vistula River Valley)
Ciepłownia Zawiercie heat plant site	6.03	PLH240009 Ostoja Środkowojurajska (Mid-jurassic Refuge)		

Ciepłownia Olkusz heat plant site	3.58	PLH120006 Jaroszewiec		
Ciepłownia Kamienna Góra heat plant site	1.48	PLH020011 Rudawy Janowickie		
TAURON Ekoenergia Hydro power plants				
EW Kraszowice	5.55	PLH020077 Żerkowice-Skała		
EW Bobrowice I	2.30	PLH020095 Góra Wapienna		
EW Bobrowice II	2.00	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)		
EW Bobrowice IV	2.80	PLH020095 Góra Wapienna		
EW Bystrzyca	3.57	PLH020019 Pasma Krowiarki (krowiarki Range)		
EW Leśna	0.08	PLH020013 Sztolnie w Leśnej (Adits in Leśna)		
EW Lubachów	0.02	PLH020071 Ostoja Nietoperzy Gór Sowich (Owl Mountains Bat Refuge)		
EW Ławica	1.34	PLH020043 Przełom Nysy Kłodzkiej koło Morzyszowa (Nysa Kłodzka River Gorge near Morzyszów)		
EW Opolnica	0.58	PLH020062 Góry Bardzkie (Bardzkie Mountains)		
EW Szklarska Poręba I			0.24	PLB020009 Góry Izerskie (Jizera Mountains)
EW Szklarska Poręba II	0.44	PLC020001 Karkonosze	0.44	PLC020001 Karkonosze
EW Włodzice	1.90	PLH020077 Żerkowice-Skała		
EW Rożnów	0.17	PLH120020 Ostoje Nietoperzy okolic Bukowca (Bat Refuges near Bukowiec)		
EW Dąbie	3.96	PLH120069 Łąki Nowohuckie (Nowa Huta Meadows)		
EW Przewóz	4.31	PLH120069 Łąki Nowohuckie (Nowa Huta Meadows)		
EW Olcza	1.60	PLC120001 Tatry (Tatra Mountains)	1.60	PLC120001 Tatry (Tatra Mountains)
EW Marszowice	2.49	PLH020036 Dolina Widawy (Widawa River Valley)		
EW Wały Śląskie	0.34	PLH020036 Dolina Widawy (Widawa River Valley)		
EW Wrocław I	4.56	PLH020017 Grądy w Dolinie Odry (Grądy in the Odra River Valley)		
EW Wrocław II	4.62	PLH020017 Grądy w Dolinie Odry (Grądy in the Odra River Valley)		
EW Brzeg			0.31	PLB020002

				Grądy Odrzańskie (Odra River Grądy)
EW Kopin			0.05	PLB020002 Grądy Odrzańskie (Odra River Grądy)
EW Nysa	0.62	PLH160001 Forty Nyskie (Nysa Forts)		
TAURON Ekoenergia Wind farms				
Lipniki			5.43	PLB160003 Zbiornik Otmuchowski (Otmuchów Reservoir)
Wicko	3.59	PLH220045 Górkowski Las (Górkowski Forest)		
Marszewo	1.63	PLH320068 Jezioro Wicko i Modelskie Wydmy (Wicko Lake and Model Dunes)		
Dobrzyń			5.68	PLB040005 Żwirownia Skoki (Skoki Gravel Pit)
Inowrocław	12.54	PLH040007 Jezioro Gopło (Lake Gopło)	12.54	PLB040004 Ostoja Nadgoplańska (Gopło Lake Refuge)
Mogilno	15.31	PLH040028 Ostoja Barcińsko-Gąsawska (Barcin-Gąsawa Refuge)		
Śniatowo			3.66	PLB320001 Bagna Rozwarowskie (Rozwarów Marshlands)
Goldap	6.40	PLH280005 Puszcza Romincka (Romincka Forest)		

One of such NATURA 2000 areas has been established due to the need to ensure hydrotechnical protection of the Upper Vistula River from the saline mine drainage from coal mines, as part of the industrial infrastructure of the Brzeszcze Coal Mine. The "Brzeszcze" underground water retention and dosing reservoir and discharge site is located in the Natura 2000 protected area Special Protection Area "Stawy w Brzeszczach" (Ponds in Brzeszcze) PLB 120009, with an area of 3065.9 hectares. This area covers complexes of breeding ponds in the upper Vistula River valley, located on both sides of the river. The Vistula River, meandering in its valley, forms small oxbow lakes. The refuge is home to 14 bird species listed in Annex I of the Birds Directive (out of 180 included in the Directive) and 9 species listed in the Polish Red Book (PCK). During the breeding season, the area is inhabited by at least 1% of the national population of the following bird species listed in the Polish Red Book: little bittern, purple heron, little tern, blind-winged warbler, coot, crane, redshank, black-capped warbler, laughing-stock, and barred warbler. The bittern, black tern and great crested grebe are relatively high in numbers.

In addition, the deposit currently exploited by Kopalnia Wapienia "Czatkowice" is located in Park Krajobrazowy Dolinki Krakowskie (Dolinki Krakowskie Landscape Park), whose western border is directly adjacent to the Natura 2000 area "Dolinki Jurajskie" and the nature reserve "Dolina Eliaszkówki" (Eliaszkówka Valley). The "Czerna" Natura 2000 area, the "Krzyszowice" Natura 2000 area as well as the rest of the "Jurassic Valleys" Natura 2000 area also located in close proximity to the Limestone Mine.

#### Restoration and re-establishing forest ecosystems associated with open-pit mining operations

The biodiversity action program with respect to historical activities is based on key principles:

- re-establishing habitat types – an attempt to re-establish nesting sites that were disturbed during the works conducted as part of the investment project,
- re-establishing biodiversity values – an attempt to re-establish biodiversity if it was disturbed during the works conducted as part of the investment project,

- re-establishing ecosystem services – an attempt to re-establish the ecosystem if it was disrupted during the works conducted as part of the investment project.

The biodiversity action program through restorations of forest ecosystems is being implemented by Kopalnia Wapienia "Czatkowice" (Czatkowice Limestone Mine) based on the "Technical design for the recultivation of the post-mining pit of the Czatkowice Mining Plant." The design envisages the recultivation to restore forestry in an area covering more than 73 hectares. It defines the species composition of the cultivation, the characteristics of the required planting material, the timing of the works and the schedule of the cultivation care for a period of five years after its establishment.

### **Actions taken and results achieved**

Following the project "Expansion of the exploitation of the Carboniferous limestone deposit in the direction towards the village of Paczółtowiec", Kopalnia Wapienia "Czatkowice" is conducting the monitoring of nature. The results of the monitoring achieved in 2022 are presented below:

#### **1. Chiropterofaunal monitoring**

In 2022, as part of the chiropterofauna monitoring, research was carried out in the winter shelters (roosts) of bats and in their feeding grounds.

It was determined that 731 bats from seven species hibernated in the winter shelters penetrated (in 2021 it was 563 bats from eight species). The condition of the population of the lesser horseshoe bat on the wintering grounds was assessed as adequate (FV rating) - its number increased as compared to previous years, and the number of the greater spotted nightjar bat remains at a similar level (FV rating). A slight decrease in the number was observed for the greater nightjar bat (U1 rating).

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

Two breeding colonies of bats of the lesser horseshoe bat and the greater spotted (perched) nightjar bat were found at the monastery in Czerna. In the case of the lesser horseshoe bat, its number was slightly lower than in previous years (U1 rating), the size of the breeding colony of the greater spotted (perched) nightjar bat increased (FV rating). The condition of the lesser horseshoe bat's habitat in the cellars at the Czerna Monastery was given a rating of F2 (bad), with an indication that thermal conditions at the lowest level of the cellars should be improved.

In connection with the above, the Company has commissioned works aimed at ensuring optimal thermal conditions in the cellars of the monastery, involving installing of the heating panels in two existing shelters and in a new one planned for construction. It should be noted that the deterioration of the bats' habitats (roosts) did not occur as a result of the impacts of the Mine's operation, but the Company has taken action based on the recommendation of a specialist chiropterologist who performs annual monitoring.

The measures in question were also included in the Conservation Task Plan for the Czerna site.

In conclusion, due to its direct vicinity to the Czerna Monastery, the Company has engaged in the active protection of important bat roosts.

At the Church in Krzeszowice, despite the provision of the habitat conditions, no recolonization of the attic by the spotted (perched) nightjar and the greater nightjar has been observed. At the Church in Tenczynek, the size of the breeding colony of the spotted (perched) nightjar is gradually increasing (FV rating), the condition of the habitat was rated as F1 (an unsatisfactory mark). The bat trapping and field acoustic monitoring conducted indicate that in the areas where tree plantings have been carried out, the bat activity and their species richness are relatively high.

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

Comparing the results of the monitoring obtained in 2016 - 2022, it can be concluded that the changes of the species composition are relatively small from year to year, with the number of species associated mainly with open terrain and the areas covered with the lower bushy vegetation remaining within the 30 – 40 range. These species are characteristic of the fringes of the tree stands, logging, forest crops, and they include, among others, wood pipit, song thrush, primrose, hooded warbler, and of the fields with enclaves of higher greenery, and they include, among others, bumblebee, pot-bellied warbler, red-backed shrike, barred warbler and stickleback. In places with older trees and bordering woodlands, the forest (park) species, such as blackbird, chaffinch and woodpeckers also appear. It is expected that over the next few years, the bird species associated with older-aged trees will begin to dominate the wooded strip (zone) area, while the field species, including, among others, corncrake, will completely withdraw.

Looking at the number of pairs of individual species, the upward trend in the area of the wooded strip (zone) continues, with the rise most noticeable in the species associated with shrubbery and shelterbelts, which is related to the increasing density of the planted crops. This is clearly visible based on the case of the number of blackbirds.

Four species listed in Annex I of the Birds Directive were found, i.e.: red-backed shrike, barred warbler, corncrake and green-backed woodpecker.

The protection of birds is also carried out by TAURON Ekoenergia. Periodically, by way of the decision of the Regional Directorate for Environmental Protection (RDOS) in Szczecin, the Koszalin Branch, issued after the first year of the post-commissioning environmental (nature) monitoring conducted at the Marszewo Wind Farm, one

turbine - no. 6/4 - is turned off. The turbine is turned off during the period of the peak bat activity, i.e. from 25. 07 to 05.09 every year, from 20:00 to 5:00, at wind speeds below 6 m/s, regardless of the ambient air temperature and precipitation (the system cannot be made dependent on the latter two parameters, the turbine is turned off automatically, in accordance with the set settings)

### Preventive measures with respect to protecting biodiversity

Each "new" or "restored" location (site) considered for the operations of the Group's subsidiaries, depending on the scale and location, is subject to analyses and environmental "screening" or a full environmental impact assessment, including with regard to the possibility of preserving the integrity of ecosystems.

TAURON Capital Group, when carrying out the RES development projects, always takes into account the requirements set forth in the decisions on environmental conditions in terms of the measures aimed at protecting biodiversity, in particular, it implements the following principles:

- site selection - selecting an adequate site for an investment project that will have the least negative impact on biodiversity,
- design - designing facilities so that they pose the least threat to the species living in the investment project's area,
- scheduling - sticking to the set incremental (gradual) plans for completing the works so as not to generate more days during which the construction works are conducted, which reduces the threat to animals.

### Promoting conservation of nature, and in particular 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 2022, the promotion of the conservation of nature, and in particular of biodiversity, was carried out by way of:

- conducting of a campaign entitled "Our Stork",
- implementing of the project "What to plant not to replant",
- cooperation as part of the product offering Electricity + Forest in which tree planting is carried out on behalf of customers together with the Lasy Państwowe (State Forests), or the holding of, for example, educational walks in the forest.

TAURON Group's approach to the biodiversity issue in the medium term takes on a new importance in connection with the potential decommissioning of the permanently retired generation assets and the assigning of the new functionalities to the post-industrial (brownfield) sites (including the ones associated with the developing of the zero-carbon assets).

Each "new" or "restored" location (site) considered for the operations of the Group's subsidiaries is subject to analyses and assessment with regard to the possibility of preserving the integrity of ecosystem and is subjected to a nature inventory taking (including a preliminary one without the long-term monitoring of nature), including with respect to biodiversity of the existing and the adjacent flora and fauna, along with the identification of the favorable conditions for its preservation and even growth.

The proposed photovoltaic farms are planned to be implemented while preserving the largest possible biologically active area as possible.

### Elevated risk of a major industrial accident

The Group's subsidiaries are, on an ongoing basis, monitoring and analyzing factors, i.e. chemical substances and their quantities as well as the way they are stored, that may determine the occurrence of an elevated risk of a major industrial accident.

In 2022, only one of the Group's plants was classified as conducting such activities - Łagisza Power Plant in Będzin belonging to TAURON Wytwarzanie. As a consequence, a public disclosure on the procedure to be followed in case of an occurrence of an industrial accident is prepared and made available to the public on the website. In connection with the above, a document defining the rules of the functioning of the power plant in case of an emergency threat has been made available, along with a description of events and situations that may occur at the power plant's site.

The document includes: the characteristics of the stored hazardous substances that determine the plant's classification as a high-risk plant, including their names or categories and the hazards they pose, the information

on the ways the public should be warned and act in the event of an industrial accident's occurrence, agreed with the competent authorities of the State Fire Brigade Service, the way the public should act in the event of an industrial accident's occurrence.

### Chemical substance management at TAURON Group

GRI 416-1

Substances produced by TAURON Group that are the by-products of combustion were subjected to detailed toxicological and ecotoxicological studies as part of which their impact on health, human life and the environment was analyzed. The assessment of their chemical safety was carried out during the registration process with the European Chemicals Agency in accordance with the requirements of the REACH regulation. Guidance on the use of individual substances was indicated in the chemical safety reports and information sheets compiled for these substances.

The Group's use of chemical substances is subject to supervision and monitoring. The way chemical substances are managed is subject to periodic external inspections and supervision by such authorities as the Epidemic and Sanitary Stations or the Environmental Protection Inspectorates. Surveillance is in place, as well as registers of chemical substances used at workplaces at individual generation units are maintained. The registers are subject to periodic reviews and additions. The handling of individual chemical substances is adapted to the guidelines provided in the substance safety data sheets. Employees who use chemical substances in their daily duties are trained and acquainted with the guidelines of the substance safety data sheets that contain the principles of handling chemical substances.

### E 1.1.3. TAURON Group's Climate Policy

GRI 2-24, GRI 3-3

TAURON Group's pro-climate 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, which is updated on an ongoing basis. Effectively counteracting the climate change and the adaptation thereto are the two main objectives of the Policy.

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.

The pro-climate actions are an integral part of TAURON Group's Strategy published in 2022.

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

GRI 2-12, GRI 2-13, GRI 2-14, GRI 3-3

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 to limit the temperature increase rate to not 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 the Group's subsidiaries has different detailed goals and tasks stemming from the Policy. Table 31 identifies and classifies the determining areas related to climate in TAURON Group's business operations, which are both positive (highlighted in green) and negative (highlighted in gray).



Table no. 31. Identification and classification of determining areas related to climate in TAURON Group's business operations in 2022

Subsidiary	Aspect	Greenhouse gas emissions	RES Program ***	Greenhouse gas emissions reduction program ***	Customer Eco-Efficiency Programs	Verification by external entities	Risks associated with water shortages
TAURON Wytwarzanie		Important	-	-	-	100 % direct emissions	Not very important
TAURON Ciepło		Important	Not very important	Important	Important	Direct emissions	Not very important
TAURON Wydobycie		Important	-	-	-	-	-
TAURON Inwestycje		-	Important	-	-	-	-
TAURON Nowe Technologie		Not very important		Not very important	Important	-	-
TAURON Ekoenergia		Important	Important	-	-	-	Important
Nowe aktywa "Zielony zwrot TAURONA" *		Important	Important	-	-	-	-
Kopalnia Wapienia "Czatkowice"		Not very important	-	Not very important	Not very important	-	-
Bioeko Grupa TAURON		-	-	-	-	-	-
Energetyka Cieszyńska		Important	-	Important	-	Direct emissions	Not very important
Marselwind		-	-	-	-	-	-
TAURON Dystrybucja		Important **	Important	-	Important	-	-
TAURON Sprzedaż		-	Not very important	Not very important	Important	-	-
TAURON Dystrybucja Pomiary		-	-	-	-	-	-

\* TZE, TEC1 I-VI, TEC1 EW Goldap, TEC1 Ino1, Aval 1, Wind T1, Polpawer, Megawatt Wind T4, WindT30MW,FF Park PV1, Windpower Gamów

\*\* Transmission Loss Rate

\*\*\*RES development and emissions reduction is a direct result of TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050, adopted in 2022

TAURON continued the voluntary reporting of climate and water management information in 2022, as part of an international study conducted by CDP. The CDP disclosure standard helps to fully track the progress in adapting operations to climate change in line with the concept of sustainable development and to improve reporting.

The 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.

TAURON Group in 2022, while still in the first phase of the transition (the spin-off of the coal mines as of 2023 which has been carried out and the planned spin-off of the coal fired power plants during 2023), received the following ratings:

- D as part of questionnaires related to the climate change areas ("Climate Change"),
- C as part of questionnaires related to water management ("Water").

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. 32 and 32-a, as well as 33 and 33-a).

*Table no. 32. TAURON Capital Group's installed capacity, broken down into main types of the raw material (fuel) and the regulatory requirements in 2022 and 2021*

Installed capacity in MWs by the fuel type used	Total*	
	2022	2021
Hard coal	4 432 MWe 1 560 MWt	5 408 MWe 1 749 MWt
Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's de-methanization)*	11 MWe 165 MWt	11 MWe 165 MWt
Biomass	90 MWe 161 MWt	90 MWe 161 MWt
Heating oil	269 MWt	269 MWt
Wind based electricity	417 MWe	381 MWe
Hydro power	133 MWe	133 MWe
Solar energy	19 MWe	11 MWe

\* For 2022, license updates in accordance with ERO's methodology and deletions for non-operational generation units are included.

Table no. 32-a. TAURON Capital Group's installed capacity, broken down into main types of the raw material and the regulatory requirements, per subsidiary in 2022 and 2021

Installed capacity in MWs by the fuel type used	TAURON Wytwarzanie*****		TAURON Ciepło		TAURON Ekoenergia		NEW Assets "Green Turn of TAURON"		TAURON Nowe Technologie		Kopalnia Wapienia "Czatkowice"		Energetyka Cieszyńska*****		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Hard coal*	4120 MWe	5101 MWe	307 MWe	307 MWe	-	-	-	-	-	-	-	-	5 MWe	-	4 432 MWe	5 408 MWe
	693 MWt	953 MWt	796 MWt	796 MWt	-	-	-	-	-	-	-	-	71 MWt	-	1 560 MWt	1 749 MWt
Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's de-methanization)*	-	-	164 MWt	164 MWt	-	-	-	-	11 MWe	11 MWe	1 MWt	1 MWt	-	-	11 MWe	11 MWe
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165 MWt	165 MWt
Biomass*	50 MWe	50 MWe	40 MWe	40 MWe	-	-	-	-	-	-	-	-	-	-	90 MWe	90 MWe
	91 MWt	91 MWt	70 MWt	70 MWt	-	-	-	-	-	-	-	-	-	-	161 MWt	161 MWt
Heating oil**	140 MWt	140 MWt	129 MWt	129 MWt	-	-	-	-	-	-	-	-	-	-	269 MWt	269 MWt
Wind based electricity***	-	-	-	-	201 MWe	201 MWe	216 MWe	180 MWe	-	-	-	-	-	-	417 MWe	381 MWe
Hydro power***	-	-	-	-	133 MWe	133 MWe	-	-	-	-	-	-	-	-	133 MWe	133 MWe
Solar energy***	- ****	- ****	-	-	-	-	19 MWe	11 MWe	-	-	-	-	-	-	19 MWe	11 MWe

\* Electric (MWe) and thermal (MWt) installed capacity.

\*\* Thermal (MWt) installed capacity.

\*\*\* Electric (MWt) installed capacity

\*\*\*\* A new data presentation method has been introduced. The data on the installed capacity of the RES sources based on solar energy is presented as part of the data included in the column titled: NEW Assets "Green Turn of TAURON". The installed capacity of the Jaworzno PV project (5 MWe) has been transferred accordingly.

\*\*\*\*\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year. For 2022, license updates in accordance with ERO's methodology and deletions for non-operational generation units are included.

\*\*\*\*\* The installed capacity of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). The company also has a micro heat generation plant based on the solar heat collectors with a capacity of 60 kW. The company was outside the Group in 2021.

Table no. 33. TAURON Capital Group's installed capacity, broken down into types of generation units in 2022 and 2021

Installed capacity by the type of generation unit:	Total*	
	2022	2021
Power plants (MWe)**	4 750	5 687
Power Plants (MWt)***	924	1 184
Combined Heat and Power Plants (MWe)**	352	347
Combined Heat and Power Plants (MWt)***	1 085	1 014
Heat plants (MWt)***	146	146

\* For 2022, license updates in accordance with ERO's methodology and deletions for non-operational generation units are included. For 2021.

\*\* Thermal (MWt) installed capacity.

\*\*\* Electric (MWt) installed capacity

Table no. 33-a. TAURON Capital Group's installed capacity, broken down into types of generation units, per subsidiary in 2022 and 2021

Installed capacity by the type of generation unit:	TAURON Wytwarzanie***		TAURON Ciepło		TAURON Ekoenergia		NEW Assets "Green Turn of TAURON"		TAURON Nowe Technologie		Kopalnia Wapienia "Czatkowice"		Energetyka Cieszyńska****		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Power plants (MWe)*	4 170	5 151	-	-	334	334	235	191	10.8	10.8	-	-	-	-	4 750	5 687
Power Plants (MWt)	924	1 184	-	-	-	-	-	-	-	-	-	-	-	-	924	1 184
Combined Heat and Power Plants (MWe)	-	-	347	347	-	-	-	-	-	-	-	-	5	-	352	347
Combined Heat and Power Plants (MWt)	-	-	1 014	1 014	-	-	-	-	-	-	-	-	71	-	1 085	1 014
Heat plants (MWt)	-	-	145	145	-	-	-	-	-	-	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

\*\*\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year. For 2022, license updates in accordance with ERO's methodology and deletions for non-operational generation units are included

\*\*\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). The company was outside the Group in 2021.

## 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 (for 2020, 2025 and 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 - a number of initiatives aimed at raising the employees' awareness of climate change and promoting environmentally friendly attitudes among them are implemented steadfastly. In addition, one of the goals of the Human Capital Management Policy is to build relationships with customers and strengthen the awareness of environmental protection and climate change, as well as to promote the Green Turn of TAURON. The involvement of TAURON Group's internal experts as part of the Academy of Internal Trainers program, allows for conducting successive trainings with respect to such topics, among others, as the renewable energy sources and the challenges related to striving to achieve climate neutrality. Competencies of the future are also diagnosed as part of the knowledge and age management process. The topic related to the competencies in the field of future energy was covered in parallel, as one of the activities included in the GrEnFin Project - Greening Energy Market and Finance (related to, among other things, the analysis of business solutions and energy challenges in terms of the competency needs for students and professionals in the field of renewable energy sources and the preparation of future professionals in the energy sector in the context of the EU2030 climate targets). Information campaigns are also carried out periodically, introducing TAURON Group's strategic goals related to the Green Turn of TAURON.

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, an ESG Committee was established at TAURON Polska Energia, whose task and role is to coordinate the activities in the individual with respect to all issues related to the impact of climate change in the TAURON Group's ongoing operations in conjunction with the set Strategic Objectives (in the medium and long term).

TAURON Group's main strategic objectives related to climate change have already been largely communicated as part of the Green Turn of TAURON (published in 2019) and as part of TAURON Group's Strategy for 2022-2030 with an outlook until 2050 (published in 2022). The most important goals include: a significant increase in the share of the low- and zero-carbon sources in TAURON Group's installed capacity by 2030 (an assumed more than fivefold increase in the RES installed capacity) and a decrease in carbon intensity (emissions) for power generation by nearly 80% and climate neutrality in 2050.

The chairperson of the ESG committee is a representative of TAURON Group's top level of management – the Vice President for Assets of TAURON Polska Energia, 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 top management, the Management Board and the key managers periodically study the ESG committee's activities, as well as the plans and results of the Group's ESG activities.

## The role of the ESG Committee is in particular:

- 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,
- 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 until 2021 had taken place within the individual operational divisions of TAURON Group, since 2022 has been 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 (metrics) and the monitoring thereof with respect to increasing the share of EBITDA from sustainable activities in the entire value chain,
- defining indicators (metrics) 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 indicators (metrics) for monitoring,
- development of the environmental guidelines for liquidated (decommissioned) activities and for the use of industrial sites for new functionalities,
- development of sustainable products and services.

### Adaptation to climate change

*GRI 201-2, GRI 305-5*

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. Priorities for actions with respect to the assets have been worked out in terms of 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 the 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. For these reasons, the integration of water scarcity into regular risk assessments and the detailed reporting of risks arising from water scarcity or lack thereof has become a necessity for a company like TAURON Ekoenergia, whose model is based largely on hydro power generation. However, due to the fact that it has reservoir based hydro power plants and not just the run-of-river hydro plants, TAURON Ekoenergia is not critically exposed to the water shortage risks. 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. 34.



Table no. 34. GRI 201-2 The number of days on which the electricity production at TAURON Ekoenergia did not take place in 2022 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				3		4	31	24		1		3	66
	Kopin			2				8						10
Bóbr	Bobrowice II						19	21	18			24	13	95
	Bobrowice IV						4	16	13					33
Nysa Kłodzka	Bystrzyca										10		4	14
Kamienna	Szklarska Poręba II							16	16		1	3		36
Wisła	Dąbie													0
	Przewóz													0
Potok Bystre	Kuźnice			31	13									44

At TAURON Dystrybucja, an 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 2022 is illustrated in Table no. 35.

Table no. 35. Share of mass failures in total failures at TAURON Dystrybucja in 2022

Share of mass failures in total failures	Number of mass failures
16.2%	3

Failures often result in interruptions in the supply of electricity, the frequency and duration of which are illustrated in tables no. 36 and 37.

Table no. 36. Frequency of the interruptions in the supply of electricity to the consumers of TAURON Dystrybucja in 2022

Interruption type	CP * (number of interruptions / consumer / year)
CPmd - regulatory interruption frequency indicator in the area: large cities	0.49
CPmp - regulatory interruption frequency indicator in the area: cities with county rights	1.12
CPm - regulatory interruption frequency indicator in the area: cities	1.55
CPw - regulatory interruption frequency indicator in the area: large villages	3.74

\* 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. 37. Average duration of the interruptions in the supply of electricity distributed by TAURON Dystrybucja in 2022

Interruption type	CTP * (minutes / consumer / year)
CTPmd - regulatory interruption duration indicator in the area: large cities	16.71
CTPmp - regulatory interruption duration indicator in the area: cities with county rights	64.31
CTPm - regulatory interruption duration indicator in the area: cities	80.75
CTPw - regulatory interruption duration indicator in the area: large villages	198.13

\* 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 (for overhead lines, in these conditions such occurrences as wet snow deposition or icing become more intense and frequent, and thus lead to a potential increase in the frequency of failures) 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. 38).

Table no. 38. 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	
Rok	Target	Performance
2019	-	38.4%
2020	38.65%*	38.73%
2021		39.71%
2022		40.06%
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 modernization the thermal insulation of buildings, which also has an impact on reducing heat demand. The trends of changes during the heating season are shown in Figures no. 29 and 30

Season's Weighted Average Temperature

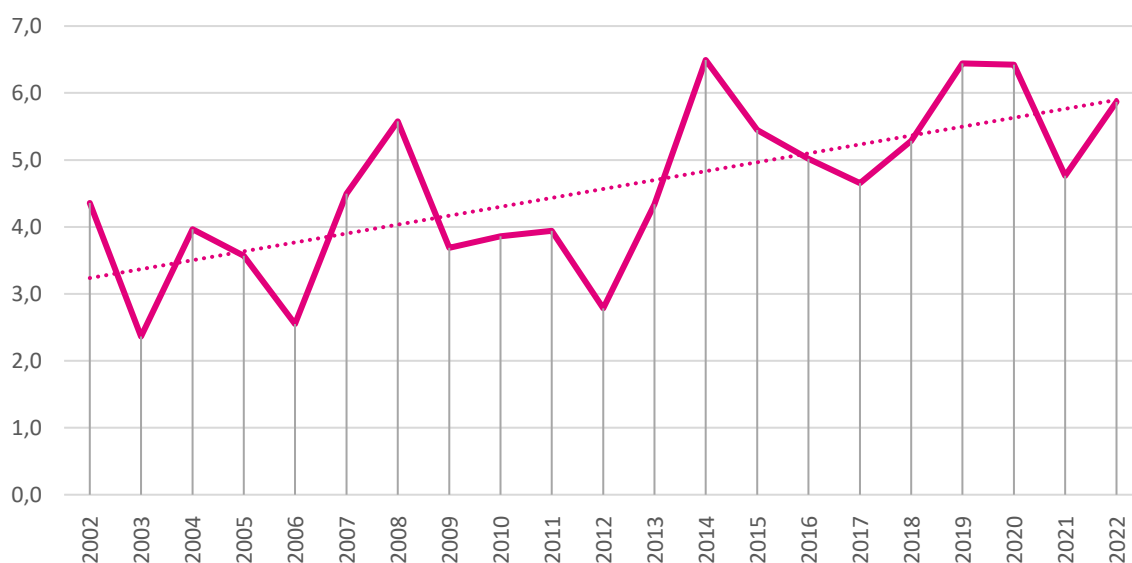


Figure no. 29. Chart of the weighted average air temperature in Poland during the heating season - trend of changes in 2011-2022 [°C].

