



NON-FINANCIAL REPORT

of TAURON Capital
Group for 2023

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LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-22

Dear Shareholders,
Ladies and Gentlemen,

it is with great respect that we are sharing with you a summary of TAURON Group's accomplishments in 2023, a year full of challenges for the entire energy industry.

There were changes in the management board of our Company at the beginning of 2024. Management board work is a peculiar relay race, someone completes one stage so that another person could continue the race. **The goal is to build TAURON Group's sustainable competitive advantage**, and the way to do this is through transformation, not only from a technological and financial perspective, but also from a cultural and organizational standpoint. 2023 was a year of very significant changes, both around the world, as well as in Poland. Russia's invasion against Ukraine and the conflict in Israel, the massive turmoil on the energy commodity markets, had a major impact on the economy in 2023, and the implications of the decisions taken will still be felt for many years to come. TAURON Group was particularly affected by the numerous regulatory changes, which had a huge impact on its business operations, as well as on the expansion related decisions.



In spite of facing a number of challenges and headwinds, TAURON Group has lived up to its commitments, providing Customers with uninterrupted access to electricity and heat, while at the same time ensuring an attractive offering and diversified Customer service channels. We would like to share with you the highlights of our accomplishments:

Resilience to Uncertainty: we have maintained our operational and financial stability, which demonstrates our ability to manage risk and operate in a changing environment.

Adaptation to Regulatory Change: we have introduced changes to our operations to meet the new regulatory requirements while ensuring continuity and security of energy supply for our Customers.

Investing in Safety and Efficiency: we have continued to invest in new technologies and infrastructure to ensure that we build TAURON Group's competitive advantage.

Supporting Local Communities: we have carried out activities for local communities, supporting initiatives related to environment protection and helping those in need.

Implementation of Strategic Objectives: we have been investing in renewable energy sources, the transition of district heating towards decarbonization, as well as in the expansion and modernization of the power grid. We have steadfastly implemented the sustainable development goals set out in the Strategy, and the ESG aspects are an integral and a very important part of our Strategy.

For TAURON Group, it was a year of particularly hard work in preparation for the spin-off of coal-fired generation assets. This process had not been completed in 2023, so in the coming years the Group will be taking steps to decarbonize and spin off conventional generation assets, taking into account Poland's energy security and social issues.

The Report describes the Group's Strategy and Business Model, as well as its ESG-related goals, in detail. The macroeconomic, social and regulatory contexts that affect the Group and impact the formation and implementation of its sustainability goals, are also laid out.

In an effort to ensure the transparency of the information contained in the Report, we have applied the international reporting standards: GRI Standards (Global Reporting Initiative), in the "in accordance" option, and we are also making references to the new ESRS Standards (European Sustainability Reporting Standards).

Looking ahead, we realize that the coming years will require us to continue our efforts and adapt to the changing business and social environment. Our goal is to build sustainable economic value for the shareholders and tangible value for the Customers. A stable and secure grid, a wide range of products and services based on green energy coming from our renewable energy sources, attractive prices, as well as the highest standards of Customer service and management, are the key directions for us as the Management Board and for entire TAURON Group.

We have a vision of developing a modern, resilient and Customer-oriented Group. I am confident that with our determination, innovation drive and commitment, we will successfully rise to these challenges.

I would like to sincerely thank all shareholders and Customers for their trust, and TAURON Group's employees for their dedication in carrying out their daily responsibilities.

Yours respectfully

A handwritten signature in blue ink that reads "Grzegorz Lot".

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

1. Information on TAURON Capital Group's Report

1.1. Legal Basis, Methodology and Standard of the Report

Table of indicators:

GRI – general	2-1, 2-2, 2-3, 2-4
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1.1.1. Basis and subject coverage

The presented Non-financial Report for 2023 contains the data and the 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 alternatively referred to as TAURON Polska Energia, the 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 the 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 Group is conducting its operations in Poland and on a small scale in the Czech Republic (TAURON Czech Energy's share in the Group revenue stands at approximately 2.3%).

The Report has been prepared taking into account the following guidelines and regulations:

- Article 49b, clause 1-8 and art. 55, clause 2b-e of the Act of September 29, 1994, on accounting (Journal of Laws 2023.0.120, the consolidated text), which implements the regulations of the Directive of the European Parliament and of the Council 2014 / 95 / EU of October 22, 2014, as regards the disclosure of the 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,
- 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),
- Directive (EU) 2022 / 2464 of the European Parliament and of the Council of December 14, 2022, amending Regulation (EU) No. 537 / 2014, Directive 2004 / 109 / EC, Directive 2006 / 43 / EC and Directive 2013 / 34 / EU with regard to corporate sustainability reporting,
- Commission Delegated Regulation (EU) 2023 / 2772 of July 31, 2023, supplementing Directive 2013 / 34 / EU of the European Parliament and of the Council with regard to sustainability reporting standards – the ESRS standards
- GRI Standards,
- 10 principles of the Global Compact,
- WSE guidelines with respect to the ESG reporting,
- AA1000 Stakeholder Engagement Standard - 2015 Edition (the so-called AA1000 SES standard),
- European Commission Communication on Reporting Non-Financial Information (Non-Financial Reporting Methodology) (2017 / C 215 / 01),
- ICMM (International Council on Mining & Metals), Stakeholder Research Toolkit, based substantively on the Johnson & Scholes methodology to illustrate the impact and involvement of different stakeholder groups.

In addition, the report includes the proprietary indices as well as the information and the data that relate to the expectations of the international ESG ratings. The GRI indicators and other indices are included in the final section of the document. The business model, the key non-financial performance indicators, the 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 selection

of the materials was guided by the principle of significance, the principle of materiality and the attention to making sure that the message to the stakeholders was credible and comprehensive. While editing the texts, the principle of the conciseness and the principle of interlinking the presented information were applied.

The subject matter scope of the Report has not changed significantly as compared to 2022. The Report covers the following subsidiaries: TAURON Polska Energia, TAURON Wytwarzanie, TAURON Ciepło, TAURON Ekoenergia, TAURON Zielona Energia, TAURON Dystrybucja, TAURON Nowe Technologie, TAURON Dystrybucja Pomiary, Bioeko Grupa TAURON, TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Obsługa Klienta, Kopalnia Wapienia „Czatkowice”, TAURON Serwis, Energetyka ”Cieszyńska”, TAURON Inwestycje, Usługi Grupa TAURON, TAURON Ubezpieczenia, TAURON Czech Energy, the special purpose vehicles set up to manage the RES assets and projects (special investment vehicles) and other subsidiaries that do not conduct business operations (Polska Energia PKH, Finanse Grupa TAURON and Łągisza Grupa TAURON). This collection of the subsidiaries, also included in the Financial Statements, is representative for all of the Group’s lines of business. This report does not include the former subsidiary TAURON Wydobycie which has been a joint stock company with the State Treasury as its sole shareholder since January 2023 and has been operating outside the capital structures of TAURON Group since that time. The Report does not include any 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 contact details for the stakeholders are available on the website at the address: <https://www.tauron.pl/tauron/o-tauronie/kontakt>. Due to the growing importance of the non-financial data, once again in the history of TAURON Group the Non-Financial Report has been prepared as an independent, autonomous document. The previous Non-Financial Reports are available on the website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/raporty-okresowe>.

The Report for 2023 does not introduce any material adjustments or additions to the data for the previous reporting periods.

1.1.2. Stages of the Report preparation process

The process of drawing up this Report included the following stages:

- materiality analyses of the topics to be covered in the Report - analysis of the documents, market and industry trends, a survey of the internal and external stakeholders,
- update of the stakeholders mapping – a workshop with the stakeholders,
- determination of the important aspects to be included in the Report – the consultations within the organization and the reporting team,
- 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 Group,
- verification of the data and drawing up of the Report.

1.1.3. Data verification

Table of indicators:

GRI – general	2-5, 2-14
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In view of the growing interest in the 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 Group, including, in particular, investors, shareholders, analysts, financial institutions, employees, Customers, suppliers, business partners, local communities, legislators, regulatory bodies (regulators) and decision makers.

The content of this Report has been verified and approved by the Management Board and the Supervisory Board. The Report has not been subjected in its entirety to an external verification. However, the following data has been subjected to an external verification:

- financial data provided based on the financial statements and / or consistent with the 2023 report on the operations. The audit of the financial statements was conducted by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.,
- data on the CO₂ emissions from all of TAURON Group’s installations that participate in the EU ETS system - the volume of the CO₂ emissions was verified by an authorized and independent accredited verifier, from

the list of the accredited verifiers published on the KOBiZE website. The volume of the CO₂ emissions was calculated on the basis of and in accordance with the legal regulations with respect to the ETS system, in particular with the granted decisions of the competent authorities, authorizing the emissions of the greenhouse gases from the installation. The installation operators are responsible for preparing and submitting the reports on their annual greenhouse gas emissions, in accordance with the rules and the approved monitoring plan.

- Sustainability Criterion Certification for Biomass Combustion – it applies to Bioeko Group TAURON, TAURON Ciepło (Tychy Generation Plant) and TAURON Wytwarzanie (Jaworzno II Power Plant), where the System for Sustainability Criterion (the so-called KZR) was implemented and certified. The up to date certificates are available on the website of the Oil and Gas Institute (Instytutu Nafty i Gazu - INiG). The participants in INiG's KZR are required to certify the entire life cycle of the biofuels, bioliquids and the biomass fuels. A registration in the KZR system means that the organization meets the requirements of the Sustainability Criteria (KZR), in accordance with the requirements of the European Commission (RED II Directive),
- EMAS verification – it applies to the full range of the data with respect to the environment protection for all of the branches of TAURON Wytwarzanie (TAURON Group's largest electricity generating subsidiary which operates the System Power Plants). The Eco-Management and Audit Scheme (EMAS PI:2999), along with the environmental declaration drafted, is subject to an annual verification by an independent accredited verifier. The EMAS registration signifies compliance with the highest standards in the environmental management and auditing,
- selected sustainability indicators reflecting an increase in the RES capacity at TAURON Group and a decrease in the carbon emissions at the Group's selected subsidiaries are subject to an audit by a third party.

1.2. Key stakeholders

Table of indicators:

GRI – general	2-28, 2-29
WSE	I-M5

The identification of the stakeholders and their engagement are of key importance for the due diligence process and the assessment of the materiality of the impact areas which are an element of a new approach to the reporting in line with the European Sustainability Reporting Standards adopted by the European Commission on July 31, 2023.

In preparation for the reporting process in line with the new standards, TAURON Group updated its existing stakeholder map during a workshop held on December 11, 2023, with the participation of the representatives of the key areas of the organization. The stakeholders were identified based on their definition provided in the new ESRS standards (ESRS 1, Section 3.1). They include:

- stakeholders that TAURON Group influences or can influence - positively or negatively - through its activities and direct and indirect business relationships throughout the value chain,
- users of the sustainability statement.

Some stakeholders may belong to both groups. In the case of TAURON Group, these include the financial institutions, NGOs, competitors, the media and the public, as well as the local authorities. Figure 1 presents an updated map of TAURON Group's key stakeholders.

Persons or groups whose interests are affected or can be affected by an enterprise

Recipients/users of the information related to the sustainable development

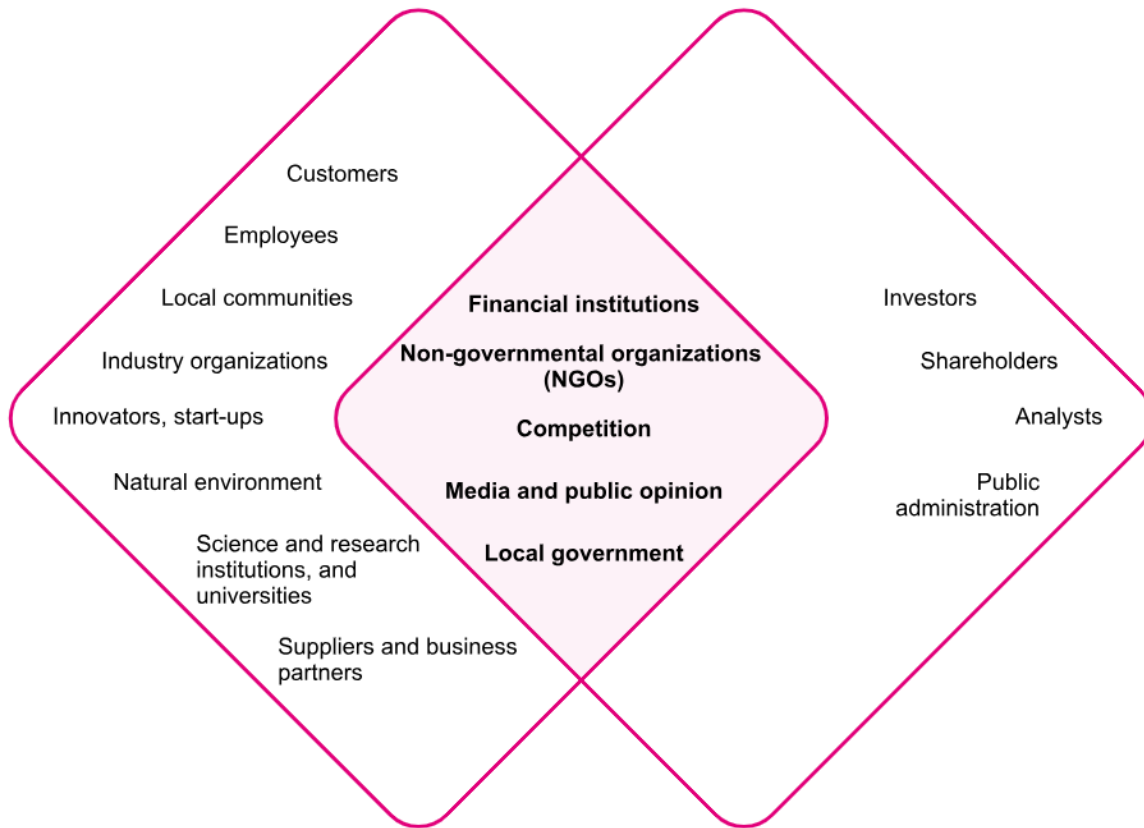


Figure no. 1. Updated map of TAURON Group's stakeholders in 2023 in accordance with ESRS

Dialogue with TAURON Group's stakeholders

The exchange of information with the stakeholders is based on the principles of responsibility and dialogue. TAURON Group obtains the knowledge of the stakeholder expectations and needs through an adequate frequency of contacts and the dedicated channels of communication and dialogue. The cooperation with the various stakeholder groups is described in Table 1.

Table no. 1 Description of TAURON Group's cooperation with its stakeholders

TAURON Group's key stakeholders	Description of the cooperation and dialogue
Customers	<p>TAURON takes care of maintaining the good relations with the Customers by striving for the highest standards of service, comprehensiveness and quality of its offering. As part of the care for the Customers, the numerous forms of contact have been introduced, including, among other things, online, stationary, landline telephone and by mail. In order to better understand the Customers' needs, regular surveys of the Customers' opinions, experiences and expectations are conducted. In addition, as part of its activities, TAURON Group satisfies the needs of the disfavored (disadvantaged) and vulnerable Customer groups.</p> <p>Since 2012, a Customer Ombudsman has been appointed within TAURON Group structures to uphold the rights of the Customer and ensure the best possible Customer experience. An important element of the Ombudsman's activities is the cooperation with the Consumer Ombudsmen, the Office of Competition and Consumer Protection, the Energy Regulatory Office, the Consumer Federation and other consumer organizations, allowing for the development of the solutions that best serve the Customers. Every year, the Ombudsman organizes meetings under the slogan "Different perspectives - a common point of view," to which the representatives of the consumer advocacy organizations in the Lower Silesian, Lesser Poland, Silesian and Opole regions are invited. The reports from the meetings, along with the presentations, are published on the website: tauron.pl/tauron/rzecznicy.</p>
Employees	<p>Creating a safe and inspiring work environment is an integral part of TAURON Group's activities. The employees have an opportunity to develop the specialized, as well as the universal competencies. It is also important to ensure an efficient flow of information and create the conditions for partner like dialogue with the Social Partners (workforce).</p>

	<p>Since 2016, a Social Dialogue Ombudsman has been in place to coordinate the cooperation in the area of social dialogue who organizes the periodic meetings between the Management Board of TAURON Polska Energia and TAURON Group's Social Council with the Ombudsman's participation, during which the topics related to the economic and financial situation, the future and expansion of the Group, the labor issues or the demands presented by the Social Partners (workforce) are discussed.</p>
Local communities	<p>TAURON Group has a good neighbor policy in place as part of which it strives to improve the living conditions of the local communities. The regular meetings are held with the local communities to provide the information on the Group's operations and their impact on the residents.</p>
Industry (trade) organizations	<p>As a member of the most important industry organizations operating in the energy sector, TAURON Group can participate in the process of shaping the regulatory environment. This also allows for the exchange of experience, the preparation and financing of the analyses and the conduct of the joint projects at the national and international level. For more information on the industry organizations and the business associations in which TAURON Group's subsidiaries participate, see Table no. 2.</p>
Innovators, start-ups	<p>In addition to the traditional research and development activities (R&D projects, a cooperation with the science and research units and the innovative business partners), the Group is developing a cooperation with startups. TAURON offers knowledge, infrastructure, experience and support in transforming projects into business.</p> <p>Continuing to build TAURON Group's strategic position in the area of start-ups, TAURON made further follow-on investments in 2023 as part of the EEC Magenta corporate venture capital (CVC) fund. In 2023, EEC Magenta has built an investment portfolio worth nearly PLN 128 million and it currently has 14 innovative start-ups as part of that portfolio.</p>
Natural environment	<p>The Green Turn of TAURON means the development of the renewable energy sources (RES) while reducing the CO₂ emissions. To this end, a cooperation is undertaken with the financial institutions, scientific institutions, or the technology suppliers to achieve the planned goals. All of the planned investments always include an environmental impact assessment.</p>
Science and research institutions, and universities	<p>TAURON Group's cooperation with the science and research institutions as well as the universities enables the joint research projects to be conducted and the students to acquire the practical skills in a real work environment. This cooperation ensures an influx of the adequately qualified personnel for the power sector. More information on this subject is provided in Section "S 3.2 Recruitment principles".</p>
Suppliers and business partners	<p>TAURON Group's Corporate Procurement Policy and Code of Conduct for Counterparties are applied in the relations with the suppliers and business partners. The Group cooperates with the counterparties (contractors) who respect the human rights and act in accordance with the legal regulations, ensure the safe and decent working conditions and apply not only the highest ethical standards, but also care for the environment and climate. More information on this subject is provided in Section "G 2.3 Responsible supply chain, supplier relations and human rights in the supply chain".</p>
Financial institutions	<p>Tauron conducts an open dialogue with the financial institutions in order to match the adequate forms of financing to its needs and plans. Particularly important is the cooperation with the financial institutions on the projects affecting the energy transition</p>
Non-government organizations (NGOs)	<p>TAURON Foundation offers various forms of cooperation with the non-governmental organizations (NGOs) and the private individuals in need by allocating the funds each year for the projects related to the development of education, culture and the arts, as well as the health care, environmental protection and the development of the economy. The applications to the Foundation are submitted throughout the year.</p>
Competition	<p>TAURON Group's operations are based on TAURON Group's Policy on Compliance with Ethics Principles and Counteracting Mobbing and Discrimination. The dialogue with the competitors is conducted within the framework of the industry organizations that TAURON Group's subsidiaries participate in. A number of TAURON Group's development projects were and are carried out in the cooperation with the industry partners.</p>
Media and public opinion	<p>All of the key information is provided to the media by the Press Spokesperson. TAURON attaches great importance to providing the public with the timely and complete information on its plans, results and achievements. The contact details for the media can be found on the website: https://www.tauron.pl/tauron-otauronie/kontakt.</p>
Local government	<p>There are 11 plenipotentiaries responsible for the contacts with the local government units within TAURON Dystrybucja's structures. They regularly meet with the mayors of the cities and towns, the heads of municipalities, the county boards. In addition, they represent the Company in the organizations that group the local government units (among others, Local Metropolitan Areas, Regional Development Agencies, Business Development Centers, Regional Associations of Municipalities and Counties), take part in the meetings of the County Emergency (Crisis) Management Centers, Regional Energy Council and the meetings held at the Marshal and the Regional Offices on the energy issues. In 2023, the plenipotentiaries responsible for the contacts with the local government units held 549 meetings in the municipalities and 67 meetings in the counties on territory of TAURON Group's distribution area. The meetings were devoted to agreeing on the planned investment projects, as well as to the proceeding with the current issues related to ensuring the electricity supply, handling of the distribution contracts, upgrading of the grid, eliminating of the collisions, cutting down the trees, etc.</p>
Investors, shareholders, analysts	<p>Transparent, reliable and regular communications is the cornerstone of TAURON Group's investor relations program in place. The cooperation in this regard is carried out by organizing the conferences and chats for the investors and analysts, as well as through the publication of the current and periodic reports. The Group also places great emphasis on developing the communications through the online channels and the social media.</p> <p>In 2023, the analysts, fund managers and the shareholders had access to a wide range of information about TAURON Group through the various communications tools. In connection with the publication of the periodic reports, the Company organized the conferences for the investors and analysts, with dozens of the representatives of the capital market and the media attending each time.</p> <p>The representatives of the Company took part in the investor meetings and conferences which included a total of dozens of meetings with the capital market analysts and the individual investors. In addition, the communications with the investors was conducted through the online channels and the social media. More information on the investor relations is in the Management Report on the Operations of TAURON Polska Energia and TAURON Group for the financial year 2023 in Section 8.8.</p>

Public administration	TAURON Group is cooperating with the public administration in order to, among other things, conduct consultations with respect to the strategic documents drawn up by the public authorities, participate in the various types of the working groups or obtain the funding for the implementation of the planned activities.
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Cooperation with the industry (trade) organizations

TAURON Group's subsidiaries are the members of the most important industry organizations operating in the energy sector, bringing together the majority of the entities operating in the given area. As a result, these organizations are a reliable partner for the 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 level, as well as at the European Union level, has been the issue of the energy transition. The shape and the manner of introducing the legislation in this area will have a key impact on TAURON Group's operations, the investment projects under way and the functioning of the market environment.

Table 2 presents the industry organizations and the business associations in which TAURON Group's subsidiaries took part in 2023. The activities in the above organizations allow TAURON Group to share the experiences, prepare and finance the analyses and conduct the joint projects.

Table no. 2. GRI 2-28. Industry organizations and business associations in which TAURON Group's subsidiaries participated in 2023.

Name of an industry organization or a business association	TAURON Group's subsidiary	Type of organization	Representation of the subsidiary in the authorities
Polski Komitet Energii Elektrycznej (Polish Electricity Association)	TAURON Polska Energia	National	Number of the members: 3 Positions held: <ul style="list-style-type: none"> Member of the Management Board of PKEE, Member of the Audit Committee of PKEE.
Towarzystwo Gospodarcze Polskie Elektrownie (Polish Power Plants Economic Society)	TAURON Wytwarzanie	National	Number of the members: 1 Positions held: <ul style="list-style-type: none"> Member of the Management Board of TGPE.
Towarzystwo Obrotu Energią (Energy Trading Association)	TAURON Sprzedaż TAURON Sprzedaż GZE	National	Number of the members: 2 Positions held: <ul style="list-style-type: none"> President of the Management Board of TOE, Member of the Management Board of TOE.
Polskie Towarzystwo Przesyłu i Rozdziału Energii Elektrycznej (Polish Society for the Transmission and Distribution of Electricity)	TAURON Dystrybucja	National	Number of the members: 2 Positions held: <ul style="list-style-type: none"> President of the Management Board of PTPIREE, Member of the Management Board of PTPIREE.
Stowarzyszenie Elektryków Polskich (Association of Polish Electricians)	TAURON Dystrybucja TAURON Wytwarzanie	National	Lack of the representatives of TAURON Group in the organization's authorities.
Stowarzyszenie Emitentów Giełdowych (Association of Stock Exchange Issuers)	TAURON Polska Energia	National	Lack of the representatives of TAURON Group in the organization's authorities.
Polski Związek Producentów Kruszyw (Polish Association of Aggregate Producers)	Kopalnia Wapienia „Czatkowice”	National	Lack of the representatives of TAURON Group in the organization's authorities.
Polskie Stowarzyszenie Energetyki Wiatrowej (Polish Wind Energy Association)	TAURON Polska Energia	National	Number of the members: 1 Positions held: <ul style="list-style-type: none"> Member of the Steering Committee of PSEW.
Polskie Stowarzyszenie Magazynowania Energii (Polish Energy Storage Association)	TAURON Ekoenergia	National	Lack of the representatives of TAURON Group in the organization's authorities.
Polskie Towarzystwo Elektrociepłowni Zawodowych (Polish Society of Utility Scale Combined Heat and Power Plants)	TAURON Ciepło	National	Number of the members: 2 Positions held: <ul style="list-style-type: none"> Vice President of the Management Board of PTEZ, Member of the Audit Committee of PTEZ.

Pracodawcy Rzeczypospolitej Polskiej (Employers of the Republic of Poland)	TAURON Polska Energia	National	Lack of the representatives of TAURON Group in the organization's authorities.
Polska Unia Ubocznych Produktów Spalania (Polish Union of Combustion By-Products)	Bioeko Grupa TAURON	National	Lack of the representatives of TAURON Group in the organization's authorities.
EU DSO Entity	TAURON Dystrybucja	International	Lack of the representatives of TAURON Group in the organization's authorities.
United Nations Global Compact	TAURON Polska Energia	International	Lack of the representatives of TAURON Group in the organization's authorities.
Forum ITAM	TAURON Obsługa Klienta	International	Lack of the representatives of TAURON Group in the organization's authorities.
Hydrogen Europe	TAURON Inwestycje	International	Lack of the representatives of TAURON Group in the organization's authorities.

1.3. Material aspects of the reporting

Table of indicators:	
GRI – general	3-1, 3-2
WSE	I-M4

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

- quantitative research - surveys,
- qualitative research – online workshops with the representatives of TAURON Group's employees.

They were carried out in two groups of the stakeholders representing the key stakeholder categories:

- internal stakeholders – employee representatives (internal perspective),
- external stakeholders – representatives of the Customers and other stakeholders (representing the circles of the key stakeholders identified in section 1.2. - external perspective).

Both the surveys and the workshop were conducted by an independent consulting company.

Based on the analysis of the trends, environment, regulatory requirements and the relevant topics reported so far, carried out as part of the preparation stage for the study, 23 closed questions and one open question were selected and included in the electronic surveys. The surveys were conducted in December 2023. They were divided into 3 groups – the employees, the Customers and the other external stakeholders (representing the key stakeholder communities indicated in section 1.2.). The respondents were asked to indicate on a scale from 1 (*least important*) to 5 (*most important*) how important they think it is to include the given ESG topics in TAURON Group's Non-Financial Report for 2023. Asking an open question provided the opportunity to indicate other topics important to the stakeholders with respect to the ESG area. The surveys were completely anonymous and the information was analyzed collectively.

Based on the online questionnaire, more than 2 600 responses from the internal and the external stakeholders were collected. In December 2023, the workshops were also held with the participation of the representatives of the employees and the management staff of the key areas of TAURON Polska Energia and of the Group's subsidiaries, during which the topics selected in the survey were subjected to a further analysis and the verification. On this basis, a list of 12 material (important) topics was compiled, which is presented below in Figure no. 2 and in Table no. 3. For clarity, the chart starts from 3.5, although the scale was from 1 to 5.

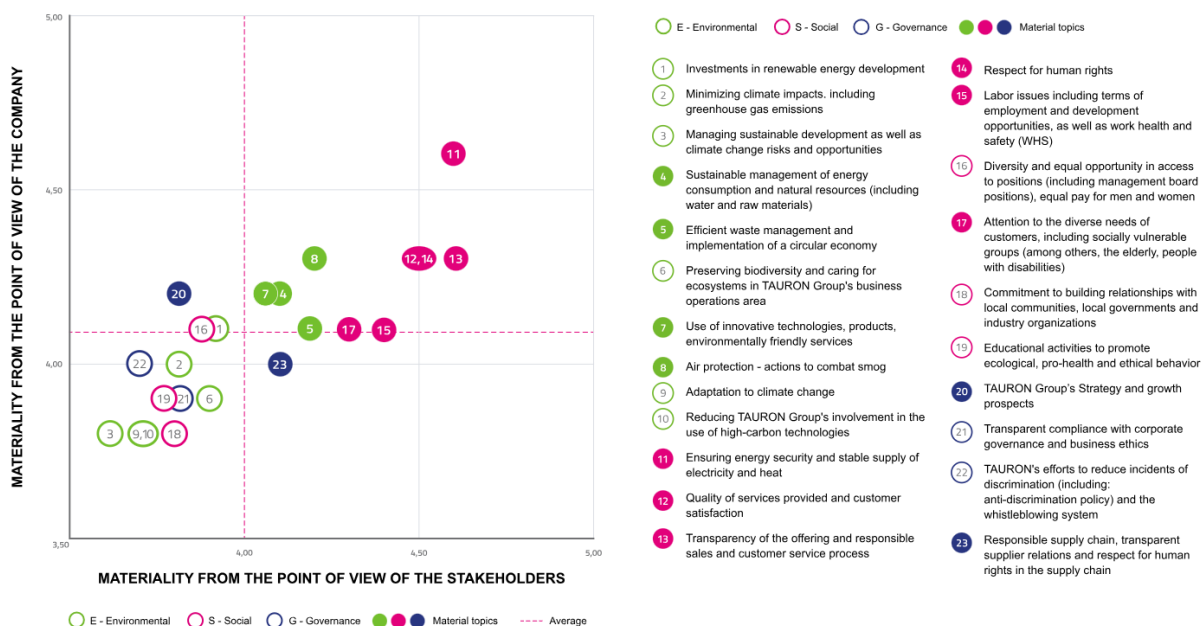


Figure no. 2. The level of materiality of the individual non-financial topics (issues) for TAURON Group and its stakeholders

Based on the survey results, Table no. 3 summarizes 12 most important topics in three areas of the sustainable development: environment (E), social (S) and corporate governance (G) to be reported by TAURON Group for 2023. The most important GRI, WSE indicators and the 10 principles of the Global Compact were matched to the selected issues. In addition, an attempt was made to assign the ESRS indicators to the material topics. It should be emphasized that in the Non-Financial Report for 2023, the ESRS indicators reported are not yet fully consistent with the adopted methodology and constitute only an attempt to organize the presented data and information to meet the new requirements in this area. The full scope of these disclosures, along with the dual materiality analysis, will be presented in the Sustainable Development Report for the subsequent years.

Table no. 3. Non-financial topics (issues) selected by the stakeholders during the materiality analysis to be reported by TAURON Group in 2023

GRI indicator	ESRS indicator	WSE 2023 indicator	10 Principles of the United Nations Global Compact
Name	Type		
ENVIRONMENT (E)			
Material topic: Sustainable management of energy consumption and natural resources (including water and raw materials)			
GRI 3-3 Management of material topic: Sustainable management of energy consumption and natural resources (including water and raw materials)	Disclosure 3-3	ESRS E1, E2, E3	GC 7. Adopt a precautionary approach to environmental challenges
301-1 Reclaimed products and their packaging materials	Topic disclosure	ESRS E5-4	GC 7. Adopt a precautionary approach to environmental challenges
302-1 Energy consumption within the organization	Topic disclosure	ESRS E1-5	E-M4 Energy consumption and mix GC 7. Adopt a precautionary approach to environmental challenges
302-3 Energy intensity	Topic disclosure	ESRS E1-5	GC 7. Adopt a precautionary approach to environmental challenges
303-1 Interactions with water as a shared resource	Topic disclosure	ESRS E3	E-A2 Water management GC 7. Adopt a precautionary approach to environmental challenges
303-2 Management of water discharge related impacts	Topic disclosure	ESRS E2-3	GC 7. Adopt a precautionary approach to environmental challenges
303-3 Water withdrawal	Topic disclosure	ESRS E3	GC 7. Adopt a precautionary approach to environmental challenges
303-4 Water discharge	Topic disclosure	ESRS E3	E-A4 Waste management GC 7. Adopt a precautionary approach to environmental challenges

Material topic: Efficient waste management and implementation of a circular economy				
GRI 3-3 Management of material topic: Efficient waste management and implementation of a circular economy	Disclosure 3-3	ESRS E5		
306-1 Waste generation and significant waste-related impacts	Topic disclosure	ESRS 2 SBM-3 ESRS E5-4		GC 7. Adopt a precautionary approach to environmental challenges
306-2 Management of significant waste related impacts	Topic disclosure	ESRS E5-2, E5-5		GC 7. Adopt a precautionary approach to environmental challenges
306-3 Waste generated	Topic disclosure	ESRS E5-5		GC 7. Adopt a precautionary approach to environmental challenges
Material topic: Air protection – actions to combat smog				
GRI 3-3 Management of material topic: Air protection – actions to combat smog	Disclosure 3-3	ESRS E1, E2	E-M1 Climate change management	GC 8. Conduct environmentally responsible activities
305-1 Direct (Scope 1) GHG emissions	Topic disclosure	ESRS E1-6		GC 7. Adopt a precautionary approach to environmental challenges
305-2 Energy indirect (Scope 2) GHG emissions	Topic disclosure	ESRS E1-6		GC 7. Adopt a precautionary approach to environmental challenges
305-3 Other indirect (Scope 3) GHG emissions	Topic disclosure	ESRS E1-4, E1-6		GC 7. Adopt a precautionary approach to environmental challenges
305-4 GHG emissions intensity	Topic disclosure	ESRS E1-6		GC 7. Adopt a precautionary approach to environmental challenges
305-5 Reduction of GHG emissions	Topic disclosure	ESRS E1-3, E1-4		GC 7. Adopt a precautionary approach to environmental challenges
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Topic disclosure	ESRS E2-4	E-M2 GHG emissions	GC 7. Adopt a precautionary approach to environmental challenges
416-1 Assessment of the health and safety impacts of product and service categories	Topic disclosure	ESRS S4		
Proprietary indicator (1): Description of actions to combat smog	Proprietary indicator			GC 7. Adopt a precautionary approach to environmental challenges
Proprietary indicator (2): Examples of the environmentally friendly services offered as part of TAURON Group's portfolio	Proprietary indicator			GC 7. Adopt a precautionary approach to environmental challenges
Proprietary indicator (3): Amount of funds allocated as part of the PLNE program	Proprietary indicator			GC 7. Adopt a precautionary approach to environmental challenges
Proprietary indicator (4): Material and environmental effects of the PLNE program	Proprietary indicator			GC 7. Adopt a precautionary approach to environmental challenges
Material topic: Use of innovative technologies, environmentally friendly products and services				
GRI 3-3 Management of material topic: Use of innovative technologies, environmentally friendly products and services	Disclosure 3-3			GC 9. Encourage the development and diffusion of environmentally friendly technologies
Proprietary indicator: Examples of the environmentally friendly services offered as part of TAURON Group's portfolio	Proprietary indicator	ESRS E1-3		GC 9. Encourage the development and diffusion of environmentally friendly technologies. GC 8. Conduct environmentally responsible activities
Material topic: Ensuring energy security and stable supply of electricity and heat				
GRI 3-3 Management of material topic: Ensuring energy security and stable supply of electricity and heat	Disclosure 3-3	ESRS E1-2		
Proprietary indicator (1): Share of mass failures in total failures at TAURON Dystrybucja.	Proprietary indicator			
Proprietary indicator (2): Frequency of the interruptions in the supply of electricity to the consumers of TAURON Dystrybucja.	Proprietary indicator			
Proprietary indicator (3): Average duration of the interruptions in the supply of electricity distributed by TAURON Dystrybucja.	Proprietary indicator			

Proprietary indicator (4): Targets and implementations regarding the adaptation of the distribution assets to climate change by increasing the share of the MV cable lines in relation to the total length of the MV lines (%), cables / overhead lines	Proprietary indicator			
Proprietary indicator (5): Research and investment projects in 2023 aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group	Proprietary indicator			GC 8. Conduct environmentally responsible activities

SOCIAL (S)

Material topic: Transparency of the offering and responsible sales and Customer service process				
GRI 3-3 Management of material topic: Transparency of the offering and responsible sales and Customer service process	Disclosure 3-3	ESRS S4-4	G-M4 Code of ethics	
417-2 Incidents of non-compliance concerning product and service information and labeling	Topic disclosure	ESRS S4-4	G-M4 Code of ethics	
417-3 Incidents of non-compliance concerning marketing communications	Topic disclosure	ESRS S4-4		
Proprietary indicator (1): The most important educational activities targeted at all of the Customers carried out by TAURON Group				
Proprietary indicator (2): The most important educational activities targeted at the disfavored (disadvantaged) groups carried out by TAURON Group				
Material topic: Quality of services provided and Customer satisfaction				
GRI 3-3 Management of material topic: Quality of services provided and Customer satisfaction	Disclosure 3-3	ESRS S4		
2-29 Approach to stakeholder engagement	General disclosure	ESRS 2 SBM-2, ESRS S1-1, S1-2, S2-1, S2-2, S3-1, S3-2, S4-1, S4-2	I-M5 Stakeholder engagement	
417-2 Incidents of non-compliance concerning product and service information and labeling	Topic disclosure	ESRS S4-4	G-M4 Code of ethics	
417-3 Incidents of non-compliance concerning marketing communications	Topic disclosure	ESRS S4-4		
Proprietary indicator (1): Description of actions to build Customer trust				
Proprietary indicator (2): Results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers				
Material topic: Respect for human rights				
GRI 3-3 Management of material topic: Respect for human rights	Disclosure 3-3	ESRS 2 GOV-4	S-M8 Human rights policy S-M9 Human rights due diligence	GC 1. Support and respect the protection of internationally proclaimed human rights
2-23 Policy commitments	General disclosure	ESRS S1-4, S2-4, S3-4, S4-4, G1-1	SM-8 Human rights policy G-M4 Code of ethics	GC 2. Ensure that business practices are not complicit in human rights abuses GC 3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
2-24 Embedding policy commitments	General disclosure			GC 4. Eliminate all forms of forced and compulsory labor
2-30 Collective bargaining agreements	General disclosure		S-M7 Freedom of association and collective bargaining	GC 3. Uphold the freedom of association and the effective recognition of the right to collective bargaining GC 6. Eliminate discrimination in employment and occupation

Proprietary indicator: Description of actions taken to respect human rights	Proprietary indicator		G-M4 Code of ethics G-M5 Anti-Corruption Policy G-M6 Whistle-Blower Procedure G-A1 Data Security Policy	GC 2. Ensure that business practices are not complicit in human rights abuses
Material topic: Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)				
GRI 3-3 Management of material topic: Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)	Disclosure 3-3	ESRS S1-1		GC 2. Ensure that business practices are not complicit in human rights abuses
2-7 Employees	General disclosure	ESRS 2 SBM, ESRS S1-6	S-M1 Diversity policy S-M2 Employment policy G-M3 Board diversity	
2-8 Workers who are not employees	General disclosure	ESRS S1-7		
2-18 Evaluation of the performance of the highest governance body	General disclosure		I-M3 Sustainability governance	
2-19 Remuneration policies	General disclosure	ESRS 2 GOV-3, ESRS E1		GC 6. Eliminate discrimination in employment and occupation
2-20 Process to determine remuneration	General disclosure	ESRS 2 GOV-3		GC 6. Eliminate discrimination in employment and occupation
2-21 Annual total compensation ratio	General disclosure	ESRS S1-16		GC 6. Eliminate discrimination in employment and occupation
401-1 New employee hires and employee turnover	Topic disclosure	ESRS S1-6		
401-3 Parental leave	Topic disclosure	ESRS S1-15		GC 6. Eliminate discrimination in employment and occupation
403-1 Work health and safety (WHS) management system	Topic disclosure	ESRS S1-1	S-A1 Work health and safety (WHS)	GC 2. Ensure that business practices are not complicit in human rights abuses
403-5 Worker training on work health and safety (WHS)	Topic disclosure	ESRS 1 §AR 16		GC 2. Ensure that business practices are not complicit in human rights abuses
403-6 Promotion of worker health	Topic disclosure	ESRS S1		GC 2. Ensure that business practices are not complicit in human rights abuses
403-9 Work-related injuries	Topic disclosure	ESRS S1-4, S1-14		GC 2. Ensure that business practices are not complicit in human rights abuses
404-1 Average hours of training per year per employee, per gender and per employee category	Topic disclosure	ESRS S1-13		GC 6. Eliminate discrimination in employment and occupation
404-2 Programs for upgrading employee skills and transition assistance programs	Topic disclosure	ESRS S1-13		GC 6. Eliminate discrimination in employment and occupation
405-1 Diversity of governance bodies and employees	Topic disclosure	ESRS 2 GOV-1, S1-6, S1-9, S1-12	S-M1 Diversity policy S-M5 Gender pay gap ratio	GC 6. Eliminate discrimination in employment and occupation
406-1 Incidents of discrimination and corrective actions taken	Topic disclosure	ESRS S1-17		GC 2. Ensure that business practices are not complicit in human rights abuses
Material topic: Attention to the diverse needs of Customers, including socially vulnerable groups (among others, the elderly, people with disabilities)				
GRI 3-3 Management of material topic: Attention to the diverse needs of Customers, including socially vulnerable groups (among others, the elderly, people with disabilities)	Disclosure 3-3	ESRS S4		
Proprietary indicator: Adaptation of services to the needs of socially vulnerable groups	Proprietary indicator			GC 2. Ensure that business practices are not complicit in human rights abuses

GOVERNANCE (G)

Material topic: TAURON Group's Strategy and growth prospects				
GRI 3-3 Management of material topic: TAURON Group's Strategy and growth prospects	Disclosure 3-3	ESRS 2 SBM-1	I-M1 Business model	
2-22 Statement on sustainable development strategy	General disclosure	ESRS 2 SBM-1	I-M2 Sustainability integration I-M3 Sustainability governance	
Proprietary indicator: Description of goals and actions as part of the Strategy	Proprietary indicator			
Material topic: Responsible supply chain, transparent supplier relations and respect for human rights in the supply chain				
GRI 3-3 Management of material topic: Responsible supply chain, transparent supplier relations and respect for human rights in the supply chain	Disclosure 3-3	ESRS G1-2		
2-6 Activities, value chain, and other business relationships	General disclosure	ESRS 2 SBM-1	I-M1 Business model S-M9 Human rights due diligence	GC 4. Eliminate all forms of forced and compulsory labor
2-29 Approach to stakeholder engagement	General disclosure	ESRS 2 SMB-2, S1-1, S1-2, S2-1, S2-2, S3-1, S3-2, S4-1, S4-2	I-M5 Stakeholder engagement	GC 5. Abolish child labor
Proprietary indicator: Description of actions in the field of building responsible supply chain, transparent supplier relations and respect for the human rights in the supply chain	Proprietary indicator			

1.4. Management of material topics

Table of indicators:

GRI – general	3-3
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In the context of the sustainable development related reporting, TAURON Group specifically addresses topics that are most relevant and important for the organization's business operations and its stakeholders. In addition to selecting the material topics, it is also important to determine how they are managed. To this end, TAURON Group is referring to the requirements of GRI Disclosure 3-3. In terms of material topics, the economic, environmental and social impact is identified through a description of the due diligence procedures and the internal regulations, as well as the actions taken and the results obtained. The information on how the stakeholders are involved in the activities undertaken is presented in section "1.2 Key stakeholders." In addition, the various thematic sections in the Report begin by identifying TAURON Group's commitments related to the various sustainability categories (E, S and G). In addition to disclosing the information on how TAURON Group manages each of its material topics in the Report, an attempt is made to disclose the additional indicators and the principles for the material topics, i.e. ESRS, WSE or Global Compact, as outlined in section "1.3 Material aspects of the reporting". A voluntary reporting of the non-mandatory indicators is primarily due to the high priority given to the transparency of the Group's activities with respect to the sustainable development and the emphasis on the role of an open dialogue with all of the stakeholders.

The ways the material topics are managed:







- sustainable management of the consumption of the energy and the natural resources (including water and the raw materials),
 - efficient waste management and implementation of a circular economy,
 - air protection - measures to combat smog,
- TAURON Group's priority is to reduce its negative impact on the environment and climate in its business operations, as well as in the process of planning the new investment projects. TAURON Group's Environmental Policy and TAURON Group's Climate Policy are the tools that support the responsible management of the natural resources (more information on the management of this topic is provided in sections "E 3.1. Environmental Policy" and "E 3.2. Climate Policy"). As part of its business operations, TAURON Group is managing waste and the implementation of the Circular Economy (GOZ) by conducting a number of the due diligence practices (more information on the management of this topic is provided in sections "E 3.1.3. Waste management program" and "E 3.1.4. Circular economy"). The actions are also being taken in order to combat smog as part of, among other things, the #Do not smog #Just

<ul style="list-style-type: none"> ensuring energy security and a stable supply of electricity and heat, use of the innovative technologies, products, the environmentally friendly services 	<p>breathe (#Weż nie smoguj #Weż oddychaj) campaign (more information on the management of this topic is provided in section "E 3.1.8. Environmentally friendly services and the fight against smog"). TAURON Group is also investing in energy security and a stable supply of electricity and heat through the investments in the new technologies, an ongoing maintenance of the distribution grid in a good condition, carrying out the necessary upgrades, but also the prompt repairs of the failures (more information on the management of this topic is provided in section "S 2. TAURON Group's commitments to the social environment"). The management of the research and development projects is carried out on the basis of TAURON Group's Strategic Research Agenda which identifies 4 research portfolios (more information on the management of this topic is provided in section "S 3.8. Intellectual property protection and research and development activities").</p>
<ul style="list-style-type: none"> transparency of the offerings and a responsible sales and Customer service process, quality of the services provided and the Customer satisfaction, taking care of the diverse needs of the Customers, including the vulnerable groups (including the elderly, people with the disabilities), respect for the human rights, labor issues including the terms of the employment and the development opportunities, as well as work health and safety (WHS). 	<p>The management of TAURON Group's relations with the Customers is aimed at gaining a comprehensive understanding of their needs and raising the standards of their service (including the vulnerable groups). A tool used in order to support the quality of the Customer service is the PRO Client Social Policy (more information on the management of this topic is provided in section "S 3.7. PRO Client Social Policy"). TAURON Group also accepts the responsibility for the protecting and respecting of all of the internationally recognized human rights. The Group had published the "Report on the Respect for the Human Rights at TAURON Group" in 2023 which had set out, among other things, an assessment of the impact of the Group's business operations on the human rights and the identification of the risks associated with respecting them (more information on the management of this topic is provided in section "S 3.5. Respect for Human Rights Policy"). The Human Capital Management Policy plays a key role in determining an approach to managing the labor issues (including the terms of employment and the development opportunities) at the Group level. The management of the labor relations at TAURON Group is based on the legal regulations, TAURON Group's values and the generally accepted principles of the social coexistence (more information on the management of this topic is provided in section "S 3.1 Human Capital Management Policy"). Also, safety and the protection of health are of key importance for TAURON Group and constitute some of the main factors around which the initiatives are undertaken aimed at building the awareness among the employees and the subcontractors (more information on the management of this topic is provided in section "S 3.3. Work Health and Safety (WHS) Policy").</p>
<ul style="list-style-type: none"> responsible supply chain, transparent relations with the suppliers and the respect for the human rights in the supply chain, TAURON Group's strategy and its prospects. 	<p>The documents that govern the management of the social issues in the supply chain, the transparent relations with the suppliers and the human rights in the supply chain include the Corporate Purchasing Policy and the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries. The Group works with the counterparties that respect the human rights and operate in compliance with the legal regulations, provide safe and decent labor conditions and apply not only the highest ethical standards, but also care for the environment and the climate (more information on the management of this topic is provided in sections "G 2.3 Responsible supply chain, supplier relations and human rights in the supply chain" and "G 3.1 Corporate Purchasing Policy"). TAURON Group's approach to the management of the organization's impact on the environment is an important element of the Group's Business Strategy, which focuses on developing the renewable energy sources while at the same reducing the CO₂ emissions and ensuring the energy supply to the Customers by investing in the electricity grid and in the construction of the low- and zero carbon heat and electricity generation sources (more information on the management of this topic is provided in section "3.4. TAURON Group's Strategic Directions and Goals").</p>

2. General information on TAURON Group

2.1. TAURON Group in 2023 in numbers

Table no. 4. Non-financial and financial key performance indicators related to TAURON Group in 2023.

	Key performance indicators	2023
	Sales revenue	PLN 42.7 bn
	Number of TAURON Group's employees (headcount)	18 946 persons
	RES installed capacity	0.69 GW
	RES electricity production	1.67 TWh
	Conventional power plants installed capacity	4.4 GW
	Conventional power plants electricity production	11 TWh
	Electricity distribution	51.30 TWh
	Number of the distribution Customers	5.9 million
	Retail electricity supply	30.75 TWh
	Number of the supply Customers	5.8 million

2.2. General information on TAURON Group

Table of indicators:

GRI – general 2-1, 2-6

TAURON Group is an energy group with its assets located mainly in the south of Poland. The Group was conducting its operations in the majority of the key segments of the energy market in 2023. It is the largest distributor of electricity, the second largest supplier of electricity, one of the largest electricity generators in Poland and the largest producer and supplier of the district heat in Upper Silesia and Zagłębie. The Group's main business operations include:

- production of electricity and heat at the conventional power plants and the combined heat and power plants, as well as with the use of the renewable energy sources,
- electricity and heat distribution and supply the end Customers, both the individual (retail) as well as the business one.

The products and the services offered, as well as the value of the sales are described in the Management Report on the operations of TAURON Polska Energia and TAURON Group for the financial year 2023, in section 5.2 "Financial Results of TAURON Group by Segments of Operations". TAURON Group does not offer products and services that have been banned and / or withdrawn. The fuels, products and the services required to conduct the business operations are acquired through the transparent purchasing procedures. Electricity and heat are the products that are often the subject of a public debate due to their significant impact on the households and the competitiveness of the country's economy. Therefore, TAURON Group attaches great importance to the implementation of all of the regulations and laws that protect the interests of the energy utility users in the market

The Group's operations had been carried out in 2023 in a way that covered the full value chain, starting from the generation of electricity and heat, through the distribution thereof and subsequently the supply thereof.

The following business operations are conducted as part of TAURON Group's other operations: the limestone mining (for the needs of the power and construction industries), the biomass procurement and transportation (for the needs of the utility scale power industry), the street lighting management, the construction and the operation of the electric vehicle charging stations, as well as the provision of the data transmission services. The Group also includes the subsidiaries whose operations are focused on the provision of the support services to the other subsidiaries of the Group, such as, for example, accounting, IT, human resources, payroll and benefits (entitlements), insurance and the financial operations.

The data describing TAURON Group's business operations in 2023 is presented in Figure no. 3.

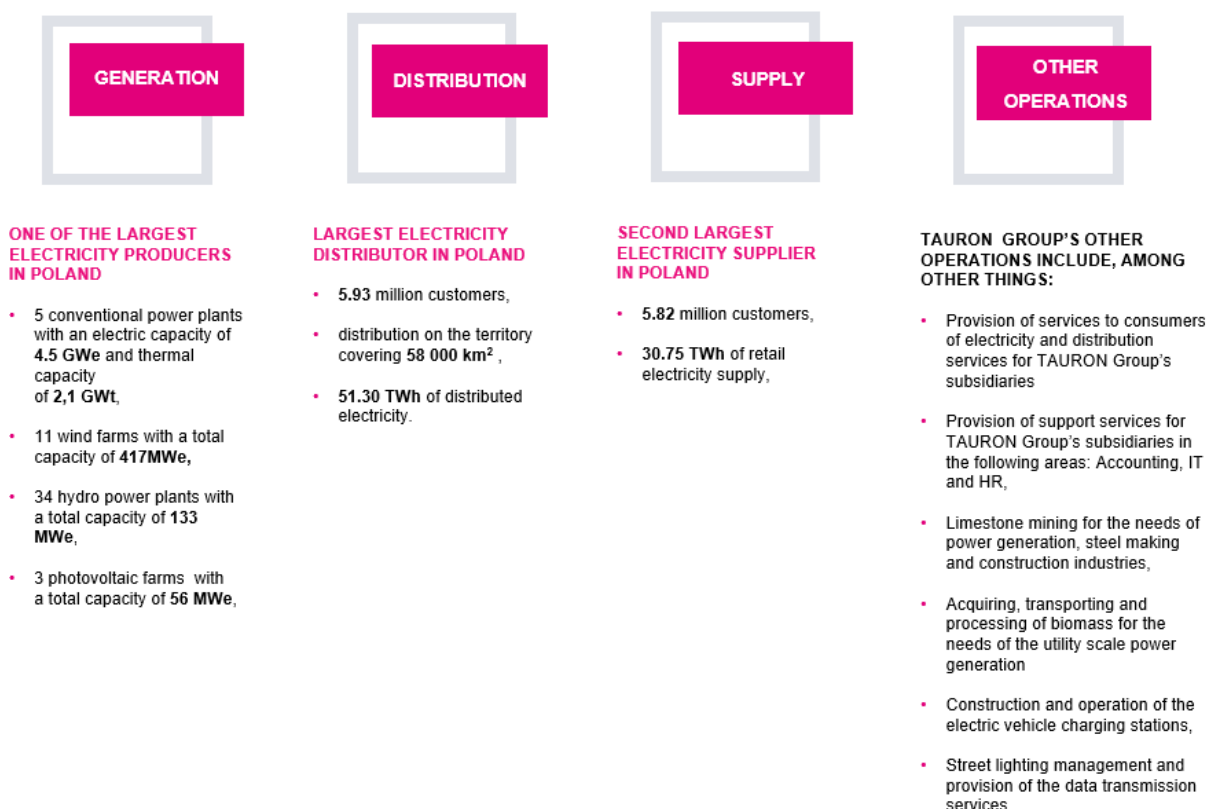


Figure no. 3. TAURON Group's business operations in 2023

2.3. TAURON Group's structure and organization

Table of indicators:

GRI – general	2-1
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TAURON Group's organization should be considered in three aspects:

- process based – based on the process structure that clearly defines the responsibilities and the way the processes are to be implemented,
- areas based – related to the profile of the business operations conducted and the position within the Group's value chain,
- capital based – the formal and legal domination structure of the subsidiaries in the Group.

2.3.1. Process based organization

The process based management is implemented within the Group, Its essence involves a continuous search for and implementation of the improvements, as well as a clear and transparent division of the competences and the responsibilities TAURON Group's Business and Operational Model had undergone an update in 2023 that involved:

- removing of the Mining Line of Business – in connection with the sale of 100% of the shares in TAURON Wydobywanie for the benefit of the State Treasury,

- transferring of the Kopalnia Wapienia „Czatkowice” subsidiary and the processes related to the limestone mining to the Supply Line of Business and the mega process 2.5 Supply and Customer Service,
- removing of CUW Ochrona – in connection with the contribution by TAURON Dystrybucja of 100% of the shares of the Wsparcie TAURON Group subsidiary to Polski Holding Obronny (Polish Defense Holding Company).

The process documentation describes the division of the competences and the recurring, operational activities performed, along with the descriptions of the products and the services listed. The processes constitute a superior organization in relation to the organizational structure of the individual subsidiaries and run horizontally across the entire TAURON Group.

Based on the main products, TAURON Group's processes are divided into three groups: the management, the operational and the support processes. The chart presented in Figure no. 4 presents the mega processes identified at TAURON Group (the highest process level).

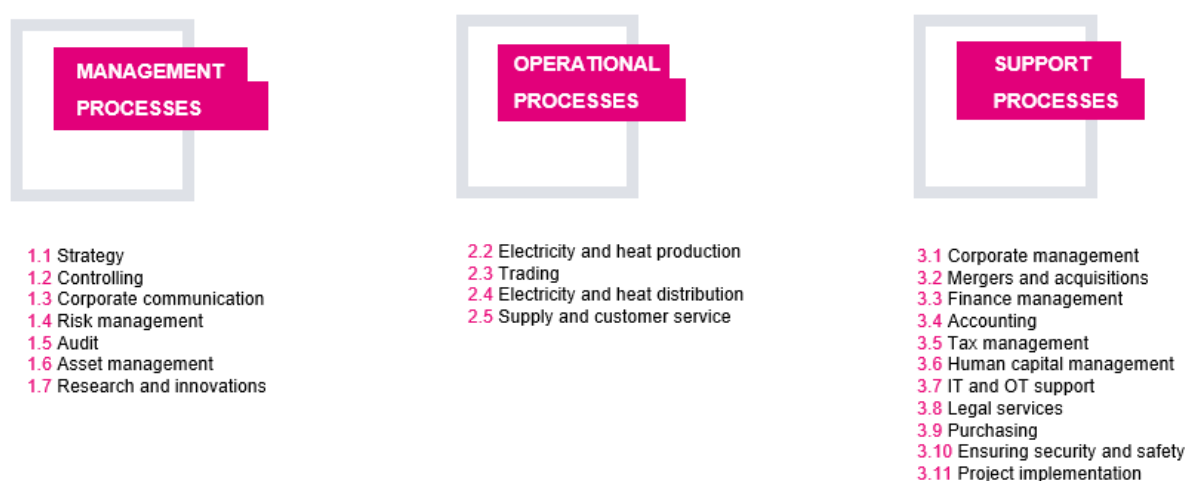


Figure no. 4. TAURON Group's mega processes in place in 2023

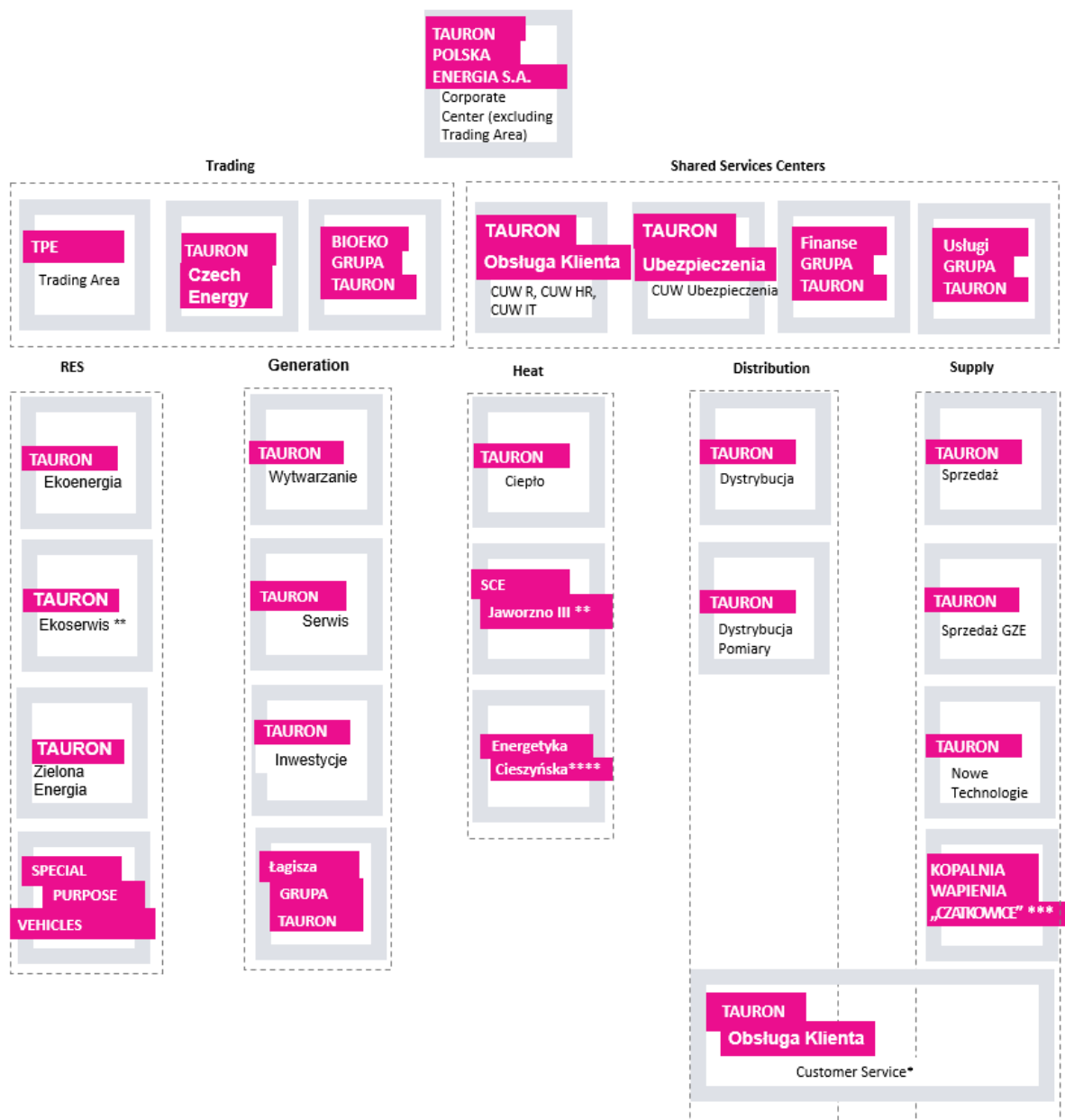
The owners of the mega processes are the designated directors at TAURON Polska Energia who decompose them into the lower level processes and appoint the owners thereof. Each process has its owner and the process metrics. The process documentation defines the course of action (interdependencies) and the decision making competences (powers) for the recurring activities.

The processes are subject to an evaluation and adequate modifications in order to improve the efficiency thereof. 240 selected processes had been evaluated in 2023, representing 12% of TAURON Group's existing processes in place. As a result of the assessment, 64% of the evaluated processes have been granted a level IV or V of the process maturity on an eight level scale, which means that the process documentation is up to date and correct, the processes are carried out according to the designed course, and periodically monitored.

2.3.2. Organization based on the Lines of Business

TAURON Group's business operations are conducted based on six Lines of Business: Generation, Heat, Renewable Energy Sources (RES), Distribution, Trading, and Supply.

The Lines of Business are responsible for implementing the core processes and the support processes. At the same time, they take part in the management processes and the support processes implemented at the Group level. The Lines of Business, including the assignment of the individual subsidiaries of TAURON Group thereto, are presented in Figure no. 5.



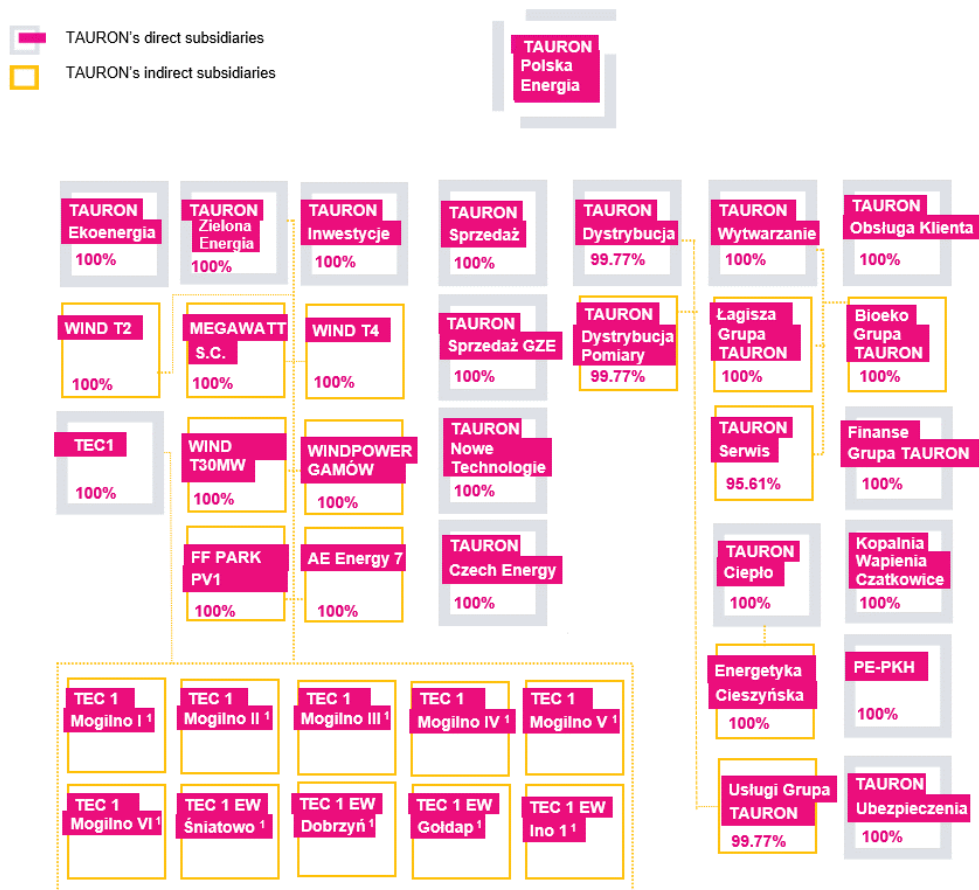
- * With the unbundling requirements met.
- ** subsidiaries excluded from the consolidation
- *** change of the Line of Business from Mining to Supply
- **** incorporation of the subsidiary into TAURON Ciepło sp. z o.o. as of January 3, 2024

Figure no. 5. Assignment of TAURON Group's subsidiaries to the Lines of Business and the Shared Services Center (CUW) in 2023

2.3.3. Formal and legal organizational structure

As of December 31, 2023, and as of the date of drawing up this report TAURON Group's key subsidiaries, besides the TAURON parent company, included 39 subsidiaries subject to the consolidation that are listed below.

In addition, TAURON Polska Energia, directly or indirectly, held shares in 33 other companies. It is presented in Figure no. 6.



¹TEC1 sp. z o.o. is the General Partner, TAURON Zielona Energia sp. z o.o. is the Limited Partner.

Figure no. 6. TAURON Group's structure, including the subsidiaries subject to the consolidation, as of December 31, 2023

2.4. TAURON Polska Energia company management principles

TAURON Polska Energia is a joint stock company. The authorities of the company, according to the Code of Commercial Companies (KSH), are as follows:

- General Meeting,
- Supervisory Board,
- Management Board.

The scope of competence of the company's authorities is defined in the company's Articles of Association. A simplified governance structure is presented in Figure no. 7.

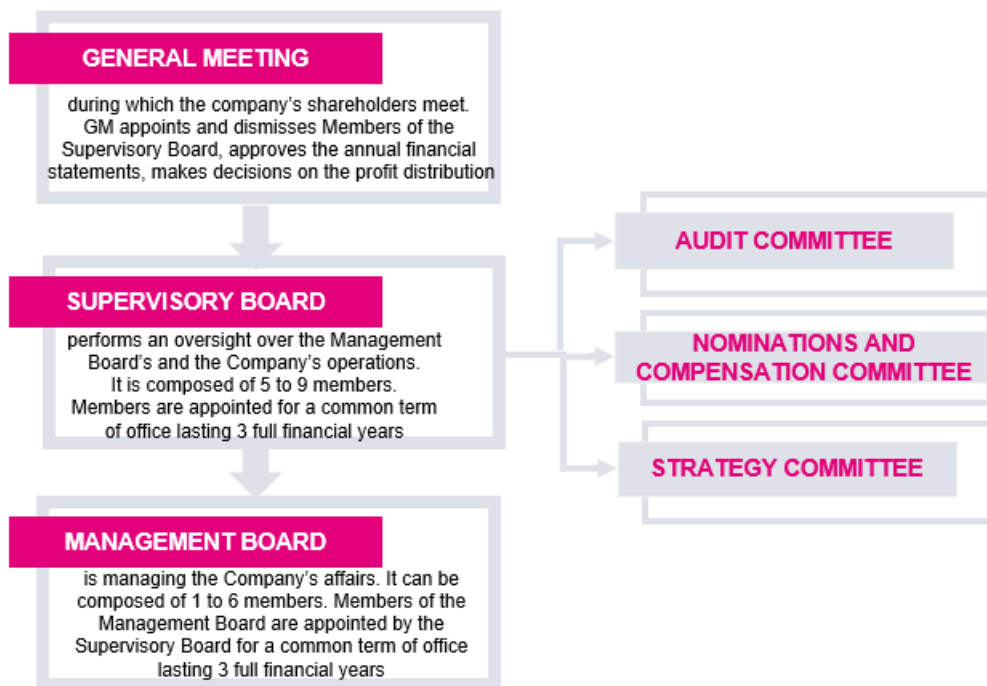


Figure no. 7. TAURON Polska Energia's simplified governance structure

2.4.1. Shareholding structure of TAURON Polska Energia

Table of indicators:

GRI – general 2-1

As of December 31, 2023, and as of the date of drawing up this report the Company's share capital, in accordance with an entry in the National Court Register, stood at PLN 8 762 746 970 and it was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 registered ordinary BB series shares.



Figure no. 8. Shareholding structure as of December 31, 2023, and as of the date of drawing up this report

TAURON shares have been listed on the main market of the Warsaw Stock Exchange (WSE) since June 30, 2010.

2.4.2. General Meeting of TAURON Polska Energia

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 the public companies. In the 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 (KSH), and as the convening of a General Meeting requires the Management Board's cooperation, the Management Board shall be obliged to perform any activities defined by the 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 Chair of the Company's Supervisory Board, and in the case he or she is absent the following persons shall be entitled to open the General Meeting in the given order: the Vice Chair 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 has registered at the General Meeting such a number of shares that entitle him or her to exercise the highest number of votes. Subsequently, a 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 the shares represented at the Meeting, unless the regulations of the Code of Commercial Companies (KSH), 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. The breaks shall not exceed 30 days in total.

The competences of the General Meeting of TAURON Polska Energia, the description of the shareholders' rights and the way they are exercised as well as the rules for amending the Articles of Association of TAURON Polska Energia, along with the information on amending the Company's Articles of Association in 2023, are 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 2023.

2.4.3. Supervisory Board of TAURON Polska Energia

Table of indicators:	
GRI – general	2-10
WSE	G-M1, G-M2, G-M3

The 6th term of office of the Supervisory Board of the Company was under way in the financial year 2023, having begun its run on July 15, 2020. Following the balance sheet date, the 7th term of office of the Supervisory Board of the Company began on April 3, 2024. In accordance with the Company's Articles of Association, a term of office of the Supervisory Board shall be common and shall last 3 full financial years.

The composition of the Company's Supervisory Board as of December 31, 2023:

- | | |
|----------------------|--|
| 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. Dariusz Hryniów | – Member of the Supervisory Board, |
| 5. Leszek Koziowski | – Member of the Supervisory Board, |
| 6. Ryszard Madziar | – Member of the Supervisory Board, |
| 7. Grzegorz Peczkis | – Member of the Supervisory Board. |

The composition of the Company's Supervisory Board as of the date of drawing up this report:

- | | |
|-----------------------------|--|
| 1. Sławomir Smyczek | – Chair of the Supervisory Board, |
| 2. Natalia Klima-Piotrowska | – Vice Chair of the Supervisory Board, |
| 3. Piotr Kołodziej | – Member of the Supervisory Board, |
| 4. Michał Hulbój | – Member of the Supervisory Board, |
| 5. Beata Kisielewska | – Member of the Supervisory Board, |
| 6. Leszek Koziowski | – Member of the Supervisory Board, |
| 7. Katarzyna Maślowska | – Member of the Supervisory Board, |
| 8. Karolina Mucha-Kuś | – Member of the Supervisory Board, |
| 9. Krzysztof Tkaczuk | – Member of the Supervisory Board. |

Information on changes in the composition of the Supervisory Board that had taken place in 2023 and 2024 until the date of drawing up this Report, as well as the descriptions of the experience and competences of the Members of the Supervisory Board 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 2023.

The competence and the description of the procedures of the Supervisory Board of TAURON Polska Energia

The Supervisory Board shall act on the basis of the Code of Commercial Companies (KSH) and the 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 Supervisory Board of the Company shall be acting in accordance with the principles provided in the Best Practice of the Companies listed on the WSE 2021.

The Members of the Supervisory Board of the Company, when performing the functions and the duties assigned, shall be guided in their conduct, including in making the decisions, by the 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 of the Group against the backdrop of the industry and the market on the basis of the materials provided thereto by the Management Board of the Company, and by the internal systems and functions of the Company, as well as those 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 responsibilities collectively. The meetings of the Company's Supervisory Board shall be convened by the Chair of the Supervisory Board or the Vice Chair of the Supervisory Board by presenting a detailed agenda of the meeting.

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

A participation in a meeting of the Supervisory Board shall be a Supervisory Board Member's duty. The Supervisory Board may seek the opinions of experts using the knowledge of the Company's employees, including in particular, the legal counsels who are providing a regular legal assistance to the Company.

The Supervisory Board shall make decisions in the form of the resolutions. The Supervisory Board's resolutions shall be passed mainly during the meetings thereof. The Supervisory Board shall pass its resolutions if at least half of its members are present at the meeting and all of its members have been invited in an adequate manner defined in the Regulations of the Supervisory Board. Subject to the absolutely mandatory legal regulations in force, including the Code of Commercial Companies (KSH) and the provisions of the Company's Articles of Association, the Supervisory Board shall pass its 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 the matters not included in the agenda unless all of the 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 a meeting. The 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 its resolutions in writing or using the means of the direct remote communications. Passing of a resolution in such a way shall require a prior notification of all of the 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 of the resolution. The Company's Supervisory Board may pass the 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 or 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 the direct remote communications shall be signed by the Chair of the Supervisory Board. The resolutions passed this way shall be presented at the forthcoming meeting of the Supervisory Board along with the result of the voting.

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 the due diligence. The Members of the Supervisory Board shall be obliged to keep confidential the information related to the Company's business operations that they have acquired in connection with holding their seat or on another occasion.

The Supervisory Board of the Company may appoint from among its members the permanent (standing) or the 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 had taken place in 2023 and 2024 until the date of drawing up this report, as well as the description of their competence and activities are provided 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 2023.

The competences of the Company's Supervisory Board are 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 2023.

The rules on appointing and dismissing the Members of the Supervisory Board of TAURON Polska Energia

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 had lasted 1 year. The term of office (mandate) of a Member of the Supervisory Board shall expire, at the latest, as of the date of holding 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, the 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 the Members of the Company's Supervisory Board in the number equal to a half of the maximum number of the Members of the Company's Supervisory Board defined in the Company's Articles of Association (in the case such a 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 the establishing of the number of the Members of the Company's Supervisory Board that would correspond to the maximum number of the Members of the Company's Supervisory Board defined in the Company's Articles of Association in the case such a motion is submitted to the Company's Management Board by a shareholder or shareholders who hold a number of the votes that entitle them to exercise at least 5% of the total number of the votes in the Company,
 - 2) shall be excluded from the right to vote at the General Meeting (GM) on appointing and dismissing of the other Members of the Company's Supervisory Board, including the independent members of the Company's Supervisory Board; this shall not, however, apply to the case when the Company's Supervisory Board is not able to 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 the 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 the 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 a single Member of the Company's Supervisory Board,
3. appointing and dismissing of the 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.

The Minister competent to exercise the rights in respect of the shares held by the State Treasury, as part of the statutory powers vested onto the State Treasury, shall appoint as a Member of the Supervisory Board a person who, pursuant to the Act of December 16, 2016, on the principles of state assets management, has obtained a positive opinion of the Council for the companies with a State Treasury shareholding and the state owned legal entities and meets the requirements set forth in the above mentioned Act related to, among other things, education and qualifications.

In accordance with the Regulations of the General Meeting, the above mentioned criteria shall not be required for the Members of the Supervisory Board appointed by the General Meeting.

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 the certified auditors, audit firms and the public oversight, as well as should not have the actual and the material ties to a shareholder holding at least 5% of the total number of the votes in the Company.

Pursuant to the Act of May 11, 2017, on the certified auditors, audit companies and the public oversight, the majority of the members of the audit committee, including the head thereof, should be independent and at least one member of the audit committee should have the knowledge and the skills with respect to the accounting or auditing of the financial statements and at least one member of the audit committee should have the knowledge and the skills with respect to the industry that the company is operating in.

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

The information on the compliance by the Members of the Supervisory Board of the Company with the independence criteria, as well as on the existence or the non-existence of the actual and the material ties to a shareholder holding at least 5% of the total number of the votes in the Company is posted on the Company's website at the address: <https://www.auron.pl/auron/o-tauronie/wladze-spolki>, 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 2023.

The Company does not have in place a separate (dedicated) diversity policy with respect to the Members of the Supervisory Board of the Company due to the personal powers of the Minister competent to exercise the rights in respect of the shares held by the State Treasury to appoint a majority of the Members of the Supervisory Board.

The Policy of the compensation for the Members of the Supervisory Board of TAURON Polska Energia

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 2023.

2.4.4. Management Board of TAURON Polska Energia

Table of indicators:	
GRI – general	2-9, 2-10, 2-11, 2-15, 2-17, 2-18, 2-19
WSE	G-M1, G-M2, G-M3

The 6th term of office of the Management Board of the Company was under way in the financial year 2023, having begun its run on July 15, 2020. Following the balance sheet date, the 7th term of office of the Management Board of the Company began on March 7, 2024.

In accordance with the Company's Articles of Association, a common term of office shall last 3 full financial years.

The composition of the Company's Management Board as of December 31, 2023:

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 Szczegielniak – Vice President of the Management Board for Trading,
6. Artur Warzocha – Vice President of the Management Board for Corporate Affairs.

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

1. Grzegorz Lot – President of the Management Board,
2. Piotr Gołębiowski – Vice President of the Management Board for Trading,
3. Michał Orłowski – Vice President of the Management Board for Asset Management and Development,
4. Krzysztof Surma – Vice President of the Management Board for Finance.

In 2023, there were no changes in the composition of the Company's Management Board. Information on changes in the composition of the Company's Management Board that took place in 2024 until the date of drawing up this Report and the experience and competences of the Company's Management Board Members are presented in section 9 of the Report of the Management Board on the Operations of TAURON Polska Energia S.A. and TAURON Group for the financial year 2023.

The competences and the description of the procedures of the Management Board of TAURON Polska Energia

The Management Board of the Company shall act on the basis of the Code of Commercial Companies (KSH) and the 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 (Joint Stock Company) 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 of the Companies listed on the WSE 2021".

Two Members of the Management Board or a single Member of the Management Board together with a proxy shall be entitled to make valid statements on behalf of the Company. In the case that the Management Board includes a single 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 be chaired by the President of the Management Board or a Vice President of the Management Board designated thereby. 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 the 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 take part in the reviewing of the matter or in the voting on a resolution in the matter in which a conflict of interest may arise in relation thereto.

The internal division, among the Members of the Management Board, of the tasks and the 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, shall be defined by the Company's Management Board Resolution no. 118/VII/2024 of April 11, 2024 amending Resolution No. 59/VII/2024 of March 7, 2024 regarding the assignment of individual organizational units of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A.

The structure of the Company's business areas reporting to the individual Members of the Company's Management Board as of December 31, 2023, is presented on the diagram (flowchart) showing the division of the responsibilities of the Members of the Company's Management Board, described in section "2.4.6. Organization of the Company TAURON Polska Energia", of this report. In turn, the structure of the Company's business areas reporting to the individual Members of the Company's Management Board as of the date of the publication of the report is presented in section "2.6 Changes to the principles of the management of TAURON Polska Energia and TAURON Group" and posted on the Company's web site at the address: <https://www.tauron.pl/tauron/o-tauronie/wladze-spolki>.

The competences and the description of the activities of the Company's Management Board are provided 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 2023.

The rules on appointing and dismissing the Members of the Management Board of TAURON Polska Energia

The Management Board of the Company shall be composed of 1 to 6 persons, including the President and the Vice President. The 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 had lasted 2 years. The term of office (mandate) of a Member of the Management Board shall expire, at the latest, on the date of holding 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.

The Members of the Management Board shall be appointed by the Supervisory Board based on the conducted qualification (recruitment) proceedings whose goal is to verify and evaluate the candidates' qualifications and select the best candidate. The Supervisory Board, when initiating the qualification (recruitment) proceedings for a position of a Member of the Management Board, shall define, by way of a resolution, the detailed rules and the procedure of such proceedings, including in particular: the position subject to the proceedings, the date and the place of the interview, the range of the issues subject of the interview, the requirements and the method to be applied to evaluate the candidate.

The announcement (notice) of the qualification proceedings shall be published on the Company's web site at the address: <https://www.tauron.pl> and in the Public Information Bulletin (Biuletyn Informacji Publicznej) of the Minister competent to exercise the rights in respect of the shares held by the State Treasury.

The Supervisory Board shall notify the shareholders of the results of the qualification (recruitment) proceedings and shall make the minutes of the qualification (recruitment) proceedings available.

A candidate for a Member of the Management Board must meet the requirements set out in § 16, clauses 3 and 4 of the Company's Articles of Association.

A candidate for a Member of the Management Board of the Company may be a person who meets all of the following conditions:

1. holds a university degree or a university degree obtained abroad and recognized in the Republic of Poland, pursuant to the separate regulations,
2. has at least 5 years of employment on the basis of a labor contract, call-up, selection, appointment, cooperative employment contract, or a provision of services on the basis of any other contract or by way of a self-employment,
3. has at least 3 years of experience of holding the managerial or independent positions or resulting from the self-employment,
4. meets the requirements, other than those listed in items 1 – 3, specified in the separate regulations, and in particular does not violate the restrictions or prohibitions on holding the position of a member of a management body at the commercial companies.

A Member of the Management Board of the Company cannot be a person who:

1. performs the function of a social collaborator or is employed in the office of a deputy, a senator, a combined deputy and senator office or the office of a Member of the European Parliament under a labor contract or performs work on the basis of a job performance contract (contract of mandate) or other contract of a similar nature,
2. is a member of a political party authority representing the political party externally and is authorized to take on obligations on its behalf,
3. is employed by a political party on the basis of a labor contract or performs work on the basis of a job performance contract (contract of mandate) or other contract of similar nature,
4. holds an elected position in a company's trade union organization or in a trade union organization of a company (subsidiary) that is a part of the capital group,
5. his or her social or income generating activity gives rise to a conflict of interest with respect to the company's activities.

In accordance with the *Regulations of the qualification proceedings for the positions of the Members of the Management Board of TAURON Polska Energia S.A.*, in addition to the above mentioned conditions, a candidate for a position of a Member of the Management Board should hold a security clearance authorizing access to the classified information marked "secret (classified)" within the meaning of the *Act of August 5, 2010, on the protection of classified information*, or express consent to undergo the security clearance procedure provided for obtaining access to the classified information marked "secret (classified)", in the event of having been appointed to be a Member of the Management Board.

The Company does not have in place a separate (dedicated) diversity policy with respect to the Members of the Management Board due to the Company's adoption of the solutions in accordance with the *Act of December 16, 2016, on the Principles of the Management of the State Assets* with respect to the appointment of the Members of the Management Board following the qualification proceedings.

The Policy of the compensation for the Members of the Management Board of TAURON Polska Energia

The compensation system for the Members of the Management Board of TAURON Polska Energia S.A. and for the key managers is described in detail in section 11 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

2.4.5. Performance evaluation of the top management body

Table of indicators:

GRI – general	2-18, 2-19
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The performance evaluation of the highest management body is independent. TAURON Polska Energia has a Compensation Policy for Management and Supervisory Board Members, which sets out the objectives and principles for remuneration of Management and Supervisory Board Members while taking into account and complying with applicable Polish law, in particular the Act on the Principles of Shaping the Remuneration of People in Charge of Certain Companies and European Union Law, resolutions of the General Meeting and the Supervisory Board, provisions of the Good Practices of Companies Listed on the WSE and Recommendations of the European Commission. It was adopted by resolution of the company's Annual General Meeting of July 15, 2020 and amended by resolution of the Annual General Meeting of May 24, 2022. The solutions adopted in the Policy contribute to the implementation and execution of the Strategy, development directions and financial plans. The Remuneration Policy, together with the resolution of the Company's AGM on its adoption, has been published on the Company's website at: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>. The current principles for shaping the remuneration of Board Members were established by the Ordinary General Meeting of TAURON Polska Energia in a resolution dated May 24, 2022.

The overarching objectives of the Compensation Policy include:

- ensuring a consistent and motivational compensation system for the Members of the Company's Management Board,
- linking the compensation principles with the monitoring of the implementation of the adopted strategic plans, the long term interests of the Company and the implementation of the financial plans,
- setting the level of the compensation of the Members of the Company's Management Board in a way that links it with the accomplishment of the management objectives set,
- increasing the Company's value through the development of the most senior management staff,
- improving the compensation system that would result in the implementation of the Company's business strategy and the directions of its expansion
- ensuring the stable growth of the Company.

The model of the compensation covered by the Compensation Policy assumes a two component system for determining the compensation of the Members of the Company's Management Board, where the total compensation of a Member of the Company's Management Board is composed of a fixed part constituting the monthly base compensation and a variable part constituting the supplementary compensation for the Company's financial year, dependent on achieving the specific management KPI objectives

In particular, the general management objectives include:

- achieving of the EBITDA result at the level approved in the Material and Financial Plan for the given financial year,
- achieving of the Net Debt to EBITDA ratio at the level approved in the Material and Financial Plan for the given financial year,
- maintaining of TAURON Polska Energia's investment grade rating,
- achieving of the results of the implemented restructuring programs or the programs aimed at improving the Capital Group's operational efficiency,
- implementation of the Capital Group's strategy and its investment projects in accordance with the schedule and budget that are optimal from the point of view of the projects' profitability and the condition of the Capital Group,
- implementation of the investment projects that are key to energy security, particularly in the power generation and distribution lines of business,
- sales of the new products (sales of the products that include electricity and the products that provide synergy with electricity and gas),
- improvement of the quality indicators with respect to Customer service or other operational indicators,
- increase of the innovations implemented by the Group as a result of the implementation of the research, development and the pilot projects, as well as the innovation deployments, taking into account the efficient use of the funds allocated for this purpose

The above general management objectives are detailed every year by the Supervisory Board by setting the specific tasks for the given financial year, along with defining their weights as well as the objective and the measurable criteria for their implementation and settlement (accounting for) (KPIs).

The additional management objectives that constitute the preconditions for the possibility of receiving the variable part of the compensation are related to the establishment and application of the principles of the compensation of the members of the management and the supervisory authorities of the subsidiaries that correspond to the rules set forth in the Act on the principles of determining the compensation of the management personnel of certain companies, as well as the fulfillment of the obligations referred to in the Act on the principles of the state assets management.

The variable compensation of the Members of the Company's Management Board shall not exceed 100% of the fixed compensation for the financial year, assuming the management objectives, set by the GM and detailed by the Supervisory Board for the given financial year, have been achieved.

The variable compensation for achieving the financial management objectives shall be granted based on the data coming from the audited consolidated financial statements of the Company for the given financial year. The variable compensation for achieving the non-financial management objectives shall be due in connection with the achieving of the specific goals in the given financial year based on the assessment of the accomplishment thereof made by the Supervisory Board of the Company.

The Members of the Management Board of the Company are neither covered by the bonus program based on the equity of the Company (stock awards), nor do they receive any compensation or bonuses due to the performance of their functions in the governing bodies of TAURON Group's subsidiaries.

The resolutions on the compensation of the Members of the Management Board are adopted by the General Meeting and the Supervisory Board within the scope of their competencies.

The compensation system for the Members of the Management Board of TAURON Polska Energia S.A. and for the key managers is described in detail in section 11 of the Report of the Management Board on the operations of TAURON Polska Energia and TAURON Capital Group for the financial year 2023.

2.4.6. Organization of the Company TAURON Polska Energia

Table of indicators:

GRI – general	2-9, 2-10, 2-11, 2-19
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TAURON Polska Energia is the parent company of TAURON Group, performing the role of a corporate center. The company's functioning is carried out on the basis of the operations of the Management Board, in which the competencies of managing the company's individual substantive units are divided between the President of the Management Board and the Vice Presidents of the Management Board. The internal division, among the Members of the Management Board, of the tasks and the responsibilities for the individual business areas of the Company's operations, as defined in the Organizational Regulations 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 (overseen) by the Members of the Company's Management Board, is defined, as of December 31, 2023, by the Company's Management Board Resolution No. 336/VI/2022 of September 15, 2022, regarding the assignment of the individual organizational units of the Company and the independent (autonomous) work positions directly reporting to the Members of the Management Board of TAURON Polska Energia. The diagram showing the division of the competences (responsibilities) of the Members of the Management Board of TAURON Polska Energia, as of the date of December 31, 2023, is presented in the below figure.

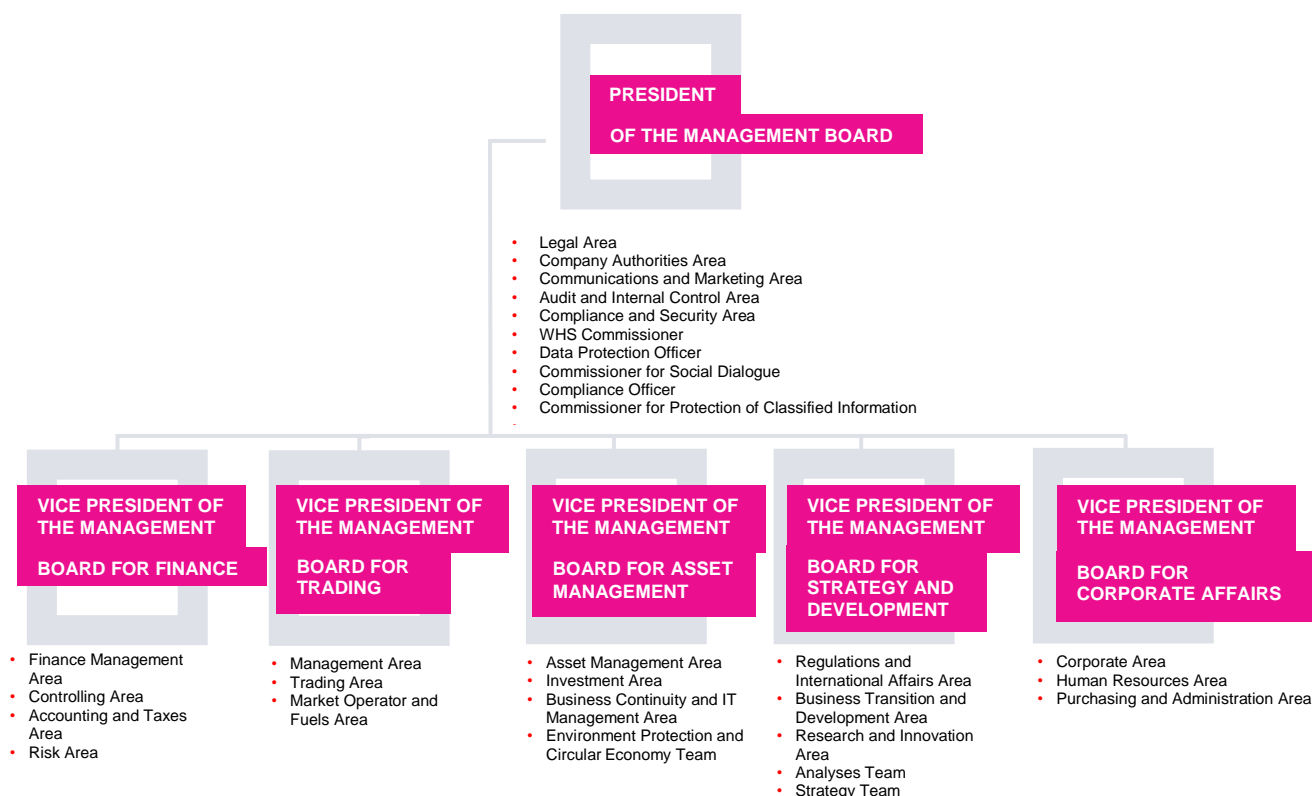


Figure no. 9. The diagram showing the division of the responsibilities of the Members of the Management Board of TAURON Polska Energia as of December 31, 2023

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

The Company TAURON Polska Energia 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 or Executive Directors. The activities of the Team are managed by the Team Leader (Manager),
2. independent (autonomous) work positions:
 - 1) Executive Directors who manage and lead the work of the subordinate Teams or work positions constituting the given business area of the Company,
 - 2) other independent (autonomous) work positions that may be entrusted to, in particular, the Plenipotentiaries (Power of Attorney), Inspectors, Spokespersons,
3. temporary organizations – Project Teams set up with the goal to implement tasks and projects of the Company.

2.5. Principles of TAURON Group's management

Table of indicators:

GRI – general	2-6
WSE	I-M1

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.

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 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.

TAURON Group's Business and Operational Model document

The Business and Operational Model document is a response to the needs and the 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 the tasks of the Corporate Center, Lines of Business and the 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 ESG issues (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.

The key assumptions of TAURON Group's Strategy in force include, among other things, 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.

Due to the reorganization processes under way 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 (a priority of the economic interest of the Group),
- environment protection and adaptation to the challenges stemming from the climate change,
- focus on the 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 Business Model introduces the division of the roles and responsibilities, based on the assignment of the process competences among the Corporate Center, the Lines of Business and the Shared Service Centers. This division is shown in Figure no. 10.

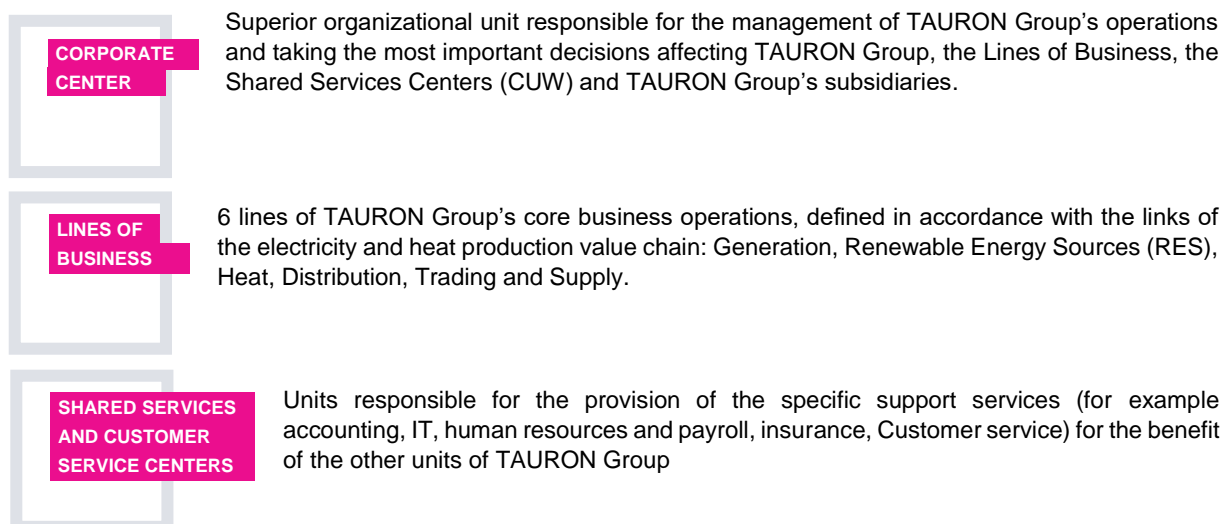


Figure no. 10. The division of obligations (duties) and responsibilities under TAURON Group's business model in 2023

2.6. Changes to the principles of the management of TAURON Polska Energia and TAURON Group

Table of indicators:

GRI – general	2-11
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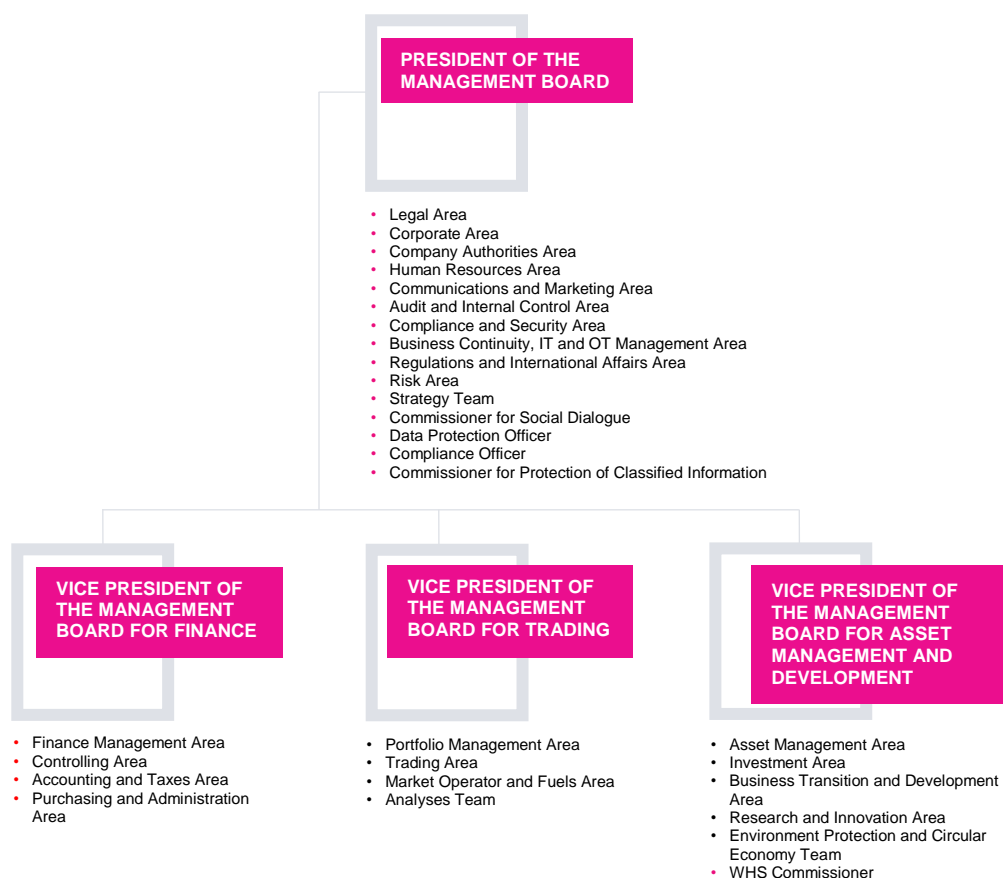
Changes to the principles of the Company's management

The Organizational Regulations were amended in 2023 to move the non-financial reporting responsibilities from the Communications and Marketing Area to the Strategy Team, and to assign the responsibilities for creating and coordinating the integrated report to the Communications and Marketing Area.

The internal division, among the Members of the Management Board of the Company, of the tasks and the responsibilities for the individual Business Areas of the Company's operations, as defined in the Organizational Regulations 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, as of the date of drawing up this Report, by the Company's Management Board Resolution No. 118/VII/2024 of April 11, 2024 amending Resolution No. 59/VII/2024 of March 7, 2024 regarding the assignment of individual organizational units of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A. The structure of the Company's Business Areas reporting to the individual Members of the Company's Management Board is posted on the Company's website at the following address: <https://www.tauron.pl/tauron/o-auronie/wladze-spolki>.

The diagram showing the division of the responsibilities of the Members of the Management Board of TAURON Polska Energia S.A. as of the date of drawing up this Report is presented in Figure no. 11.

Figure no. 11. Diagram (flowchart) showing the division of the responsibilities of the Members of the Company's Management Board, as of the date of drawing up this report



Changes to the principles of TAURON Group's management

TAURON Group's Business and Operational Model had been updated in 2023, taking into account the Group's changing needs and operating environment (conditions). The update to the Business Model is, first and foremost, the removal of the Mining Line of Business, CUW Ochrona (Security) and the transfer of the Czatkowice Limestone Mine from the Mining Line of Business to the Supply Line of Business.

2.7. Group's Business Model

Table of indicators:

GRI – general	2-6
WSE	I-M1

The Group's Business Model is based on the division of the competences among the superior unit, i.e. TAURON Polska Energia, Lines of Business and the Shared Services Center

TAURON Polska Energia

The Group's parent company is TAURON Polska Energia with its registered office in Katowice, which oversees the corporate functions, such as management, strategic investments, finance, controlling, internal audit, PR, investor relations and purchasing.

Lines of Business

The Group's business operations were conducted in 2023 based on six Lines of Business (Segments) presented in Figure no. 12.

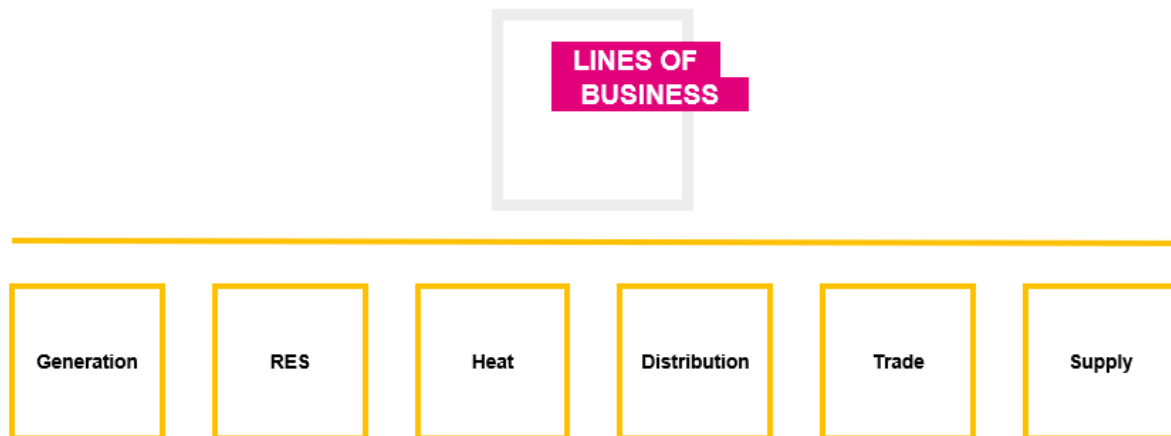


Figure no. 12. TAURON Group's Lines of Business in 2023.

Shared Services and Customer Service Centers

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), as well as the insurance services. 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).

The business model in TAURON Group's core lines of business is presented in Figure no. 13.

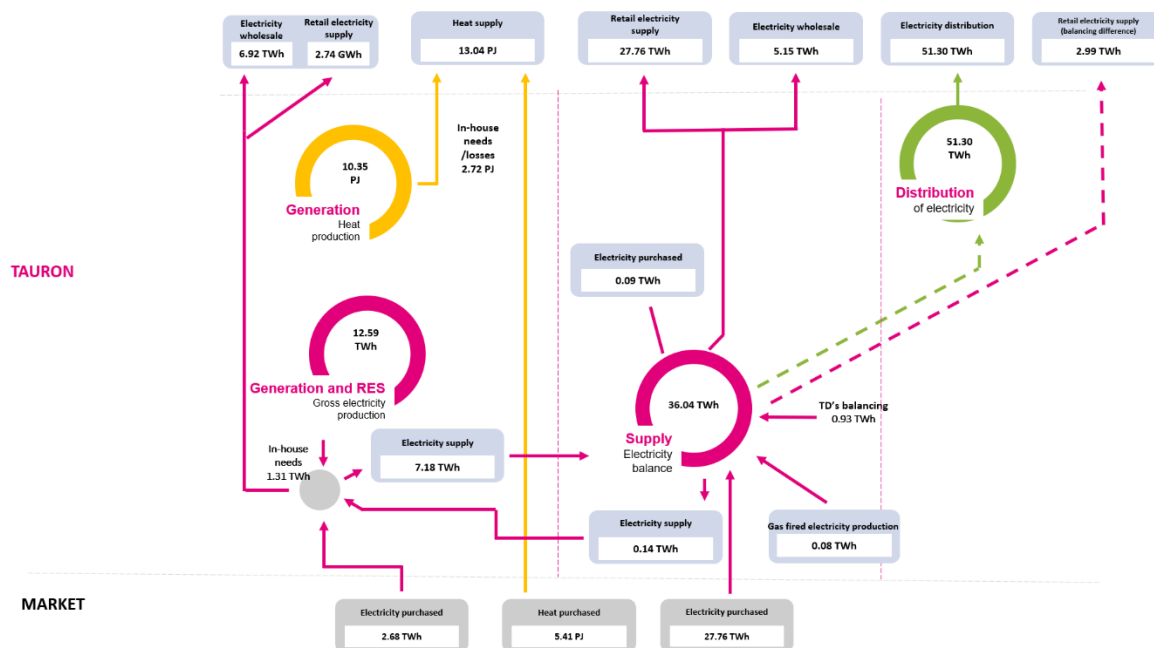


Figure no. 13. The business model in TAURON Group's core lines of business in 2023

2.7.1. Value chain and business relations

Table of indicators:

GRI – general	2-6
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Generation Line of Business

It comprises the production of electricity and heat using the power plants fired with the hard coal, which is sourced on the market, and with the use of the biomass. The operations are conducted by the TAURON Wytwarzanie subsidiary and the TAURON Inwestycje subsidiary. The electricity generation is carried out by:

- conventional power plants with the total capacity of approx. 4.1 GWe and 0.9 GWt located in the following cities: Łaziska Górne, Będzin, Trzebinia and Jaworzno,
- biomass fired unit with the capacity of 50 MWe in Jaworzno,
- 2 photovoltaic power plants with the total capacity of 42 MWe that are managed by TAURON Inwestycje, located in Jaworzno and Mysłowice.

This Line of Business also includes the technical maintenance (support) services that are provided by the TAURON Serwis subsidiary. The activities aimed at spinning off the TAURON Wytwarzanie subsidiary out of TAURON Group to the State Treasury (in accordance with the government's program to create NABE), as an entity operating the coal fired generation assets, had been continued in 2023. The research and development works are carried out by the TAURON Inwestycje subsidiary with its registered office in Będzin.

Heat Line of Business

It comprises the generation, distribution, as well as the supply of heat from the generation sources, including the co-generation sources, as well as maintaining the production capabilities of the Line of Business in the adequate condition. The 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 are also using oil and gas. The fuels used to generate heat are sourced on the market. The district heating operations are conducted by the TAURON Ciepło, SCE Jaworzno III and Energetyka Cieszyńska (incorporated by TAURON Ciepło in 2023) subsidiaries, that are, in total, operating more than 1 thousand kilometers 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 976 km of TAURON Ciepło's own networks (including Energetyka Cieszyńska), and 119 km of SCE Jaworzno III's own networks.

Renewable Energy Sources Line of Business

It comprises the generation of electricity using the renewable energy sources, except for the biomass burning, which, according to the Business Model, is carried out as part of the Generation and Heat Lines of Business. The production of electricity from biomass is also classified as a 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 photovoltaic power plant with the capacity of 14 MW. The operations of this Line of Business are conducted by TAURON Ekoenergia, TAURON Zielona Energia, special purpose vehicles set up to build new RES sources as well as TAURON Ekoserwis (a subsidiary providing the support and maintenance services for the hydro power assets).

Distribution Line of Business

It comprises the distribution of electricity using the distribution grid located in the south of Poland. TAURON 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 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 Pomiary subsidiary.

Trading Line of Business

It comprises the wholesale trading of electricity, as well as the trading and management of the CO₂ emission allowances and the property rights arising from the guarantees of origin (GO) of electricity, as well as fuels. Such operations are conducted by TAURON Polska Energia and TAURON Czech Energy. The Trading Line of Business also includes the procurement of the biomass, as well as the utilization of the mining and burning processes' by-products carried out by the Bioeko Grupa TAURON subsidiary.

Supply Line of Business

It comprises the supply of electricity, as well as of the other products / services included in TAURON Group's offering, 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 the services related to street lighting, as well as the energy efficiency and smart technology services carried out primarily by the TAURON Nowe Technologie subsidiary. The company is managing approx. 741 000 street lamps. In 2023, TAURON Group had continued selling the broadband Internet access services. The telecommunications network built allowed for providing the coverage for more than 104 000 households and 428 educational units. A total of 5 549 kilometers of networks were built on the territory of 127 municipalities. The service is provided by the TAURON Obsługa Klienta subsidiary.

Due to the change of the Business Model, following the removal of the Mining Line of Business, the Supply Line of Business is also performing the tasks related to the extraction, processing and the sales of limestone both within as well as outside TAURON Group. The operations are carried out by the Czatkowice Limestone Mine (Kopalnia Wapienia „Czatkowice”), and the limestone from the Czatkowice deposit is widely used in the power, metallurgical, construction, lime, cement, sugar, road building and the agricultural industry.

Shared Services

The other operations are a part of a separate line of business called the Shared Services Centers. It includes such services, provided for TAURON Group's subsidiaries as, among other things, accounting and human resources services, as well as the IT services, carried out by the TAURON Obsługa Klienta subsidiary, managing insurance policies for all of the Group's subsidiaries – the TAURON Ubezpieczenia subsidiary, the real estate management and the maintenance (support) services for the vehicles – the Usługi Grupa TAURON subsidiary.

The goal of such a division of competences is to relieve the Lines of Business from the obligation to carry out the processes that are not directly associated with their core business operations, as well as to reduce the costs of performing such processes thanks to the economies of scale and the improvement of the operational efficiency. As part of the operations of the TAURON Obsługa Klienta subsidiary also the Customer service is provided for the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries and, taking into account the need to ensure the independence of the DSO and the compliance with the other unbundling rules, for the TAURON Dystrybucja subsidiary.

2.7.2. Capitals and the value creation model

Table of indicators:

GRI – general	2-6, 2-7
GRI – topic	301-1, 404-1, 405-1

Value creation model

The implementation of the measures set forth in TAURON Group's Strategy allows for a sustainable transition and increases the investment potential for the development of the renewable energy sources. The effects of these actions are and will continue to be visible in all of the capitals. The transition towards the zero- and low carbon energy sources will also have its impact on each segment of the Group's business operations.

TAURON Group's overall business operations, providing the Customers with safe and stable electricity and heat supply, continuously build the relationships with the external environment (stakeholders), including the social environment (stakeholders), which has an impact on the growth of the Group's value, while minimizing the negative impact on the environment and climate. Figure no. 14 presents TAURON Group's value creation model.

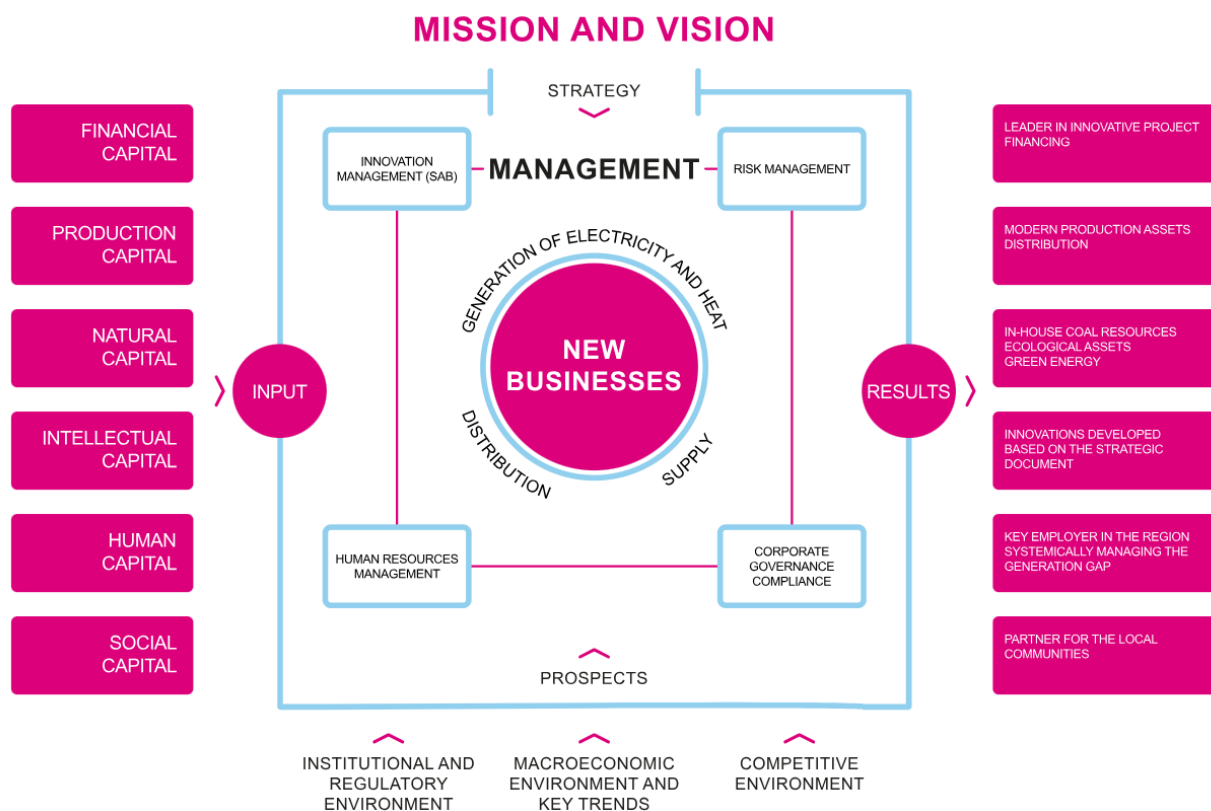


Figure no. 14. TAURON Group's value creation model

Financial capital

TAURON Capital Group's sources of financing include: the company's equity, the funds generated from the business operations conducted and the liabilities.

TAURON Group is obtaining the new financing sources aimed at supporting the projects related to TAURON Group's Strategy. TAURON used the financing available under the syndicated loan agreements in the amount of PLN 4.0 billion and PLN 500 million, and under a working capital facility of up to PLN 750 million in 2023. In addition, TAURON had at its disposal an unused subordinated bond issuance program of up to PLN 450 million, the funds from which can be used to finance the capital expenditures, including in the RES segment, and to finance the general corporate expenses. The PLN 4.0 billion and PLN 500 million syndicated loan agreements are tied to the achievement of the sustainable development indicators in the form of the RES capacity expansion rate and the CO₂ emissions reduction rate.

At the beginning of 2024, TAURON entered into a PLN 750 million loan agreement to refinance and finance the outlays in the RES line of business and to expand the distribution grids.

The activities aimed at implementing the power sector's transition are supported by the European Union funds in the form of the earmarked special purpose funds, research programs and other instruments supporting the modern, sustainable investment projects.

The key data on TAURON Group's financial capital in 2021 - 2023 is presented in Table no. 5.

Table no. 5. Key data on TAURON Group's financial capital in 2021 - 2023

Key data related to the capital	2023	2022	2021
Equity [PLN m]	17 953	16 614	16 524
Fixed assets [PLN m]	37 353	35 053	33 855
Distribution segment's RAB [PLN m]	21 431	20 499	18 988
Net debt [multiple]	2.1x	2.9x	2.4x
Capital expenditures [PLN m]	4 364	3 962	2 932

The results achieved by TAURON Group with respect to the financial capital management are presented in Table no. 6.

Table no. 6. GRI 2-6. Results achieved by TAURON Group with respect to the financial capital management in 2021 - 2023

Results achieved	2023	2022	2021
Sales revenue [PLN m]	42 657	37 341	25 614
EBITDA [PLN m]	6 145	4 016	4 152
EBITDA margin [%]	14.4%	10.8%	16.2%
Cash flow from operating activities [PLN m]	4 616	2 775	4 955
Net debt/EBITDA ratio [multiple]	2.1x	2.9x	2.4x
Net profit (loss) [PLN m]	1 678	(134)*	385*
Long term rating	BBB-	BBB-	BBB-

* From the continued and the discontinued operations.

Financial capital versus the other capitals

TAURON Group's energy transition requires a strengthening of the distribution infrastructure, both through its expansion, as well as a modernization, connecting of the new Customers and the digitization. As a priority, these activities will have their funding sources secured. Similarly in the case of an increase of the capacity in the renewable energy sources that also require significant financial outlays. The Group, as the largest supplier of heat to the Silesia - Dabrowa metropolitan area, must also make sure that it provides a stable supply of heat for the businesses and households in a cost efficient manner. The growing environmental requirements and the rising demand for the thermal power also call for significant financial outlays.

Natural capital

The natural capitals used by the Group - non-renewable: fossil fuels (hard coal, oil, gas) and limestone (fossil) and renewable: hydro, biomass, wind or solar energy - 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. The deposits of the non-renewable resources are exploited in a responsible, rational, regulated, systematized and sustainable manner.

The changes in the way the natural capital is used in the perspective of the subsequent 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. Thanks to having guaranteed an adequate volume of the fuel supplies, mainly from the domestic hard coal mining 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.

Due to the spin off of the hard coal assets out of the Group, in 2023, the only deposit of the non-renewable resources exploited by TAURON Group in 2023 was the limestone deposit of the Czatkowice Limestone Mine (Kopalnia Wapienia „Czatkowice”).

The resources and the raw materials used by TAURON Group are presented in Tables no. 7 and no. 8.

Table no. 7. GRI 301-1. Non-renewable resource deposits exploited by TAURON Group in 2023

Type	Mineral	Number of coal mines	Aggregate area of the mining sites km ²	Operative resources m ton
Primary mineral	limestone	1	1.34	63.6*

* The resources have been determined on the basis of the inventory level as of 31.12.2023 reduced by the extraction for 2023. The exact inventory level of the operative resources as of 31.12.2023 will be known after the drawing up of a resource inventory report, which will take into account not only the depletion related to the extraction, but also the changes in the deposit's resources related to the more accurate intelligence, losses and the resource reclassifications made.

Table no. 8. GRI 301-1. Raw materials used by TAURON Capital Group in 2021 - 2023

Total	2023	2022	2021
RENEWABLE RESOURCES			
Agro biomass [tons]	38 054	58 946	82 283
Forest biomass [tons]	244 732	356 885	435 137
NON-RENEWABLE RESOURCES*			
Net coal [tons]	4 974 037	6 518 851	6 419 493
Net coal production** [tons]	-**	5 007 348	5 146 853
Coal sludge [tons]	175 112	203 775	248 142
Natural gas [m ³]	44 622 041	41 940 767	30 057 357
Heating oil [tons]	31 240	40 924	40 340
Diesel oil [m ³]	6 467	7 105	6 796
Limestone [tons]	208 794	266 639	269 563
Limestone production [tons]	1 846 782	2 108 880	2 011 529

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

** On December 31, 2022 there was a spin off of the hard coal assets (mining) out of the Group. These operations had not been conducted by the Group any more in 2023.

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.

The subsidiaries operating the biomass burning installations (TAURON Wytwarzanie and TAURON Ciepło), covered by the emission allowances trading system, and the biomass supplier (Bioeko Grupa TAURON) had obtained the certificates of the voluntary certification system authorizing them to issue documents confirming the sustainable development criteria. The biomass used for the Group's electricity generation purposes meets the so-called "sustainable biomass" criteria.

Natural capital versus the other capitals

Through the energy transition, the role and the impact on the Group of the renewable resources will be growing at the expense of the non-renewable resources. The business operations based on the fossil fuels and the emissions related thereto are not indifferent to the natural capital, and this why reducing this impact and increasing the use of the renewable resources has a significant impact on the relations with the other capitals. A positive perception of the businesses using the renewable resources translates into both the human, as well as the social capital. The consequences of today's decisions with respect to the extent and the level of the use of the natural capital have an impact on the perception of the company by the other stakeholders, such as the investors and the financial institutions. Moving away from the use of the fossil fuels is now a prerequisite for obtaining of the financing for the investment projects.

Production capital

The carrying amount (balance sheet value) of all of TAURON Group's assets stands at more than PLN 49 billion (including the fixed assets' carrying value of PLN 37 billion). The installed capacity of the conventional assets comes in at 4.5 GWe and 2.1 GWt, while the installed capacity of the zero emission assets clocks in at approximately 0.7 GWe. No hard coal fired capacity will be developed at TAURON Group's power plants, while the projects under way at the combined heat and power plants are to reduce the carbon footprint of the units, including through the construction of the gas fired sources, and the potential applications of the other technologies for the district heating production are being analyzed.

A photovoltaic power plant with a capacity of more than 37 MWe had been commissioned in Mysłowice (PV Mysłowice) in 2023, and the further projects have been launched, with 9 RES projects with a total capacity of approximately 364 MW currently in progress at the various stages of the development:

- Proszówek PV farm with a capacity of (stage I + stage II) 55 MWe,
- Postomino PV farm with a capacity of 90 MW,
- Bałków PV farm with a capacity of 54 MW,

- Mierzyn wind farm with a capacity of 58.5 MWe,
- Warblewo wind farm with a capacity of 30 MWe,
- Gamów wind farm with a capacity of 33 MWe,
- Nowa Brzeźnica wind farm with a capacity of 19.6 MWe,
- Sieradz wind farm with a capacity of 23.8 MW.

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. The changing environment, in particular the development of the 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.

The key data on TAURON Group's production capital in 2021 - 2023 is presented in Table no. 9.

Table no. 9. GRI 2-6. Key data on TAURON Group's production capital in 2021 - 2023

Key data related to the production capital	2023	2022	2021
Hard coal fired power plants (number)	5	6	6
Hard coal fired power plants (installed capacity)	4.15 GWe; 0.9 GWt	4.1 GWe; 0.8 GWt	5.2 GWe; 1.1 GWt
Combined heat and power plants (number)	5	4	4
Combined heat and power plants (installed capacity)	0.35 GWe; 1.2 GWt	0.35 GWe; 1.1 GWt	0.35 GWe; 1.1 GWt
Proprietary district heating networks - TAURON Ciepło (length)	921 km	904 km	896 km
Heat supply	13.04 PJ	13.64 PJ	15.08 PJ
Hydroelectric power plants (number)	34	34	34
Hydroelectric power plants (installed capacity)	133 MW	133 MW	133 MW
Wind power plants (number)	11	11	9
Wind power plants (installed capacity)	417 MW	417 MW	381 MW
Photovoltaic power plants (number)	3	3	2
Photovoltaic power plants (installed capacity)	56 MW	19 MW	11 MW
Cogeneration engines - gas from methane drainage (number)*	4	4	4
Cogeneration engines - gas from methane drainage (installed capacity)*	10.8 MWe	10.8 MWe	10.8 MWe
Electricity distribution lines (length)	250 600 km	246 500 km	245 800 km
Transformers (distribution)	60 200	59 800	60 800
MV/LV transformer stations and MV network switchgears	62 600	62 100	61 600.
HV/MV stations	498	497	495
Capital expenditures (PLN million)	4 362	3 962**	2 932**
Depreciation (PLN million)	2 232	2 216**	2 101**

* Cogeneration engines - in-house generation units (2 units, with the installed capacity of 5.4 MWe) and operationally controlled generation units (2 units, with the installed capacity of 5.4 MWe).

** From the continued and the discontinued operations.

The results achieved by TAURON Group in 2021 - 2023 with respect to the production capital management are presented in Table no. 10.

Table no. 10. GRI 301-1. Results achieved by TAURON Group with respect to the production capital management in 2021 - 2023

Results achieved	2023	2022	2021
Net electricity production	11.7 TWh	14.16 TWh	14.3 TWh
including electricity production from RES	1.6 TWh	1.48 TWh	1.7 TWh
Heat distribution	8.03 PJ	8.62 PJ	9.42 PJ
Heat generated	10.35 PJ	10.58 PJ	12.00 PJ
Electricity distribution	51.3 TWh	53.68 TWh	53.97 TWh

Production capital versus the other capitals

The production capital with the use of the other capitals enables revenue generation. The scope of the business operations as part of the production capital has been changing over the recent years, mainly due to the divestment of the mining assets and a gradual reduction of the capacity of the conventional (hard coal based) assets. At the same time, the role of the renewable, more distributed energy sources has been gradually climbing. This requires significant financial outlays and the new competencies in the area of operating the production assets. The transition of TAURON Group leads to a rising share and importance of the regulated business areas, i.e. electricity distribution and heat generation and distribution. The sure fact that its revenues are predictable strengthens TAURON Group's position as a stable employer allows it to finance an ambitious investment program and thus reduce its negative impact on the climate and the environment.

Human capital

The range of the Group's business operations, both in terms of the geography, as well as the competence areas, with the Group's headcount close to 19 000 employees, has a material impact upon the complexity of the human capital management process. TAURON Group is striving to optimize, standardize and digitize the human capital management processes so as to provide the employees and the management personnel with the tools to efficiently support the organization, ensure a dialogue based environment, introduce the changes and develop the organization. The key factors include the technological progress and the Group's participation in the energy sector's transition process as well as the providing the organization with the competences required to maintain business continuity in the future related thereto.

TAURON Group is creating the conditions for the flexible development of the knowledge and skills, as well as for the fostering of a work environment based on the cooperation and the partnership. The employee opinion polls that are conducted constitute the basis for building and implementing the action plans aimed at increasing the workforce engagement and creating an attractive workplace. All of TAURON Group's subsidiaries are conducting their operations in accordance with the standards with respect to the compliance with the principles of ethics, the respect for diversity and counteracting mobbing and discrimination.

The key data on TAURON Group's human capital in 2021 - 2023 is presented in Table no. 11.

Table no. 11. GRI 2-7, GRI 405-1. Key data on TAURON Group's human capital in 2021- 2023

Key data	2023	2022	2021
Number of employees (in persons as of 31.12)	18 946	25 740	25 324
Share of women among the workforce	26.9%	22.2%	21.8%
Share of men among the workforce	73.1%	77.8%	78.2%
Share of college graduates among the workforce	43.8%	36.8%	35.9%
Share of high school graduates among the workforce	38.9%	43.5%	43.2%
Share of vocational and elementary school graduates among the workforce	17.3%	19.7%	20.9%
Rotation (turnover) rate	7.29%	7.09%	7.05%

Through an active management of the human capital TAURON Group achieved in 2021 - 2023 the results presented in Table no. 12.

Table no. 12. GRI 404-1. Results achieved in 2021 - 2023 as part of TAURON Group's management of the human capital

Process categories	Results achieved	2023	2022	2021
Employee development	Number of training course hours	389 000	398 000	385 000
	Number of the development projects carried out by the employer (other than those at the request of the employee)	76	-	-
Organization development	Number of the participants of the TAURON Group Open University (the number of Tauronet views in 2022 / 2023)	1 000	1 000	2 000
	Number of training courses conducted by the Internal Coaches	210	185	155
	Number of the Internal Coaches	72	71	104
	Number of persons trained by the Internal Coaches	2 900	2 100	1 600.
	Number of the participants of the Development Squared initiative	1 008	2 046	2 406
Cooperation with the school and academic community	Number of the interns/ apprentices	400	343	265
	Number of the cooperating schools	40	18	-
	Number of the students participating in the initiatives organized by TG*	2 711	1 586	-
	Number of the students awarded scholarships	53	-	-
	Number of the patronage classes	38	50	52
	Number of the students in the patronage classes	1 000	965	1 200

*Initiatives, i.e. study visits, lectures, vocational lessons lectures and seminars

Human capital versus the other capitals

The human capital is TAURON Group's most important asset and a pillar for the stable operations and development. The employment policy is focused on acquiring of the specialists with the highest possible competencies to manage the processes carried out by the Group. The potential and the qualifications of the employees allow for the implementation of the complex technical and technological processes, obtaining of the financing for the investing activities, implementing of the development projects or cooperating with TAURON Group's stakeholders.