In the same period of 2020 to 2022, the length of the heating season got extended by 32 days (the trend line in Figure no. 30), which to a certain degree mitigated the difference resulting from an increase in the season temperature. However, this does not make up for an increase in outdoor temperatures.

## Number of days in a season

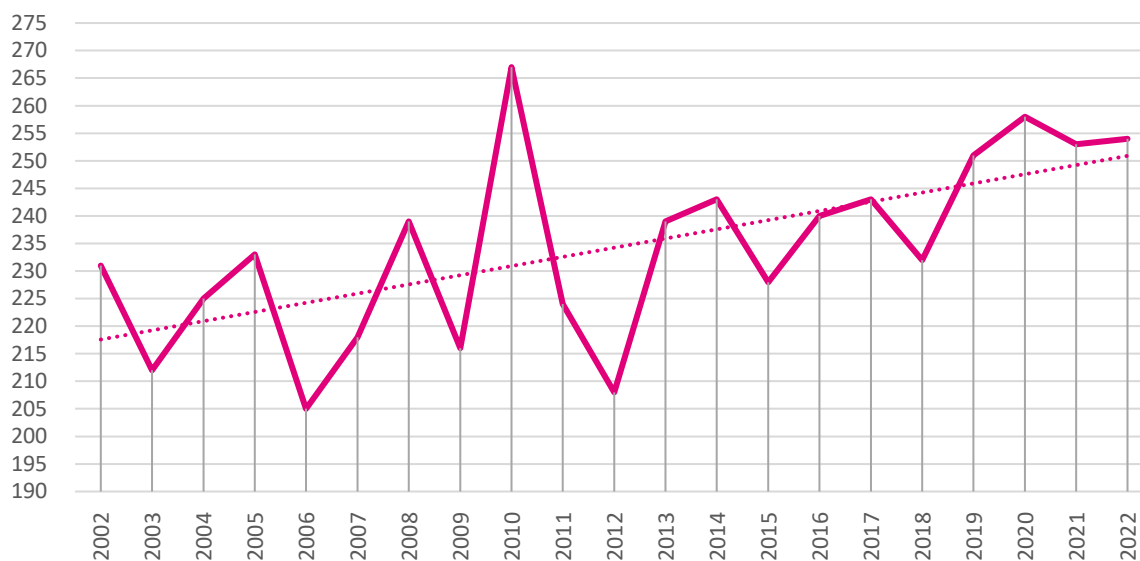


Figure no. 30. Length of the heating season in the years 2002 - 2022. The data is applicable to PEC Katowice in the years 2002-2011 and TAURON Ciepło in the years 2011-2022 [days].

Comparing the 2022 data to the 2021 data, the heat production as well as the demand for heat supply at TAURON Ciepło, during the heating period were at a much lower level, with a difference in heat production (decrease) coming in at approximately 20%. This was a consequence of a number of factors: length of the season (a similar number of the heating days) and the average temperature of the heating season in 2022 (higher than in 2021).

The impact of the situation related to the war in Ukraine (the armed invasion of Ukraine by the Russian Federation) and the resulting short term shortages and disruptions in the fuel supplies (breaking and rebuilding of the supply chains mainly for the residential customers), numerous appeals by the influential representatives, such as the EU countries' ministers of the environment asking for energy conservation and efficient use of energy, from the point of view of the behavior of the district heating consumers contributed to the occurrence of a general trend in energy conservation (among other things, setting a lower indoor temperature without compromising the comfort for users), which has translated into the lower demand and lower heat production.

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 2022 are reflected in Table no. 39.

Table no. 39. GRI 305-5. Reduction of the greenhouse gas emissions by TAURON Capital Group in 2022

	Initiative	Nature of the initiative mandatory (stemming from legal provisions) / voluntary	Reduction of greenhouse gas emissions [tCO <sub>2</sub> ]
TAURON Wytwarzanie	Change of types of fuels used - conversion of a boiler to a biomass-only boiler (Jaworzno II)	voluntary	146 041
TAURON Ciepło	Change in the type of fuels used	voluntary	275 292
TAURON Nowe Technologie	Burning of methane (coal mine de-methanization) in cogeneration engines	voluntary	33 271*
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	Modernization of the thermal insulation was implemented at 5 locations (Opole Branch - 3, Częstochowa Branch - 1 and Jelenia Góra Branch - 1). The coal-fired boiler house in Opole was decommissioned.	voluntary	123.7**
TAURON Dystrybucja	"Modernization of GPZ (Transformer/Switching Station) Wadowice" including modernization of the thermal insulation of the station	voluntary	22.1
<b>TOTAL REDUCTIONS</b>			<b>457 114</b>

\* Calculated as the difference in the GHG emissions for producing the same volume of electricity in a modern coal fired power plant and in gas engines.

\*\* 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. No change from 2021 is demonstrated, and the effects of the initiated modernization of the thermal insulation of the utility buildings at the TAURON Dystrybucja subsidiary will be included in the 2023 reporting year.

TAURON Group's greenhouse gas emission reductions achieved in 2022, presented above, do not include emissions avoided as a result of the direct production increases from the RES sources, as they are not built directly to replace specific fossil fuel based sources, but the balance of production enables demonstrating such emissions.

Table no. 39-a. GRI 305-5. TAURON Capital Group's greenhouse gas emission reduction achieved in 2022 as avoided emissions

	Production from new RES sources commissioned in 2022 MWh*	Greenhouse gas reduction through avoided emissions [t eqCO <sub>2</sub> ]
Photovoltaic farms	2 833	2 096
Wind farms	39 864	29 499

\* calculated based on the average emission factor for the electricity production in a modern coal fired power plant (0.740 Mg CO<sub>2</sub> / MWh).

## Actions taken and results achieved

### Cooperation with partners to counter climate change

TAURON Group engages in the public discussion on the energy transition concerning climate related issues on an ongoing basis.

Matters related to the energy transition were discussed on an ongoing basis during meetings of 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 Office of the Marshal of the Silesia Province. In 2022, TAURON continued its operational cooperation with the Local Government Units (JST - Jednostki Samorządu Terytorialnego) with respect to the National and Regional Just Transition Plans.

Through this cooperation and dialogue, the Group has an opportunity to co-create strategic documents for the benefit of the regions most vulnerable to the transition, whose goals include:

- greater opportunities in terms of employment in new and transitioning sectors,
- opportunities for skills transition,
- improving the energy efficiency of buildings,
- investing in the fight against energy poverty,
- better access to clean, affordable and secure energy,
- supporting the transition to the low carbon technologies and economic diversification based on the climate-resilient investments and jobs,
- creating attractive conditions for public and private investors,
- providing easier access to credit and loans as well as financial support,
- investing in the creation of new companies, SMEs and start-ups,
- investing in scientific research and innovation,
- investing in public, sustainable transportation,
- investing in renewable energy sources,
- improving digital connectivity networks,
- providing loans on preferential terms to public bodies at the local level,
- improving energy infrastructure, district heating systems and transportation networks.

## TAURON Group's impact on climate change

GRI 305-1, GRI 305-2, GRI 305-3

TAURON Group's business model has both a positive as well as a negative impact on the climate. The operations related to the burning of fossil fuels, which are the core business operations of TAURON Wytwarzanie and TAURON Ciepło, as well as unorganized (scattered) 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 2022 are presented in tables 40 and 40-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 2022, it was respectively:

- approx. 19.9 million tCO<sub>2</sub>e (Scope 3) related to the consumption of electricity sold to the final consumers,
- approx. 0.8 million tCO<sub>2</sub>e (Scope 3) related to the consumption of the sold natural gas and from the Brzeszcze Coal Mine de-methanization,
- approx. 0.099 million tCO<sub>2</sub>e (Scope 3) related to the transportation of fuels, materials and products as well as business trips and the commuting of the employees to the work place.

Scope 2 and Scope 3 indirect greenhouse gas emissions are presented in tables 40-b and 40-c. The methodology used to determine indirect emissions and factors used to calculate indirect GHG emissions (Scope 2 and 3) are presented directly under tables 40-b and 40-c. A summary of the carbon footprint for TAURON Capital Group for 2022 is presented in Table 40-d.

Table no. 40. GRI 305-1. Direct greenhouse gas emissions [tCO<sub>2</sub>e] by TAURON Capital Group in 2022 and 2021 (Scope 1)

	Total	
	2022	2021
Emissions related to electricity generation	11 939 028	11 837 461
Emissions related to heat generation	1 049 115	1 169 995
Emissions from gas leaks, including those associated with accidents and direct emissions accompanying coal mining	767 696	678 537
Emissions related to the transportation of materials, products and waste	17 863	16 832
<b>Total direct emissions</b>	<b>13 773 702</b>	<b>13 702 825</b>
Biogenic emission	421 333	646 531

Table no. 40-a. GRI 305-1. Direct greenhouse gas emissions by TAURON Capital Group in 2022 and 2021, per subsidiary (Scope 1)

	Greenhouse gas emissions [t CO <sub>2</sub> e]															
	TAURON Wytwarzanie**		TAURON Ciepło		TAURON Wydobycie*		Kopalnia Wapienia "Czatkowice"		TAURON Dystrybucja		TAURON Nowe Technologie		Energetyka Cieszyńska***		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Emissions related to electricity generation	11 213 700	10 907 441	690 038	909 119	-	-	-	-	-	-	32 063	20 901	3 227	-	11 939 028	11 837 461
Emissions related to heat generation	332 598	331 916	691 689	830 048	-	-	8 700	7 394	564	637	0	0	15 563	-	1 049 115	1 169 995
Emissions from gas leaks, including those associated with accidents and direct emissions accompanying hard coal extractions	472	533	0	0	764 779	675 537	0	0	2 445	2 467	0	0	0	-	767 696	678 537
Emissions related to the transportation of materials, products and waste	1 665	1 284	962	843	605	365	4 349	4 253	10 144	9 951	134	136	4	-	17 863	16 832
<b>Total direct emissions</b>	<b>11 548 435</b>	<b>11 241 174</b>	<b>1 382 689</b>	<b>1 740 010</b>	<b>765 384</b>	<b>675 902</b>	<b>13 049</b>	<b>11 647</b>	<b>13 153</b>	<b>13 055</b>	<b>32 197</b>	<b>21 037</b>	<b>18 794</b>	<b>-</b>	<b>13 773 702</b>	<b>13 702 825</b>
Biogenic emissions	146 041	344 440	275 292	302 091	-	-	-	-	-	-	-	-	-	-	421 333	646 531

\* 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 is where they have been assigned as of 2021, CO<sub>2</sub> equivalent emissions for methane calculated on the basis of the greenhouse effect potential index according to GHG Protocol - AR5 (GWP-25 for CH<sub>4</sub> => CO<sub>2</sub>e) accounted for approx. 5% of the total Scope 1 direct emissions in 2022 and for approx. 5% in 2020 and for approx. 7% in 2020.

Brzeszcze Coal Mine also has a mine methane drainage plant, in which in the entire 2022, 100% of methane was captured and used (sold) in the amount of approx. 50 million Nm<sup>3</sup>, so that the captured methane was not a source of direct emissions to the atmosphere, but was a primary energy source for the 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 10.8 MWe, located near the Brzeszcze Coal Mine and in nearby Brzeszcze-Jawiszowice.

\*\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.



Table no. 40-b. GRI 305-2. Indirect greenhouse gas emissions (tCO<sub>2e</sub>) by TAURON Capital Group in 2021 in connection with the operations conducted by the subsidiaries (Scope 2)

Indirect greenhouse gas emissions [tCO <sub>2e</sub> ]		
	2022	Explanatory notes
Indirect emissions related to the use of purchased electricity and losses (balancing difference) related to electricity distribution		It includes all of the electricity purchased by the Group's subsidiaries and the amount of electricity related to the losses (balancing difference) in connection with the operations conducted by TAURON Dystrybucja S.A.
Market-based *	1 552 932	
Location-based **	1 655 163	
<b>Total indirect emissions (Scope 2) Market-based</b>	<b>1 552 932</b>	
<b>Total indirect emissions (Scope 2) Location-based</b>	<b>1 655 163</b>	

\* (Scope 2) Market-based: indirect GHG emissions resulting from the consumption of purchased electricity and grid losses, calculated on the basis of the indicator published by the specific electricity supplier, TAURON Group supply subsidiaries

\*\* (Scope 2) Location-based: indirect GHG emissions, resulting from the consumption of purchased electricity and grid losses, calculated on the basis of the average indicator for Poland. This indicator is published on the KOBIZE website as of the end of 2022, hence the indicator value projected for '22 value (0.680 Mg CO<sub>2</sub>/MWh), calculated on the basis of PSE's data on the NPS electricity generation and the fuel mix structure in 2022, was used for the calculations.

Table no. 40-c. GRI 305-3. Indirect greenhouse gas emissions (tCO<sub>2e</sub>) by TAURON Capital Group in 2022 in connection with the operations conducted by the subsidiaries (Scope 3)

Indirect greenhouse gas emissions [tCO <sub>2e</sub> ]		
	2022	Explanatory notes
Indirect emissions related to the use of electricity sold by the final consumer (Category 3. Emissions related to electricity and fuels)	19 860 940	It includes all of the electricity sold by the Group's supply subsidiaries. <sup>1)</sup> The supply 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 (Category 3. Emissions related to electricity and fuels)	824 467	It includes the volume of the gas fuels sold by the Group's supply subsidiaries <sup>1)</sup> the sales of the coal mine gas from the Brzeszcze Coal Mine de-methanization to the final consumers outside the Group <sup>1)</sup>
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 (Category 4. Upstream – Transportation and Distribution)	60 879	It includes the transportation of coal and biomass to the subsidiaries <sup>2)</sup> : TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON <sup>3)</sup> 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 (Category 6. Business trips)	2 661	It includes selected Group's subsidiaries. The calculations based on fuel consumption.
Indirect emissions from the commuting of the employees to the work place (Category 7. Commuting of the employees to the work place)	35 062	Calculations based on the number of employees and the distance index for the commuting to the work place
<b>Total indirect emissions (Scope 3)</b>	<b>20 784 008</b>	-

<sup>1)</sup> The indicator (metric) used to calculate indirect GHG emissions related to the use of the electricity purchased based on the underlying data of TAURON Group's supply subsidiaries. For the gas fuel and the coal mine gas from the Brzeszcze Coal Mine's de-methanization the indicator (metric) for the calculation of indirect GHG emissions was adopted based on the KOB and ZE underlying data for the settlement of the GHG emissions for 2022 in the EU ETS trading system.

<sup>2)</sup> The indicators (metrics) used to calculate the indirect GHG emissions related to the transportation of materials are assumed in accordance with the underlying data: "Guidelines for Measuring and Managing CO<sub>2</sub> Emission from Freight Transport Operations. A. McKinnon (UK)" respectively:

- transportation by trucks on the roads - 62 g CO<sub>2e</sub> / 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 by rail - 22 g CO<sub>2e</sub>/ton-km and the total number of ton-kilometers calculated on the basis of the actual weights of the 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. For the fuel imports, the sea freight and a rate to calculate the indirect GHG emissions of 7 g CO<sub>2</sub>e / ton-km were assumed.

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 2021 were not taken into account.

<sup>3)</sup> As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). The company was outside the Group in 2021.

**Table no. 40-d. GRI 305-1, 305-2, 305-3. TAURON Capital Group's carbon footprint for 2022 due to its operations (Total GHG emissions in (tCO<sub>2</sub>e) for Scope 1 - direct GHG emissions and for Scope 2 and 3 - indirect GHG emissions)**

TAURON Capital Group's carbon footprint for 2022 [tCO <sub>2</sub> e]	
Emissions related to electricity generation	11 939 028
Emissions related to heat generation	1 049 115
Emissions from gas leaks, including those associated with accidents and direct emissions accompanying coal mining	767 696
Emissions related to the transportation of materials, products and waste	17 863
<b>Total direct emissions (Scope 1)</b>	<b>13 773 702</b>
Indirect emissions related to the use of purchased electricity and losses (balancing difference) related to electricity distribution	
<b>Total indirect emissions (Scope 2) Market-based *</b>	<b>1 552 932</b>
<b>Total indirect emissions (Scope 2) Location-based **</b>	<b>1 655 163</b>
Indirect emissions (Scope 3) related to the use of electricity sold by the final consumer (Category 3. Emissions related to electricity and fuels)	19 860 940
Indirect emissions (Scope 3) related to the use of the sold gas fuel by the final consumer (Category 3. Emissions related to electricity and fuels)	824 467
Indirect emissions (Scope 3) 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 (Category 4. Upstream – Transportation and Distribution)	60 879
Indirect emissions (Scope 3) from business trips (Category 6. Business trips)	2 661
Indirect emissions (Scope 3) from the commuting of the employees to the work place (Category 7. Commuting of the employees to the work place)	35 062
<b>Total indirect emissions (Scope 3)</b>	<b>20 784 008</b>
<b>Aggregate (Scope 1+ Scope 2 + Scope 3) Market-based *</b>	<b>36 110 642</b>
<b>Aggregate (Scope 1+ Scope 2 + Scope 3) Location-based **</b>	<b>36 212 873</b>
Biogenic emissions	421 333

\* (Scope 2) Market-based: indirect GHG emissions resulting from the consumption of purchased electricity and grid losses, calculated on the basis of the indicator published by the specific electricity supplier, TAURON Group supply subsidiaries and the grid indicator (factor)

\*\* (Scope 2) Location-based: indirect GHG emissions, resulting from the consumption of purchased electricity and grid losses, calculated on the basis of the average indicator for Poland. This indicator is published on the KOBiZE website as of the end of 2022, hence the indicator value projected for '22 value (0.680 Mg CO<sub>2</sub>/MWh), calculated on the basis of PSE's data on the NPS electricity generation and the fuel mix structure in 2022, was used for the calculations.

## Improving efficiency throughout the value chain

Actions taken for the climate are also reflected in various types of investment projects carried out by TAURON Group's subsidiaries in 2022 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 implementation, at the operational level of asset management, of measures aimed at supporting a preliminary energy efficiency audit for the planned initiatives related to the modernization or replacement of the production assets. As a result of these activities, investment tasks will be evaluated with respect to their estimated potential for acquiring property rights, the so-called "white certificates," in the aggregate amount of min. 10 toe. 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 72 stations in 2022.

TAURON Nowe Technologie, a subsidiary dedicated to the operation and maintenance of street lighting in the area of the Group's operations, continued in 2022 the program of replacing the street lights with the energy saving lighting (approx. 32.6 thousand units), which will allow for the annual savings in the final electricity consumption by the consumers (more than 20 municipalities) in the estimated amount of approx. 9.5 thousand MWh/year.

The effects from the production of the new photovoltaic farms and wind farms are taken into account in 2022:

- a photovoltaic farm in Jaworzno (5 MWe), commissioned at the end of 2020 by TAURON Wytwarzanie and currently managed by the Group subsidiary (TAURON Inwestycje),
- a photovoltaic farm in Choszczno I (6 MWe), commissioned at the end of 2020 and operationally managed by TAURON Ekoenergia,
- a photovoltaic farm in Choszczno II (8 MWe), commissioned at the end of 2022 and operationally managed by TAURON Ekoenergia,
- a wind farm in Majewo (6 MWe), commissioned at the end of 2022 and operationally managed by TAURON Ekoenergia,
- a wind farm in Piotrków Trybunalski (30 MWe), commissioned at the end of 2022 and 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 2022, the number of the "smart-metering" type meters stood at approx. 1 million 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 substations in order to increase their efficiency, replacement of lighting with the energy saving solutions, construction of "e-mobility" and smart distribution infrastructure were carried out. The expenditures on the projects related to climate change adaptation are presented in Table no. 57-b (capital expenditures in line with the EU Environmental Taxonomy).

TAURON Ekoenergia's operations (along with the operations of the companies it is managing or its subsidiaries), which are based entirely on the production of electricity from the renewable sources, have a positive impact on the climate. As a result of the optimization of the wind farms related production assets and the favorable conditions at the sites where the wind farms are located, very good results have been achieved, both in the form of a significant reduction in the rate of in-house needs (efficiency), as well as in an increase of the renewable energy produced. Tables 41 and 41-a show the volume of electricity produced by TAURON Group's units in 2022, broken down by its main sources.

*Table no. 41. Net electricity and heat volume generated by TAURON Capital Group, broken down into main energy sources in 2022 and 2021*

	Electricity [GWh]		Heat [GJ]	
	2022	2021	2022	2021
Hard coal	12 360	12 248	8 428	9 643
Sludge	177	187	464	450
Liquid fuels	118	94	422	475
Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's de-methanization)	82,9	50	59	148
Biomass	340	434	452	547
Wind energy	854	831	0	0
Hydro power	317	402	0	0
Solar energy	15	11	0	0
<b>TOTAL</b>	<b>14 264</b>	<b>14 257</b>	<b>9 825</b>	<b>11 263</b>

Table no. 41-a. Net electricity [GWh] and net heat [TJ] volumes generated by TAURON Capital Group, broken down into main energy sources, per subsidiary in 2022 and 2021

	TAURON Wytwarzanie*				TAURON Ciepło				TAURON Ekoenergia				NEW Assets "Green Turn of TAURON"				TAURON Nowe Technologie				Energetyka Cieszyńska**				Total				
	Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Hard coal	11 373	11 063	2 492	2 588	979	1 186	5 783	7 055	-	-	-	-	-	-	-	-	-	-	-	-	8	-	153	-	12 360	12 248	8 428	9 643	
Sludge	100	101	149	137	77	85	315	313	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177	187	464	450	
Liquid fuels	116	93	317	385	2	1	104	90	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	118	94	422	475	
Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's demethanization)	0	1	0	0	0	0	59	148	-	-	-	-	-	-	-	-	83	50	0	0	-	-	-	-	83	50	59	148	
Biomass	145	216	79	174	195	218	373	373	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	340	434	452	547	
Wind energy	-	-	-	-	-	-	-	-	412	402	-	-	442	414	-	-	-	-	-	-	-	-	-	-	854	831	0	0	
Hydro power	-	-	-	-	-	-	-	-	317	417	-	-	-	-	-	-	-	-	-	-	-	-	-	-	317	402	0	0	
Solar energy	-	-	-	-	-	-	-	-	0	0	-	-	15	11	-	-	-	-	-	-	-	-	-	-	15	11	0	0	
<b>Total</b>	<b>11 733</b>	<b>11 473</b>	<b>3 038</b>	<b>3 284</b>	<b>1 254</b>	<b>1 491</b>	<b>6 634</b>	<b>7 979</b>	<b>729</b>	<b>825</b>	<b>-</b>	<b>-</b>	<b>457</b>	<b>414</b>	<b>-</b>	<b>-</b>	<b>83</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>153</b>	<b>-</b>	<b>14 264</b>	<b>14 257</b>	<b>9 825</b>	<b>11 263</b>	

\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

## TAURON Capital Group's approach to sustainable development

Implementing the vision of a sustainable development, TAURON Group continued its efforts in 2022 with aimed at increasing the installed capacity of the 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 the energy transition of its assets and curbing the related risks (transition risks).

In 2022, TAURON joined the United Nations Global Compact (UN Global Compact), the UN's largest sustainable business initiative. The UN Global Compact is an integral part of the UN system, headquartered in New York City and operating in more than 160 countries. It is the world's largest initiative bringing together business working for the sustainable development, inaugurated by the UN Secretary-General in 2000. It brings together firms that cooperate with the UN and develop strategies and actions based on the UN policies, in particular the Sustainable Development Goals and the 10 Principles of the United Nations Global Compact related to four areas: human rights, labor standards, environment protection, anti-corruption.

UN Global Compact Network Poland is the country office as well as a local contact and information point for the Polish members of the UN Global Compact. It carries out its mission through activities in four umbrella programs: *Climate Positive*, *Business and Human Rights*, *Anticorruption Program* and *United Business for Ukraine*. The country office also coordinates the cooperation with the Polish government, local government representatives and other UN agencies and programs operating in Poland or on the territory of Poland, supporting the efforts of the UN Global Compact headquarters to achieve the UN Sustainable Development Goals.

TAURON Group places its commitment to achieving the Sustainable Development Goals - SDG 13 "*Action on Climate Change*" - at the center. 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 sites and convert such land to perform a 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 an increase in the consumption of electricity from renewable energy sources (RES) 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 – the 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 Agreement.

The Green Turn of TAURON, constituting a kind of a sustainable development plan, takes into account the results of the materiality analysis and the synergies with the directions of the Strategy. TAURON Group defined the directions of activities related to the 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 thus far, to increasingly integrate the sustainable development throughout the value chain. Anticipating the global trends, TAURON Group tries to identify such business opportunities that provide an advantage, keeping up with 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.

### 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 generation 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. 42) and the Emissions Reduction Index (shown in Table no. 43).

Table no. 42. Targets for the minimum declared average annual increase in RES capacity planned by TAURON Capital Group in 2020-2030 (third party audit)

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	2022	-	-	-
	27%	19%	18%			

**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 a calendar year,

2018 is the base year (the calculation was adopted following the adoption of the Climate Policy in November 2019, i.e. before the settlement of 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<sub>e</sub>] 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<sub>e</sub>] 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. 43. The minimum declared CO<sub>2</sub> emission reduction rate for gross electricity production planned by TAURON Capital Group in 2018-2030 [Mg CO<sub>2</sub>/MWh] (third party audit)

Sustainable Development Index in the given calendar year				
Sustainable Development Index	2020	2025	2027	2030
Emission Reduction Index	2%	2%	2%	2%
	<b>2020</b>	<b>2021</b>	<b>2022</b>	
Result achieved	<b>6%</b>	<b>3%</b>	<b>2%</b>	

**Emissions Reduction Index** denotes the average annual CO<sub>2</sub> 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<sub>r</sub> [%] denotes the average annual CO<sub>2</sub> emission reduction index in year r,

WE<sub>CO<sub>2</sub>,r</sub> [MgCO<sub>2</sub>/MWh] denotes the CO<sub>2</sub> emission index (carbon intensity factor) in year r, accounted for under the Community Emissions Trading Scheme,

WE<sub>CO<sub>2</sub>,2018</sub> [MgCO<sub>2</sub>/MWh] denotes the CO<sub>2</sub> emission index (carbon intensity factor) in year r, 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 CO<sub>2</sub> emissions index is calculated as follows:

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

where:

WE<sub>CO<sub>2</sub>,r</sub> [MgCO<sub>2</sub>/MWh] denotes the CO<sub>2</sub> emission index (carbon intensity factor) for gross electricity production

E<sub>CO<sub>2</sub>(ee)r</sub> [MgCO<sub>2</sub>] denotes the CO<sub>2</sub> emissions in year r for gross electricity production from fossil fuels and biomass as well as RES in year r

P<sub>ee(brutto)r</sub> [MWh] denotes the CO<sub>2</sub> 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 are also presented in section E 2.1. Climate Neutrality 2050.

### Use of natural capital, implementation of the goals, outcomes and results in 2022

GRI 301-1, GRI 302-1, 302-3

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 pace of the global warming.