Intellectual capital

The main component of TAURON Group's intellectual capital is the employees' knowledge and their aggregate competences. The internal structural capital is another important component of the intellectual capital. This capital includes the technologies, methods and the processes that enable the Group to operate. In addition, the research, development and innovation activities are carried out as part of the internal projects, as well as with the participation of the business partners and the academic community. The final 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 the associates and the relations with the stakeholders, with a particular emphasis on the relationships with the suppliers and the Customers. TAURON Group is striving to deepen the cooperation with the suppliers of the technology and know-how, represented both by the large industrial conglomerates, as well as by the small companies - mainly startups.

The results achieved as part of TAURON Group's management of the intellectual capital in 2021 - 2023 are presented in Table no. 13.

Table no. 13. GRI 3-3. Results achieved as part of TAURON Capital Group's management of the intellectual capital in 2021 - 2023

Results achieved	2023	2022	2021
Number of the new research and development projects launched in all of the Group's lines of business	10	6	3
Number of the projects under way in the R&D Area	26	24	33
Total value of the projects under way	PLN 80 m	PLN 85 m	PLN 95 m
Co-financing obtained from the external sources for the implementation of the R&D projects	PLN 22 m	PLN 31 m	PLN 40 m
Number of submissions of improvement ideas	3	3	1
Number of patent applications filed	1	0	0
Number of patents received	3	2	2

Intellectual capital versus the other capitals

The development of the intellectual capital requires a financial and time investment, but it has a significant impact on the production capital and the use of the natural capital. In an era of the digitization and the vast opportunities for the information exchange, the intellectual capital is playing an increasingly important role. It is becoming the basis for the development of the production capital and the future revenue streams from the new technologies and the new areas of activity. The developed culture of innovations increases the competence and the commitment of employees positively affecting the human capital. The intellectual capital is also linked to the culture of the organization which is shaped by the norms of behavior, communication, cooperation, etc. adopted in the organization. The value of this capital is derived not only from the competences and the subject matter knowledge held, but also, to a large extent, from the ability to cooperate both inside, as well as outside the organization, thus impacting the social capital.

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. In addition, the Group is getting involved in a number of the undertakings for the benefit of the stakeholders (environment), both via the Group's subsidiaries, as well as through the TAURON foundation, such as the charity and education activities, a cooperation with the academic centers, employee volunteering and providing the support for a number of important sports and cultural events.

The results achieved as part of TAURON Group's management of the social capital in 2021 - 2023 are presented in Table no. 14.

Table no. 14. GRI 3-3. Results achieved as part of TAURON Capital Group's management of the social capital in 2021 - 2023

Results achieved	2023	2022	2021
Number of meetings with the trade union organizations functioning at the Group's subsidiaries	306	291	315
Percentage of the employees covered by the collective bargaining agreements	94.2%	95.3%	95.7%
Number of local and pro-social initiatives that TAURON Foundation has joined	119	181	93
Number of corporate social responsibility projects implemented	43	27	22

Social capital versus the other capitals

The energy industry in Poland is currently facing the challenges related to the energy transition, and thanks to an open dialogue within the organization, a stable development and the implementation of the strategic intentions are possible. The activities related to the programs offered to the employees (for example, a health care offering and the preventive programs, multisport cards, non-financial benefits, training and development opportunities, etc.) strengthen the human capital. The overall activity in the area of the social capital leads to a better perception and recognition of the TAURON brand, which also has an impact on the intellectual capital.

2.8. Group's sustainable development management

Table of indicators:

GRI – general	2-9, 2-12, 2-13, 2-14, 2-17, 2-18, 2-23, 2-24
WSE	I-M2, I-M3, I-M4

TAURON Group has defined the directions and the goals related to the environmental, climate, social and the corporate governance issues in the Group's Strategy. The progressing climate change and its projected consequences require an introduction of the fundamental changes to the role and the directions of development of the companies operating in the power sector.

ESG in TAURON Group's Strategy and the ESG Committee

The document titled "ESG in TAURON Group's Strategy", which is a presentation of a comprehensive and in line with the strategy approach to the sustainable development, was also published in 2023. The document includes the set directions of the activities and goals related to the protection of the environment and climate, concern for the society and making sure the highest standards of corporate governance are met. In accordance with the ESG criteria, the goals in each area are supported by actions, initiatives and projects aimed at achieving them. The additional information on this document is provided in section "3.5 TAURON Group's Sustainable Development".

The environmental, social responsibility and corporate governance issues are very important for TAURON Group, and thus the Group's top management is tasked with the management thereof. The diagram showing TAURON Group's ESG management structure is presented in Figure no. 15.

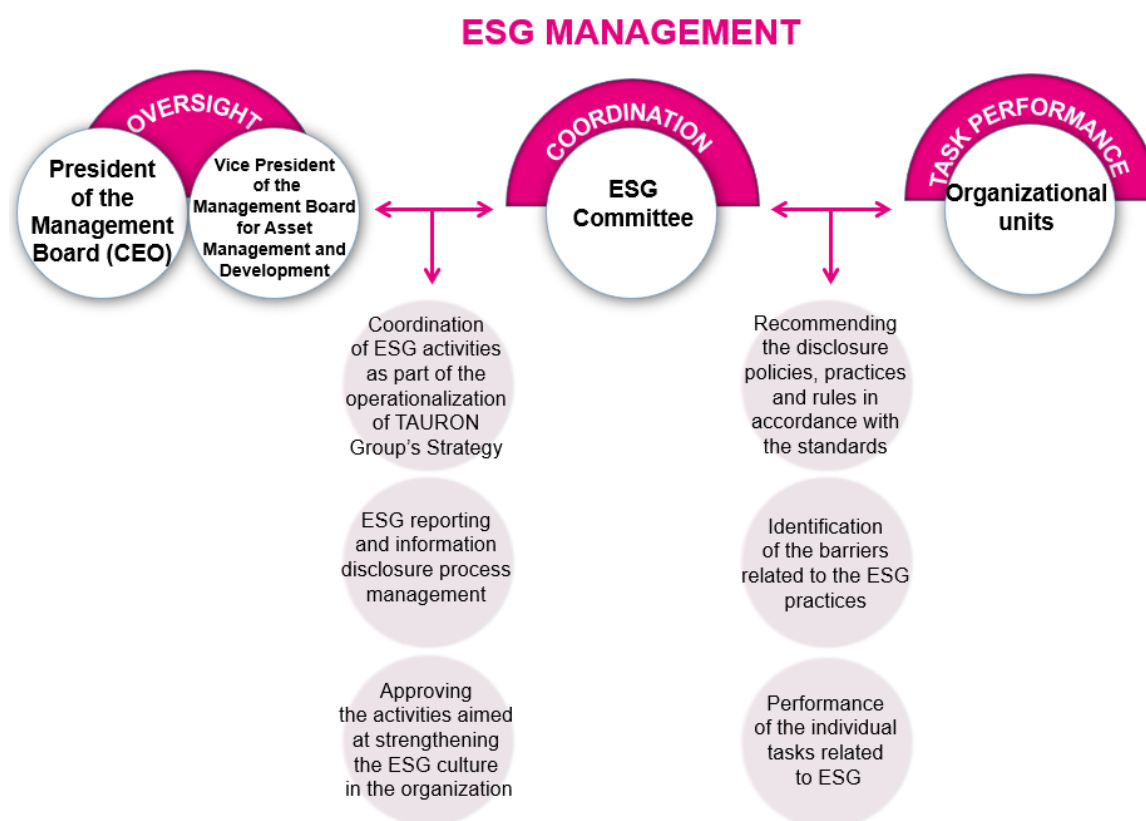


Figure no. 15. TAURON Group's ESG management structure

In order to ensure a comprehensive and consistent ESG management, TAURON Group has had in place, since December 2021, its ESG Committee, established by the Company's Management Board, involving the Group's top management in the management of the activities aimed at ensuring environmental and climate protection (E), an engagement of the entire society (S) and the highest standards of corporate governance (G).

The tasks of the Committee include, first of all, creating, disseminating and overseeing the Group's approach to the sustainable development issues and ensuring that the process of operationalizing TAURON Group's Strategy is consistent with these issues. The composition of the ESG Committee indicates how broad a range of topics the

Committee is dealing with. The head (chair) of the ESG Committee is the President of the Management Board (CEO) and the deputy head (vice chair) of the ESG Committee is the Vice President of the Management Board for Asset Management and Development. Figure no. 16 presents the composition of the ESG Committee which includes the organizational units that play a key role in an efficient management of the sustainable development issues.

The Management Board is responsible for managing the company and setting the direction of TAURON Group's activities, including the achievement of the set long term goals, in accordance with the adopted strategy assuming a sustainable development of the Group. The ESG related decisions are made in accordance with the best practice, stakeholder expectations and based on the best knowledge. The Members of the Management Board delegate the responsibilities with respect to the sustainable development to the management team, and in particular to the ESG Committee. The Management Board of TAURON Polska Energia periodically presents the effects of the implementation of the activities related to the ESG topics to the Supervisory Board, as well as to the Strategy Committee and the Audit Committee established within the Supervisory Board, among other things, by discussing the assessment of the effectiveness of the functioning of the risk management and the internal control systems, the presentations and reports on the scope of the tasks in the Compliance area, as well as the progress in implementing TAURON Group's adopted Strategy, a part of which are also the goals in the ESG area.



Figure no. 16. Organizational units that are part of TAURON Group's ESG Committee

The specific tasks of the ESG Committee include:

- coordinating the operationalization of TAURON Group's Strategy with regard to the ESG issues by recommending the information disclosure policies, practices and rules in line with the sustainable development reporting standards, implementing of the ESG principles at TAURON Group's subsidiaries during the preparation and the implementation of the investment, reorganization, research and development, social and other projects,
- identifying and analyzing the organizational barriers related to the implementation of the ESG best practices taking into account the conditions of TAURON Group's business operations,
- overseeing TAURON Group's reporting and information disclosures with respect to the ESG issues in accordance with the legal regulations and the best practice,

- monitoring the trends and analyzing the ESG issues that may have an impact on the Group's business operations and making recommendations on the ESG targets, metrics and procedures

The most important topics discussed during the ESG Committee meetings in 2023 were the ESG rating analyses, annual non-financial reporting, new reporting standards, operationalization of TAURON Group's ESG strategy, and an identification of the areas to target for the potential adjustments. The ESG Committee meetings were held quarterly.

ESG education of the Management Board and the employees

In the reported period, in order to develop knowledge, competence, skills and experience, in the field of the sustainable development, the Management Board, among other things, took part in numerous conferences and panel discussions on the issues related to sustainable development, green economy and energy transition, such as: Poland's Nationwide Energy Summit 2023, Poland Nationwide Economic Summit 2023, ESG Poland's Power of Business Congress, TOGETAIR Climate Summit, PRECOP Conference, European Economic Congress, Economic Forum. In total, the Members of the Management Board spent more than 260 hours attending these events.

The Group's employees were involved in the numerous ESG education initiatives. One of them was the "ESG Week" organized at TAURON Group in October 2023, as part of which the participants had an opportunity to expand their knowledge not only of the theoretical issues related to the sustainable development but also to get to know the practical examples. The employees also took part in a number of conferences, studies or training sessions on the subject (Table no. 15).

Table no. 15. Results achieved with respect to the development of the employee competence in the ESG topics in 2023

Type of initiative	Environment (E)			Society (S)			Governance (G)		
	number of initiatives	number of participants	number of training hours	number of initiatives	number of participants	number of training hours	number of initiatives	number of participants	number of training hours
Conferences	55	228	3 846.5	34	155	1 830.0	30	111	1 532.8
Studies	5	8	1 498.0	1	1	188.0	3	1 926	6 364.5
Training	39	510	1 680.0	63	3728	12 989.0	84	3	516.0
Total	99	746	7 024.5	98	3884	15 007.0	117	2 040	8 413.3

United Nations Global Compact

In 2022, TAURON Polska Energia joined the United Nations Global Compact (UN Global Compact), the UN's largest sustainable business initiative. 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.

In connection with the membership in the UN Global Compact, the first "Report on the Respect for Human Rights at TAURON Group" was published in 2023. It contains the data and information on the most relevant human rights issues occurring in the course of the business operations conducted. The issues presented in the Report include an assessment of the impact of TAURON Group's business operations on the human rights and the identification of the risks associated with respecting them. In addition, the Report includes the information on the mitigating actions taken, as well as an action plan for respecting the human rights at TAURON Group. The development of the Report stems from TAURON Group's desire to meet the best practices and market standards, as well as its wish to conduct its business operations in a responsible and sustainable manner.

The first, the so-called *Communication on Progress*, report was also prepared and sent in December 2023. The report reveals the Group's activities contributing to the achievement of the UN goals in the areas, among other things, related to the human rights, labor issues, environmental and climate protection, as well as anti-corruption.

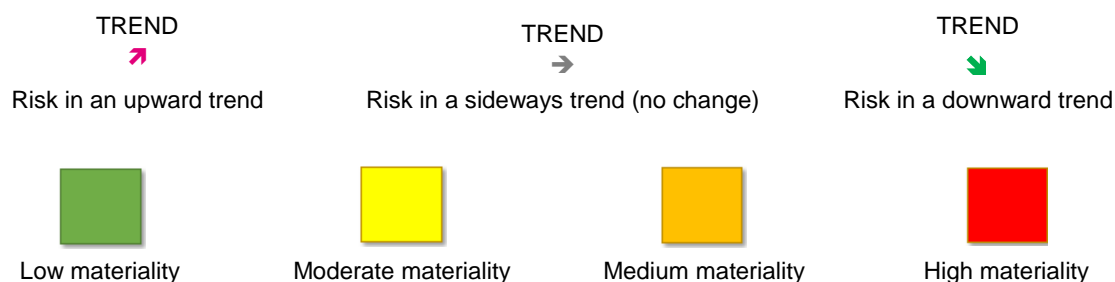
Risks and opportunities related to the sustainable development of TAURON Group

In the context of a rapidly changing business environment and the growing importance of the sustainable development issues, an important aspect is the identification and assessment of the risks associated with this area. Examining the potential risks and developing a strategy to manage them will enable the Group to effectively achieve its sustainable development goals.

The risks and opportunities related to the sustainable development of TAURON Group are classified in accordance with TAURON Group's Risk Model. Based on this the following categories of risks and opportunities presented in the following sections of this Report are identified:

1. Environmental risk and opportunities presented in section E 5.2.,
2. Climate change risk and opportunities presented in section E 5.1.,
3. Social risk and opportunities presented in section S 4.4.,
4. Human capital management risk and opportunities presented in section S 4.1.,
5. Internal communication risk and opportunities presented in section S 4.2.,
6. WHS risk and opportunities presented in section S 4.3.,
7. Regulatory risk and opportunities presented in section G 5.1.,
8. Legal compliance risk and opportunities presented in section G 5.2.,
9. Purchasing process risk and opportunities presented in section G 5.3.

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



ESG Documents supporting the ESG management process

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 16.

Table no. 16. 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 <a href="https://www.tauron.pl/tauron/o-
tauronie/kodeks-odpowiedzialnego-
biznesu">https://www.tauron.pl/tauron/o- tauronie/kodeks-odpowiedzialnego- biznesu			President of the Management Board
	TAURON Group's Human Capital Management Policy	Internal document, a policy summary is available at: <a href="https://www.tauron.pl/tauron/o-
tauronie/raportowanie-esg">https://www.tauron.pl/tauron/o- tauronie/raportowanie-esg	President of the Management Board
TAURON Group's Environmental Policy <a href="https://www.tauron.pl/tauron/o-
tauronie/tauron-dla-
otoczenia/polityka-srodowiskowa-
grupy-tauron">https://www.tauron.pl/tauron/o- tauronie/tauron-dla- otoczenia/polityka-srodowiskowa- grupy-tauron			Vice President of the Management Board for Asset Management and Development
TAURON Group's Climate Policy <a href="https://www.tauron.pl/tauron/o-
tauronie/tauron-dla-">https://www.tauron.pl/tauron/o- tauronie/tauron-dla-			Vice President of the Management Board for Asset Management and Development

otoczenia/polityka-klimatyczna-grupy-tauron			
	TAURON Group's Anti-corruption Policy	Internal document, a policy summary is available at: https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance	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, information on the policy is available on the website at: https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance	President of the Management Board
	TAURON Group's Contractors (Counterparties) Credibility Assessment (Vetting) Procedure	Internal document, a procedure summary is available on the website at: https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance	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 https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance		President of the Management Board
	TAURON Group's Corporate Purchasing Policy		Vice-President of the Management Board for Finance
	TAURON Group's Subsidiaries Contractors (Counterparties) Code of Conduct	Document available on TAURON Group's purchasing platform	Vice-President of the Management Board for Finance
	TAURON Group's Work Health and Safety (WHS) Policy		President of the Management Board
	Strategic Research Agenda https://www.tauron.pl/tauron/tauron-innowacje		Vice President of the Management Board for Asset Management and Development
	TAURON Group's Intellectual Property Policy https://www.tauron.pl/tauron/tauron-innowacje/polityka-wlasnosci-intelektualnej-grupy-tauron		Vice President of the Management Board for Asset Management and Development
	TAURON Group's Corporate Risk Management Policy		President of the Management Board
	TAURON Group's Policies for managing risks: trading, financial, operational, credit, regulatory and project risks		President of the Management Board
	TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) Projects	Key CSR projects: https://www.tauron.pl/tauron/o-tauronie/tauron-dla-otoczenia/projekty	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		President of the Management Board
	TAURON Group's Cyber Security Policy		President of the Management Board

TAURON Group's Business Continuity Management Policy	President of the Management Board
IT Support Management Policy	President of the Management Board
TAURON Group's OT Management Policy	President of the Management Board
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. 16 provide the support for TAURON Group in the implementation of the sustainable development and they constitute a formal basis for the reporting of the actions taken. They also represent an important part of conducting a transparent policy of the 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 mentioned documents contains an exhaustive description of the actions taken by TAURON Group's subsidiaries in order to achieve the intended goals in the given area. The following sections of the Report present the main principles, methods and the tools implemented by TAURON Group according to the individual documents (policies) and the results of the application thereof in 2023.

2.9. TAURON Group's due diligence and the minimum safeguards (MS) related to Taxonomy

Table of indicators:

GRI – general	2-23, 2-24
WSE	S-M8, S-M9

A business activity can be considered to be environmentally sustainable when it meets the criteria for the environmentally sustainable business activity, including, among other things, when the organization's business operations are conducted in accordance with the so-called Minimum Safeguards (MS) indicated in Article 18 of Regulation (EU) 2020/852 of the Parliament and of the Council of June 18, 2020 on establishing a framework to facilitate sustainable investment (hereinafter: EU Taxonomy).

According to the content of the above mentioned provision of the EU Taxonomy, the Minimum Safeguards (MS) are considered to be the procedures implemented and applied by an enterprise conducting business operations in order to ensure the compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and the rights set forth in the eight fundamental conventions indicated in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the principles and rights set forth in the International Bill of Human Rights. In addition, the activities of companies should not be subject to an exposure from the controversial weapons in accordance with the "do no significant harm" (DNSF) principle introduced by Regulation (EU) 2019/2088. The EU taxonomy does not indicate other specific requirements for the Minimum Safeguards (MS).

As part of the examination of TAURON Group's compliance with the Minimum Safeguards (MS) the following documents were taken into account:

- OECD Due Diligence Guidelines for Responsible Business Conduct (hereinafter: OECD Guidelines) as amended in the update of June 8, 2023, along with the conclusions of the six step due diligence process described in the document,
- recommendations contained in the Final Report on Minimum Safeguards (MS) issued by the Platform On Sustainable Finance, (hereinafter: Final Report),

- information on TAURON Group's activities with respect to the operations of the OECD National Contact Point and the Business and Human Rights Resource Centre (BHRRRC),
- information on the violations of the legal regulations by TAURON Group as determined by the final (legally binding) court judgments.

TAURON Group's adherence to the DNSH principle - "do no significant harm" - was also taken into consideration.

The Final Report refers to the four key areas with respect to which an organization should make appropriate disclosures in order to be considered in compliance with the Minimum Safeguards (MS), i.e.: human rights, fair competition, anti-corruption and the tax issues. The OECD Guidelines - in addition to the areas indicated - also emphasize the role of the issues related to the labor rights, natural environment, consumer rights protection, as well as science and the new technologies.

TAURON Group exercises due diligence in the conduct of its business activities which is reflected in the existing Compliance Management System based on the Compliance Policy and the Corporate Social Responsibility Code of Conduct. The Code sets out the most important principles of conduct to be followed by the employees and the stakeholders of TAURON Group, taking into account, in particular, the issues relating to the respect for the labor rights, a prohibition of the discrimination and the unequal treatment, anti-corruption, environmental protection, stakeholder relations, fair competition, information security and protection. It also provides the basis for the detailed solutions included in the compliance policies and procedures and for the Whistleblowing System which is described in more detail in section "G 2.2. Whistleblowing System" of this Report.

The Whistleblowing System (Fraud Reporting System) allows for the signaling of the illegal activities, violations of the internal regulations and other concerns - including the concerns related to the way the organization is conducting its business operations. The reports can be submitted through TAURON Group's accepted communication channels, including through the Fraud (Abuse) Report Form, which allows for submitting anonymous reports, available for the employees and the external stakeholders on the website at the address: <https://www.tauron.pl/tauron/o-tauronie/formularz-zgloszenia-naduzycia/>. Each report is verified. If a violation is confirmed, adequate actions are taken to offset the negative effects of the violation and the preventive actions are taken.

Also key from the point of view of the Compliance Management System is the monitoring of the identified risks and, in conjunction therewith, taking of the adequate measures to respond to the occurrence of the irregularities, as well as the regular reporting obligations in this regard. More information on this topic is provided in section "G 2.1 Corporate Social Responsibility Code of Conduct".

TAURON Group exercises due diligence in its relations with the employees by conducting its business operations in compliance with the applicable labor law regulations and the human rights standards. TAURON Group respects the right of the employees to form and participate in the trade unions, opposes any form of forced labor and child labor, and in its human resources related activities is guided by the principle of an equal opportunity and equal treatment in employment. The relevant regulations taking into account the due diligence processes regarding the human and the labor rights are described in the sections "S 3.1. Human Capital Management Policy," "S 3.3. Work Health and Safety (WHS) Policy," "S 3.5. TAURON Group's Respect for Human Rights Policy," and "S 3.4 Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination" and "S 3.6 Diversity Policy."

The Report on the respect for human rights at TAURON Group was issued in 2023, including, among other things, an assessment of the impact of the business operations on the human rights and the identification of the risks related to the compliance therewith. In addition, the Report includes the information on the mitigating actions taken, as well as an action plan aimed at ensuring the respect for the human rights at TAURON Group.

TAURON Group conducts its business operations in compliance with environmental and climate regulation. Due to the different production and service profiles of TAURON Group's subsidiaries, their impact on the environment varies materially. Some of TAURON Group's subsidiaries have a certified environmental management system in place. In order to prevent serious damage to the environment and health, adequate contingency plans have been put in place in the lines of business exposed to the risk of such damage. TAURON Group is striving to improve efficiency in the area of the environmental protection at its own enterprise level and, in the applicable cases, with respect to the entities with which it has business relations in place.

TAURON Group has implemented adequate regulations in order to prevent and counteract an occurrence of the corrupt activities in the organization. TAURON Group's employees are required to take the preventive measures and report the potential cases of the corrupt activities. As part of the preventive measures, a training related to counteracting corruption is conducted. The due diligence procedures related to this area are indicated in section "G 3.4. Anti-corruption Policy".

As part of the organization's disclosures with respect to the fair competition, TAURON Group confirms that it conducts its business operations in a manner that is in compliance with the legal regulations, including the

competition protection law, and cooperates with the national competition protection authorities. In 2022, the President of the Office of Competition and Consumer Protection (UOKiK), after conducting the proceedings with respect to the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries on determining the provisions of the their agreement template to be the prohibited clauses, issued the decisions finding the provisions indicated in the content of these decisions to be the prohibited clauses. The decisions imposed an obligation on the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries to take the adequate measures to cease the breach and remove its effects. The use of the indicated provisions had been discontinued in 2023 and the remedial measures had been taken in accordance with the content of the decision of the President of the Office of Competition and Consumer Protection (UOKiK). During the reporting period there were no pending or concluded court proceedings against the Group's Subsidiaries related to the violations of the competition rules or the monopolistic practices. The TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries had obtained, in 2023, a certificate confirming the compliance with the requirements of the "Good Practices of the Electricity and Gas Fuel Suppliers", issued by the Association of Energy Trading. The key practices from the point of view of TAURON Group's relations with the Customers are as follows:

- ensuring the compliance with the highest standards, based on the transparency, mutual respect and trust,
- communication based on a dialogue,
- studying of the opinions, experiences and the expectations of the Customers,
- responding to the Customer needs by presenting a clear (unequivocal) offering that meets their expectations.

The detailed information on TAURON Group's relations with the consumers are provided in section "S 3.7. PRO Client Social Policy".

TAURON Group has a tax strategy in place which constitutes an effective and adequate set of identified and described processes and procedures related to managing the compliance with the obligations stemming from the tax law and ensuring the proper execution thereof. The policies, procedures, processes and the internal controls adopted and applied at TAURON Group's subsidiaries, as well as the human and technical resources in the area of the tax management, have been organized in order to enable the compliance with the laws and the regulations. No violations of the tax laws confirmed by the final decisions or judgments had taken place at TAURON Group in 2023.

As a conscious owner of the innovative solutions, TAURON Group develops its corporate policy based on the respect for the intellectual property rights. TAURON is managing the Group's intellectual property in a conscious and responsible manner in order to ensure the protection of the intellectual property rights which is carried out in particular through a proper acquisition of the intellectual property rights, as well as the licensing thereof, the protection of the corporate secrets and combating an unfair competition.

The measures are being taken in order to enable TAURON Group's subsidiaries to exchange the information obtained in the course of their research and development work within a shared know-how base in a secure manner. In addition to the traditionally understood research and development activities (the research and development projects, a cooperation with the research units and the innovative business partners), TAURON Group is also developing its cooperation with the startups. A number of initiatives had been launched in 2023 in order to support the employee development through, among other things, an access to the monthly training courses on the expert (specialist) knowledge, managerial competencies, personal development and the IT tools. The steps have also been taken to measure the level of the digital competence of TAURON Group's employees. The detailed information on TAURON Group's activities in the field of science, technology and innovation can be found in the following sections: "S 3.1 Human Capital Management Policy," "S 3.2 Recruitment Principles" (in particular, in the sub-sections "Cooperation with the School and Academic Communities" and „Implementation Doctorate”), "S 3.8 Intellectual property protection and research and development activities."

In addition to the science, technology and innovation initiatives indicated above, a number of activities are undertaken with respect to the employees aimed at building an awareness with respect to the sustainable development and the organizational culture (such as, among other things, the annual training series Compliance Academy or the ESG Week).

No violations of the law confirmed by the final (legally binding) court judgments had been identified with respect to TAURON Group's Subsidiaries in the areas covered by the regulations defining the requirements of the Minimum Safeguards (MS) in the reporting period.

The verification of the OECD NCP (National Contact Points) notification database and the BHRRC database allows for coming to a conclusion that in the period of verification no proceedings had been conducted by the indicated institutions with respect to TAURON Group's Subsidiaries.

TAURON Group adheres to the "do no significant harm" principle, including not being exposed to the controversial types of arms.

The information on TAURON Group's Compliance Management System, including the information on the most important compliance policies and procedures, is available on the website at the address (<https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance>).

As a consequence, it is reasonable to conclude that TAURON Group's operations are conducted in compliance with the Minimum Safeguards (MS) associated with the EU Taxonomy.







3. TAURON Group's Strategy and TAURON Group against the market backdrop

Table of indicators:

GRI 3-3	TAURON Group's Strategy and growth prospects
Proprietary indicators	Description of goals and actions as part of the Strategy

3.1. TAURON Group's Strategy in numbers

Table no. 17. Non-financial and financial key performance indicators related to the Strategy of TAURON Group in 2023

	Strategic objectives	Assumptions	Actual performance in 2023
	EBITDA	PLN 4.5 billion in 2025 PLN 6.5 billion in 2030	PLN 6.1 bn
	Net debt / EBITDA	at a safe level	2.1
	RES installed capacity	1.6 GW in 2025 3.7 GW in 2030	0.69 GW
	Emissions	200 kg CO ₂ /MWh in 2025 < 160 kg CO ₂ /MWh in 2030	720 kg CO ₂ /MWh
	Share of smart meters	100% by 2030	19%
	New connections of the consumers to the district heating network	450 MWt in 2030	total (2022-2023) 62.8 MWt
	FTR rate (First Time Resolution)	> 90% w 2030	95% over the telephone channel

3.2. Challenges for the industry and for the Group from the three perspectives: E, S and G

Tauron Group's Strategy addresses the most important challenges for both the organization, as well as for the industry in the ESG area, as described below.



- adapting the operations to the adopted policies and regulations (among other things, the European Green Deal, REPowerEU, national regulations),
- meeting legal requirements, including the requirements related to licenses (concessions) and ensuring compliance with environmental regulation,
- taking measures aimed at curtailing climate change (including the global warming) and reducing the adverse environmental impacts,
- developing new technologies, including renewable sources of electricity, distribution and storage of electricity, as well as the transition of the heating industry towards low carbon sources,
- implementing the circular economy principles - minimizing the generation of waste and finding new use cases for the waste,
- giving the post-industrial sites new functionality.



- social impacts, requiring companies to be particularly sensitive and have the ability to respond to the needs of various types of audiences: Customers, employees, local communities,
- labor issues, respect for the human rights, business ethics, access to education,
- ensuring adequate working conditions and investing in the work force safety, health and development,
- supporting local communities through social investment, dialogue and involvement in community activities,
- ensuring uninterrupted supply of electricity and heat, and adapting the sales offerings to the changing Customer needs,
- caring for the disfavored (disadvantaged), excluded and disabled Customers.



- strengthening the management, reporting and oversight systems in order to ensure transparency of the operations and effective decision making in line with the ESG principles,
- proactively engaging the management board in the ESG issues in order to integrate the social and environmental goals with the business objectives,
- identifying, assessing and managing the ESG related risks, as well as ensuring the compliance with the regulations and the industry standards,
- security of the critical infrastructure and of the broadly defined data, including the Customers' personal data,
- conducting clear and transparent communications with the shareholders and investors.

3.3. TAURON Group's Mission, Vision, Values

3.3.1. Mission, vision



We care about the Customer. We care about the planet. We choose the Green Turn of TAURON.



TAURON – the company of first choice

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 the co-workers, natural environment and stakeholders.

3.3.2. Corporate values

TAURON Group's corporate values are the starting point for the Principles of Conduct described in detail in TAURON Group's Corporate Social Responsibility Code of Conduct. They are part of the Group's corporate culture and support employees in achieving the goals.

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



- 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.

PARTNERSHIP



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 speak 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.

3.4. TAURON Group’s Strategic Directions and Goals

3.4.1. TAURON Group’s Strategy and its assumptions

Table of indicators:

GRI – general	2-12, 2-13
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TAURON Group’s Strategy for the years 2022-2030 with an outlook until 2050 (Strategy) was adopted as of June 22, 2022. The document is a response to the challenges arising from the situation prevailing on the market and in the power sector, in particular the ones related to the transition of the industry.

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

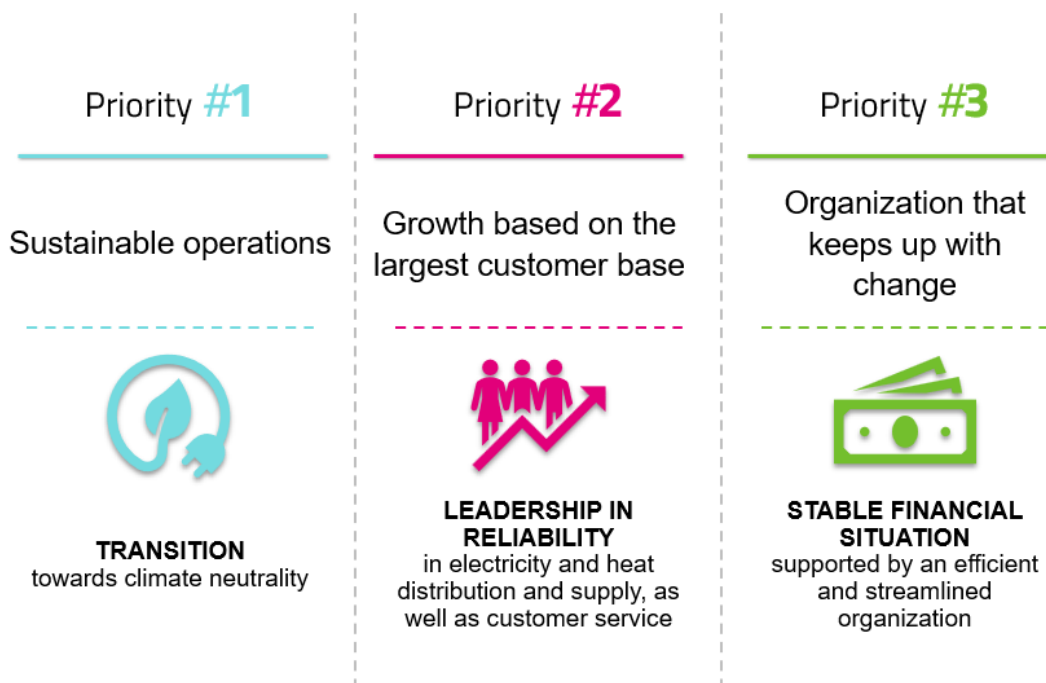


Figure no. 17. TAURON Group’s Strategic Priorities.

Source: proprietary compilation

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

- EBITDA of PLN 4.5 billion in 2025 and more than PLN 6.5 billion in 2030,
- maintaining 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,
- reducing emissions to 200 kg CO₂/MWh in 2025 and below 160 kg CO₂/MWh in 2030 (Scope 1),
- implementation of smart metering - 100% smart meters by 2030,
- new connections of Customers to the district heating network – approx. 450 MWt by 2030,
- maintaining 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 outlined by 2030 are shown in Figure no. 18.

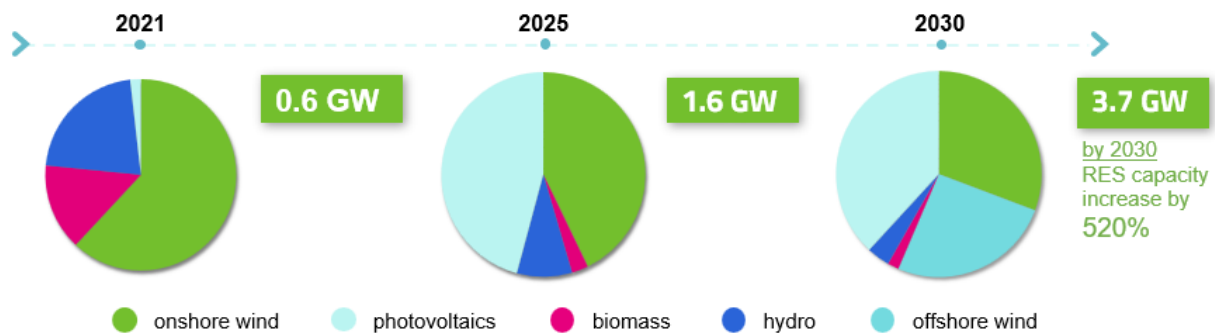


Figure no. 18: Growth of TAURON Group's installed capacity in renewable energy by 2030

Source: proprietary compilation

The Strategy presents an optimal path of sustainable development that will ensure TAURON Group's financial stability and the growth prospects while taking into account the high volatility of the macro environment and ensuring an integrated approach to environmental and climate 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 the renewable energy sources and implementing the energy storage technologies. A profitable development of the Heat Line of Business based on a program to transition to the low carbon sources is planned. The role of the Supply Line of Business is to increase the Customer satisfaction level 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 Generation Line of Business - government solutions for the coal fired power generation will be implemented.

The Group's investment projects will be carried out with reference to the 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 a 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 TAURON Group's Strategy:

Priority #1 Sustainable operations

The Group's priority is to increase installed capacity in renewable energy while reducing the CO₂ emissions.

A 37 MW PV Mysłowice photovoltaic farm was commissioned in 2023. The implementation of 9 RES projects is currently under way, with a total capacity of 363.9 MW. The total installed RES capacity stands at 696 MW in 2023, which corresponds to 44% of the accomplishment of the RES target for 2025. of the RES target for 2025.

TAURON is also preparing to take part in the offshore wind farm projects. In September 2022 TAURON acquired a stake in PGE Baltica 4 from PGE. At the beginning of 2023, PGE Baltica 4 was granted a permit to erect and use artificial islands (located on the Slupsk Shoal 43.E.1), which was finally confirmed in August 2023. The capacity of the planned offshore wind farm, based on the permit obtained, stands at approximately 1 GW. In 2022, TAURON Group's project company (special purpose vehicle) En-Energia III sp. z o.o. (Ltd.), applied for permits for the erection or use of artificial islands in the areas of the Odrzanka Shoal (14.E.3). In May 2023, the Minister of Infrastructure announced that the company ORLEN Neptun III sp. z o.o. (Ltd.) had been awarded the highest number of points in the adjudication proceedings for area 14.E.3.

Works were also continued to develop a comprehensive program to modernize and improve the efficiency of TAURON's hydroelectric power plants, including 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 2023 was also the implementation of the Program to spin off TAURON Group's coal fired generation assets and transfer them to the National Energy Security Agency (NABE Program) In order to implement the assumptions of the government document entitled The Transition of the Power Sector in Poland.

With respect to the transition of the district heating towards the low and zero emission sources, the works related to the energy transition of the Generation Plant (Zakład Wytwarzania - ZW) Katowice are under way, involving, among other things, the construction of a 140 MWt gas fired boiler, and the works related to the energy transition of the Generation Plant (Zakład Wytwarzania - ZW) Bielsko-Biała are under way, involving, among other things, the construction of a PV farm along with the energy storage facility for the needs of Zakład (Plant) EC1 and the construction of a gas fired peaking and back up boiler plant at Zakład (Plant) 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 2023, the by-product status was obtained for the ash and slag mixtures at Elektrownia Nowe Jaworzno (Nowe Jaworzno Power Plant) and for the aggregates produced at the Janina Coal Mine (launched on the market by the Bioeko subsidiary). A procedure is nearing completion to expand the possibility of launching on the market the ash waste from the Cieszyn Heat Plant as the combustion by-products. New products were also developed through certification and industry feedback, among other things, a new road substructure production plant based on ash and slag mix was launched in Stalowa Wola. The Group's activities include engaging in efforts aimed at rehabilitating land to minimize negative impacts and maximize benefits. For more on TAURON Group's environmental policy, see Section "E 3.1. Environmental Policy".

The Strategy identifies conducting works on the 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 the new technologies through the performance of the projects related to, among other things:

- energy storage facilities, including the ones integrated with a RES source, and aimed at improving the quality parameters of electricity and stabilizing the grid operation,
- production and use of green hydrogen and the production of ammonia from green hydrogen,
- preparation for the participation in the development of nuclear power, in particular the small modular reactors (*small modular reactor - SMR*).

In line with the Strategy, the initial analyses aimed at preparing the potential construction of the Rożnów II pumped storage power plant were commenced.

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 the grid automation (in 2023, the number of the remotely controlled switches per 100 km of the MV overhead line had come in at more than 13.2),
- upgrading the existing grids by installing the insulated overhead lines and cable lines (as of the end of 2023, more than 40.3% of the MV lines had been cabled), adapting the distribution grid to the increased

power flows in both directions (in 2023, the RES micro installations with the capacity of 501.6 MW had been connected to the grid),

- improving the diagnostics of the operating status of the MV and LV grids through the use of the smart substation metering technology and the digitalization of the metering databases (more than 19% of the Customers are equipped with the remote readout meters; almost 92% 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 – the construction and alteration of the transmission heating networks and the district heating networks, including for the needs of connecting the heat consumers, in order to replace coal fired furnaces, are being implemented

The Group is seeking to maintain its position as a key electricity supplier and aiming to increase Customer satisfaction by developing its sales offering and improving service quality across all of the Customer contact channels. The number of the completed cases handled via the online Customer contact channels went up by 23% as compared to the assumed plan, including through the Mój TAURON (My TAURON) website. The telephone channel is also being steadily improved. 95% of the cases initiated via the telephone Customer contact channel were resolved during the Customer's first contact in 2023. The TAURON Bez Barrier (TAURON Without Barriers) program, introduced in 2021, is continuously expanded to include the new solutions for people with disabilities, seniors or those who are socially or digitally excluded, in order to remove any barriers and make it easier for the Customers to access services. TAURON Group's relationships with its Customers are described in more detail in section "S 3.7 PRO Client Social Policy".

Priority #3 An organization that keeps up with change

The Group's Business and Operating Model was updated in 2023, which was related to the implementation of the changes in the Group's structure as a result of, among other things, the spin off of the Mining Line of Business.

In terms of the use of the aid funds, the total amount of the financing obtained for the investments carried out in 2023 is more than PLN 291 million.

With respect to human capital management, the most important issue in 2023 was the effective conducting of the social dialogue with the work force stemming from the changes in the employment structure and the evolution of the organization in connection with the spin off of the mining assets and the consolidation of Energetyka Cieszyńska with TAURON Ciepło.

3.4.2. Risks and opportunities related to the energy transition

Energy transition is associated with the need to replace the generation sources and develop the power grids towards an independence from the fossil fuels, improved efficiency and the possibility of developing the low- and zero carbon sources. The most important risks and opportunities related to the transition of the energy industry are presented in Table no. 18.

Table no. 18. Risks and opportunities associated with the transformation of the energy industry

Risks	Opportunities
<p>Related to a wide range of investment projects and the high expenditures:</p> <ul style="list-style-type: none"> • a failure to define and effectively implement a consistent long term investment program across the value chain, • a failure to provide an adequate investment and operational support, • an increase in the prices of materials and services, • a limited availability of adequate technology and other resources including the raw materials and the high level professionals. <p>Related to ensuring energy security:</p> <ul style="list-style-type: none"> • instability of the energy system, • interruptions or lack of electricity supply (blackout), • a lack of adaptation of power grid topology to distributed generation sources. <p>Related to the social environment:</p>	<p>Benefits for the natural environment:</p> <ul style="list-style-type: none"> • reduction of the greenhouse gas emissions and of other air pollutants, • conservation of the natural resources, • reduction of the consumption of the traditional fossil fuels, • restoration of the biodiversity. <p>Technological progress:</p> <ul style="list-style-type: none"> • development of the RES technologies, • development of the energy storage technologies and the smart power grids, • increase in competitiveness, • development of the hydrogen technologies. <p>Benefits for the businesses:</p> <ul style="list-style-type: none"> • improvement of the energy efficiency in electricity production, transmission and use, • reduction of the operating costs, • development of the new, more flexible business models, • a positive corporate image,

<ul style="list-style-type: none"> • high cost of the social and economic transformation of the mining regions, • reduction of the jobs in the coal mining related sectors and in the associated industries, • rising energy costs for the public, • lack of offerings that meet the changing Customer expectations. <p>Related to the regulatory environment:</p> <ul style="list-style-type: none"> • a lack of stability of the legal regulations and the modifications thereof that make long term planning difficult, • a misinterpretation and a failure to meet the new environmental standards, • formal restrictions and requirements delaying the implementation of the investment projects. 	<ul style="list-style-type: none"> • easier access to the business operations financing. <p>Benefits for the economy and for the public:</p> <ul style="list-style-type: none"> • reduction of the electricity costs, • flexibility related to the diversity of the energy sources, • an increase of the independence of the consumers through the use of their own generation sources, • energy sources, and, as a consequence, the local government units will play a leading role in securing the energy needs of the energy consumers, • availability of the funds and the tax benefits (at the national and the EU level), • curtailing of the air pollution, • new jobs.
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3.5. TAURON Group’s sustainable development

TAURON Group is aware of the challenges related to the sustainable development and the reporting of the ESG data on environmental, social and corporate governance issues.

In September 2023, TAURON Group adopted a document entitled "ESG in TAURON Group's Strategy," which included the set ESG directions and goals, as well as it showed the activities, initiatives and projects through which the Group intended to achieve these goals. The following directions have been set for TAURON Group with respect to the individual ESG areas:

Environment:

- countering climate change and environmental degradation,
- strengthening the implementation of the circular economy,
- sustainable infrastructure,

Social:

- employees as the key value of TAURON Group,
- Customer orientation,
- social and business partnerships,

Governance:

- ensuring security based on the best practices and standards,
- applying corporate governance in accordance with the best practices,
- managing risks and internal control system,
- developing the organization's ethical culture.

The UN Sustainable Development Goals (<https://www.un.org.pl/>) were taken into account in the Strategy. In particular, the Group focuses on the 5 goals related to the Group’s operations, indicated in Figure no. 19.



Figure no. 19. 2030 UN Sustainable Development Goals at TAURON Group

Source: Proprietary compilation

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

3.6. Impact of the environment on TAURON Group's Strategies

3.6.1. TAURON 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 taking of specific actions to minimize the negative impact of the human activities on the climate and the environment, including the energy transition.

Short term outlook

The European Union's energy and climate policy sets the course for the trajectory of the development of the energy industry. 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 has accelerated legislative work aimed at achieving energy independence of the EU economy based on the low and zero carbon sources.

The current European Union regulations, the lack of financial support options for fossil fuel based units, as well as the high CO₂ prices are limiting capital expenditures in conventional electricity and heat generation. As a consequence, the energy business models are changing, among other things, by spinning off of the coal based conventional power generation out of the energy groups. In 2023, work was underway in Poland to set up the National Energy Security Agency (NABE) in order to group the coal fired generation assets within a single entity.

Until 2025 the efforts of the power sector will be focused on the development of the renewable energy sources, the expansion and upgrades of the power grids. At the same time, a gradual increase in the power and capacity of the energy storage facilities will be taking off. In particular, a rapid expansion of the photovoltaic installations is being observed.

As of the end of November 2023, the nationwide installed PV capacity stood at 16.5 GW (an increase by 4.7 GW year on year), which demonstrated the rapid growth of this market and meant that the target assumed in Poland's Energy Policy (PEP 2040), where more than 5 GW of PV technology capacity by 2025 had been assumed, was exceeded.

The prosumer market will be growing steadily in the near term. The increase in the prosumer PV micro installation capacity in 2023 had come in at approximately 21%, as compared to the previous year. The growth rate will depend on the electricity prices on the market in the coming years and the costs of the prosumer installations. The biggest challenge for the development of the photovoltaic market will be the removal of the constraints arising from the quality of the distribution grids through investments.

Also with respect to the wind based technologies, the level of capacity projected in PEP 2040 for 2025 has already been reached, in spite of the restrictions related to the so-called "distance act". At the end of 2023, the total installed capacity of the onshore wind farms had already stood at approx. 9.4 GW (an increase by 14% year on year). The growth trigger spurring a further wind based power development may come from the liberalization of the distance act adopted in March 2023, that had changed the 10H rule (allowing for the wind farms to be built at a distance of 10 times the height of the tower from the nearest development) to a distance of 700 meters from the development.

The offshore wind farms are a promising investment direction. In accordance with 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, the 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 responsible for more than half of electricity production in the national power industry, until 2025.

In the district heating segment, an important issue will be to provide investment funds for the process of decarbonizing the district heating assets.

In the coming years, the development of the new energy storage technologies to a level that would enable their cost effective implementation on a system wide scale should not be expected.

The digitization of the sales processes, in terms of acquiring, quickly processing and utilizing data, will become very important. Accelerating transformation, changing work styles, automating as well as simplifying payments and product purchase paths are just some of the factors that further accelerate changes in the supply line of business. The environmental awareness of the Customers and the rise of the importance of the ecological products are the factors that 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 the coal energy,
- European and national regulations accelerating the power sector's decarbonization, including the amendment of the distance act for the wind farms,
- options and costs of financing the investments in the gas based assets,
- integration of the European energy market and the reduction of the importance of the local markets in favor of the regional markets, the rising capabilities for the physical cross border flows,
- further growth of the capacity of the photovoltaic installations.

Medium term outlook

In terms of the electricity generation technology, the continuation of the fast growth of the renewable energy sources and the probable development of the electricity storage technology are forecast in the 2026-2030 time frame. The technological changes related to the wind farms, with the favorable regulations, will translate into an increase of the capacity and an improvement of the efficiency of the utilization thereof. The development of the energy storage facilities will have a positive effect on the stability of the electricity supply and a lesser dependence of the electricity prices on the weather conditions and the demand for electricity.

The EU level regulations will continue to support the development of the renewable energy sources and at the same time impose the ever higher costs and restrictions on the conventional energy, making it permanently unprofitable. The share of the coal in the domestic energy mix will decrease significantly – in accordance with the new forecasts provided in PEP 2040, it is estimated that the coal based assets will account for approx. 1/3 of the generation capacity in the national power system. The coal fired units should continue to be maintained in order to ensure the country's energy security, but their operating hours and profitability will be declining.

The most important factors having an impact on the level of electricity demand include a further improvement in energy efficiency and, at the same time, still large potential for the growth of the electricity consumption. Greater importance will be given to the environmental awareness of the Customers, a change in their approach to the way they consume electricity as well as the use of the smart grid solutions. The role of the demand side management services (DSR/DSM) will also increase, which will, to a large extent, be the result of the development of the smart technologies and the market mechanisms. Due to the growth of the prosumer installations, there will be a need to further develop the distribution grids in order to adapt them to the greater load variability, as well as to support the bi-directional flows.

The electrification of the district heating and the individual heating solutions (heat pumps) will be possible, as well as the decentralization of the heat sources for the urban district heating systems and the greater use of RES, waste heat, as well as heat storage.

The possibility of developing the hydrogen technologies (the acceleration of the research works and the pilot projects related to the production and use of hydrogen) should be taken into account.

Long term outlook

The role of the renewable sources and the nuclear energy will be steadfastly growing in the long term and they will push out the coal based electricity over the next two decades. There will also be a significant transition of the domestic energy mix and an increase of the share of the renewable energy sources to more than 60% by 2040. The development of the nuclear power and the offshore wind will help ensure the country's energy security. Following 2030, the development of the nuclear technology is possible as an element of the transition of the district heating (SMR technologies).

The possibility of the emergence and the spreading of the breakthrough technologies on the market that will have a significant impact on the energy business may also be assumed, such as, for example, the hydrogen technologies

in energy, the manufacturing industry and in the transportation as well as development of the energy storage technologies.

Table no. 19. Main external factors that impact the selection and implementation of TAURON Group's strategic directions

Main external factors	Characteristics of the selected external factor
1. Political and regulatory	<ul style="list-style-type: none"> • European Green Deal – strategy to achieve EU climate neutrality by 2050, • Fit for 55 legislative package including, among other things, the regulations related to the EU's Emissions Trading System (EU ETS), the RES market, energy efficiency, district heating, the construction industry, • REPower EU - a strategy aimed at making Europe independent of Russian fossil fuels, • EU Taxonomy (Directive 2020/852) and its impact on the options for financing investment projects in the energy sector, • Taking into account the changes under the revised IED and the need to continuously adapt the generating units to the BAT conclusions, • Challenges related to the implementation of the so-called winter package, including, first and foremost, a curtailment of the support systems for the conventional energy (EPS 550), • Hydrogen strategy – a priority role of hydrogen in achieving climate neutrality, • Funds to be used for the energy transition, • Operation of the capacity market, support for the individual RES technologies, • Regulations in the financial sector that preclude financing for the conventional generation assets, • Poland's Energy Policy until 2040, the National Plan for Energy and Climate for the years 2021-2030, • Work on the government programs for the conventional energy.
2. Environmental	<ul style="list-style-type: none"> • Increase in the average global temperature as a result of the greenhouse gas emissions, • High level of dust air pollution in Poland (smog), • High level of the greenhouse gas emissions, • Increasingly frequent occurrence of the extreme weather conditions - droughts, hurricanes, severe heat waves, heavy (torrential) rains and floods, • Further rising of the sea levels; the irreversible changes in the river ecosystems and the Baltic Sea (eutrophication, loss of the water biodiversity), • Depletion of natural resources, • Increased importance of the circular economy and minimizing of waste generation.
3. Economic and market related	<ul style="list-style-type: none"> • The energy crisis, Russia's aggression against Ukraine and pressure to become independent from energy raw materials (commodities) from Russia, • High conventional electricity generation costs (high prices of the CO₂ emission allowances) as compared to the RES generated electricity, • Lack of the possibility to finance the conventional energy, the preferential financing for RES, • Rapid growth in the level of generation from RES, further supported by the need to ensure energy security and achieve independence from gas, • Very high inflation rate and increase in the costs of materials, services and labor, • Rising costs and a decline of the demand for thermal coal, • Thermal modernization activities, increase of energy efficiency, • Risk of the capacity deficit in the system.
4. Social	<ul style="list-style-type: none"> • Deterioration of the public sentiment caused by the high inflation rate and the energy crisis (increased spending due to the rising prices of goods and services as well as the high electricity and gas tariffs), • Increase in the anti-carbon sentiment among the public, • Increase in the society's ecological awareness, • Increased Customer awareness and Customer requirements in terms of the quality of the services provided and Customer service, the changing Customer needs, • Negative perception of waste storage, • Generational and competence gap problem.

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

3.7. TAURON versus competition

3.7.1. 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 the renewable energy sources. This is accompanied by decarbonization, electrification of the transportation, energy efficiency improvement or the 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. 20 and Table no. 20 present a comparison of the generation mix and installed capacity among the selected largest energy groups in Europe.

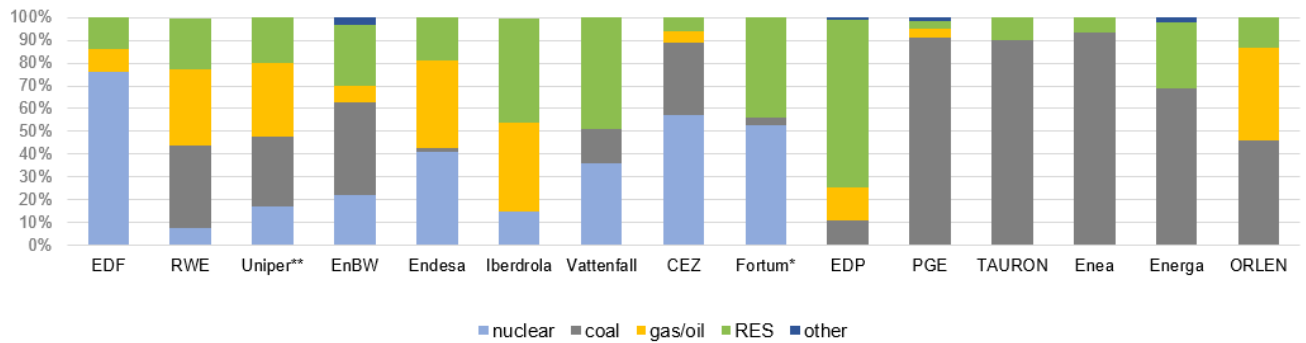


Figure no. 20. Comparison of the generation mix among the selected energy groups in Europe in 2022

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

Table no. 20. Comparison of the installed capacity among the selected energy groups in Europe in 2021 and 2022

Total installed capacity as of the end of 2021 and 2022																
2021																
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	1.1	0.6	0.4	0.5	0.6	
solar	n.a.	0.5	n.a.	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.	b.d.	n.a.	2.0	2.5	20.7	4.0	0.7	b.d.	11.8	0.7	0.4	0.1	0.2	n.a.	
hydro	n.a.	0.5	3.7	2.5	4.7	14.1	8.9	2.3	8.4	7.1	0.4	0.1	0.1	0.2	n.a.	

2022

GW	EDF	RWE	Uniper**	EnBW	Endesa	Iberdrola	Vattenfall	CEZ	Fortum*	EDP	PGE	TAURON	Enea	Energia	ORLEN
total	116.9	39.3	22.5	13.0	22.0	60.8	28.9	11.8	8.6	26.2	17.9	5.1	6.3	1.4	3.7
RES	31.8	13.0	3.6	5.4	9.4	40.1	15.6	2.2	5.3	20.7	1.3	0.7	0.4	0.6	0.7
solar	n.a.	0.8	n.a.	0.8	1.7	4.5	0.1	0.1	n.a.	1.6	0.0	0.0	0.0	0.0	0.0
wind	n.a.	11.0	n.a.	2.0	2.9	21.5	0.1	0.1	n.a.	12.2	0.8	0.4	0.1	0.2	n.a.
hydro	n.a.	0.4	3.6	2.5	4.8	14.1	2.0	2.0	4.7	6.9	0.4	0.1	0.1	0.2	n.a.

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

* Excl. the operations in Russia.

** Excl. the operations in Russia (9.1 GW) – the discontinued operations.

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

In 2022, the largest increases in installed RES capacity were reported by Vattenfall (+2.4 GW), Iberdrola (+2.0 GW), RWE (+1.8 GW), EDP (+1.1 GW) and Endesa (+1.0 GW). The year 2022 was characterized by the high volatility as a consequence of Russia's invasion toward Ukraine. The companies with large assets located in Russia - Uniper and Fortum – took the decision not to list these operations in their reports, but to recognize such activities as discontinued operations, also due to the difficulties in obtaining the data related to these generation assets and the results thereof.

The investments in the renewable energy sources, the decarbonization of the sector and the sustainable operations are currently the key directions of the power sector companies' operations. Figure no. 21 shows the strategic plans and the directions of the selected power companies.

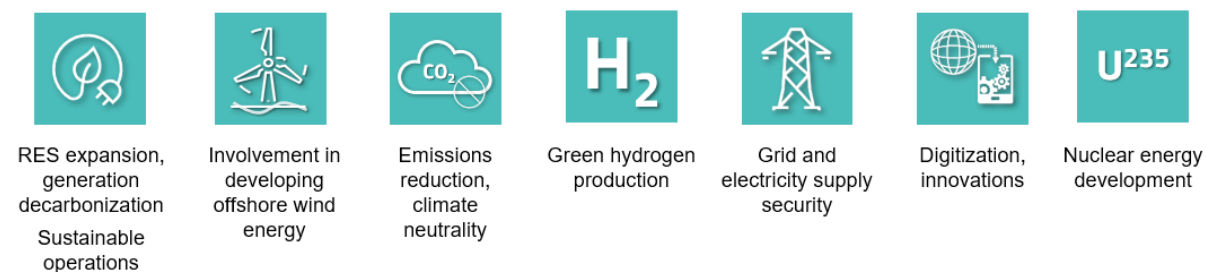


Figure no. 21. Summary of the strategic directions most often set by the selected energy groups in Europe

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

The European energy groups increasingly emphasize the social issues and the 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 the renewable energy sources, the reduction of emissions, the abandonment of electricity generation based on the coal fuel and the 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, in view of an increase in the number of the unstable (intermittent) renewable energy sources (RES) and the number of prosumers. In addition to the development of the renewable energy sources, the activities related to the security of electricity supply, the infrastructure upgrades and the process digitalization or electromobility are important. The investments in the new hydrogen burning gas capacity and the development of the nuclear energy related operations (including the ERP and the SMR units) are gaining in their importance.

Expansion of Renewable Energy Sources – the declarations of the energy companies

As the environment is changing, the energy companies are updating their plans and strategic goals. Figure no. 22 presents the declarations of the European energy companies regarding the capital expenditures and an expansion of the RES assets.

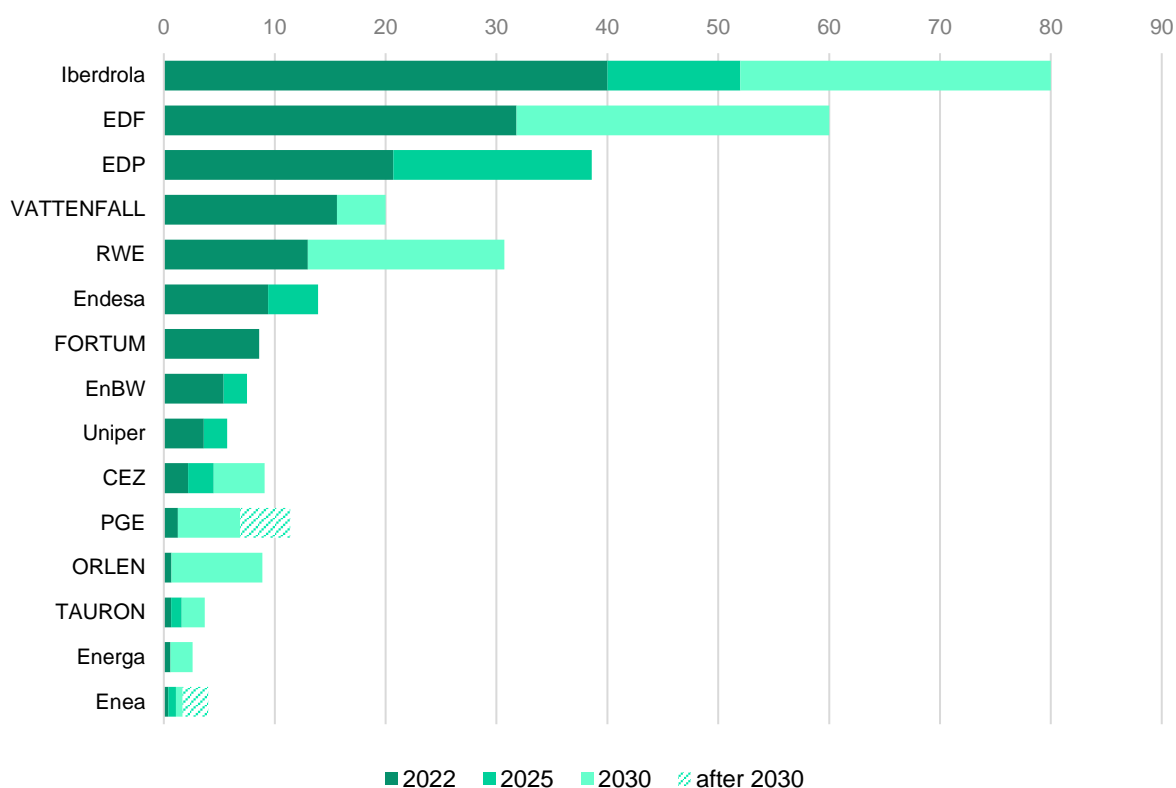


Figure no. 22. Declarations of the European energy companies regarding the capital expenditures and expansion, in the coming years, with respect to the new generation capacity based on the RES assets

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

The dark green color indicates the installed capacity of each group in 2022. The subsequent values (for 2025, 2030, beyond 2030) represent the declaration of the installed capacity and the target level of the RES capacity in a given energy group.

In 2022, Iberdrola had the highest installed RES capacity, among the energy companies presented, with 40 GW. In its strategic plans, it assumes increasing the RES capacity to 52 GW by 2025, and adding another 28 GW between 2025 and 2030. By 2030, Iberdrola is planning to have approximately 80 GW of capacity based on the renewable energy sources. French EDF, the second ranked group, whose installed RES capacity stood at 31.8 GW in 2022, is planning to achieve the installed capacity of its renewable energy sources of 60 GW by 2030.

CO₂ emission reductions – the declarations of the energy groups

Apart from the development of the renewable energy sources the power sector companies are declaring emission reductions and the transition to the zero emission electricity generation in their strategic plans. Figure no. 23 presents the declarations of the power companies related to the CO₂ emission reduction targets by 2030 as compared to the level of emissions as of 2018.

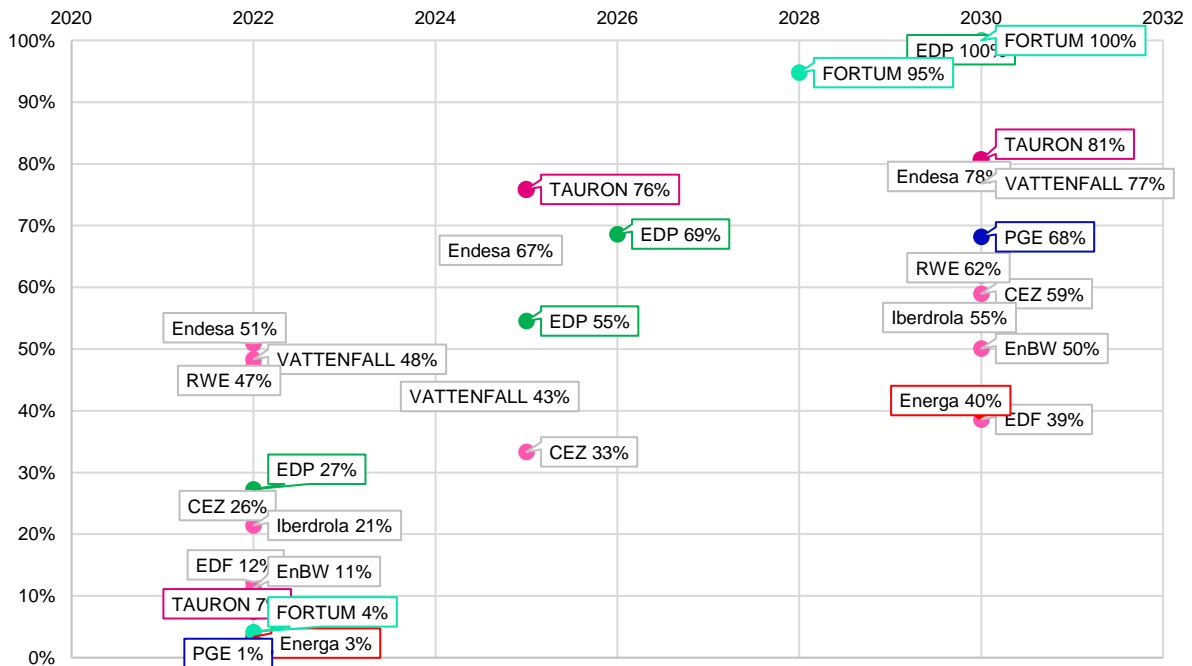


Figure no. 23. CO₂ emission reduction of the European energy companies as compared to the level of emissions as of 2018

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

EDP and Forum had set themselves the most ambitious target with respect to the emissions reduction among the European energy groups, having declared achieving climate neutrality by 2030.

The declarations on achieving climate neutrality by 2040 had been announced by: Endesa, Vattenfall, Cez, E.On, RWE and Iberdrola. The other groups: EDF, Uniper, TAURON, PGE, Enea and ORLEN are planning to achieve climate neutrality by 2050.

3.7.2. TAURON Group against the Polish energy market backdrop

In addition to TAURON 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 62% 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 the gross electricity production, came in at approx. 7% in the first 9 months of 2023. The Group is the third largest electricity generator on the Polish market. The Group's gross electricity production clocked in at 11.65 TWh in 2023.

Figures no. 24 and 25 present information on electricity generated in Poland during the first 9 months of 2023 and the installed capacity as of September 30, 2023.



Figure no. 24. Gross electricity production in Poland – the estimated market shares in the first 9 months of 2023

Figure no. 25. Installed capacity in Poland – the estimated market shares after the first 9 months of 2023

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 2023. TAURON Capital Group's distribution grids cover more than 18% of the country's territory. Figure no. 26 presents the estimated Polish market shares of the individual energy groups with respect to the distribution of electricity according to the data for the first three quarters of 2023. TAURON Group's electricity distribution volume came in at 51.30 TWh in 2023.

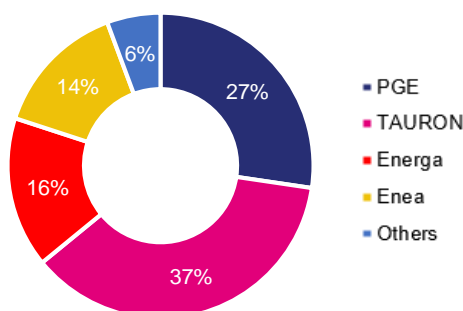


Figure no. 26. Electricity distribution in Poland – the estimated market shares in the first 9 months of 2023

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

Supply

When comparing the data after the first three quarters of 2023, TAURON Group was the second, behind PGE, largest supplier of electricity in Poland. TAURON Group's retail electricity supply came in at 30.75 TWh for the full year 2023. The number of the Supply Segment's Customers stood at approx. 5.8 million in 2023. Figure no. 27 presents the estimated Polish market shares of the individual energy groups with respect to the supply of electricity to the final consumers, according to the data for the first three quarters of 2023.

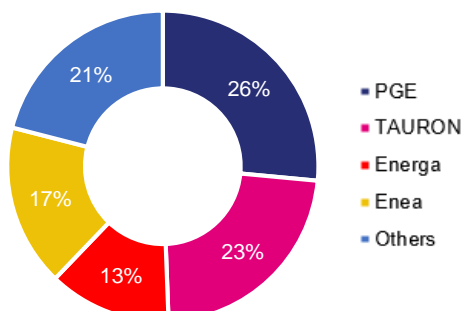







Figure no. 27. Electricity supply to the final consumers in Poland – the estimated market shares in the first 9 months of 2023

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

E – ENVIRONMENTAL (Environment and Climate)

E 1. Environmental area in numbers

Table no. 21. Key non-financial and financial efficiency metrics (performance indicators) related to the environment and climate in 2023.

	Key performance indicators	2023
	Emissions of the generation*	720 kgCO ₂ /MWh
	GHG emissions intensity**	0.497 kgCO ₂ eq/net Turnover ("Revenue") in PLN (market-based) 0.505 kgCO ₂ eq/net Turnover ("Revenue") in PLN (location-based)
	Reduction in the specific direct emissions as compared to the 2018 base year	13.3%
	Use of the annual emissions limits	
	NOx	30.5%
	SO ₂	25.2%
	total dust	16.4%
	Capacity in the new RES assets	+37 MW
	Quantity of the process waste placed on the market (ash, slag, gypsum) for reuse	95%
	Share (proportion) of TAURON Group's environmentally sustainable activities that are Taxonomy eligible in:	
	turnover (revenue)	16.1%
	Operating Expenses (OpEx)	62.1%
	Capital Expenditures (CapEx)	79.6%

* Ratio of the volume of the direct CO₂ emissions of the generation to the volume of the gross electricity production volume.

** In accordance with GRI Standard (305-4), the total of Scope 1 and Scope 2 equivalent greenhouse gas emissions in kgCO₂eq in relation to the net revenue (PLN) has been taken into account for the calculation of the "Greenhouse Gas (GHG) Emissions Intensity" indicator for TAURON Group.

E 2. TAURON Group's climate commitments and climate neutrality by 2050

E 2.1. The Group's commitments in the context of the climate and environmental protection requirements

Table of indicators:

GRI – general	305-4
WSE	E-M1, E-M3

TAURON Group is taking measures aimed at reducing its negative impact on the climate and the environment, as well as aiming to take advantage of most of the opportunities associated therewith. TAURON Group's strategy defines a series of steps aimed at implementing a socially acceptable energy transition of the Group in order to ultimately achieve its climate neutrality by 2050. For the energy industry, the climate impact includes both the weather related phenomena, as well as the regulatory changes and the shifts in the Customer attitudes (behaviors). The regulatory changes and the social expectations are elevating the importance of the climate and the environmental issues, as well as the need for the RES expansion. In line with its Strategy, TAURON Group will

increase the share of the RES capacity in its generation mix to approximately 80% in 2030, and it will complete the transition of its conventional generation assets. This will allow for the reduction of its carbon intensity from approximately 750 kg CO₂/MWh in 2021, to less than 160 kg CO₂/MWh in 2030, as shown in Figure no. 28.

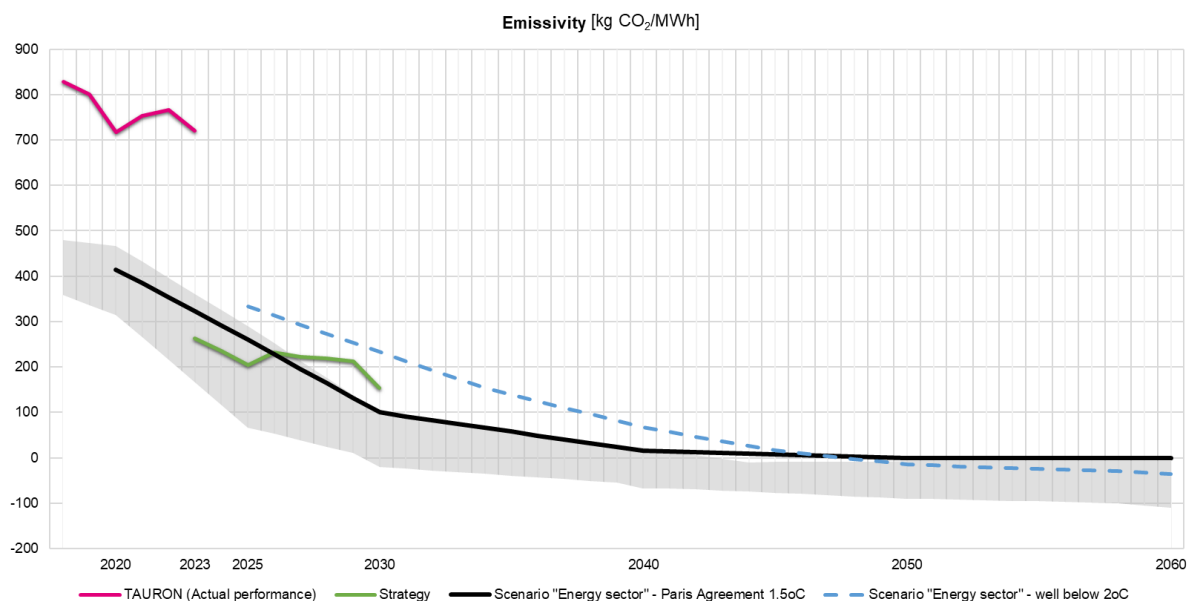


Figure no. 28. GRI 305-4. TAURON Group's commitments are reflected in the direct CO₂ emissions planned to be achieved by 2030 against the backdrop of the climate scenarios*.

* Sectoral Decarbonization Approach (SDA) for the energy industry – on the chart: the adjustment for the 1.5°C scenario (the black line and the shaded area) and the well below 2°C scenario (the dashed blue line) based on the "IEA ETP B2DS with the greenhouse gas intensity on the Y-axis".

Source: <https://sciencebasedtargets.org/resources/legacy/2020/06/SBTi-Power-Sector-15C-guide-FINAL.pdf>

TAURON Group's currently implemented Strategy and its business model are in line with the implementation of the terms of the Paris Accord, assuming the capping of the average global temperature to a value below 2°C in relation to the level of the pre-industrial era as well as striving not to exceed the temperature increase rate of more than 1.5°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 the global warming at a maximum rate of 2°C, the changes in the external environment will be evolutionary as a result of the growing awareness of the society and the businesses and the ever increasing availability of the new technologies. If it is not possible to stop the temperature rise by acting this way, then 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 more rapid.

The Group's opportunity will be related to the growing energy awareness of the public, coupled with the rising cost of energy, which will result in a growing interest in the energy efficiency, energy conservation (saving) and the production of the electricity from the renewable energy sources (RES). The social pressure and the regulations are causing Poland to introduce the increasingly more stringent environmental standards and restrictions for the fossil fuels, including the rising costs of the CO₂ emissions (the charges for the CO₂ emissions). Such a high cost 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 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 its capacity in the renewable energy sources, investing in the distribution grids, the remote readout meters, the digitization and the cyber security, as well as the lowering of the CO₂ emission levels.

The improvements of the energy efficiency and the levels of the greenhouse gas emissions in 2023 are presented in "E 3.2.2. TAURON Group's climate impact" and in section "E 3.2.3. Improving energy efficiency and energy management".

In the long term, the negative impact of TAURON Group on the environment and the 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 the spinning off thereof out of TAURON Group.

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







More information on TAURON Group's Strategy is provided in section 3 related to TAURON Group's Strategy for the years 2022 – 2030 with an outlook until 2050.

E 2.2. Striving for climate neutrality by 2050

TAURON Group has prepared the roadmap (presented in Table no. 22) which is to lead to the accomplishment of the decarbonization targets and to the achievement of the climate neutrality by 2050. The basic elements of the road map include:

- reduction of the installed capacity of the conventional electricity and heat generation sources with the high emissions in the medium term and the change of the fuel mix by increasing the share of the zero emission and the low emission sources.
- intensification of the activities related to the climate change in the subsequent years and a focus on the digitization. Following the trend of the widespread electrification of the industries (consumption / increase in the demand for the electricity).
- innovations, the circular economy, e-products and cybersecurity as the growth accelerators.
- Scope 1 zero carbon footprint - in 2050 (zero emissions) and Scope 2 and Scope 3 emissions reductions – a low emission supply chain, as well as the supply and the distribution of the low and zero carbon energy.

Table no. 22. "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 Goal (SDG)
Direct GHG (CO ₂) emissions unit (specific) reduction Scope 1	-76% in 2025 as compared to the base year 2018 (Target 200 kgCO ₂ /MWh) (1)	-13.3% as compared to the base year 2018 (2023 result 720 kgCO ₂ /MWh) (1)	ACTIVE	E G	
Renewable generation sources' capacity expansion plan	+1.0 GW of the new RES capacity (2)	+0.037 GW of the new RES capacity (2) +0.429 GW (under construction and at the development stage)	ACTIVE	E G (I)	
Low emission and zero emission generation sources' heat (thermal) capacity expansion / change plan	+0.261 GW of the low emission and the zero emission heat (thermal) capacity (3)	0 GW of the new low emission and zero emission heat (thermal) capacity (3) +0.216 GW (under construction)	ACTIVE	E G (I)	
Sustainable development: EBITDA* from the sustainable operations of the RES segment / Group's EBITDA		7.0%* - share of EBITDA from the sustainable operations of the RES operating segment	ACTIVE (2023 achievement) PLANNED (2025 target definition)	E G	
Sustainable financing - better use		-	PLANNED (2025 target definition)	G	  

* Share of EBITDA from the sustainable operations in the Group's EBITDA in 2023 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.

(1) Direct CO₂ emissions indicator in kgCO₂/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. 28 TAURON Capital Group's commitments are reflected in the direct CO₂ emissions level planned to be achieved by 2030 against the backdrop of the climate scenarios.

The emissions of the other GHGs accompanying the generation of the electricity (N₂O, CH₄, HFCs, SF₆) due to the indicator auditing methodology used (EU ETS third party audit) and their share of <1% in the total GHG emissions, have not been included in the presented indicator. Nevertheless, the value of the indicator of the direct CO₂ emissions per the gross electricity production in kgCO₂/MWh, based on the methodology that is, as per the assumptions, consistent with the GHG Protocol can be considered as a representative indicator of the CO₂e equivalent emission intensity per the gross electricity production (kgCO₂e/MWh).

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

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

E – Environmental, G – Governance, (I) – Investments.

With respect to the GHG emissions data collection procedures and process TAURON Group is ready to set its climate targets in line with the Science Based Targets (SBTi) initiative (<https://sciencebasedtargets.org/>). It defines a methodology that supports the company in setting its ambitious reduction targets and in transforming its business operations to facilitate its transition to a low carbon economy. The main assumptions with respect to the SBTi-compliant criteria and recommendations that TAURON Group is currently applying include the definition of the limits and the inventories in three GHG emission scopes (Scope 1, 2, 3) based on an approach that follows the GHG Protocol Corporate Standard and for Scope 3 based on the GHG Protocol Corporate Value Chain (Scope 3) Standard.

The above is a step supplementing the direction of actions, adopted as part of 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 Accord and the goals of the United Nations (UN) according to the 2030 Agenda for the Sustainable Development.

The above mentioned targets of TAURON Group in the pursuit of the climate neutrality by 2050 are being implemented, first and foremost, based on an adequate investment (capex) plan that includes the spending of close to PLN 17 billion for the development of the RES installed capacity in the years 2022 - 2030.

Energy transition

TAURON Group confirmed its intermediate target in the fight against climate change, setting the direct greenhouse gas emissions reduction target (Scope 1) at not less than 78% by 2030, along with an intermediate emissions reduction target set for 2025 and the accomplishment of climate neutrality by 2050.

TAURON is planning an additional capacity in the renewable energy sources so as to reach a total of 3.7 GW of the installed capacity of the zero carbon sources by 2030. Up to now, the most likely scenario for reducing the share of the conventional power generation capacity in TAURON Group's fuel mix has been the spin off and the sale of the coal based assets to another entity (the NABE program), the process that, however, had not been completed in 2023 due to the regulatory environment.

Electrification, digitization and the creation of the new development platforms

By promoting the electrification and an increase in the consumption of the electricity from RES, TAURON Group is seeking to expand its range of the products and services. One of the goals in this regard is an expansion of the network of the electric vehicle charging stations, as well as 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 of the quality and the efficiency of the services provided, also with the use of the new development platforms. The main goals set for 2025 include maintaining of the CTP and CP electricity delivery indicators (the duration of an interruption and the frequency of the interruptions), as well as installing the remote readout meters at all of the final consumers by 2030 and the utilization of the data as part of the new development platforms.

E 3. Internal policies and regulations as well as the actions taken and the results achieved

E 3.1. Environmental Policy

Table of indicators:

GRI – general	2-24, 2-25
GRI – topic	305-5, 416-1
WSE	E-M1, E-M5

The 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 the 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 defines the Group's approach to the management of the issues related to the impact that its business operations have 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 the responsible communications related to the environmental issues, ensuring a clarity and an understanding of the business operations of TAURON Group that may have an impact on the environment, as well as of the activities undertaken for the benefit of the environment.

Due diligence procedures and the internal regulations

TAURON Group is acting in compliance with the legal regulations and is fulfilling its obligations stemming from the provisions of the administrative decisions related to the performance of its business operations. The Group takes into account the needs of its stakeholders related to the environment protection and acts in a way that contributes to the accomplishment of a broader goal which is the sustainable development. The implementation of a circular economy and the achievement of the environmental goals in terms of the resource efficiency are particularly material.

The areas of the potential direct impact on the environment associated with TAURON Group's business operations in 2023 are presented in Table no. 23.

Table no. 23. Identification and classification of the levels of materiality of the potential direct impact on the environment associated with TAURON Group's business operations in 2023

Subsidiary	Aspect	Emissions of pollutants into the air	Pollution emissions to water / water relations	Waste	Land use	Biodiversity**
TAURON Wytwarzanie		Material	Material	Material	Material	Less material
TAURON Ciepło		Material	Material	Material	Less material	Less material
TAURON Inwestycje		-	-	Less material	Material	Less material
TAURON Nowe Technologie		Less material	Less material	-	-	-
TAURON Ekoenergia*		-	Material	Less material	Less material	Material
TAURON Zielona Energia*		-	-	-	Less material	Material
Kopalnia Wapienia „Czatkowice”		Less material	Less material	Less material	Material	Material
Bioeko Grupa TAURON		-	-	Material	Less material	Less material
Energetyka Cieszyńska		Material	Less material	Material	Less material	Less material
TAURON Dystrybucja		-	Less material	Less material	-	Material
TAURON Sprzedaż		-	-	-	-	Less material
TAURON Dystrybucja Pomiary		-	-	Less material	-	-

* Includes the special purpose vehicles for managing the RES assets and projects (special purpose investment project companies).

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

Due to the diverse production and service profiles of the 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 Group's value system and the magnitude of their respective impact.

Minimizing of the negative impacts on the environment is effectively implemented by the Group taking into account the specifics of the business operations conducted, the technological development and the access to the environmentally friendly technologies. The Group's business operations are in compliance with all of the environmental requirements. The environmental management standards in place in the Group confirm the implementation of the environmental activities with the due diligence and care for the natural environment. The environmental procedures and instructions (manuals) functioning in the Group strictly assign the roles and the responsibilities in the individual processes as well as the operating procedures to be followed. TAURON Group is implementing the training programs that are raising the environmental awareness as well as the periodic refresher trainings for the employees.

Some of TAURON Capital Group's subsidiaries have implemented a certified environment management system in accordance with the ISO 14001 standard. TAURON Wytwarzanie subsidiary, representing a conventional electricity generation, has additionally received the certificate of the European Community's Eco-Management and Audit Scheme (EMAS) that is issued as part of the EU's environmental certification system and is aimed at creating a sustainable development culture in an organization and an efficient management of the 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 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 the monthly reports to the managers overseeing the business operations, 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 the external stakeholders, evaluates and improves the environmental performance in one of its largest lines of business (power generation). The operational processes implemented by TAURON Group are subject to an 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 a continuous improvement of the organization in the environmental matters and minimize a negative impact on the natural environment by identifying the areas for improvement, creating and implementing the activities aimed at improving the quality, increasing the efficiency of the business 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 the services and meets the requirements of the Customers and all of the stakeholders, while implementing the measures aimed at protecting the environment and ensuring the work (occupational) health and safety. Table no. 24 presents the environmental management system, while Table no. 25 presents the quality as well as the security and safety management systems in place at TAURON Group in 2023.

Table no. 24 Classification of TAURON Group's environmental management systems in 2023 including their scope in the Group's impact on the environment.

	Implemented system	Certified system	External oversight (audits)	Number of locations (facilities sites) covered by the system	Scope in the Group's impact on the environment
Environmental management system	<ul style="list-style-type: none"> • KW „Czatkowice“ • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III • TW Stalowa Wola • NJGT • TC ZW Tychy • TC ZW Bielsko-Biała EC 1 i EC 2 • TC Kamienna Góra • TC CC Zawiercie • TC CC Olkusz • TC Ciepłownie Lokalne 	<ul style="list-style-type: none"> • KW „Czatkowice“ • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	<ul style="list-style-type: none"> • KW „Czatkowice“ • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	15	> 93.5%*
ISO 14 001	<ul style="list-style-type: none"> • KW „Czatkowice“ • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III • TW Nowe Jaworzno 	<ul style="list-style-type: none"> • KW „Czatkowice“ • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	<ul style="list-style-type: none"> • KW „Czatkowice“ • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	7	> 76.4%*
EMAS	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza, • TW Jaworzno II • TW Jaworzno III 	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	5	> 65.4%*
REACH	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III • TC ZW Tychy • TC ZW Bielsko-Biała EC 1 i EC 2 • TC Kamienna Góra • TC CC Zawiercie • TC CC Olkusz • TC Ciepłownie Lokalne • Energetyka Cieszyńska 	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III • TC ZW Tychy • TC ZW Bielsko-Biała EC 1 i EC 2 • TC Kamienna Góra • TC CC Zawiercie • TC CC Olkusz • TC Ciepłownie Lokalne • Energetyka Cieszyńska 	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III • TC ZW Tychy • TC ZW Bielsko-Biała EC 1 i EC 2 • TC Kamienna Góra • TC CC Zawiercie • TC CC Olkusz • TC Ciepłownie Lokalne • Energetyka Cieszyńska 	12	> 90%**

* The criterion of the magnitude of the use of the environment.

** The waste / by-product mass criterion.

Acronyms: TW – TAURON Wytwarzanie, KW „Czatkowice” – Kopalnia Wapienia „Czatkowice”, TC – TAURON Ciepło, ZW – Zakład Wytwarzania (Generation Plant), CC – Ciepłownia Centralna (Central Heating Plant), 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.

The New Jaworzno Power Plant (Elektrownia Nowe Jaworzno), which is the largest system utility scale power plant in the Group, was integrated into the structures of TAURON Wytwarzanie in 2023. The management systems documentation is in the process of being integrated with the documentation of the management systems and the procedures in place at TAURON Wytwarzanie. The New Jaworzno Power Plant (Elektrownia Nowe Jaworzno) will be covered by a certified ISO 14001 and the EMAS management system in 2024.

Energetyka Cieszyńska was integrated into TAURON Group's structures at the end of 2022, while the process of merging the subsidiary with TAURON Ciepło was under way in 2023, resulting in the currently ongoing integration of the process documentation. This process will be completed in 2024.

The other subsidiaries of TAURON Group, due to the magnitude of their direct impact on the environment, do not meet the level of materiality that would justify the implementation of the management systems.

Table no.25. GRI 416-1. Classification of the quality as well as the security and safety management systems in place at TAURON Group in 2023

	Implemented system	Certified system	External oversight (audits)	Number of locations (facilities, sites) covered by the system
Quality management system	<ul style="list-style-type: none"> • KW „Czatkowice” • WGT 	<ul style="list-style-type: none"> • KW „Czatkowice” • WGT 	<ul style="list-style-type: none"> • KW „Czatkowice” • WGT 	2
ISO 9001	<ul style="list-style-type: none"> • KW „Czatkowice” • WGT 	<ul style="list-style-type: none"> • KW „Czatkowice” • WGT 		2
ISO 17025	<ul style="list-style-type: none"> • TDP • TW LC 	<ul style="list-style-type: none"> • TDP • TW LC 	<ul style="list-style-type: none"> • TDP • TW LC 	2
ISO 45001	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III • TW Nowe Jaworzno 	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	<ul style="list-style-type: none"> • TW Łaziska • TW Łagisza • TW Siersza • TW Jaworzno II • TW Jaworzno III 	7
ISO 22301	<ul style="list-style-type: none"> • TW 6 sites • TC 6 sites • TD all the branches • TOK 			All the sites
Product certificates National Technical Assessments	<ul style="list-style-type: none"> • BGT 	<ul style="list-style-type: none"> • BGT 	<ul style="list-style-type: none"> • BGT 	17
KZR INiG System – confirming the compliance with the requirements of the sustainable operations with respect to the supply of the biofuels as well as the heat and the electricity production	<ul style="list-style-type: none"> • BGT • TC • TW 	<ul style="list-style-type: none"> • BGT • TC • TW 	<ul style="list-style-type: none"> • BGT • TC • TW 	All the sites
Certificate confirming the compliance with the applicable requirements and standards GMP+B2 Production of the feed ingredients GMP+FC system (based on GMP+C6) GMP International	<ul style="list-style-type: none"> • KWC 			1

Acronyms: TW – TAURON Wytwarzanie, TW LC – TAURON Wytwarzanie Laboratorium Centralne (TAURON Wytwarzanie Central Lab), KW „Czatkowice”/KWC – Kopalnia Wapienia „Czatkowice”, TC – TAURON Ciepło, WGT – Wsparcie Grupa TAURON, TDP – TAURON Dystrybucja Pomiary, TD – TAURON Dystrybucja, TOK – TAURON Obsługa Klienta, BGT – Bioeko 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 and the results achieved

The Group's activities in 2023 had been focused on the change of the Group's so-called fuel "mix" and the investments in the RES installations in order to reduce its carbon intensity. These activities had been carried out by the subsidiaries: TAURON Zielona Energia and TAURON Inwestycje. Table 20 presents the investments in the large scale RES installations, both the completed ones, as well as the ones that are a work in progress (including the ones planned to be completed in 2024), and also the ones commenced and those in the development phase in 2023. In addition, the detailed activities and the results achieved are described in the following sections related to the Environmental Policy

Table no. 26. GRI 305-5. TAURON Group's investments in the large scale RES installations in 2023

	Completed in 2022	In progress	Commenced / in the development phase
Wind farms		<ul style="list-style-type: none"> • Mierzyn – 58.5 MW • Warblewo – 30 MW • Nowa Brzeźnica – 19.6 MW • Gamów – 33 MW 	
PV farms	<ul style="list-style-type: none"> • Mysłowice Dzieckowice: Stage I – 37 MW 	<ul style="list-style-type: none"> • Proszówek – 55 MW: Stage I – 45.6 MW 	<ul style="list-style-type: none"> • Mysłowice Dzieckowice: Stage II – up to 65 MW • Bałków – 54 MW • Postomino – 90 MW*: Stage I – 80 MW Stage II – 10 MW
Total MWs	37 MW	196.1 MW	232.8 MW

* PV Postomino carried out based on the „cable pooling” formula.

TAURON Group had no longer been investing in the environmental protection installations for the coal fired generating units in 2023. It was possible as a result of the time derogations received (under the administrative decisions introducing the changes to the integrated permits in a procedure involving a public participation) and the investment program aimed at introducing the adjustments to the "capacity market" and the "BAT Conclusions" completed in mid 2021.

As part of the investments and the sustainable development in the area of the conventional power generation, the focus was on the tasks directed at combating the smog by connecting of the new facilities to TAURON Ciepło's district heating networks, as part of the continuation of the Low Emission Elimination Program. Thanks to the program, the high emission individual sources are being replaced by the so-called "far active" source with the higher efficiency and providing a significant level of the reduction in the emissions to the atmosphere.

In 2023, the investments had been continued in the construction of the new district heating sources based on the gas fuel (the transition fuel) at the Katowice Generating Plant (Zakład Wytwarzania Katowice) and at the Bielsko-Biała Generating Plant Bielsko - Północ Combined Heat and Power Plant EC2 (Zakład Wytwarzania Bielsko-Biała Elektrociepłownia Bielsko - Północ EC2 - ZWB EC 2) in Czechowice-Dziedzice.

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

Ligota project:

- an expansion of the network which will make it possible to attract the new heat consumers (an identified potential of up to 107 MWt),
- connecting to the network of at least 25 MWt of the new consumers' capacity, thanks to which it will eventually provide an additional load for the in-house sources of the Katowice Generating Plant (Zakład Wytwarzania Katowice),
- enabling of an uninterrupted heat supply to the existing consumers following a potential halting of heat the supply from an external heat source.

Katowice Generating Plant (Zakład Wytwarzania Katowice):

- an overhaul of the turbine set – a continuation of the overhaul activities conducted in the previous year, including the reduction of the flow losses (energy efficiency) as a result of the restoration of the low pressure regeneration exchanger XN3 – the restoring of the equipment efficiency to the design values.

Tychy Generating Plant (Zakład Wytwarzania Tychy):

- an overhaul and modernization of the BC50 unit (the fluidized bed boiler and the turbine set) - the restoring of the equipment efficiency to the design values.

Bielsko-Biała Generating Plant (Zakład Wytwarzania Bielsko-Biała):

- modernization of the water preheating system for the OFz230 fluidized bed boiler at ZWB EC2. The implementation of this investment task enables the boiler of the BC50 unit to start up with an increased boiler water temperature, which has an impact on the shortening of the start-up time and the reduction of the exhaust emissions.

Local district heating plants:

- the task involving the modernizing of the gas fired boiler plant in Siemianowice Śląskie by expanding the generation capacity by another 3 MW based on the low emission gas fuel had been commenced,
- a number of the smaller modernization tasks resulting in the significant reductions of the electricity consumption.

TAURON Ciepło had carried out a modernization of the electrostatic precipitators and the flue gas dedusting equipment in 2023 for all of the heat and power generating units subject to the planned overhauls, which had an impact on an additional reduction of the dust emissions into the atmosphere and a reduction of the energy intensity of these devices. In addition, in 2023, it had carried out a modernization of the district heating networks with respect to a replacement of the traditional technology with the pre-insulated technology in the quantity of 16.7 km.

TAURON Dystrybucja, by implementing the modernization and the replacement of the existing assets on an ongoing basis, in particular the tasks related to the alteration of the switchgear systems, the indoor substations or the transformer / switching substations (Główny Punkt Zasilający - GPZ), makes a direct contribution to an improvement of the safety of the soil and the groundwater.

TAURON Group assumes responsibility for the natural environment and the consequences of the use (consumption) of its resources. The Group's subsidiaries estimate that the amount of the charges to be paid for the business use of the environment in 2023 is approximately PLN 15.9 million, as shown in Table no. 27. A significant decrease in the level of the environmental charges is a result of the spinning off of TAURON Mining's hard coal mining operations out of the Group's structures (outside the Group in 2023) and a decline in the production by the conventional coal fired generation sources.

Table no. 27. Amounts of the charges to be paid for the business use of the environment by TAURON Group due for 2022 and 2023

#	Subsidiary name	Charges for the business use of the environment due for 2023 (PLN '000)	Charges for the business use of the environment due for 2022 (PLN '000)
1.	TAURON Wytwarzanie	12 130.7	14 793.1
2.	TAURON Ciepło	2 725.39	4 251.7
3.	TAURON Ekoenergia	551.2*	410.8*
4.	TAURON Dystrybucja	211.6	209.3
5.	KW „Czatkowice”	59.4	65.6
6.	TAURON Nowe Technologie	55.3	66.4
7.	TAURON Obsługa Klienta	- **	-**
8.	TAURON Sprzedaż	-**	-**
9.	Bioeko Grupa TAURON	3.6	3.8
10.	Usługi Grupa TAURON	9.8	-**
11.	Energetyka Cieszyńska***	209.4	70.9
12.	TAURON Inwestycje	-**	-**
13.	TAURON Wydobywanie****	-	15 031.4
Total		15 956	34 903

* The charge for the consumption of the water for the purpose of operating the hydro power plants, assessed at the rate of PLN 1.24 per 1 MWh of the electricity produced by the hydro power facilities in 2023 stands at PLN 546 600, while a fee for discharging of the rain water or the snowmelt into the waters comes in at PLN 4 600.

** The extent of using the environment does not generate the charges, as the amount thereof falls below the threshold starting from which the fees are paid.

*** The data between 2022 and 2023 is not comparable due to the different reporting periods, Energetyka Cieszyńska had joined in 2022.

**** The data for 2022 had also included the TAURON Wydobywanie subsidiary yet. This subsidiary was outside of TAURON Group in 2023.

E 3.1.1. Emissions into the atmosphere

Table of indicators:	
GRI – topic	305-7
WSE	E-M2

The Group's commitments are focused on the reduction of the CO₂ emissions, and as a result of that all of the operating generating units of TAURON Wytwarzanie and TAURON Ciepło are already achieving the levels of the concentrations of the substances emitted into the air that are in accordance with the best available techniques. TAURON Group's emission volumes in 2023 had been well below the levels defined as the maximum permissible annual quantities of the substances introduced into the atmosphere according to the permits (the limits). The Group does not currently have a dedicated program in place aimed at reducing the air emissions from the units burning the solid fuels. Such a program had been implemented in the earlier years and had ended with the introduction of the stricter emission standards and the operating regimes as of August 2021, reducing the previous impact of the dust, nitrogen oxides, sulfur dioxide, chlorine and the hydrogen fluoride emissions on the air quality.

The ad hoc retrofitting work is currently being carried out on the air protection equipment at the sources burning the solid fossil fuels. Any further reduction of the polluting substances 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 levels of the emissions of the NO_x, SO₂ compounds and the dusts into the atmosphere, and the levels of the emissions in 2023 and 2022 are presented in Tables no. 28, 28-a and 28-b.

Table no. 28. GRI 305-7. Emissions of the NO_x, SO₂ compounds and the other significant compounds into the atmosphere by TAURON Group in 2022 and 2023 [Mg]

TOTAL	2023	2022*
NO _x	6 449	13 148
SO ₂	4 812	10 105
Total dust	249	636
Other **	7 006	8 545

* The aggregate figures for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

** Under the other emissions item, the following compounds and substances are included: CO, HCl, HF, NH₃, mercury and other metals, others monitored and reported to the National Pollutant Release and Transfer Register (Krajowy Rejestr Uwalniania i Transferu Zanieczyszczeń) database.

Table no. 28-a. GRI 305-7. Emissions of the NO_x, SO₂ compounds and the other significant compounds into the atmosphere by TAURON Group in 2022 and 2023, per individual subsidiary

	TAURON Wytwarzanie		TAURON Ciepło		TAURON Nowe Technologie*		Energetyka Cieszyńska****		Kopalnia Wapienia „Czatkowice”		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
NO _x	5 494	11 994	801	1 015	64	68	90	32			6 449	13 109
SO ₂	3 675	8 285	905	1 679	4	4	228	81			4 812	10 049
Total dust	193	514	47	60			9	4	6	13	249	591
Other**	4 875	5 599	2 093	2 881			38	15	-	-	7 006	8 495

* For the TAURON Nowe Technologie subsidiary, due to the magnitude, there is no obligation to conduct the measurements of the emissions of the dust and the other substances.

** Under the other emissions item, the following compounds and substances are included: CO, HCl, HF, NH₃, mercury and other metals, others monitored and reported to the National Pollutant Release and Transfer Register (Krajowy Rejestr Uwalniania i Transferu Zanieczyszczeń) database.

**** The data between 2022 and 2023 is not comparable due to the different reporting periods. The data for 2022 had included an incomplete 4th quarter of 2022.

Table no. 28-b. GRI 305-7. Operational limits (the annual targets not to be exceeded) of the emissions of the significant compounds into the atmosphere at TAURON Group's individual subsidiaries (the total of the limits of the operated installations), applicable in 2023

Source (the total from the installations operated by the Company)	Maximum amount Mg / year		
	NOx	SO ₂	Dust
TAURON Wytwarzanie	18 007	15 025	1 156
TAURON Ciepło	2 828.6	3 628.4	293.9
Energetyka Cieszyńska	171.9	408.2	32.1
TAURON Nowe Technologie	116.2	9.2	-*
Kopalnia Wapienia „Czatkowice”	-*	-*	36.2

* The 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 main costs and the outlays for the projects related to the environment protection that include the charges, capital expenditures, maintenance of the devices, measurements or the maintenance of the systems are presented in Table no. 29

Table no. 29. TAURON Group's costs and outlays for the projects related to the environment protection (excluding the climate related expenditures) in 2023

TAURON Group's total environment protection outlays	PLN 336.7 m
including the capital expenditures related to the environment protection	PLN 43.8 m
Share of the investment expenditures in the environmental outlays	approx. 13.0%
Share of the environment related investment outlays in the Group's total capital expenditures	1.0%

E 3.1.2. Water resources management

Table of indicators:

GRI 3-3	Sustainable management of energy consumption and natural resources (including water and raw materials)
GRI – topic	303-1, 303-2, 303-3, 303-4
WSE	E-A2

Following the principle of the resource efficiency, TAURON Group is also monitoring and optimizing the consumption of the water used for the technological process purposes on an ongoing basis. This is done by closing the water circuits and by recirculating the water with the relatively good parameters to the other production processes, with the lesser requirements, for its reuse.

The 910 MW power generation unit, TAURON Wytwarzanie's Łagisza Power Plant in Będzin and TAURON Ciepło's Bielsko-Biała Generation Plant (Zakład Wytwarzania Bielsko-Biała) 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.

At the Group's largest combined heat and power plant - the Katowice Generating Plant (Zakład Wytwarzania Katowice), the water management is based mainly on the re-use of the water in the form of the treated municipal wastewater from the Dąbrówka Mała - Centrum Wastewater Treatment Plant (Oczyszczalnia Ścieków Dąbrówka Mała – Centrum), which, following the treatment, is used as the cooling water. Thanks to this re-use the consumption of approximately 600 000 m³ of the water from the environment is avoided per annum.

The climate changes observed, including the hydrological drought phenomenon that has become ever more visible in the recent years, have a direct impact on the availability of the resources considered as the renewables, such as, for example, the water. The sustainable use of these resources is implemented in the energy industry, among

other things, by applying the operational limits on the amount of the water taken directly from the environment (the surface and the groundwater intakes) that are presented in Table no. 30.

Table no. 30. GRI 303-3. Maximum daily limits (the operational targets not to be exceeded) for the direct water intake from the environment in force in 2023

Source	Maximum quantity per day m ³ /d*	
	Ground water	Surface water
TAURON Wytwarzanie	14 049	150 960
TAURON Ciepło	0	7 209.6
TAURON Dystrybucja	11.9	-
TAURON Ekoenergia	3.8	-
Kopalnia Wapienia „Czatkowice”	3.5	240

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

The quantities of water consumed for the generation purposes are monitored using the direct measurement method on a continuous basis. The Group deliberately did not declare its targets related to the reduction of the water consumption for the energy production purposes for 2023 as it was conducting the activities related to:

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

Thus, it has been assumed that by implementing both of the above measures in the subsequent years, the water intake would go down by a minimum of 70%.

The Group is not conducting its business operations in the areas covered by the so-called "water stress." The overall water risk in the south of Poland is low or moderately low according to the *WRI Aqueduct*, and very low and low according to the *WWF Water Risk Filter*.

The consumption of the water used in the production processes by TAURON Group in 2023 is shown in Tables no. 31 and no. 31-a.

Table no. 31. GRI 303-3. TAURON Capital Group's total water [m³/year] consumption per source in 2022 and 2023

[m ³ / year]	Total	
	2023	2022*
Rivers	12 548 157	45 250 492
Wetlands	0	0
Ground water	2 765 250	46 729 460*
Rain water collected directly and stored	0	339 196
Water from the municipal network	2 957 191	4 370 059*
Other	17 349 337	19 565 350
Total volume of water consumed from all of the sources taken into account	35 619 935	116 254 558*

* The data for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

The significant difference in the intake of the ground water and that of the water from the municipal network between 2023 and 2022 is the result of the spin off of the hard coal mining operations conducted by the TAURON Wydobycie subsidiary out of TAURON Group's structures (the subsidiary was already outside of the Group in 2023).

Table no. 31-a. GRI 303-3. TAURON Group's total water consumption [m³ / year] per source broken down per subsidiary in 2022 and 2023

[m ³ / year]	TAURON Wytwarzanie		TAURON Ciepło		Kopalnia Wapienia „Czatkowice”		Energetyka Cieszyńska*		TAURON Ekoenergia		TAURON Dystrybucja		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023**	2022	2023	2022
Surface water (rivers, lakes) including the water from the wetlands														
Rivers	12 193 036	44 720 350	329 551	485 005	25 570	45 137	0	0	0	0	0	-	12 548 157	45 250 492
Wetlands	0	0	0	0	0	0	0	0	0	0	0	-	0	0
Other:														
Ground water	2 764 580	689 838	0	0	141	109	0	0	401	461	128	-	2 765 250	690 408
Rain water collected directly and stored	0	339 196	0	0	0	0	0	0	0	0	-	-	0	339 196
Water from the municipal network	1 664 321	2 390 316	1 144 130	1 493 038	7 273	6 574	39 700	8 616	1 277	1 451	100 490	-	2 957 191	3 899 995
Other	16 757 664	18 922 889	591 673	642 461	0	0	0	0	0	0	0	-	17 349 337	19 565 350
Total volume of the water consumed from all of the sources taken into account	33 379 601	67 062 589	2 065 354	2 620 504	32 984	51 820	39 700	8 616	1 678	1 912	100 618	-	35 619 935	69 745 441

* Energetyka Cieszyńska had been taken over by TAURON Group in December 2022, and thus the data between the individual years is not comparable.

** The first disclosure by TAURON Dystrybucja for 2023.

By optimizing the waste water treatment processes, modernizing and applying the new waste water treatment methods, as well as a result of the decommissioning of the Stalowa Wola open cooling facility, TAURON Group significantly had reduced the total quantity of the waste water produced already starting from 2021. For this reason, no additional initiatives had been carried out in the subsequent years in this regard, since, as in the case of the water intake, it had been assumed that the volume of the waste water generated and required to be treated would go down by a minimum of 70% after the completion of the spin off of the TAURON Wytwarzanie subsidiary and the increase of the RES sources' capacity in the Group.

The quality and the quantity of the waste water is subject to an ongoing monitoring and the total volume of the waste water produced (discharged) as a result of TAURON Group's operations in 2023, including its utilization method (destination), is shown in Tables no. 26 and no. 26-a.

Table no. 32. GRI 303-4. Total volume of TAURON Capital Group's waste water [m³] in 2022 and 2021 by quality and utilization method (destination)

Waste water dump site taking into account the emergency heat dumps (discharges)	Total m ³	
	2023	2022*
Waste water discharged into the sewage system (municipal companies)	602 952	982 893*
Waste water discharged by means of transportation to the waste water treatment plant	430	472*
Waste water discharged to the surface water:		
Rivers	16 589 160	60 308 666*
Other	0	0
Total waste water volume	17 192 542	61 292 032

* The data for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

Table no. 32-a. GRI 303-4. Total volume of TAURON Group's waste water [m³] in 2022 and 2023 by quality and utilization method (destination), per subsidiary

Waste water dump site taking into account the emergency heat dumps (discharges)	Waste water volume [m ³]													
	TAURON Wytwarzanie		TAURON Ciepło		Kopalnia Wapienia „Czatkowice”		Energetyka Cieszyńska**		TAURON Ekoenergia		TAURON Dystrybucja		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023***	2022	2023	2022*
Waste water discharged into the sewage system (municipal companies)	82 422	203 970	374 935	422 532	0	0	37 802	7 910	1020	1 115	106 772	-	602 952	635 527
Waste water discharged by means of transportation to the waste water treatment plant	0	0	0	0	0	0	0	0	102	135	328	-	430	135
Waste water discharged to the surface water:														
Rivers	16 467 671	16 532 273	96 718	131 944	24 373	22 071	0	0	398	452	0	-	16 589 160	16 686 740
Other	0	0	0	0	0	0	0	0	0	0	0	-	0	0
Total waste water volume	16 550 093	16 736 243	471 653	554 476	24 373	22 071	37 802	7 910	1 520	1 702	107 100	-	17 192 542	61 292 032

* The data for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

** Energetyka Cieszyńska had been taken over by TAURON Group in December 2022, and thus the data between the individual years is not comparable.

*** The first disclosure by TAURON Dystrybucja for 2023.

The pollutants classified as the substances that are particularly harmful to the aquatic environment in the discharged waste water include the metals and their compounds, as well as the petroleum hydrocarbons coming from the industrial sites. Such pollutants can primarily be found in the waste water from the waste gas treatment. The reduction and control measures cover zinc, lead, chromium, nickel, copper, silver, barium, boron, vanadium, arsenic, molybdenum, cobalt. The amounts of the priority substances listed in the EU Water Framework Directive discharged in the wastewater are presented in Table no. 32-b.

The emissions discharged to the water are introduced at the locations and in the amounts specified in the water legal permits, and therefore do not occur near the sensitive communities or in the areas affected by the water shortages. The plan for the reduction and the management of these pollutants constitutes the integrated permit or the water legal permit.

Table no. 32-b. Priority substances listed under the EU Water Framework Directive discharged in the waste water (the amount of pollutants introduced [kg]) (a new disclosure – for the first time in 2023)

Substances particularly sensitive to the aquatic environment	TAURON Wytwarzanie		TAURON Ciepło		Energetyka Cieszyńska		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Petroleum hydrocarbons	860	886	13.9	1.9	0	0	873.9	887.9
Total metals*	977	1350	63.7	60.0	0	0	1040.7	1410

* Zinc, lead, chromium, nickel, copper, silver, barium, boron, vanadium, arsenic, molybdenum, cobalt.

E 3.1.3. Waste management program

Table of indicators:

GRI 3-3	Efficient waste management and implementation of a circular economy
GRI – topic	306-1, 306-2, 306-3
WSE	E-A4

TAURON Group is undertaking numerous measures aimed at minimizing its negative impact on the environment by minimizing the waste generated from the processes and the business operations 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 the following activities that are adequate to the profile of the individual subsidiaries:

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

The main stream of the generated waste is produced as a result of the power generation processes that are based on the conventional hard coal combustion. The production processes are planned and implemented in such a way that the quality of the resulting waste enables its further marketable use in a number of industries. TAURON Group has introduced a number of the measures aimed at maintaining the best possible quality of the waste / by-products so that they could be the full value materials.

Through a participation in the mandatory waste management data collection system in the waste database register (which is an element of the database on the products and the packaging as well as the waste management) in place in Poland, all of the information regarding the waste generated, as well as its further processing, transportation or a disposal throughout the waste cycle is collected on an ongoing basis. The information on the further process of managing the waste generated at TAURON Group is subject to a continuous monitoring and an analysis in order to assess how the materials move to, through and from the organization to their downstream recipients. This way a comprehensive overview of the waste generated, as well as the ability to control the processes within the organization in order to prevent the waste generation is provided. In addition, this approach creates an opportunity to implement the circular economy solutions, thanks to which TAURON Group, in its activities, goes beyond mitigating and remediating the negative impacts following the generation of the waste and can move to managing the waste as a resource.

The Group's approach is already highly advanced, as the Group has been systematically converting the waste into the by-products for years. These substances (ash, slag, gypsum) no longer have a formal waste status. The Group

is focused on maintaining a significant market share in the by-products. The Group had established a specialized subsidiary, Bioeko Grupa TAURON, a few years ago to deal solely with the circular economy, generating the revenue and reducing an environmental impact.

Tauron Group has been successfully implementing „Circular Economy” and implements objectives or targets related to solid waste management in its own operations since 2016. Also the initiatives aimed at reducing the solid waste have been successively undertaken since 2016.

The ongoing tasks aimed at the reusing of the solid waste have included the following:

- technological processes that are carried out in such a way that the "waste" generated in the course of their performance is of the best possible quality, so that it could be suitable for use as a full value product for re-use on the market,
- new directions for its use in the various branches of the industry are continuously being sought after,
- combustion by-products produced by the Group are certified to be marketed as the full value products,
- processes are continuously carried out in order to maintain the high quality of the combustion by-products produced by the Group as part of which the following processes are carried out:
 - adequate selection of the raw materials for the production,
 - adequate selection of the fuels for the production,
 - ensuring an adequate granulation of the by-products,
 - ensuring the consistency of the parameters of the by-products.

By carrying out the technological processes targeted at achieving the quality of the combustion by-products generated, the Group gets rid of the problem with the waste generated "at the source." This process also makes use of the procedure for the recognition (classification) of the waste as the by-products, specified in Article 5 of Directive 2008/98/EC of the European Parliament and of the Council of November 19, 2008 on waste and repealing certain directives.

All of these initiatives aimed at reducing the waste generation and at increasing the amount of the reused solid waste had led, in 2023, to 95% of the generated by-products having been placed on the market as the full value products.

TAURON Group does not generate the 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 minimize the quantities of the hazardous waste generated.

The amount of the hazardous waste generated in 2023 came in at 940 Mg, which represented less than 0.1% of the waste generated as part of the business operations. It is a marginal quantity in the entire area of the generation operations.

All of the sites where the hazardous waste is generated and stored are subject to the monitoring and the measurements of the hazardous waste in order to minimize the potential threats (risks) posed by the hazardous waste and to optimize the processes with respect to the hazardous waste management.

Due to the profile of TAURON Group's operations the following waste is not generated:

- radioactive waste,
- material quantities of the packaging waste.

Tables no. 33 and no. 33-a, as well as no. 34 and no. 34-a present the total weight of the waste by the type and the utilization (handling) method.

Table no. 33. GRI 306-1, GRI 306-2, GRI 306-3. Total weight of hazardous waste [Mg] in 2022 and 2023, by waste type and waste utilization (handling) method

	2023	2022
Re-use	0.0	0.0
Recycling	466.7	354.9
Recovery (including energy recovery)	315.7	298.0
Neutralization	84.8	104.2
Storage	4.7	15.6*
Other**	68.4	118.1*
Total waste weight	940	891*

* The data for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

** TAURON Group does not generate the radioactive waste.

Table no. 33-a. GRI 306-1, GRI 306-2, GRI 306-3. Total weight of TAURON Group's hazardous waste [t] in 2022 and 2023, by waste type and waste utilization (handling) method, per subsidiary

	Weight of hazardous waste [Mg]													
	TAURON Wytwarzanie		TAURON Ciepło		TAURON Dystrybucja		Energetyka Cieszyńska*		Kopalnia Wapienia „Czatkowice”		TAURON Ekoenergia		Total	
	2023	2022	2023	2022	2023	2022	2023	2022**	2023	2022	2023	2022	2023	2022
Re-use	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling	4.0	2.9	0.0	0.0	462.7	352.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	466.7
Recovery (including energy recovery)	225.0	105.1	7.5	26.1	83.0	166.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0	315.7
Neutralization	2.5	0.8	0.7	0.0	81.1	103.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0	84.8
Storage	0.8	2.0	0.8	0.6	3.1	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7
Other**	0.0	0.0	0.0	0.0	21.2	0.9	0.0	0.0	41.7	27.1	5.5	1.0	68.4	29.0
Total waste weight	232.4	110.8	9.0	26.7	651.1	633.6	0,7	0.0	41.7	27.1	5.5	1.0	940	799

* As part of the Energetyka Cieszyńska subsidiary taken over (as of the end of December 31, 2023). The data for 2022 includes an incomplete 4th quarter of 2022.

** TAURON Group does not generate the radioactive waste.

Table no. 34 GRI 306-1. GRI 306-2. GRI 306-3. Total weight of non-hazardous waste [Mg] in 2022 and 2023, by waste type and waste utilization (handling) method

	2023	2022
Re-use	0	0
Recycling	13 245	3 086
Recovery (including energy recovery)	117 478	1 398 526*
Neutralization	579	937
Dump (landfill)	251	4 320
Storage	1 280	22 614*
Composting	0	0
Other	3 309	6 134*
Total waste weight	136 141	1 435 616*

* The data for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

Table no. 34-a. GRI 306-1, GRI 306-2, GRI 306-3. Total weight of TAURON Group's non-hazardous waste [Mg] in 2022 and 2023 by quality and utilization method (destination), per subsidiary

	Weight of non-hazardous waste [Mg]													
	TAURON Wytwarzanie		TAURON Ciepło		TAURON Dystrybucja		Energetyka Cieszyńska*		Kopalnia Wapienia „Czatkowice”		TAURON Ekoenergia		Total	
	2023	2022	2023	2022	2023	2022	2023	2022*	2023	2022	2023	2022	2023	2022
Re-use	0	0	0	0	0	0	0	-	0	0	0	0	0	0
Recycling	3 029	1 599	0	0	1 275	1 480	8 941	-	0	0	0	0	13 245	3 086
Recovery (including energy recovery)	95 650	97 709	21 518	21 642	270	287	40	-	0	0	0	0	117 478	122 152
Neutralization	19	144	9	6	529	786	21	-	0	0	0	0	579	937
Dump (landfill)	244	4 320	0	0	7	0	0	-	0	0	0	0	251	4 320
Storage	1 186	2 228	42	287	53	36	0	-	0	0	0	0	1 280	2 551
Composting	0	0	0	0	0	0	0	-	0	0	0	0	0	0
Other	2 251	2 116	0	0	658	498	0	-	209	240	191	144	3 309	2 998
Total waste weight	102 379	108 115	21 569	21 935	2 792	3 088	9 002	0	209	240	191	144	136 141	136 042

* As part of the Energetyka Cieszyńska subsidiary taken over (as of the end of December 31, 2023). The data for 2022 includes an incomplete 4th quarter of 2022.

E 3.1.4. Circular economy

Table of indicators:

GRI 3-3	Efficient waste management and implementation of a circular economy
GRI – topic	306-1, 306-2

TAURON Capital Group is actively looking for solutions that would implement the idea of the Circular Economy (Gospodarka Obiegu Zamkniętego - GOZ) that has an impact on:

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

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

TAURON Group is seeking to implement the model of circular economy. It is planned that the maximum quantity of the post-processing by-products (ash, slag, ash and slag mixtures, gypsum and the mining by-products) generated should be used within TAURON Group, thus curtailing the consumption of the natural resources and reducing the carbon footprint.

TAURON Group is successively implementing the measures that result in the creation of the products in place of the previously generated waste. The stream of the post-process waste has been decreasing in favor of the by-products since 2016.

1.3 million Mg of the process by-products, coming from thermal combustion and mining of the hard coal, had been generated in 2023, with as much as 95% of that quantity brought to the market as the full value products to be used, among other things, in the construction, road building, mining or the agricultural sector. The balance of the waste was handed over to further authorized recipients with whom TAURON Group's subsidiaries have agreements in place that guarantee its further economic utilization, among other things, in the land reclamation, macro leveling and filling of the post-mining voids in the mining sector.

In 2023, TAURON Wytwarzanie brought to the market as much as 99.9% of the combustion by-products from the ongoing operations of the hard coal fired power plants as the full value products to be used in the construction, road building, mining and the agricultural sector.

Figure no. 29 presents the structure (composition) of the ashes, slag and gypsum generated by TAURON Group and placed on the market in 2023.

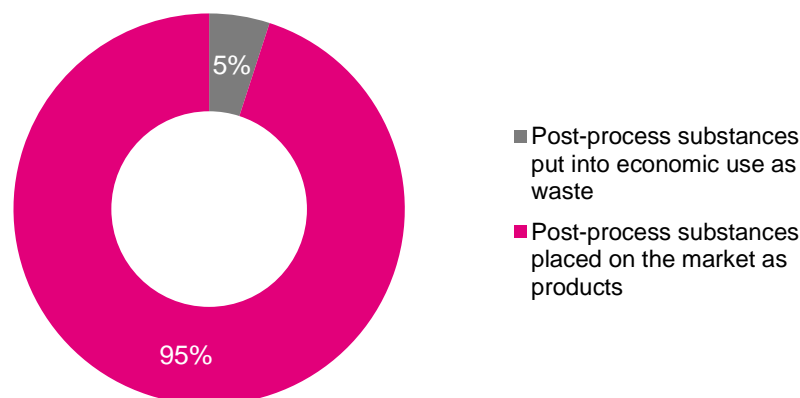
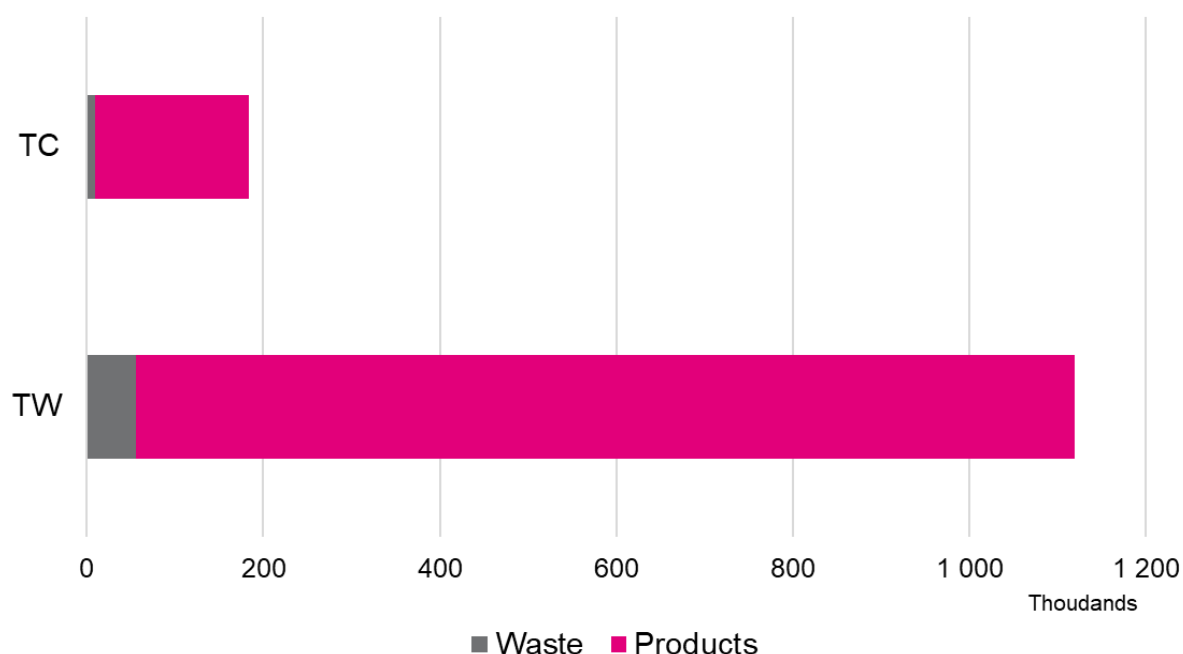


Figure no. 29. Structure (composition) of the ashes, slag and gypsum generated by TAURON Group and placed on the market in 2023

123 000 Mg of ashes coming from TAURON Group's power plants had been shipped in 2023 as a valuable raw material to be used in the fire prevention by the coal mines, which was a model example of a circular economy. The ashes coming from TAURON Group's power plants and the combined heat and power plants cover 100% of the demand for the ashes to be used in the fire prevention at the hard coal mines of Południowy Koncern Węglowy (formerly TAURON Wydobycie).

100% of the combustion by-products generated by TAURON Ciepło, i.e. 184 000 Mg, had been shipped to be reused in the various sectors of the industry, with 95% of that amount was placed as products on the market.

TAURON Group did not deposit any waste in the energy waste landfills in 2023, and the overall balance of the amount of waste deposited in the landfills so far is negative, which means a gradual reduction in the amount of the waste deposited in the landfills owned by the Group. Figure no. 30 presents the structure (composition) and the quantities of the combustion and mining by-products generated by TAURON Group and placed on the market in 2023.



Acronyms: TC – TAURON Ciepło, TW – TAURON Wytwarzanie.

Figure no. 30. Structure (composition) and the quantities of the combustion and mining by-products generated by TAURON Group and placed on the market in 2023

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

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

In the case of the new investment projects related to the photovoltaic farms, wind farms, distribution grids or the electric vehicle charging facilities, such projects are implemented in accordance with the principle of Doing No Significant Harm (DNSH) transition to a circular economy, i.e. the available equipment and components of high durability and recyclability that are easy to dismantle and repair are used.

In line with its Strategy TAURON Group is developing a new product segment to meet the needs of the household and the SME Customers offering the service that involves the professionals repairing, at the source, the malfunctions of the internal electrical installations, the radio and television equipment, the household appliances, the PCs, the air conditioning equipment, the internal water and sewage systems, the locks on the front doors and the 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 the activities aimed at spreading the circular economy promoting activities.

The number of the Customers from the mass segment using the Serwisant service type (which includes, among other things, the equipment repair) clocked in at 1 288 380 in 2023.

E 3.1.5. Land rehabilitation

TAURON Group's approach to dealing with the assets and the sites (land) after the business operations have been completed thereupon varies depending on the nature of the individual business operations and it has changed in connection with the planned transition of the sector, as shown in Table no. 35.

Table no. 35 TAURON Group's approach to the rehabilitation of the post-industrial sites in 2023.