Natural capitals defined by TAURON Group, which are used and impacted thereby - minerals (hard 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 the years 2020-2022 is presented in Table no. 44 and in the years 2021-2022 is presented in Tables no. 45-49

Table no 44. GRI 301-1. Raw materials used by TAURON Capital Group in 2020-2022

Total	2022	2021	2020
<b>NON-RENEWABLE RESOURCES *</b>			
Net coal [tons]	6 518 851	6 419 493	4 888 015
Net coal production [tons]	5 007 348	5 146 853	4 541 216
Sludge [tons]	203 775	248 142	249 980
Natural gas [m <sup>3</sup> ]	41 940 767	30 057 357	12 067 032
Heating oil [tons]	40 924	40 340	26 324
Diesel oil [m3]	7 105	6 796	6 289
Limestone [tons]	266 639	269 563	197 288
Limestone production [tons]	2 108 880	2 011 529	1 722 376
<b>RENEWABLE RESOURCES</b>			
Agro biomass [tons]	58 946	82 283	124 203
Forest biomass [tons]	356 885	435 137	553 537

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

Table no. 45 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 2022 and 2021

[GJ]	TAURON Wytwarzanie*		TAURON Ciepło		Tauron Wydobycie		TAURON Ekoenergia + "Green Turn of TAURON"		Kopalnia Wapienia "Czatkowice"		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		
hard coal	117 937 237	114 853 757	13 384 332	17 052 882	-	-	-	-	-	-	-	-	-	-	218 840	-	131 540 409	131 906 639
natural gas and coke oven gas	0	5 636	91 481	171 197	-	-	-	-	70 769	71 858	736 897	377 146	-	-	-	-	899 147	625 837
sludge	1 200 174	1 231 319	837 442	1 007 697	-	-	-	-	-	-	-	-	-	-	-	-	2 037 616	2 239 016
heating oil	1 583 158	1 573 022	135 780	118 006	-	-	-	-	-	-	-	-	-	-	-	-	1 718 938	1 691 027
liquid fuels	22 467	17 322	12 981	11 373	24 523	15 706	1 846	1 716	58 695	57 395	-	-	-	-	-	-	120 512	103 512
<b>TOTAL</b>	<b>120 743 035</b>	<b>117 681 056</b>	<b>14 462 016</b>	<b>1 125 703</b>	<b>24 523</b>	<b>15 706</b>	<b>1 846</b>	<b>1 716</b>	<b>129 464</b>	<b>129 253</b>	<b>736 897</b>	<b>377 146</b>	<b>218 840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136 316 621</b>	<b>136 566 032</b>

\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

Table no. 46. GRI 302-1. Total consumption of energy from renewable sources in GJ (gross chemical energy of fuels) at TAURON Capital Group in 2022 and 2021, per subsidiary

[GJ]	TAURON Wytwarzanie*		TAURON Ciepło		Tauron Wydobycie		TAURON Ekoenergia + "Green Turn of TAURON"		Kopalnia Wapienia "Czatkowice"		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
biomass	1 566 681	2 469 496	2 559 783	2 846 271	-	-	-	-	0	0	-	-	-	-	4 126 464	5 315 766
wind energy	-	-	-	-	-	-	122 661	116 135	0	0	-	-	-	-	122 661	116 135
hydro power	-	-	-	-	-	-	16 709	20 920	0	0	-	-	-	-	16 709	20 920
solar energy	-	-	-	-	-	-	52 911	40 331	-	-	-	-	-	-	52 911	40 331
<b>TOTAL</b>	<b>1 566 681</b>	<b>2 469 496</b>	<b>2 559 783</b>	<b>2 846 271</b>	<b>-</b>	<b>-</b>	<b>192 281</b>	<b>177 386</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 318 745</b>	<b>5 493 152</b>

\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

Table no. 47. 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 2022 and 2021, per subsidiary

[GJ]	TAURON Wytwarzanie*		TAURON Ciepło		TAURON Wydobycie		TAURON Ekoenergia + "Green Turn of TAURON"		Kopalnia Wapienia "Czatkowice"		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
electricity	4 631 200	4 627 467	784 376	920 715	980 078	995 141	150 798	142 081	90 422	84 012	4 773	2 875	4 807	-	6 646 455	6 772 290
thermal energy (heat)	695 060	801 089	229 954	249 281	167 723	183 672	996	1 124	5 384	6 755	-	-	3 746	-	1 102 863	1 241 921
<b>TOTAL</b>	<b>5 326 260</b>	<b>5 428 556</b>	<b>1 014 330</b>	<b>1 169 996</b>	<b>1 147 801</b>	<b>1 178 813</b>	<b>151 794</b>	<b>143 205</b>	<b>95 806</b>	<b>90 767</b>	<b>4 773</b>	<b>2 875</b>	<b>8 553</b>	<b>-</b>	<b>7 749 318</b>	<b>8 014 211</b>

\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

Table no. 48. GRI 302-1. Energy supply in GJ (net less in-house needs) at TAURON Capital Group in 2022 and 2021, per subsidiary

[GJ]	TAURON Wytwarzanie*		TAURON Ciepło		TAURON Wydobycie		TAURON Ekoenergia + "Green Turn of TAURON"		Kopalnia Wapienia "Czatkowice"		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
electricity	41 588 734	40 710 727	4 515 880	5 366 004	-	-	4 251 498	2 946 901	0	0	298 337	179 115	24 186	-	50 678 635	49 202 747
thermal energy (heat)	3 038 459	3 283 555	6 634 071	7 979 075	-	-	-	-	0	0	-	-	130 282	-	9 802 812	11 262 629
<b>TOTAL</b>	<b>44 627 193</b>	<b>43 994 282</b>	<b>11 149 951</b>	<b>13 345 078</b>	<b>0</b>	<b>0</b>	<b>4 251 498</b>	<b>2 946 901</b>	<b>0</b>	<b>0</b>	<b>298 337</b>	<b>179 115</b>	<b>154 468</b>	<b>-</b>	<b>60 481 447</b>	<b>60 465 376</b>

\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

Table no. 49. GRI 302-1. Total energy consumption in GJ at TAURON Capital Group in 2022 and 2021, per subsidiary

[GJ]	TAURON Wytwarzanie*		TAURON Ciepło		TAURON Wydobywanie		TAURON Ekoenergia + "Green Turn of TAURON"		Kopalnia Wapienia "Czatkowice"		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
total energy consumption by the organization	82 986 317	81 584 826	6 886 178	9 032 343	1 172 324	1 609 637	-3 905 576	-2 624 594	225 270	220 020	443 333	200 905	72 925	-	87 880 770	89 955 315

\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

Due to generating electricity in hydro power 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 hydro power 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 (intensity) related to its operations on an ongoing basis, as shown in the indices in Table no. 50.

Table no. 50. GRI 302-3. Energy consumption (intensity) at TAURON Capital Group in 2022 and 2021, per subsidiary

	TAURON Wytwarzanie**		TAURON Ciepło		TAURON Ekoenergia		TAURON Ekoenergia New Wind Assets		Energetyka Cieszyńska***	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Energy consumption rate [%] (energy consumption for in-house needs / gross energy production)	10.67%	11.03%	8.62%*	8.10% *	5.02%	4.64%	0.83%	0.81%	4.74%	-
Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production)	10.41%	10.54%	15.98%	14.80%	5.02%	4.64%	0.83%	0.81%	17.24%	-
Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production)	14.09%	16.99%	3.35%*	3.03%*	-	-	-	-	2.45%	-

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

\*\* Data for TAURON Wytwarzanie as a result of the completed consolidation includes the Nowe Jaworzno TAURON Group division, which was a separate subsidiary of the Group in the previous reporting year.

\*\*\* As part of the Energetyka Cieszyńska company acquired in 2022 (as of the end of 31/12/2022). Data includes incomplete 4th quarter of 2022. The company was outside the Group in 2021.

TAURON Group has inventoried, during inventory energy audits, the potential tasks related to reducing energy consumption (intensity). The targets related to energy consumption were set based on such measures, as shown in Tables no. 51, 51-a and 51-b.

Table no. 51. GRI 302-3. 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
	<b>Result achieved - 2022 *</b>		<b>23.6</b>		
TAURON Wydobyćie	Electricity consumption rate* [kWh/t]	70.9	60.0	50.8	48.3
	<b>Result achieved - 2022 **</b>		<b>65.0</b>		

\* Higher than assumed for 2022 value of the indicator due to different than assumed conditions of production of the ground sorbents (a significant increase in the production of sorbents for energy needs in relation to the production assumptions for 2022)

\*\* Excluding the additional consumption due to the construction of the Grzegorz Shaft (investment project put "on ice"). Higher than assumed value of the indicator for 2022 due to different than assumed geological and mining conditions.

Table no. 51-a. GRI 302-3. 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		
	2020	2025	2030	2020	2025	2030
Energy consumption rate [%] (energy consumption for in-house needs / gross energy production)	10.9%	11.1%	9.1%	8.88%*	8.44%*	8.73%*
<b>Result achieved – 2022</b>	<b>10.67%</b>			<b>8.62%*</b>		
Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production)	10.7%	10.8%	10.5%	15.61%	17.09%	15.05%
<b>Result achieved - 2022</b>	<b>10.41%</b>			<b>15.98%</b>		
Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production)	12.6%	13.9%	9.2%	2.98%*	2.89%*	2.77%
<b>Result achieved – 2022</b>	<b>14.09%</b>			<b>3.35%*</b>		

\* 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. Targets for 2025 and 2030 will be revised in the next reporting year.

The energy consumption rates for the TAURON Wytwarzanie and TAURON Ciepło subsidiaries in 2022 reached values that were higher than those assumed on the path to reaching the set targets (2020 targets) 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's 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. 51-b. Target, and result achieved, for transmission losses set to be achieved by TAURON Dystrybucja in 2022

Subsidiary	Index name	2020 Target	2025 Target	2030 Target
TAURON Dystrybucja	Value of the balancing difference *	4.14 %	3.96 %	3.90 %
	<b>Result achieved (in 2022 r.)</b>	<b>3.52%</b>		

\* 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 approx. 794 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. 52.

*Table no. 52. Percentage change in 2022 vs. 2021 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	Percentage change (+/-)
EKO Premium	Change in the volume of Guarantees (Certificates) of Origin issued - y/y	37.0%
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	44.3%
Photovoltaics	Change in the quantity of installations sold	-30.6%
Passive Power Compensation	Change in the quantity of services sold at the end of the period (incrementally) – y/y	51.5%
Enterprise Energy Audit	Change in the quantity of services sold at the end of the period (incrementally) – y/y	27.4%
Implementation of the replacement of street lighting with low-energy lighting	pcs.	32 611 pcs. vs. 15 682 pcs.

## Customer Eco-Efficiency Programs

A wide range of energy efficiency program activities are being implemented through the energy programs conducted by TAURON Group's subsidiaries. These programs are targeted at a number of customer segments, including residential customers, industry, and local governments. These include:

- educational campaigns and IT tools to promote energy efficiency at TAURON Sprzedaż, TAURON Dystrybucja and TAURON Ciepło,
- Energy Audit of Enterprises,
- implementation of the replacement of street lighting with energy efficient lighting, also providing the possibility of controlling the intensity of the light stream.

TAURON Group has been implementing an energy efficiency improvement program for several years, which includes, among other things, the implementation of a certified energy management system (based on the highest standards or norms) in the near future, an efficient approach to estimating the potential for primary energy savings (the so-called "white certificates") related to the modernization of generation assets as well as district heating and power distribution systems, and the sale of goods and services aimed at promoting energy savings to customers.

One of the absolute targets is the mandatory verification of conditions for each modernization initiative with estimated primary energy savings of more than 10 toe (also an aggregation of projects and tasks), and an intermediate target has been set to acquire energy efficiency property rights annually in order to cover the Group's own obligations in this regard.

Examples of the programs implemented by TAURON Group in the field of energy efficiency include:



### “Ogrzej się z TAURONEM” (Heat yourself with TAURON)

Under the program, building owners can apply for a subsidy for the elimination of an old solid fuel boiler and its replacement with a heat pump. It is addressed to the residents of the Lower Silesian, Opole, Silesian and Małopolska provinces.

### “Bezpieczniki TAURONA” (TAURON fuses)

An educational and informational program that targets different audiences (children and youth, adults, seniors as well as renovation and construction companies). The program covers topics related to, among others, the transition and is implemented through:

- Scenarios of lessons, the subjects of which are related to energy conservation as well as rational energy use and the formation of user and consumer awareness. They included the following topics: "Eco-methods for saving electricity", "Energy labels and electro-waste", "We are the guardians of energy", "Renewable - life-giving", "Photovoltaic cell and light sources", "Green energy gives power", "Green energy and saving electricity", "Sources of electricity", or "Work and power of electricity. Electricity transformations."
- Guide texts for parents, covering the following topics: "How to use household appliances in an energy saving manner?", "Smart home or how to control the house?", "How to take care of the electrical system?", "Electrical installations in the house", "How to save electricity?", "Electro-waste? There will be a use for them," "Label matters," "How to become a prosumer?" or "How to calculate how much energy electrical appliances consume?"
- Online games e.g. "Throw away electro-waste", "Collect green energy", "Young eco-advisor (energy labels)", or "Electro-treasure (electro-waste) finders".
- Videos, for example, "Green electricity. How to produce it and save it?", "Sources of electricity", "How to read energy labels?", "Where to trash electro-waste?", "Energy from the sun", "Fuses", or "How much energy do household electrical appliances use?"



### Eco-efficiency program for customers in agriculture

Kopalnia Wapienia "Czatkowice", together with the Małopolska Agricultural Advisory Center in Karniowice, was the organizer of educational meetings/training sessions for farmers. The training meetings were addressed mainly to the farming community from the Małopolska, Silesia and Podkarpackie provinces. The main message of the trainings was to promote knowledge of effective and natural solutions to the problems of soil acidification in Poland, the effects of proper liming of soils, as well as the impact of liming on the crop yields in the changing climatic conditions. The limestone mine's product, Gruntcal fertilizer lime, was also presented during the training sessions.

The customers interested in the subject can use a liming calculator available on the company's website to help solve lime dosage issues. After selecting the type and pH of the soil, the calculator determines the needed dosage of Gruntcal lime (number of tons/hectare).

### Possibilities of financing the investments in the energy sector

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 (metrics), 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. 53 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. 53. 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 31.12.2022	Purpose of financing
European Investment Bank	subordinate bonds	EUR 190 000 000.00	EUR 190 000 000.00	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	PLN 350 000 000.00	PLN 350 000 000.00	Financing of investment projects in the electricity distribution grid in southern and southwestern Poland in 2018-2022.
European Investment Bank	subordinate bonds	PLN 400 000 000.00	PLN 400 000 000.00	Financing of investment projects in the electricity distribution grid in southern and southwestern Poland in 2018-2022.
European Investment Bank	loan	PLN 295 000 000.00	PLN 132 750 000.00	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 hydro power plants.
European Investment Bank	loan	PLN 900 000 000.00	PLN 143 181 818.35	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	PLN 2 800 000 000.00	PLN 1 600 000 000.00	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	PLN 750 000 000.00	PLN 750 000 000.00	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	PLN 1 000 000 000.00	PLN 1 000 000 000.00	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		PLN 500 000 000.00		PLN 500 000 000.00	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.
Consortium of banks: BHW, PKO, Pekao, CaixaBank, Erste, ICBC, Santander, CCB	Loan		PLN 4 000 000 000.00		PLN 2 750 000 000.00	Funds obtained under the Loan may be used for: (i) refinancing of the Existing Syndicated Loan, (ii) financing of TAURON Group's capital expenditures, including in the RES segment, excluding the financing of any coal asset projects, or (iii) financing of TAURON Group's general corporate expenses, including the refinancing of TAURON Group's debt, excluding the expenditures related to the coal assets.
NFOŚiGW (National Protection and Water Management Fund)	Environment and Water Management repayable funding		PLN 82 500 000.00		PLN 0.00	Construction of a photovoltaic farm on the territory of the reclaimed landfill of the combustion waste from the Jaworzno III power plant in Myslowice-Dzieckowice, along with the construction of a 110kV cable line and a 110/20kV station
WFOŚiGW (Regional Protection and Water Management Fund)	Environment and Water Management TW loan		PLN 40 000 000.00		PLN 0.00	Construction of a RES Production Unit at PKE S.A. Jaworzno III Power Plant - Power Plant II
WFOŚiGW (Regional Protection and Water Management Fund)	Environment and Water Management TW loan		PLN 11 318 300.00		PLN 8 260 000.00	Construction of a photovoltaic farm in Jaworzno
WFOŚiGW (Regional Protection and Water Management Fund)	Environment and Water Management KWC loan		PLN 292 955.60		PLN 53 688.60	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. Threats and opportunities related to climate change

GRI 3-3

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 change 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.

#### E 1.2.1.1. Physical Risk

Table no. 54 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. 54. GRI 201-2. 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"> <li>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),</li> <li>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.</li> </ol> <p>The risk materialization also results in:</p> <ol style="list-style-type: none"> <li>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</li> <li>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</li> <li>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</li> </ol> <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"> <li>1. Applying TAURON Group's Climate Policy.</li> <li>2. Planning and implementing projects that are aligned with the sustainable development activities.</li> <li>3. Applying TAURON Group's Strategic Asset Management Plan</li> <li>4. Supporting innovative technologies with the potential of significant energy savings.</li> <li>5. Conducting business operations that affect the climate in accordance with the sustainable development principles.</li> <li>6. Maintaining the required level of the pollution reduction devices' efficiency (performance).</li> <li>7. Frequent assessment of compliance of the activities with the legal requirements regarding climate impact.</li> <li>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.</li> <li>9. Optimization of investment outlays allocated for asset replacement, active monitoring of the condition of the machinery, equipment and installations.</li> <li>10. Raising the professional qualifications and work culture of employees by organizing courses and training sessions.</li> <li>11. Responding to an emergency situation by the technical operational personnel and the automated protection systems.</li> </ol>

			<ul style="list-style-type: none"> <li>12. Property insurance against fortuitous events (excluding the underground assets).</li> <li>13. Introduction of IT tools with respect to improving the monitoring and management of failure rates.</li> <li>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.</li> </ul>
2. Long-term physical risk	<p>The risk is related to:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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,</li> <li>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.</li> </ul> <p>The risk includes risks identified and managed by TAURON Group: volume and margin risk, company assets related risk and market risk.</p>	→	<ul style="list-style-type: none"> <li>1. Ongoing offering updates, launching of the multi-packet type products for sale.</li> <li>2. Conducting marketing activities, acquiring new customers.</li> <li>3. Activities focused on retaining current customers and recovering the lost ones.</li> <li>4. Daily measuring and reporting of the portfolio positions.</li> <li>5. Optimization (streamlining) of investment outlays allocated for asset replacement, active monitoring of the condition of the machinery, equipment and installations.</li> <li>6. Property (asset) insurance against fortuitous events (excluding the underground assets).</li> <li>7. Introduction of IT tools with respect to improving the monitoring and management of failure rates.</li> <li>8. 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.</li> </ul>

### E 1.2.1.2. Climate Risk related to the transition

In line with the definition of risk adopted at TAURON Group of risk (as discussed in Section G.4.3 of this Report), the climate change issues as well as the processes and behaviors related thereto observed in 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 pursuing the concept of the Green Turn of TAURON towards energy transition to the zero-carbon power generation in the long term. The goal of climate neutrality is also conducive to the creation of new dedicated products, and in the medium to long term may allow for generating revenue growth and added value creation across TAURON Group's entire business chain. Taking these factors into account, the description of the transition risks includes both the threats, as well as the opportunities identified by TAURON Capital Group in this regard.

Table no. 55 presents the Climate Risk related to the transition identified at TAURON Capital Group. In accordance with the Risk Model adopted at TAURON Capital Group, 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. 55. GRI 201-2. Risk and opportunities 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 (threats)	<p>Risk related to the tightening of the European Union's climate policy, the tightening of the environmental requirements resulting from the climate change, the growing awareness of the customers with respect to the climate change, the activities supporting energy efficiency (growth of prosumers, support for thermal insulation, construction of 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"> <li>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,</li> <li>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,</li> <li>3. Difficulties or an increase in the cost of raising capital to finance operations based on fossil fuels,</li> <li>4. Loss of reputation due to involvement in fossil fuels,</li> <li>5. The need to transform the assets and, as a consequence, the need to incur additional expenses as a result of the climate change,</li> <li>6. Difficulty or an increase in the insurance costs for the assets based on fossil fuels,</li> <li>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,</li> <li>8. An increase in the price of the CO<sub>2</sub> emission allowances and, as a consequence, a decrease in the margin in the conventional electricity segment,</li> <li>9. A decrease in demand for electricity as a result of energy efficiency and growth of the prosumers segment,</li> <li>10. A decrease of the demand for the products offered thus far by TAURON Group's subsidiaries,</li> <li>11. Limiting or discontinuing the operations based on fossil fuels.</li> </ol>	<p>↗</p> <p>■</p>	<ol style="list-style-type: none"> <li>1. Applying TAURON Group's Climate Policy.</li> <li>2. Defining and updating as well as implementing of TAURON Group's Strategy.</li> <li>3. Update of TAURON Group's Strategic Research Agenda.</li> <li>4. Adaptation of TAURON Group's Investment Strategy to the guidelines stemming from the Climate Policy and the Investment Strategy.</li> <li>5. Ongoing analysis of the draft ordinances (regulations) and acts.</li> <li>6. Active participation in the work of teams providing opinions on projects and proposing optimal solutions.</li> <li>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.</li> <li>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.</li> <li>9. Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's operations on the climate change.</li> <li>10. Promoting eco-mobility or climate-neutral mobility.</li> <li>11. Cooperation with business and social partners with respect to adaptation to climate change.</li> </ol>

	<p>12. The need to restructure employment resulting from a change in the business operations profile,</p> <p>13. Impediments to administrative procedures involving the public by non-government organizations,</p> <p>14. A decline in the company value,</p> <p>15. Inability to meet market expectations due to the lack of the expected products in the portfolio.</p> <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. Risk related to the transition</p> <p>(opportunities in the medium term and in the long term)</p>	<p>1. The demand for electricity is materially affected by the outdoor temperature, the fluctuations of which have a direct impact on TAURON Group's operations, including on the demand for electricity and heat, and as a consequence, on the amount of revenue.</p> <p>2. The intensification of the implemented Green Turn of TAURON Strategy and the transition to the low- and zero-emission economy in the medium term and long term – the expansion of investments and the expectations of the higher return on invested capital.</p> <p>3. Changes in the functioning of the energy market, and as a consequence, in the level and volatility of the prices on the commodity and financial markets.</p> <p>4. Evolution of the energy mix – increase in the share of the renewable energy sources, changes in the demand for electricity among the retail customers, the development of the electric vehicle market.</p> <p>5. The widespread electrification of industries providing opportunities for the development of the energy and energy-related products and services</p> <p>6. Greater investment opportunities with respect to the development of the new electric technologies dedicated to households and residential housing as well as to the electric transportation</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> <p>7. Updating the number and range of the products offered to the customers by the Capital Group's subsidiaries.</p> <p>8. Looking for the opportunities and possibilities (options) through the steadfast development of the Group's strong position in the new businesses and the "smart" services.</p> <p>9. Taking into account the energy transition scenarios, the Group is evaluating the impact of the trends in the share of the renewable energy sources, electrification and the growth of the electric vehicle sales, etc. to estimate their potential impact on its future business operations.</p>

## E 1.2.2. Environmental Risk

GRI 3-3

Table no. 56 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. 56. GRI 201-2. 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"> <li>1. a lack of valid environmental decisions,</li> <li>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,</li> <li>3. occurrence of a crisis situation: e.g. fire, displacement of earth masses, extreme weather events,</li> <li>4. use of waste not in accordance with the authorized intended purpose,</li> <li>5. a lack of adequate safeguards reducing the negative impact of TAURON Group's operations on the environment,</li> <li>6. release of hazardous substances to the environment,</li> <li>7. social protests (unrest).</li> </ol> <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 (nature) 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>→</p> <p>■</p>	<ol style="list-style-type: none"> <li>1. Applying TAURON Group's Environmental Policy.</li> <li>2. Conducting business operations that affect the environment in accordance with the sustainable development principles.</li> <li>3. Conducting and intensifying activities aimed at increasing the utilization of the UPS/UPW waste.</li> <li>4. Striving to maximize the management (utilization) of the post-production waste generated at all of TAURON Group's coal mines.</li> <li>5. Striving for the optimum management of water resources.</li> <li>6. Ongoing supervision over compliance with the conditions of the environmental decisions.</li> <li>7. Maintaining the required level of the pollution reduction devices' efficiency (performance).</li> <li>8. Frequent assessment of compliance of the activities with the legal requirements with respect to the environment protection</li> <li>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.</li> <li>10. Active search for the technical and organizational solutions that would minimize the impact of TAURON Group's operations on climate change</li> </ol>

## E 2. Revenue from sustainable activities

### Information on the eligibility of activities for the so-called Taxonomy (Regulation 2020/852)

By preparing its non-financial report for 2022 TAURON Group is implementing its obligation to make disclosures to what extent the Group's operations can be considered environmentally sustainable. Such a requirement stems from Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088, as well as the regulations issued under the Delegated Acts on the establishment of a framework to facilitate sustainable investments (referred to as the "Taxonomy").

Pursuant to Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by clarifying the content and presentation of the information on environmentally sustainable business activities to be disclosed by companies subject to Article 19a or 29a of Directive 2013/34/EU, and specifying the method for fulfilling this disclosure obligation - pursuant to Art. 10 of the aforementioned Delegated Act (EU), for the period from January 1, 2022 to December 31, 2022, non-financial companies shall only disclose the percentage proportions of systematic Taxonomy – eligible business activities and Taxonomy non-eligible business activities in the total Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx), as well as the necessary qualitative information. In addition, to assess whether the Group's activities, and in what proportion, are environmentally sustainable according to the Taxonomy, a classification of the activities against the Criteria for making a significant contribution to one or more environmental goals and against the Criteria for the "do no significant harm" (DNSH) principle is carried out.

For the preparation of the Taxonomy related disclosures for 2022, in all operating segments (lines of business) of TAURON Group's operations, as well as within the Group's subsidiaries, an analysis of the activities conducted by TAURON Group was carried out, as a result of which the activities that were eligible for the Taxonomy systematics were identified, in line with the description of activities according to the Commission Delegated Regulation (EU) 2021/2139 and shown in Annex I (Climate Change Mitigation) or Annex II (Climate Change Adaptation). TAURON Group has qualified its activities based on the description of activities included in Annex I and II for the Technical Qualification Criteria and, in a subsidiary manner, using the NACE codes included therein.

### **TAURON Group's activities with respect to eligibility for the Taxonomy**

#### **Step 1** – Division of activities carried out by TAURON Group's subsidiaries

The operations of TAURON Group's subsidiaries are organized within operating segments, in line with the consolidated breakdown in the financial reporting. TAURON Group's operations were organized in 2022 based on six operating segments: Mining (discontinued operations), Generation, Renewable Energy Sources, Distribution, Supply and Other (Other Operations).

#### **Step 2** – Identification of economic activities included in Taxonomy

Pursuant to Annexes I and II, supplementary to Commission Delegated Regulation (EU) 2021/21392 of June 4, 2021, those activities carried out by TAURON Group's subsidiaries and entities that were eligible for the Taxonomy in 2022 were selected, and they were:

- 4.1. Electricity generation using photovoltaic technology,
- 4.3. Electricity generation from wind power,
- 4.5. Electricity generation from hydropower,
- 4.9. Transmission and distribution of electricity,
- 4.11. Storage of thermal energy,
- 4.15. District heating/cooling distribution (heating),
- 4.20. Cogeneration of heat/cool and power from bioenergy (biomass),
- 7.3. Installation, maintenance and repair of energy efficiency equipment.

The above classification above also takes into account the additional Delegated Commission Act (EU) 2022/1214 of March 9, 2022, amending Delegated Regulation (EU) 2021/2139 with regard to economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 with regard to public disclosure of specific information with respect to these economic activities. This is a delegated act that includes gas and nuclear energy, among others, in the Taxonomy.

#### **Step 3** – Determination of the indicators for the activities that qualify (are eligible) for the Taxonomy

In the next step, TAURON Group's individual operating segments were assigned to two categories:

- category I (A.1 + A.2) – grouping TAURON Group's activities eligible for the Taxonomy, (A.1 – systematics-eligible, taxonomy-aligned and A.2 – systematics-eligible, taxonomy not-aligned),
- category II (B.) – grouping TAURON Group's activities that are not eligible for the Taxonomy.

In cases where activities carried out as part of the operations of the given operating segment of TAURON Group included both, activities eligible for the Taxonomy (aligned and not-aligned with the systematics of the Environmental Taxonomy - category I), as well activities not eligible for the Taxonomy (not-eligible for the systematics of the Environmental Taxonomy - category II), an additional division inside the given operating segment was introduced, classifying the segment generically as having a partial eligibility for the Taxonomy.

### **Accounting principles**

In order to calculate the proportions of the Turnover ("Revenue"), Capital Expenditures (CapEx) and Operating Expenses (OpEx) eligible for the Environmental Taxonomy systematics (classification), the same accounting principles that apply to the preparation of TAURON Group's consolidated annual financial statements were adopted. The flows occurring between the operating segments, used in the preparation of the financial statements, were taken into account.