Type of activity, site		Priorities / directions	Tools
Mining operations	Limestone mine (open pit mining)	<ul style="list-style-type: none"> measures aimed at restoring the forest ecosystems through the reclamation to restore forestry in an area covering more than 73 hectares 	<ul style="list-style-type: none"> technical design of the reclamation of the post-mining excavation of the „Czatkowice” Mining Plant (Zakład Górniczy „Czatkowice”)
Power plants, combined heat and power plants, heating plants	Discontinuation of the operations	<ul style="list-style-type: none"> allocation (zoning) of the industrial areas for use in the new economic functions (no loss of their industrial use is assumed for the social reasons) 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 the designs taking into account the selective waste management 	<ul style="list-style-type: none"> ways to proceed in the case of the termination of the operations of the installation specified in the administrative decisions held procedures for environmental impact assessments of the new activities analyses if the operation of the installation involves or involved the use, production or release of the substances that pose a risk and if there was or there is a possibility of the soil, earth or groundwater contamination at the site of the installation
	Transition / Change of fuel	<ul style="list-style-type: none"> use and adaptation of the existing infrastructure to the new electricity and heat generation technologies with respect to the expendable assets: dismantling and demolitions carried out in accordance with the approved plans and the designs taking into account the selective waste management 	
Landfills, waste storage facilities, large scale areas historically associated with the waste management (GRI 306-2)	Reclaimed land	<ul style="list-style-type: none"> allocating such land for the new industrial functions related to the RES 	<ul style="list-style-type: none"> reclamation reserves reclamation plans
	Land undergoing exploitation	<ul style="list-style-type: none"> planning and designing a reclamation aimed at the ultimate new industrial uses 	<ul style="list-style-type: none"> post-exploitation monitoring assessment (screening) of the environmental impact of the new activities

After the final termination of the activity, the necessary measures are taken to control and reduce the spread or limit the amount of the substances identified as posing a risk (hazard). Thanks to this it is possible to use the land without a significant risk to the human health or the environment due to, for example, the contamination of the soil and the groundwater. The plans to shut down and decommission the sites are regularly updated.

An important change in the trend associated with the transition of the sector is the move away from treating the land historically associated with landfill as wasteland, and, instead, assigning it the new functions, such as, for example, using it for the photovoltaic farms. Due to the specifics of the support structures used to mount the 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 a use.

Measures to address or avoid significant environmental or landscape impacts are undertaken as part of the decommissioning of the sites.

E 3.1.6. Biodiversity

Table of indicators:

GRI – topic	101-2, 101-5, 101-7
WSE	E-A3

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. 36 and Table no. 36-a.

Table no. 36. GRI 101-5. Locations in Natura 2000 area where the business operations are conducted. Identification of the priority areas for biodiversity

Location of the generation assets	Natura 2000 habitats	Natura 2000 birds
	Symbol and name	Symbol and name
TAURON Ekoenergia Hydro power plants*		
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 Czchów	PLH120085 Dolny Dunajec (Lower Dunajec River)	
EW Kuźnice	PLC120001 Tatry (Tatra Mountains)	PLC120001 Tatry (Tatra Mountains)
EW Janowice		PLB020002 Grądy Odrzańskie (Odra River Grądy)
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)

* The activities in these areas began decades before the establishment of the nature conservation system, in particular the NATURA 2000 network.

Table no. 36-a. GRI 101-5. Identification of the priority areas for biodiversity – the distance between the existing business operations sites and the nearest Natura 2000 area

Location of generation assets	Natura 2000 habitats		Natura 2000 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 Górniczej (Lipienniki in Dabrowa Górnicza)		

Zakład Wytwarzania Tychy			9,96	PLB120009 (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 Jaroszowiec		
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 (Krowiarka 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)		
Piotrków	12	PLH100026 Lubiaszów w Puszczy Pilickiej (Lubiaszów in Pilicka Forest)	46	PLB140003 Dolina Pilicy (Pilica River Valley)
Majewo	5	PLH280029 Doliny Erozyjne Wysoczyzny Elbląskiej (Erosional Valleys of the Elbląg Highlands)	12	PLB280010 Zalew Wiślany (Vistula Lagoon)
TAURON Ekoenergia Photovoltaic farms				
Choszczno I	2.10	PLH320004 Dolina Iny koło Recza (The Ina Valley near Recz)	7.50	PLB320016 Lasy Puszczy nad Drawą (Woods of the Drawa Forest)
Choszczno II	2.30	PLH320004 Dolina Iny koło Recza (The Ina Valley near Recz)	7.30	PLB320016 Lasy Puszczy nad Drawą (Woods of the Drawa Forest)
TAURON Inwestycje				
PV Mysłowice-Dzieckowice	7.50	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)	13.60	PLB120009 Stawy w Brzeszczach (Ponds in Brzeszcze)
PV Jaworzno	2.70	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)	16.30	PLB120009 Stawy w Brzeszczach (Ponds in Brzeszcze)

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” (Jurassic Valleys) and the nature reserve "Dolina Eliaszkówki" (Eliaszówka Valley). The "Czerna" Natura 2000 area, the "Krzyszowice" Natura 2000 area as well as the rest of the "Jurassic Valleys" Natura 2000 areas are also located in a close proximity to the Limestone Mine.

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

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

- restoration of the habitat types – an attempt to re-establish the nesting sites that were disturbed during the works conducted as part of the investment project,

- restoration of the biodiversity values – an attempt to re-establish the biodiversity if it was disturbed during the works conducted as part of the investment project,
- restoration of the ecosystems – 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 the restorations of the 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 aimed at the restoration of the 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.

Changes in the status of biodiversity

Following "The expansion of the exploitation of the Carboniferous limestone deposit in the direction towards the village of Paczółtowice" project, Kopalnia Wapienia „Czatkowice” is conducting the monitoring of nature. The results of the monitoring achieved in 2023 are presented below:

1. Chiropterofaunal monitoring - bat study

In 2023, as part of the chiropterofauna monitoring, the research was carried out in the winter and summer shelters (roosts) of bats and in their feeding grounds.

It was determined that 815 bats from ten species hibernated in the winter shelters penetrated (in 2022 it was 731 bats from seven species). The condition of the population of the lesser horseshoe bat and the greater spotted nightjar on the wintering grounds was assessed as adequate (FV rating) - their numbers are increasing as compared to the previous years. A successive decrease in the number, over more than a dozen years, has been observed for the greater nightjar bat.

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.

Due to the immediate vicinity of the Czerna Monastery and the low assessment of the condition of bat habitats in the church in Tenczynek, the Company became involved in the active protection of the important roosts of the bats: the lesser horseshoe bat, the perched nightjar, whose habitat quality is being monitored.

Following the example of the previous year, the Company took further active measures in order to improve the condition of the bat habitats in the breeding colonies in the monastery in Czerna and in the church in Tenczynek. The work consisted of cleaning up guano and providing the protection of the attic and basement surfaces with vapor permeable film. The Company took action based on the recommendation of a specialist chiropterologist who carries out the annual monitoring. The measures in question were also included in the Conservation Task Plan for the Czerna area.

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. The bat trapping and field acoustic monitoring conducted indicate that in the areas where the 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 the years 2016 - 2023, 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 an 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, reed warbler, thrush, stickleback. During the 2023 breeding season, due to the growth of the tree stand and an increase of its compactness, the withdrawal of the species that need the larger open areas, including fields and meadows, such as corncrake, red-backed shrike, barred warbler, was evident, but also the reduction in the number of the tree pipit. The compacting of the tree stands has increased the abundance of the songbird. In places with the older trees and bordering the woodland areas, the forest (park) species, such as blackbird, chaffinch, nettle and woodpeckers, are also appearing. It is expected that over the next few years, the bird species associated with the older aged trees will begin to dominate the wooded strip (zone) area. An increase in the number of finches and thrushes is expected.

Looking at the number of pairs of the individual species, this number has stabilized in the area of the wooded protection strip (zone). As in 2022, 63 breeding territories were recorded in May 2023, while 77 territories in June.

In the analyzed avifauna, the majority are the common and numerous species in our country. The more rare species associated with the agricultural areas, which may have originally occurred in the area designated for the afforestation, have disappeared.

3. The health condition of the forest stands in the Eliaszkówka Valley (Dolina Eliaszówki) reserve and the Natura 2000 area „Dolinki Jurajskie” (Jurassic Valleys)

Monitoring of the conservation condition of the natural habitats has demonstrated that the condition of the natural habitats in the area in question is unsatisfactory, but this confirms the previous assessments made by the State Environmental Monitoring (Państwowy Monitoring Środowiska).

The lower results of the assessments of the conservation condition of the natural habitats are primarily associated with the disturbed composition as well as the vertical and the spatial structure of the forest stands, which in turn is due to the previous forest management. The expansion of the small flowered *impatiens parviflora* can also have a significant impact on the deterioration of the condition of the natural habitats. In addition, an increase in the intensity of the natural regeneration (the beech and sycamore undergrowth) is observed on most of the study transects. On the one hand, this indicates the high viability of the population of these trees, but on the other hand, in the long term, this may pose a threat to the population of the orchids and other thermophilus and light bearing species. However, these are not the indicators related to the limestone mining at Kopalnia „Czatkowice” (the Czatkowice Limestone Mine), as this phenomenon is also observed on the transects away from the Plant.

The observed damage to the tree trunks and the degree of the defoliation do not differ significantly from the typical values for the similar stands in this geographic region. The degree of damage increases with the age of the trees and is not significantly dependent on the distance from the Mine.

Linking of the botanical studies to the particulate matter measurement data also showed no significant correlations that could be due to a negative impact of the particulate matter concentrations on the vegetation studied.

Preventive measures with respect to protecting the biodiversity

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

TAURON Group, when carrying out the RES development projects, always takes into account the requirements set forth in the decisions on the environmental conditions in terms of the measures aimed at protecting the 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 the 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 the animals.

For all of the projects under construction in 2023 carried out by TAURON Zielona Energia, the nature supervision was carried out, even in the cases where it was not mandatory. At the design stage the projects implemented take into account the solutions that minimize an impact on nature, such as, for example, the elevated fences allowing the migration of the small animals.

The new projects are implemented taking into account the Do No Significant Harm (DNSH) principle with respect to the protection and restoration of biodiversity and ecosystems. The required mitigation and compensation measures for environmental protection are implemented based on the conclusions introduced from an adequate environmental impact assessment or environmental screening.

Promoting conservation of nature, and in particular the biodiversity

The principles and directions of actions, according to the Environmental Policy, include:

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

In 2023, the promotion of the conservation of nature, and in particular of the biodiversity, was carried out by way of:

- an educational program "TAURON Fuses. Switch on for nature" (Bezpieczniki TAURONA. Włącz dla przyrody) carried out through TAURON's STORKS (BOCIANY TAURONA) campaign (more than 2 200 stork nests on the power poles were identified in the Group's area of operations in 2023 and a promotion of the guide book on the safe tree planting "What to plant not to replant" (Co zasadzić, by nie przesadzić),
- cooperation as part of the product offering Electricity + Forest (Prąd + Las) which involves, among other things, the tree planting on behalf of the Customers together with the Lasy Państwowe (State Forests) Enterprise, or the organizing of, for example, the educational walks in the forest.
- partnership with the Karkonosze National Park (Karkonoski Park Narodowy) "A commitment to conduct joint activities for the protection of nature of the Karkonosze Mountains and the environmental education of the public), as part of which:
 - educational workshops on the biodiversity were organized for TAURON Group's employees in the form of a tour and two webinars "The Story of the Wolf and Black Grouse" (attended by more than 350 of TAURON Group's employees),
 - free pocket maps were prepared and printed for the tourists visiting the park (the number of copies: 3 500).
- participation of the representatives of the Limestone Mine „Czatkowice” (Kopalnia Wapienia „Czatkowice”) in the 6th edition of the Bat Festival. This is a tourist and artistic event the purpose of which is to promote the geological values of the Cracow region, to promote the tourist qualities of the surrounding area and to protect the nature related cultural, archaeological and natural sites, including the protection of the bat species. The company's employees presented the activities that are being carried out in order to protect the bat habitats, both in the Cracow Small Valleys Landscape Park (Park Krajobrazowy Dolinki Krakowskie), as well as in the mining areas.

The 2024 biodiversity target envisages new initiatives including, among other things:

- preparation and installation of the information and welcome signs at the entry points to the park (displaying the messages on how to move around the park taking into account the nature related factors - explaining the need for the species protection, the habitat protection, prohibitions, attitudes (behaviors) and the safety issues),
- planting trees (beech) in the forests of the lower regiel (reconstruction of the park stands) together with TAURON Group's employees,
- participation in the International White Stork Census (Międzynarodowy Spis Bociana Białego) - thanks to the support of TAURON Group, a special application is to be created that will allow anyone to participate in the census,
- preparation of the second part of the manual on the safe tree planting.

TAURON Group's approach to the biodiversity issue in the medium term takes on a new importance in connection with a 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 development of the zero carbon assets).

Each "new" or "restored" location (site) taken into consideration for the operations of the Group's subsidiaries is subject to the analyses and an assessment with regard to the possibility of preserving the integrity of the ecosystem and is subjected to a nature related inventory taking, including with respect to the biodiversity of the existing and the adjacent flora and fauna, along with the identification of the favorable conditions for its preservation and even growth.

For all of the renewable investment projects under way in 2023, the natural surveillance was conducted, even in the cases where it was not mandatory. The proposed photovoltaic farms are planned to be implemented while preserving the largest possible biologically active area as possible.

E 3.1.7. Chemical substance management

Table of indicators:

GRI – topic	416-1
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The Group's subsidiaries monitor and analyze, on an ongoing basis, factors, i.e. the chemical substances and their quantities, as well as the method of storage, which may determine, among other things, an occurrence of an elevated risk of a major industrial accident. Table no. 37 presents the total quantities of the hazardous substances and the total quantities of the particularly hazardous substances used by TAURON Group in 2023

Only one of the Group's plants - the Łagisza Power Plant in Będzin owned by the TAURON Wytwarzanie subsidiary - had been qualified for such activities in 2023.

The Group's other business operations are not related to the use of the particularly hazardous substances in significant quantities. Nevertheless, out of the abundance of caution, such substances are analyzed and monitored.

Table no. 37. Total quantity of the hazardous substances and the total quantity of the particularly hazardous substances [Mg] being used in TAURON Group in 2023 (a new disclosure - for the first time for 2023).

Management of harmful substances at TAURON Group in 2023.	Quantities of hazardous substances used by TAURON Group in 2023 [Mg / year]*	including particularly hazardous substances** (by major hazard classes of hazardous substances) used by TAURON Group in 2023 [Mg / year]**
Total quantity of the substance that was produced or used during production or that was purchased	17 111.6	0
Total quantity of the substances leaving the plants in the form of emissions, products or parts of products or services	96.4	0
Quantity of the substances leaving the plants as emissions (by major hazard classes of hazardous substances)	0.00	0
Quantity of the substances leaving the plants as products (by major hazard classes of hazardous substances)	0.00	0
Quantity of the substances leaving the plants as part of products (by major hazard classes of hazardous substances)	0.00	0
Quantity of the substances leaving the plants as services	4.2	0
Total weight	17 212.2	0

* Hazardous substances shall be considered to be the substances that meet the criteria for hazards arising from the physical properties, health hazards or the environmental hazards set out in Parts 2-5 of Annex I to Regulation (EC) No. 1272/2008 of the European Parliament and of the Council of December 16, 2008, on classification, labeling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No. 1907/2006 (Official Journal of the EU L 353 of December 31, 2008) called the CLP Regulation.

** Particularly hazardous substances shall be considered to be the substances included in Annex XIV to Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of December 18, 2006, on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No. 793/93 and Commission Regulation (EC) No. 1488/94, as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC known as the REACH Regulation.

An elevated risk of a major industrial accident had been identified only at the Łagisza Power Plant in Będzin in 2023. As a consequence, the information for the stakeholders on how to proceed in case of an industrial accident and a document defining the rules of the operation of the power plant in the case of an emergency, along with a description of the events and situations that may occur at the plant, is prepared and made available on the website: <https://www.tauron-wytwarzanie.pl/oddzialy/oddzial-lagisza/zaklad-zwiekszonego-ryzyka-lagisza>. The document includes: the characteristics of the stored hazardous substances that determine the classification of the plant as a high risk plant, including their names or categories, as well as the threats they pose, the information on how to warn the public and how the public should act in the event of an occurrence of an industrial accident, agreed upon with the competent authorities of the State Fire Service, how the public should act in the event of an occurrence of an industrial accident.

The substances produced by TAURON Group that are the by-products of the combustion process were subjected to the detailed toxicological and ecotoxicological studies as part of which their impact on the human health and life, as well as on 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. The guidelines on the use of the individual substances are indicated in the chemical safety reports and in the information sheets compiled for such substances.

The Group's use of the chemical substances is subject to supervision and monitoring. The way the chemical substances are managed is subject to the periodic external inspections and supervision by such authorities as the Epidemic and Sanitary Stations (Stacje Epidemiczne – Sanitarne) or the Environmental Protection Inspectorates (Inspektoraty Ochrony Środowiska). The surveillance is in place, as well as the registers of the chemical substances used at the work stations at the individual generation units are maintained. The registers are subject to the periodic reviews and additions. The handling of the individual chemical substances is adapted to the guidelines provided in the substance safety data sheets. The employees who are dealing with the chemical substances as part of their daily responsibilities are trained and acquainted with the guidelines provided in the substance safety data sheets that contain the rules on how to handle the chemical substances.

E 3.1.8. Environmentally friendly services and the fight against smog

Table of indicators:	
GRI 3-3	Air protection – actions to combat smog Use of innovative technologies, environmentally friendly products and services
GRI – topic	416-1
Proprietary indicators	Description of actions to combat smog Examples of the environmentally friendly services offered as part of TAURON Group's portfolio Amount of funds allocated as part of the PLNE program Material and environmental effects of the PLNE program

Environmentally friendly services

TAURON Dystrybucja performs the function of the Distribution System Operator (DSO) on the territory of the following provinces:

- Silesia,
- Lower Silesia,
- Opole
- Małopolska,
- and the parts of: Świętokrzyskie, Podkarpackie, Lubuskie, Wielkopolskie and Łódź.

In these areas TAURON Dystrybucja is offering the services related to providing a connection to the distribution grid, i.e. bringing the electricity to a new facility or changing the way the power is supplied at an existing facility. Among the services offered, there are also services aimed at providing the support for the energy transition such as connecting:

- new Renewable Energy Sources (RES),
- electric vehicle charging stations,
- energy storage facilities.

TAURON Dystrybucja is also offering supervision of the work performed by the contractors independent of the Operator in the vicinity of or on the power equipment owned by the Operator.

The Group's other subsidiaries are also offering a range of the environmentally friendly services. The examples of the environmentally friendly services offered as part of TAURON Group's portfolio are presented in Table no. 38.

Table no. 38. Examples of the environmentally friendly services offered as part of TAURON Group's portfolio

Product / service name	Description of the product / service
Photovoltaics (various versions)	Selling, installing and designing of the photovoltaic installations of various capacities
Electric vehicle charging stations	Stations of various power levels, various types, for example, wall mounted, free standing Design, installation and management services for the electric vehicle charging stations.
Lighting services	The services offered to meet the needs of the local government units, the implementation of the statutory obligation to provide the street lighting, an individual approach depending on the specific area and the lighting assets owned - operation of the lighting infrastructure. the so-called operation / maintenance / modernization
Energy efficiency audits	The services offered to meet the needs of the local government units, the manufacturing industry
Heat pumps, Heat pumps for the domestic hot water	A heat source that can work with a heat storage tank. In such a case the heat pump uses the electricity available during the low tariff time frame to power the circuit. The most popular systems recover the heat from the air. In addition, the electric appliances for heating the domestic hot water
Multisplit air conditioning including the installation, Portable air conditioners	Supply of the equipment for providing a temperature comfort at the Customer's premises
Air purifiers	An offering the includes the equipment made by various manufacturers
Energy consumption monitoring	The service providing a remote access to the metering and billing data offers the ability to remotely read the data from an electricity meter. The service allows for accessing the metering data from the level of any device equipped with a browser, having an Internet connection. The application located on the server in the so-called "cloud" retrieves the data read and, after the processing thereof, displays it in a web browser using a clear, graphic form of data presentation

Passive power compensation	The reactive (passive) energy compensation is a comprehensive solution to the problem of the additional costs that result from an excessive (above the applicable standards) reactive (passive) energy consumption. TAURON's offering makes it possible to reduce the excessive consumption of the reactive (passive) energy, which translates into a reduction of the costs associated with this phenomenon
Elektryk 24H (Electrician 24H various versions)	The service consists of arranging and covering the cost of the travel and labor of an electrician in the event of an occurrence of a failure in the Customer's electrical system
Serwisant 24H (Serviceman 24 H various versions)	The service consists of arranging and covering the cost of the travel and labor of an electrician, and a serviceman for the household appliances, consumer electronics and PCs
Zdrowie 24H (Health 24H various versions)	The service consists of arranging and covering the costs associated with, among other things: the travel of a doctor or a nurse to the Customer, arranging a visit of a specialist or a nurse at a designated medical facility, the rehabilitation treatments, the diagnostic imaging or laboratory tests. An additional differentiator in the market is the possibility of providing the telemedicine consultations (in the form of a telephone conversation, a chat or a video chat) with a consultant (doctor) in internal medicine 24H / day
Power Purchase Agreement (PPA)	A purchase of the electricity from a specific generation source and its supply to a specific Customer (linking 1 source to 1 Customer). A model designed for the entities that are both a generator, as well as a consumer of energy at the same time
Virtual Power Plant	A platform to integrate the generation and regulation capabilities of the RES sources and the selected controllable loads

More information on the implementation of the above mentioned services is presented in Table no. 49 *The pace of the changes in 2023 versus 2022 with respect to the sales of TAURON Group's products aimed at accomplishing the climate neutrality goal*, provided in the sub-section Climate related opportunities subsection.

In addition, the number of the electric vehicle charging stations managed by the TAURON Nowe Technologie subsidiary had gone up in 2023. These stations are powered by TAURON Dystrybucja's power grid. TAURON Nowe Technologie owned a total of 156 electric vehicle charging stations and also provided the services with respect to the management of such stations for other entities.

Fight against smog

The fight against smog is being implemented through the operational measures and a major investment program called the Low Emission Elimination Program (Program Likwidacji Niskiej Emisji - PLNE). As part of this program, the new Customers are being connected to the district heating network, so that the clean and lower emission district heating could replace the individual low efficiency heat sources. This contributes to the elimination of smog in the cities. Table no. 39 presents the amount of the funds allocated as part of the PLNE program by location.

Table no. 39. Amount of funds allocated as part of the PLNE program in 2023

City	Number of the residents of the city (in 2023)	PLN '000		Capacity connected
		Actual performance in 2020 – 2023	Actual performance in 2023	
Będzin	54 322	1345	119.8	0.2
Chorzów	101 914	8 308.1	1 238.0	3.3
Czeladź	30 165	2 505.1	2 240.1	0.9
Dąbrowa Górnicza	114 765	259.6	231.8	0.1
Katowice	280 190	21 908.2	12 913.3	11.8
Siemianowice Śląskie	63 892	3 492.3	2 162.1	1.2
Sosnowiec	189 178	5 929.7	3 402.5	2.6
Świętochłowice	45 795	6 405.9	5 182.3	2.8
Total		48 943.4	27 489.9	22.8

An adverse phenomenon, the so-called London smog associated with the high concentrations of the particulate matter (PM10, PM 2.5), occurs in the area in which the program is implemented. It is a characteristic feature of the heating season (it usually begins in late October and last until early March). The causes of its formation include mainly the low emission sources, i.e. the use of the old stoves, which means that there is an incomplete combustion

and not a full burning of the fuels used for the heating of the premises. The pollutants arising as a consequence of this process are taken out through the low emitters, preventing achieving of a sufficient lift of the flue gases. Table no. 40 presents the material and environmental effects of the PLNE program.

Table no. 40. Material and environmental effects of the PLNE program

Indicator	Plan	Actual performance	%
CAPACITY (MWt, in-house indicator)	22.0	22.8	104%
Nodes (substations) (pcs.)	123.0	215.0	175%
Network length (km)	5 500.0	13 077.2	238%
Reduction of the final energy consumption (GJ / year)	102 398.4	116 482.3	114%
Reduction of primary energy consumption (GJ / year)	177 194.1	192 066.2	108%
Reduction of the CO ₂ emissions (t. eq. CO ₂ per annum)	7 129.2	9 571.2	134%
Reduction of the dust emissions (Mg / year)	38.8	50.6	130%

The additional facilities with a total demand of 17 MWt were connected to the district heating network as part of the business operations.

The investment program related to the fight against smog was supported by the #Weż nie smoguj #Weż oddychaj (#Do not Smog #Just Breathe) campaign. This is TAURON Ciepło's proprietary education and information campaign, promoting the district heating as the most environmentally friendly way to heat the apartments in the multi family buildings in the cities. The goal of the campaign is to raise the awareness and promote the behaviors that contribute to improving of the quality of the life of the residents in the Silesia province. The campaign is targeted, first and foremost, at the primary and the secondary school students.

TAURON Ciepło has been running the campaign since 2020. The first edition of the campaign was designed to dispel myths and present facts about CHP and district heating. The second edition conveys knowledge about the advantages of district heating and the course of the connection process to the district heating network from the resident's side. In the third edition, we show how to use heat in an efficient and economical way. So far, more than 10,000 schoolchildren from the Silesia-Dabrowa agglomeration have participated in the #Don't Smog #Don't Breathe campaign (data until the end of the previous school year 2022/2023).

The campaign is supported by the specially made animated videos showing, among other things, the modern technologies and the innovations in the district heating networks. The campaign has its own landing page where you can find information and interesting facts about the district heating networks and all of the animated videos made to date: <https://weznie-smoguj.tauron.pl/>

E 3.2. Climate Policy

Table of indicators:

GRI 3-3	Air protection – actions to combat smog
GRI – general	2-12, 2-13, 2-24
WSE	I-M4

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). In November 2019, the Management Board of TAURON Polska Energia adopted to be applied the document titled: 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, and the pro-climate activities constitute an integral part of TAURON Group's Strategy.

The goal of the Policy is to set the directions for counteracting the climate change, as well as 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

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

Due diligence procedures and the internal regulations

TAURON Group's due diligence with respect to counteracting the climate change is related to the declaration of the 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.

The Group identifies the climate related threats (risks) taking into account the adequate climate scenarios (RCP Scenarios – Representative Concentrations Pathways – RCP 2.6; RCP 4.5; RCP 6.0; RCP 8.5, and the SSPx-y scenarios, Shared Socio-economic Pathway (SSP1–1.9, 2-2.6 / SSP2–4. 5 / SSP3–7.0 and SSP5–8.5).

On the territory covered by the Group's operations there are no areas that are highly diversified due to the possible climate change scenarios. The Group's operations take place on the territory of Poland and the Czech Republic, i.e. in a single geographical region.

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 41 identifies and classifies the determining areas related to climate in TAURON Group's business operations, which are both positive (highlighted in pink) and negative (highlighted in gray).

Table no. 41. Identification and classification of the determining areas related to climate in TAURON Group's business operations

Subsidiary	Aspect	Greenhouse gas emissions	RES Program***	Greenhouse gas emissions reduction program***	Customer Eco-Efficiency Programs	Verification by external entities	Risks associated with the water shortages
TAURON Wytwarzanie		Material	-	-	-	YES****	Less material
TAURON Ciepło		Material	Less material	Material	Material	YES****	Less material
TAURON Inwestycje		-	Material	-	-	-	-
TAURON Nowe Technologie		Less material		Less material	Material	-	-
TAURON Ekoenergia*		Material	Material	-	-	-	Material
TAURON Zielona Energia*		Material	Material	-	-	-	-
Kopalnia Wapienia „Czałkowice”		Less material	-	Less material	Less material	-	-
Bioeko Grupa TAURON		-	-	Material	-	-	-
Energetyka Cieszyńska		Material	-	Material	-	YES****	Less material
TAURON Dystrybucja		Material **	Material	-	Material	-	-
TAURON Sprzedaż		-	Less material	Less material	Material	-	-
TAURON Dystrybucja Pomiary		-	-	-	-	-	-

* Includes the special purpose vehicles for managing the RES assets and projects (special purpose investment project companies).

** Transmission Loss Rate.

*** RES development and a reduction of the emissions is a direct consequence of TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050.

**** The emissions covered by the European Union Emissions Trading System are mandatorily subject to an accredited verification by an authorized third party.

TAURON's Climate Policy is in accordance with the provisions of the EC Communication 2019/C209/01 and the Force on Climate-Related Financial Disclosures (TCFD) Report for the energy sector appended and fulfills the provisions thereof.

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

1. Risk management - process based management of the climate risk in the short, medium and long term.

2. Asset management - adaptation to the climate change, aimed at reducing the impact of the physical risks related to the climate, has been incorporated into TAURON Group's asset management policy.
3. Human capital, employee training and recruitment management - a number of the initiatives aimed at raising the employees' awareness with respect to the climate change and promoting the environmentally friendly attitudes among them are implemented steadfastly by, among other things, the successive trainings on the renewable energy sources and the challenges related to striving to achieve the climate neutrality.
4. PRO Client Social Policy Management - strengthening the awareness with respect to the environment protection and the climate change among the Customers.
5. The operational decision making processes at the TAURON Wytwarzanie, TAURON Ciepło and Energetyka Cieszyńska subsidiaries related to the participation in the so-called European Emissions Trading System (ETS), which specifies in detail the requirements with respect to monitoring, reporting and verification of the emissions.
6. The Group's sustainable management at the highest decision making level through the ESG Committee established in 2021, whose task and role is to coordinate all of the issues related to the impact of the climate change on the current business operations of TAURON Group in connection with the strategic goals (in the medium term and in the long term). More information with respect to the ESG Committee is provided in section "2.8. Group's sustainable development management".

In addition, the following areas for a review and development in the coming years have been identified, related to the impact of TAURON Group's business operations with respect to climate change, as well as the directions and goals stemming from the Strategy:

- identification of the options available to reduce the so-called Scope 1 direct emissions in the conditions where it is necessary to provide the services to the NPS,
- rejection, at the current stage of the transition, of the rationale for the focusing of the activities on the reduction of 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),
- defining of the indicators (metrics) and the monitoring thereof with respect to increasing the share of EBITDA from the sustainable activities in the entire value chain,
- defining of the indicators (metrics) and the monitoring thereof with respect to the growth of the capital expenditures / CAPEX for the sustainable activities throughout the entire value chain,
- developing of the initiatives for the more efficient use of the natural resources, in particular with respect to the energy management,
- integration at the Group level of the superior (master) environmental efficiency monitoring system and implementation of the universal indicators (metrics) to be monitored,
- development of the environmental guidelines for the liquidated (decommissioned) activities and for the use of the industrial sites for the new functions,
- development of the sustainable products and services.

Actions taken and the results achieved

In response to the investor expectations TAURON continued, in 2023, its voluntary reporting of the information on the climate impacts and water management, as part of an international survey conducted by CDP (<https://www.cdp.net/en>). Reporting to CDP ensures a transparent disclosure and management of the climate related risks and opportunities, helps track the progress in adapting the business operations to the climate change in line with the concept of the sustainable development, and improves the reporting.

TAURON Group received the following ratings in 2023:

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

In addition, the detailed activities and the results achieved are described in the subsequent sections related to the Climate Policy.

E 3.2.1. Adaptation to climate change

Table of indicators:	
GRI 3-3	Ensuring energy security and stable supply of electricity and heat
GRI – topic	201-2, 305-5
Proprietary indicators	Frequency of the interruptions in the supply of electricity to the consumers of TAURON Dystrybcja Average duration of the interruptions in the supply of electricity distributed by TAURON Dystrybcja. Share of mass failures in total failures at TAURON Dystrybcja. Targets and implementations regarding the adaptation of the distribution assets to climate change by increasing the share of the MV cable lines in relation to the total length of the MV lines (%), cables / overhead lines

A comprehensive discussion of the climate related issues is particularly important due to the diversity of TAURON Group's generation sources as presented in tables no. 42 and no. 42-a, as well as no. 43 and no. 43-a.

Table no. 42. TAURON Capital Group's installed capacity, broken down into the main types of the raw material (fuel) and the regulatory requirements in 2022 and 2023

Installed capacity in MWs by the fuel type used	Total	
	2023	2022
Hard coal	4 432 MWe 1 526 MWt	4 432 MWe 1 560 MWt
Natural gas and coke oven gas as well as other energy production related gases (gas from the hard coal mine de-methanization)	11 MWe 165 MWt	11 MWe 165 MWt
Biomass	90 MWe 161 MWt	90 MWe 161 MWt
Heating oil	274 MWt	269 MWt
Wind energy	417 MWe	417 MWe
Hydro power	133 MWe	133 MWe
Solar energy	56 MWe	19 MWe

Table no. 42-a. TAURON Capital Group's installed capacity, broken down into the main types of the raw material and the regulatory requirements, per subsidiary in 2022 and 2023T

Installed capacity in MWs by the fuel type used	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		TAURON Inwestycje		TAURON Nowe Technologie		Kopalnia Wapienia „Czatkowice”		Energetyka Cieszyńska		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Hard coal	4120 MWe	4120 MWe	307 MWe	307 MWe	-	-	-	-	-	-	-	-	5 MWe	5 MWe	4 432 MWe	4 432 MWe
	693 MWt	693 MWt	796 MWt	796 MWt	-	-	-	-	-	-	-	-	37 MWt	71 MWt	1 526 MWt	1 560 MWt
Natural gas and coke oven gas as well as other energy production related gases (gas from the hard coal mine de-methanization)	-	-	164 MWt	164 MWt	-	-	-	-	11 MWe	11 MWe	1 MWt	1 MWt	-	-	11 MWe 165 MWt	11 MWe 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	-	-	-	-	-	-	-	-	5 MWt	-	274 MWt	269 MWt
Wind energy	-	-	-	-	417 MWe	417 MWe	-	-	-	-	-	-	-	-	417 MWe	417 MWe
Hydro power	-	-	-	-	133 MWe	133 MWe	-	-	-	-	-	-	-	-	133 MWe	133 MWe
Solar energy	-	-	-	-	-	-	42 MWe	5 MWe	-	-	-	-	*-	*-	56 MWe	19 MWe

MWe - Electric installed capacity.

MWt - Thermal installed capacity (MWt).

* The company also has a micro heat generation plant based on the solar heat collectors with a capacity of 60 kW.

Table no. 43. TAURON Capital Group's installed capacity, broken down into types of generation units in 2022 and 2023

Installed capacity by the type of generation unit:	Total*	
	2023	2022
Power plants (MWe)	4 787*	4 750
Power plants (MWt)	924	924
Combined Heat and Power Plants (MWe)	352	352
Combined Heat and Power Plants (MWt)	1 056	1 085
Heat generation plants (MWt)	146	146

MWe - Electric installed capacity.

MWt - Thermal installed capacity (MWt).

* For 2023, the license updates in accordance with the ERO's methodology and the deletions for the non-operational generation units are included.

Table no. 43-a. TAURON Capital Group's installed capacity, broken down into types of generation units, per subsidiary in 2022 and 2023

Installed capacity by the type of generation unit:	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		TAURON Inwestycje		TAURON Nowe Technologie*		Kopalnia Wapienia „Czatkowice”**		Energetyka Cieszyńska		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Power plants (MWe)*	4 170	4 170	-	-	564	564	42	5	10.8	10.8	-	-	-	-	4 787	4 750
Power plants (MWt)	924	924	-	-	-	-	-	-	-	-	-	-	-	-	924	924
Combined Heat and Power Plants (MWe)	-	-	347	347	-	-	-	-	-	-	-	-	5	5	352	352
Combined Heat and Power Plants (MWt)	-	-	1 014	1 014	-	-	-	-	-	-	-	-	42	71	1 056	1 085
Heat generation plants (MWt)	-	-	145	145	-	-	-	-	-	-	1	1	-	-	146	146

* The power plants total (MWe) includes the generation of the gas engines (TAURON Nowe Technologie) that were operated in the electricity generation mode.

** Kopalnia Wapienia „Czatkowice” boiler house / heat (thermal) generation plant.

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

Also when taking the decisions on 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. These are, in particular, the physical risks, when placing (siting) the new investment projects.

Based on the document *Poland's Environmental (Ecological) Policy 2030* and the ISOK (Informatyczny System Oslony Kraju - National IT Protection System) portal, an identification of the regions that were more exposed to the physical risk related to climate was introduced. The priorities for actions with respect to the assets have been worked out in terms of the adaptation of the assets to the climate change in the regions potentially more exposed to the acute or long term physical risk related to climate. The Group's assets are mostly located in the south of Poland, which, according to the data disclosed in Poland's Environmental (Ecological) Policy 2030 and in the ISOK system, is less exposed to the desertification than the areas of central Poland. Due to their location, the Group's assets are also outside the area that may be transforming itself due to the forecast sea level rise.

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

The consequences of the extreme weather conditions are most strongly felt by 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 by the hydro power plants. For these reasons, the incorporation of the water scarcity into the regular risk assessments and the detailed reporting of the risks arising from the water scarcity or a lack thereof has become a necessity for a company like TAURON Ekoenergia, whose model is based largely on the power generation by the hydro power plants. 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 did not take place at TAURON Ekoenergia due to the too low or too high water level in the rivers, is presented in Table no. 44.

Table no. 44. GRI 201-2. The number of days on which the electricity production at TAURON Ekoenergia's hydro power plants did not take place in 2023 due to the low water levels in the rivers

River	Power plant	The number of days in the month with no production												Total
		Jan.	Feb.	March	April	May	June	July	August	Sep.	Oct.	Nov.	Dec.	
Odra	Brzeg		5							6			5	16
	Bobrowice II						27	25		15	24	3	9	103
Bóbr	Bobrowice IV							18		4	18			40
	Pilchowice II												1	1
	Olszna								1					1
Nysa Kłodzka	Ławica												2	2
Kamienna	Szklarska Poręba I							7						7
	Szklarska Poręba II							18						18
Wista	Dąbie		5											5
Potok Bystre	Kuźnice		27											27
Dunajec	Czchów					5								5

At TAURON Dystrybucja, an increase in the frequency and the intensity of the hurricanes and strong winds, incidentally accompanied by the whirlwinds and lightnings can, in the extreme cases, result in the mass failures, and as a consequence, breaking of the power lines, as well as the periodic and local flooding. The percentage share of this type of failures in the total number of failures at TAURON Dystrybucja in 2023 is illustrated in Table no. 45.

Table no. 45. Share of the mass failures in the total number of failures at TAURON Dystrybucja in 2023

Share of the mass failures in the total number of failures	Number of the mass failures
23.8%	2

Failures often result in the interruptions in the supply of electricity, the frequency and duration of which are illustrated in Tables no. 46 and no. 47.

Table no. 46. Frequency of the interruptions in the supply of electricity to the consumers of TAURON Dystrybucja in 2023

Interruption type	CP* (number of interruptions / consumer / year)
CPmd - regulatory interruption frequency indicator in the area: the large cities (the cities with the number of residents of more than 1 million)	-
CPmp - regulatory interruption frequency indicator in the area: the cities with the county rights	0.963
CPm - regulatory interruption frequency indicator in the area: the cities	1.765
CPw - regulatory interruption frequency indicator in the area: the villages	3.946

* 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) – an indicator of the average system frequency of the long and very long interruptions, representing the number of the consumers exposed to the effects of all these interruptions within a year divided by the total number of the consumers served. There are no cities with the number of their residents greater than 1 million in the area of TAURON Dystrybucja's business operations.

Table no. 47. Average duration of the interruptions in the supply of the electricity distributed by TAURON Dystrybucja in 2023

Interruption type	CTP* (minutes / consumer / year)
CTPmd - regulatory interruption duration indicator in the area: the large cities (the cities with the number of residents of more than 1 million)	-
CTPmp - regulatory interruption duration indicator in the area: the cities with the county rights	56.431
CTPm - regulatory interruption duration indicator in the area: the cities	88.298
CTPw - regulatory interruption duration indicator in the area: the villages	220.915

* 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 the consumers exposed to the effects of this interruption within a year divided by the total number of the consumers served. There are no cities with the number of their residents greater than 1 million in the area of TAURON Dystrybucja's business operations.

The overhead infrastructure is also disadvantaged by the more frequent occurrence of the temperatures oscillating around zero degrees Celsius (in the case of the overhead lines, in these conditions such occurrences as the wet snow deposition or icing become more intense and frequent, and thus lead to a potential increase in a frequency of the failures) and the weakening of the stands of trees, making the trees more susceptible to the damage caused by the wind. This is mitigated by the steps taken aimed, among other things, at increasing the share of the cable lines as compared to the overhead ones (as illustrated in Table no. 48).

Table no. 48. Targets and implementations regarding the adaptation of the distribution assets to the climate change by increasing the share of the MV cable lines in relation to the total length of the MV lines (%), cables / overhead lines

Target measure (metric)	MV cable length share in relation to the total length of the MV lines (%), unit	
Year	Target	Performance
2019	-	38.4%
2020	38.65%*	38.73%
2021	-	39.71%
2022	-	40.06%
2023	-	40.34%
2025	41%*	-
2030	45%	-

* The targets for 2020 and 2025 have been recalculated taking into account the specifics of the 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 an occurrence of the milder winters are also felt by TAURON Ciepło, however these are not only the adverse effects.

According to the data and analyses, the winters have been much milder in the area served by TAURON Ciepło (Silesia and 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 the heat supply for the purpose of heating the apartments and buildings.

An additional factor is the modernization the thermal insulation of the buildings, which also has an impact on the reduction of the demand for the heat. The trends of the changes occurring during the heating season are shown in Figures no. 31 and no. 32.

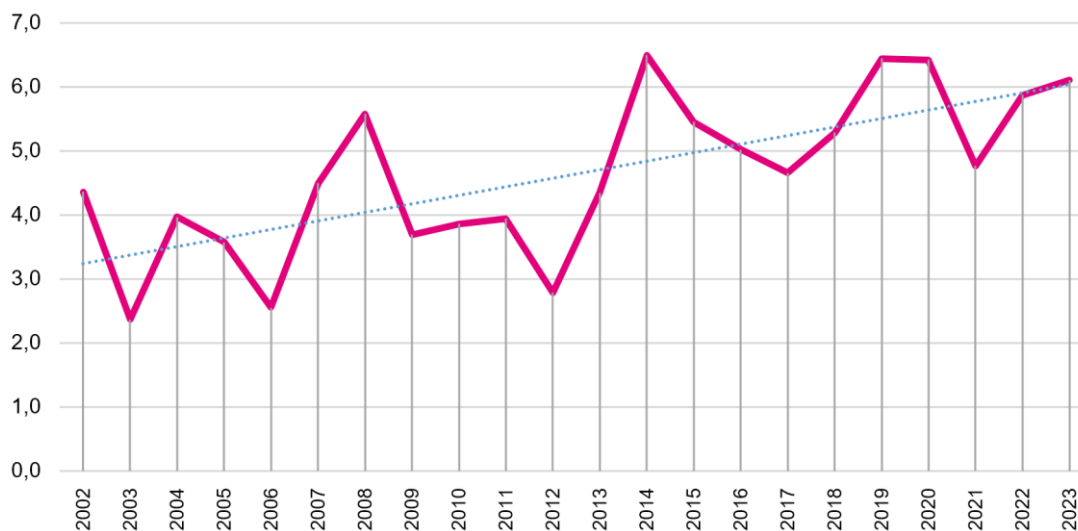


Figure no. 31. Chart of the weighted average air temperature in Poland during the heating season - trend of the changes in 2011 - 2023 [°C].

In the same period between 2002 and 2023, the length of the heating season had been extended by 32 days (the trend line in Figure no. 32), which to a certain degree mitigated the difference resulting from a rise in the season temperature. However, this does not make up for an increase in the outdoor temperatures.

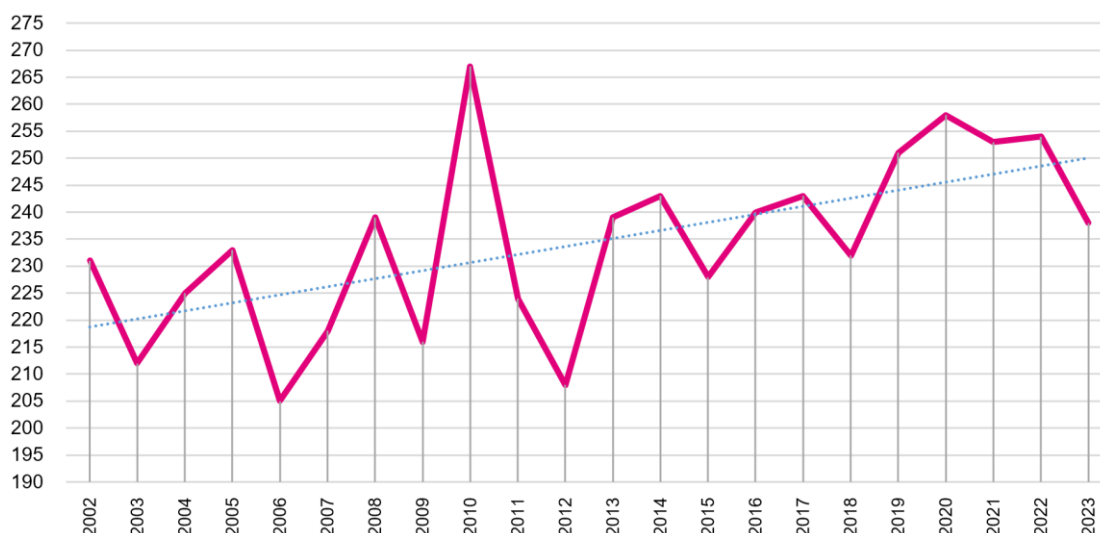


Figure no. 32. Length of the heating season in the years 2002 - 2023. The data is applicable to PEC Katowice in the years 2002 - 2011 and TAURON Ciepło in the years 2011 - 2023 [days].

Comparing the 2023 data to the 2022 data, both the heat production, as well as the demand for the heat supply at TAURON Ciepło during the heating season, were at a very similar level (year on year), with a very small difference in terms of the heat production (a decrease) coming in at approximately 2%, in spite of the adverse factors reported: the length of the season (a smaller number of the heating days) and the average temperature of the heating season in 2023 (higher than in 2022).

Climate related opportunities

The climate related risk is turned into opportunities for the Group by offering of the products and services that contribute to mitigating the climate change or adapting thereto. TAURON Group is observing a clear trend under way that involves a change of the consumers' and business Customers' choices towards the products and services that are less harmful to the climate. This is a key factor leading to the development of the so-called ECO product line as part of the product portfolio. Such an offering increases the resilience of the product portfolio against the climate change. In addition, as part of the sales of the certified products, the so-called EKO Product Line, including the contracting of the sale of the electricity that is "certified based on its origin" to the business Customers, a total of approx. 526.5 GWh of the green energy coming from TAURON Group's in-house sources (EKO Premium) had been contracted in 2023.

The EKO product lines (for the business and the individual Customers) are the products that allow, among other things, for a conscious purchase, by the Group's Customers, of the electricity produced by the renewable energy sources (RES) installations or by the low carbon generation sources which is confirmed by the applicable certificates from the independent institutions (Polish Energy Certification Society - Polskie Towarzystwo Certyfikacji Energii, TÜV Sud). The results of the sales of these products are presented in Table no. 49.

Table no. 49. Percentage change in 2023 vs. 2022 of the sales of TAURON Group's products aimed at achieving the climate neutrality target

Sales of the selected EKO Line Products and Services	Metric type	Percentage change (+ / -)
EKO product line	EKO Premium	Change in the volume of the Guarantees (Certificates) of Origin issued – year on year
	EKO Biznes	
	EKO Standard	
EKO electricity (EKO prąd) for an individual Customer	Change in the number of the Customers choosing the product at the end of the period – year on year	+31.8%
Photovoltaics	Change in the quantity of the installations sold	-16.3%
Passive Power Compensation	Change in the quantity of the services sold at the end of the period (incrementally) – year on year	+28.9%
Enterprise Energy Audit	Change in the quantity of the services sold at the end of the period (incrementally) – years on year	+0.6%
Implementation of the replacement of the street lighting with the low energy lighting	pcs. (2023 vs. 2022)	26 942 pcs. vs. 32 611 pcs.

Cooperation with the partners to counter the climate change

TAURON Group is involved on an ongoing basis in the public discussion of the energy transition regarding the climate issues. The Group is taking part in the work of, among other things, the Regional Energy Council of the Silesian Union of Municipalities and Counties (Regionalna Rady ds. Energii przy Śląskim Związku Gmin i Powiatów) or the Regional Council for a Just Transition of the Silesian Province (Regionalna Rada ds. Sprawiedliwej Transformacji Województwa Śląskiego) established by the Marshal of the Silesian Province (Marszałek Województwa Śląskiego). In 2023, TAURON had continued on the operational level, to work with the local government units on the National and Regional Just Transition Plans (Krajowy i Regionalne Plany Sprawiedliwej Transformacji).

Thanks to this involvement, the Group has the opportunity to co-create the strategic documents for the benefit of the regions that are most vulnerable to the consequence of the transition, whose goals include:

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

The minimum targets with respect to the growth of the RES capacity and the reduction of the CO₂ emissions

Both assuming a global warming at the level of at most 2 °C, as well as seeking not to cause a global warming by more than 1.5 °C, translate into TAURON Group's business model and its 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. 50) and the Emissions Reduction Index (shown in Table no. 51).

Table no. 50. Targets for the minimum declared average annual increase in the RES capacity planned by TAURON Group in 2020 - 2030 (third party audit)

Sustainable Development Index in the given calendar year					
Sustainable Development Index	2020 target		2025 target		2030 target
RES Capacity Growth Index	8%		8%		8%
Result achieved	2020	2021	2022	2023	
	27%	19%	18%	16%	

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 the 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_e] denotes the installed capacity of the RES units in year r , excluding the biomass fired units, and the units of TAURON Ciepło,

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

Table no. 51. The minimum declared CO₂ emission reduction rate for the gross electricity production planned by TAURON Group in 2018 - 2030 [Mg CO₂/MWh] (third party audit)

Sustainable Development Index in the given calendar year					
Sustainable Development Index	2020 target		2025 target	2027 target	2030 target
Emission Reduction Index	2%		2%	2%	2%
Result achieved	2020	2021	2022	2023	
	6%	3%	2%	3%	

Emissions Reduction Index denotes the average annual CO₂ emissions reduction index for the gross electricity production, calculated in the following way (excluding the units of TAURON Ciepło):

$$JWRE_r = \frac{WE_{CO_2_{2018}} - WE_{CO_2_r}}{WE_{CO_2_{2018}} \times (r - 2018)}$$

where:

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

$WE_{CO_2_r}$ [MgCO₂/MWh] denotes the CO₂ emission index (carbon intensity factor) in year r , accounted for under the Community Emissions Trading System,

$WE_{CO_2_{2018}}$ [MgCO₂/MWh] denotes the CO₂ emission index (carbon intensity factor) in year r, accounted for under the Community Emissions Trading System,

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 the year 2019 as defined by the emissions trading system)

The CO₂ emissions index is calculated as follows:

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

where:

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

$E_{CO_2(ee)r}$ [MgCO₂] denotes the CO₂ emissions in year r for gross electricity production from the fossil fuels and biomass as well as RES in year r

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

TAURON Group's long term goals with respect to the sustainable development are also presented in section "E 2.2. Striving for climate neutrality by 2050".

Possibilities of financing the investments in the energy sector

As a principle, TAURON does not take on the targeted financing, with its funds dedicated directly to the given investment task, as it obtains funds that enable the 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 the specific sustainable development indicators (metrics), as well as act in accordance with the principles of the environmental, climate and social policy, the implementation of which is confirmed by the relevant reports submitted to the financial institutions. In addition, in some of the financing agreements, TAURON undertakes not to allocate the funds from the given financing to finance the activities related to the business operations of the generation (conventional "coal" sources) line of business.

Table no. 52 presents the allocation of the funds from TAURON Group's individual sources of financing for the investment purposes aimed at minimizing the negative impact of the Group's operations on the climate.

Table no. 52. Summary of the financing obtained by TAURON Group for the pro-climate investment projects

Financing entity	Financing Instrument	Loan amount under the contract	Nominal debt as of December 31, 2023	Purpose of the financing
European Investment Bank	subordinate bonds	EUR 190 000 000	EUR 190 000 000	Financing of the 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	PLN 350 000 000	Financing of the investment projects in the electricity distribution grid in the south and the southwest of Poland in 2018 – 2022
European Investment Bank	subordinate bonds	PLN 400 000 000	PLN 400 000 000	Financing of the investment projects in the electricity distribution grid in the south and the southwest of Poland in 2018 – 2022
European Investment Bank	loan	PLN 295 000 000	PLN 103 250 000	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 a modernization and repairs of the existing small hydro power plants
European Investment Bank	loan	PLN 900 000 000	PLN 61 363 637	Financing of the implementation of a 5 - year investment program (2011 - 2015), aimed at strengthening, modernizing and expanding the electrical grids of the Tauron Dystrybucja subsidiary
European Investment Bank	loan	PLN 2 800 000 000	PLN 2 800 000 000	Financing of the investment program with respect to the electricity distribution grids in the south and the southwest of Poland in 2022 – 2026
Intesa Sanpaolo S.P.A. operating via Intesa Sanpaolo S.P.A. Spółka Akcyjna (Joint Stock Company) Oddział w Polsce (Branch in Poland)	loan	PLN 750 000 000	PLN 750 000 000	Financing the expenses related to the implementation of the investment projects or groups of the investment tasks of TAURON Group covering (i) the broadly understood power generation based on the renewable energy sources and (ii) the distribution of electricity including, among other things, the expansion and upgrade of the grid, and also connecting of the new Customers, as well as refinancing of the existing Financial Debt

A series bond issue (TPE1025)	bonds	PLN 1 000 000 000	PLN 1 000 000 000	<p>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 (ii) refinance the Group's debt taken on to finance the above mentioned projects.</p> <p>The proceeds from the Bond issue cannot be used to finance the new and the existing hard coal fired units, as well as the business operations of TAURON Wdobywanie (in case of the projects other than those indicated in the paragraph above)</p>
Erste Group Bank AG	loan	PLN 500 000 000	PLN 500 000 000	Financing or refinancing the development with respect to the renewable energy sources, improving the energy efficiency and expanding the 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 the banks: BHW, PKO, Pekao, CaixaBank, Erste, ICBC, Santander, CCB	loan	PLN 4 000 000 000	PLN 2 400 000 000	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 hard coal asset related 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 hard coal assets
Consortium of the banks: Intesa Sanpaolo, CCB	loan	PLN 500 000 000	PLN 160 000 000	General corporate expenses of the Loan Taker and the Group, excluding the financing of any new projects related to the hard coal assets.
NFOŚiGW (National Environment Protection and Water Management Fund)	repayable funding - TI	PLN 82 500 000	PLN 82 488 206	Construction of a photovoltaic farm at the site of the recultivated furnace waste dump of the Jaworzno III power plant in Mysłowice - Dzieńkowice along with the construction of a 110kV cable line and a 110 / 20kV substation
NFOŚiGW (National Environment Protection and Water Management Fund)	2 loans - TNT	PLN 22 517 487	PLN 0	Modernization of the lighting infrastructure
WFOŚiGW (Regional Environment Protection and Water Management Fund)	loan TI	PLN 11 318 300	PLN 5 428 000	Construction of a photovoltaic farm in Jaworzno
WFOŚiGW (Regional Environment Protection and Water Management Fund)	Loan - EC	PLN 7 000 000	PLN 4 901 000	Alteration of the district heating networks along with the construction of the connections and district heating substations (nodes)

E 3.2.2. TAURON Group's climate impact

Table of indicators:

GRI – topic	305-1, 305-2, 305-3
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TAURON Group's business model has both a positive as well as a negative impact on the climate. The activities related to the production of the electricity and heat from the fossil fuels, which are the core business operations of the TAURON Wytwarzanie and TAURON Ciepło subsidiaries are the material sources of the greenhouse gas emissions.

TAURON Group defines the boundaries and maintains an inventory of the greenhouse gas emissions (GHG) in three scopes (Scope 1, 2, 3) based on an approach in accordance with the "GHG Protocol Corporate Standard" and for Scope 3 based on the "GHG Protocol Corporate Value Chain (Scope 3) Standard."

Starting from 2023, there has been a material change in the structure of the direct greenhouse gas emissions related to the unorganized methane emissions into the air. The direct emissions of methane into the air (Scope 1) from the Brzeszcze Coal Mine belonging to TAURON Wydobywanie (as of 2023 outside of the Group's structure) had been reported in 2022, while in 2023 the methane emissions are included in the indirect emissions (Scope 3) in the part corresponding to the actual structure and volume of the fuel supplies from the Brzeszcze Coal Mine to TAURON Group's subsidiaries from the Generation and Heat Lines of Business.

The direct greenhouse gas emissions (Scope 1) by TAURON Group in 2023 are presented in tables 53 and 53-a.

The Scope 2 indirect emissions are related to the use of the energy for the needs of the Group's subsidiaries, including their significant share is related to the losses related to the electricity distribution (the balancing difference). The Scope 2 indirect emissions are presented in the "Market-based" approach (the calculations based on the indicator for calculating the indirect GHG emissions from the source data of TAURON Group's supply subsidiaries) and in the "Location-based" approach (the calculations based on the averaged indicator for calculating the indirect GHG emissions for Poland).

With regard to the final consumer, TAURON Group, by offering and selling products within its value chain (mainly the electricity, as well as the gas fuels), causes the greenhouse gas emissions accounted for as the Scope 3 indirect emissions. The Scope 3 indirect emissions also include the GHG emissions from the transportation of the fuels, materials and products (the Group's subsidiaries and the intermediaries), the GHG emissions from the business travel and the commuting to work, as well as additionally as the new disclosures for 2023 (or as the shifts between the categories) with respect to the Scope 3 indirect emissions in the following categories:

- Category 1. Purchased goods and services (this category includes, among other things, the Scope 3 indirect emissions from the methane emissions from the Brzeszcze Coal Mine, calculated as an indicator for the actual volume of the hard coal deliveries from this coal mine to the Group's subsidiaries),
- Category 9. Downstream – Transportation and Distribution,
- Category 11. Use of the products sold.

The Scope 2 and Scope 3 indirect emissions are presented in Tables no. 53-b and no. 53-c. The methodology used to determine the indirect emissions and the indicators (factors) used to calculate the indirect GHG emissions (Scope 2 and 3) are presented under Tables no. 53-b and no. 53-c. A summary of the carbon footprint for TAURON Group for 2023 is presented in Table no. 53-d.

TAURON Group defines the boundaries and maintains an inventory of the greenhouse gas emissions (GHG) in three scopes (Scope 1, 2, 3) based on an approach in accordance with the "GHG Protocol Corporate Standard" and for Scope 3 based on the "GHG Protocol Corporate Value Chain (Scope 3) Standard."

The equivalent emissions expressed in tons of CO₂e include the emissions of the primary greenhouse gases: CO₂, CH₄, N₂O, SF₆, as well as the HFCs (R-134a, R410A, R32, R404A, R407C) used mainly as the refrigerants. The CO₂e equivalent emissions for the individual greenhouse gases (GHGs) have been calculated using the GWP greenhouse effect potential indicators according to the recommendations of the GHG Protocol and IPCC Sixth Assessment Report (AR6 - 100 year) and IPCC Fifth Assessment Report (AR5 - 100 year, in the case of an absence of the GWP indicators AR6-100). In addition, the sources of the GHG emission indicators for calculating the Scope 2 and 3 indirect emissions have been: the data and the publications of the National Center for the Emissions Balancing and Management (Krajowy Ośrodek Bilansowania i Zarządzania Emisjami - KOBiZE) and DEFRA's emission indicator database, European Environment Agency (EEA), as well as the individual indicator (factor) values from the publicly available publications for specific operations, activities and industries or presented by the suppliers.

The equivalent emissions of CO₂, CH₄ and N₂O from the combustion of the fossil fuels in the electricity and heat generating units, in 2023, accounted for 99.8% of the total Scope 1 direct greenhouse gas emissions.

A third-party audit under the EU ETS (the CO₂ verification) covered 97.8% of the Scope 1 GHG emissions (Scope 1).

Table no. 53. GRI 305-1. Scope 1 direct greenhouse gas emissions [tCO₂e; Mg CO₂e] by TAURON Group in 2022 and 2023

	Total [tCO ₂ eq; Mg CO ₂ eq]	
	2023	2022*
Emissions related to electricity generation**	9 139 312	11 939 028
Emissions related to heat generation	954 974	1 049 115
Emissions from the gas leaks, including those associated with an occurrence of a failure***	7 375	767 696
Emissions related to the transportation of the materials, products and waste	17 308	17 863
Total direct emissions	10 118 969	13 773 702
Biogenic emissions	292 515	421 333

* The data for 2022 had also included the TAURON Wydobycie subsidiary. This subsidiary was outside of TAURON Group in 2023.

** The biogenic emissions associated with the emissions from the water reservoirs at which the hydro power plants are operating have not been included. In the case of TAURON the reservoir power plants had been set up as a side activity with respect to the setting up of the water reservoirs. None of these water reservoirs had been set up as a dedicated facility for the power generation, but for the flood control purposes instead. The power plants had been set up as a side activity with respect to the overarching purposes of the water reservoirs, which had been different than the energy purposes.

*** The emissions from the gas leaks, including those associated with the 2022 failure, had also included the direct emissions accompanying the hard coal mining in 2022 as part of the TAURON Wydobycie subsidiary's operations in the quantity of 764 779 tCO₂ eg; Mg CO₂ eg.

Table no. 53-a. GRI 305-1. Scope 1 direct greenhouse gas emissions [tCO₂e; Mg CO₂e] by TAURON Group in 2022 and 2023, per subsidiary

	Greenhouse gas emissions [tCO ₂ eq; Mg CO ₂ eq]													
	TAURON Wytwarzanie		TAURON Ciepło		TAURON Nowe Technologie		Energetyka Cieszyńska *		Kopalnia Wapienia „Czatkowice”		TAURON Dystrybucja		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Emissions related to electricity generation	8 553 792	11 213 700	547 521	690 038	30 017	32 063	7 982	3 227	-	-	-	-	9 139 312	11 939 028
Emissions related to heat generation	322 433	332 598	577 810	691 689	-	-	48 904	15 563,5	5 421	8 700	406	564	954 974	1 049 115
Emissions from the gas leaks, including those associated with an occurrence of a failure	3 003	472	92	0	-	-	-	-	-	0	4 280	2 445	7 375	2 917
Emissions related to the transportation of the materials, products and waste	1 733	1 665	881	962	218	134	19	4	4 141	4 349	10 316	10 144	17 308	17 258
Total direct emissions	8 880 961	11 548 435	1 126 304	1 382 689	30 235	32 197	56 905	18 794,5	9 562	13 049	15 001	13 153	10 118 969	13 008 318
Biogenic emissions	14 423	146 041	278 092	275 292	-	-	-	-	-	-	-	-	292 515	421 333

* As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and thus the values provided are incomparable.

Table no. 53-b. GRI 305-2. Scope 2 indirect greenhouse gas emissions [tCO₂eq; Mg CO₂eq] by TAURON Group in 2023 in connection with the business operations conducted by the subsidiaries

Indirect greenhouse gas emissions [tCO ₂ eq; Mg CO ₂ eq]		
	2023	Explanatory notes
Indirect emissions related to the use of the purchased electricity and the 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 business operations conducted by TAURON Dystrybuca
Market-based *	960 233	
Location-based **	1 322 129	
Total indirect emissions (Scope 2) Market-based	960 233	
Total indirect emissions (Scope 2) Location-based	1 322 129	

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

** (Scope 2) Location-based: the indirect GHG emissions, resulting from the consumption of the purchased electricity and the grid losses, calculated on the basis of the average indicator for Poland. This indicator is published on the website of KOBIZE.

Table no. 53-c. GRI 305-3. Scope 3 indirect greenhouse gas emissions [tCO₂eq; Mg CO₂eq] by TAURON Group in 2023 in connection with the business operations conducted by the subsidiaries

Indirect greenhouse gas emissions [tCO ₂ eq]		
Category according to GHG Protocol Scope 3	2023	Explanatory notes
Indirect emissions related to the purchasing of the materials and the products, including the processing thereof, and the services for the Group's needs (Category 1. Purchased goods and services)	317 307	It includes the purchasing of the majority of the goods, materials and the services for the needs of conducting the business operations and the provision of the services of the Group's subsidiaries (process additives, chemicals, selected consumables of the modernization and repair management, for example, cables, pipes)
Indirect emissions related to the use of the electricity sold by the final consumer (Category 3. Emissions related to the electricity and fuels)	14 049 400	It includes all of the electricity sold by the Group's supply subsidiaries* 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 transportation of the fuels (including the biomass) and from the services purchased with respect to the transportation of the products and waste from the major production processes (Category 4. Upstream – Transportation and Distribution)	132 756	It includes the transportation of the hard coal and biomass to the TAURON Wytwarzanie, TAURON Ciepło subsidiaries** and the transportation of the products, raw materials and the supplies for the needs of the major production processes carried out by the external entities as well as by and for the benefit of the Bioeko Grupa TAURON subsidiary
Indirect emissions from the business travel (Category 6. Business travel)	3 745	It includes the Group's selected subsidiaries. The calculations based on the fuel consumption
Indirect emissions from the commuting of the employees to the work place (Category 7. Commuting of the employees to the work place)	25 808	The calculations based on the number of the employees and the distance index for the commuting to the work place
Indirect emissions related to the transportation of the products and the waste from the major production processes (Category 9. Downstream - Transportation and Distribution)	4 656	It includes the transportation of the by-products and the waste from the major production processes carried out by Bioeko Grupa TAURON and the external entities
Indirect emissions related to the use of the gas fuel sold by the final consumer (Category 11. The use of the products sold)	781 120	It includes the volume of the gas fuels sold by the Group's supply subsidiaries*
Total indirect emissions (Scope 3)	15 314 792	-

* The indicator (metric) used to calculate the 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 hard coal mine gas from the Brzeszcze Coal Mine's de-methanization the indicator

(metric) to be used for the calculation of the indirect GHG emissions was adopted based on the KOBIZE underlying data for the settlement of the GHG emissions for 2023 in the EU ETS trading system.

** The indicators (metrics) used to calculate the indirect GHG emissions related to the transportation of the materials are adopted in accordance with the underlying data: "Guidelines for Measuring and Managing CO₂ Emission from Freight Transport Operations. A. McKinnon (UK)" respectively:

- transportation by trucks on the roads - 62 g CO₂e / ton-km (the mean value for two data sources) and the total number of ton kilometers calculated based of the actual weights of the fuel and product loads as well as the averaged length of the road routes,
- transportation by rail - 22 g CO₂e/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 averaged length of the railway routes.

Ton - kilometers take into account the weight of the materials transported from the place of an 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 CO₂e / ton-km had been adopted.

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

The transports commenced at the end of 2022 are not taken into account.

Table no. 53-d. GRI 305-1, 305-2, 305-3. TAURON Group's carbon footprint for 2023 due to its business operations (The total greenhouse gas emissions in [tCO₂e; Mg CO₂e] for Scope 1 – the direct GHG emissions and for Scope 2 and 3 – the indirect GHG emissions)

TAURON Capital Group's carbon footprint for 2023	
[tCO ₂ e; Mg CO ₂ e]	
Emissions related to electricity generation	9 139 312
Emissions related to heat generation	954 974
Emissions from the gas leaks, including those associated with an occurrence of a failure	7 375
Emissions related to the transportation of the materials, products and waste	17 308
Total direct emissions (Scope 1)	10 118 969
Indirect emissions related to the use of the purchased electricity and the losses (balancing difference) related to the electricity distribution	
Total indirect emissions (Scope 2) Market-based*	960 233
Total indirect emissions (Scope 2) Location-based**	1 322 129
Indirect emissions (Scope 3) (Category 1. Purchased goods and services)	317 307
Indirect emissions (Scope 3) (Category 3. Emissions related to electricity and fuels)	14 049 400
Indirect emissions (Scope 3) (Category 4. Upstream – Transportation and Distribution)	132 756
Indirect emissions (Scope 3) (Category 6. Business travel)	3 745
Indirect emissions (Scope 3) (Category 7. Commuting of the employees to the work place)	25 808
Indirect emissions (Scope 3) (Category 9. Downstream – Transportation and Distribution)	4 656
Indirect emissions (Scope 3) (Category 11. Use of the products sold)	781 120
Total indirect emissions (Scope 3)	15 314 792
Aggregate (Scope 1 + Scope 2 + Scope 3) Market-based*	26 393 994
Aggregate (Scope 1 + Scope 2 + Scope 3) Location-based**	26 755 890
Biogenic emissions	292 515

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

** (Scope 2) Location-based: indirect GHG emissions, resulting from the consumption of the purchased electricity and the grid losses, calculated on the basis of the average indicator for Poland. This indicator is published on the KOBIZE website.

E 3.2.3. Improving energy efficiency and energy management

Table of indicators:

GRI – topic	301-1, 302-1, 302-3
WSE	E-M4

TAURON Group established its Energy Management Policy in 2023, the main goals of which include an efficient energy management by identifying and controlling the energy intensive areas of its business operations, a continuous monitoring of the operation of the assets in order to take the optimization measures in a systemic manner, an ongoing improvement of the processes and the pro-efficiency measures, and spreading the awareness and the culture of the energy management among TAURON Group's employees. As part of the process of implementing the Policy, a project titled "The Implementation of the Energy Management System at TAURON Group's Subsidiaries" was launched, which was related to the implementation of the Energy Management System at TAURON Group's subsidiaries covered by the mandatory performance of the Enterprise Energy Audits based on the ISO 50001 standard every 4 years. The goal of the project is to strive for a continuous improvement of the energy result, an optimization of the operation of the assets, as well as implementing and maintaining of a systemic approach to energy efficiency at TAURON Group.

The actions taken for the benefit of the climate are also reflected in the various types of investment projects carried out by TAURON Group's subsidiaries, for example, a modernization of the thermal insulation of the administrative buildings, a modernization of the lighting system in the administrative and production buildings, a modernization of the technology process lines, installations and the replacement of the district heating networks with the use of the pre-insulated technology. They have a directly and an indirect impact on the reduction of a unit consumption of the fuels and energy as well as of the emissions of gases into the atmosphere related thereto. Their goal is to improve the energy efficiency, which is reflected in the implementation, at the operational level of asset management, of the measures aimed at supporting a preliminary energy efficiency audit for the planned initiatives related to the modernization or the replacement of the production assets. As a result of these activities, the investment tasks will be evaluated with respect to their estimated potential for acquiring of the property rights, the so-called "white certificates," in an aggregate amount of minimum 10 toe. The Group's subsidiaries with the highest potential for the primary energy savings are getting ready to implement an energy management system.

The preparation and adaptation of the infrastructure taking into account the need to adapt to the climate change is one of the significant items of TAURON Group's capital expenditures. As part of these activities, among other things, the alterations and the replacements of the grid (including an adaptation to the RES grid connections), the modernization of the sub-stations in order to increase the efficiency thereof, the replacement of the lighting systems with the energy saving solutions, the construction of the "e-mobility" infrastructure and the smart distribution infrastructure were carried out. The financial outlays on the projects related to the climate change adaptation are presented in Table no. 62-b (the EU Environmental Taxonomy - aligned capital expenditures).

The TAURON Nowe Technologie subsidiary, dedicated to the operation and maintenance of the street lighting on the territory of the Group's area of business operations, had continued, in 2023, its program to replace the lighting systems with an energy efficient solution (approximately 26 900 pieces), which will allow for the annual savings in the final energy consumption by the consumers (more than 20 municipalities) in the estimated amount of approx. 6 400 MWh / year.

TAURON Dystrybucja is implementing a long term program of replacing the electricity meters with a new type of a "smart- metering" solution. The number of the "smart-metering" type meters had stood at approx. 1.1 million units in 2023.

TAURON Ekoenergia's business operations (along with the business operations of the companies it is managing or its subsidiaries), which are based entirely on the production of electricity from the renewable energy 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 the in-house (household) needs (efficiency), as well as in an increase of the renewable energy produced. Tables no. 54 and no. 54-a present the volume of the electricity produced by TAURON Group's units in 2023, broken down by the main sources thereof.

Table no. 54. Net electricity and heat volume generated by TAURON Group, broken down into the main energy sources in 2022 and 2023

	Electricity [GWh]		Heat [TJ]	
	2023	2022	2023	2022
Hard coal	9 769	12 360	7 485	8 428
Hard coal in the form of the sludge product	146	177	441	464
Liquid fuels	83	118	380	422
Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's de-methanization)	80	83	228	59
Biomass	185	340	974	452
Wind energy	973	854	0	0
Hydro power	435	317	0	0
Solar energy	21	15	0	0
Total	11 692	14 264	9 508	9 825

Table no. 54-a. Net electricity [GWh] and net heat [TJ] volumes generated by TAURON Group, broken down into main energy sources, per subsidiary in 2022 and 2023

	TAURON Wytwarzanie				TAURON Ciepło				TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof				TAURON Inwestycje				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]	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Hard coal	8 902	11 373	2 207	2 492	847	979	4 902	5 783	-	-	-	-	-	-	-	-	-	-	-	20	8	375	153	9 769	12 360	7 484	8 428	
Hard coal in the form of the sludge product	83	100	132	149	63	77	309	315	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	146	177	441	464	
Liquid fuels	81	116	279	317.5	2	2.5	88	104	-	-	-	-	-	-	-	-	-	-	-	-	-	14	0	83	118	381	422	
Natural gas as well as other energy production related gases	-	-	-	-	-	-	228	59	-	-	-	-	-	-	-	-	80	83	0	0	-	-	0	0	80	83	228	59
Biomass	13	145	4	79	172	195	970	373	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185	340	974	452	
Wind energy	-	-	-	-	-	-	-	-	973	854	-	-	-	-	-	-	-	-	-	-	-	-	-	973	854	0	0	
Hydro power	-	-	-	-	-	-	-	-	435	317	-	-	-	-	-	-	-	-	-	-	-	-	-	435	317	0	0	
Solar energy	-	-	-	-	-	-	-	-	15	10	-	-	6	5	-	-	-	-	-	-	-	-	-	21	15	0	0	
Total	9 078	11 733	2 622	3 038	1 084	1 254	6 497	6 634	1 423	1 181	-	-	6	5	-	-	80	83	0	0	20	8	389	153	11 692	14 264	9 508	9 825

* As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and the values provided are incomparable.

The steps taken by TAURON Group aimed at implementing and certifying the Energy Management System are at the same time a response to the changes in Directive (EU) 2023/1791 of the European Parliament and of the Council of September 13, 2023 on energy efficiency and amending Regulation (EU) 2023/955. The directive imposes an obligation to implement the Energy Management System by October 11, 2027, at the enterprises whose average annual energy consumption over the past three years, taking into account all energy carriers, exceeded 85 TJ. In accordance with its provisions, the Energy Management System must be certified. TAURON Group's subsidiaries that will be subject to the Energy Management System implementation project exceed the energy consumption level cited in the regulation.

The detailed information on the various categories of the energy consumption and sales, as well as the total energy consumption taking into account all of the energy carriers for TAURON Group, is presented in Tables no. 55 - 59.

Table no. 55 GRI 302-1. Total consumption of energy from the non-renewable sources (in-house and purchased) in GJ (the gross chemical energy of the fuels) at TAURON Group in 2022 and 2023

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Hard coal	90 598 643	117 937 237	11 240 913	13 384 332	-	-	-	-	-	-	622 892	218 840	102 462 448	131 540 409
Natural gas as well as other energy production related gases	-	-	260 427	91 481	-	-	48 075	70 769	541 633	736 897	-	-	850 135	899 147
Hard coal in the form of the sludge product	999 531	1 200 174	749 079	837 442	-	-	-	-	-	-	-	-	1 748 610	2 037 616
Heating oil	1 178 680	1 583 158	120 759	135 780	-	-	-	-	-	-	19 254	-	1 318 693	1 718 938
Liquid fuels	23 390	22 467	11 898	12 981	2 379	1 846	55 878	58 695	-	-	-	-	93 545	95 989*
TOTAL	92 800 244	120 743 035	12 383 076	14 462 016	2 379	1 846	103 953	129 464	541 633	736 897	642 146	218 840	106 473 431	136 292 099*

* The data reported in the previous edition for 2022 had also included the TAURON Wydobywanie subsidiary, for which the non-renewable energy consumption had come in at 24 523 GJ. This company was outside of TAURON Group in 2023.

** As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and thus the values provided for 2022 and 2023 provided are incomparable.

Table no. 56. GRI 302-1. Total consumption of energy from the renewable sources in GJ (the gross chemical energy of the fuels) at TAURON Group in 2022 and 2023, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Biomass	128 633	1 566 681	2 567 793	2 559 783	-	-	0	0	-	-	-	-	2 696 426	4 126 464
Wind energy	-	-	-	-	124 294	122 661	0	0	-	-	-	-	124 294	122 661
Hydro power	-	-	-	-	21 531	16 709	0	0	-	-	-	-	21 531	16 709
Solar energy	-	-	-	-	248	52 911	-	-	-	-	-	-	248	52 911
TOTAL	128 633	1 566 681	2 567 793	2 559 783	146 073	192 281	0	0	-	-	-	-	2 842 499	4 318 745

Table no. 57. GRI 302-1. Total energy consumption (purchased and in-house) by type in GJ (the electricity purchased and generated, used for the household needs of the organization - heating, cooling, electricity, steam) at TAURON Group in 2022 and 2023, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Electricity	3 775 825	4 631 200	693 503	784 376	157 135	150 798	66 480	90 422	11 307	4 773	16 312	4 807	4 720 562	5 666 376*
Thermal energy (heat)	702 425	695 060	217 865	229 954	934	996	4 723	5 384	-	-	9 165	3 746	935 112	935 140*
TOTAL	4 478 250	5 326 260	911 368	1 014 330	158 069	151 794	71 203	95 806	11 307	4 773	25 477	8 553	5 655 674	6 601 516*

* The data reported in the previous edition for 2022 had also included the TAURON Wydobywanie subsidiary, for which the energy consumption (electricity and thermal energy) had come in at 1 147 801 GJ. This company was outside of TAURON Group in 2023.

** As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and thus the values provided for 2022 and 2023 provided are incomparable.

Table no. 58. GRI 302-1. Energy supply in GJ (net less the in-house needs) at TAURON Group in 2022 and 2023, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska*		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Electricity	32 052 518	41 588 734	3 902 884	4 515 880	5 139 796	4 251 498	0	0	287 823	298 337	55 508	24 186	41 438 529	50 678 635
Thermal energy (heat)	2 621 906	3 038 459	6 496 654	6 634 071	-	-	0	0	-	-	389 066	130 282	9 507 626	9 802 812
TOTAL	34 674 424	44 627 193	10 399 538	11 149 951	5 139 796	4 251 498	0	0	287 823	298 337	444 574	154 468	50 946 155	60 481 447

* As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and thus the values provided for 2022 and 2023 provided are incomparable.

Table no. 59. GRI 302-1. Total energy consumption in GJ at TAURON Group in 2022 and 2024, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total energy consumption by the organization	62 732 703	82 986 317	5 462 699	6 886 178	-4 833 275	-3 905 577	175 156	225 270	265 117	443 333	223 049	72 925	64 025 449	86 708 446 *

* The data reported in the previous edition for 2022 had also included the TAURON Wydobywanie subsidiary, for which the total energy consumption had come in at 1 172 324 GJ. This company was outside of TAURON Group in 2023.

** As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and thus the values provided for 2022 and 2023 provided are incomparable.

The Group is also monitoring the rate of energy consumption (intensity) related to its business operations on an ongoing basis, as shown in the indices in Table no. 60.

Table no. 60. GRI 302-3. Energy consumption (intensity) at TAURON Group in 2022 and 2023, per subsidiary

	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia		TAURON Ekoenergia TAURON Zielona Energia and the subsidiaries thereof		Energetyka Cieszyńska**	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Energy consumption rate [%] (energy consumption for in-house needs / gross energy production)	11.44%	10.67%	8.52%*	8.62%*	3.85%	5.02%	0.84%	0.83%	4.80%	4.74%
Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production)	10.87%	10.41%	17.36%	15.98%	3.85%	5.02%	0.84%	0.83%	21.81%	17.24%
Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production)	17.83%	14.09%	3.25%*	3.35%*	-	-	-	-	2.01%	2.45%

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

** As part of the Energetyka Cieszyńska subsidiary taken over the data includes an incomplete 4th quarter of 2022. In 2023, the data includes full 12 months, and thus the values provided for 2022 and 2023 provided are incomparable.

TAURON Group has inventoried, during the inventory energy audits, the potential tasks related to reducing the energy consumption (intensity). The targets related to the energy consumption have been set based on such measures, as shown in Tables no. 61-a, no. 61-b and no. 61-c.

Table no. 61-a. GRI 302-3. Targets, and the results achieved, with respect to energy consumption set to be achieved by TAURON Group by 2030, per subsidiary

Index		TAURON Wytwarzanie				TAURON Ciepło			
		2020	2023	2025	2030	2020	2023	2025	2030
Energy consumption rate [%] (energy consumption for in-house needs / gross energy production)	Target	10.9%	-	11.1%	9.1%	8.88%*	-	8.44%*	8.73%*
	Result achieved		11.44%				8.52%*		
Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production)	Target	10.7%	-	10.8%	10.5%	15.61%	-	17.09%	15.05%
	Result achieved		10.87%				17.36%		
Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production)	Target	12.6%	-	13.9%	9.2%	2.98%*	-	2.89%*	2.77%
	Result achieved		17.83%				3.25%*		

Targets have been set assuming the average annual load of the generation unit above 70% of the nominal rated capacity. The targets for 2025 and 2030 will be subject to a revision in the next reporting year.

* It does not take into account the replenishment of the heat carrier losses in the district heating networks. The fluctuations of the index for the TAURON Ciepło subsidiary in the 2025 and 2030 time frames are due to the changes: the planned increase in the demand for heat by approximately 1.6 TJ and the commissioning of the new gas fired heat generation sources that will complement the existing infrastructure of the high efficiency coal fired co-generation (the unit emission indices will be reduced).

The values of the energy consumption rates for the TAURON Wytwarzanie and TAURON Ciepło subsidiaries achieved in 2023 were higher than the values assumed on the path to reaching the set targets (the 2020 – 2025 targets) in terms of the energy consumption (intensity) rates for the electricity production. The following reasons can be identified in this case:

- need to operate TAURON Wytwarzanie units as centrally controlled (dispatched) generation units that stabilized the power system in the south of Poland in the highly volatile energy flow conditions, also with respect to the international trade (imports / exports). This resulted in the operation of the units at the sub-optimal operating points (the high volatility of the efficiency of the individual generating units),
- much more frequent than assumed numbers of the start-ups and shutdowns of TAURON Wytwarzanie's generating units,
- much lower heat production combined with the curtailing of the operation in the condensation mode at TAURON Ciepło's conventional generating units translated into worse energy consumption (intensity) rates for the heat production and for the electricity production than the values assumed in the multi year results plan.

Table no. 61-b. Target, and the result achieved, for the transmission losses set to be achieved by TAURON Dystrybucja in 2023

Index name		2020	2023	2025	2030
Value of the balancing difference index*	Target	4.14%	-	3.96%	3.90%
	Result achieved		3.88%		

* Index calculated as of December 31 for the last 12 months, as the quotient of the energy lost in the grid to the value of the energy fed into the grid.

Table no. 61-c. GRI 302-3. Targets, and the results achieved, with respect to the energy consumption (intensity) set to be achieved by Kopalnia Wapienia „Czatkowice” (Czatkowice Limestone Mine) by 2030

Index name		2020	2023	2025	2030
Electricity consumption rate [kWh/t]	Target	22.7	-	21.1	20.0
	Result achieved	22.6	25.4		

Eco-efficiency program in IT

With respect to the obligations stemming from TAURON Group's Environmental and Climate Policies, as a result of the consultations and analyses completed, the environmental efficiency criteria had been adopted in 2023 in order to refine and improve the environmental efficiency indicators. The list of the criteria adopted to be improved will be subject to the periodic reviews, updates and additions as the environmental efficiency of TAURON Group's IT Shared Service Center (Centrum Usług Wspólnych IT) is improving. As part of the environmental efficiency improvement efforts, the following activities had been carried out in the IT area in 2023:

- remote readout meters had been installed at the Data Processing Centers, and the monitoring of the electricity consumption had been commenced in order to identify and replace, as soon as possible, the hardware that had been consuming the most energy,
- it had been agreed that in order to prevent waste and apply the reuse and recycling processes, the rules would be developed in order to measure the average life cycle of the IT hardware in order to extend the Economic Useful Life.

Customer Eco-Efficiency Programmes

TAURON Group's subsidiaries are implementing a wide range of the energy efficiency program activities at the Customers' premises (downstream activities). These programs are aimed at a broad range of the Customer segments, including the residential Customers, the manufacturing industry or the local government units. These activities are designed to engage the Customers in the process of a conscious use of a product or a service. The examples of these activities include

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, IT guide books and tools to promote the energy efficiency at TAURON Sprzedaż, TAURON Dystrybucja and TAURON Ciepło,
- energy audit of enterprises,
- implementation of the replacement of the street lighting with the energy efficient lighting, also providing an option to control the intensity of the light stream.

The examples of the Customer eco-efficiency programs include:

“Ogrzej się z TAURONEM” (Heat yourself with TAURON)

As part of the program, the owners of the buildings can apply for a subsidy for the elimination of an old solid fuel fired boiler and its replacement with a heat pump. The program is addressed to the residents of the Lower Silesia, Opole, Silesia and Małopolska provinces.

“Bezpieczniki TAURONA” (TAURON fuses)

An educational and informational program that targets the various audiences (children and youth, adults, seniors, as well as the renovation and construction companies). The program covers the topics related to, among other things, the transition and it is implemented through:

- Scenarios of lessons the subjects of which are related to the energy conservation as well as the rational energy use and the formation of a user and consumer awareness. They included the following topics: "Eco-methods for saving the electricity", "Energy labels and electro waste", "We are the guardians of energy", "Renewables - life-giving", "Photovoltaic cell and light sources", "Green energy gives the power", "Green energy and electricity saving", "Sources of electricity" or "Work and power of electricity. Electricity transitions".
- Guide books covering the following topics: "How to use the 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, for example, "Throw away the 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 the energy labels?", "Where to trash the electro waste?", "Energy from the sun", "Fuses" or "How much energy do household electrical appliances consume?".



Eco-efficiency program for the Customers in agriculture

Kopalnia Wapienia „Czatkowice” (Czatkowice Limestone Mine), together with the Małopolska Agricultural Advisory Center in Karniowice (Małopolski Ośrodek Doradztwa Rolniczego w Karniowicach), was the organizer of the educational meetings / training sessions for the 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 the knowledge of the effective and natural solutions to the problems of soil acidification in Poland, the effects of a proper liming of the soils, as well as the impact of the liming on the crop yields in the changing climatic conditions. The limestone mine's product, the Gruntcal fertilizer lime, had also been 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 the lime dosage issues. After selecting the type and the pH of the soil, the calculator determines the needed dosage of the Gruntcal lime (number of tons / hectare).

E 4. Activities in terms of environmental taxonomy

E. 4.1. Information on the so-called Taxonomy - eligible activities (Regulation 2020/852)

By preparing its non-financial report for 2023 TAURON Group is fulfilling its obligation to make the disclosures demonstrating 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, 2023 to December 31, 2023, non-financial

companies shall only disclose the percentage share of the taxonomy - eligible ("Taxonomy") business activities divided into activities aligned with and non-aligned with the taxonomy (Taxonomy) and taxonomy – not eligible business activities in the total Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx), as well as the necessary contextual information. The mandatory disclosures related to the "Taxonomy" are applicable to the key performance indicators and the accompanying information, as defined within the framework of Annexes I, II and XII of Commission Delegated Regulation (EU) 2021/2178. In addition, to assess whether the Group's activities, and in what proportion, are environmentally sustainable in accordance with the Taxonomy, a classification of the activities against the Criteria for making a significant contribution to an accomplishment of at least one of the environmental goals and against the Criteria related to the "do no significant harm" (DNSH) principle is carried out.

For the preparation of the Taxonomy related disclosures for 2023, in all of the operating segments (lines of business) of TAURON Group's business operations, as well as within TAURON Group's subsidiaries, an analysis of the activities conducted by TAURON Group had been carried out, as a result of which the Taxonomy eligible activities had been identified, in line with the description of the activities according to the Commission Delegated Regulation (EU) 2021/2139 and 2023/2485 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 the 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 has also interpreted the ambiguous provisions with respect to the Taxonomy, and the assumptions and the interpretations made are presented in the explanatory notes and the footnotes to the Methodology for the information provided in Tables 62 a-c. and 2023/2485

In addition, fulfilling the information disclosure obligation under Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical qualification criteria for determining the conditions under which an economic activity qualifies as making a significant contribution to the sustainable use and conservation of water and marine resources, to the transition to a circular economy, to the pollution prevention and control, or to the protection and the restoration of the biodiversity and the ecosystems, as well as determining whether these business activities do not cause serious harm to any of the other environmental objectives, and amending Commission Delegated Regulation (EU) 2021/2178 with regard to public disclosure of specific information with respect to these business activities - TAURON Group does not carry out activities that qualify for the application of Commission Delegated Regulation (EU) 2023/2486 and thus does not determine the levels of the sustainable Revenue, CapEx and OpEx for the other four environmental goals of the EU Environmental Taxonomy, i.e. in terms of a significant contribution: to the sustainable use and protection of water and marine resources (Objective 3), in the transition to a circular economy (Objective 4), in the pollution prevention and control (Objective 5) and in the protection and restoration of biodiversity and ecosystems (Objective 6).

E 4.2. Environmental taxonomy

Step 1 – Division of the activities carried out by TAURON Group's subsidiaries.

The business operations of TAURON Group's subsidiaries are organized within the operating segments, in line with the consolidated breakdown in the financial reporting. TAURON Group's operations had been organized in 2023 based on five operating segments (in accordance with TAURON Group's consolidated 2023 Financial Statements): Generation, Renewable Energy Sources, Distribution, Supply and Other (Other Operations).

Step 2 – Identification of the economic activities included in the Taxonomy.

The selection of activities carried out within the TAURON Group's operating segments that qualified for the Taxonomy in 2023 was pursuant to:

1. Annexes I and II, supplementary to Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021:
 - 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,
 - 4.15 Distribution in district heating systems,
 - 4.20. Cogeneration of heat/cool and electricity power from bioenergy (biomass),
 - 6.15. Infrastructure enabling low-carbon road transport and public transport,
 - 7.3. Installation, maintenance and repair of energy efficiency equipment,
 - 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings),
 - 7.6. Installation, maintenance and repair of renewable energy technologies.

2. Annex I to Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, amending Delegated Regulation (EU) 2021/2139:
 - 4.29. Electricity production from fossil gaseous fuels,
 - 4.31. Production of heat/cool from fossil gaseous in an efficient heating and cooling system.

The above classification also takes into account the Commission 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 takes into account, among other things, gas and nuclear energy, in the Taxonomy. TAURON Group does not carry out the activities eligible to be applied under Commission Delegated Regulation (EU) 2023/2486.

Step 3 – Determination of the indicators related to the activities that are Taxonomy – eligible

In the next step, TAURON Group's individual operating segments are assigned to two categories:

- category I (A.1 + A.2) – grouping TAURON Group's activities that are Taxonomy - eligible, (A.1 – Taxonomy - aligned and A.2 – Taxonomy non-aligned),
- category II (B.) – grouping TAURON Group's activities that are Taxonomy non-eligible.

In the cases where the activities carried out as part of the business operations of the given operating segment of TAURON Group included both, the Taxonomy – eligible activities (the environmental Taxonomy - aligned and non-aligned activities – category I), as well the Taxonomy non-eligible activities (the Environmental Taxonomy non-eligible activities - category II), an additional division within the given operating segment has been introduced, allowing for classifying the segment type as being partially Taxonomy - eligible.

Accounting principles

In order to calculate the proportions of the Environmental Taxonomy eligible Turnover ("Revenue"), Capital Expenditures (CapEx) and Operating Expenses (OpEx), the same accounting principles that apply to the drawing up of TAURON Group's consolidated annual financial statements have been adopted. The flows occurring between the operating segments, used in the preparation of the financial statements, have been taken into account.

The relevant definitions in the Commission Delegated Regulation (EU) 2021/2178 have been applied to identify the amounts (expressed in the monetary units) associated with the recognized activities meeting first the definitions related to the key performance indicators: turnover ("Revenue"), capital expenditures (CapEx) and operating expenditures (OpEx), which constitute the denominator of each of these three indicators, and then the allocation of the amounts (expressed in the monetary units) from all of these three values to the categories found to be Taxonomy - eligible and Taxonomy - aligned (category I, A.1.), Taxonomy - eligible and Taxonomy non-aligned (Category I, A.2.), which, in turn, constitute the numerator of each of the three indicators and Taxonomy non-eligible (Category II, B.).

Turnover ("Revenue")

The net sales revenue recognized in accordance with IAS 1, clause 82, letter a), as defined in Article 2, clause 5 of Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013, which states: "net sales revenue" denotes the amounts derived from the sales of the products and the provision of the services after the deduction of the rebates and the value - added tax and other taxes directly related to the turnover." The consolidated net sales revenues have been taken into account in this way, and the corresponding amounts are included in the Group's consolidated financial statements.

Capital expenditures (CapEx)

The investment outlays defined as increases in the property, plant and equipment and the intangible assets, the right-of-use related assets and the investment properties, including those resulting from the combining of the business units, as defined in the relevant IAS / IFRS:

- IAS 16 Property, plant and equipment,
- IAS 38 Intangible assets,
- IAS 40 Investment property,
- IFRS 16 Leases.

The consolidated increases in the property, plant and equipment, the intangible assets and the right-of-use related assets have been taken into account in this way, and the corresponding amounts are included in the Group's consolidated financial statements.

Operating Expenses (OpEx) – as defined by the Environmental Taxonomy

Operating Expenses (OpEx) – as defined by the Environmental Taxonomy understood as the direct, non-capitalized expenses:

- related to research and development work,
- related to building renovation activities,
- related to short term leases,
- related to maintenance and repairs,
- any other direct expenses related to the day to day operation of property, plant and equipment by a company or a third party outsourced to carry out the activities necessary to ensure the continuous and efficient operation of such assets.

In the case of the Operating Expenses (OpEx) indicator, due to its specific definition in the Environmental Taxonomy, it has not been possible to refer directly to the Group's Consolidated Financial Statements. The Group's highest Operating Expenses (OpEx) are the costs classified as "Maintenance and repair services" of the Distribution operating segment.

The analysis of the technical classification criteria and the "do no significant harm" principles and an assessment with respect to the physical climate risks

The analysis of the technical classification criteria and the "do no significant harm" principles has been conducted using an expert method based on a review of the business model of the operations of the Group's subsidiaries, and as a result of this analysis, the review of the Environmental Taxonomy eligibility of the operations of the Group's subsidiaries was carried out. The analysis also included checking of the conditions under which an activity qualifies as making a significant contribution to the climate change mitigation or adaptation, and whether the activity complies with the conditions set for it under the "do no significant harm" principles against any of the other environmental goals. Given the assignment of the Environmental Taxonomy aligned activities to the climate change mitigation goal, a precondition for complying with the "do no significant harm" principle was also to complete an assessment of the climate risk and of the exposure to this risk based on the classification included in Appendix A to Commission Delegated Regulation (EU) 2021/2139. The risk and the exposure assessment performed using the expert method demonstrated that the majority of the risks were rated as "low."

Analysis of the Minimum Safeguards (MS)

The analysis of the compliance of the business activities conducted in 2023 with the Minimum Safeguards (MS), as defined in Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council, is presented in section "2.9. TAURON Group's due diligence and the minimum safeguards (MS) related to Taxonomy". Compliance with the Minimum Safeguards (MS) set out in the Taxonomy Act has been confirmed.

Description of the Taxonomy - eligible and the Taxonomy – aligned activities and the contextual information

The proportion of the Taxonomy - eligible and the Taxonomy – non-eligible business activities in the total Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx – as defined by the Environmental Taxonomy) for TAURON Group for 2023 (and for the previous year) is presented in the following tables (Table no. 62-a, 62-b and 62-c) and in Figure no. 33.

– Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx – as defined by the Environmental Taxonomy) that are Taxonomy - aligned come from the following activities:

- CCM 4.1. Electricity generation using photovoltaic technology,
- CCM 4.3. Electricity generation from wind power,
- CCM 4.5. Electricity generation from hydropower,
- CCM 4.9. Transmission and distribution of electricity,
- CCM 4.15. Distribution in district heating systems,
- CCM 4.20. Cogeneration of heat/cool and power from bioenergy (biomass),
- CCM 6.15. Infrastructure enabling low-carbon road transport and public transport,
- CCM 7.3. Installation, maintenance and repair of energy efficiency equipment,
- CCM 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings),
- CCM 7.6. Installation, maintenance and repair of renewable energy technologies.

– Turnover (Revenue), capital expenditures (CapEx) and operating expenses (OpEx – as defined by the Environmental Taxonomy) that are Taxonomy - eligible, but are not taxonomy - aligned, come from the following activities:

- CCM 4.5. Electricity production from hydropower,
- CCM 4.9. Transmission and distribution of electricity,

- CCM 4.29. Electricity generation from fossil gaseous fuels,
- CCM 4.31. Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system.

Turnover (Revenue),

– After analyzing all types of the activities described in the Environmental Taxonomy, it has been determined that:

- Taxonomy - eligible and Taxonomy - aligned net turnover (revenue) accounts for 16.1% (PLN 6 869 million),
- Taxonomy - eligible and Taxonomy - non-aligned net turnover (revenue) accounts for 0.3% (PLN 115 million),
- Taxonomy - non-eligible net turnover (revenue) accounts for 83.6% (PLN 35 673 million) of the Group's total net revenue from the operating activities in the financial year 2023.

– The predominant Taxonomy - aligned activity is activity 4.9 Transmission and distribution of electricity. Ac Electricity transmission and distribution, which accounts for approximately 83% of the value of the numerator of the key performance indicator related to the turnover. The second most Taxonomy - aligned activity is activity 4.15 Distribution in district heating / cooling systems, which accounts for approximately 9% of the value of the numerator of the key performance indicator related to the turnover.

– The denominator of the net turnover (revenue) indicator stands at PLN 42 657 million.

Capital Expenditures (CapEx)

– After analyzing all types of the activities described in the Environmental Taxonomy, it has been determined that:

- Taxonomy - eligible and Taxonomy - aligned capital expenditures (CapEx) account for 79.6% (PLN 3 472 million),
- Taxonomy - eligible and Taxonomy - non-aligned capital expenditures (CapEx) account for 1.1% (PLN 50.7 million),
- Taxonomy - non-eligible capital expenditures (CapEx) account for 19.3% (PLN 841 million) of all of the capital expenditures (CapEx) from the operating activities in the financial year 2023.

– The predominant Taxonomy - aligned activity is activity 4.9 Transmission and distribution of electricity, which accounts for approximately 79.6% of the value of the meter of the key performance indicator related to the capital expenditures (CapEx). The next most Taxonomy - aligned activities are activities 4.1 Electricity production using photovoltaic technology and 4.3 Electricity production from wind from the “Renewable Energy Sources” operating segment, which account for approximately 8.1% and approximately 8.6%, respectively, of the value of the numerator of the key performance indicator related to capital expenditures (CapEx).

– The denominator of the capital expenditures indicator (CapEx) stands at PLN 4 364 million.

Operating Expenses (OpEx – as defined by the Environmental Taxonomy)

– After analyzing all types of the activities described in the Environmental Taxonomy, it has been determined that:

- Taxonomy - eligible and Taxonomy - aligned operating expenses (OpEx - as defined by the Environmental Taxonomy) account for 62.1% (PLN 275 million),
- Taxonomy - eligible and Taxonomy - non-aligned operating expenditures (OpEx - as defined by the Environmental Taxonomy) account for 1.7% (PLN 7.4 million),
- Taxonomy - non-eligible Operating expenses (OpEx - as defined by the Environmental Taxonomy) account for 36.2% (PLN 160 million) of all of the Operating expenses (OpEx - as defined by the Environmental Taxonomy) from the operating activities in the financial year 2023.

– The predominant Taxonomy - aligned activity is activity 4.9 Transmission and distribution of electricity, which accounts for approximately 84% of the value of the numerator of the key performance indicator related to the operating expenses (OpEx - as defined by the Environmental Taxonomy).

– The denominator of the operating expenditures indicator (OpEx - as defined by the Environmental Taxonomy) stands at PLN 443 million.

Table no. 62-a. EU environmental taxonomy. The disclosure regarding the percentage share of the Turnover (Revenue) from the products or services related to the Taxonomy - aligned business activities – the disclosure is for 2023

Financial year / Year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") (4)						Minimum Safeguards (MS) (5)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 2022	Category ("enabling activity") (6)	Category ("transitional activities") (6)
Economic Activities Business operations (Business activity)	TAXONOMY – Code or codes	Turnover "Revenue" (absolute value) 2023 (1)	Proportion of turnover "Revenue" 2023 (2)	Climate change mitigation (3)	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity				
		PLN m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using photovoltaic technology	CCM 4.1.	1.7	0.004%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.4%		
Electricity generation from wind power	CCM 4.3.	86	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y			
Electricity generation from hydropower	CCM 4.5.	23.1	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y		Y	Y	Y			
Transmission and distribution of electricity	CCM 4.9.	5 716	13.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	9.8%	E	
Thermal energy storage	CCM 4.11.	0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.0%		
Distribution in district heating systems	CCM 4.15.	633	1.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	1.1%		
Cogeneration of heat/cool and power from bioenergy (biomass)	CCM 4.20.	344	0.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.8%		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15.	12.0	0.03%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. (d)	8.6	0.02%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	0.01%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	10.8	0.03%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6. (a,f)	33.3	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E	
Turnover ("Revenue") of environmentally sustainable activities (Taxonomy-aligned) (A.1.).		6 869	16.1%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y							12.2%		
Of which enabling		5 769	13.5%	13.5%	0.0%	0.0%	0.0%	0.0%	0.0%								9.81%	E	
Of which transitional		0	0.0%	0.0%													0.0%	T	

Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Electricity generation from hydropower	CCM 4.5.	14.7	0.03%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Transmission and distribution of electricity	CCM 4.9.	14.9	0.03%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.03%
Electricity generation from fossil gaseous fuels	CCM 4.29.	43.6	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM 4.31.	41.3	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Turnover ("Revenue") of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		115	0.3%	0.3%							-
Turnover of Taxonomy-eligible activities Total (A.1. + A.2.)		6 984	16.4%								12.2%
B. TAXONOMY NON - ELIGIBLE ACTIVITIES											
Turnover ("Revenue") of Taxonomy- non-eligible activities (B.)		35 673	83.6%								
Total (A. + B.)		42 657	100.0%								

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective,
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective,
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of turnover / Total turnover			
	Taxonomy-aligned per objective		Taxonomy- eligible per objective
CCM		16.1%	16.4%
CCA		0%	0%
WTR		0%	0%
CE		0%	0%
PPC		0%	0%
BIO		0%	0%

According to Commission Delegated Regulation (EU) 2023/2486 the Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

Table no. 62-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 2023

Financial year / Year 2023				Substantial contribution criteria						DNSH criteria (“Does Not Significantly Harm”) (4)						Minimum Safeguards (MS) (5)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year N-1 2022	Category (“enabling activity”) (6)	Category (“transitional activities”) (6)
Economic Activities Business operations (Business activity)	TAXONOMY – Code or codes	Capital expenditures CapEx (absolute value) 2023 (1)	Proportion of Capital expenditures CapEx 2023 (2)	Climate change mitigation (3)	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity				
		PLN €	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using photovoltaic technology	CCM 4.1.	281	6.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	11.6%		
Electricity generation from wind power	CCM 4.3.	298	6.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y			
Electricity generation from hydropower	CCM 4.5.	9.0	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y		Y	Y	Y			
Transmission and distribution of electricity	CCM 4.9.	2 762	63.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	53.9%	E	
Thermal energy storage	CCM 4.11.	0.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.0%		
Distribution in district heating systems	CCM 4.15.	56.6	1.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.3%		
Cogeneration of heat/cool and power from bioenergy (biomass)	CCM 4.20.	10.0	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.1%		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15.	1.3	0.03%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y		Y		-		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. (d)	22.7	0.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y		Y		0.9%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	5.0	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y		Y		-	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6. (a,f)	26.6	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y		Y		-	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		3 472	79.6%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y							66.8%		
Of which enabling		2 816	64.5%	64.5%	0.0%	0.0%	0.0%	0.0%	0.0%								54.8%	E	
Of which transitional		0	0.0%	0.0%													0.0%		T

A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Electricity generation from hydropower	CCM 4.5.	5.3	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Transmission and distribution of electricity	CCM 4.9.	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.0%
Electricity generation from fossil gaseous fuels	CCM 4.29.	0.1	0.002%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM 4.31.	45.3	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		50.7	1.1%	1.1%							-
CapEx of Taxonomy- eligible activities Total (A.1. + A.2.)		3 523	80.7%								66.8%
B. TAXONOMY NON - ELIGIBLE ACTIVITIES											
Capital expenditures CapEx of Taxonomy-non-eligible activities (B.)		841	19.3%								
Total (A. + B.)		4 364	100.0%								

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective,
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective,
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of CapEx / Total CapEx

	Taxonomy-aligned per objective	Taxonomy- eligible per objective
CCM	79.6%	80.7%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

According to Commission Delegated Regulation (EU) 2023/2486 the Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

Table no. 62-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 2023

Financial year / Year 2023				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") (4)						Minimum Safeguards (MS) (5)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N-1 2022	Category ("enabling activity") (6)	Category ("transitional activities") (6)	
Economic Activities Business operations (Business activity)	TAXONOMY – Code or codes	Operating expenses OpEx (absolute value) 2023 (1)	Proportion of Operating expenses OpEx 2023 (2)	Climate change mitigation (3)	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity					
																				PLN m
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation using photovoltaic technology	CCM 4.1.	0.9	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	3.5%			
Electricity generation from wind power	CCM 4.3.	25.5	5.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y				
Electricity generation from hydropower	CCM 4.5.	8.3	1.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y			Y	Y				
Transmission and distribution of electricity	CCM 4.9.	231	52.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	54.7%	E		
Thermal energy storage	CCM 4.11.	0.3	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.1%			
Distribution in district heating systems	CCM 4.15.	5.2	1.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.9%			
Cogeneration of heat/cool and power from biomass (biomass)	CCM 4.20.	0.9	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.2%			
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15.	0.4	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. (d)	1.4	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	0.1%	E		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	0.5	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6. (a,f)	0.7	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E		
Operating expenses OpEx due to the environmentally sustainable activities (Taxonomy - aligned) (A.1.).		275	62.1%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y							59.5%			
Of which enabling		234	52.8%	52.8%	0.0%	0.0%	0.0%	0.0%	0.0%								54.8%	E		
Of which transitional		0	0.0%	0.0%													0.0%		T	

A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Electricity generation from hydropower	CCM 4.5.	6.1	1.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Transmission and distribution of electricity	CCM 4.9.	0.2	0.05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.02%
Electricity generation from fossil gaseous fuels	CCM 4.29.	0.9	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM 4.31.	0.2	0.05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Operating expenses OpEx due to the activities that are Taxonomy - eligible, but are not environmentally sustainable (Taxonomy non aligned activities) (A.2.)		7.4	1.7%	1.7%						-
OpEx of Taxonomy eligible activities Total (A.1. + A.2.)		282	63.8%							59.5%
B. TAXONOMY NON - ELIGIBLE ACTIVITIES										
Operating expenses OpEx of Taxonomy-non-eligible activities (B.)		160	36.2%							
Total (A. + B.)		443	100.0%							

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective,
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective,
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of OpEx / Total OpEx

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	62.1%	63.8%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

According to Commission Delegated Regulation (EU) 2023/2486 the Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

Footnotes to the Methodology from Tables no. 62 a-c:

Table no. 62-a. EU environmental taxonomy. The disclosure related to the percentage share (proportion) of the turnover (Revenue) due to the products or services related to the taxonomy – aligned business activities – the disclosure is related to 2023

(1) Turnover "Revenue" (absolute value): revenue from each individual activity. If an activity is present in both A.1 as well as A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B. For the activities carried out within the same operating segment of TAURON Group, the division of the revenues among the individual activities in accordance with the Group's consolidated revenue reporting rules.

A.2. this item represents: i. "4.9." the new connections to the distribution grid of the Group's subsidiary (during the period of the last five years) for which the GHG emissions intensity exceeds the threshold of 100 gCO₂eq/kWh and which have been excluded from A.1., ii. "4.5." hydroelectric power generation for which no confirmation of the compliance with the DNSH principle with respect to an upstream and a downstream migration of fish has been carried out, iii. "4.29 i 4.31." facilities based on the fossil gaseous fuels commissioned and operated before the date of the publication of the Environmental Taxonomy, hence it is not possible to retroactively analyze some of the criteria.

The most significant assumptions made for the disclosure related to 2023: Close to 100% of the share of the Taxonomy - aligned activities (A.1.) have been attributed to the business operations of the TAURON Distribution subsidiary. With regard to the cogeneration of the thermal (heat) / cooling energy and electricity from the bioenergy (biomass), a corresponding separation (split off) of the Turnover ("Revenue") was made within the Generation operating segment. Similarly, a partial separation (split off) of the Turnover ("Revenue") was made for the TAURON Nowe Technologie subsidiary with respect to the installation, maintenance and repair of: the energy efficiency improving equipment; the electric vehicle charging stations in buildings (and in parking lots at buildings); renewable energy technology systems and for TAURON Ciepło with respect to the heat distribution (revenue for the contracted capacity). The revenues from the activities involving thermal (heat) energy storage are not shown.

The sales between TAURON Group's individual operating segments were not taken into account in determining the total revenue for the Taxonomy alignment analysis.

(2) Proportions of Turnover "Revenue": the percentage share of the Revenue of each individual business activity in the Group's total revenue (A. + B.).

(3) Substantial contribution to climate change mitigation: refers to the share of revenue from each individual economic activity (indicated in the column "Revenue") that contributes to climate change mitigation. This is the only objective of the EU taxonomy regulations alignment analysis shown in the table, as it is considered more relevant as compared to the climate change adaptation objective.

The criteria related to the other 4 environmental objectives have been checked and they are not applicable to the business activities of TAURON Group.

Table no. 62-b. EU environmental taxonomy. The disclosure related to the percentage share (proportion) of the capital expenditures (CapEx) due to the products or services related to the taxonomy – aligned business activities – the disclosure is related to 2023

(1) Capital expenditures CapEx: CapEx for each individual activity. If an activity is present in both A.1 as well as 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 disclosure related to 2023: 100% of the CapEx financial outlays as part of the business operations in the Distribution operating segments has been designated as the Taxonomy aligned activities.

A.2. this item represents: i. "4.9." the new connections to the distribution grid of the Group's subsidiary (during the period of the last five years) for which the GHG emissions intensity exceeds the threshold of 100 gCO₂eq/kWh and which have been excluded from A.1. and ii. "4.5." hydroelectric power generation for which no confirmation of the compliance with the DNSH principle with respect to an upstream and a downstream migration of fish has been carried out. A.2. also covers The CapEx financial outlays with respect to the currently built generating units based on the fossil gaseous fuels assigned to the activity "4.31. Production of thermal energy / cooling energy from gaseous fossil fuels in an efficient district heating and cooling system" and assigned to the activity "4.29. Electricity production from gaseous fossil fuels" have also been included as part of item A.2.

(2) Proportion of capital expenditures CapEx: the percentage share of the capital expenditures of the individual types of activity (business activities) in the Group's total capital expenditures.

(3) Substantial contribution to climate change mitigation: refers to the share (proportion) of the "capital expenditures" (CapEx) for each individual economic activity (indicated in the column "capital expenditures") that contributes to the climate change mitigation. This is the only objective of the EU taxonomy regulations alignment analysis shown in the table, as it has been considered to be the most relevant as compared to the climate change adaptation objective. Although a part of the expenditures is also related to the contribution to an adaptation of the assets to the climate change, it has not been identified as substantial.

The criteria related to the other 4 environmental objectives have been checked and they are not applicable to the business activities of TAURON Group.

Table no. 62-c. EU environmental taxonomy. The disclosure related to the percentage share (proportion) of the operating expenses (OpEx) due to the products or services related to the taxonomy – aligned business activities – the disclosure is related to 2023

(1) Total OpEx: OpEx for each individual activity. If an activity is present in both A.1 as well as 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: i. "4.9." the new connections to the distribution grid of the Group's subsidiary (during the period of the last five years) for which the GHG emission intensity exceeds the threshold of 100 gCO₂eq/kWh and which have been excluded from A.1. ii. "4.5." hydroelectric power generation for which no confirmation of the compliance with the DNSH principle with respect to an upstream and a downstream migration of fish has been carried out, iii. "4.29 i 4.31." facilities based on the fossil gaseous fuels commissioned and operated before the date of the publication of the Environmental Taxonomy, hence it is not possible to retroactively analyze some of the criteria.

(2) Proportion of OpEx: the percentage share of the OpEx for each individual business activity in the total ordinary operating expenses required by the environmental Taxonomy at the Group level.

(3) Substantial contribution to climate change mitigation: refers to the share (proportion) of the ordinary operating expenses for each individual economic activity (indicated in the operating expenses column) that contributes to the climate change mitigation. This is the only objective of the EU taxonomy regulation alignment analysis shown in the table, as it has been considered to be the most relevant as compared to the climate change adaptation objective. Although a part of the expenses is also related to the contribution to an adaptation of the assets to the climate change, it has not been identified as substantial.

The criteria related to the other 4 environmental objectives have been checked and they are not applicable to the business activities of TAURON Group.

OpEx include, in accordance with the definition of Commission Delegated Regulation (EU) 2021/2178, the direct, non-capitalized expenses related to the research and development efforts, the activities related to the renovation of buildings, short term leases, maintenance and repairs, as well as any other direct expenses related to the day-to-day operation (maintenance) of the property, plant and equipment assets by a company or a third party that has been commissioned, pursuant to an outsourcing contract, to perform the activities necessary to ensure a continuous and efficient operation of those assets.

(4) DNSH: the environmental objectives meeting the DNSH "do no significant harm" criteria" are specified for each activity.

(5) Minimum Safeguards (MS): indicates whether the Minimum Safeguards (MS), as defined by the environmental Taxonomy, are complied with for each individual activity listed in the table.

(6) Category: specifies whether an activity makes a direct contribution to the climate change mitigation or is an enabling or transitional activity.

The activity "CCM 4.5. Electricity production from hydro" in terms of the Technical screening criteria – a material contribution to the climate change mitigation meets one of the required criteria, with the criterion "the level of the life cycle greenhouse gas emissions from the production of electricity from hydro is below 100 g CO₂ eq /kWh" having been verified and met in the applicable cases, however, without a confirmation by a third party.

The environmental Taxonomy aligned Turnover (revenues), CapEx and OpEx have not been audited.

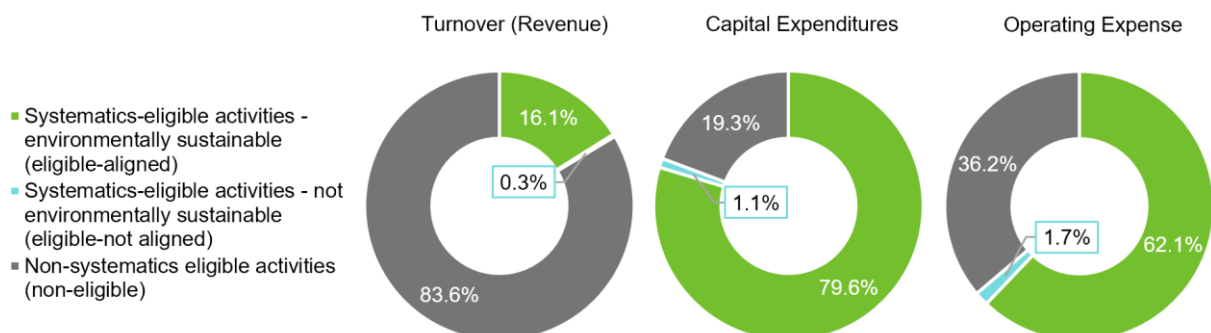


Figure no. 33. Share (proportion) of the environmentally sustainable and non-sustainable, Taxonomy - eligible and Taxonomy non - eligible activities in the turnover (revenue), operating expenses (OpEx) and capital expenditures (CapEx) for TAURON Group in 2023.

Turnover (revenue) - nuclear and fossil gas related activities

Table no. 62-d. Nuclear and fossil gas related activities (according to template 1)

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Row	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	YES

Table no. 62-e. Taxonomy - aligned economic activities (denominator)¹⁾ (according to template 2)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	6 869	16.1%	6 869	16.1%	0	N/D
8	Total applicable KPI	42 657	100.0%	42 657	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-f. Taxonomy - aligned economic activities (numerator)¹⁾ (according to template 3)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	6 869	100%	6 869	100%	0	N/D
8	Total amount and proportion of taxonomy - aligned economic activities in the numerator of the applicable KPI	6 869	100%	6 869	100%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-g. Taxonomy - eligible but not taxonomy - aligned economic activities (denominator)¹⁾ (according to template 4)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.29.	43.6	0.1%	43.6	0.1%	0	N/D
5	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.31.	41.3	0.1%	41.3	0.1%	0	N/D

7	Amount and proportion of other taxonomy - eligible but not taxonomy – aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	29.6	0.06%	29.6	0.06%	0	N/D
8	Total amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activities in the denominator of the applicable KPI	115	0.3%	115	0.3%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-h. Taxonomy non - eligible economic activities ¹⁾ (according to template 5)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	35 673	83.6%	35 673	83.6%	0	N/D
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI¹⁾	35 673	83.6%	35 673	83.6%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Capital Expenditures (CapEx) - nuclear and fossil gas related activities

Table no. 62-i. Nuclear and fossil gas related activities (according to template 1)

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	<u>NO</u>
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	<u>NO</u>
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	<u>NO</u>

Row	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	YES

Table no. 62-j. Taxonomy - aligned economic activities (denominator)¹⁾ (according to template 2)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	3 472	79.6%	3 472	79.6%	0	N/D
8	Total applicable KPI	4 364	100.0%	4 364	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-k. Taxonomy - aligned economic activities (numerator)¹⁾ (according to template 3)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	3 472	100.0%	3 472	100.0%	0	N/D

8	Total amount and proportion of taxonomy - aligned economic activities in the numerator of the applicable KPI	3 472	100.0%	3 472	100.0%	0	N/D
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* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-l. Taxonomy - eligible but not taxonomy - aligned economic activities (denominator)¹⁾ (according to template 4)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.29.	0.1	0.002%	0.1	0.002%	0	N/D
5	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.31.	45.3	1.0%	45.3	1.0%	0	N/D
7	Amount and proportion of other taxonomy - eligible but not taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	5.3	0.1%	5.3	0.1%	0	N/D
8	Total amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activities in the denominator of the applicable KPI	50.7	1.1%	50.7	1.1%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-m. Taxonomy non - eligible economic activities ¹⁾ (according to template 5)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28.	0	0%	0	0%	0	N/D

4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	841	19.3%	841	19.3%	0	N/D
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI'	841	19.3%	841	19.3%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A. 1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Operating Expenses (OpEx) - nuclear and fossil gas related activities

Table no. 62-n. Nuclear and fossil gas related activities (according to template 1)

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Row	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	YES

Table no. 62-o. Taxonomy - aligned economic activities (denominator)¹⁾ (according to template 2)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D

7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	275	62.1%	275	62.1%	0	N/D
8	Total applicable KPI	443	100.0%	443	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-p. Taxonomy - aligned economic activities (numerator)¹⁾ (according to template 3)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	275	100.0%	275	100.0%	0	N/D
8	Total amount and proportion of taxonomy - aligned economic activities in the numerator of the applicable KPI	275	100.0%	275	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-q. Taxonomy - eligible but not taxonomy - aligned economic activities (denominator)¹⁾ (according to template 4)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.29.	0.9	0.2%	0,9	0.2%	0	N/D

5	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.31.	0.2	0.05%	0.2	0.05%	0	N/D
7	Amount and proportion of other taxonomy - eligible but not taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	6.3	1.45%	6.3	1.45%	0	N/D
8	Total amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activities in the denominator of the applicable KPI	7.4	1.7%	7.4	1.7%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-r. Taxonomy non - eligible economic activities ¹⁾ (according to template 5)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	160	36.2%	160	36.2%	0	N/D
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI'	160	36.2%	160	36.2%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

E 5. Description of the opportunities and risks and their impact on the Group's operations

E 5.1. Threats and opportunities related to the climate change

Table of indicators:

GRI – topic	201-2
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An effective fight against the climate change and the 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 under way, the risks (both the threats as well as the opportunities) associated with the climate change have also been identified as part of the Risk Model. They include:

- physical risk - resulting from the physical effects of the climate change having an adverse impact on the operations of TAURON Group's subsidiaries, in particular as a consequence of the specific weather related incidents (storms, floods, heat waves), the climate change leading to the temperature changes or the hydrological drought,
- risk related to the transition - including the risks resulting from the transition to the low emission economy and resilient against the climate change; for example, the regulatory, financial, social, technological risks.

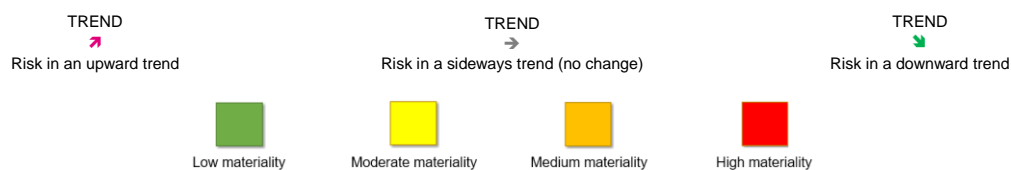
The climate related risks and opportunities are selected from among the corporate risks that are identified, prioritized and periodically evaluated by the risk owners as part of the corporate risk management process, in accordance with the assumptions of TAURON Group's Enterprise Risk Management Policy. These risks, like other types of the corporate risks, are subject to the ongoing and the periodic monitoring and reporting. The mitigating actions are taken with respect to all of the risk categories.

E 5.1.1. Physical risk related to the climate change

Table no. 63 presents the Physical Risk related to the climate change identified at TAURON Group. In accordance with the Risk Model described in section G.4.3.3., the Physical Risk related to the climate change is classified in the categories: Operational Risk / Environment; Operational Risk / Technology and infrastructure; Operational Risk / Customers and contractors (counterparties); Trading (commercial) Risk / Trading.

Table no. 63. GRI 201-2. Physical Risk related to the climate change identified at TAURON Capital

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



<p>Short term physical risk (acute risk)</p> <p>TREND →</p> <p>MATERIALITY ■</p>	<p>THREATS</p> <p>The risk is related to:</p> <ul style="list-style-type: none"> • a frequent occurrence of extreme temperatures, a greater rainfall intensity that can cause the floods at any time of the year, an uneven rainfall resulting in the longer periods of no rainfall, the intermittent abrupt rainfall (the torrential rains), • an increase in the frequency and the intensity of the hurricanes, strong winds, incidentally accompanied by the tornadoes and the lightnings causing the machinery and the equipment failures, the distribution grid failures (electricity, heat), more frequent drought occurrences and the water restrictions related thereto, as well as an increased risk of the fires. <p>The consequences of the materialization of the risk may include, among other things:</p> <ul style="list-style-type: none"> • increased costs of the maintenance of the transmission systems resulting from the costs of fixing of the failures, a decrease in the volume of the electricity and heat supply, a decrease in the volume of the production, a deterioration of the electricity distribution quality indicators affecting the regulated revenue, • sharp fluctuations of the market prices due to the occurrence of the extreme temperatures affecting the levels of the demand and the ability to satisfy such a demand by the supply side. <p>The factors related to the physical risk are identified in the enterprise risk category, among other things, in the environmental risk (in the context of an excessive impact on the climate), the weather risk, the company assets related risk and the market risk.</p>
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	OPPORTUNITIES	The actions carried out as part of the risk response allow for gradually achieving of an independence from the extreme weather incidents by developing the technology, improving of the employee competences, applying of the innovative solutions.
	RESPONSES	<ul style="list-style-type: none"> • applying of TAURON Group's Climate Policy, • planning and implementing of the projects that are aligned with the sustainable development activities, • applying of TAURON Group's Strategic Asset Management Plan, • supporting of the innovative technologies with the potential for the significant energy savings, • conducting of the business operations that have an impact on the climate in accordance with the sustainable development principles, • maintaining of the required level of the pollution reduction devices' efficiency (performance), • a frequent assessment of the compliance of the activities with the legal requirements regarding the climate impact, • active search for the technical and the organizational solutions that would minimize the impact of TAURON Group's activities on the climate change, the gradual adaptation of the production assets to the consequences of the extreme weather occurrences and the volatility of the weather conditions, in particular in the Lines of Business sensitive to these factors, • optimization of the investment outlays allocated for the asset replacement, an active monitoring of the condition of the machinery, the equipment and the installations, • raising of the professional qualifications and the work culture of the employees by organizing of the training courses and sessions, • responding to an emergency situation by the technical operational personnel and the automated protection systems, • property insurance against the fortuitous events (excluding the underground assets), • introduction of the IT tools with respect to improving of the monitoring and the management of the failure rate indicators.
<p>Long term physical risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	<p>The risk is related to:</p> <ul style="list-style-type: none"> • a decrease in the volume of the sales of the products offered by TAURON Group's subsidiaries, in particular as a result of a temperature deviation from the planned values, resulting, first and foremost, in a loss of the revenues in the individual segments of TAURON Group's operations as a consequence of the reduced demand, • a drop, in particular during the summer, of the water levels in the rivers and the water reservoirs, and an increase in the temperature thereof, which generates a decrease in the efficiency rates of the generating units and a decline in the dispatchability *availability rate) of the units during the peak electricity demand periods. The above may lead to a blackout in an extreme scenario, • a change of the market conditions for the operations of TAURON Group's subsidiaries, in particular as a result of the 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 profitability rate, • an increased failure rate of the machines and the devices constituting the assets of TAURON Group's subsidiaries due to the continuous climate changes - such as, for example, the prolonged droughts, the global warming. <p>The risk includes the risks identified and managed by TAURON Group: the volume and the margin risk, the company assets related risk and the market risk</p>
	OPPORTUNITIES	<ul style="list-style-type: none"> • investments developing the production of the energy from the RES (wind, solar), • investments in the modernization of the distribution grid affecting its greater reliability and at the same time enabling a further development of the RES, in particular of the prosumer market - increasing the possibility of the energy take off and storage, • expanding of the product offering by generating an increase in the volume of the production of the green energy, • attracting of the new Customers interested in purchasing of the green energy only, • reducing of the fluctuations in the market factors affecting the cost of the energy production, • gradually moving away from the fossil fuels as the main energy fuel, • building of the Group's image as a company placing more and more weight on the Green Turn of TAURON, thereby protecting the environment and countering the climate change.
	RESPONSES	<ul style="list-style-type: none"> • ongoing updating of the offering, launching of the multi packet type products for sale, • conducting of the marketing activities, acquiring of the new Customers, • activities focused on retaining of the current Customers and recovering of the lost ones, • daily measuring and reporting of the portfolio positions, • optimization (streamlining) of the investment outlays allocated for the asset replacement, an active monitoring of the condition of the machinery, the equipment and the installations, • introduction of the IT tools with respect to improving of the monitoring and the management of the failure rate indicators, • gradual adaptation of the production assets to the consequences of the extreme weather occurrences and the volatility of the weather conditions, in particular in the Distribution Line of Business.