The shares of Taxonomy eligible and Taxonomy non-eligible business activities in the total Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx) (OpEx acc. Taxonomy definition) for TAURON Group for 2022 (and for the previous year) is presented in the following tables (Table 57-a, 57-b and 57-c) and in Figure no. 31:

Table no. 57-a. EU environmental taxonomy. Disclosure regarding the percentage proportion of turnover (Revenue) from products or services related to business activities aligned for the taxonomy - disclosure is for 2022

Business activities (Business Activity)	TAXONOMY – Code or codes	Turnover "Revenue" (absolute value) 2022 (1) PLN m	Proportion of turnover "Revenue" 2022 (2) %	Criteria for substantial contribution							Criteria for "Do No Significant Harm" [DNSH] (4)							Minimum safeguards (5) Y/N	Percentage share aligned for the systematics (environmental Taxonomy) - 2022 %	Percentage share aligned for the systematics (environmental Taxonomy) - 2021 %	Category ("enabling activity") (6) E	Category ("transitional activities") (6) T	
				Climate change mitigation (3) %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biological diversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biological diversity and ecosystems Y/N								
<b>A. ENVIRONMENTAL TAXONOMY SYSTEMATICS-ELIGIBLE ACTIVITY</b>																							
<b>A.1. Types of environmentally sustainable activities (aligned with the systematics)</b>																							
Electricity generation using photovoltaic technology	4.1	166	0.4	100	-	-	-	-	-	-	-	-	-	-	Y	Y	Y	Y	0.4	0.6			
Electricity generation from wind power	4.3			100	-	-	-	-	-	-	-	-	-	-	-	Y	Y	Y					Y
Electricity generation from hydropower*	4.5			100	-	-	-	-	-	-	-	-	-	-	-	Y	Y	Y					Y
Transmission and distribution of electricity	4.9	3655	9.8	100	-	-	-	-	-	-	-	-	-	Y	Y	Y	Y	9.8	13.4	E			
Storage of thermal energy	4.11	0	0.0	100	-	-	-	-	-	-	-	-	-	Y	Y	Y	Y	0.0	0.0				
District heating/cooling distribution	4.15	422	1.1	100	-	-	-	-	-	-	-	-	-	Y	Y	Y	Y	1.1	1.5				
Cogeneration of heat/cool and power from bioenergy (biomass)	4.20	303	0.8	100	-	-	-	-	-	-	-	-	-	Y	Y	Y	Y	0.8	0.6				
Installation, maintenance and repair of energy efficiency equipment	7.3 (d)	4.7	0.01	100	-	-	-	-	-	-	-	-	-	Y		Y		0.01	0.01				
<b>Turnover ("Revenue") from environmentally sustainable activities (aligned for the systematics) (A.1.).</b>		<b>4550</b>	<b>12.2</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					<b>12.2</b>	<b>16.1</b>				
<b>A.2. Activities that are systematics-eligible, but are not environmentally sustainable (activities not aligned for the systematics)</b>																							
Transmission and distribution of electricity	4.9	11	0.03																				
<b>Turnover ("Revenue") from activities that are systematics-eligible, but are not environmentally sustainable (activities not aligned for the systematics) (A.2.)</b>		<b>11</b>	<b>0.03</b>																				
<b>Total (A.1. + A.2.)</b>		<b>4561</b>	<b>12.2</b>																				
<b>B. NON-SYSTEMATICS-ELIGIBLE ACTIVITY</b>																							
<b>Turnover ("Revenue") from activities that are non-systematics-eligible (B.)</b>		<b>32 780</b>	<b>87.8</b>																				
<b>Total (A. + B.)</b>		<b>37 341</b>	<b>100.0</b>																				

Table no. 57-b. EU environmental taxonomy. Disclosure regarding the percentage proportion of capital expenditures (CapEx) due to products or services related to business activities aligned for the taxonomy – the disclosure is for 2022.

Business activities (Business Activity)	TAXONOMY – Code or codes	Capital expenditures CapEx (absolute value) 2022 (1) PLN <sub>m</sub>	Proportion of capital expenditures CapEx 2022 (2) %	Criteria for substantial contribution						Criteria for "Do No Significant Harm" [DNSH] (4)						Minimum safeguards (5) Y/N	Percentage share aligned for the systematics (environmental Taxonomy) 2022 %	Percentage share aligned for the systematics (environmental Taxonomy) 2021 %	Category ("enabling activity") (6) E	Category ("transitional activities") (6) T
				Climate change mitigation (3)	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biological diversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biological diversity and ecosystems					
<b>A. ENVIRONMENTAL TAXONOMY SYSTEMATICS-ELIGIBLE ACTIVITY</b>																				
<b>A.1. Types of environmentally sustainable activities (aligned with the systematics)</b>																				
Electricity generation using photovoltaic technology	4.1	459	11.6	100	-	-	-	-	-	-	Y		Y		Y	Y	11.6	3.1	E	
Electricity generation from wind power	4.3			100	-	-	-	-	-	-	Y		Y		Y	Y				
Electricity generation from hydropower*	4.5			100	-	-	-	-	-	-	Y	Y			Y	Y				
Transmission and distribution of electricity	4.9	2 137	53.9	100	-	-	-	-	-	-	Y		Y	Y	Y	Y	53.9	69.7	E	
Storage of thermal energy	4.11	0	0.0	100	-	-	-	-	-	-	Y		Y		Y	Y	0.0	0.0		
District heating/cooling distribution	4.15	12,2	0.3	100	-	-	-	-	-	-	Y	Y		Y	Y	Y	0.3	0.3		
Cogeneration of heat/cool and power from bioenergy (biomass)	4.20	2.1	0.1	100	-	-	-	-	-	-	Y	Y		Y	Y	Y	0.1	0.1		
Installation, maintenance and repair of energy efficiency equipment	7.3 (d)	37	0.9	100	-	-	-	-	-	-	Y			Y		Y	0.9	0.5		
<b>Capital expenditures CapEx due to environmentally sustainable activities (aligned for the systematics) (A.1.).</b>		<b>2647</b>	<b>66.8</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>							<b>66.8</b>	<b>73.7</b>		
<b>A.2. Activities that are systematics-eligible, but are not environmentally sustainable (activities not aligned for the systematics)</b>																				
Transmission and distribution of electricity	4.9	0	0.00																	
<b>Capital expenditures CapEx due to activities that are systematics-eligible, but are not environmentally sustainable (activities not aligned for the systematics) (A.2.)</b>		<b>0</b>	<b>0.00</b>																	
<b>Total (A.1. + A.2.)</b>		<b>2647</b>	<b>66.8</b>																	
<b>B. NON-SYSTEMATICS-ELIGIBLE ACTIVITY</b>																				
<b>Capital expenditures CapEx due to activities that are non-systematics-eligible (B.)</b>		<b>1 315</b>	<b>33.2</b>																	
<b>Total (A. + B.)</b>		<b>3 962</b>	<b>100.0</b>																	

Table no. 57-c. EU environmental taxonomy. Disclosure regarding the percentage proportion of operating expenses (OpEx) due to products or services related to business activities aligned for the taxonomy – the disclosure is for 2022

Business activities (Business Activity)	TAXONOMY - Code or codes	Operating expenses OpEx absolute value 2022 (1) PLN m	Proportion of operating expenses OpEx 2022 (2) %	Criteria for substantial contribution						Criteria for "Do No Significant Harm" [DNSH] (4)						Minimum safeguards (5) Y/N	Percentage share aligned for the systematics (environmental Taxonomy) 2022 %	Percentage share aligned for the systematics (environmental Taxonomy) 2021 %	Category ("enabling activity") (6) E	Category ("transitional activities") (6) T
				Climate change mitigation (3) %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biological diversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biological diversity and ecosystems Y/N					
<b>A. ENVIRONMENTAL TAXONOMY SYSTEMATICS ELIGIBLE ACTIVITY</b>																				
<b>A.1. Types of environmentally sustainable activities (aligned with the systematics)</b>																				
Electricity generation using photovoltaic technology	4.1	17	3.5	100	-	-	-	-	-		Y		Y		Y	Y	3.5			
Electricity generation from wind power	4.3			100	-	-	-	-	-		Y		Y		Y	Y				
Electricity generation from hydropower*	4.5			100	-	-	-	-	-		Y	Y		Y	Y					
Transmission and distribution of electricity	4.9	266	54.7	100	-	-	-	-	-		Y		Y	Y	Y	Y	54.7		E	
Storage of thermal energy	4.11	0.3	0.1	100	-	-	-	-	-		Y		Y		Y	Y	0.1			
District heating/cooling distribution	4.15	4.4	0.9	100	-	-	-	-	-		Y	Y		Y	Y	T	0.9			
Cogeneration of heat/cool and power from bioenergy (biomass)	4.20	1.2	0.2	100	-	-	-	-	-		Y	Y		Y	Y	Y	0.2			
Installation, maintenance and repair of energy efficiency equipment	7.3 (d)	0.5	0.1	100	-	-	-	-	-		Y			Y		Y	0.1			
<b>Operational expenses OpEx due to environmentally sustainable activities (aligned for the systematics) (A.1.).</b>		<b>290</b>	<b>59.5</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>								<b>59.5</b>			
<b>A.2. Activities that are systematics-eligible, but are not environmentally sustainable (activities not aligned for the systematics)</b>																				
Transmission and distribution of electricity	4.9	0.1	0.02																	
<b>Operational expenses OpEx due to activities that are systematics-eligible, but are not environmentally sustainable (activities not aligned for the systematics) (A.2.)</b>		<b>0.1</b>	<b>0.02</b>																	
<b>Total (A.1. + A.2.)</b>		<b>290</b>	<b>59.5</b>																	
<b>B. NON-SYSTEMATICS-ELIGIBLE ACTIVITY</b>																				
<b>Operational expenses OpEx due to activities that are non-systematics-eligible (B.)</b>		<b>197</b>	<b>40.5</b>																	
<b>Total (A. + B.)</b>		<b>487</b>	<b>100</b>																	

Footnotes to the Methodology from Table no. 57 a-c:

*Table no. 57-a. Disclosure regarding the percentage share of turnover (Revenue) from products or services related to business activities aligned for the taxonomy - disclosure is for 2022*

**(1) Turnover "Revenue" (absolute value):** revenue from each individual activity. If an activity is present in both A.1 and A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B. For activities carried out within the same operating segment of TAURON Group, the division of revenues among individual activities in accordance with the Group's consolidated revenue reporting rules.

A.2. this item represents new connections to the distribution grid of a Group company (period of the last five years) for which the GHG emission intensity exceeds the threshold of 100 gCO<sub>2</sub>eq/kWh and were excluded from A.1.

The most significant assumptions made for the disclosure for 2022: 100% of the share of Taxonomy-aligned business was attributed to the operations of the TAURON Distribution and TAURON Ekoenergia (RES) subsidiaries. With regard to cogeneration of heat/cooling energy and electricity from bioenergy (biomass), a corresponding separation of the "Revenue" was made within the Generation operating segment. Similarly, a partial separation of the "Revenue" was made for TAURON Nowe Technologie with respect to the installation, maintenance and repair of energy efficiency equipment, and for TAURON Ciepło with respect to heat distribution (revenue for the contracted capacity). The revenues were not shown for activities involving thermal (heat) energy storage.

Sales between TAURON Group's individual operating segments were not taken into account in determining the total revenue for the Taxonomy.

**(2) Proportions of Turnover "Revenue":** percentage share of Revenue of each individual business activity to the Group's total revenue (A + B).

**(3) Substantial contribution to climate change mitigation:** refers to the share of revenue out of each individual economic activity (indicated in the column Revenue) that contributes to climate change mitigation. This is the only objective of the EU taxonomy regulation alignment analysis shown in the table, as it is considered more relevant compared to the climate change adaptation objective. The criteria for the 4 other environmental objectives are not yet available.

*Table no. 57-b. EU environmental taxonomy. Disclosure regarding the percentage share of capital expenditures (CapEx) due to products or services related to business activities aligned for the taxonomy – the disclosure is for 2022*

**(1) Capital expenditures CapEx:** CapEx for each individual activity. If an activity is present in both A.1 and A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B. The most significant assumptions used for the 2022 disclosure: 100% of CapEx expenditures in operations in the Distribution and RES operating segments were assigned as aligned for the Taxonomy.

A.2. this item represents new connections to the distribution grid of a Group company (period of the last five years) for which the GHG emission intensity exceeds the threshold of 100 gCO<sub>2</sub>eq/kWh and were excluded from A.1.

**(2) Proportion of capital expenditures CapEx:** percentage share of CapEx of each individual business activity out of the Group's total capital expenditures.

**(3) Substantial contribution to climate change mitigation:** refers to the share of "capital expenditures" CAPEX for each individual economic activity (indicated in the column "capital expenditures") that contributes to climate change mitigation. This is the only objective of the EU taxonomy regulation alignment analysis shown in the table, as it is considered more relevant compared to the climate change adaptation objective. Although part of the cost is also related to the contribution to adaptation of the assets to climate change, it has not been identified as substantial.

The criteria for the other 4 environmental objectives are not yet available.

*Table no. 57-c. EU environmental taxonomy. Disclosure regarding the percentage share of operating expenses (OpEx) due to products or services related to business activities aligned for the taxonomy – the disclosure is for 2022*

**(1) Absolute OpEx:** OpEx for each individual activity. If an activity is present in both A.1 and A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B.

A.2. this item represents new connections to the distribution grid of a Group company (period of the last five years) for which the GHG emission intensity exceeds the threshold of 100 gCO<sub>2</sub>eq/kWh and were excluded from A.1

**(2) Proportion of OpEx:** percentage impact of OpEx of each individual business activity out of the total ordinary operating expenses required by the taxonomy at Group level.

**(3) Substantial contribution to climate change mitigation:** refers to the share of ordinary OpEx for each individual economic activity (indicated in the column Absolute OpEx) that contributes to climate change mitigation. This is the only objective of the EU taxonomy regulation alignment analysis shown in the table, as it is considered more relevant compared to the climate change adaptation objective. Although part of the cost is also related to the contribution to adaptation of the assets to climate change, it has not been identified as substantial.

The criteria for the other 4 environmental objectives are not yet available.

OpEx as defined by Commission Delegated Regulation (EU) 2021/2178 as direct, direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

**(4) DNSH:** environmental objectives meeting the DNSH "do no significant harm criteria" are specified for each activity,

**(5) Minimum safeguards:** indicates whether the minimum safeguards, as per the Taxonomy, are respected for each individual activity listed in the table.

**(6) Category:** specifies whether the activity makes a direct contribution to climate mitigation or is an enabling or transitional activity.

*\* activity "Generation of electricity from hydropower" in terms of Technical Eligibility Criteria – a significant contribution to climate change mitigation meets one of the required criteria, with the criterion "the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100 g CO<sub>2</sub> e/kWh." verified and met, if applicable, but without a third-party confirmation.*

Revenue, CapEx and OpEx aligned for Taxonomy were not audited.



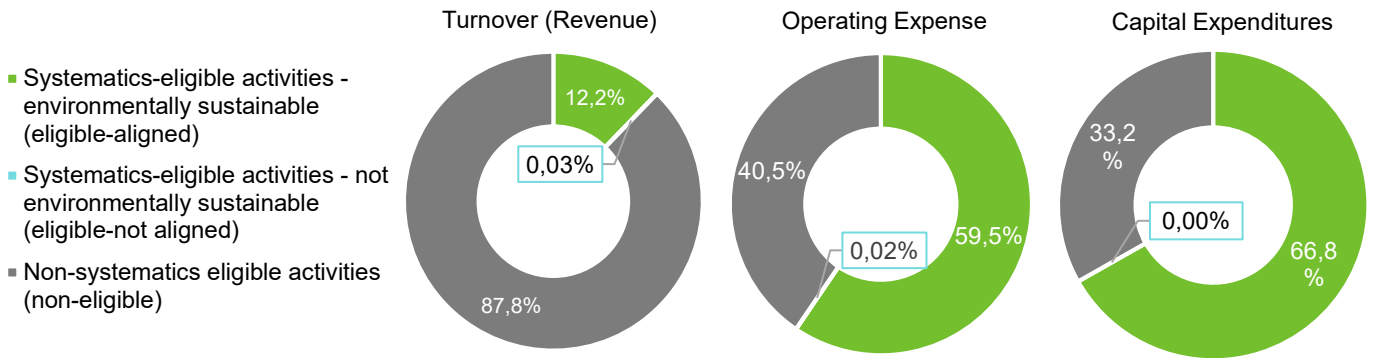






Figure no. 31. Share of TAURON Group's environmentally sustainable (eligible-aligned) and non-sustainable (eligible-not aligned), Taxonomy-systematics-eligible and Taxonomy-systematics non-eligible activities in turnover (revenue), operating expenses (OpEx) and capital expenditures (CapEx) in 2022.

## E 2.1. Climate neutrality 2050

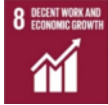
The roadmap (presented in Table no. 58) of TAURON Group's decarbonization and the approach to the ESG management with respect to climate neutrality and the 2060 net-zero target:




- reduction of the installed capacity of the 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 the 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 the supply and distribution of low and zero emission energy.

Table no. 58. "Road map" and intermediate targets (2025) in the pursuit to achieve climate neutrality by TAURON Group by 2050

Activity	2021-2025 Intermediate Target	2022.Results	Status	ESG topics	Sustainable Development Goals (SDG)
Direct GHG emissions unit (specific) reduction Scope 1	<b>-76.5%</b> in 2025 as compared to the base year 2018 (Target 200 kgCO <sub>2</sub> /MWh) (1)	<b>-9.5%</b> as compared to the base year 2018 (2022 result 770 kgCO <sub>2</sub> /MWh) (1)	ACTIVE	E G	
Renewable generation sources' capacity expansion plan	<b>+1.0 GW</b> of new RES capacity (2)	<b>+0.044 GW</b> of new RES capacity (2) <b>+0.3 GW (under construction and at the development stage)</b>	ACTIVE	E G (I)	 
Low-emission and zero-emission generation sources' heat (thermal) capacity expansion / change plan	<b>+0.261 GW</b> of low-emission and zero-emission heat (thermal) capacity (3)	<b>0 GW</b> of new low-emission and zero-emission heat (thermal) capacity (3) <b>+0.216 GW (under construction)</b>	ACTIVE	E G (I)	
Adaptation of the conventional assets to comply with the environmental requirements (BAT conclusions)	<b>Program completed with the amount of PLN 311.2 million*</b> of capital expenditures on environment protection – BAT Program (adaptation of the assets to the requirements of the BAT conclusions and to the capacity market)	.*	COMPLETED	E (I)	



Sustainable development:	<b>11,9%** - share of EBITDA</b> from sustainable operations of the RES operating segment	ACTIVE (2022 achievement)	E G	
EBITDA** from sustainable operations of the RES segment / Group's EBITDA		PLANNED (2025 target definition)		

Sustainable financing - better use	-	PLANNED (2025 target definition)	G	  
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\* BAT Program carried out in 2018 - 2021. Activity completed (no expenditures in 2022).

\*\* Share of EBITDA from sustainable operations in the Group's EBITDA in 2022 is presented in relation to the RES operating segment, which generates more than 80% of the EBITDA from the sustainable operations. The Distribution operating segment is not included in the calculations, although it is in line with the EU Environmental Taxonomy systematics (classification) with respect to the climate targets (climate change mitigation and adaptation).

(1) Direct GHG emissions indicator in kgCO<sub>2</sub>eq/MWh calculated in relation to the electricity production (TAURON Group's subsidiaries included: TAURON Wytwarzanie, TAURON Inwestycje, TAURON Ciepło, TAURON Ekoenergia as well as the company's subsidiaries or the entities managed by the company, TAURON Zielona Energia, TAURON Nowe Technologie). The intermediate 2025 target value corresponds to the graphical data - Figure no. 26 TAURON Capital Group's planned CO<sub>2</sub> emissions level in 2018-2030

(2) New RES capacity 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 2023, aimed at verifying its targets, applying an approach consistent with the criteria and recommendations of the Science Based Targets (SBTi) initiative - following the exit of the TAURON Wydobywanie subsidiary out of TAURON Group's structures (completed at the end of 2022), however without conducting the certification. TAURON Group's actions, announced for 2022, in this regard could not be completed, because after checking the basic criterion involving the amount of revenue generated by the Group from the coal assets related to the Mining operating segment (for 2022 the share was > 5%), and, as a consequence, for TAURON Group no verification of the targets according to the criteria and recommendations of the SBTi initiative was completed.

Thus, appropriate and adequate measures will be implemented starting from 2023, and from that year it will be possible to check and verify the individual targets set within the Group, linked to TAURON Group's pursuit of the long term goal of zero GHG emissions in the value chain by 2050, which is related to the direct emissions (Scope 1). In addition, the indirect emissions (Scope 2 and 3) will be curtailed based on the criteria and recommendations of the SBTi initiative.

The above is a step supplementing the direction of actions, adopted under TAURON Group's Climate Policy, aimed at limiting the global warming and not exceeding the temperature rise of 1.5 °C in the long term, in line with the Paris Agreement and the goals of the United Nations according to the "2030 Agenda for Sustainable Development".

Following the above targets and the planned activities of TAURON Group in pursuit of climate neutrality 2050, an adequate investment (capex) plan had also been announced, which includes the spending of nearly PLN 17 billion for the development of the RES installed capacity in the medium term by 2030, as presented as part of TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050.

## Direction – Energy transition

### The future for electricity generation

In order to achieve the total decarbonization by 2050, TAURON Group, when compiling an update of the strategic directions and the new strategy for the years 2022-2030 with an outlook until 2050, confirmed its intermediate target in the fight against climate change stemming from the implementation of the Green Turn of TAURON initiated in 2019, setting the Scope 1 direct greenhouse gas emissions reduction target at more than 78% by 2030 with an intermediate emissions reduction target set for 2025.

To achieve this goal, TAURON is planning additional capacity in renewable energy sources so as to reach a total of 3.7 GW of the installed capacity of the zero-carbon sources by 2030. At this stage, the most likely scenario for

reducing the share of conventional power generation capacity in TAURON Group's fuel mix is the spin-off and divestment of the coal assets to another entity (NABE program). More information on this topic in section 2.6 TAURON 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 is seeking 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 stations by the end of 2025, but also, with respect to promoting electrification, the strengthening (hardening) of the grid infrastructure.

In addition, taking into account the role of the infrastructure, in particular for the decarbonization purposes, the planned steps include the goal of increasing the flexibility and resilience of the grid infrastructure by investing in the digitization and in raising the quality and efficiency of the services provided, also with the use of the 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 by 2030 the target of more than 5.8 million final consumers with active "smart metering" devices (data to be used as part of the new development platforms) in place.

# **S – SOCIAL** **(Social Responsibility)**

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

GRI 2-7, GRI 404-1, GRI 405-1

The range of the Group's business operations, both in terms of geography as well as competence areas, employing more than 25 700 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. The key factor is the Group's participation in the energy sector's transition process and providing the organization with the competences required to maintain business continuity in the future related thereto.

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. All of TAURON Group's subsidiaries are conducting their operations in compliance with the standards with respect to the compliance with the principles of ethics, respect for diversity and counteracting mobbing and discrimination.

The key data on TAURON Group's human capital in 2020-2022 is presented in Table no. 59.

Table no. 59. GRI 2-7, GRI 405-1. Key data on TAURON Group's human capital in 2020-2022

Key data	2022	2021	2020
Number of employees (in persons as of 31.12)	25 740	25 324	25 572
Share of women among the workforce	22.2%	21.8%	21.5%
Share of men among the workforce	77.8%	78.2%	78.5%
Share of college graduates among the workforce	36.8%	35.9%	34.8%
Share of high school graduates among the workforce	43.5%	43.2%	43.5%
Share of vocational and elementary school graduates among the workforce	19.7%	20.9%	21.7%
Rotation rate	7.09%	7.05%	6.67%

TAURON Group's human capital management strategy is performed through the implemented processes in place presented in Figure no. 32:

## HUMAN CAPITAL MANAGEMENT



Figure no. 32. Processes implemented as part of TAURON Capital Group's Human Capital Management Strategy

Through active management of human capital TAURON Group achieved in 2020-2022 the results presented in Table no. 60.

Table no. 60. GRI 404-1. Results achieved in 2020-2022 as part of TAURON Capital Group's management of human capital

Results achieved	2022	2021	2020
Number of training course hours	398 000	385 000	295 000
Number of the participants of TAURON Group Open University (the number of Tauronet views in 2021/2022)	1 000	2 000	7 000
Number of training courses conducted by Internal Coaches	185	155	84
Number of Internal Coaches	71	104	86
Number of persons trained by Internal Coaches	2 100	1 600	1 100
Number of interns/apprentices	343	265	263
Number of patronage classes	50	52	53
Number students in patronage classes	965	1 200	1 000
Number of participants in the Development Squared initiative	2046	2406	950

## S 1.1. Policies and Principles supporting Human Capital Management

GRI 3-3

### S 1.1.1. TAURON Group's Human Capital Management Policy

GRI 2-7, GRI 2-8, GRI 2-20, GRI 2-24, GRI 2-30, GRI 401-1, GRI 403-6, GRI 404-2

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.

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 Area 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 Area 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 as well as competences and development management. In each area, specific goals are set and activities aimed at achieving them are identified. Their description is presented in Table no. 61.

Table no. 61. GRI 3-3. Strategic areas of activities defined by TAURON Capital Group's Human Capital Management

Area: Organization development	Process
<b>Goal:</b> 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"> <li>openness to communication with employees,</li> <li>obtaining and providing feedback,</li> <li>engaging employees in improving the work environment.</li> </ul>	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"> <li>surveying the opinion of employees,</li> <li>creating tools that allow to ensure easy and efficient communication with employees,</li> <li>cooperating with universities and schools.</li> </ul>	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"> <li>strengthening cooperation among areas and among generations:</li> <li>creating an environment that is friendly to the exchange of knowledge and experience,</li> <li>promoting knowledge sharing</li> </ul>	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"> <li>designing development programs and providing knowledge,</li> <li>monitoring market trends and solutions.</li> </ul>	Development initiatives
<b>Area:</b> Organization efficiency management	<b>Process</b>
<b>Goal:</b> 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"> <li>supporting the implementation of tasks and goals that stem from the Strategy,</li> <li>creating performance related employee compensation systems,</li> <li>building tools that support management by objectives.</li> </ul>	Employment, wages and benefits 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"> <li>conducting educational activities,</li> <li>taking care of an environment free from mobbing and discrimination.</li> </ul>	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
<b>Area:</b> Competences and development management	<b>Process</b>
<b>Goal:</b> Supporting the development of competences	
Development of employee competences for the needs of the changing energy sector: <ul style="list-style-type: none"> <li>developing competences that prepare for change management,</li> <li>focusing on acquiring new qualifications and improving employees' competences.</li> </ul>	Development initiatives Recruitment
Creating a culture based on self-development: <ul style="list-style-type: none"> <li>Supporting employees through various individual development tools.</li> </ul>	Employee Opinion Survey Employee communication <i>Employer Branding</i> 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"> <li>creating opportunities for development for employees and ensuring a motivating atmosphere at work,</li> <li>implementing pro-employee solutions.</li> </ul>	Development initiatives Employee induction
Ensuring knowledge transfer between generations: <ul style="list-style-type: none"> <li>implementing development programs,</li> <li>implementing internal training programs,</li> <li>ensuring the exchange of experiences between generations.</li> </ul>	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. 62-65 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. 62. GRI 2-7. Number of TAURON Capital Group's employees by type of labor contract and gender as of 31.12.2022, per subsidiary

NUMBER OF EMPLOYEES	TAURON Polska Energia	TAURON Wydobywstwo	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	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TOTAL
<b>LABOR CONTRACTS</b>																						
<b>TOTAL NUMBER OF EMPLOYEES UNDER LABOR CONTRACTS, INCLUDING</b>	435	6 297	2 459	200	8 035	135	1 475	323	9	14	2 576	1 423	300	3	193	787	423	46	53	453	101	25 740
women	203	567	441	47	1 265	50	280	171	6	7	1 864	245	47	3	44	232	33	19	17	170	15	5 726
Men	232	5 730	2 018	153	6 770	85	1 195	152	3	7	712	1 178	253	0	149	555	390	27	36	283	86	20 014
<b>INCLUDING:</b>																						
<b>FOR A DEFINITE PERIOD OF TIME</b> (including for a trial period and as a sub):	48	310	62	30	494	15	57	45	0	0	438	75	40	0	99	150	45	14	5	52	8	1 987
women	19	70	29	8	88	7	17	22	0	0	340	11	9	0	21	54	5	6	0	14	1	721
men	29	240	33	22	406	8	40	23	0	0	98	64	31	0	78	96	40	8	5	38	7	1 266
<b>FOR AN INDEFINITE PERIOD OF TIME:</b>	387	5 987	2 397	170	7 541	120	1 418	278	9	14	2 138	1 348	260	3	94	637	378	32	48	401	93	23 753
women	184	497	412	39	1 177	43	263	149	6	7	1 524	234	38	3	23	178	28	13	17	156	14	5 005
men	203	5 490	1 985	131	6 364	77	1 155	129	3	7	614	1 114	222	0	71	459	350	19	31	245	79	18 748

The data provided presents the headcount level in persons (FTEs) as of 31.12.2022, and it was collected with the use of TAURON Group's IT systems. There had been no significant fluctuations in the number of employees during the reporting period (a 1.6% headcount increase as compared to 31/12/2021).

Table no. 63. GRI 2-7. 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 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	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TOTAL
<b>EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT</b>																						
<b>TOTAL NUMBER OF EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT:</b>	25	182	75	12	28	10	22	15	0	0	169	11	19	6	7	852	57	2	8	128	6	1 634
women	8	10	15	3	13	1	3	2	0	0	141	1	8	1	0	175	5	0	2	85	0	473
Men	17	172	60	9	15	9	19	13	0	0	28	10	11	5	7	677	52	2	6	43	6	1 161
<b>PERSONS UNDER MANAGEMENT CONTRACTS (MEMBERS OF THE MANAGEMENT BOARDS):</b>	6	2	5	2	4	4	2	4	0	0	5	4	2	1	2	1	2	2	2	2	2	54
women	0	0	1	0	0	0	0	0	0	0	2	0	0	0	0	1	0	0	0	1	0	5
men	6	2	4	2	4	4	2	4	0	0	3	4	2	1	2	0	2	2	2	1	2	49
<b>MEMBERS OF THE SUPERVISORY BOARD</b>	8	4	4	5	4	5	4	4	0	2	4	3	5	0	5	4	4	0	5	0	3	73
women	1	0	0	2	0	1	0	0	0	0	3	0	2	0	0	2	1	0	4	0	0	16

men	7	4	4	3	4	4	4	4	4	0	2	1	3	3	0	5	2	3	0	1	0	3	57
<b>SELF EMPLOYED PERSONS:</b>	0	0	0	0	2	0	0	5	0	0	0	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	0	0	0	2
men	0	0	0	0	1	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
<b>EMPLOYEES UNDER THE GROUP'S SUPERVISION:</b>	0	0	0	0	0	0	16	0	0	0	163	0	0	0	0	0	0	0	0	0	0	0	179
women	0	0	0	0	0	0	3	0	0	0	138	0	0	0	0	0	0	0	0	0	0	0	141
men	0	0	0	0	0	0	13	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0	38
<b>PERSONS ON POSTGRADUATE INTERNSHIPS:</b>	3	0	1	0	3	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	8
women	2	0	0	0	3	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	6
men	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
<b>PERSONS PROVIDING SERVICES UNDER A CIVIL LAW AGREEMENT</b>	8	175	65	5	16	1	0	2	0	0	0	3	12	5	0	847	51	0	1	126	1	1 318	
women	5	10	14	1	9	0	0	1	0	0	0	0	6	1	0	172	4	0	1	84	0	308	
men	3	165	51	4	7	1	0	1	0	0	0	3	6	4	0	675	47	0	0	42	1	1 010	
<b>EMPLOYEES WHO DO NOT HAVE A GUARANTEED MINIMAL NUMBER OF WORK HOURS</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
women	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
men	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table no. 64. GRI 2-7. Employment of employees at TAURON Capital Group based on a permanent labor contract type by gender as of 31.12.2022, 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	Bloeko Grupa TAURON	Wsparcie Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TOTAL
<b>WORKING UNDER A LABOR CONTRACT, INCLUDING:</b>																						
<b>FULL TIME:</b>	421	6 294	2 441	198	8 014	135	1 473	320	6	12	2 562	1 421	299	3	189	776	422	45	49	429	96	25 605
women	197	564	437	46	1 252	50	279	169	4	5	1 852	245	47	3	44	230	33	19	16	151	14	5 657
men	224	5 730	2 004	152	6 762	85	1 194	151	2	7	710	1 176	252	0	145	546	389	26	33	278	82	19 948
<b>PART TIME:</b>	14	3	18	2	21	0	2	3	3	2	14	2	1	0	4	11	1	1	4	24	5	135
women	6	3	4	1	13	0	1	2	2	2	12	0	0	0	0	2	0	0	1	19	1	69
men	8	0	14	1	8	0	1	1	1	0	2	2	1	0	4	9	1	1	3	5	4	66

Table no. 65. GRI 2-30. Percentage of TAURON Capital Group's employees covered by collective bargaining agreements as of 31.12.2022, per subsidiary

	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 "Czatkowice"	Polska Energia Pienwsza Kompania Handlowa	Bloeko Grupa TAURON	Wsparcie Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	Total
Total number of persons employed	435	6 297	2 459	200	8 035	135	1 475	323	9	14	2 576	1 423	300	3	193	787	423	46	53	453	101	25 740
Total number of employees covered by collective bargaining agreements	0	6 283	2 459	200	8 018	118	1 471	323	9	0	2 576	1 403	299	0	0	787	0	0	42	451	100	24 539
Percentage of employees covered by collective bargaining agreements	0.0%	99.8%	100.0%	100.0%	99.8%	87.4%	99.7%	100.0%	100.0%	0.0%	100.0%	98.6%	99.7%	0.0%	0.0%	100.0%	0.0%	0.0%	79.2%	99.6%	99.0%	95.3%

The overwhelming majority of TAURON Group's subsidiaries apply the Company Collective Bargaining Agreements (CBAs). Depending on the specific solutions adopted at some of the Group's Subsidiaries, the top management staff (N-1 level) is excluded from the Collective Bargaining Agreements, and the terms of employment are regulated in the labor contract. At the subsidiaries where the Collective Bargaining Agreement is not applied, salaries and the terms of employment are regulated by applying the Compensation Regulations and the Labor Regulations, the content of which is consulted with the social partners (workforce).

## 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,
- Talent and Mentoring Programs, in place at TAURON Group's individual subsidiaries,
- TAURON Group's Employee Referral Program,
- Principles of Cooperation with Schools and Universities,
- Regulations of the "Join" Program – TAURON's internship PROgram.

The Human Capital Management Policy also takes into account the Employee compensation issues. TAURON Group has put in place *TAURON Group's Compensation Principles*. TAURON Group implements simple and transparent compensation principles based on the market conditions and aiming to motivate the staff to work efficiently. The compensation system at each of TAURON Group's subsidiaries is defined in the Company's Collective Bargaining Agreement or the Compensation Regulations. The level of compensation reflects the value, type and quality of labor, the level of competence of the Employee and it is determined based on the tariff rates that are related to the value assigned to the individual positions. The social partners (workforce) are involved in the process of assigning values to the individual jobs and introducing changes to the compensation systems as well as determining the level of the wage increases, both at the Group level through TAURON Group's Social Council as well as at the level of the individual Subsidiaries.

TAURON Group is guided in its actions by the principle of equal treatment of employees and does not tolerate discrimination on any basis, in particular, based on age, gender, race, nationality, religion, sexual orientation, appearance, fitness or difference of opinion. Measures are taken and procedures and mechanisms are implemented to protect employees from discrimination and unequal treatment, and to ensure the detection and elimination of cases of prohibited practices. We provide all employees, regardless of gender, with opportunities for promotion, as well as professional development through a wide range of internal training, participation in specialized training, industry conferences, seminars and workshops. With respect to compensation, we are guided by an assessment of the quality of work and competence of the given employee, and the salary range for the given position is determined based on job valuation, which is an objective and reliable method of determining the importance of each position in relation to other positions at the Company. The wage equality index for TAURON Group is tied to the specifics of the energy industry and the structure of employment (78% men overall, 95% men holding executive positions).

Table no. 66 presents TAURON Group's wage equality ratio (according to the WSE's ESG Reporting Guidelines, S-P2), which indicates the ratio of men's wages to women's wages. The resulting value indicates how much more (or less) men earn on average relative to women.

Table no. 66. TAURON Group's wage equality index in 2022

Group of positions	Index* [%]
Managerial positions	-2.81
White collar employees	28.61
Executive positions	47.29
<b>Total</b>	<b>21.51</b>

\*index calculated on the basis of wages paid in relation to average headcount in 2022

## 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.

TAURON Group, responding to global social and economic challenges, is undertaking a number of initiatives. Using digital technologies, the hybrid work model is being effectively implemented. Remote work allows employees greater flexibility in organizing their time, in line with the idea of a work-life balance. In turn, maintaining the traditional form of work at the employer's site, ensures that social contacts and a sense of identity with the company are maintained.

TAURON is also expanding activities aimed at keeping employees physically and mentally fit. Particular emphasis has been placed on health education and preventive measures, such as promoting pro-health attitudes and healthy lifestyle.

It is also of key importance to strengthen managerial staff based on a number of tools (training, specialized articles) that contribute to the formation of attitudes of leaders who are open-minded and keep up with change.

TAURON Group also ensures the absolute application of labor laws in labor relations and the implementation of legal changes in accordance with changing regulations. In addition, TAURON is optimizing HR and payroll processes, first and foremost focusing on greater automation of HR activities and broadly expanded digitalization. Recruitment, onboarding or employee records management processes have been digitized.

The transformation requires continuous improvement of skills in:

- organizing the work of virtual and hybrid teams,
- organizing in-house work,
- employee retention and sustaining employee engagement,
- diagnosing employee talents,
- developing the adequate processes, standards, and skillfully modifying and adapting them to changing social and economic circumstances.

TAURON Group places particular emphasis on constructive and open dialogue with the workforce. 291 meetings of the employers with the trade union organizations were held at TAURON Group's subsidiaries in 2022. In total, the trade union organizations had about 18 200 members among TAURON Group's employees (i.e. 71% of the total number of employees) at the end of 2022.

During regular meetings and consultations the representatives of the workforce are informed about issues related to:

- TAURON Group's economic and financial situation,
- transition of the power sector,
- implementation of the strategic initiatives,
- issues related to the employee matters at the Group.

## 1. Employee opinion survey

An employee opinion survey is held every 2 years. After the last edition of the survey, conducted in 2021, a number of initiatives were launched at the individual subsidiaries in response to the demands submitted by the employees. The initiatives focused on improving the following metrics: satisfaction (overall satisfaction), commitment and communication. The initiatives were implemented both at TAURON Group level as well as at the individual subsidiaries' level.

Examples of the initiatives implemented at TAURON Group include: building and continuing constructive social dialogue aimed at employment stabilization (satisfaction rate), implementing attractive training programs for groups of employees, including the training conducted as part of the energy transition (commitment rate), and keeping employees informed on an ongoing basis of the energy transition processes (communication rate).



An example of an initiative implemented at TAURON Polska Energia is an additional communication survey - Your Voice Has Power (Twój głos ma moc). As a result of the survey, a special box was introduced into which employees could anonymously drop their initiatives for improving the organization's functioning. During the 6 months of the survey, dozens of ideas were submitted. The initiatives are applicable to all areas of the business operations and are related to both the day-to-day operations of the company, as well as such

initiatives as environmental education or employee volunteerism.

## 2. Actions for a just transition

TAURON Group has undertaken a number of activities aimed at preparing the workforce for the energy transition process. The actions have been taken with respect to the potential use of such funding sources as:



- National Just Transition Plan,
- National Recovery Plan,
- Modernization Fund,
- Just Transition Fund.

Submitted project initiatives include, 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 scarce professions/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 an entitlement to the pre-retirement benefits or acquiring up to 5 years of retirement rights - additional severance pay, paid employee absenteeism ("Fixed term leaves").

**Exchange EU** – In 2022, as part of its cooperation with the Małopolska province, TAURON took part in an international workshop dedicated to transition. In April 2022, the Małopolska region was qualified for the EU program - ExchangeEU, whose goal is to develop a platform for the exchange of knowledge and best practices among the coal regions in the EU and facilitate their mutual learning. TAURON was invited to take part in the project carried out by the Małopolska province, in cooperation with Aragon in Spain and Ust in the Czech Republic, as well as the municipalities of: Libiąż, Brzeszcze, Chelmek and the City of Oświęcim, due to its effective cooperation to date. As part of the workshops, TAURON presented its perspective and projects with respect to mobilizing and retraining its employees and creating new green jobs.

#### **World Bank survey "Support for the Polish Mining Regions in Transition"**

A World Bank survey entitled "Support for the Polish Mining Regions in Transition" was conducted among the employees of the TAURON Wydobycie (Mining), TAURON Wytwarzanie (Generation), Wsparcie Grupa TAURON, TAURON Serwis and TAURON Ciepło (Heat) subsidiaries in January 2022. The project is financed by the European Commission (DG ENERGY) and is intended to provide support for the regions in the preparation of the road maps according to which the reforms will be implemented.



Nearly 1 500 employees completed the survey. The respondents were mainly men (73%), and the largest number of questionnaires were filled out by the employees of the TAURON Wydobycie (Mining) subsidiary. In addition, 45% of the respondents were more than 45 years old, and the average length of service stood at 21 years. The results of the survey demonstrated that TAURON Group had a well-qualified workforce, aware of the competencies required for their positions and positively viewing the ability to use their skills in performing their daily duties. Based on the completed diagnosis, the World Bank, together with the European Commission, is helping the regions prepare road maps according to which the reforms are introduced and institutions strengthened. The assistance for the mining regions can take different forms depending on the particular challenges and instruments available in the given regions. The results obtained will allow to properly prioritize the main activities implemented with the support of the Just Transition Fund.

**Industry Skills Center (Branżowe Centrum Umiejętności)** - in 2022, an application was submitted for the "Establishment and Operation of an Industry Skills Center (Branżowe Centrum Umiejętności) in the Field of Electricity at the Vocational Training Center in Wrocław". The application was submitted by the City of Wrocław, as the body that runs the Vocational Training Center, in partnership with the Polish Electricity Transmission and Distribution Association, TAURON Dystrybucja (the primary partner), and the Power Systems Automation Institute (the secondary partner). The main objective of the project is to improve qualifications in the field of metering and diagnostics of electrical equipment and installations and electric shock protection. It is assumed that the Industry Skills Center in the field of electricity will be established by the end of 2024. The goal is to train 300 participants, including 90 pupils, 180 adults (including the employees of the TAURON Dystrybucja subsidiary) and 30 teachers by 30.06.2026.

### 3. Employee development and training

Technological development, a competitive market and growing demands are forcing greater speed and flexibility in the development activities. The development and improvement of the employees are permanently inscribed in the Group's Strategy, and the implementation of the development activities is carried out on the basis of the principles of improving the qualifications of the employees in place at the individual subsidiaries. All of the development activities at TAURON Group are implemented in accordance with the 70-20-10 principle (the 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 the participation in industry conferences, seminars, workshops, specialist training, e-learning training or language courses.



Table no. 67 presents the key data on employee training at TAURON Capital Group in 2020-2022.

Table no. 67. GRI 404-1. Key data on the employee training at TAURON Capital Group as of December 31 in the years 2020-2022

Key data on employee training	TAURON Group		
	2022	2021	2020
1. Average number of training hours per employee by job (position) group, including:			
1) Management Board and Directors	40	40	26
2) Management positions	26	24	14
3) Administrative staff (white collar positions)	10	10	9
4) Blue collar positions	17	17	13
2. Number of training hours per employee by gender, including:			
1) Women	70 058	65 794	49 704
2) Men	327 743	318 002	245 240

Key statistics on the training carried out at TAURON Group in 2022 are presented in Figure no. 33.

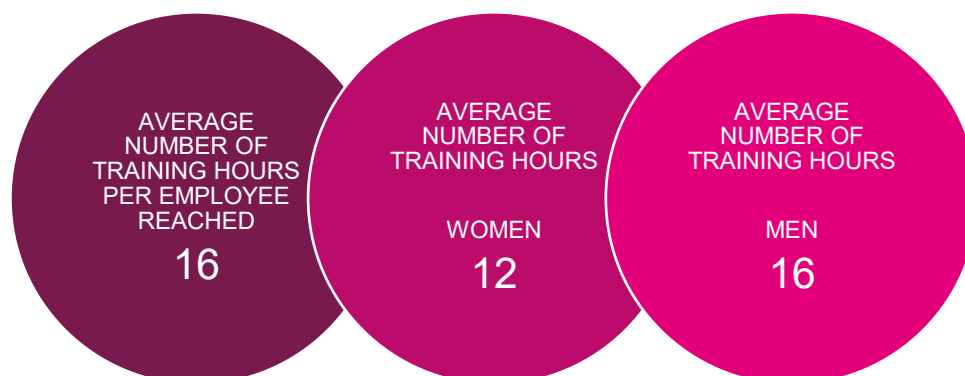




Figure no. 33. GRI 404-1 - The number of training hours per employee at TAURON Capital Group in 2022

### We Inspire Development



In order to provide employees with constant access to development options, an additional "Training and Development" tab was created in the intranet. In addition, a new employee zone was launched in 2022, where inspiring materials and development initiatives are continuously posted. The employees can also take advantage of the created Mediateka, where links to webinars, webcasts, podcasts and articles prepared by the HR staff are provided.

### Development Conversation

Development conversation is one of the tools supporting the process of management by objectives. Its main assumption is to build employee development plans through a dialogue between the superior and the employee. The essence of the development conversation lies in the development of the employee in relation to the goals pursued by him/her, based on the competence model in place at TAURON Group. The result of the development conversation is an employee development plan drawn up for the given year.

Through development talks, the TAURON Group supports:

- development of the employees and building their commitment,
- definition of the needs and expectations of the employee and the superior related to the accomplishment of the goals,
- implementation of the goals,
- mutual provision of the ongoing feedback,
- building of a culture of dialogue.

### TAURON Group Open University (Uniwersytet Otwarty Grupy TAURON - UOGT)

TAURON Group's employees have had the opportunity to participate in lectures conducted as part of the TAURON Group Open University since 2014. The initiative provides a platform for the exchange of views and experiences, as well as an opportunity to gain knowledge and additional competencies. Nearly 40 lectures have been conducted as part of the UOGT, including "Climate Facts and Myths" - a lecture by expert Marcin Popkiewicz, "The Joy of Helping", "Impossible" is just an excuse - a meeting with Jan Mela, "Biking - relaxation, passion, business. About cycling from different perspectives" – a meeting with Czeslaw Lang.

On the occasion of the 30th edition of UOGT, a competition was announced in which employees could submit their proposals for lectures. Inviting employees to co-author the UOGT's program made it possible to learn about their current needs with respect to acquiring expertise and adequately cover the current risks associated with the rapidly changing reality. 2 lectures were conducted by experts in 2022. The first one was the winner of the competition under the topic "Instagram vs. Reality", and the second was "The Joy of Helping" - in response to the situation related to the mass emigration of Ukrainian residents. The lectures were also made available on the intranet and they had been viewed an additional 950 people by the end of 2022.

### Internal Trainers (Coaches) Program/ 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 Group who shares expert knowledge with others, and at the same time develops his/her coaching potential. An employee who participates in the recruitment process for the program, during which he or she demonstrates knowledge in a given topic and the ability or potential to conduct training/workshops can become an internal trainer. TAURON also supports the didactic preparation of internal trainers to conduct trainings. Dedicated trainings for trainers are provided to meet their development needs with respect to knowledge sharing skills. The trainer is personally involved in analyzing the training needs, designs training and supports the process of implementing new competencies in the organization.

71 employees with the status of an internal trainer carried out a total of 185 trainings for more than 2 100 TAURON Group employees in 2022. The Internal Trainers Program is implemented at 5 TAURON Group's Subsidiaries. Besides the trainings conducted inside their own Subsidiary, the internal trainers can also, additionally, conduct trainings for the Group's other subsidiaries. 7 such trainings were held for a total of 67 employees in 2022. Examples of training subjects: "Throwing light on photovoltaics", "Renewable energy. Understanding Green Energy", "Technical Aspects of the Electricity Market from the Point of View of the Electricity Supplier and Consumer" or "Empathic Communication Based on the NVC Model."

### Development Squared

The webinar series Development Squared, initiated at TAURON Polska Energia, is conducted in four thematic areas: development, knowledge sharing, cooperation and health. The participants of the project are all of TAURON Group's employees with access to the Intranet (nearly 18 000 people in 2022).

21 webinars on 17 different topics, conducted by 10 trainers, were organized in 2022. Among the proposed topics delivered in 2022 were: *Humor and laughter as a basis for well-being*, *Situational leadership in practice* – the webinars conducted for both the managers as well as the employees, *Intergenerational communication and cooperation*, *Do you want to be right or have a relationship - a culture of communication*, or *Sharing knowledge in multigenerational teams*. More than 2 046 employees took part in the initiative.

### Training Catalogue

TAURON Group has developed a training base in four modules: expert knowledge, management competencies, personal development and tools. Every month employees can participate in training courses of their choice, developing their skills and knowledge in accordance with their individual development plan. All of the training courses offered in the catalogue as part of the project are organized in accordance with the company's business needs. The training needs are analyzed periodically through surveys and direct communication with the managers.

6 editions of the initiative, as part of which 24 training courses were offered to the employees, were implemented in 2022. In addition, training was organized for TAURON's key functional areas: Trading, Legal, Human Resources, Work Health and Safety (WHS) or Security and Compliance, with nearly 340 people having participated therein.

### E-learning

In addition to the training courses carried out using the traditional method, TAURON Group provides its employees with continuous access to the trainings offered on the e-learning platform, which is particularly important during the pandemic and the restrictions related thereto. The



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 the trainings available on the special e-learning platform. It includes both the training courses on the Group wide regulations, the specialist training courses on the IT systems, as well as the training courses developing leadership and interpersonal competences.

The employees updated their knowledge of issues covered by Tauron Group's Corporate Social Responsibility Code of Conduct and Compliance Management System through e-learning trainings in 2022. In total, nearly 17 400 000 employees received more than 54 000 e-learning trainings in 2022.

### Manager's Zone

Manager's Zone is a space on the Intranet dedicated to the managers at TAURON Polska Energia. The management staff has constant access to specialized articles on broadly understood management topics, tools supporting team management, interesting events organized online (Mediateka) and recommended books. The Manager's Zone newsletter is sent out regularly (once a month), in which we provide information on the news in the Zone and cover the most current topics. Every year we publish more than a dozen articles on the current trends in the area of management, such as how to appreciate employees, how to strengthen the organizational identity of employees, or how to develop dialogue.

### #wzMOCnij się (POWER yourself up)

This is an initiative aimed at providing skills and knowledge to the leaders at TAURON Polska Energia. The topics of the 2022 webinars focused mainly on the mental condition of the employee, where the common denominator of all of the topics was the ability to manage employees during the times of rapid change. During one of the webinars, managers had the opportunity to learn, among other things, based on what to recognize the symptoms of psychosomatic tension in themselves and in an employee, or what communication techniques to use during a crisis conversation and what the structure of a crisis intervention conversation is. In addition, a webinar "Empathic

Leadership", whose goal was to strengthen the managers' awareness of the risks of bullying and discrimination, was conducted. More than 200 people participated in the project.

### emPower Women



This is a Microsoft development program in Poland, dedicated to women. It is attended by organizations that are expanding based on Microsoft technology and want to invest in IT competencies. The program is a great opportunity to empower women and give them a chance to develop. The program's topics focus on Microsoft's business cloud technology. The program is open to women representing selected subsidiaries of the Group.

## 4. Work-life balance and pro-health activities

### Two hours for the Family and the Children's Day



TAURON Group has been a participant in the global social movement "Two Hours for the Family" for 10 years. The organizers are encouraging companies to join this project and shorten the working day from 8 to 6 hours by the deadline. Employees can spend the time thus saved with their loved ones. At TAURON Group this campaign has been organized since 2012, on May 15, which is the International Family Day.



At TAURON Group this campaign is carried out for one week under the slogan Family Mega Power (Rodzinna MegaMoc). Each day there is a different event, usually all

given year - lecture conducted as part of the UOGT. The week's main slogan in 2022 was: "Take care of yourself and your loved ones". The lectures offered to the employees as part of the Family Mega Power - "The Joy of Helping" have so far been viewed by more than 700 people. Nearly 17 000 employees with access to the Intranet were able to actively participate in all events. The continuation of the Family Mega Power was the Children's Day. The children took part in a workshop on "How to build with the Lego blocks" and a competition to build a Lego structure with a green energy theme. Nearly 400 children took part in the workshop, dozens of competition entries were received, of which the award winning work was the one presenting TAURON's hydroelectric power plant in Pilchowice.

### Health week and pro-health webinars

TAURON Group organized several health promoting campaigns in 2022. A series of 5 webinars was conducted in the spring: "Cancer is not a sentence", whose goal was to draw attention to the importance of cancer prevention and adequate oncology prevention. The Health Week was organized in 2022 to promote a healthy lifestyle and preventive examinations among the Group's employees. The Health Week was dedicated to the prevention of back ailments, vision and lung cancer. The Health Week included three lectures in the form of webinars: "How to take care of your back and not get broken?", "Prescription for Eyesight", and "Prevention of Lung Cancer". In total, nearly 500 participants attended the lectures.

## 5. Awards for social capital management

### Top Quality HR

In 2022, TAURON Polska Energia once again took part in the survey organized by the Polish Human Resources Management Association entitled Top Quality HR. As part of the survey, the Association verified and awarded the highest ratings to the following areas of human capital management: incentive and compensation systems, employee development, recruitment and competence management, employee communication and employer branding activities. The Family Mega Power initiative was particularly highly appreciated, implemented under the slogan "Take care of yourself and your loved ones," as part of which, over the past year, employees were offered a number of initiatives to promote a healthy lifestyle and taking care of interpersonal relations (the "Joy of Helping" lecture). The positive result of the survey resulted in the awarding of the 2023 Top Quality HR certificate. The certificate was also awarded to the TAURON Obsługa Klienta (Customer Service) subsidiary.





### Friendly Workplace award for TAURON Polska Energia

TAURON Polska Energia received a special award from the editorial board of the Markapracodawcy.pl portal - the Friendly Workplace emblem and a statuette. TAURON's efforts aimed at creating a friendly organizational culture based on open relations with the employees were appreciated. The robust range of development opportunities prepared with the individual needs and predispositions of employees in mind was noted. Special appreciation was expressed for the promotion of expertise. The onboarding model and support for internal recruitment were also considered outstanding. The company's pro-environmental work environment culture and its employees' involvement in the educational and pro-social activities were also highly rated. TAURON Polska Energia is another company besides the TAURON Obsługa Klienta subsidiary that has been appreciated and honorably mentioned for its activities.

## S 1.1.2. TAURON Group's Diversity Policy

GRI 2-24, GRI 2-30, GRI 401-3, GRI 405-1

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 (integrity) and fairness (justice),
- respecting diversity, in particular in terms of 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 adequate work atmosphere as well as building and strengthening positive relationships among the personnel.
- supporting employee initiatives related to equality practices at the Group's Subsidiaries,
- activities that support work-life balance,
- equal treatment of employees in the hiring process and prohibition of discrimination.

As part of the 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 irrespective of age, gender, appearance, disability, views or beliefs and ensuring equal opportunities in terms of compensation or professional development, there are regulations in place ensuring fairness and objectivity with respect to work organization and compensation, e.g.

1. TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination,
2. Policy of Respect for Human Rights defining the principles of respect for human rights and actions taken to prevent the violation thereof and promote an atmosphere of dignity and mutual,
3. training and competence development programs that encourage and support the creation of an atmosphere for the development of each employee,
4. regulations to ensure fairness and objectivity in the organization of work and compensation, including, among others:
  - TAURON Group's Compensation Principles,
  - TAURON Group's Human Capital Management Policy,
  - regulations with respect to benefits (entitlements),
  - flexible forms of work time and ability to work remotely, as well as 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.
5. TAURON Group's Recruitment Principles,
6. TAURON Group's Competence Model.

### Actions taken and results achieved

By implementing its Diversity Policy TAURON Group is seeking to provide the work environment based on respect and fairness (justice), within which each employee may fully realize his or her individual potential. TAURON is building a culture of respect for diversity and the independence of each employee. This goal is achieved through

the implementation of numerous training programs that foster the development of each employee's competencies, as well as a number of initiatives to strengthen the physical and mental condition of the employees.