E 5.1.2. Risk related to the transition

In line with the definition of the risk adopted at TAURON Group of risk (as discussed in Section G.4.2. of this Report), the climate change related issues as well as the processes and the behaviors related thereto observed in the environment and the market trends, as well as the pursuit of the climate neutrality by 2050 target, also create the business opportunities for TAURON Group in the medium term and in the 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 the energy transition to the zero carbon power generation in the long term. The climate neutrality target is also conducive to the creation of the new dedicated products, and in the medium term, and also in the long term it may allow for an increase of the revenue and an 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 Group in this regard.

Table no. 64 presents the Climate Risk related to the transition identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Climate Risk related to the transition is classified in the categories: 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. 64. GRI 201-2. Risk related to the transition identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:	
TREND ↗ Risk in an upward trend	TREND → Risk in a sideways trend (no change)
TREND ↘ Risk in a downward trend	
 Low materiality	 Moderate materiality
 Medium materiality	 High materiality
<p>Risk related to the transition</p> <p>TREND ↗</p> <p>MATERIALITY ■</p>	<p>THREATS</p> <p>The risk related to the tightening of the European Union's climate policy, the tightening of the environmental requirements stemming from the climate change, the growing awareness of the Customers with respect to the climate change, the activities supporting the energy efficiency (a further support for the growth of the prosumers, the support for the thermal insulation, the construction of the in-house electricity and heat sources, a departure from the use of the hard coal as a fuel), a change in the conditions of TAURON Group's operations (the need to adapt the company to the challenges of the changes stemming from the climate change, including the technological adaptation to the global low emission solutions).</p> <p>The consequences of the materialization 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> <ul style="list-style-type: none"> • a decrease in the volume of the sales of the products offered by TAURON Group's subsidiaries, in particular as a result of the development of the energy efficiency, the insulation of the buildings, the growth of the prosumers, resulting primarily in a loss of the revenue in the individual segments of TAURON Group's business operations as a consequence of the reduced demand, • a change of the market conditions for the business 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 the energy efficiency (a departure from the use of the hard coal as a fuel, the growth of the prosumers, the support for the thermal insulation and the construction of the 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, • difficulties or an increase in the cost of raising of the capital to finance the business operations based on the fossil fuels, • a loss of the reputation due to the dealing with the fossil fuels, • implementation of the transition of the assets currently under way and, as a consequence, the need to incur the additional expenses as a result of the climate change, • difficulty to insure or an increase in the insurance costs for the assets based on the fossil fuels, • an increase in the costs of the environmental charges and the need to incur the additional investment outlays to adapt the assets to the environmental requirements, • a further increase in the price of the CO₂ emission allowances and, as a consequence, a decrease in the margin in the conventional electricity segment, • a decrease in the demand for the electricity as a result of the energy efficiency and the growth of the prosumers energy segment, • a decrease of the demand for the products offered thus far by TAURON Group's subsidiaries, • a loss of the profitability and the curtailing or the discontinuing of the operations based on the fossil fuels, • the need to restructure the employment resulting from a change in the business operations profile, • impediments to the administrative procedures involving the public by the non-governmental organizations (NGOs), • a decline in the company value in the part related to the generation of the electricity from the fossil fuels, • inability to meet the market expectations as a result of the lack of the expected products in the portfolio. <p>The risk includes the risks identified and managed by TAURON Group: the climate change risk, the reputation risk, the regulatory risk, the volume and the margin risks, the market risk, the risk of obtaining of the financing, the company assets risk, the human resources related risk.</p> <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • the demand for the 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 the electricity and the heat, and as a consequence, on the amount of the revenue, • 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 in the long term – the expansion of the investments and the expectations of the higher return on the invested capital, • changes in the functioning of the energy market, and as a consequence, in the level and the volatility of the prices on the commodity and the financial markets, • evolution of the energy mix – an increase in the share of the renewable energy sources, the changes in the demand for the electricity among the retail Customers, the development of the electric vehicles market. • the widespread electrification of the industries providing the opportunities for the development of the energy and the energy related products and services, • greater investment opportunities with respect to the development of the new electric technologies dedicated to the households and the residential housing as well as to the electric transportation, • changes in the Customer behavior and awareness that allow for an expansion of the product offering, • decarbonization in the medium term and in the long term, • widespread electrification of the industries creating the additional growth opportunities for the Group,

RESPONSES	<ul style="list-style-type: none"> • applying of TAURON Group's Climate Policy, • defining, updating and implementing of TAURON Group's Strategy, • update of TAURON Group's Strategic Research Agenda, • alignment of TAURON Group's Investment Strategy with the guidelines stemming from the Climate Policy, • ongoing analysis of the draft regulations and laws, • active participation in the work of the teams providing the opinions on the projects and proposing the optimal solutions, • a gradual adaptation of TAURON Group's production assets and the energy mix to the renewable energy generation as well as the zero- and the low carbon power generation technologies, • a gradual phasing out of the anthropogenic sources of the greenhouse gas emissions coming from the fossil fuels through the development of the renewable energy as well as the zero- and the low carbon electricity generation technologies, • actively seeking of the technical and the organizational solutions that would minimize the impact of TAURON Group's business operations on the climate change, • disseminating of the green or the climate neutral mobility, • cooperating with the business and the social partners with respect to the adaptation to the climate change, • technological diversification and the direction of the Group's development towards the low and the zero emission economy mean that the impact of the changes (the positive and the negative ones) in the climate variable is positive / mitigated at the business level throughout the entire supply chain. In order to ensure that its operations always account for the weather and the climate phenomena, the Group adopts a number of the practices, such as for example the weather forecasting, the real time monitoring and the long term climate scenarios, • planning and implementing of the projects that are aligned with the sustainable development related activities, • conducting of the business operations that affect the climate in accordance with the sustainable development principles, • optimization and the growth of the investment outlays for the sustainable operations and the low and the zero emission generation assets, • gradual adaptation of the production assets to the consequences of the weather phenomena and the volatility of the weather conditions, in particular in the Distribution Line of Business, • updating of the number and the range of the products offered to the Customers by the Group's subsidiaries, • looking for the opportunities and the possibilities (options) through a steadfast development of the Group's strong position in the new businesses and in the "smart" services, • taking into account the energy transition scenarios, the Group is evaluating the impact of the trends in the share of the renewable energy sources, the electrification and the growth of the electric vehicle sales, etc. in order to estimate their potential impact on its future business operations conducted.
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E 5.2. Environmental risk

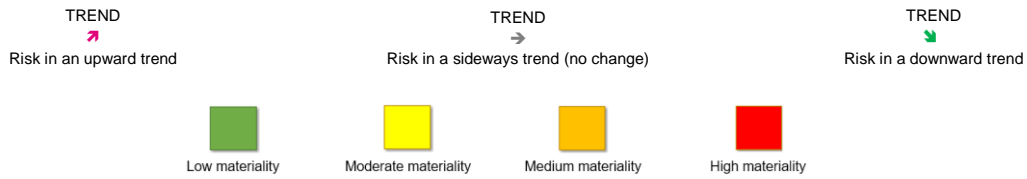
Table of indicators:

GRI – topic	201-2
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Table no. 65 presents the Environmental Risk identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Environmental Risk is classified in the category: Operational Risk / Technology and infrastructure.

Table no. 65. GRI 201-2. Environmental Risk identified at TAURON Group

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










<p>Environmental risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	<p>The risk related to the impact of the business operations conducted on the natural environment and the use (consumption) of its resources, including, in particular, a loss of the control over the process that would make it impossible to prevent the excessive (above the applicable standards) pollution, damage, disruptions or the failures of the installations or the equipment that would have a negative impact on the environment.</p> <p>The risk also involves the possibility of:</p> <ul style="list-style-type: none"> • a lack of the valid environmental decisions, • depositing of the waste in the places not intended for this purpose or not in accordance with the operating conditions of the facilities designated for such a purpose, • use of the waste not in accordance with the authorized intended purpose or without a permit, • releases of the hazardous substances to the environment, • the cumulative impact of the Group's business operations which affect in an excessive manner (above the applicable standards) the natural environment resources or prevent the use of the natural environment resources, • an occurrence of a crisis situation: for example, a fire, a displacement of the earth masses, extreme weather phenomena, • use of the waste not in accordance with the authorized intended purpose, • a lack of the adequate safeguards reducing the negative impact of TAURON Group's business operations on the environment – a destruction of a valuable natural habitat, object (site) or an area, • a release of the hazardous substances to the environment, a contamination of the sources of the water in a manner that would prevent the use thereof, • social protests (unrest). <p>The consequence of the materialization of the risk is the degradation of the natural environment and the penalties for a failure to comply with the environmental requirements, the need to fix the deficiencies, a curtailment of the production, the delays in the implementation of the investment projects, a pollution of the water sources in a way that prevents the use thereof, a destruction of a valuable natural habitat, object (site) or an area – an environmental (nature) compensation, the restrictions on a further business development, a loss of TAURON Group's image, a restriction on the ability to use the 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>
	OPPORTUNITIES	<ul style="list-style-type: none"> • building of a positive image of TAURON Group brand that does not cause an environmental degradation, but actually contributes to the improvement thereof, • economic use of the waste and changing of the status of the waste to the by-products can generate an additional revenue instead of the previous cost of the storage / recycling, • reduction of the use of the natural resources (for example, a lower consumption of the raw materials, supplies, water).
	RESPONSES	<ul style="list-style-type: none"> • applying of TAURON Group's Environmental Policy, • conducting the business operations that affect the environment in accordance with the sustainable development principles, • conducting and intensifying of the activities aimed at increasing of the utilization of the UPS (Combustion By-products/ UPW (Mining By-products) waste, • striving to maximize the management (utilization) of the post- production waste generated at all of TAURON Group's coal mines, • striving for the optimum management of the water resources, • ongoing supervision over the compliance with the conditions of the environmental decisions, • maintaining of the required level of the pollution reduction devices' efficiency (performance), • frequent assessment of the compliance of the activities with the legal requirements with respect to the environment protection, • implementation of the investment projects with respect to the environment protection in order to minimize the consequences of an adverse impact of the mining and the processing operations on the environment and the climate, • active search for the technical and the organizational solutions that would minimize the impact of TAURON Group's operations on the climate change.

S – SOCIAL

(Social responsibility)

S 1. Social area in numbers

Table no. 66. Non-financial and financial key performance indicators related the social area in 2023

	Key performance indicators	2023	
	Number of TAURON Group's employees (employed under the labor contracts)	Women Men	5 089 persons 13 857 persons
	Average number of training course hours per employee	Women	20
		Men	21
		Management personnel	35
		White collar staff	18
	Blue collar workers	20	
	Percentage share of women in the Management Board and among the Directors		23%
	Employee accident rate	Number of fatal accidents	0
	Non-compliance of TAURON Group's products and services	with respect to information and labelling	0
		with respect to marketing communications	0
	Number of Customers	Distribution	5.9 million
		Supply	5.8 million
	Cooperation with the school and academic community	Cooperation with 11 partner universities and 40 schools	
	Educational activities aimed specifically at disadvantaged (disfavored) groups:		
	TAURON without barriers	Expanding of the Customers' awareness with respect to the facilities introduced by TAURON for the people with the disabilities, as well as for the seniors	
		Alignment with the WCAG (Web Content Accessibility Guidelines) 2.1.AA standards	
	TAURON speaks the way humans do	Simplifying of the formal and legal documents, messages and the letters addressed to the Customers. Promoting of the simple communication among TAURON Group's employees.	
		Close to 700 documents and 1 000 messages have been simplified up to now.	

S 2. TAURON Group's commitments to the social environment (stakeholders)

Table of indicators:

GRI 3-3	Ensuring energy security and stable supply of electricity and heat
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Due to their strong impact on the public, the social aspects of the Group's operations have a very high priority. This is reflected, among other things, in the results of the stakeholder survey conducted as part of the process of drawing up this Report. It indicated as many as six material topics in this area. From the point of view of the adopted business strategy and the sustainable development goals, one of the most important activities of the Group is to ensure energy security and a stable supply of electricity and heat to the Group's Customers.

Ensuring energy security and a stable supply of electricity and heat, as well as access to basic services

TAURON Group's most important activity is to ensure access to basic services that include access to electricity and heat. More than 5.8 million Customers located on approximately 18% of Poland's territory use such services.

The TAURON Dystrybucja subsidiary performs the duties (role) of the Distribution System Operator (DSO), thereby taking on the burden of ensuring the uninterrupted electricity supply for the manufacturing industry, households, hospitals, educational centers, local government 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. The most important activities undertaken in the Distribution Line of Business include: maintaining a high level of the quality parameters of electricity supply, increasing the degree of automation, upgrading the existing grids by installing the insulated overhead lines and the cable lines, adapting the grid to the increased power flows in both directions, use of the smart metering technology.

In accordance with the law, the Customers select their electricity supplier. The free market supply of electricity is carried out by the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries. TAURON Sprzedaż is also acting as a supplier of last resort, providing, in the designated area of operations, the comprehensive services to the household consumers who do not exercise their right to choose a supplier. The subsidiary is also acting as a standby supplier, which means that in the event that another supplier selected by the Customer is unable to carry out the electricity supply (for example, in the event of a bankruptcy), the provision of the electricity supply is automatically taken over by TAURON Sprzedaż, ensuring the uninterrupted contracting of the electricity supply to the consumers. The energy crisis and the significant rapid shifts in the energy and fuel markets have contributed to the bankruptcy of the electricity supply companies. Thanks to TAURON Sprzedaż, the continuity of the electricity supply for more than a dozen thousand consumers has been maintained. Through these actions, the organization protects the interests of the energy consumers and consolidates its position as an entity that cares about ensuring the continuity of basic services at an acceptable price.

TAURON Sprzedaż supports its Customers with respect to improving the efficiency of energy consumption, by offering the educational activities and the advisory services, and by selling energy efficient equipment, as well as the automation and intelligent (smart) systems, thanks to which the Customers are able to save energy.

In its operations TAURON Group pays a lot of attention to the implementation of all of the regulations and provisions that protect the users of the energy utilities in the market. The regulations included in the so-called Solidarity Shield had been implemented in 2023 to protect the Customers against the excessive price increases.

The obligations to inform the consumers of their rights, including on how to file the complaints and resolve the disputes, as well as the obligations to post on the website the information on the electricity and gas fuel sales prices, as well as the terms and conditions of their application, are implemented on a continuous basis.

TAURON Sprzedaż holds the title of a Certified Electricity and Gas Supplier, which is granted by the Association of Energy Trading (Towarzystwo Obrotu Energią) following an audit that verifies whether the audited electricity supplying company meets the requirements of the "Good Practices of Electricity and Gas Fuel Suppliers." These include both the supply standards, as well as the Customer service standards. The certificate confirms the reliability in the area of supply, as well as taking actions aimed at eliminating the unfair practices in the energy market.

The TAURON Ciepło subsidiary is engaged in the production of the system heat (district heating) and its distribution, among others, on the territory of the Silesia and Dąbrowa metropolitan area, but also in the markets of such cities as Jaworzno, Bielsko-Biała, Czechowice-Dziedzice, Zawiercie, Olkusz, Cieszyn, Kamienna. Providing of the thermal comfort in the buildings and urban infrastructure facilities is undoubtedly a basic service that allows a local community to function - ensuring the supply of the hot water and heat that heats the buildings is a guarantee of

thermal safety, even in the event of the extreme weather conditions. TAURON produces and supplies the heat for more than 800 000 residents. The access to the system heat (district heating) ensures certainty and comfort of use, ensures the stability of the heat prices and promotes the elimination of the low emissions (i.e. the emissions of dust and harmful gas from the small boiler plants, including the households). The cost of heating the flats and buildings, thanks to the efficiency of the heat production and distribution process and the tariffs, is kept at a reasonable level. The most important activities undertaken in the Heat Line of Business include the investments in the modernization and expansion of the district heating network and the construction of the new low carbon heat sources.

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 COVID-19 pandemic increased the demand for all of the services of this type 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. In order to take advantage of the options offered by the digitization, access to the Internet connections is required. 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 implementing the "Fiber from TAURON" (Światłowód od TAURONA) program, i.e. expanding and providing the Internet access in the areas with a lower degree of urbanization. In a number of areas where there was a shortage of the fiber optic network, the lines were built to provide the broadband access for more than 100 000 households and approximately 430 public facilities. These activities were implemented using the aid funds and reduced the digital exclusion of the population living in the areas deprived of the Internet access.

As an accompanying activity, some of the Group's plants provide the municipal wastewater treatment service (Łagisza Power Plant in Będzin) or the drinking water supply service (for example, Siersza Power Plant in Trzebinia, Łaziska Power Plant in Łaziska Górne) for the local residents.

As an employer, the Group maintains the high European standards of providing access to basic services for both its own employees, as well as it spreads knowledge 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 the 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.

Emergency Response Program

Some of TAURON Group's subsidiaries, as the operators of the critical infrastructure, are legally obliged to prepare for and respond to the crisis situations. As part of this process, the Group's subsidiaries take part in the crisis management tests conducted by the relevant public administration authorities.

TAURON Dystrybucja is obliged to prepare for and respond to an occurrence of the crisis situations in accordance with the legal regulations governing the tasks and responsibilities of the Distribution System Operator, the Key Service Operator, the Critical Infrastructure Operator and with respect to the performance of the defense related tasks. The subsidiary has adequate internal regulations in place with respect to the above responsibilities and a Crisis Response Team. The representatives of the subsidiary also take part in the work and meetings of the crisis management teams of the relevant administrative authorities. In the case of a crisis situation, there are management rules in place at the subsidiary with respect to, among other things, the exercising of the powers and tasks arising from the role of the Crisis Situation Management Coordinator, as well as those related to the functioning of the Crisis Response Staff. An ongoing mode of information exchange and reporting with the public administration authorities responsible for the crisis management has been implemented. The dedicated channels for the information exchange are maintained, using e-mail and other means of communication.

In addition, the Company cooperates with the emergency management centers based on the agreements concluded with the public administration authorities performing the emergency management tasks. The subject of the agreements is the scope, form and means of exchanging the information between the relevant public administration authority and the Company in order to carry out the tasks related to detecting threats and warning the population. The information provided by the Company is related in particular to the security of the operation of the power distribution system, the continuity of electricity supply, including the significant failures resulting in the prolonged interruptions in the supply of electricity to the consumers, and establishes the frequency of the information exchange. In the case of the catastrophic events, the Company shall electronically transmit the data and information on the magnitude of the failure and the expected time it will take to fix it to the relevant public administration authorities. The information is then used to create and send the messages to the residents in the area affected by the incident.

TAURON Ciepło and TAURON Wytwarzanie are not the entities obliged to carry out the civil planning tasks on their own, within the meaning of the Act on the Crisis Management. However, a permanent channel of telephone and

radio communication is maintained between the Dispatcher on Duty and the Emergency Management Staffs of the cities supplied with heat by TAURON Group. The exchange of the information takes place in two directions and most often involves the large failures resulting in a lack of the heat supply. The exchange of the information between TAURON Group's power plants and the combined heat and power plants with the Crisis Management Staffs of the cities on the territory on which they are located is carried out in a similar way. In this case, the exchange of the information is related to the potential threats to the operation of the facility and the residents of the city. In the event of an occurrence of the extraordinary incidents and threats, these companies provide the information for the needs of the activities of the Department of Security and Crisis Management of the Silesian Provincial Office to the extent provided for in the specific regulations, i.e.:

- fuel management planning,
- planning of the restrictions on the heat or electricity supply in the case of an occurrence of emergency situations.

Monitoring of the threats and the preparation of the response to the potential emergency situations is also carried out within the framework of the implemented business continuity management system, where the Business Continuity Plans and the Recovery Procedures have been drawn up for the key industrial automation systems. The support for the proper response to the potential emergency situations is also ensured through the establishment of a permanent Security Incident Response Team and Crisis Staff at TAURON Ciepło and TAURON Wytwarzanie. The communication in the crisis situations is carried out in accordance with TAURON Group's Crisis Communication Principles, which provide for an immediate notification of the spokesperson of the major failures affecting the supplies to the Customers. The main channel of the communication with the Customers is the 24 hour telephone number of the Heat Emergency Service and the Internet search engine for the messages on the current supply interruptions and disruptions.

TAURON Ekoenergia is an owner and operator of 11 reservoir power plants. In five cases it owns the hydrotechnical structures that form the reservoirs providing the flood retention function. As a result, the company is required by law to maintain certain damming levels and to inform the crisis management authorities of any situation involving exceeding of the permitted water levels. The safety of tens of thousands of the residents in a number of towns and cities located below the dams depends on the correct response. The company, having in mind the burden of the supreme social responsibility it is shouldering, incurs the high expenditures on maintaining the hydrotechnical structures and the discharge facilities to enable the passage of large quantities of water in a good technical condition.

More information on the Business Continuity Management Policy and the implemented Business Continuity Plans, is provided in section G.3.10.

S 3. TAURON Group's internal Policies and Regulations, as well as actions taken and the results achieved

S 3.1. Human Capital Management Policy

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-7, 2-8, 2-19, 2-20, 2-21, 2-24, 2-30
GRI – topic	401-1, 403-6, 404-1, 404-2
WSE	S-M1, S-M2, S-M3, S-M4, S-M5, S-M6, S-M7

TAURON Group's Human Capital Management Policy is a document that indicates the main directions in the human capital management area and provide support for the implementation of TAURON Group's strategic objectives. In 2023, following the changing needs and expectations of both the internal, as well as the external environment of the organization, the 2020 document was updated.

The goal of the Policy is to provide support for the managers and the employees in creating a culture of dialogue and development. The Policy defines TAURON Group's mission and vision with respect to human capital management, which read as follows:

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.

Vision

We are a partner for the Management Team and Workforce in building an efficient company, based on clear rules and modern solutions.

TAURON Group ensures the unconditional application of the labor laws in the labor relations and the implementation of the amendments to the law in accordance with the changing regulations. TAURON Group's Human Capital Management Policy defines the strategic areas of activities relating to the employee (labor) issues, such as the organization's development, performance management and the management of the competences and the organization. In each of these areas, specific goals and supporting activities have been identified. Their description is provided in Table no. 67.

Table no. 67. GRI 3-3. Strategic areas of activities defined by TAURON Capital Group's Human Capital Management

Area: Organization development		Process
Goal: Implementing and promoting organizational culture that supports TAURON Group's development		
Strengthening employee engagement and creating a safe and inspiring work environment: <ul style="list-style-type: none"> openness to communication with the employees, obtaining and providing feedback, engaging employees in improving the work environment. 	Employee Opinion Survey Employee communication Initiatives as part of Employer Branding Management by objectives	
Building the image of TAURON Group as an attractive employer - both inside the organization as well as outside the organization by: <ul style="list-style-type: none"> surveying the opinion of the employees, creating tools that allow to ensure easy and efficient communication with the employees, cooperating with universities and schools. 	Employee Opinion Survey Employee communication Initiatives as part of Employer Branding Cooperation with the school and academic community	
Ensuring an efficient flow of information and creating conditions for a partner dialogue with the workforce: <ul style="list-style-type: none"> strengthening the cooperation among areas and among generations, creating an environment that is friendly to the exchange of knowledge and experience, promoting knowledge sharing. 	Social dialogue Implementation of the development initiatives and projects Cooperation with the school and academic community	
Building relationships with the Customers and strengthening awareness with respect to environment protection, climate change and commitment to promoting the Green Turn of TAURON	Initiatives as part of Employer Branding	
Supporting TAURON Group in the process of changes through access to knowledge and market solutions: <ul style="list-style-type: none"> designing the development programs and providing knowledge, monitoring the market trends and solutions. 	Employee development Implementation of the development initiatives and projects	
Area: Organization efficiency management		Process
Goal: Focus on the organization efficiency		
Clear and consistent defining of the roles, tasks and required authorizations at work positions.	Position evaluation system Job description book	
Creating clear compensation rules, based on the market conditions, that motivate people to work efficiently: <ul style="list-style-type: none"> supporting the implementation of tasks and goals that stem from the Strategy, creating performance related employee compensation systems, building tools that support management by objectives. 	Employment (hiring), wages and benefits management Management by objectives Social dialogue	
Minimizing the risk associated with human capital management.	TAURON Group's risk management system	
Ensuring compliance with the principles of ethics and diversity: <ul style="list-style-type: none"> conducting educational activities, taking care of an environment that is free from mobbing and discrimination. 	Regulations related to diversity, ethics and counteracting mobbing and discrimination	
Optimizing, standardizing and digitizing the Human Capital Management Area processes, increasing the flexibility and efficiency of the organization.	Human Capital Management Mega-process	
Area: Competences and development management		Process
Goal: Supporting the development of competences		
Development of the employee competences for the needs of the changing energy sector: <ul style="list-style-type: none"> developing the competences that prepare for change management, focusing on acquiring the new qualifications and improving the employees' competences. 	Implementation of the development initiatives and projects Recruitment	
Creating a culture based on self-development: <ul style="list-style-type: none"> supporting employees through various individual development tools. 	Employee development	
Ensuring the continuity of the competences for the energy sector by educating pupils and students.	Cooperation with the school and academic community	

<p>Taking care of the employee retention:</p> <ul style="list-style-type: none"> • creating the opportunities for the development for the employees and ensuring a motivating atmosphere at work, • implementing the pro-employee solutions. 	<p>Employee induction Development initiatives</p>
<p>Ensuring the transfer of knowledge between the generations:</p> <ul style="list-style-type: none"> • implementing the development programs, • implementing the internal training programs, • ensuring the exchange of experiences between the generations. 	<p>Implementation of the development initiatives and projects Cooperation with the school and academic community</p>
<p>Ensuring the development of the leadership competences of the management personnel.</p>	<p>Employee development</p>
<p>Creating and improving the tools for the development, motivation and the evaluation of the employees' potential.</p>	<p>Employee development</p>

Tables no. 68-71 present the key data with respect to the area of the human resource management, including the number of the employees by gender, age and type of a labor contract, as well as the percentage of the employees covered by the collective bargaining agreements.

Table no. 68. GRI 2-7. Number of TAURON Group's employees by type of contract (labor contract) and gender as of December 31, 2023, per subsidiary

NUMBER OF EMPLOYEES	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia "Czatkowice"	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
		LABOR CONTRACTS																			
TOTAL NUMBER OF EMPLOYEES UNDER LABOR CONTRACTS, INCLUDING:	18 946	449	2 465	216	8 099	136	1 475	337	13	13	2 670	1 430	294	3	210	443	64	48	469	100	12
women	5 089	217	441	48	1 298	49	291	176	9	6	1 927	252	45	3	46	36	31	16	177	14	7
men	13 857	232	2 024	168	6 801	87	1 184	161	4	7	743	1 178	249	-	164	407	33	32	292	86	5
INCLUDING:																					
FOR A DEFINITE PERIOD OF TIME (including for a trial period and as a sub):	1 618	24	127	43	497	8	63	51	1	-	426	77	43	-	93	61	8	3	86	7	-
women	567	12	29	10	73	3	15	22	1	-	321	17	9	-	18	8	4	2	22	1	-
men	1 051	12	98	33	424	5	48	29	-	-	105	60	34	-	75	53	4	1	64	6	-
FOR AN INDEFINITE PERIOD OF TIME:	17 328	425	2 338	173	7 602	128	1 412	286	12	13	2 244	1 353	251	3	117	382	56	45	383	93	12
women	4 522	205	412	38	1 225	46	276	154	8	6	1 606	235	36	3	28	28	27	14	155	13	7
men	12 806	220	1 926	135	6 377	82	1 136	132	4	7	638	1 118	215	-	89	354	29	31	228	80	5

The data provided presents the headcount level in persons (FTEs) as of December 31, 2023, and it had been collected with the use of TAURON Group's IT systems. The 26% reduction in headcount is first and foremost a consequence of the changes that had taken place in the Mining Segment and in the Other Operations Segment. As of the end of 2022, the Mining Segment and the Wsparcie Grupa TAURON subsidiary (Other Operations Segment) were spun off out of TAURON Group in their entirety.

Table no. 69. GRI 2-7. Number of TAURON Group's employees broken down by the type of the permanent labor contract by gender as of December 31, 2023, per subsidiary

NUMBER OF EMPLOYEES	TOTAL	TAURON Polska Energia	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”	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
		WORKING UNDER A LABOR CONTRACT, INCLUDING:																			
FULL TIME EMPLOYEES:	18 833	443	2 461	214	8 069	134	1 472	330	5	11	2 654	1 427	293	3	208	443	63	47	449	95	12
Women	5 011	213	439	47	1 279	48	289	170	2	4	1 913	251	45	3	46	36	31	15	160	13	7
men	13 822	230	2 022	167	6 790	86	1 183	160	3	7	741	1 176	248	-	162	407	32	32	289	82	5
PART TIME EMPLOYEES:	113	6	4	2	30	2	3	7	8	2	16	3	1	-	2	-	1	1	20	5	-
women	78	4	2	1	19	1	2	6	7	2	14	1	-	-	-	-	-	1	17	1	-
men	35	2	2	1	11	1	1	1	1	-	2	2	1	-	2	-	1	-	3	4	-

Table no. 70. GRI 2-8. Number of TAURON Group's associates working under other contracts than a labor contract by gender and type of labor contract as of December 31, 2023, per subsidiary

NUMBER OF ASSOCIATES	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiaty	TAURON Sprzedaz	TAURON Sprzedaz GZE	TAURON Czech Energy	TAURON Obsluga Klienta	TAURON Cieplo	Kopalnia Wapienia „Czatkowice”	PE PKH	Bioko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Uslugi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
ASSOCIATES WORKING UNDER CONTRACTS OTHER THAN A LABOR CONTRACT																					
TOTAL NUMBER OF EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT:	769	18	56	12	17	14	36	13	-	1	330	13	19	7	9	45	6	13	149	6	5
women	448	4	14	3	6	1	14	1	-	-	281	-	6	1	1	8	2	7	95	2	2
men	321	14	42	9	11	13	22	12	-	1	49	13	13	6	8	37	4	6	54	4	3
PERSONS UNDER MANAGEMENT CONTRACTS:	58	6	5	3	5	4	3	4	-	-	5	4	2	1	3	2	3	3	3	1	1
Women	8	-	1	1	-	-	1	-	-	-	2	-	-	-	-	-	1	1	1	-	-
men	50	6	4	2	5	4	2	4	-	-	3	4	2	1	3	2	2	2	2	1	1
SELF EMPLOYED PERSONS:	7	-	-	-	1	-	-	5	-	-	-	-	-	-	-	1	-	-	-	-	-
women	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
men	6	-	-	-	1	-	-	4	-	-	-	-	-	-	-	1	-	-	-	-	-
AGENCY WORKERS	353	-	-	-	1	-	29	-	-	-	323	-	-	-	-	-	-	-	-	-	-
Women	290	-	-	-	-	-	13	-	-	-	277	-	-	-	-	-	-	-	-	-	-
Men	63	-	-	-	1	-	16	-	-	-	46	-	-	-	-	-	-	-	-	-	-
PERSONS ON POSTGRADUATE INTERNSHIPS:	6	2	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Women	5	1	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Men	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PERSONS PROVIDING SERVICES UNDER A CIVIL LAW AGREEMENT	277	3	46	4	3	5	-	-	-	-	-	4	12	6	1	37	3	5	146	1	1
Women	125	2	13	-	2	-	-	-	-	-	-	-	4	1	-	6	1	2	94	-	-
Men	152	1	33	4	1	5	-	-	-	-	-	4	8	5	1	31	2	3	52	1	1
MEMBERS OF THE SUPERVISORY BOARD	68	7	5	5	3	5	4	4	-	1	2	5	5	-	5	5	-	5	-	4	3
Women	19	1	-	2	-	1	-	-	-	-	2	-	2	-	1	2	-	4	-	2	2
Men	49	6	5	3	3	4	4	4	-	1	-	5	3	-	4	3	-	1	-	2	1

Table no. 71. GRI 2-30. Percentage of TAURON Group's employees covered by collective bargaining agreements as of December 31, 2023, per subsidiary

TOTAL	TAURON Polska Energia	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”	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia	
Total number of persons employed (from 2-7)	18 946	449	2 465	216	8 099	136	1 475	337	13	13	2 670	1 430	294	3	210	443	64	48	469	100	12
Total number of employees covered by collective bargaining agreements	17 848	-	2 465	216	8 081	117	1 471	337	13	-	2 670	1 409	293	-	210	-	-	-	467	99	-
Percentage of employees covered by collective bargaining agreements	94.2%	0.0%	100.0%	100.0%	99.8%	86.0%	99.7%	100.0%	100.0%	0.0%	100.0%	98.5%	99.7%	0.0%	100.0%	0.0%	0.0%	0.0%	99.6%	99.0%	0.0%

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 their employment are regulated in the labor contract. At the subsidiaries where the Collective Bargaining Agreement (CBA) is not applied, the 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 the 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 the Cooperation with Schools and Universities,
- Regulations of the "Join" (Przylącz się) 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 the 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 in the Compensation Regulations. The level of the 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 the 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 (Board), as well as at the level of the individual subsidiaries.

TAURON Group is guided in its actions by the principle of equal treatment of the employees and does not tolerate the discrimination on any basis, in particular, based on age, gender, race, nationality, religion, sexual orientation, appearance, fitness or a difference of opinion. The measures are taken and the procedures and the mechanisms are implemented to protect the employees against the discrimination and the unequal treatment, and to ensure the detection and elimination of the cases of prohibited practices. We provide all of the employees, regardless of gender, with opportunities for promotion, as well as for professional development through a wide range of the internal and specialized training, as well as the industry conferences, seminars and workshops. The salary range for the given position is determined based on the job position valuation, i.e. an objective and reliable method of determining the importance of each position in relation to the other positions at the given subsidiary.

Table no. 72 presents TAURON Group's wage equality ratio (according to the WSE's ESG Reporting Guidelines, S-M5), which indicates the ratio of the men's wages to the women's wages. It reflects the nature of the energy industry and the resulting employment structure. In 2023, 78% of the workforce was male, while the figure for the executive positions stood at 95%.

Table no. 73 (GRI 2-21) presents the ratio of the salaries of the highest paid person in 2023 to the median salary of all of the employees (excluding the top earner) and the change as compared to the previous year.

Table no. 72. S-M5. TAURON Group's wage equality index in 2023 (index level in %)

Position group	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia "Czatkowice"	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
Managerial positions	-9.33	8.84	-7.90	-21.58	-16.12	24.58	-10.23	17.52	37.30	109.55	13.73	-24.33	6.48	n/a	-11.70	7.96	14.69	-18.37	-3.92	-3.31	-6.68
White collar employees	24.11	23.30	18.59	42.93	20.84	9.18	5.12	16.23	19.33	-8.25	28.52	22.14	3.78	n/a	2.58	20.80	30.73	-1.24	8.36	26.25	18.02
Executive positions	39.31	n/a	20.91	n/a	31.39	n/a	7.15	n/a	n/a	n/a	n/a	10.97	6.27	n/a	9.15	44.46	n/a	n/a	44.08	22.72	n/a
Total	13.18	29.38	12.85	7.03	15.63	15.80	5.16	19.83	25.53	126.08	29.56	6.06	-5.97	n/a	-7.07	2.02	18.80	-0.71	16.49	-0.11	14.65

* Index calculated on the basis of wages paid in relation to the average headcount in 2023.

** n/a – lack of employment in a given position group or lack of employment of both men and women in a given position group.

Table no. 73. GRI 2-21. Wage levels on an annual basis

	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia "Czatkowice"	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
Ratio of the annual total compensation of the highest paid person in the organization to the median annual total compensation of all of the employees (excluding the highest paid person)	6.89	4.35	3.70	2.64	3.84	3.87	2.74	2.66	2.45	3.90	4.15	3.50	2.83	1.20	2.76	3.29	3.42	2.40	3.90	2.30	1.66
Ratio of the percentage increase in the annual total compensation for the highest paid person in the organization to the median percentage increase in the annual total compensation for all employees (excluding the highest paid person)	1.54	0.92	0.71	0.43	0.31	0.17	0.36	0.66	0.64	6.60	0.16	0.24	0.89	0.94	-0.39	-0.17	2.42	1.38	1.47	0.00	1.09

Actions taken and the results achieved

1. Digitalization and remote work

Using the digital technologies, the hybrid work model is being effectively implemented. The remote work allows the 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 the social contacts and a sense of identity with the company are maintained.

TAURON is optimizing the HR and the payroll processes, first and foremost focusing on the greater automation of the HR activities and the widely developed digitalization. The digitalization of the activities in the area of human capital management, is a permanent item on the map of the priorities. The preparation and the implementation of the IT solutions with respect to, among other things, the use of the domain signature and the qualified signature, the access to some of the functionality of the employee portal via the mobile devices, an electronic recruitment application, the functionality for managing the work time and the work exits, the remote work - these are just a few of the many improvements that TAURON Group has implemented and is continuously working on.

2. Dialogue with the social partners (workforce)

TAURON Group is placing a particular emphasis on the constructive and open dialogue with the social partners (workforce). As part of the discussions under way, the issues relating to the terms and conditions of employment and the compensation of the employees are resolved, as well as any changes to the internal regulations, such as, among other things, the Labor Regulations, the Compensation Regulations or to the Company Collective Bargaining Agreements. In 2023, in the cooperation with the social partners (workforce), the changes in the regulations stemming from the amendments to the Labor Code related to, among other things, the remote work and the issues arising from the *work-life balance* directive had been implemented. In addition, thanks to the negotiations between the representatives of the Management Board and the trade unions, the wage agreements shaping the compensation policy for the given year are being developed at the Group wide level.

306 meetings of the employers with the trade union organizations were held at TAURON Group's subsidiaries in 2023. In total, the trade union organizations had about 10 900 members among TAURON Group's employees (i.e. 58% of the total number of the employees) as of the end of 2023.

During the regular meetings and consultations the representatives of the workforce are also informed about the issues related to:

- TAURON Group's economic and financial condition,
- transition of the power sector,
- implementation of the strategic initiatives,
- issues related to the employee matters at the Group.

3. Employee opinion survey

The 2023 survey under the theme #TwójGłosMaMOC (#YourVoteHasPOWER) was conducted from November 13 to November 24. Its goal was to understand how the employees perceived their work environment – the management team, the supervisors, the development opportunities, the compensation system, etc. More than 9 000 employees from 16 of TAURON Group's subsidiaries took part in the survey. Due to a change in the methodology, the results of the latest survey cannot be compared to the historical data. As part of the survey the key performance indicators such as engagement and communication were measured. The results are summarized below:



- engagement scored 53%,
- communication 62%
- people management was given a score of 68%, which demonstrated that the employees rated highly both the expectations set by the superiors, as well as the provision of feedback in a team effort aimed at achieving the goals,
- 67% positively rate the respect for the employees' individual feelings and opinions,
- 74% believe that the Group attaches great importance to the safety of the employees at the workplace.

The Employee Opinion Survey is carried out at TAURON Group on a biennial basis by an external company. As a result of the survey the actions leading to the identification of the priorities and the strategic improvement initiatives

in the areas that will contribute to the improvement of the individual processes will be taken.

4. 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.

The submitted project initiatives include, among other things:

- retraining, financing of the training for the employees,
- support in setting up one's own business entity,
- 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 the sought after (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 the commitment and satisfaction as well as the 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 – the relocation package – a reimbursement of the 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 the persons acquiring an entitlement to the pre-retirement benefits or acquiring up to 5 years of the retirement rights – an additional severance pay, paid employee absenteeism ("Fixed term leaves").

The green economy labor market in the Silesian Voivodeship

TAURON Group's active expert role participation in the panel study related to the labor market in the green economy of the Silesian voivodeship (region) – its status and prospects, aimed at diagnosing the competence needs, especially with respect to energy transition.

The results of the study, commissioned by the Regional Labor Office in Katowice, demonstrate that in the time frame until 2027, one in four employers declared the creation of the jobs that would involve performing of the tasks contributing to the improvement of the environment. In addition, 15% of the employers declare a change in their production / services model in favor of the environment protection and expect to become entirely pro-ecological by 2027.

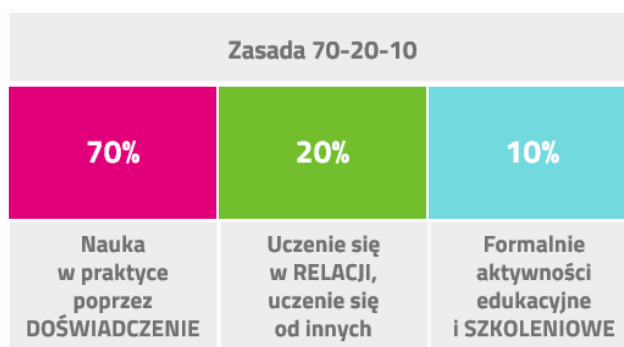
The participation of a representative of TAURON Group on the panel has a direct impact on the development of the regional labor market policies. Based on the results of the survey, the regional labor market institutions and the educational institutions will define the priorities and the courses of action aimed at stimulating the development of the education and the multifaceted measures leading to an increase in the competencies related to the green jobs, which in the long term will contribute to securing the competencies desired at TAURON Group.

Industry Skills Center in the field of electricity at the Vocational Training Center in Wrocław

In August 2023, a partnership agreement related to the project was signed between the city of Wrocław, as the body running the Vocational Training Center, the Polish Electricity Transmission and Distribution Society (an industry organization), TAURON Dystrybucja (the primary partner) and the Institute of the Power Systems Automation (the secondary partner). The main objective of the project is to improve the qualifications in the field of metering and diagnostics of the electrical equipment and installations, as well as the electric shock protection. The agreement calls for the establishment of the Industry Skills Center in the field of electricity by the end of 2024, with the goal of training, by 2026, of 300 participants, including 90 pupils, 180 adults (including the employees of TAURON Dystrybucja) and 30 instructors.

5. Employee development and training

The development and improvement of the employees are permanently inscribed in the Group's Strategy, and the implementation of the development initiatives is carried out on the basis of the principles of improving the qualifications of the employees developed at the individual subsidiaries, taking into account the specifics of each subsidiary. The development activities at TAURON Group are implemented in accordance with the effective learning principle, the so-called 70-20-10 principle, according to which:



70% of the development activities are related to the gaining of the experience and acquiring of the skills in the position, among other things, by delegating the new or the additional tasks to an employee and expanding the scope of his / her empowerments, broadening the scope of his / her responsibility, the participation in the task or project teams,

20% of the development activities are based on learning from others, which involves the ongoing support and the regular feedback from one's direct superior and colleagues,

10% of the development activities involve the participation in the various forms of the educational and training activities (internal and external).

TAURON Group's employees have an option to take part in a number of various development initiatives, such as the internal and external training (including the specialist and e-learning training), the industry conferences, seminars, workshops or language courses.

Table no. 74. GRI 404-1. Key data on the employee training at TAURON Group as of December 31 in the years 2021 - 2023

Key data on the employee training	TAURON Group		
	2023	2022	2021
1. Average number of the training hours per employee by job (position) group, including:	21	16	15
1) Management Board	31	40	40
2) Directors	47		
3) Management position	34	26	24
4) Administrative staff (white collar positions)	18	10	10
5) Blue collar position	20	17	17
2. Average number of the training hours per employee by gender, including:			
1) women	20	12	-
2) men	21	16	-
3. Number of the training hours per employee by gender, including:			
1) women	103 763	70 058	65 794
2) men	285 811	327 743	318 002

Initiatives that support employee development:

We Inspire Development

In order to provide the employees with a continuous development opportunity, a "Training and Development" tab has been set up in the intranet, where the inspiring materials as well as the information on the development initiatives are posted. The employees can also take advantage of the special Mediateka, where the links to the interesting webinars, webcasts, podcasts and the articles prepared by the HR staff are provided. In 2023, once a quarter on average, the articles (related to, for example, stress, mindfulness, the impact of the cognitive distortions on decisions) were published, the interesting websites (related to, for example, the psychological blogs, the personal development portals) were provided, and the e-books, related to, for example, the *design thinking* and stress, were posted.



Development Conversation

A development conversation is one of the tools supporting the process of management by objectives. The essence of the development conversation lies in the development of an 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 the 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 exchange of the ongoing feedback,
- building of a culture of dialogue.

In 2023, further subsidiaries of the Group had implemented a development conversation, including TAURON Dystrybucja, where the workshops for the management personnel were held to prepare them to conduct the development conversations with their employees.

Survey of the digital competencies

In 2023, we launched an effort at TAURON Group aimed at measuring the level of the digital competences of TAURON Group's employees. The project, which had been initiated at TAURON Polska Energia, can be divided into 4 stages:

- diagnosing and identifying the key digital competencies for TAURON Group in 5 dimensions;
 - information and data literacy,
 - communication and collaboration,
 - digital content creation,
 - security,
 - problem solving.
- conducting a pilot study at TAURON Polska Energia,
- launching of the proper survey at the other subsidiaries of TAURON Group,
- analysis of the results in order to develop an action plan with respect to TAURON Group's digital transformation.

In 2024 TAURON will move on to the 4th stage.

TAURON Group Open University (Uniwersytet Otwarty Grupy TAURON - UOGT)

TAURON Group's employees have an opportunity to take part in the lectures conducted as part of the TAURON Group Open University. The initiative provides a platform for the exchange of the views and experiences, as well as an opportunity to gain knowledge and additional competencies. More than 40 lectures have been conducted as part of the UOGT since 2014. Two lectures, which were related to the development of the digital competences (Radek Kotarski - "The world in a moment") and building a culture of developing passions (Alina Markiewicz - "Upside down"), were held in 2023. The lectures were attended by 970 of TAURON Group's employees.

Internal Trainers (Coaches) Program / Internal Trainers (Coaches) Academy

The goal of the initiative is to provide support for the development of the employees using the internal resources, as well as to promote the concept of the lifelong learning and knowledge sharing. This development takes place in two ways. An internal trainer improves his or her coaching skills by preparing and conducting the training sessions for the employees on a topic of his or her choice, while the participants gain the new competencies without having to use the solutions offered on the external market. An employee wishing to become a trainer can take part in the recruitment process for the program during which he or she has to demonstrate his / her knowledge of the selected topic and the ability to conduct a training / workshops. TAURON also assists in the didactic preparation of the internal trainers to conduct trainings.

The Internal Trainers (Coaches) Program / Internal Trainers (Coaches) Academy is in place at 4 of TAURON Group's subsidiaries. 72 employees with the status of an internal trainer had conducted a total of 210 trainings for 2 946 of TAURON Group's employees in 2023.

Development Squared

The webinar series under the name 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 an access to the Intranet (close to 18 000 people took part in 2023).

5 webinars, conducted by 4 trainers, on such topics as, among other things, "Situational leadership in practice", "Intergenerational communication and cooperation", "Self-criticism and Perfectionism" were held in 2023. More than 1 000 employees took part in the initiative.

Training Catalogue

Training Catalogue is a periodic initiative of TAURON Polska Energia, as part of which every month the employees are able to participate in the training courses of their choice, thus developing their skills and the specialized knowledge in accordance with their individual development plan. In the catalog the training is divided thematically into four modules: expert knowledge, managerial competencies, personal development and tools. In 2023, a new module - training on demand - was added, which allowed the employees and the managers to submit their own training proposals for their teams or areas, in accordance with the perceived need to improve competence in a particular field.

10 editions of the initiative had been carried out in 2023, as part of which 40 different training courses had been offered to the employees. As many as 356 employees had taken part in the training courses carried out as part of the Training Catalogue, including the new training on demand module. The completed training courses were related, to the largest degree, to the development of the digital competencies and the analytical tools, such as Power BI, MS Access, VBA or Python, as well as the soft competences, in particular with respect to the self-presentation or the difficult negotiations.

E-learning



In addition to the training courses carried out using the traditional method, TAURON Group provides its employees with a continuous access to the trainings offered on the e-learning platform. The advantages of this form of education include the flexibility with respect to its implementation by

adjusting it to the individual pace of the knowledge absorption of the given employee. The employees have a continuous, unlimited access to the trainings available on the special e-learning platform. It includes both the training courses on the Group wide regulations in force, the specialist training courses on the IT systems, as well as the training courses developing the leadership and the interpersonal competences.

TAURON Group's employees updated their knowledge of the cyber security and information security issues through the e-learning training in 2023. TAURON Group's individual subsidiaries also benefited from the training to provide support for the employees' skills with respect to responding to the difficult situations that arise during Customer service and the professional approach to serving the Customers with various forms of disabilities. 16 800 persons had access to the platform and more than 18 000 trainings were carried out in 2023.

Manager Zone

Manager Zone is a space on the Intranet dedicated to the managers at TAURON Polska Energia. The management personnel has permanent access to the specialized articles on the broadly understood management topics, the tools supporting team management, the events organized online (Mediateka) and the recommended books. The Manager Zone newsletter is sent out to the managers in which we provide information on the new solutions available in the Zone and cover the most up to date topics. These included, among other things, the management of a

distributed team, as well as comfort at work. The articles published included, among other things, "The crew (workforce) is the foundation," "Autonomy - the key to the job satisfaction," "The art of relaxing," and "The culture of empowerment."

#wzMOCnij się (POWER yourself up)

This is an initiative whose goal is to provide the skills and the knowledge for the leaders at TAURON Polska Energia. The topics of the 2024 webinars were focused mainly on the remote work, in view of the entry into force of the new regulations governing this issue. The managers participated in three webinars demonstrating the role of the supervisor in the non-stationary work reality. The topics were focused on the manager's behavior that builds the team commitment, as well as goal setting, delegating, monitoring, appreciating and enforcing a task completion in a hybrid team. In the second half of the year, the #wzMOCnij project's topics were focused on managing diversity in the context of discovering the team's potential and drawing on it. A total of 282 managers took part in all of the webinars.

Innovation Manager Academy (Akademia Menadżera Innowacji - AMI)

A training and consulting program implemented by the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości), is focused on the acquisition by a company and its employees of the competencies required to manage innovations in the company. This program is based on the technical specification CEN/TS 16555, for managing innovations at the companies. It is based on 6 main thematic areas: innovation culture, business understanding, strategy, organizational structure, potential and resources, processes. A contest type procedure was conducted for the participation in the Academy, as a result of which two of TAURON Group's subsidiaries (TAURON Dystrybucja and TAURON Polska Energia) qualified for the 6th edition of this program. The Academy was attended by 4 employees of TAURON Polska Energia and 4 employees of TAURON Dystrybucja. In the course of the project, the *Innovation Health Check* survey was carried out as well as training and workshops were held.

Academy of Strategic and Specialized HR

A comprehensive program for the development of the competencies of the HR Areas at TAURON Group 2023-2024, whose goal is to develop the strategic and specialized competencies that would increase the efficiency of the human resources management in a changing, unpredictable business environment. Both of the Academy programs are attended by 42 of TAURON Group's employees.

ESG Week

As part of the ESG week, all of TAURON Group's employees had an opportunity to learn about the Group's approach to managing these issues, get to know the targets and initiatives, and how ESG targets are used to evaluate executive performance. Each day was dedicated to a different issue enabling an overall understanding of the importance of these issues and linking them to the Group's strategy.

Compliance Academy

As part of the organized Compliance Academy, which is a training program for employees, the Group's workforce and the management personnel, including the top management, were trained on the ESG issues. More information on this event is provided in section "G 3.6 Compliance Policy".

6. Work-life balance and the 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" since 2012 (<https://2godzinydlarodziny.pl/>), organized by the Humanites Institute (Instytut Humanites), as part of which the companies are encouraged to shorten the working day from 8 to 6 hours. The employees can spend the time thus saved with their loved ones.

Apart from a one time shortening of the work time, TAURON Group carried out a one week long campaign under the slogan: Family Mega Power – "The Power of the Family Passions) (Rodzinna MegaMoc – "Moc rodzinnych pasji"). Each day there was a different event and the lecture under the title "Upside Down" was listened to by close to 300 people. More than 18 000 employees were able to actively participate in all of the events. The initiative was granted an honorable

mention from the organizer of the campaign - the Humanites Institute (Instytut Humanites), for the best implemented campaign.



The continuation of the Family Mega Power (Rodzina MegaMoc) was the Children's Day. The children took part in two workshops to develop the thinking and design skills: "Robots in Motion" and "Riddles and Puzzles." In a contest to build a Lego structure thematically related to the green energy and to put its elements in motion - "Move your head – set the building blocks in motion" dozens of works were judged. More than 350 children took part in the workshop.

Health week and pro-health webinars

TAURON Group has consistently implemented a number of health-promoting campaigns. In October 2023, on the occasion of World Heart Day, free cardiac examinations were organized for employees in cooperation with the Upper Silesian Medical Center. The Health Week initiative was also continued, promoting healthy lifestyles and preventive examinations among TAURON Group employees. In the past year, Health Week was dedicated to colon and prostate cancer prevention, and 3 webinars capturing well-being in the broader context of physical and mental health were held: "Effectively manage your emotions," "Take care of yourself in all dimensions," and "Your healthy brain." In total, nearly 1,600 participants attended the lectures

TAURON Group has consistently implemented a number of the health promoting campaigns. In October 2023, because of the World Heart Day, the free cardiac examinations were organized for the employees in the cooperation with the Upper Silesian Medical Center (Górnosławskie Centrum Medyczne). The Health Week initiative had also been continued, promoting the healthy lifestyles, as well as the preventive examinations (testing) among TAURON Group's employees. In the past year, the Health Week had been dedicated to the colon and prostate cancer prevention, and 3 webinars capturing the well-being in the broader context of the physical and mental health had been held: "Effectively manage your emotions," "Take care of yourself in all of the dimensions," and "Your healthy brain." In total, close to 1 600 participants attended the lectures

7. Awards for the social capital management

Top Quality HR

In 2023, TAURON Polska Energia, TAURON Obsługa Klienta and TAURON Wytwarzanie subsidiaries took part in a survey organized by the Polish Human Resources Management Association (Polskie Stowarzyszenie Zarządzania Kadrami) under the title: the Top Quality HR. Particularly appreciated was the Katowice, the City of the Professionals initiative - a project aimed at demonstrating and promoting the industry (vocational) and technical education among the elementary school pupils, as well as increasing the level of the knowledge and public awareness of the dual education system. The pupils had an opportunity to learn about the specifics and the work conditions of such professions as an electrician, electrical technician, electromechanics technician, power engineer, electrical power technician, welder. In the 2023 / 2024 edition, a total of 6 visits were made to the Katowice Combined Heat and Power Plant (Elektrociepłownia Katowice).

The positive result of the survey led to the awarding of the Top Quality HR Certificate for all of these subsidiaries for 2023.



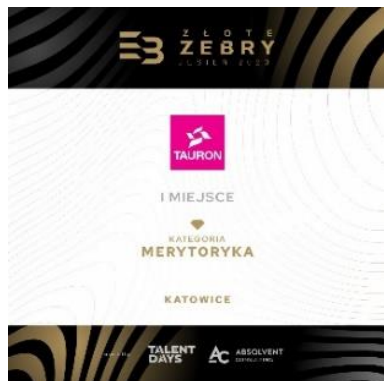
Friendly Workplace for TAURON Polska Energia and TAURON Wytwarzanie

TAURON Polska Energia was awarded a special prize 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 the open relations with the employees had been appreciated. TAURON was recognized for going far beyond the standards, steadfastly introducing the innovative development programs. The company's vision, rooted in a long term plan to develop and improve its staff, was highly praised.

The development initiatives such as TAURON Group's Open (University Uniwersytet Otwarty Grupy TAURON) and Development Squared, which testify to a deep commitment to the employee education, received the special recognition. Also appreciated were the initiatives that allow the employees to maintain a work-life balance, such as "Two Hours for the Family," the equivalent work time system or the flexible remote work opportunities, confirming that TAURON cares about the work comfort. Particularly highly rated was the care for a healthy and safe work environment

Responsible Employer. HR Leader

TAURON Polska Energia was awarded the prize "Responsible Employer. HR Leader". This is a program whose goal is to promote the adequate activities in the field of the human capital management. The program's board paid special attention to TAURON Polska Energia's activities in the following areas: the creation of the attractive jobs, the broadly understood training and development activities, the activities of TAURON Group's Open University, an attractive incentive system for the employees, the company's involvement in the charitable and the educational activities, as well as the social initiatives and projects in the field of sports.



Golden Zebra for TAURON Polska Energia

TAURON Group's stand was the winner in the "Most Substantive Employer" category during the Absolvent Talent Days job fair. At TAURON Group's booth, it was possible to get acquainted with the job offers intended for the students and the graduates, while the current employees helped dispel the doubts about the recruitment process. The voters also appreciated the value of one-on-one meetings with a recruiter to discuss a potential career path offered by the company.

Honorable mention for the implementation of the initiatives within the framework of the Two Hours for the Family campaign. For the Human Being

Once again, the initiative, which is organized every year under the slogan Family Mega Power (Rodzinna MegaMoc), was highly appreciated and recognized by the organizers of the campaign „Two Hours for Family. For the Human Being” - the Humanites Institute (Instytut Humanites). On October 3, 2023, during the conference "Fighting for talent and the employee well-being in the age of AI", which had been held in Warsaw, the diplomas had been presented to the employers that had been awarded prizes in the competition. The initiative, organized by TAURON Polska Energia and carried out in May at all of the Group's subsidiaries, is becoming more and more popular every year, and the competitions and lectures that we prepare for the employees as part of the Family Mega Power campaign will be included in the Book of Good Practices, which will soon be published by the Humanites Institute (Instytut Humanites).



Bridge to the future – the award for TAURON Dystrybcja

TAURON Dystrybcja was among the laureates of the prizes awarded to the companies and the entrepreneurs actively supporting the education of the students of Cracow's vocational and technical schools. The name of the prize - "Bridge to the Future", symbolically demonstrates the role that the companies play in the lives of the students - they are becoming a bridge that connects the school world with the professional world and facilitates the entry of the graduates into the labor market.

Employer supporting vocational education – the award for TAURON Dystrybcja

Once again TAURON Dystrybcja was awarded the prize, which is awarded annually to the employers who have been exceptionally committed to the development of Częstochowa, by taking part in the educational process conducted at the technical and the vocational schools and in creating the positive image thereof. The impact of TAURON's activities on the shaping of the labor market which is becoming a market of the socially sensitive employers who care about their employees, was appreciated.

S 3.2. Recruitment Principles

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-24

As of the end of 2023, TAURON Group had 18 946 employees, including 1 444 of the employees that had been newly hired. The details of the personnel employed are presented in Table no. 68 in Section “S 3.1 Human Capital Management Policy”. The document that sets the standards for the recruitment, selection and the adaptation process at TAURON Group is TAURON Group’s Recruitment Principles. They define the consistent and uniform assumptions for the selection of the candidates to ensure that the employees with the required competencies are hired

Due diligence procedures and the internal regulations

The due diligence procedures employed based on the Principles include, first of all, the following forms of recruitment:

- internal recruitment within a given subsidiary – in order to find the job candidates from among the personnel of the given TAURON Group’s subsidiary. The announcement (classified ad) informing about the recruitment process being under way is made known to all of the employees of the subsidiary,
- internal recruitment within TAURON Group – involves finding the job candidates to fill the vacancies from among the personnel of other TAURON Group’s subsidiaries. The recruitment announcement (classified ad) is distributed to the employees of the Group’s subsidiaries via the internal channels, i.e. intranet, internal recommendations (referrals),
- external recruitment – in order to find the job candidates from outside TAURON Group using a variety of the communication methods and channels, including, among other things, the announcements (classified ads) posted on the industry portals, in the social media, through a referral program, at schools and universities. If necessary, TAURON Group utilizes its cooperation with the personnel agencies and other external companies specializing in the employee recruitment. The form of the external recruitment contributes to the possibility of building and recognizing the employer's brand in the labor market, the so-called *employer branding*.

A priority is given to the internal sources for recruiting the job candidates at TAURON Group. This makes it possible to make the wider use of the potential of the current employees who have an opportunity to develop their careers and gain the new experience not only within a particular subsidiary, but also within entire TAURON Group. 107 employees took advantage of this opportunity in 2023.

The recruitment process is composed of three main phases: recruitment, selection and adaptation of the new employee. All of these phases are preceded by a thorough analysis of the needs related to the specifics of the given position in consultation with the manager of the given area, a budget analysis and the selection of an adequate method.

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 the 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,
- standardization of the criteria used in the selection of the employees for the specific positions and an objective comparison of the individual candidates within a single recruitment process,
- reliability (integrity), impartiality and professionalism applicable to all of the participants in the selection process without any exceptions;
- maintaining the high standards with respect to contacting and communicating with the candidates (the specific rules, among other things, with respect to inviting the candidates for interviews, the form and scope of providing the feedback),
- ethical behavior towards the candidates, including, for example, meeting the deadlines, providing information on the results of the recruitment process by the deadline indicated earlier to the candidate,
- ensuring the confidentiality of the recruitment process for the candidates at all the stages thereof.

Actions taken and the results achieved

A system to support the recruitment processes

TAURON Group uses the ATS (Applicant Tracking System) recruitment process support system. This tool allows for designing the entire process of acquiring an employee - divide it into the stages, conduct the full communication with the candidate through the platform.

The additional improvements to the functioning of the ATS recruitment system were made in 2023, including, among other things: the ability to generate the reports in both the graphic, as well as the tabular form, and also the additional measures to ensure the security of the administered data, guarantee the transparency of the published disclosure clauses, as well as to make it easier to manage the clauses at each stage of the recruitment process at the individual subsidiaries of the Group. The system is continuously being developed and upgraded.

The priority and standard set at the TAURON Group level is the high quality of the activities undertaken, including those in the area of recruitment. In order to uphold this approach, it is important to keep improving the knowledge and the skills of recruiters, as a result of which various types of training have been introduced to enable the employee development.

"Recruit with passion"

A series of meetings in order to strengthen the competence of the recruiters at TAURON Group was launched in 2023. The series had begun with a training course called "Recruit with Passion," developed by an external company. The purpose of the workshop was to present the current situation on the labor market and the data on the creation of the recruitment announcements (classified ads). The meeting was attended by 33 recruiters from 11 of TAURON Group's subsidiaries. The consequence of the meeting was the preparation of a schedule of the trainings planned for the following months. Through the scheduled improvement initiatives, TAURON Group's recruiters are increasing their commitment, productivity and efficiency, which provides the support for the implementation of the recruitment projects. By improving the employees' competencies and familiarizing them with the current trends, TAURON Group increases its competitiveness in the labor market.