**The most important among them include:**

- promoting the passions of TAURON Group's employees as part of displaying respect for human rights, respect for diversity and counteracting discrimination. Since June 2022, a special supplement has been published weekly in the regional newspapers and on the Intranet, describing the activities, passions, experiences as well as a lifestyle and life philosophy of selected Group's employees - the effect of the initiative is an increase of the integration and a sense of identity with the company,
- the "Mom Works" program, which is targets women employed by TAURON Group whose children are under the age of six and pregnant women. Those who join the program have the opportunity to undertake work duties outside of their work place. In addition, for the period of pregnancy, a woman can shorten her working hours by two hours a day, while maintaining her salary. There is also a possibility of taking advantage of an individual work time schedule, depending on the nature of the tasks performed in the given position. Moms who are still on a parental or child rearing leave receive a newsletter containing information on the life of the company, allowing them to stay in touch with the work place. The goal of the program is to increase the work comfort level of the future and current mothers and facilitate their return to active professional work. The program is expected to increase the number of women returning to work after child birth, allowing them to adjust their working hours more flexibly to their needs. It is also intended to ensure that women do not lose touch with the organization during their absence due to a maternity or child rearing leave. The percentage of women returning to work after a parental leave, as well as the retention rate, is presented in Table no. 68.
- Manager Forum at the TAURON Obsługa Klienta (Customer Service) subsidiary. The activity was dedicated to the representatives of the management staff at all levels of management. The goal of the initiative was to expand knowledge, develop skills and strengthen attitudes aimed at appreciating the potential of diversity in a team work. Leaders were invited to participate in the webinars and workshops covering such topics as dealing with difficult emotions in a team, how to build psychological (mental) safety in a team, important aspects of strengthening employee engagement in remote work, building mental toughness, managing people in a VUCA and BANI world. The key message of the initiative was to highlight and appreciate the potential of diversity in a team work - with a special focus on such aspects of diversity as age, knowledge or experience,
- bridging the gaps in access to the profession - more and more traditionally male jobs are being performed by women,
- social dialogue and active cooperation with the trade unions, as well as the *Agreement on the Cooperation as part of the Social Dialogue dated September 13, 2016* in force, concluded with TAURON Capital Group's Social Council. The number of meetings with the trade union organizations at the Group's subsidiaries and the percentage of employees covered by the collective bargaining agreements are presented in Table no. 69,
- meetings with managers, related to the knowledge and age management, were held at TAURON Polska Energia. The meetings were aimed at discussing the issue of competence management with respect to the needs of the changing energy industry and business areas. The effect of these meetings was to provide the managers with a matrix for diagnosing competencies in teams, which will allow them to respond on an ongoing basis to the challenges of the economy and labor market, taking into account such megatrends as silver economy and industry 4.0.

343 persons took advantage of the internship and apprenticeship programs organized at TAURON Group in 2022. As part of the implementation of the Diversity Policy, several foreigners were among the interns. The detailed description of the above activities and projects is provided in section S.1.1.1. TAURON Capital Group's Human Capital Management Policy.

**Risks that may have an adverse impact on the application of the Diversity Policy related to TAURON Group's operations:**

The risk areas related to non-compliance with the principles of the Diversity Policy include:

- occurrence of the cases of mobbing and discrimination, in particular due to age, gender, education, origin, race, in particular with respect to the equality of the rules of compensation and promotion, as well as equal opportunities with respect to access to training,
- increase in the social unrest related to the unequal treatment,
- increasing employee turnover,
- occurrence of a competence gap,
- loss of the external image and trust in the TAURON brand.



Table no. 68. GRI 401-3. Parental leave at TAURON Capital Group in 2022

	TAURON Group's total	Women	Men
Percentage of returns to work	82%	46%	94%
Retention rate following a parental leave	81%	76%	82%

Table no. 69. GRI 2-30 Number of meetings with the trade union organizations functioning at the Group's subsidiaries and percentage of employees covered by the collective bargaining agreements

Results achieved	2022	2021	2020
Number of meetings with the trade union organizations functioning at the Group's subsidiaries	291	315	334
Percentage of employees covered by the collective bargaining agreements	95.3%	95.7%	95.6 %

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. 70 and no. 71.

Table no. 70. GRI 405-1. Composition of TAURON Capital Group's workforce broken down by age and gender as of 31.12.2022

	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	185			2 535			9 641			13 379			25 740		
	0	80	105	35	1 328	1 172	894	5 186	3 561	1 383	6 596	5 400	2 312	13 190	10 238
women	0	28	16	6	289	149	462	2 606	1 506	33	277	354	501	3 200	2 025
men	0	52	89	29	1 039	1 023	432	2 580	2 055	1 350	6 319	5 046	1 811	9 990	8 213
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	0%	43%	57%	1%	53%	46%	9%	54%	37%	10%	49%	41%	9%	51%	40%
women	0%	15%	9%	0%	12%	6%	5%	27%	16%	0%	2%	3%	2%	12%	8%
men	0%	28%	48%	1%	41%	40%	4%	27%	21%	10%	47%	38%	7%	39%	32%

Table no. 71. GRI 405-1. Composition of the Management Boards of TAURON Capital Group's subsidiaries as of December 31, 2022, 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		54	
TOTAL	0	25	29
women	0	2	3
men	0	23	26
Composition of the Management Board in percentages broken down by age and gender [%]			
(percentage share versus entire Management Board) total	0%	46%	54%
(percentage share versus all women in the Management Board) women	0%	40%	60%
(percentage share versus all men in the Management Board) men	0%	47%	53%

### Diversity policy with respect to the Management Board and the Supervisory Board

The Company does not have in place a diversity policy with respect to the Management Board and the Supervisory Board in terms of the minority participation in the given body at a level of not less than 30% (according to the Set of Best Practices for the Companies Listed on the Warsaw Stock Exchange 2021). This is due to the solutions in accordance with the Act of December 16, 2016 on the Principles of State Assets Management according to which the appointment of the members of the Management Board is possible after completing a qualification (recruitment) procedure, the purpose of which is to check and evaluate the qualifications of the candidates and select the best one. In the case of appointing the members of the Supervisory Board, the minister responsible for exercising the rights of the State Treasury shares has the statutory right to appoint a majority of the Members of the Supervisory Board.

The General Meeting, aiming to strive to ensure the diversity with regard to women and men in the composition of the Supervisory Board, has adopted the amendments to the Regulations of the Company's General Meeting by, among other things, adding in § 24, section 5 that reads: "The persons making the decisions with respect to the election of the members of the Supervisory Board should ensure the comprehensiveness of the body by electing as its members persons who ensure diversity, allowing, among other things, for the achievement of the target ratio of the minimal minority participation set at not less than 30%".

### S 1.1.3. TAURON Group's Recruitment Principles

#### GRI 2-24

TAURON Group's Recruitment Principles define the assumptions regarding the selection of employees, understood as all actions taken to fill the vacancy: from the moment of defining the staffing needs until the moment of completing the adaptation of a newly recruited employee. 1 940 employees were hired by TAURON Group in 2022. 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, an e-mail message 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, classified ads (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), classified ads 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, the 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 (options) 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 a single recruitment process,
- reliability (integrity), 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.

TAURON Group's recruitment processes and the implementation and adaptation of new employees were carried out in a hybrid manner in 2022, depending on the business needs of the managers and the candidates involved in the given recruitment process. Each process was carried out with the highest standards in place and with the use of modern technologies.

### **Actions taken and results achieved**

TAURON Group uses the Applicant Tracking System (ATS). This indispensable tool serves to comprehensively support the recruitment process, starting from candidate sourcing, data processing, through the communication with candidates and close cooperation between the manager and the recruiter. In addition, periodic meetings of the recruitment process experts were held in 2022. Trends in the labor market, recruitment challenges and TAURON Group's plans for 2023, improvements in ATS, or programs to support the process were discussed during the meetings.

### **Employee onboarding process**

A culture of knowledge sharing is being built at the TAURON Group, not only as part of the training provided by the employees, but also as part of the employee induction process known as onboarding. Cyclical meetings with new employees conducted by experts in the given areas are aimed at introducing the employee to the most relevant topics, such as TAURON Group's strategy, information protection, compliance or development and training opportunities. In addition to the meetings with the experts, a new employee zone is also available on the intranet, where employees can find all the most important information needed for the efficient induction (onboarding). As part

of the applicable employee induction (onboarding) process, the manager (the direct superior), together with a designated mentor, prepare an employee induction (onboarding) plan (adaptation card) and is responsible for its implementation. The employee onboarding process planned in this way contributes to promoting anti-discrimination and respect for human rights.

In order to adapt to changes taking place in the labor market, a number of initiatives are being undertaken at TAURON Group to strengthen its image as a good and desirable employer.

### Job (Career) Fairs

A permanent element of TAURON Group's promotional activities conducted in the academic environment is the participation in the Job (Career) Fairs, organized by universities and other entities. This form of the *employer branding* activities 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 is guided by.

### Employee Referral Program

The Employee Referral Program was continued by TAURON Group in 2022. 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 stemming from 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 universities (colleges)

Student and graduate internships and apprenticeships are carried out at TAURON on a continuous basis. 8 student internships were carried out as part of the University of Silesia's "One University - Many Opportunities" project and the Silesian University of Technology's "Silesian University of Technology as a Modern European Technical University" project in 2022. Of the 44 students who acquired new practical competencies in the form of internships and apprenticeships, 7 were employed by TAURON Group.

TAURON was included in the Data Base of Good Internship Providers in 2022. The data base was created as part of the project "Practice Makes Perfect. Student job internships in the face of legal, social and economic changes," implemented by the University of Silesia.

### Cooperation with the education sector

The cooperation of TAURON 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 and 18 schools) or local government units are also aimed at promoting TAURON Group and the energy industry among pupils, students and graduates. As part of the cooperation with the educational community the 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 2022.

In addition, TAURON Group is trying to have a real impact on the shape of the education activities and projects in Poland, through active participation in many projects in the field of education, for example "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 the students to participate in subject matter lectures/workshops conducted by TAURON's employees,
- possibility of the 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
- Mentoring for female students - Magenta Meetings is a Mentoring Program to which the TAURON Dystrybucja Subsidiary invites female students of the electrical engineering and power engineering faculties. This year's edition was attended by 11 female students of the AGH University of Science and Technology and the Cracow University of Technology, as well as 5 employees of TAURON Dystrybucja,
- continuation of the activities related to the dual education at the Complex of Energy and Service Schools in Łaziska Górne.

### GrEnFin (Greening Energy Market and Finance) Project

TAURON took part in an international project entitled GrEnFin - Greening Energy Market and Finance in 2022, which was prepared by the University of Bologna. The project that was financed by the European Commission:

- supported the strategic directions of TAURON Group's operations,
- responded to the business needs with respect to the training related to the competencies for the energy industry of tomorrow,
- complemented TAURON Group's ongoing initiatives related to education.

The main goals of the project:

- scientific and academic units becoming familiar with business solutions and challenges for the energy industry with respect to the competence needs for the students and specialists in the field of renewable energy sources,
- preparing the future specialists in the energy sector in the context of the EU2030 climate targets,
- developing a master's degree (graduate) program for the EU university students in the field of green energy and the finance related thereto,
- developing a training program in the field of RES for the professionals working actively in the energy sector.

The main tasks of the Project included conducting three summer schools in June, in 2020-2022. The other works carried out as part of the project were related to the preparation of the reports and the cooperation with the other members of the consortium. The result of the project is the development of a master's degree (graduate) program in the field of green energy that can be implemented at all of the EU universities. The program is already implemented and has been running since October 2022 at two universities: University of Bologna and Ludwig-Maximilians-Universität in Munich. The developed study program provides for the internships with international business partners across Europe. Among other things, it is envisaged that internships at TAURON will be provided for the students pursuing the study program developed as part of the GrEnFin 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 (PhD) studies. The project assumes the use and expansion of knowledge, so that an employee reaching the next level of academic career could transfer the acquired experience and knowledge to the students, and at the same time satisfy the company's identified needs. TAURON has signed agreements with the Silesian University of Technology, the AGH University of Science and Technology, the University of Economics in Cracow, 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 the three-party cooperation of the 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 doctorate theses 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 "Czatkowice", TAURON Ekoenergia and TAURON Sprzedaż.

## S 1.1.4. TAURON Group's Policy of compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination

GRI 2-24, GRI 406-1

TAURON Group's regulations related to counteracting mobbing and discrimination have been in place since 2017 and they are updated on an ongoing basis in order to minimize the risk of an occurrence of actions involving mobbing or discrimination. TAURON Capital Group's Policy of compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination also defines the rules for reporting violations of the Principles of Ethics, Mobbing and Discrimination and the tasks, powers and duties of the Ethics Committee.

There are two sub-committees within the 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.

An employee is given a choice which Subcommittee he/she would like to turn to in order to have his/her notification (report) reviewed.

TAURON Group's employees filed 4 reports of potential ethics violations, discrimination and bullying with the Ethics Committee in 2022. TAURON Group considers bullying, discrimination and any ethics violations to be highly reprehensible phenomena worthy of condemnation, any form of which is not tolerated. All Employee reports have been thoroughly and objectively investigated, and as a result of the Ethics Committee's work, no report has been confirmed.

### **Due diligence procedures and internal regulations**

The main assumptions applied 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 the cases of mobbing and discrimination 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 the 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.

TAURON Group's operations are based on unconditional compliance with labor laws and ensuring a safe work place for all of the employees. Human and family oriented activities are also carried out at TAURON through a series of special campaigns dedicated to strengthening family and general human values. In this way, social capital is built by strengthening the social relations and mutual trust among employees, which guarantee not only the development of the company, but most importantly, of each employee.

TAURON Group strives to create flexible conditions for the development of knowledge and skills and to create a work environment based on cooperation and partnership. Employee opinion surveys are carried out, and their results are the basis for developing and implementing action plans aimed at increasing employee commitment and creating an attractive work place, while taking into account the compliance with the standards for adherence to the principles of ethics, respect for diversity and counteracting mobbing and discrimination.

Among other things, the webinar "Empathic Leadership", aimed at strengthening the managers' awareness of the risks of mobbing and discrimination was held in 2022.



## S 1.1.5. TAURON Group's Respect for Human Rights Policy

GRI 2-23, GRI 2-24

The goal of the Respect for Human Rights Policy is to outline TAURON Capital Group's principles with regard to respect for human rights and actions taken to prevent the human rights violations and promote an atmosphere of dignity and mutual respect.

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 harassment, violence and exploitation,
- prohibition of slavery and forced labor,
- ban on employing children and minors,
- freedom of association and employee engagement (commitment),
- compliance with the employment and compensation conditions,
- work health and safety (WHS),
- 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 with the counterparties (contractors) and business partners, as well as with respect to the 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, the employees should report them via the communications channels defined in the above mentioned regulations.

### Actions taken and results achieved

Anonymous reports of violations submitted by the employees to the Ethics Committee are forwarded to the Compliance Officer in order to conduct a fact finding investigation. As part of periodic reporting, the Compliance Team verifies the number of notifications (reports) received by the Ethics Committee in matters falling within its competence area.

Several dozen trade union organizations that group about 71% of employees are operating within TAURON Group. In order to ensure proper dialogue and exchange of experience, the Social Council of TAURON Capital Group, which represents the trade union organizations, has been established.

A brochure outlining TAURON Group's Respect for Human Rights Policy was published on the website in 2022, available at: <https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance>.

The introduction of TAURON Group's Respect for Human Rights Policy contributes to raising awareness of the respect for human rights and promoting the protection thereof.

Raise awareness of respect for human rights and promote their protection.

### Right of association

The social dialogue and active cooperation with the trade unions and the *Agreement on the Cooperation as part of the Social Dialogue dated September 13, 2016* in force, concluded with TAURON Capital Group's Social Council, whose main assumptions include:

- the will to cooperate on a permanent, reliable basis, i.e. in good faith and with respect for the rights and interests of the Parties, as well as to act with the due professional diligence, within the limits set by the legal regulations,
- protection of labor and trade union rights, arising from the autonomous sources of the labor law and the generally applicable legal regulations,

- continuous consulting and providing feedback on the fundamental social and economic issues occurring at TAURON Group,
- implementing the obligations stemming from the agreements concluded as part of the Social Dialogue,
- ensuring the correct representation of the Employees' interests, including guaranteeing that the implemented organizational transformations should respect the interests of the Employees and the Trade Unions,
- appointing a Commissioner for the Social Dialogue (Ombudsman) to coordinate the cooperation with respect to the Social Dialogue, carry out the tasks related to the Social Dialogue, monitor the implementation of the arrangements and decisions adopted by the Social Council and the Management Board of TPE.

### S 1.1.6. TAURON Group's WHS Policy

*GRI 2-24, GRI 403-1, GRI 403-5, GRI 403-9*

TAURON Group's Work Health and Safety (WHS) Policy is a set of regulations aimed at continued improvement of the work (occupational) health and safety standards. By applying the provisions provided therein TAURON Group steadfastly seeks to eliminate work related accidents as well as to minimize the occurrence of occupational diseases and the number of potentially accident prone incidents.

The safety of employees, customers, contractors, visitors and the other stakeholders is an absolute priority that has a significant impact on the decisions and actions taken by TAURON Group's subsidiaries.

TAURON Group's WHS policy defines the principles of operation, as well as the rules of conduct that serve the implementation of TAURON 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 Group's subsidiaries and any other persons finding themselves at the place where the subsidiaries are conducting their operations,
- ensuring optimal working conditions for all persons employed by and working for TAURON Group
- raising the qualifications of the employees of TAURON Group, aimed at increasing the competences with respect to improving their safety and the safety of other employees as well as persons who find themselves at the place of their work,
- improving an effective work health and safety (WHS) management system.

#### Due diligence procedures and internal regulations

TAURON Group's Work Health and Safety (WHS) Policy is the overarching, binding for all entities present on TAURON Group's sites, document describing the uniform system of occupational health and safety.

Each of the subsidiaries operating as part of TAURON Group has its own regulations with respect to work health and safety (WHS), which are compliant with the requirements and the applicable legal regulations. Depending on the profile and type of work performed within TAURON Group, the regulations applied include, among others, internal orders, work health and safety (WHS) instructions (manuals) as well as equipment operation manuals. At the subsidiaries whose operations profile involves generation 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 the employees are of particular importance. It is expressed in the extensive safety systems, as well as inspections of the working conditions, compliance with the work health and safety (WHS) regulations and rules at the individual work stations.

TAURON Group's most important documents regulating the work health and safety (WHS) issues at work place include the Work (Occupational) Safety System implemented at TAURON Wydobycie, TAURON Ciepło's Work (Occupational) Health and Safety Management Procedures or TAURON Wytwarzanie's Quality, Environment Protection and Work Safety Policy.

In addition, the subsidiaries, depending on the type of tasks they perform, have a number of compiled internal normative acts related to the emergency and accident situations. These include, among others, instructions (manuals) related to explosion protection, facility fire safety, safe operation of equipment and the procedures for proceeding in case of an occurrence of accidents at work. TAURON Group measures and compares the results of its work health and safety (WHS) activities, both internally and externally, and applies the best identified practices.

TAURON Group conducts internal and external health and safety inspections with the participation of the management, employees and their representatives, work health and safety (WHS) services and contractors. Particular emphasis is placed on the inspections carried out at the subsidiaries with a generation profile, where the internal audits are also conducted in order to assess the functioning of the internal safety management system. For example, at the TAURON Wydobycie (Mining) and TAURON Wytwarzanie (Generation) subsidiaries, the internal audits are conducted at least once a year as part of the safety management system. At TAURON Group's other

subsidiaries, the internal audits are mainly carried out by the Work Health and Safety (WHS) service and take place at least once a year, depending on the needs at the respective subsidiary. The results of these audits are included in the reports in the form of an analysis of the condition of the work health and safety (WHS) for the given year that are forwarded to the top management at each subsidiary. These reports are the basis for the development of the plans to improve the work conditions and for the setting of the work health and safety (WHS) goals within a specific time frame.

The monitoring of the safety condition of the contractors is carried out as part of the internal inspections conducted by the work health and safety (WHS) services and/or the supervisors of the external entities. In addition, the condition of the safety of the contractors is monitored in the form of the periodic accident reports that are sent by TAURON Group's subsidiaries to TAURON Polska Energia.

At Tauron Wytwarzanie (Mining) the goals or tasks related to the contractor safety obligate the subsidiary to ensure greater supervision of these entities. In connection with the above 384 inspections were carried out, resulting in the issuing of as many as 500 recommendations on the work health and safety (WHS) issues related to the third party entities performing works on the subsidiary's site.

At Tauron Ciepło, 71 audits were conducted among the external companies in 2022, and 2 195 persons were trained on the work place hazards. Some of TAURON Group's subsidiaries (especially those with a generation and distribution profile), where particularly hazardous works occur, have introduced additional training as well as the work health and safety (WHS) standards for the external entities.

External entities that carry out work at the Group's subsidiaries are obliged to comply with the applicable work health and safety (WHS) procedures and rules, in particular with respect to the required training, qualifications and medical examinations. The work health and safety (WHS) issues related to the third parties are also reflected in the contracts, which include provisions obliging the contractors to comply with the health and safety (WHS) regulations required at the given work place.

### **Actions taken and results achieved**

TAURON Group is additionally seeking to develop its own best practices aimed at strengthening the safety culture among the employees, customers, contractors, visitors and other stakeholders. In order to improve the labor safety of the workforce, the information and educational activities are intensified at TAURON Group's subsidiaries. They include, among others, the following projects conducted in 2022:

- a health and safety quiz for TAURON Group's employees related to the World Day for Safety and Health at Work,
- development of a list of locations of the AED devices at TAURON Group's subsidiaries,
- "Prescription for Eyesight" webinar as part of the Health Week,
- an open Work Health and Safety (WHS) day, as part of which the employees were able to take part in a training course on the first premedical aid,
- a contest of knowledge on the work health and safety (WHS) and fire protection,
- training of the employees of the Company's Rescue and Fire Fighting Unit at the Nowe Jaworzno Grupa TAURON subsidiary with respect to chemical rescue operations,
- periodic working meetings of the Social Labor Inspector with the Work Health and Safety (WHS) Service Officer,
- publishing of the informational posters promoting the work health and safety (WHS) and fire protection culture at Spółka Ciepłowniczo-Energetyczna Jaworzno III,
- information campaigns on the ergonomics at the individual work stations at TAURON Ciepło,
- conducting a quarterly analysis of the accident rates, containing a summary of accidents at TAURON Ciepło over the past 5 years,
- modular training for the employees' managers, intended for the organizational units where the employees perform particularly hazardous work,
- a permanent belay system was installed at TAURON Ekoenergia to provide the protection against falls from height during the cleaning of the grates at the hydroelectric power plants,
- a newsletter related, among others, to such topics as: Accident and then what to do next, Fire safety every day and on special occasions (holidays) at TAURON Obsługa Klienta (Customer Service),
- drills and trainings for the members of Company's Rescue and Fire Fighting Units at TAURON Wytwarzanie (Generation),
- inspections by the representative of the workforce of the work conditions at the Company's Head Office and TAURON Wytwarzanie Branches
- continuation of the activities undertaken as part of the Minute for the Work Health and Safety (WHS) campaign, which is intended to popularize and raise the employee awareness of the work health and safety (WHS) issues,
- a series of the training sessions at TAURON Dystrybucja Pomiary for the employees driving the company cars on the safe and economic driving techniques,

- "We all have an impact on safety" campaign aimed at improving the ergonomics of working with the measurement systems and meters whose installation / operation requires taking a forced position,
- a quarterly work health and safety (WHS) magazine was launched, in which articles related to the current work health and safety (WHS) issues were published,
- posting on the bulletin board of a summary of the latest accident as part of the accident prevention activities at TAURON Dystrybucja Pomiary,
- VR training for the energy related vocational school students conducted by TAURON Dystrybucja,
- continuation of the "4Z" program, dedicated to the employees working with the belt conveyors installed in the underground workings at TAURON Wydobycie (Mining),
- training in the work health and safety (WHS) and fire protection for the employees operating a mobile road building material mixer at BIOEKO Group TAURON,
- expanding the scope of the trainings aimed at improving the professional competence of the employees at TAURON Serwis and sending the employees that use the Info Kiosks a newsletter related to the work health and safety (WHS) issues.

### Accident frequency rates

There were 180 accidents at TAURON Group's subsidiaries in 2022, leading to the total of 180 persons getting injured. This means as many as 26 fewer accidents as compared to 2021. It should be mentioned that no fatal accident was reported.

**The accident frequency rate came in at 6.6 in 2022 and it was lower than the accident frequency rate reported in 2021 (7.8). We can observe a similar positive trend for the accident severity index, which is lower than last year (down from 60.0 in 2021 to 59.0 in 2022).**

The employee accident rate (accident frequency rate), along with the number of persons injured as a result of accidents, broken down by gender (Injury rate - IR) is presented in Table no. 72.

*Table no. 72. GRI 403-9. Employee accident rate (accident frequency rate), along with the number of persons injured as a result of accidents, broken down by gender at TAURON Capital Group in 2022*

<b>TOTAL NUMBER OF ALL ACCIDENTS</b>	<b>180</b>
Women	12
Men	168
<b>NUMBER OF FATAL ACCIDENTS AT WORK</b>	<b>0</b>
Women	0
Men	0
<b>NUMBER OF MINOR ACCIDENTS AT WORK</b>	<b>177</b>
Women	11
Men	166
<b>NUMBER OF MAJOR ACCIDENTS AT WORK</b>	<b>3</b>
Women	1
Men	2
<b>NUMBER OF GROUP ACCIDENTS</b>	<b>0</b>
Women	0
Men	0
	<b>6,6</b>

## ACCIDENT FREQUENCY RATE

Accident frequency rate = (number of accidents at work x 1000) / average employment in 2022

## ACCIDENT SEVERITY RATE

59,0

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)

TAURON Group identifies hazards and estimates occupational risks at the work places and takes the necessary preventive measures aimed at ensuring the best possible health protection for its employees. Due to the steadfast pursuit of a reduction in the number of accidents, the activities promoting safe behavior at the work place are continuously intensified. They include numerous training courses, covering both the employees as well as the external entities performing work for TAURON Group's subsidiaries. The percentage of TAURON Group's persons trained in 2022 is presented in Table no. 73.

Table no. 73. Percentage of the employees employed by the contractors and subcontractors that have undergone the above WHS training

2022	TAURON Serwis	TAURON Ciepło	TAURON Wydobywanie	TAURON Dystrybucja Pomiary	Nowe Jaworzno Grupa TAURON	Spółka Usług Górniczych
Percentage of the employees employed by the contractors and subcontractors that have undergone the above WHS training	100%	75%	100%	62%	100%	100%

## 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. 74 presents the Human Capital Management Risk identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Human Capital Management Risk is classified in the category: Operational Risk/Employees and organizational culture.

Table no. 74. 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"> <li>1. Adoption and implementation of TAURON Group's Recruitment Principles.</li> <li>2. Implementation of TAURON Group's Human Capital Management Policy.</li> <li>3. Implementation of TAURON Group's Policy of Compliance with Ethics Principles and Counteracting Mobbing and Discrimination.</li> <li>4. Care for the development of the employees' competences, including through the participation in the development training courses.</li> <li>5. Conducting consultations with the social organizations operating at TAURON Capital Group.</li> <li>6. Implementation of TAURON Group's Human Capital</li> </ol>

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. 75 presents the Internal Communication Risk identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Internal Communication Risk is classified in the category: Operational Risk/Employees and organizational culture.

Table no. 75. 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 material 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"> <li>1. Developing relationships with TAURON Capital Group's workforce and close cooperation with the Social Dialogue Ombudsman.</li> <li>2. The use and development of the available communication tools in order to provide relevant information to the employees of TAURON Capital Group.</li> <li>3. When providing relevant information - organizing face to face (direct) meetings of the management team with the workforce.</li> <li>4. Regular periodic meetings with the representatives of the subsidiaries, that deal with the internal communication, in order to exchange information.</li> <li>5. Applying the provisions of TAURON Group's Communications Strategy.</li> </ol>

### S 1.2.3. WHS Risk

Table no. 76 presents the WHS risk identified at TAURON Capital Group. In accordance with the Risk Model adopted by TAURON Group, the WHS Risk is classified in the category: Operational Risk/Employees and organizational culture.

Table no. 76. 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"> <li>1. Prioritizing the safety of the employees, customers, contractors and stakeholders in the business operations undertaken.</li> <li>2. Applying the provisions of TAURON Group's Work Health and Safety (WHS) Policy.</li> <li>3. Ensuring optimal work conditions.</li> <li>4. Conducting active monitoring of the working conditions and the correctness of work organization.</li> <li>5. Raising employees' qualifications with respect to improving work safety.</li> </ol>



			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.	→  ■	<ol style="list-style-type: none"> <li>1. Monitoring of the epidemiological threat at TAURON Group.</li> <li>2. Collecting information on threats and identifying potential threats to the safety of the employees of TAURON Group's subsidiaries.</li> <li>3. Opracowywanie i rekomendowanie rozwiązań zmierzających do obniżenia poziomu zagrożenia dla zasobów Grupy TAURON.</li> <li>4. Ongoing monitoring of the risk of the availability of employees and services provided by TAURON Group's subsidiaries.</li> <li>5. Recommending solutions aimed at reducing the effects of the materialization of the threat on TAURON Group's resources.</li> <li>6. Preparing and providing feedback on the content of messages disseminated at the level of TAURON Group and TAURON Polska Energia S.A.</li> <li>7. Use of the screening tests.</li> <li>8. Preparing contingency plans in the event of a loss of the Group's key employees.</li> <li>9. Development of backup business continuity plans.</li> <li>10. Analysis and, if required, introduction of additional credit risk-taking guidelines and extending of the scope of testing (vetting) the financial condition of the customers.</li> <li>11. Analysis and, if required, introduction of a mechanism to monitor and cap (limit) spending.</li> </ol>

## S 2. TAURON Group's social and intellectual capital management

### GRI 3-3

Building and management of 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 the social capital. TAURON Group is conducting a good neighbor policy, as part of which it aims to improve the living conditions of the local communities and cooperates with the local government authorities. The Group is also involved in a number of undertakings for the benefit of the stakeholders (environment), such as charity and education activities, cooperation with academic centers, employee volunteering and providing support for a number of important sports and cultural events.

Broadly targeted pro-social projects, implemented both through the Group's subsidiaries as well as the TAURON foundation, are an important element shaping TAURON Group's social capital. Since the beginning of Russia's invasion of Ukraine, TAURON Group has been helping the Ukrainian society, during this difficult time for them, through, among other things, the cooperation with the foundations and an in-kind assistance aimed at rebuilding the energy infrastructure in Ukraine.

An increasingly important role in managing the social capital is also played by the activities aimed at shaping the adequate organizational and business conditions that are necessary to achieve strategic goals with respect to the relations with the customers and the market environment.

Table no. 77. GRI 3-3. Results achieved as part of TAURON Capital Group's management of the social capital in 2020-2022

Results achieved	2022	2021	2020
Number of meetings with the trade union organizations functioning at the Group's subsidiaries	291	315	334



Percentage of the employees covered by the collective bargaining agreements	95.3%	95.7	95.6 %
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	181	93	144
Number of corporate social responsibility projects implemented	27	22	18

### The potential of intellectual capital covers with its scope workforce capital, internal structural capital and external structural capital.

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 the business partners and the academic community. The last component, the external structural capital, is related to the intangible market factors. This capital includes the company's brand and reputation (good will), the network of associates and the relations with the stakeholders, with a particular emphasis on the relationships with the suppliers and customers. TAURON Group strives to deepen the cooperation with the suppliers of technology and know-how, represented both by the large industrial conglomerates, as well as by the small companies - mainly startups.

Efficient intellectual capital management provides opportunities to increase adaptive flexibility and carry out transformational (transition) activities aligned to the changes taking place in the market environment.

The results achieved as part of TAURON Group's management of intellectual capital in 2020-2022 are presented in Table no. 78.

*Table no. 78. GRI 3-3. Results achieved as part of TAURON Capital Group's management of intellectual capital in 2020-2022*

Results achieved	2022	2021	2020
Number of new research and development projects launched in all of the Group's lines of business	6 (including 1 project conducted in cooperation with start-ups)	3 (including 1 project conducted in cooperation with start-ups)	10 (including 8 projects conducted in cooperation with start-ups)
Number of projects underway in the R&D Area	24	33	52
Total value of projects underway	PLN 85 million	PLN 95 million	PLN 109 million
Co-financing obtained from external sources for the implementation of the R&D projects	PLN 31 million	PLN 40 million	PLN 42 million
Number of rationalization ideas applications filed	3	1	
Number of patent applications filed	0	0	5
Number of patents received	2	2	5

## S 2.1. Policies, Codes, Principles supporting Line of Business (area) management

### S 2.1.1. TAURON Group's PRO Client Social Policy

GRI 2-24, GRI 417-2, GRI 417-3

TAURON Group, in line with the Strategy, wants to respond to the customers' expectations and needs. A key strategic objective, with respect to customer service, is to maintain high standards of service.

In accordance with the assumptions, by 2030:

- more than 90% of customer cases will be resolved during the first contact with the customer,
- full digitization of service will be introduced and paper documents will be abandoned,
- all service channels will be adapted to the needs of people with disabilities.

The Management Board of TAURON Polska Energia S.A. adopted TAURON Group's PRO Client Social Policy to be applied in 2017. The document is aimed at developing adequate organizational and business conditions required to achieve the strategic goals of TAURON Group with respect to the customer and market environment relations.

The policy is a collection of main assumptions applied in the supply and customer service process. The number of TAURON Group's employees is presented in Table no. 79.

Table no. 79. Number of TAURON Group's individual and business customers as of December 31, 2022

Supply group type	Supply Line of Business	Transmission and Distribution
Individual	5 294 322	11 912
Business (including institutions)	403 682	209 452
Total	5 698 004	221 364

#### 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 the 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, first and foremost, 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 carried out in cooperation with the market analysts. The summary of such surveys conducted in 2022 is presented in Table no. 80.

Table no. 80. Surveys carried out by TAURON Group in 2022 as part of the due diligence procedures

Subject of the survey	Time when the survey was conducted
<b>Surveys on products / services:</b>	
Survey on the Heating product	03.2022
Survey on the Microgrids product	08.2022
Survey on the assistance for the SME segment product	07.2022
Survey of the LAS product customers	11.2022

Subject of the survey	Time when the survey was conducted
Survey of the Photovoltaics product customers	10.2022
Photovoltaics product customer satisfaction survey	12.2022
Smart Home Grenton product customer satisfaction survey	12.2022
Survey on the use of the online services	05.2022
<b>Monitoring of consistency and transparency of the marketing communications, including in particular the communications related to the new products and offerings, including:</b>	
Survey on the effectiveness of the "From TAURON, not by chance (Z TAURONA, nie z przypadku)" campaign	07.2022
Mystery shopper research at Customer Service Centers and Partner Outlets (4 waves)	Q1, Q2, Q3, Q4.2022
Survey on the familiarity with the TAURON offering	12.2022
Survey on the awareness of the functioning of the Partner Outlets	11.2022

## Educational activities targeted at the customers

As part of the due diligence procedures also educational activities targeted at the customers and the disadvantaged groups (including customers vulnerable to electricity prices and seniors) were conducted. The summary of such activities and their quantities are presented in Table no. 81 and no. 82.

Table no. 81. The most important educational activities targeted at all of the customers carried out by TAURON Group in 2022

Information campaigns	Activities conducted as part of the campaign
<b>"Replace your heating system, take the subsidy" campaign</b>	
<p>TAURON launched a program to subsidize the replacement of the old heating system with more environmentally friendly equipment in 2022. As part of the program, each customer who have decided to replace their old heating solution with a more ecological one, taking advantage of TAURON's offering, could receive up to PLN 4 200. The amount of the subsidy depends on the year of the construction of the building and the type of solution chosen. The highest subsidies will be granted to TAURON's customers who will choose the heat pumps.</p> <p>An advantage of the "Heat yourself with TAURON (Ogrzej się z TAURONEM)" program is that it did not exclude the possibility of obtaining subsidies for investments from other sources, such as the nationwide "Clean Air (Czyste Powietrze)" program. As part of the program's promotion, a guidebook was compiled in which TAURON experts not only explained the principles of the program, but also presented the advantages of particular solutions, i.e. the heat pumps, gas condensing boilers. In parallel, TAURON ran an information campaign on the Internet, radio, press and billboards in order to make it easier for residents to replace their old furnaces with the new ones.</p>	Wide-ranging on-line campaign
	Promotion of the subsidy program and guide on the LEPIEJ (BETTER) blog.
	1050 ebook downloads, 6500 viewings of the article about the program
	131 200 copies of the guide distributed in printed form
<b>Education and sales campaign on the photovoltaics targeting residential customers</b>	
<p>The year 2022 was a time of big changes for the photovoltaics market in Poland. As of April 1, 2022, a new prosumer billing system took effect: the net-billing. This change raised a lot of concerns about the profitability of photovoltaics investments, primarily among individual customers.</p> <p>That's why TAURON, with those who are considering installing a photovoltaic system in mind, has prepared a guide book "Photovoltaics in light of the new benefits" - a comprehensive source of information on the new billing system, as well as many other issues relevant to those considering installing a photovoltaic system. The guide book also includes information on the possibilities for subsidizing this type of investment, including the principles of the functioning of the "My Current 4.0" or "Clean Air" program. The guide book is a source of knowledge, thanks to which customers can convince themselves that investing in</p>	Wide-ranging on-line campaign
	Press campaign
	Promotion of the publication in trade, national (on-line and press) and local (radio) media
	Promotion in the social media
	Close to 6 thousand downloads of the guide book

Information campaigns	Activities conducted as part of the campaign
<p>renewable energy sources, including photovoltaics, is not only profitable, but also ecological.</p>	
<p><b>Educational walks in the forest with TAURON and Lasz Państwowe (State Forests)</b></p> <p>TAURON, in cooperation with the State Forests, organized the "Forest Workshops" series, which included two events in 2022:</p> <ul style="list-style-type: none"> <li>• an educational walk for children and their parents,</li> <li>• a walk in the forest with dogs.</li> </ul> <p>During the "Educational Walk for Children," a State Forests' forester guided the participants along a scenic nature and forestry path and conducted a lecture on the forest plants and animals. Among other things, the children were listening to stories about how young forest seedlings are planted and protected from damage, what animals live in the Polish forests, how to identify their tracks and how the State Forests' employees take care of them. An art competition as well as games and activities for the children were organized during the tour.</p> <p>The event "With a dog in the forest" was led by a forester, who was giving a lecture on the characteristics of the Polish forests, forest animals and plants, as well as adequate behavior in the forest with dogs. The tour was attended by a variety of dogs - of different breeds, sizes and colors. The role of the forests and their planting was emphasized during both events.</p> <p>The performance of the project was associated with the addition of the Prąd EKO+LAS (ecology + forest electricity) service to TAURON's offering. Thanks to this service, every customer can join the planting of the Polish forests.</p>	<p>Communication in the social media</p> <hr/> <p>Mailings to TAURON's customers, several dozens of the events' participants</p>
<p><b>Informational materials aimed at promoting energy conservation, including the guidebook "On Saving Every Day"</b></p> <p>In view of the market situation and the rising energy prices, the protection against which is provided by the Solidarity Shield solutions, TAURON has launched activities aimed at educating the customers about the importance of saving energy. Reducing electricity consumption is a real benefit for the household budget. A household's demand for electricity can drop by up to a dozen or so percent just by changing its usage habits. In order to make the customers aware of the importance of such changes, a guidebook "On Saving Every Day" has been prepared, as well as a series of advice articles that are periodically published on the blog <a href="http://lepiej.tauron.pl">lepiej.tauron.pl</a>.</p>	<p>Materials published on the blog <a href="http://lepiej.tauron.pl">lepiej.tauron.pl</a></p> <hr/> <p>Promotion in the social media</p> <hr/> <p>Close to 5 thousand viewings of the educational materials on the blog <a href="http://lepiej.tauron.pl">lepiej.tauron.pl</a></p>
<p><b>"Bezpieczniki TAURONA" (TAURON Fuses) series educational programs for customers:</b></p> <ul style="list-style-type: none"> <li>• Turn on for the sake of the child,</li> <li>• Turn on for nature,</li> <li>• Turn on at work.</li> </ul> <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, tree planting distances from the power lines.</p> <p>The campaign is carried out in the media (online, television, radio, press, social media), in the direct communications with the local governments, schools, regional education authorities (boards 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 the power lines and caring for the trees already planted, safety of the works, including the agricultural works, performed near the power lines, first aid in case of an electric shock.</p>	<p>50 000 users of the educational materials on the educational portal for the children</p> <hr/> <p>Promotion on the industry and local portals</p> <hr/> <p>Promotion in the social media</p> <hr/> <p>Close to 3 million internet users watched our educational videos</p> <hr/> <p>Close to 100 000 viewings of the educational video "Can you mow the grass after the rain" and "Don't plant a tree where the electricity is running".</p>
<p><b>A series of online guides for the customers on the topics of most interest thereto</b></p> <p>The guides are related to:</p> <ul style="list-style-type: none"> <li>• operation of the micro-installations - "Why are micro-installations shutting down",</li> <li>• planting trees near the power lines and caring for the trees already planted – with the customer safety, as well as a failure free electricity supply in mind - "What to plant so as not to overdo it",</li> </ul>	<p>Paid online campaign</p> <hr/> <p>The guides have been downloaded more than 115 000 times</p> <hr/> <p>Promotion of the publications on the industry websites</p>

Information campaigns	Activities conducted as part of the campaign
<ul style="list-style-type: none"> <li>rules of safe operation of the electrical devices and safe behavior in the vicinity of the power devices - "Safety conduct near the power devices",</li> <li>changes in the method of calculating the capacity charge for some end users in connection with the amendment to the Act on the Capacity Market - "Change in the method used to calculate the capacity charge"</li> <li>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"</li> <li>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"</li> </ul> <p>The guides are available on the company's website.</p>	

#### Brochure for the micro-installation owners

A brochure for the micro-installation owners has been published on the website [tauron-dystrybcja.pl](http://tauron-dystrybcja.pl). The informational and educational material is dedicated to the users and those planning to erect a power generation installation. It provides advice on how to connect the micro-installation, answers to the most common customer questions related to its use, including the inverter shutdowns. The brochure has been written based on a standard of simple language in accordance with TAURON Speaks TAURON Speaks the Way Humans Do (TAURON Mówi po Ludzku) principles. It also displays a user friendly form (iconography, bolding, bullets).

Number of submitted electronic forms from the customers for 2022 - nearly 187 thousand

#### "Bocian nasz" (Our Stork) program

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 cleaning actions can be performed on the nests. The scope of the works corresponds closely to the life cycle of the birds and the need to ensure the safe operation of the power grid.

The campaign is aimed at ensuring the safety of the customers, a failure free electricity supply and the safety of the storks that build their 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 the customers' attention to the aspects related to the environment protection.

Cooperation with the local governments

Expert support from the Regional Directorates for Environment Protection

More than 2 200 stork nests are located on the power poles

Information campaign in the media, including in the social media

Table no. 82 The most important educational activities targeted at the disadvantaged groups carried out by TAURON Group in 2022

Information campaigns	Activities conducted as part of the campaign
<p><b>Ebook The first contract with TAURON</b></p> <p>The e-book was developed as one of the initiatives implemented as part of the "TAURON Without Barriers" project and provides a guide that leads the user through the process of concluding the first contract with TAURON. Each item in the table of contents is at the same time a link/hyperlink, taking the user to the relevant chapter that applies to the given consumer. In each chapter the consumer finds information on what he or she needs to prepare (documents) and what to do to sign the contract. In case any forms are required, the consumer can immediately download the necessary form, because hyperlinks are embedded in the text. The consumer will also find the current offering at the end.</p> <p>The e-book is designed to be used by the blind and visually impaired people using the text readers, vocalizers and other tools (devices and software) that facilitate reading. It meets the WCAG (<i>Web Content Accessibility Guidelines</i>) standards. The Widzialni Foundation worked on adapting the e-book to the WCAG standard. This is the foundation that promotes the www services accessibility.</p>	<p>Promotion on the industry and local portals, as well as in the local press (Polska Press dailies) and the coverage in TVP Katowice</p> <p>Promotion in the social media, indirectly, through the promotion of the "Without Barriers" program conducted by TPE</p> <p>E-book placed in the e-book library on the blog <a href="http://better.Tauron.pl">better.Tauron.pl</a></p> <p>Unique alias <a href="http://Tauron.pl/przewodnik">Tauron.pl/przewodnik</a> (providing a link to a section on the blog <a href="http://Lepiej">Lepiej</a> (Better))</p>

Information campaigns	Activities conducted as part of the campaign
<p><b>LEPIEJ (BETTER) service. <a href="http://lepiej.tauron.pl">lepiej.tauron.pl</a></b></p> <p>The overarching goal of the service is to seek better solutions that will translate into a higher quality of life for each reader. The content available on the website explains, in an easy and straightforward manner, the benefits of the solutions available as part of TAURON's offering as well as on the market of the energy products. In addition, tips on how to be safe online, how to spend free time, pieces of advice related to family life or self-development are available.</p> <p>The service was prepared in accordance with the principles of digital accessibility. Launched in May 2021, it is continuously supplemented with the valuable content. The solutions aimed at bringing it up to the WCAG standards were implemented on the platform in 2022.</p> <p>In 2022, the blog <a href="http://better.tauron.pl">better.tauron.pl</a> was used in the implementation of the educational campaigns - including, among others, a campaign related to the online safety, to saving electricity or the benefits of replacing the heating system with the more environmentally friendly solution. The platform is a place to promote content on the broadly understood ecology, including, among other things, the promotion of the renewable energy sources, electric vehicles or the modern heating methods.</p>	<p>Promotion of the content in the social media</p> <p>Mentions and redirects to the service in the media materials</p> <p>More than 690 thousand viewings of the Lepiej (Better) service</p> <p>More than 470 000 users</p> <p>More than 7.5 million viewings of the blog articles in the search engines</p>
<p><b>TAURON without barriers program websites <a href="http://tauron.pl/bezbarrier">tauron.pl/bezbarrier</a></b></p> <p>The program's homepage and its subpages have been updated visually, functionally and in terms of the content. The sites are fully responsive and comply with the UX (<i>User Experience</i>) and UI (<i>User Interface</i>) principles, as well as with the WCAG 2.1 standard.</p> <p>The goal of the campaign is to generate interest among the consumers and make them familiar with the solutions TAURON is offering, as well as to build a positive image of the company as a friendly brand that responds to the needs of people with disabilities. Thanks to it, TAURON Group's customers can find out what benefits (facilities) are available to them when using the company's services. The redesign of the websites took place in the fourth quarter of 2022.</p>	<p>Compliance with the WCAG 2.1 standard</p> <p>Meeting the principles of perceivability, functionality, comprehensibility and robustness</p>
<p><b>Educational campaign "Don't get caught by the hook in the online ocean"</b></p> <p>The goal of the campaign "Don't get caught by the hook in the online ocean" was to make Internet users aware of the dangers of the Internet, how to recognize fraud attempts and how to act if they suspect they have fallen victim to cybercriminals. The campaign placed particular emphasis on an increasingly common method used by criminals to impersonate well-known companies or institutions, known as phishing. It was aimed primarily at the 55+ users, who are most vulnerable to cyber attacks. A website <a href="http://tauron.pl/bezpieczenstwo">tauron.pl/bezpieczenstwo</a>, was created for the purpose of running the campaign, as well as a series of educational materials: articles, a guide book and infographics. At the end of the campaign, users were invited to participate in a Knowledge Quiz to test their level of knowledge with respect to recognizing the activities of fraudsters and how to prevent them.</p>	<p>Nearly 200 000 unique viewings of the <a href="http://tauron.pl/safety">tauron.pl/safety</a> website and the blog articles</p> <p>More than 8 200 downloads of the guide book</p> <p>Activities conducted in the offline and online channels: radio, work, Internet</p>
<p><b>Positively about disability</b></p> <p>A communication campaign aimed at breaking the stereotypes of social exclusion and building awareness of this problem, which affects both people with disabilities as well as seniors. The campaign was implemented as part of the TAURON without barriers program, which includes activities aimed at improving the products and services accessibility. Activities were implemented through Facebook and Instagram channels. Press publications were also prepared to describe the activities carried out as part of the TAURON without barriers program.</p>	<p>Campaign in the social media. More than 37 000 recipients of the post</p>
<p><b>Educational videos with facilities for children with disabilities: sign language, audio description and subtitles for the deaf</b></p> <p>As part of the educational program for children "TAURON's Fuses. Turn on for the good of the child" all of the videos were additionally prepared in versions for people with disabilities - there are a total of 22 videos in each category. The videos, in addition to the educational platform for the program's participants, are also available to everyone on TAURONTv channel on YouTube.</p>	<p>Communication with the regional education authorities (regional boards of education)</p> <p>Promotion of the publication in the trade, national media (online and press) and local media (radio)</p> <p>Promotion in the social media</p>

## Customer service through the highest quality sales and service channels

1. Senior citizens, pregnant women, persons with young children and people with disabilities are treated as persons that require special attention and are served on a priority basis in TAURON Group's stationary contact channel.

In 2022, at the Customer Service Centers (Punkt Obsługi Klienta - POK), the people with disabilities and special needs were provided with the following aids:

- vulnerable customers were offered priority service,
- signage related to the people with special needs displayed in the Customer Service Centers (POKs) and in the vicinity thereof was standardized,
- a hearing assistance system (the so-called induction loop) was implemented at the customer service desks in 22 Customer Service Centers (POKs) – the personnel was trained in the use thereof. The loops will be installed in the remaining Customer Service Centers (POKs) by the end of Q1 2023,
- customer service centers were equipped with the magnifying sheets and signature frames,
- service scenarios were adapted, taking into account the guidelines on how to properly serve customers with disabilities, pregnant women, parents with children and senior citizens,
- an audit of the evacuation procedures, taking into account people with disabilities, was carried out, and the evacuation coordinators were trained (including with respect to first aid),
- in-house accessibility coordinators, who are responsible for architectural as well as communication and information accessibility were appointed and trained.

2. In the telephone contact channel:

For the senior citizens and the people with disabilities:

- service was provided in a dedicated queue for senior citizens,
- customer can make choices in the Interactive Voice Response (IVR) system by voice or tone (Dual Tone Multi Frequency - DTMF),
- a comprehensive (multi-skill) sales service system is in place on the sales hotline in order to eliminate internal redirections. If the customer does not select the appropriate item on the keypad then he/she will be connected to the consultant (agent), he/she will not be disconnected.

Additional facilities were also introduced in the telephone contact channel for all customers:

- further IVR system's simplifications were implemented, enabling, among other things, to remind the customer the topic regarding which he made his/her last contact,
- additional functionalities were launched to improve customer service, among others the customer can enter his/her personal details before getting connected with the hotline consultant (agent).

3. In the online channel:

For the senior citizens and the people with disabilities:

- a project was launched to bring the [tauron.pl](https://tauron.pl) and [tauron-dystrybucja.pl](https://tauron-dystrybucja.pl) websites, as well as the My TAURON (Mój TAURON) self-service service and chat as well as the online interactive forms to the WCAG 2.1 standards. AA,
- [tauron.pl/bezbarrier](https://tauron.pl/bezbarrier) subpage, which presents all of the aids introduced for people with hearing, visual and movement disabilities as well as for the senior citizens, was updated,
- a mailing standard in a form that is accessible to screen readers, where content is designed using text rather than graphics, was implemented,
- system of assistance with concluding a contract via chat was implemented,
- digital availability of electronic invoices was verified,
- service for the customers with eLicznik remote readout meters was modified in order to make it more clear (legible) for the visually impaired persons.

For all of the customers in the online channel:

- a failure search engine was implemented in order to more precisely locate the customer on [tauron-dystrybucja.pl](https://tauron-dystrybucja.pl),
- response time via the e-mail channel for selected cases was shortened,
- tools were implemented in the My TAURON (Mój TAURON) service in order to give the customer access to an overview of the archived invoices and historical payments, forms were implemented that allow,



among other things, for updating of the data, spreading payments into installments, postponing of the payment deadline, changing the contracted capacity (power) or changing the forecast charges. A view for prosumers was also created,

- additional access paths for ordering a duplicate contract were implemented, and the form for changing the connection capacity (power) was simplified,
- information related to the Anti-inflation and Solidarity Shield was published.

## Actions taken and results achieved

### Customer Experience Management at TAURON Group - Customer Satisfaction Index

Customer experience is understood by TAURON Group as the sum of interactions with the customer, not only during customer service, but also at all other points of contact (interaction) with the company. Experience research has been carried out since 2019 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 when filing a complaint. The survey is conducted every month through online surveys and in-depth research in the form of interviews conducted quarterly via a hotline.

TAURON Group surveys customers who have been through the process and collects information on their level of loyalty (*Net Promoter Score - NPS*) and examines how much effort the customer has put into the handling of their case (*Customer Effort Score - CES*).

The below Table no. 83 presents the results of the loyalty (NPS) survey among TAURON Group's household customers in 2020 - 2022. As part of the survey the customers are asked what improvements and changes TAURON Group should introduce to meet their expectations. The area of complaints was covered later in the survey, which is why the data is presented for the period 08.2020 - 12.2022.

Table no. 83. Results of the loyalty (NPS) survey among TAURON Group's household customers in 2020-2022

NPS – results with respect to grid connections				
	Channel/year	2022	2021	2020
Survey	POK	64	63	55
	Hotline	26	4	0
	On-line (mail)	-4	-14	2
NPS – results with respect to contracts				
	Channel/year	2022	2021	2020
Survey	POK	71	66	63
	Hotline	37	30	20
	On-line (mail)	27	3	-5
NPS – results with respect to billing and payments				
	Channel/year	2022	2021	2020
Survey	POK	67	47	42
	Hotline	48	38	31
	On-line (mail)	29	-3	7
NPS – results with respect to complaints				
	Channel/year	2022	2021	2020
Survey	POK	10	-17	-17
	Hotline	-18	-27	-38

	On-line (mail)	-33	-50	-40
<b>NPS – results with respect to debt collection</b>				
	Channel/year	<b>2022</b>	<b>2021</b>	<b>2020</b>
Survey	Hotline	26	21	37
	On-line (mail)	-10	6	0

The below Table no. 84 presents the results of the customer effort (CES) survey among TAURON Group's household customers in 2020-2022. The area of complaints was covered later in the survey, which is why the data is presented for the period 08.2020-12.2022.

*Table no. 84. Results of the customer effort (CES) survey among TAURON Group's household customers in 2020-2022*

<b>CES – results with respect to grid connections</b>				
	Channel/year	<b>2022</b>	<b>2021</b>	<b>2020</b>
Survey	POK	45	47	41
	Hotline	7	-11	-24
	On-line (mail)	-20	-37	-30

<b>CES – results with respect to contracts</b>				
	Channel/year	<b>2022</b>	<b>2021</b>	<b>2020</b>
Survey	POK	55	50	47
	Hotline	21	15	4
	On-line (mail)	9	-16	-32

<b>CES – results with respect to billing</b>				
	Channel/year	<b>2022</b>	<b>2021</b>	<b>2020</b>
Survey	POK	51	37	35
	Hotline	34	28	15
	On-line (mail)	13	-15	-14

<b>CES – results with respect to complaints</b>				
	Channel/year	<b>2022</b>	<b>2021</b>	<b>2020</b>
Survey	POK	0	-26	-11
	Hotline	-30	-35	-39
	On-line (mail)	-46	-59	-49

<b>CES – results with respect to debt collection</b>				
	Channel/year	<b>2022</b>	<b>2021</b>	<b>2020</b>
Survey	Hotline	11	4	-14
	On-line (mail)	18	-33	-7

## TAURON without barriers

TAURON without barriers is a comprehensive program aimed at removing the communication, architectural and digital barriers as well as improving accessibility for both the employees as well as the customers. It is a joint initiative of TAURON Group's subsidiaries, as part of which solutions dedicated to people with disabilities, senior citizens, the sick or the socially or digitally excluded are being implemented. The tasks covered by the program include not only the elimination of barriers, but also the streamlining of the customer service processes so as to make it friendly and accessible to everyone.

The information on the implemented facilities (aids), targeted at both the people with disabilities as well as the senior citizens, is provided on the [tauron.pl/bezbarrier](http://tauron.pl/bezbarrier) website. A spot showcasing selected facilities (aids) was prepared. The communication activities aimed at building awareness of the topic of accessibility, among both the customers as well as the employees, were also conducted in 2022. Among others, the "Positively about Disability" campaign or accessibility knowledge quizzes were held in 2022.

One of the latest solutions include customer service desks equipped with the induction loops. Ultimately, these solutions for the deaf and hard of hearing are to be introduced at all the locations. The activities undertaken also include the training of the consultants serving customers at the customer service centers and via the hotlines (at the call centers) or the compiling of the "First agreement (contract) with TAURON" guidebook, which is adapted to enable its use by the blind people, in accordance with the WCAG standards. The customers can also watch videos with the Polish sign language translation to help them use the My TAURON (Mój TAURON) service.

Among the activities carried out as part of the TAURON without barriers program, a webinar entitled "Athletes without barriers! How to succeed despite barriers". The goal of the activity was to build awareness of the inclusion of people with intellectual disabilities in everyday life and sports activities. The initiative provided an opportunity to meet with the Special Olympics athletes: Rafał Mróz and Małgorzata Basicka, as well as with coach Dariusz Stachura and the director of Special Olympics Poland, Ms. Joanna Styczeń-Lasocka.

## TAURON speaks the way humans do

The initiative that involves simplifying the formal and legal documents, messages and letters addressed to the customers. To date, it has been possible to:

- simplify nearly 700 documents and 1 000 messages,
- train 15 trainers and 60 plain language consultants,
- appoint coordinators of the initiative at the subsidiaries who look after the development of TAURON Speaks the Way Humans Do (TAURON mówi po ludzku - TMPL) project,
- launch a sub-page at [tauron.pl/tmp1](http://tauron.pl/tmp1), showing the effects of the activities to date,
- introduce Stylobuk, i.e. a set of rules for the use of the simple language that apply at TAURON,
- introduce the prerequisite to agree all of the new documents, messages, marketing materials, before sending them out to customers or publishing them, with the plain language consultants.

The above activities are conducive to the development of the processes of providing reliable and comprehensible information on the products and services offered.

As a result, in 2022, similar as in the previous years (2019-2021), no cases of the non-compliance of the products and services with respect to the information and labeling thereof, as well as no cases of the non-compliance relate to the marketing communications were reported in entire TAURON 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. 85 and no. 86.

*Table no. 85. GRI 417-2. Cases of the non-compliance of TAURON Group's products and services with respect to the information and labeling thereof in 2022*

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

<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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Table no. 86. GRI 417-3. Cases of the non-compliance of TAURON Group's related to the marketing communications in 2022

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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Anti-Inflation Shield

The Government Anti-Inflation Shield, regulated by the Act of January 13, 2022, on the Amendments to the Act and Value Added Tax (Journal of Laws, item 196), applied to all of the customers who were parties to the comprehensive (covering distribution and supply) and standalone supply contracts for electricity and gas. It introduced a number of changes with respect to the VAT and excise taxes in 2022. In addition, the Anti-Inflation Shield imposed on the Supplier the requirement to implement a support program for the vulnerable customers and those covered by the long term home care – aimed at providing the support for the requests and inquiries regarding the deferral of payment, spreading of the payments into installments and the non-stopping of electricity supply within the time limits indicated by the act. Customers were sent:

- more than 4 million letters independent of the invoices,
- more than 10 million invoice inserts,
- more than 3.5 million e-mail messages.

### RES amendment. New billing model for the Prosumers

There were legal changes in 2022, regarding a new billing model for the prosumers with changes introduced to the billing algorithms and the way the metering data is reported for the prosumers. These changes became effective as of April 1, 2022.

Implementing the provisions of the act, TAURON Group introduced the following changes in the services for the prosumers:

- changes were made to the content of contracts,
- a prosumer deposit was launched,
- assumptions for the system changes were prepared,
- the invoice template was adjusted (departure from the meter readings),
- cross-zone commercial balancing was launched.

### Government Solidarity Shield

The Government Solidarity Shield was introduced in 2022. A consequence of the new regulations coming into force was the requirement for the customers to submit an adequate statement in order to take advantage of the profits stemming from the provisions of the acts. In connection with this, TAURON Group introduced new solutions in the IT systems and the necessary changes with respect to the customer service.

TAURON Group kept the customers informed about the statutory solutions on an ongoing basis. The press releases were prepared for the media providing wide coverage. 1.35 million post impressions were achieved on the Facebook, Twitter and LinkedIn channels.

In addition, TAURON Group:

- conducted a special outreach information campaign addressed to the customers, on the price lists that offer price guarantees – the customers were encouraged to change their price list so that they could benefit from the Solidarity Shield solutions in 2023. The customers received letters with the information on the contact channels that they could use to change their contracts free of charge,

- prepared an e-book guide book for the individual and the institutional customers: "On How to Save Every Day."
- used the [lepiej.tauron.pl](http://lepiej.tauron.pl) blog to provide support for the service with respect to implementing the Solidarity Shield.

Customer contacts when the peak statement submissions level was reached, i.e. on 28/11/2022, went up by 400% at the POKs and by 500% via the Hotline.

Under the Act related to the freezing of the prices until the end of 2022, TAURON Group received 151 000 statements to be processed. Almost 17 000 statements were received via ePUAP. On the other hand, 153 000 statements were received under the Act related to the maximum price level (cap).

### **S 2.1.2. Intellectual Property Protection Management System.**

*GRI 2-24*

In connection with its functioning as part of a constantly developing economy based on knowledge and new technologies, TAURON Group, as a conscious owner of the innovative solutions and creative intangible assets, is shaping its corporate policy with respect for intellectual property rights in mind.

TAURON Group is protecting and managing the intellectual property developed within the Research and Innovation Area in a systemic way, in particular through adequate regulations aimed at various groups of its recipients, i.e.:

- TAURON Group's Intellectual Property Policy - a non-group regulation targeted at our external counterparties,
- TAURON Group's Intellectual Property Management Principles - an intra-corporate regulation governing intellectual property issues at the Capital Group level.

TAURON Group's Intellectual Property Policy defines the uniform principles and standards of conduct with respect to the management of intellectual property at TAURON Group, and it constitutes a set of good practices which we expect our counterparties (contractors) and collaborators to follow. The provisions of TAURON Group's Intellectual Property Policy assume the compliance with the legal regulations governing the intellectual property issues, as well as indicate the directions and actions that the Group's subsidiaries should take in this regard, as part of their activities.

TAURON Group's Intellectual Property Management Principles, in turn, is a document introduced at the Capital Group level that contains provisions, common to all of the processes and instructions of conduct (operating procedures) related thereto, dealing with the subject of protection and management of intellectual property at TAURON Group (for example the definitions and directional guidelines). It is the overarching documentation for two specific processes:

- process of filing for inventions, utility models or industrial designs,
- employee rationalization process.

Issues related to obtaining protection for the inventions, as well as other technical objects of industrial property, are regulated by TAURON through an adequate process entitled "Filing for Inventions, Utility Models or Industrial Designs" and a manual (instruction, procedure) related thereto. These documents indicate a specific scheme of procedures and define templates of agreements necessary for the proper acquisition of the rights and protection of the industrial property objects.

On the other hand, the process entitled "Rationalization" and the instruction (manual, procedure) on dealing with the rationalization ideas at TAURON Group related thereto, regulate the rules related to the acquisition and remuneration for the innovations originating from the employees (internal innovations). In accordance with the above mentioned Group's regulations, the rationalization ideas are any ideas for an improvement of a technical and technological nature that come from our Employees.

TAURON is managing the Group's intellectual property in a conscious and responsible manner. TAURON's goal is to provide the protection of the intellectual property rights (IPR) that is carried out, in particular, through the proper acquisition of the intellectual property rights, as well as their licensing, the protection of the corporate (trade) secrets and combating the unfair competition.

## Actions taken and results achieved

The protection of intellectual property is an important element of TAURON Group's research, development and innovation (R&D&I) activities. The activity, the importance of which is highlighted in TAURON Group's Strategy, is reflected in the Strategic Research Agenda (SAB), adopted in 2018 and updated in 2022. Within TAURON Group, as part of the Research and Innovation Area, the portfolio management of the R&D projects is applied, ensuring a comprehensive approach to the implementation of the tasks that fulfill the innovative solutions indicated in the Strategy in support of TAURON Group's transition towards climate neutrality.

SAB is a document that precisely describes the directions for the development of the innovations and provides a more detailed elaboration of the Strategy. The document is composed of four research portfolios:

- Customer and his/her needs,
- Intelligent distribution,
- Green energy,
- Sustainable heat.

Each portfolio sets the directions for the research and development projects. As part of the directions, the subject areas are defined for the selected detailed research areas that are important from the point of view of the Group's development. Such a structure of the SAB supports the selection of the specific projects and the rejection of others, as well as allows for the optimal allocation of the financial resources. Thus, the R&D and innovation activities at TAURON Capital Group are implemented and developed based on the complete and detailed assumptions of a strategic nature - with the clearly defined goals and ambitions.

## Due diligence procedures and internal regulations

The implementation of SAB takes place on several levels, forming the so-called innovation ecosystem, including in the pro-climate context. The procedures and good practices applied, reinforcing the synergies of the various elements of the ecosystem, are deployed in accordance with the technical qualification criteria indicated in the EU regulations. In this way, TAURON Group's contribution to climate change mitigation is made in harmony with the Group's development, while ensuring respect for the "do no significant harm" principle.

In addition to the traditionally understood research and development activities (research and development projects, cooperation with the scientific units and innovative business partners), the Group is expanding the cooperation with the start-ups. TAURON is conducting a proprietary accelerator program called TAURON Progres that enables innovative companies (startups) to pilot the new solutions in the real world conditions. The best ideas submitted are tested on TAURON's infrastructure, as well as offered support from the subject matter experts and analysts. The cooperation with the startups is also an opportunity to further develop the project portfolio of the Corporate Venture Capital (CVC) type fund - EEC Magenta.

The research and investment projects aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group are illustrated in Table no. 87.

Table no. 87. Research and investment projects in 2022 aimed at ensuring the reliability of the electricity supply and promoting the 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	Ultra fast forecasting of the generation and regulation capacities of the photovoltaic sources	The goal of the project is to carry out industrial research and development works aimed at developing a unique system for ultra fast forecasting of the electricity production from the photovoltaic installations, allowing the forecasting of electricity production over a time frame of less than one hour, using a combination of monitoring of the current weather conditions by the measuring devices and the high quality HD cameras and the numerical weather forecasts.	295 864
<b>TOTAL COSTS IN THE CATEGORY</b>			<b>295 864</b>
Electricity distribution	Distributed energy 2.0 operating model - self-balancing power grid are	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 has been built and is being 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 are being developed enabling the interoperation of microgrids with the electricity distribution grid. The result of the Project's implementation will be both 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 on the foreign market.	3 152 005
	Flexible Distribution - a prototype of a simulation tool	As part of the project, a compendium of knowledge on the 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 the 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 the flexibility services, based on the analytical and forecasting methods developed as part of the project.	419 900
<b>TOTAL COSTS IN THE CATEGORY</b>			<b>3 571 905</b>
Transmission and distribution technologies	Integrated cable grid diagnostics system	As part of the project a prototype of an IT tool to support the management of the MV cable lines is being developed, based on the technical and statistical data, as well as the results of the measurements and diagnostic tests carried out at the Tauron Dystrybucja subsidiary. The developed algorithms should determine the degree of risk and probability of a failure, as well as enable other analyses to facilitate the pre-emptive actions while maintaining an optimal technical and economic balance.	216 312



<b>TOTAL COSTS IN THE CATEGORY</b>		<b>216 312</b>	
Advanced technologies (storage, recovery, etc.)	Flexibility of the existing power generating units with limited capital expenditures	The project focuses on developing an improved flexibility control and monitoring system that impacts the flexible use of the coal fired generating units. The technology developed will allow the power plants to be operated efficiently, taking into account the new requirements for the power ramp up/ramp down. The use of the system will shorten the power ramp up/ramp down time and will reduce the operating costs related to the numerous unit failures (thanks to the reduction of the current technical minimum).	7 542
	Development of the industrial design of the 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 the CO <sub>2</sub> capture from the flue gases, which does not require the supply of the 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.	1 328 830
	Energy storage systems for the DSO needs	The goal of the project is to build a stationary energy storage system based on the electrochemical cells. The installation of the energy storage facility takes place at the point of connection to the distribution grid of the renewable energy sources, which will enable the use of this unit to increase the possibility of connecting such sources to the grid and mitigate the impact of the rapid changes in the generated power on the power quality parameters.	2 039 797
	Developing and testing an adaptive energy storage system based on the second life of the batteries coming from the electric vehicles (Second Life ESS)	The goal of the project is to reuse the lithium-ion batteries used by the electric vehicles before. As part of the project, the laboratory tests of the battery packs were carried out in 2022 to assess their condition and suitability for the stationary energy storage facility. In view of the satisfactory results of the tests, the construction of a prototype energy storage facility was commenced. It is expected that in 2023 the prototype storage facility will be tested under real-life conditions.	629 822
	Development of a decision making support tool for the selection of the electric bus charging technology and the location of the charging infrastructure	The project includes the development of a methodology for the selection of the electric bus charging technology to meet the needs of the bus fleet operators and the construction of a prototype IT tool to assist the DSOs and the bus fleet operators in the optimal planning of the fleet and charging infrastructure	105 689
<b>TOTAL COSTS IN THE CATEGORY</b>		<b>4 111 680</b>	
Innovative related services (e.g. remote meters)	Development of the 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 components inside the boiler. The first solution would be used for the precise (detailed) monitoring of the technical condition of the heat exchange components inside the boiler, which could operate at high temperatures, while 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).	254 158

Development and demonstration of a computer system for operation control and management of the availability (dispatchability) and reliability of the industrial infrastructure based on the artificial intelligence algorithms	The goal of the project is to develop a prototype modular computer system based on the 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 the algorithms controlling the health of the energy devices.	3 953 830
Internet of Things (IOT)	The goal of the project is to develop and implement an IT architecture for collecting and managing data from the selected areas of a smart city, the implemented solution assumes scaling in terms of the number of the sensor devices and functional areas served. The project focuses on air quality monitoring, waste management, smart street lighting and parking management and traffic monitoring in the city, among others. The developed IT environment, along with the recommendations, will be the basis for developing and offering the ultimate (target) product to the cities and municipalities.	93 890
Developing a tool to support the cooperation with the energy clusters with respect to the sharing and processing of the metering data	The goal of the project is to design, test and implement an ecosystem of the eMeter functionality to meet the needs of a new segment of customers - energy clusters and energy communities.	24 623
Utilization of the next generation hydrogen technologies for the stationary energy and transportation applications, based on a circular economy (HYDROGEN POLAND)	The goal of the project is the industrial scale demonstration of a hydrogen based economy, which will include a full value chain. The project includes the production of the green hydrogen using the renewable energy and its further conversion, distribution and use. In parallel, it also assumes the use of the non-recyclable waste and its conversion into an alternative fuel - decarbonized synthetic natural gas.	506 000
HEMS (Home Energy Management System) Program	The main goal of the Program is to develop specialized solutions in the field of building energy systems, in order to increase the revenue stream from the sales of the technologically advanced products and services. The Program also aims to tailor the sales and customer service tools and channels by developing the digital consulting and communication tools to support the customers in the process of planning and implementing the thermal insulation and energy saving projects. As part of the Program, works were carried out on the following projects in 2022: - website and e-counseling, - Thermal Comfort Management, - energy storage facility for the PV installations.	56 400
<b>TOTAL COSTS IN THE CATEGORY</b>		<b>4 888 901</b>
<b>TOTAL AGGREGATE COSTS</b>		<b>13 084 662</b>

### S 2.1.3. TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects

GRI 2-24

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 the objectives, scope, as well as the way the CSR projects are to be planned and monitored over a specified period of time. These measures are aimed at ensuring transparency of the commitments made by TAURON Group towards the local community and the stakeholders. TAURON Group implemented a total of 14 framework projects with an aggregate value of PLN 3.3 million, dedicated to supporting the local community development initiatives, in 2022.

**With respect to the CSR projects addressed to the external stakeholders, TAURON Group focuses on initiatives to promote economic development that include:**

- providing support for the development of children and youth from the families at the risk of social exclusion caused by the transformation of the manufacturing industry. The most important projects in this respect include, first and foremost, the 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 leveling the playing field (providing equal opportunities) and improving the comfort of their lives,
- program called TAURON supports young athletes in such disciplines as volleyball, football and swimming. TAURON Group has also been committed to promoting sports among children and young people by organizing a proprietary football tournament called TAURON Junior Cup since 2018,
- promoting knowledge related to science and the safe use of the electricity. The most important project is TAURON Fuses (Bezpieczniki TAURONA). As part of this project TAURON Group provides ready made lesson plans for the teachers, a guide for the parents as well as interesting games and educational materials related to the electricity for pupils. All the information is available on the website dedicated to the project: <https://edukacja.bezpieczniki.tauron.pl/>,
- TAURON's proprietary Green Laboratories (Zielone Laboratoria TAURONA) program, which is based on the comprehensive equipping of the science labs at the schools located in TAURON Group's area of operations, thus providing support for the high quality education. For more information, visit the website dedicated to the project: <https://laboratoria.tauron.pl>,
- cooperation with the ISKIERKA (SPARK) Foundation, which helps the children with cancer, and the Red Noses Foundation (Fundacja Czerwone Noski), whose medical clowns bring joy to the young patients by visiting the children's rehabilitation, oncology and cardiology wards. As part of the cooperation with the Foundations, among others, carnival balls for the hospitalized children and an inclusive family picnic were organized. The joint activities also included the creation of a special education and integration project called Supersprawni (Superskillful), targeted at the hospitalized children with varying degrees of the neurological disabilities, who, despite their limitations, were able to participate in the theater workshops,
- providing support for the activities of the Mountain Volunteer Rescue Service (GOPR). GOPR's area of operations overlaps with TAURON Group's distribution area, which further emphasizes the consistency and legitimacy of the partnership. A number of educational campaigns are designed to increase safety in the mountainous terrain by raising awareness of the danger. TAURON's support, thanks to which the rescuers are equipped with, among other things, rescue equipment, provides an additional contribution to improving safety in the mountains,
- trainings, thematic webinars and workshops for TAURON Group's employees conducted in the cooperation with TAURON's Partners with respect to health, active lifestyle, well-being practices or safety in the mountains and on tourist trails. Sports games are also organized to reveal the capabilities and sports potential of TAURON Group's employees and to integrate the internal community.

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 that of the individual subsidiaries. All of the pro-social initiatives and projects supporting the development of the local community are monitored and their results are systematically reported.

## S 2.1.4. Principles of sponsorship at TAURON Group

GRI 2-24

TAURON Group's sponsorship activities are carried out in accordance with TAURON Group's Sponsorship Strategy for the years 2018-2025, updated in 2019. The main document regulating sponsorship activities at TAURON Group is the document entitled the TAURON Group's Principles of Conducting Sponsoring Activities. The regulations provided in the document specify what constitutes a sponsorship activity at TAURON Group, what its objectives and dimensions are, and how sponsorship projects should be planned and implemented to ensure their transparency, accomplishment of the objectives set and compliance with the generally applicable legal regulations, internal and intra-corporate regulations as well as good practices.

The most important projects include the titular sponsorship of TAURON Arena in Cracow and the cooperation with the Polish Volleyball League. TAURON is the titular sponsor of the Women's Volleyball League, as well as of the Men's Volleyball League 1<sup>st</sup> Division, the Women's and Men's Volleyball Poland Cup and the strategic sponsor of the Volleyball PlusLiga and the Polish Women's and Men's Volleyball Poland Super Cup tournaments. Thanks to its cooperation with the Polish Volleyball League, TAURON Group has the opportunity to support one of the sports disciplines most loved by the Poles.

TAURON, as part of the "TAURON without barriers" initiative, is the General Sponsor of the Special Olympics - a nationwide organization that supports athletes with intellectual disabilities. Sport provides an opportunity for the participants of the Special Olympics to break down their own barriers, build self-esteem, and develop both athletically, as well as socially. On the other hand, the project breaks down stereotypes, contributes to the better understanding and acceptance of people with intellectual disabilities.

TAURON Group's portfolio of the supported sports projects has included the Speedway Euro Championship for a number of years. Fight Exclusive Night appeared among the sponsored projects in 2022, for the first time. In 2022, TAURON Group was also involved in sponsoring sports clubs (teams): TAURON Podhale Nowy Targ, TAURON GTK Gliwice, Raków Częstochowa, KPR Ruch Chorzów.

TAURON Group joined the group of sponsors of the Wrocław Opera House in 2022. This is the third cultural project in the portfolio, in addition to the TAURON Nowa Muzyka festival in Katowice and the Snow Fest Festival in Szczyrk.

TAURON Group is among the TOP 3 brands in the energy industry that engage in sponsorship activities (according to Sponsorship Monitor 2022 - Syndicated Research Report by ARC Market and Opinion, Warsaw 2023).

## S 2.1.5. Cooperation with the local government authorities

TAURON Group is cooperating and maintaining close relations with the local authorities in the area of its operations.

There are 10 powers of attorney (proxies) responsible for the contacts with the local government authorities at TAURON Dystrybucja, who maintain close relations with the local authorities in the area of their operations. They hold regular meetings with the presidents and mayors of cities, heads of municipalities, county management boards. In addition, they represent the Company in the organizations grouping the local government units (including, among others, Local Agglomerations, Regional Development Agencies, Economic Development Centers, Regional Associations of Municipalities and Counties), participate in the meetings of the County Emergency Management Centers, the Regional Energy Council, as well as the meetings held at the Marshal and Provincial Offices related to the energy issues.

The powers of attorney (proxies) responsible for the contacts with the local government authorities held 541 meetings in the municipalities and 58 meetings in the counties located on the territory of TAURON Group's distribution area in 2022. The meetings were devoted to agreeing on the planned investments, communicating matters that are important for TAURON Group, as well as dealing with the current issues related to ensuring the electricity supply, handling distribution contracts, modernizing the grid, eliminating the collisions, cutting down the trees, etc.

The powers of attorney (proxies) responsible for the contacts with the local government authorities promote, among the local government units on the territory of TAURON Dystrybucja's area of operations, the "Energy Friendly Local Government" competition, which has been organized for eight years by PTPIREE in cooperation with the Transmission Network and Distribution Grid Operators. The powers of attorney (proxies) also undertake activities related to the raising of the funds for the energy infrastructure modernization related projects.

## S 2.1.6. Cooperation with the industry (trade) organizations

Tauron Group's subsidiaries are the members of the most important industry (trade) organizations operating in the energy sector, bringing together the majority of entities operating in the given area. As a consequence, these

organizations are a reliable partner for the government administration in the legislative process and can transparently participate in the process of shaping the regulatory environment.

In recent years, the most significant area of regulation, both at the national, as well as the European Union level, has been the issue of energy transition. The shape and manner of introducing the legal acts in this area will have a key impact on TAURON Group's operations, ongoing investment projects and the functioning of the market environment.

Industry (trade) associations play an important role in formulating and representing the interests of the energy sector. At the European Union level, this activity is carried out through the participation in the organizations grouping the national associations (e.g. Eurelectric, Eurowind, EU DSO), organizing of the conferences and information campaigns targeted at the participants in the EU legislative process, and the direct participation in the consultations organized by the European Commission.

At the national level, the industry (trade) associations are an important partner in the legislative process. The joint proposals for the legislative changes or positions on the drafts prepared by the Government are worked out by such forums.

The activities of TAURON Group's subsidiaries in the above organizations also allow for the exchange of experiences, the preparation and financing of the analyses and the conducting of the joint projects.

An important element that is carried out by the industry (trade) organizations is the activity that involves conducting of the social campaigns and information campaigns that have a nationwide reach. Among other things, the campaigns on the energy conservation and raising of the consumer awareness of the energy prices were conducted in 2022.

The below Table no. 88 shows the industry (trade) organizations and business associations in which TAURON Group's subsidiaries participated in 2022.

*Table no. 88 GRI 2-28. Industry (trade) organizations and business associations in which TAURON Group's subsidiaries participated in 2022.*

Name of the industry (trade) organization or business association	TAURON Group's Subsidiary
Polski Komitet Energii Elektrycznej (Polish Electricity Association)	TAURON Polska Energia
Towarzystwo Gospodarcze Polskie Elektrownie (Polish Power Plants Association)	TAURON Wytwarzanie
Towarzystwo Obrotu Energią (The Association of Energy Trading)	TAURON Sprzedaż TAURON Sprzedaż GZE
Polskie Towarzystwo Przesyłu i Rozdziału Energii Elektrycznej (Polish Power Transmission and Distribution Association)	Tauron Dystrybucja TAURON Dystrybucja Pomiary
Stowarzyszenie Elektryków Polskich (Association of Polish Electrical Engineers)	Tauron Dystrybucja
EU DSO Entity	TAURON Dystrybucja
Stowarzyszenie Emitentów Giełdowych (Association of Stock Exchange Issuers)	TAURON Polska Energia
Górnicza Izba Przemysłowo-Handlowa (Polish Mining Chamber of Industry and Commerce)	TAURON Wydobycie
Polski Związek Producentów Kruszyw (Polish Association of Aggregate Producers)	Kopalnia Wapienia "Czatkowice"
Polskie Stowarzyszenie Energetyki Wiatrowej (Polish Wind Energy Association)	TAURON Polska Energia
Związek Pracodawców Energetyki Polskiej (Polish Power Industry Employers Association)	TAURON Ekoenergia
Polskie Stowarzyszenie Magazynowania Energii (Polish Energy Storage Association)	TAURON Ekoenergia
Fundacja OPEN ALLIES (OPEN ALLIES Foundation)	TAURON Obsługa Klienta
Forum ITAM (ITAM Forum)	TAURON Obsługa Klienta

Polskie Towarzystwo Elektrociepłowni Zawodowych (Polish Utility Scale Combined Heat and Power Plants Association)	TAURON Ciepło
UN Global Compact	TAURON Polska Energia
Pracodawcy Rzeczypospolitej Polskiej (Employers of the Republic of Poland)	TAURON Polska Energia

## S 2.2. Risks related to social capital management

### S 2.2.1. Social Risk

Table no. 89 presents Social Risk identified at TAURON Group. In accordance with the Risk Model adopted by the Group, the Social Risk is classified in the category: Operational risk/Employees and organizational culture

Table no. 89. Social Risk identified at TAURON Group

#	Risk name	Risk description	Trend and risk materiality	Response to risk
1.	Social risk	The risk includes the risk of non-compliance with the customer service standards, implementation of supply 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 meet the goals, including the sales goals, and possible penalties for the non-compliance with the legal requirements regarding personal data protection.	↗ ■	<ol style="list-style-type: none"> <li>1. Applying of the PRO Client Social Policy.</li> <li>2. Conducting of the dialogue with the customers, including customer satisfaction surveys, tailoring the product offering to their needs, ensuring high quality of the customer service.</li> <li>3. Developing of the relationships with the customers and the market environment.</li> <li>4. Responsibility for the product, including for the quality and security of the supply, tailoring of the product offering to the customer expectations.</li> <li>5. Protection of privacy and security of the customers' personal data.</li> <li>6. Deploying of the tools supporting the implementation of the client social policy.</li> <li>7. Standardization of the draft contracts (contract templates) with the customers and their adaptation to the changes in the legal regulations as well as the optimization of the sales and service processes.</li> <li>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 the respect for the human rights and conducting of the responsible marketing activities.</li> </ol>
2.	Corporate responsibility management risk	social area Risk related to the involvement of TAURON Group in the activities that do not respond to the needs of the stakeholders resulting in a loss of confidence on the part of various stakeholder groups, loss of the credibility and the messages generated by the company in the society.	→ ■	<ol style="list-style-type: none"> <li>1. Implementation and performance of the CSR projects plan, which specifies all activities, including the justification thereof.</li> <li>2. Applying of the document entitled TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects.</li> <li>3. Approval of the key activities by the authorized areas.</li> </ol>

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<p>3. Risk of reputation management by shaping the brand image</p>	<p>The risk associated with the use of the TAURON brand in combination with the adverse, controversial activities that have a negative impact on the Group's image, which in effect projects an inadequate image of the company.</p>	<p>→</p>	<ol style="list-style-type: none"> <li>1. Supervising of the process of establishing the methodology for conducting promotional and sponsorship campaigns, approving of the key activities by the authorized areas.</li> <li>2. Implementing of the Visual Identification System, appointing a Team responsible for assessing and approving the image building projects.</li> </ol>
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# GRI content index, ESG indicators (acc. to WSE) and Global Compact Principles

Statement of use	TAURON Capital Group has reported in accordance with the GRI Standards for the period of January 1 - December 31, 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI Standard Name	Disclosure	Section	Page	
<b>General disclosures</b>				
<b>1. The organization and its reporting practices</b>				
<b>GRI 2: General Disclosures</b>	2-1 Organizational details	1. Information on TAURON Capital Group's Report and the legal basis	6	
	2-2 Entities included in the organization's sustainability reporting	1. Information on TAURON Capital Group's Report and the legal basis	6	
		G 3.3.3. Formal and legal organizational structure	53	
	2-3 Reporting period, frequency and contact point	1. Information on TAURON Capital Group's Report and the legal basis	6	
	2-4 Restatements of information	1.3. Reporting standard	7	
<b>2. Activities and workers</b>				
<b>GRI 2: General Disclosures</b>	2-6 Activities, value chain, and other business relationships	2.8. TAURON Capital Group's key financial data	29	
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	<b>3. Governance</b>			
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2-10 Nomination and selection of the highest governance body				
2-11 Chair of the highest governance body				

	G 3.4. Changes to the principles of TAURON Polska Energia S.A. and TAURON Capital Group Management	54
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2-15 Conflicts of interest	G 3.1.1. Management Board of TAURON Polska Energia S.A. G 5.3.5. TAURON Group's Principles of counteracting a conflict of interest	39 68
2-16 Communication of critical concerns	G 5.3.7. TAURON Group's Security Management System Policy	71
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Approval of the Non-Financial Report of TAURON Capital Group for 2022 was approved by the Management Board of the Parent Company on March 28, 2023

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