Employee Referral Program

The Employee Referral Program had been continued by TAURON Group in 2023. It is a recruitment strategy used to attract the new employees through the recommendations from the current employees. The employee referral program helps to increase the employee engagement, reduce the recruitment costs by reducing the recruitment time and reach the most suitable candidates from the market. The total number of the recruitment processes that involved the employee referrals came in at 138 in 2023, resulting in 97 candidates applying as part of such processes. 12 persons were hired under this program.

Following the trend of digitization, a new functionality in the form of the QR codes (*Quick Response Code*) was introduced into the employee referral module of the ATS recruitment system in 2023. This enhancement makes it quicker and easier to share a job announcement with a selected person or persons, via the private communication channels. The potential candidates gain immediate access to the detailed information about the job offer, which streamlines the application process. The use of the QR codes will significantly optimize the recruitment process. Following the introduction of the QR codes, the Group's Employee Referral Program Rules have been updated.

Employee onboarding process

A culture of knowledge sharing is being built at TAURON Group's subsidiaries also as part of the employee induction (onboarding) process. In 2023, a total of 1 116 of the induction (onboarding) meetings were held for the new employees. The functioning of the employee induction (onboarding) process is associated with a number of benefits that include a reduction in the perceived stress of the new hires, a reduction in the time required to achieve the independence at work and the promotion of identifying oneself with the company. The periodic meetings between the employees of the subsidiary and the newly hired staff allow for a more efficient introduction of the newcomers to the key aspects related to the Group's functioning. These include: TAURON Group's strategy, information protection (security), compliance and the opportunities for development within the organization.

At the same time, from the first days of employment, the employee gains access to the new employee zone on the Intranet, where he or she can find the information necessary for the proper onboarding (induction) thereof. As part of the onboarding (induction) process, the direct supervisor and the employee's designated mentor prepare an onboarding (induction) plan, and then are responsible for the implementation thereof. The survey evaluating the onboarding (induction) process, which is posted in the new employee's zone on the intranet, was updated in 2023. It was supplemented with the additional questions allowing for capturing more data that would enable a more in-

depth analysis of the onboarding (induction) process and introducing of the potential improvement measures. The questionnaire has been made available in the same versions for entire TAURON Group.

Cooperation with the educational and academic community

TAURON Group focuses on the process of the practical (hands-on) training of the future professionals, promoting the organization and the energy industry among the pupils, students and the graduates. The projects undertaken with the schools and the universities (the cooperation with 11 partner universities and 40 schools) are under way and 2 711 pupils and students took part in the study visits, presentations, vocational lessons, lectures and seminars organized by TAURON Group's employees. The scholarships had also been awarded to 53 pupils.

The educational offer dedicated to the energy industry is supported by TAURON Group through, among others:

- modeling of the didactic processes, the organization of the training courses, the educational meetings both for the students of the school, as well as for its teaching staff,
- scholarships for the best students of the patronage classes,
- participation of TAURON Group's employees in the conducting of the qualification exams,
- possibility for the students to participate in the subject matter lectures / workshops conducted by TAURON Group's employees,
- possibility for the students to participate in the lectures / subject matter workshops aimed at developing the students' interpersonal skills,
- organizing of the practical classes, as well as the apprenticeships and the internships in the real working conditions,
- equipping of 32 school laboratories with the equipment required to conduct the experiments related to electricity.

Examples of the actions taken:

- continuation of the activities related to the dual education (the practical training at the workplace combined with the vocationally oriented classes at school) at the Complex of Energy and Service Schools in Łaziska Górne (Zespół Szkół Energetycznych i Usługowych w Łaziskach Górnych),
- Katowice, the City of the Professionals project – the students had the opportunity to get to know the specifics and the working conditions of such professions as an electrician, electrical technician, electromechanics technician, power engineer, electrical power technician, welder. As part the 2023 / 2024 edition, a total of 6 visits were made to the Katowice Combined Heat and Power Plant (Elektrociepłownia Katowice),
- MegaPower of Knowledge (MegaMoc Wiedzy) - as part of the cooperation with the Silesian University of Technology (Politechnika Śląska), a large group of students (from the management faculty), together with their lecturers, had an opportunity to take part in a seminar specially prepared by Taron Polska Energia on the business model of an energy company under the conditions of energy transition,
- Magenta Meetings - a mentorship program to which the TAURON Dystrybcja subsidiary invites the female students of the electrical engineering and power engineering faculties. This year's edition was attended by 7 female students of the AGH University of Science and Technology (Akademia Górniczo Hutnicza), as well as 7 employees of TAURON Dystrybcja,
- Involvement in the regional educational and business initiatives – the 7th Silesian Festival of Science (VII Śląski Festiwal Nauki) – the participation of TAURON Group as a key employer in the voivodeship (region). The presentation / lecture on the Green Turn of TAURON.

TAURON Dystrybcja has been appreciated for its active support of the students of the technical schools which is reflected in the "Employer supporting vocational education" prize awarded to the Company's Częstochowa Branch and the "Bridge to the Future" honorable mention awarded to the Company's Cracow Branch.

In addition, TAURON Group is seeking to have a real influence on the shape of the activities and the projects in the field of education in Poland, through its active participation in a number of projects in the field of education, for example, by joining the working groups as part of the implementation of the "Sector Agreement for the Development of the Offshore Wind Energy in Poland" or the partnership with the Cracow University of Economics (Uniwersytet Ekonomiczny w Krakowie) in connection with the development of a project under the working title "UEK for the Key Sectors of the Economy".

Apprenticeships and internships

The student and graduate internships and apprenticeships are carried out at TAURON Group on a continuous basis. In 2023:

- 366 students and pupils received unpaid internships under contracts or tripartite agreements with schools, universities,
- 18 interns completed graduate internships,
- 16 interns acquired competencies within the framework of the internship program "Join in".

As a result of the internship or apprenticeship, 6 persons had been hired by TAURON Group.

The cooperation with the University of Silesia (Uniwersytet Śląski) with respect to the implementation of the project was continued in 2023 - One University - Multiple Opportunities – the internships were provided to the male and the female students from all of the areas of education offered at the University, which provides the support for bridging the gap in the access to the practical forms of education between the STEM (Science, Technology, Engineering, Mathematics) and the natural sciences on one hand and the humanities, liberal arts and social sciences as well as the faculty of art, on the other hand.

Job (Career) Fairs and Absolvent Talent Days

A permanent element of TAURON Group's promotional activities conducted in the academic community is the participation in the Job (Career) Fairs, organized by the universities, high schools, local government units 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, the attitudes and the values that the Group is guided by in its activities.

In 2023, TAURON Group's employees were present at one of the largest events of its kind in Poland, i.e. the Absolvent Talent Days attended by 3 478 students, graduates and young professionals. It was an initiative to recruit from diverse talent. During the event, an in-house trainer from TAURON Polska Energia gave a lecture on the competencies of the future in the renewable energy. Meanwhile, the recruiters from the TAURON Polska Energia, TAURON Wytwarzanie and TAURON Obsługa Klienta subsidiaries held the preliminary interviews with the candidates for the positions intended for the young specialists (professionals). As a result of these interviews, one person took a job. TAURON Group was appreciated by the participants of the event and awarded the Golden Zebra 2023 prize in the subject matter category.

Implementation doctorate

TAURON Group is cooperating with the universities based on the three-party agreements signed with the Silesian University of Technology (Politechnika Śląska), the AGH University of Science and Technology (Akademia Górniczo-Hutnicza), the University of Silesia (Uniwersytet Śląski), the Wrocław University of Technology (Politechnika Wroclawska), the Jagiellonian University (Uniwersytet Jagielloński) and the Warsaw School of Economics (Szkoła Główna Handlowa). As a consequence, 20 employees from the entire Group continue the studies as part of the implementation doctorate program, and three doctoral dissertations have resulted in the defense of the theses and the awarding of the doctoral degrees. The main assumptions of the program include the creating of a platform for the three-party cooperation of the universities, the company and the doctoral student, as well as the carrying out of the 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 the humanities (liberal arts), social sciences, as well as the STEM (Science, Technology, Engineering, Mathematics) 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 3.3. Work Health and Safety (WHS) Policy

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-24
GRI – topic	403-1, 403-5, 403-6, 403-9
WSE	S-A1

TAURON Group's Work Health and Safety (WHS) Policy is a collection of the regulations aimed at ensuring the continued improvement of the work (occupational) health and safety standards. By applying the provisions provided therein TAURON Group is steadfastly seeking to eliminate the work related accidents as well as to minimize the occurrence of the occupational diseases and the number of the potentially accident prone incidents.

TAURON Group's WHS policy defines the principles of operation, as well as the rules of conduct that are to serve the implementation of TAURON Group's four primary goals with respect to the work health and safety (WHS), i.e.:

- eliminating the accidents at work of all of the 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 the optimal working conditions for all of the 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 their associates as well as the persons who find themselves at the place of their work,
- improving an effective work health and safety (WHS) management system.

Due diligence procedures and the internal regulations

TAURON Group's Work Health and Safety (WHS) Policy is the overarching, and binding for all of the entities present at TAURON Group's plant sites, document and it constitutes one of the foundations of the uniform work (occupational) health and safety (WHS) system. As part of ensuring the due diligence with respect to the compliance with the work (occupational) health and safety regulations and rules, the following guidelines apply at TAURON Group's individual subsidiaries:

- regulations tailored to the profile and the type of work performed at TAURON Group, including, among other things: internal regulations, procedures, work health and safety (WHS) instructions and equipment operation manuals. At the subsidiaries whose business operations profile includes production and distribution, there is an extensive system of safety, control of working conditions and the compliance with the work health and safety (WHS) regulations and rules at the individual work stations,
- internal normative acts regarding the emergency and accident situations, for example the instructions (manuals) or the documents with respect to: protection against explosion, fire safety of the facilities, safe operation of the equipment and the procedures for proceeding in the event of an occurrence of an accident at work,
- internal audits (in particular at the subsidiaries with the generation profile, for example at TAURON Wytwarzanie), which regularly assess the functioning of the internal safety management system,
- internal inspections at TAURON Group's individual subsidiaries are carried out mainly by the work (occupational) health and safety (WHS) service and they take place depending on the needs at the respective subsidiary. The results of these audits (inspections) are included in the reports in the form of an analysis of the status (condition) of the work (occupational) health and safety (WHS) for the given year that are forwarded to the top management at the individual subsidiaries. These reports are, to a large extent, the basis for developing the plans aimed at improving the work conditions and setting the work (occupational) health and safety goals within a specific time frame,
- internal audits (inspections) of the external entities regarding the monitoring of the safety status of the contractors,
- contractual provisions for the entities performing work at the Group's subsidiaries regarding the compliance with the applicable work (occupational) health and safety (WHS) procedures and rules, in particular with regard to the required training, qualifications and the medical examinations.

As part of the continuous monitoring of the state of the work (occupational) health and safety (WHS) and in order to improve the work (occupational) safety, the annual management goals (KPIs) related to ensuring the work (occupational) safety are set for the individual subsidiaries. The overarching goal in this area is to improve the accident frequency rate and to maintain zero fatal accidents.

Actions taken and the results achieved

TAURON Group is seeking to develop its own best practices aimed at strengthening the safety culture among the employees, Customers, contractors, visitors and the other stakeholders. As part of the monitoring of the state of safety (in particular by the work health and safety (WHS) and the fire protection services), among other things, the following activities were carried out:

- 1 481 inspections, including 714 inspections by the external companies at TAURON Wytwarzanie,
- 13 935 inspections, including 1 764 inspections by the external companies at TAURON Dystrybucja,
- 239 inspections, including 94 inspections by external companies at TAURON Ciepło,
- 4 396 inspections, including 8 inspections by the external companies at TAURON Dystrybucja Pomiary,
- 58 inspections, including 8 inspections by the external companies at TAURON Ekoenergia.

TAURON Group's selected subsidiaries that deal with the particularly hazardous work have introduced additional training and the work health and safety standards for the external entities.

In order to improve the labor safety of the workforce and strengthen the WHS culture at TAURON Group's individual subsidiaries, the following projects had been carried out in 2023:

- as part of the cooperation with the Central Institute for Labor Protection (Centralny Instytut Ochrony Pracy), TAURON Group's employees had an opportunity to become familiar with the educational and training materials for half a year (videos raising the employees' awareness with respect to the work health and safety (WHS) when operating the machines and the ergonomics of the work station),
- numerous health related training and webinars were held, including those on the prevention of cancer, emotion and stress management,
- employees were allowed to take advantage of the free tests based on a blood sample taken – the oncology packages,
- Work Health and Safety Open Days and the Work Health and Safety Week were organized to promote the knowledge of the work health and safety (WHS) regulations,
- training in first aid (including on the use of the AED), evacuation and fire protection was conducted,
- "Your safety in your hands" campaign was carried out, the main goal of which was to familiarize the employees with the issues related to the development of the occupational risk assessment,
- activities undertaken as part of the Minute for the Work Health and Safety (WHS) campaign were continued, with their goal to popularize and raise the employees' awareness with respect to the work health and safety (WHS),
- educational and training campaigns aimed at increasing the employees' awareness of the threats (risks) at the work station were carried out,
- training for the management staff in the field of the work health and safety (WHS) was conducted,
- competitions with respect to the knowledge of the work health and safety (WHS) regulations and principles were conducted,
- participation in the ZUS (Social Security Office) competition under the title "Co-financing of the social security premium payer's activities aimed at improving the work health and safety" which resulted in the co-financing of the equipment for working at heights,
- training for the employees with respect to the principles of the safe conduct of the work at heights for the blue collar workers and the supervisory personnel was organized,
- training for the employees driving the company cars with respect to the safe and economical driving techniques (in order to improve the safety and efficiency of the employees' driving, impact the number of the road collisions, impact the environmental protection by following the principles of the economical driving) was conducted,
- training with respect to the handling of the difficult and perilous situations in the relations (contact) with the Customer was conducted,
- an occupational safety audit with respect to preparing the employees to perform the tasks related to the operation of the measurement (metering) systems at TAURON Dystrybucja Pomiaru was carried out,
- work health and safety (WHS) newsletters were made available via Tauronet,
- regular work health and safety (WHS) and fire protection inspections were carried out,
- training with respect to the conducting of the evacuation, fire fighting, providing the premedical first aid, as well as the work health and safety (WHS) at the power devices, including the drafting of the operating instructions (manuals), was organized.

TAURON Group is also conducting the activities aimed at promoting the well-being among its employees, including, among other things: by enabling the use of the subscription cards for the sports and recreation services, as well as providing the extra medical care.

Accident statistics

There were 84 accidents at TAURON Group's subsidiaries affecting their own workforce in 2023, leading to the total of 85 persons getting injured. This means as many as 96 fewer accidents as compared to 2022. It should be mentioned that no fatal accident among TAURON Group's workforce had been reported.

The accident frequency rate came in at 4.5 in 2023 and it was lower than the accident frequency rate reported in 2022 (6.6). A similar positive trend can be observed with respect to the accident severity index, which dropped to the level of 51.6 in 2023 (it had clocked in at 59.0 in 2022).

The work related accident statistics are presented in Tables no. 75 and 76.

Table no. 75. GRI 403-9. Employee accident rates at TAURON Group in the years 2021 - 2023

	2023	2022	2021
Accident frequency rate*	4.5	6.6	7.9
Accident severity rate**	51.6	59	60

* Accident frequency rate = (number of accidents at work / average headcount in a given) x 1000.

** Accident severity rate = The total number of days of incapacity for work of the employees injured in the accidents at work / The number of persons injured in the accidents at work (excluding the persons injured in the fatal accidents).

Table no. 76. GRI 403-9. Work accident statistics, along with the number of persons injured as a result of the accidents, broken down by gender, at TAURON Group in 2023

	2023
TOTAL NUMBER OF ALL PERSONS INJURED IN ACCIDENTS	85
Women:	8
Men:	77
NUMBER OF PERSONS INJURED IN FATAL ACCIDENTS AT WORK	0
Women:	0
Men:	0
NUMBER OF PERSONS INJURED IN MINOR ACCIDENTS AT WORK	85
Women:	8
Men:	77
NUMBER OF PERSONS INJURED IN MAJOR (SEVERE) ACCIDENTS AT WORK	0
Women:	0
Men:	0

The activity that was most frequently performed by the injured person at the time of the accident in 2023 was "walking, running, getting on, getting off" (Code 61 under Item 21 of the Statistical Accident Card). The injuries that were the most common ones in the reporting period were classified as sprains and strains (tears).

Assessment of the occupational risk

TAURON Group identifies the hazards and estimates the occupational risks at the work stations 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 the accidents, the activities promoting the safe behavior at the work station are continuously intensified. TAURON Group's employees take part in the mandatory work health and safety (WHS) training courses that are tailored to the their work place and their work conditions. In addition, the training sessions for the employees of the contractor and the subcontractors performing work for TAURON Group's subsidiaries are conducted. The percentage of the external companies' employees trained in 2023 is presented in Table no. 77.

Table no. 77. Percentage of the employees employed by the contractors and the subcontractors that have undergone the WHS training

2023	TAURON Serwis	TAURON Ciepło	TAURON Wytwarzanie	TAURON Dystrybucja Pomiaru	TAURON Inwestycje
Percentage of the employees employed by the contractors and the subcontractors that have undergone the above WHS training	100%	64%	24%	100%	100%

Cooperation with the external companies

10 accidents at work among the employees of the external companies were reported in 2023, including a single fatal accident.

When the employees of the external companies are hired by TAURON Group's individual subsidiaries, they are required to have the up to date medical examinations in place, the adequate qualifications and the authorizations (certificates) for the work to be performed. The persons admitted to perform the work take part in the work (occupational) health and safety training and are informed of the threats (risks) present in the work zone and in the direct vicinity thereof, as well as of the methods to be applied to safely perform their work. In addition, if necessary,

a coordinator is appointed to cooperate with the employees of the third party company who oversees their compliance with the work (occupational) health and safety regulations. TAURON Group's individual subsidiaries, at which the particularly hazardous work is performed, have introduced the extra work (occupational) health and safety (WHS) training and standards to be applicable with respect to the external entities.

Occupational diseases

TAURON Group's individual subsidiaries monitor and take actions aimed at preventing the occupational diseases. The information on the number of the occupational diseases is included in the internal work (occupational) health and safety (WHS) reports.

S 3.4. Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-24
GRI – topic	406-1

TAURON Capital Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination defines the rules for reporting the violations of the Principles of Ethics, Mobbing and Discrimination, as well as the tasks, the powers and responsibilities 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 twelve members, appointed from among the representatives of the trade unions operating at TAURON Group and twelve representatives of the employers, appointed by the Management Board of TAURON Polska Energia.

An employee is given a choice which Subcommittee he or she would like to turn to in order to have his or her notification (report) reviewed.

Due diligence procedures and the 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 the employee rights violations and the conflicts among the employees,
- defining the principles of counteracting the cases of mobbing and discrimination at the workplace and in connection with the performance of the 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 the disciplinary measures against the persons committing the violations of the Principles of Ethics, in particular the cases of mobbing or discrimination,
- strengthening of the positive relations among the 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). All of the regulations related to countering mobbing (bullying) and discrimination are kept updated on an ongoing basis.

Actions taken and the results achieved

TAURON Group's employees had filed 7 reports of the potential ethics violations, discrimination and mobbing (bullying) cases with the Ethics Committee in 2023. TAURON Group considers mobbing, discrimination and any ethics violations as the highly reprehensible behaviors worthy of the condemnation, any form of which is not tolerated. All of the employee reports were thoroughly and objectively investigated, and as a result of the Ethics Committee's work, one of the reports filed was confirmed and the adequate corrective measures were implemented.

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 the information campaigns and the content available on the Group's intranet website.

TAURON Group's operations are based on the unconditional compliance with the labor laws and ensuring a safe work place for all of the employees. The human and family oriented activities are also carried out at TAURON through a series of the special campaigns dedicated to strengthening the family and the general human values. In this way, the social capital is built by strengthening the social relations and the mutual trust among the employees, which guarantee not only the development of the company, but first and foremost, of each employee.

TAURON Group is striving to create the flexible conditions for the development of knowledge and skills and to create a work environment based on the cooperation and partnership. The employee opinion surveys are carried out and their results are the basis for developing and implementing the action plans aimed at increasing the employee commitment and creating an attractive work place, while taking into account the compliance with the standards for adherence to the principles of ethics, the respect for diversity and counteracting mobbing (bullying) and discrimination.

A voluntary training on the "Business Ethics" was offered to the employees in 2023. A webinar was held for the managers on the topic of the respect for diversity - "A leader towards diversity". As part of the Compliance Academy, the voluntary training sessions were held on "Mobbing, discrimination, harassment - HR compliance in a nutshell" attended by 284 participants and the "Respect for human rights in the organization" attended by 100 participants.

All of TAURON Group's employees are required to familiarize themselves with the Principles of Ethics and Counteracting Mobbing and Discrimination and to submit a statement.

S 3.5. Respect for Human Rights Policy

Table of indicators:

GRI 3-3	Respect for human rights
GRI – general	2-23, 2-24
WSE	S-M7, S-M8, S-M9
Proprietary indicators	Description of actions taken to respect human rights

TAURON Group supports and respects all of the internationally recognized human rights as defined by, among other things, in the International Charter of Human Rights, the Universal Declaration of Human Rights, the European Convention on Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, which formed the basis for the creation and implementation of the internal human rights regulations, including TAURON Group's Respect for Human Rights Policy.

TAURON Group prevents the situations in which the human rights would be directly or indirectly violated, and strives to respect and understand the values of the local communities.

The internal regulations set forth the policies dedicated to respecting and protecting the human rights, including, among other things:

- right to privacy,
- right to equality before the law, equal protection under the law, and the right to non-discrimination,
- right to work,
- right to enjoy the fair and favorable working conditions, including the prohibition of the harassment and discrimination, and the right to the safe and healthy working conditions,
- right to form and join the trade unions and the right to strike,
- right to family life,
- right to participate in the cultural life, to benefit from the progress of science, and to protect the material and moral rights of the authors and the inventors,
- right to live in a clean, healthy and environmentally sound environment,
- prohibition of the harassment, violence and exploitation,
- prohibition of the slavery and forced labor,
- prohibition of the child and underage labor,
- counteracting the cases bearing the hallmarks of the human rights violations.

TAURON Group's Respect for Human Rights Policy indicates the principles of the activities and behaviors related to the human rights at TAURON Group, dedicated to all of the stakeholders, in particular the employees, counterparties (contractors) and the business partners. Our stakeholders are expected to comply with the generally

applicable laws, the provisions of TAURON Group's internal and intra-corporate regulations, as well as the ethical standards in the conduct of their activities, including those activities that affect the local communities.

The policy applies to all organization of the activities and business relationships.

Due diligence procedures and the internal regulations

TAURON Group's human rights protection system, in addition to TAURON Group's Respect for Human Rights Policy, also includes 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, and the regulations on the work (occupational) health and safety, as well as the respect for diversity.

TAURON Group is striving to identify any human rights violations occurring or likely to occur throughout the entire value chain. As a result, the obligation to comply with the national and the international human rights legislation expressed in the compliance clause has become an integral part of the contracts concluded with the counterparties (contractors), and the issues relating to, among other things, the work (occupational) health and safety, as well as the prohibition of the discrimination and the unequal treatment are included in the content of TAURON Group's Code of Conduct for Contractors (Counterparties).

In addition to the reporting channels described in Section "G 2.2. Whistleblowing Mechanism", the persons having the suspicions of the harassment or the discrimination may file a report directly - at their discretion - to the Ethics Committee's internal subcommittee or the Ethics Committee's group subcommittee. Upon receipt of a report, an investigation is conducted and the adequate corrective and remedial measures are taken to eliminate any human rights violations by the organization.

Actions taken and the results achieved

In June 2023, a report on the respect for the human rights at TAURON Group was published, containing the data and the information on the human rights as seen within the Group's operations. The issues presented therein include an assessment of the impact of TAURON Group's activities on the human rights and the identification of the risks related to the respect for the human rights. The report is publicly available on TAURON's website (<https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance>).

As part of the management of the human rights issues at TAURON Group, the periodic monitoring of the reports of the suspected mobbing (bullying), discrimination, harassment and other manifestations of the unethical behavior is carried out.

Two training sessions on the human rights were conducted in 2023 as part of the "Compliance Academy" project. The employees are provided with the ongoing access to the human rights regulations and the information on the mechanisms for reporting abuses through the organization's internal intranet. The principles related to the respect for the human rights are included in the content of the regular communications from the Compliance Team and are covered in TAURON Group's e-learning training programs.

Right of association

Respecting of the employees' right of association and conducting of an active social dialogue is an important element at TAURON Group. The cooperation with the trade unions is based not only on the Act on the Trade Unions but also on the existing Agreement on the Cooperation as part of the Social Dialogue dated September 13, 2016 in force. The main assumptions of this Agreement concluded with TAURON Group's Social Council, are:

- will to cooperate on a permanent, reliable basis, i.e. in good faith and with respect for the rights and the interests of the Parties, as well as to act with the due professional diligence, within the limits set by the legal regulations,
- protection of the labor and the trade union rights, arising from the autonomous sources of the labor law as well as the generally applicable legal regulations,
- continuous consulting and providing the feedback on the fundamental social and economic issues existing 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 take place while ensuring the respect for the interests of the employees,
- appointing a Commissioner for the Social Dialogue (Ombudsman) in order 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 the decisions adopted by the Social Council and the Management Board of TAURON Polska Energia.

In addition, an Employee Board has been in place at TAURON Polska Energia since 2019, which operates on the basis of an Agreement between the Employee Board and the employer with respect to the matters related to the

changes in the structure and the level of employment, as well as with respect to the activities resulting in the significant changes in the organization of the work. One consultation stemming from the changes in the organizational structure was carried out in 2023, and the information on the level of employment at the company was presented periodically (once every six months).

S 3.6. Diversity Policy

Table of indicators:

GRI 3-3	Respect for human rights
GRI – general	2-24, 2-30
GRI – topic	401-3, 405-1
WSE	S-M1, S-M4, S-M7, G-M3

In accordance with TAURON Group's Diversity Policy (hereinafter: the Diversity Policy), the diversity and the openness are an integral part of the business operations. The Group has in place a policy of equal treatment regardless of the age, gender, appearance, disability, views or beliefs and ensuring equal opportunities in terms of the compensation or the professional development, and is striving to ensure the diversity with respect to all of the employees. Through its activities in this regard, TAURON Group provides support for the implementation of the United Nations Global Compact's sixth principle related to countering the discrimination with respect to employment. The Diversity Policy is also applied with respect to the cooperation with the external partners of the Group, i.e. the companies, universities, schools or other business entities.

Due diligence procedures and the internal regulations

The due diligence procedures in place as part of the Diversity Policy include, first and foremost, the activities aimed at:

- developing the work environment based on the respect, openness, reliability (integrity) and the fairness (justice),
- respecting the diversity, in particular in terms of the gender, education, age and the professional experience,
- building the organizational culture open to the diversity, based on the corporate values: Partnership, Development and Boldness (PRO),
- preventing the discrimination by fostering an adequate work atmosphere as well as building and strengthening the positive relationships among the personnel,
- supporting the employee initiatives related to the equality practices at the Group's subsidiaries,
- promoting of the initiative making it easier to achieve the work-life balance,
- ensuring the equal treatment of the employees in the hiring process and the prohibition of the discrimination.

As part of the employee related issues, supporting the implementation of the directions set by the Diversity Policy, there are regulations in place with respect to the organization of the work and the 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 the respect for the human rights and the actions taken to prevent the violation thereof and promote an atmosphere of the dignity and mutual respect,
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 the fairness and the objectivity in the organization of the work and the compensation, including, among other things:
 - TAURON Group's Compensation Principles,
 - TAURON Group's Human Capital Management Policy,
 - regulations with respect to the benefits (entitlements),
 - flexible forms of the work time and the ability to work remotely, as well as the solutions dedicated for women, ensuring the equal opportunities for them and the support in combining the professional life with private life, for example the reduced working time for the pregnant women.
5. TAURON Group's Recruitment Principles,
6. TAURON Group's Competence Model.

Actions taken and the results achieved

In 2023, the work was begun on updating the Policy to create an even more diverse work environment, with the use of a variety of the viewpoints, experiences and the ideas. TAURON Group is implementing a number of initiatives including the training and guidance regarding diversity. The most important of these include:

- trainings and lectures for the employees, conducted by the experts, dedicated to the gender differences (for example, "UNIKAT, or why each of us is unique", "Men and emotions" - Men's Day at TAURON Group),
- thematic weeks, for example, the week of the generations - dedicated to the intergenerational cooperation (during the week the webinars on the generations had been conducted, the articles and contests for the ideas on the intergenerational cooperation had been published), or the week of the art of communication - presenting the role of the good and effective communication (interpersonal communication, non-violent dialogue, empathetic language, tips on improving the communication),
- webinars as part of the "Development Squared" initiative, for example, "self-criticism and perfectionism" – presenting the individual differences in the functioning in the daily work environment, as the support for the better cooperation,
- program related to the accessibility - "TAURON without Barriers", within the framework of which the initiatives are implemented on an ongoing basis aimed at eliminating the accessibility barriers for the people with the special needs, both in the context of our employees, as well as the Customers,
- #WzMOcnijsię (POWER yourself up) – the training for the managers "Leader versus the diversity. How we understand the diversity in the today's world, what leadership attitudes make the best use of the diversity, what tools a male leader / a female leader can use to act in the spirit of a diverse, equitable and inclusive culture,
- promoting the passions of TAURON Group's employees as part of displaying the respect for the human rights, respect for the diversity and counteracting the 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 a life philosophy of the Group's employees,
- "Mom Works" program which targets the women employed by TAURON Group whose children are under the age of six and the pregnant women. The persons who join the program have an opportunity to undertake the work responsibilities outside of their work place. In addition, for the period of the 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. The moms who are still on a parental or a child rearing leave receive a newsletter containing the 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 the current mothers, as well as to make it easier for them to return to the active professional work. The program is expected to increase the number of women returning to work after the 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 a 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. 78.,
- bridging the gaps in the access to the profession - more and more traditionally male jobs are being performed by women,
- social dialogue and the 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 Group's Social Council. The number of the meetings with the trade union organizations at the Group's subsidiaries and the percentage of the employees covered by the collective bargaining agreements are presented in Table no. 79.

Table no. 78. GRI 401-3. Parental leave at TAURON Group in 2023

	TAURON Group's total	Women	Men
Percentage of returns to work	71.5%	48.9%	84.0%
Retention rate following a parental leave	64.3%	39.3%	79.8%

Table no. 79. 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	2023	2022	2021
Number of meetings with the trade union organizations functioning at the Group's subsidiaries	306	291	315
Percentage of employees covered by the collective bargaining agreements	94.2%	95.3%	95.7%

Tables no. 80 and no. 81 present TAURON Group's employees and its Management Board broken down by the age and gender.

Table no. 80. GRI 405-1. Composition of TAURON Group's workforce broken down by age and gender as of December 31, 2023

	TAURON GROUP			MANAGEMENT BOARD AND DIRECTORS			HIGHER AND LOWER LEVEL MANAGEMENT PERSONNEL			OTHER ADMINISTRATIVE STAFF (WHITE COLLAR POSITIONS)			BLUE COLLAR POSITIONS		
	≤ 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 <
TOTAL	18 946			176			1 878			9 169			7 723		
NUMBER OF EMPLOYEES	1 843	8 202	8 901	0	75	101	28	882	968	925	4 738	3 506	890	2 507	4 326
women	497	2 904	1 688	0	25	15	7	277	141	472	2 510	1 370	18	92	162
men	1 346	5 298	7 213	0	50	86	21	605	827	453	2 228	2 136	872	2 415	4 164
SHARE IN PERCENTAGE (in reference to all of the company's employees)	100%			1%			10%			48%			41%		
SHARE IN PERCENTAGE (in reference to the number of employees in the given employment category)															
TOTAL	10%	43%	47%	0%	43%	57%	1%	47%	52%	10%	52%	38%	12%	32%	56%
women	3%	15%	9%	0%	14%	9%	0%	15%	8%	5%	27%	15%	0%	1%	2%
men	7%	28%	38%	0%	28%	49%	1%	32%	44%	5%	24%	23%	11%	31%	54%

Table no. 81. GRI 405-1. Composition of the Management Boards of TAURON Capital Group's subsidiaries as of December 31, 2023, 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 THE MANAGEMENT BOARD EMPLOYEES		59	
TOTAL	0	26	33
women	0	4	4
men	0	22	29
COMPOSITION OF THE MANAGEMENT BOARD IN PERCENTAGES BROKEN DOWN BY AGE AND GENDER [%]			
TOTAL	0%	44%	56%
women	0%	7%	7%
men	0%	37%	49%

Diversity policy towards the Management Board and the Supervisory Board

The company does not have in place a diversity policy towards the Management Board and Supervisory Board with regard to the minority participation in the respective body at a level of not less than 30% (in accordance with the Summary of the Best Practices for the Companies Listed on the WSE 2021). This is due to the solutions in accordance with the Act of December 16, 2016, on the Principles with respect to the Management of the State Assets, according to which the appointment of the members of the Management Board is possible after a qualification procedure has been completed, 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 competent to exercise the rights stemming from the State Treasury shares has the statutory right to appoint a majority of the members of the Supervisory Board.

The General Meeting, with a view to striving to ensure the differentiation with regard to women and men in the composition of the Supervisory Board, adopted the amendments to the Regulations of the Company's General Meeting by, among other things, adding in § 24, section 5, the following provision: "The persons making the decisions on the appointment of the members of the Supervisory Board should ensure the comprehensiveness of this body by appointing as its member the persons that would ensure the diversity, allowing, among other things, for the achievement of the target ratio of the minimum minority participation set at not less than 30%."

S 3.7. PRO Client Social Policy

Table of indicators:	
GRI 3-3	Transparency of the offering and responsible sales and Customer service process Quality of services provided and Customer satisfaction Attention to the diverse needs of Customers, including socially vulnerable groups (among others, the elderly, people with disabilities)
GRI – general	2-24
GRI – topic	417-2, 417-3
WSE	I-M5
Proprietary indicators	The most important educational activities targeted at all of the Customers carried out by TAURON Group The most important educational activities targeted at the disfavored (disadvantaged) groups carried out by TAURON Group Description of actions to build Customer trust Results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers Adaptation of services to the needs of socially vulnerable groups

TAURON Group, in line with the Strategy, wants to respond to the Customers' expectations and needs, and the key strategic objective is to maintain the high standards of the Customer service.

In accordance with the assumptions, by 2030:

- more than 90% of the Customer cases will be resolved during the first contact with the Customer,
- full digitalization of the service will be introduced and the paper documents will be abandoned,
- all of the Customer service channels will be adapted to the needs of the people with the disabilities.

The Management Board of TAURON Polska Energia adopted TAURON Group's PRO Client Social Policy to be applied in 2017. The document is aimed at developing the 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 the main assumptions applied in the sales and Customer service process. The number of TAURON Group's Customers is presented in Table no. 82.

Table no. 82. Number of TAURON Group's individual and business Customers as of December 31, 2023

Sales group type	Supply Line of Business	Transmission and Distribution
Individual	5 414 571	10 273
Business (including institutions)	400 693	203 828
Total	5 815 264	214 101

Due diligence procedures and the internal regulations

The assumptions of the PRO Client Social Policy are implemented by TAURON Group based on the following principals:

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

Marketing research

The due diligence procedures implemented as part of the PRO Client Social Policy include, first and foremost, the 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 the cooperation with the market analysts. The results of the 2023 survey allowed TAURON Group to adjust its product and service offerings (the current ones and the planned ones), as well as its services and sales related activities to the Customers' expectations. The surveys also provided the information on the effectiveness of the performed activities aimed at developing the awareness with respect the products and the services offered, as well as TAURON's Customer service outlets. The summary of such surveys conducted in 2023 is presented in Table no. 83.

Table no. 83. Surveys carried out by TAURON Group in 2023 as part of the due diligence procedures

Subject of the survey	Time when the survey was conducted
Surveys on products / services:	
Survey on the Mój TAURON (My TAURON) product	06.2023
Survey on the thermal comfort management (zarządzanie komfortem termicznym - ZKT)	07.2023
Survey on the request for amendment (wniosek o zmianę - WOZ) product	08.2023
Survey on the heat pump product for the business Customers	08.2023
Survey on the prepaid meter (licznik przedpłatowy - LPP) product	11.2023
WCAG survey	11.2023
Monitoring of the consistency and the transparency of the marketing communications, including in particular the communications related to the new products and offerings, including:	
Survey on the effectiveness of the "Let's make a deal to save money (Umówmy się na oszczędności)" campaign	07.2023

Mystery shopper research at Customer Service Centers and Partner Outlets (4 waves)	Q1, Q2, Q3, Q4.2023
Survey on the familiarity with the TAURON offering	12.2023
Survey on the awareness of the functioning of the Partner Outlets	12.2023

Educational activities addressed to the Customers

As part of the due diligence procedures also the educational activities targeted at the Customers and the disfavored (disadvantaged) groups (including the Customers vulnerable to the electricity prices and the seniors) were conducted. The summary of such activities and their quantities are presented in Table no. 84 and no. 85.

Table no. 84. The most important educational activities targeted at all of the Customers carried out by TAURON Group in 2023

Information campaigns	Activities conducted as part of the campaign
<p>Educational materials on the green (ecological) heat and energy sources</p> <p>In 2023, TAURON ran a campaign to promote guide books (tutorials) on the benefits of installing photovoltaics and replacing heat sources with eco-friendly ones.</p> <p>Guides: "Heat Pumps. All you need to know" and "Photovoltaics. All you need to know" are comprehensive sources of information in which TAURON experts explain why investing in renewable energy sources is not only profitable, but also ecological. They also explain the principles of support programs such as "My Current 5.0" and "Clean Air", as well as "Ogrzej się z TAURONEM" for individual investors interested in investing in renewable energy sources.</p>	<p>The guidebooks (tutorials) were made available free of charge. They can be downloaded from the website: tauron.pl/ebook_oraz_tauron.pl/ebook-ogrzewanie</p> <p>Wide ranging on-line campaign</p> <p>Promotion of the subsidy program and the guide book (tutorial) on the LEPIEJ (BETTER) blog</p> <p>Data: 3007 downloads of the guide book (tutorial) More than 61 000 page views of the websites with the guide books (tutorials) More than 44 000 unique users</p> <p>2 000 copies of the guide book (tutorial) distributed in printed form during the events</p>
<p>Information materials to promote the green (ecological) activities on a daily basis</p> <p>In view of the market situation and rising energy prices, as well as the need to increase consumer awareness of ecology, including energy and heat conservation, TAURON continued its educational activities in this area in 2023. Prepared and promoted were:</p> <ul style="list-style-type: none"> a series of videos on the Energy Conservation topic (the materials made available on YouTube and on the website lepiej.tauron.pl), guidance articles on energy conservation, efficient heating of homes and apartments, as well as inspiration on how to increase environmental concern in everyday activities, guide book "Eco-friendly tricks in your home" - a collection of eco-friendly inspiration, tips and recipes that can be used on a daily basis. The guide includes answers to such questions as how to reduce electricity consumption, what to do to use less heat for heating, how to reduce food waste, or how to prepare eco-friendly cleaning products and cosmetics. 	<p>Materials published on the blog lepiej.tauron.pl</p> <p>Promotional activities in the social media</p> <p>Press materials promoting the green (ecological) content.</p>
<p>Webinar "How to make photovoltaics more profitable"</p> <p>An educational campaign aimed at current and future prosumers. How to plan an investment in a photovoltaic system for your home? Is photovoltaics a viable energy source? How does the net-billing system work? How is the market price of energy calculated? During the webinar, TAURON experts provided answers to these and other questions from participants.</p>	<p>A video of the webinar is available on the blog lepiej.tauron.pl</p> <p>Webinar with the experts from the TAURON Sprzedaż subsidiary 1058 people registered 121 leads acquired</p> <p>Promotion of the webinar on-line</p> <p>Information campaign in the media, including in the social media</p>

Information campaigns	Activities conducted as part of the campaign
<p>Lectures for children and young people "Renewable energy sources as a key to a sustainable future"</p> <p>The Energetyczny Association, with the support of TAURON Ekoenergia, held a series of the ecological lectures at three educational institutions in the Lower Silesia:</p> <ul style="list-style-type: none"> • Zespół Szkół Technicznych (Complex of Technical Schools) "Mechanik" in Jelenia Góra, • Elementary School no. 7 in Jelenia Góra, • Elementary School no. 10 in Jelenia Góra. <p>The topics covered during the lecture topics focused on the important role of renewable energy sources in achieving climate neutrality goals, in line with TAURON's Green Turn strategy.</p>	<p>3 educational institutions from the Lower Silesia</p> <p>More than 90 students attended the lectures</p>
<p>"Bezpieczniki TAURONA" (TAURON Fuses) series educational programs for the Customers:</p> <ul style="list-style-type: none"> • Turn on for the sake of the child, • Turn on for nature, • Turn on at work. <p>Customer education covered such topics as, among other things, electro waste and energy labels, safe lighting for the holidays, electricity saving, 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>The campaign is carried out in the media (online, television, radio, press, social media), in the direct communications with the local government units, schools, regional education authorities (boards of education), chambers of commerce, as well as during events.</p>	<p>Promotional activities in the social media</p> <p>Promotional activities on the industry and local portals</p> <p>Promotional activities in the social media</p> <p>Close to 3.5 million web users watched our educational videos</p>
<p>The activities of the TAURON Dystrybucja subsidiary for the benefit of the environment as part of its core business</p> <p>TAURON Dystrybucja takes care of promoting, among the stakeholders, the knowledge of:</p> <ul style="list-style-type: none"> • the energy industry, including the popularization of the energy profession - e.g., what are the duties of an electrician, under what conditions does he work, and how power engineers help educate future power engineers, • teaching rational behavior - e.g. what to do when there is no electricity check information on outages, • current regulations on the energy industry - for example, about freezing energy prices, • specifics of operation and formal issues related to the use of photovoltaics, • basic technical knowledge - such as separation of electrical installations in the facility, • tools that allow Customers to make informed choices e.g. energy consumption calculators, • information on strategic projects, for example AMIplus. 	<p>Condensed information to be downloaded on the website and popularized on social media and through proxy activities among local governments</p> <p>Close to 2 million viewers of the short videos popularizing the knowledge of the energy industry published in the social media</p>
<p>Integration picnic #Be FIT with Special Olympics</p> <p>The #Be FIT team-building picnic took place in May 2023 at the Forest Adventure Park in Radlin, bringing together Special Olympics athletes and TAURON employees. The program provided a number of activities and attractions: high ropes park trails, pendulum, obstacle course for toddlers, inflatables, as well as integration, dance and sports games and activities.</p>	<p>200 young athletes of all sports clubs from 4 provinces: Silesian, Opole, Wielkopolska and Lubuskie</p> <p>24 TAURON employees with their children, who won invitations to the picnic in a knowledge quiz about the availability of</p>

Table no. 85 The most important educational activities targeted at the disfavored (disadvantaged) groups carried out by TAURON Group in 2023

Information campaigns	Activities conducted as part of the campaign
<p>Educational campaign "While on the web, make gifts to your loved ones, not to the scammers"</p> <p>The goal of this campaign was to educate Internet users about safe online payments in particular. The campaign was conducted in December, a period of intensive online shopping. The educational materials included detailed information on the methods of fraudsters on the Internet, as well as instructions on how to protect oneself from the actions of cybercriminals and how to recognize their methods.</p>	<p>For the needs of the campaign, the tauron.pl/bezpieczenstwo website was updated, as well as a number of the educational materials: articles, a guide book (tutorial) and the infographics</p> <p>Campaign ad reach: 6.6 million</p> <p>Close to 3 000 downloads of the guide book (tutorial)</p> <p>Activities conducted online, with the emphasis on the social media</p>

TAURON without barriers campaign

The campaign promoted the TAURON without barriers initiative, which supports people with disabilities and facilitates their access to TAURON services. The main objective of the activities was to expand Customer awareness of facilities for people with disabilities and seniors. In addition, the aim of the campaign was to promote and encourage participation in a survey aimed at people with disabilities about Customer service. The campaign was conducted in November and December.

Campaign ad reach: 8.1 million

Close to 23 000 sessions on the tauron.pl/bezbarrier website and more than a thousand of the completed surveys

Educational films for the children with the disabilities available with such watching enabling facilities as: sign language, audio description and the subtitles for the deaf

As part of the educational program for children, "TAURON's Safeguards. Turn on for the good of the child" videos are available in versions for people with disabilities - there are a total of 22 in each category.

The videos, in addition to the educational platform for the participants of the program, are also available to everyone on TAURON's YouTube channel

Educational materials adapted for the people with the disabilities

Promotion of the publication in the industry (trade), the national (online and press) and the local (radio) media

Promotional activities in the social media

Customer service through the highest quality sales and service channels

TAURON Group attaches great importance to the quality of its services and the Customer service (care), which is why the following internal regulations have been adopted:

- quality standard of the sales process and services at the stationary Customer service outlets,
- quality standard of the sales process and services provided via the sales hotline.

The quality standards are a set of the good practices that are a guideline for the persons who are involved in selling TAURON's services and providing Customer service. The employees who work with the Customers have undergone a series of the training sessions in order to become familiar with the quality standards and learn how to apply them.

The TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries, both in 2022, as well as in 2023, passed an audit conducted by an independent entity - TUV Rheinland - and were granted a certificate that confirms their compliance with the requirements of the "Good Practices of the Electricity and Gas Fuel Suppliers of the Association of Energy Trading."

Actions taken and the results achieved**Customer Experience Management (Customer Satisfaction Index)**

Customer experience is understood by TAURON Group as the sum of the interactions with the Customer, not only while providing the Customer service, but also at all of the other points of contact (interaction) with the company. The research on the Customer experience 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 the grid connections, contracts, settlements (billing), debt collection and when filing a complaint. The research is conducted every month by way of the online surveys and in-depth research in the form of the interviews conducted quarterly via a hotline.

TAURON Group surveys the Customers who have passed through one of the above mentioned processes and collects the information on their level of loyalty (*Net Promoter Score - NPS*), examines how much effort the Customer has put into the handling of their case (*Customer Effort Score - CES*), as well as the satisfaction (*Client Satisfaction Index - CSI*), i.e. the Customer's satisfaction with the Customer care received or the service provided thereto.

The survey's results can be interpreted based on the indicator's value:

- NPS – a good score can vary depending on the industry and the market, but it is generally accepted that a score above 0 is positive,

- CES – the lower the value of the indicator, the more effort the Customer had to put into dealing with his case, while the higher the value, the easier the process was for the Customer,
- CSI – the lower the value of the indicator, the greater the Customer's overall dissatisfaction with the given aspect of the product or the service, and the higher the value, the greater the Customer's overall satisfaction level.

The results of the Customer service quality survey were impacted in 2023 by the actions that were beyond TAURON Group's control, regarding the introduction of the government's anti-inflation shield, which resulted in a significant increase of the traffic in the Customer service channels. The Customers awaited the clarifications with respect to the new regulations, and the eligible persons were submitting the additional statements on the increased electricity consumption limit. In addition, the results of the Customer service quality survey were affected by

- suspension of the service and the sending of the invoices due to the scheduled migration of the Customers to a new billing system,
- delays in the implementation of the grid connections (the subcontractors were not interested in participating in the tenders for the performance of the grid connection related work).

The below graph no. 34 presents the results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers in the years 2021 - 2023. As part of the survey the Customers are asked what improvements and changes TAURON Group should introduce to meet their expectations.

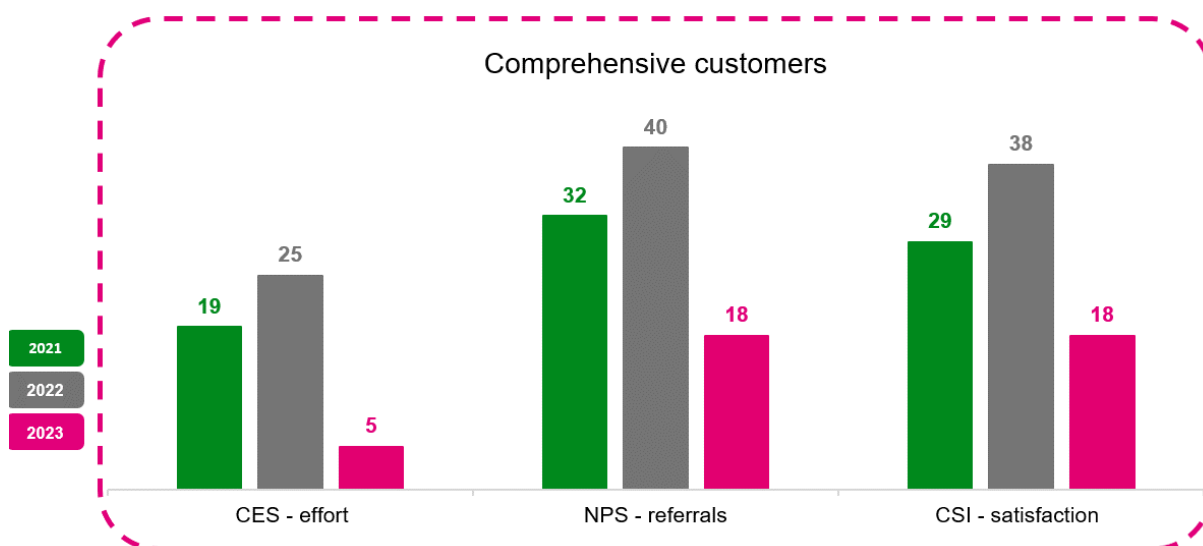


Figure no. 34. Results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers in the years 2021 - 2023

TAURON without barriers (TAURON Bez Barier)

Since 2021 TAURON Group has been implementing the TAURON Without Barriers program in order to build an inclusive environment for the Group's operations. The goal of the project is to increase the accessibility of TAURON's services for the people with the disabilities, the seniors, the sick or the socially or digitally excluded persons. It is a comprehensive program aimed at removing the communication, architectural and digital barriers, as well as improving the accessibility for both the employees, as well as the Customers. As part of the program, we also deal with developing and promoting a culture of openness towards the people with the special needs.

The information on the implemented facilities (aids), targeted at both the people with the disabilities as well as the senior citizens, is provided on the tauron.pl/bezbarier website.

One of the latest solutions include the Customer service desks equipped with the induction loops based hearing aid systems that have been implemented at all of TAURON's Customer service outlets. The activities undertaken also include the training of the consultants serving the Customers at the Customer service outlets (centers) and via the hotlines (at the call centers) or the compiling of the "First agreement (contract) with TAURON" guide book, which is adapted to enable its use by the blind people, in accordance with the Web Content Accessibility Guidelines (WCAG). The Customers can also watch the videos with the Polish sign language translation to help them use the My TAURON (Mój TAURON) service.

The most important solutions implemented at TAURON Group as part of the program:

- confirmation has been obtained, following an audit by the FADO Cooperative, that the websites: tauron.pl, tauron-dystrybucja.pl as well as the My TAURON and TAURON Dystrybucja services meet the WCAG 2.1. AA digital accessibility standard,
- one time powers of attorney (proxies) have been implemented in the services provided - i.e., a family member or friends can, with the consent of a person with a disability, assist in dealing with an issue (including during a call to TAURON's hot line),
- a service desk with a hearing amplification system, i.e. an induction loop, has been launched at TAURON's Customer service outlets. This increases the comfort of the hard of hearing people and the seniors who use the hearing aids,
- magnifying glasses to magnify the text to be read and the Customer signature boxes have been introduced at TAURON Customer service outlets. This makes it easier for the visually impaired persons and the seniors to read and sign the documents,
- a separate queue for the seniors has been introduced as part of the hot line service, with the most experienced consultants assigned to provide such services,
- a sign language Migam pilot project was conducted at the Customer service outlet in Zabrze. The implementation of the service with the use of a sign language interpreter at all of the Customer service outlets is under way, as well as of the service enabling, via the website, the remote service with a sign language interpreter,
- an intuitive e-book First TAURON Agreement has been drawn up, which guides the Customer through all of the formalities. The e-book is accessible to the people with the disabilities, including those who are blind or visually impaired, and are able to use, for example, the text readers or the vocalizers,
- notifications of the scheduled outages have been launched in the new outage finder (search engine) on the website tauron-dystrybucja.pl and a newsletter for the scheduled outages,
- My TAURON service activation was implemented within the sales services standards at the Customer service outlets, so that a person with the disabilities can easily use the self-service option,
- a survey with respect to the needs of the people with the disabilities was carried out, which will enable an optimization of the Customer service process and provide the Customers with a better service quality,
- an audit of the architectural accessibility of the Customer service outlets was carried out. Based on the post audit conclusions, a Plan to improve the architectural accessibility will be drawn up,
- parking spaces for the people with the disabilities located close to the entrance to the building have been provided,
- free access, ramps and the ability to move around the buildings at the Customer service outlets have been provided,
- evacuation procedures that take into account the needs of the people with the disabilities have been developed, and the evacuation coordinators have been trained in the new procedures. Across the entire TAURON Group, the health and safety training has been expanded to include the information on evacuating the people with the disabilities,
- an alteration of the building in Tarnów has been completed. As part of the investment project, the elevators and a ramp have been installed.

In addition, the activities are being implemented to develop the awareness and education, which are targeted at both the Customers, as well as the employees. Among other things, they include such initiatives as:

- videos and articles about the accessibility and the solutions implemented,
- activities that develop awareness: "Accessibility Week," "ABC of the Accessibility Series," accessibility knowledge testing quizzes,
- webinars for the employees on how to communicate with the people with the special needs, the annual meetings with the Special Olympics athletes,
- accessibility workshops for the employees involved in the initiatives,
- a practical guide book to savoir-vivre towards the people with the disabilities,
- an inclusive picnic #Be FIT in the Forest Park in Radlin with the Special Olympics participation.

“TAURON speaks the way humans do”

“TAURON speaks the way humans do” (TAURON mówi po ludzku - TMPL) initiative has been conducted at TAURON for 6 years. It consists in simplifying the formal and the legal documents, communications (messages), as well as the letters addressed to the Customers. Within its framework, the simple communication is promoted among TAURON Group's employees.

To date, we have managed to:

- simplify nearly 700 documents and 1 000 messages,
- train 15 trainers and 110 plain language consultants,
- appoint coordinators of the initiative at the subsidiaries who look after the expansion of TAURON Speaks the Way Humans Do (TAURON mówi po ludzku - TMPL) project,

- launch a sub-page at tauron.pl/tmp1, demonstrating the effects of the activities conducted to date,
- introduce Stylobuk, i.e. a set of the rules for the use of the plain (simple) language that are applicable at TAURON,
- introduce the prerequisite to agree all of the new documents, messages, marketing materials, before sending them out to the Customers or publishing them, with the plain language consultants.

The International Day of Simple Language, which falls on October 13, was celebrated, already for the third time, in 2023. As part of the celebration:

- 362 Group employees took part in a quiz to test their knowledge of the rules of plain language and the TAURON Speaks Human initiative,
- 450 employees participated in a webinar hosted by Tomasz Piekot - "How is the Polish language changing?".

The above mentioned activities are conducive to the development of the processes of providing the reliable and comprehensible information on the products and services offered.

As a result, in 2023, similar as in the previous years (2019-2022), no cases of the non-compliance of the products and the services with respect to the information and the labeling thereof, as well as no cases of the non-compliance related to the marketing communications had been reported in the 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 provisions of the law, but also with the good practices.

S 3.8. Intellectual property protection and research and development activities

Table of indicators:

GRI 3-3	Use of innovative technologies, environmentally friendly products and services Ensuring energy security and stable supply of electricity and heat
GRI – general	2-24
Proprietary indicators	Research and investment projects in 2023 aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group

In connection with its functioning as part of a continuously developing economy based on knowledge and the new technologies, TAURON Group, as a conscious owner of the innovative solutions is shaping its corporate policy with respect for the intellectual property rights in mind, in particular through the adequate regulations aimed at the various groups of the 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 the intellectual property issues at the Group level.

TAURON Group's Intellectual Property Policy defines the uniform principles and standards of conduct with respect to the management of the intellectual property at TAURON Group, and it constitutes a set of the good practices which the counterparties (contractors) and collaborators are expected to adhere to. 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 business operations.

TAURON Group's Intellectual Property Management Principles contain the provisions, common to all of the processes and instructions of conduct (operating procedures) related thereto, dealing with the subject of the protection and management of the intellectual property at TAURON Group (for example, the definitions and the directional guidelines). It is the overarching documentation with respect to two specific processes:

- process of filing for the registration of the inventions, the utility models or the industrial designs,
- employee rationalization process, i.e. the ideas related to the improvements of a technical and technological nature that originate from the employees.

The issues related to obtaining the protection for the inventions, as well as other technical objects of the industrial property, are regulated by TAURON through an adequate process entitled the "Filing for registration of the Inventions, the Utility Models or the Industrial Designs" and a manual (instruction, procedure) related thereto. These documents indicate a specific scheme of the procedures and define the templates of the agreements necessary for the proper acquisition of the rights and the protection of the industrial property objects.

On the other hand, the employee rationalization process and the instruction (manual, procedure) on dealing with the rationalization ideas at TAURON Group related thereto, regulate the rules related to the acquisition and the 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 originate from the employees of TAURON Group.

TAURON is managing the Group's intellectual property in a conscious and responsible manner with its goal 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.

The measures have been taken at TAURON Group aimed at enabling TAURON Group's subsidiaries to securely share the information obtained in the course of their research and development work as part of a shared know-how base.

Actions taken and the results achieved

The protection of the intellectual property is an important element of TAURON Group's research, development and innovation (R&D&I) activities. The activities, the importance of which is highlighted in TAURON Group's Strategy, are reflected in the Strategic Research Agenda (Strategiczna Agenda Badawcza - SAB). Thanks to the applied comprehensive portfolio management of the R&D projects, it is possible to implement the innovative solutions that provide the support for 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 of TAURON Group. The document is composed of four research portfolios:

- Customer and his or her needs,
- smart distribution,
- green energy,
- sustainable heat.

Each portfolio sets the directions for the research and development projects, as part of which the subjects (topics, issues) are defined for the selected research areas. Such a structure of the SAB supports the selection of the best projects when taking into account the Group's expansion prospects.

Due diligence procedures and the internal regulations

The implementation of the SAB takes place on several levels, forming the so-called innovation ecosystem, including in the pro-climate context. The procedures and the 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 the climate change mitigation is made in harmony with the Group's development, while ensuring the respect for the "do no significant harm" principle.

In addition to the traditionally understood research and development activities (the research and development projects, the cooperation with the scientific units and the innovative business partners), the Group is expanding the cooperation with the start-ups. TAURON is conducting a proprietary accelerator program called TAURON Progress that enables innovative companies (startups) to carry out the pilot implementation of 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 the 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. 86.

Table no. 86. Research and investment projects in 2023 aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group

Investment project categories	Investment project type – investment project name (broken down into categories in the table)	Investment project description and objective	Costs (incurred in conjunction with the implementation of the investment project) PLN
Renewable energy technologies	Ultra-fast forecasting of the generation and the regulation (control) capacities of the photovoltaic sources	Carrying out of the industrial research and the development works aimed at developing a unique system for the ultra-fast forecasting of the electricity production from the photovoltaic installations, allowing for the forecasting of the 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 as well as the numerical weather forecasts.	1 446 914
	Ultra-fast forecasting of the wind generation	Developing an ultra-fast forecasting system for wind generation sources. The solution will be used to improve the procedures for managing the renewable energy sources and minimize the cost of the deviations from the production plans. In addition, the system under development can be integrated with the Virtual Power Plant (VPP) system, which will contribute to the more effective coordination of the in-house generation sources and the increased revenues resulting from the increased sales of the electricity volumes	31 264
	Local efficient district heating system based on the RES and the waste heat	Examining, on the basis of a heat pump demonstration plant installation built as part of the project, operating under the actual heat distribution conditions, as well as the supply of the solar energy and the bottom source of the energy for the pump, the possibility of converting the small island district heating systems powered by the fossil fuel based sources to the systems that meet the criteria of the energy efficient systems.	86 982
TOTAL COSTS IN THE CATEGORY			1 565 160
Electricity distribution	Distributed energy 2.0 operating model - self-balancing areas of the power grid - optimizing the operation of the Microgrid for its commercialization	Gaining of the experience related to the operation of the Microgrid installation and the proper balancing of the energy production in the offered target solutions for the Customers, taking into account the analysis of the benefits stemming from the ability to switch the installation ON-GRID =>OFF GRID depending on the market conditions, with a particular emphasis on the operation of the Energy Storage Facility. The designed Microgrid Management System is being subjected to the optimization project, and it is also being expanded with the additional modules related to the management of the Microgrid components and, in particular, the Energy Storage Facility based on the Energy Market.	15 820
	Flexible Distribution - a prototype of a simulation tool	A compendium of the knowledge on the flexibility services and a case study in a selected pilot area are being developed, including an assessment of the effectiveness of the possible purchase of the flexibility services in relation to the planned expenses for the grid upgrades and the possible timing of such upgrades. There is also an audit under way of the data availability in the IT systems and its usefulness for identifying the needs with respect to acquiring the flexibility services and assessing the economic efficiency of this process. The end product of the project will be a prototype of a decision support tool for the purchasing of the flexibility services, based on the analytical and the forecasting methods produced as part the project.	581 540

	Developing of a tool to analyze the risks related to the grid assets for the various investment scenarios	Developing of an IT tool that would enable to determine the impact of the analyzed investment scenarios on the amount of the risk associated with TAURON Dystrybcja's assets, and to support the investment planning process with the use of an investment efficiency indicator based on the analysis of the risk in the individual groups of assets. The implementation of the scope will take place through the development of the functioning IT tool ASP (<i>Asset Strategy Planning</i>).	5 040
TOTAL COSTS IN THE CATEGORY			602 400
Transmission and distribution technologies	Integrated cable grid diagnostics system	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 the diagnostic tests carried out at the Tauron Dystrybcja subsidiary. The developed algorithms should determine the degree of the risk and the probability of a failure, as well as enable other analyses in order to facilitate the taking of the pre-emptive actions while maintaining an optimal technical and economic balance.	444 312
	Verification of the validity and possibility of using the method proposed by the TAURON Ciepło subsidiary to detect the location of the leaks from the district heating networks	Obtaining of a clear, unequivocal answer, on the basis of the developed intelligent mathematical algorithm and the tests conducted, as to whether the method proposed by TC can be used to detect the location of the leaks in the district heating networks. The results of the project will become the guidelines for the further activities on the entire district heating system of TC.	532 635
TOTAL COSTS IN THE CATEGORY			976 947
Advanced technologies (storage, recovery, etc.)	Development of the industrial grade design of the carbonate fuel cells and the ceramic electrolyzers enabling the integration with the power-to-gas installations	Improving of the chemical energy storage process (a substitute for the 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 ₂ 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.	287 269
	Energy storage systems for the needs of the DSOs	Construction of a stationary energy storage system based on the electrochemical cells. The installation of the energy storage system takes place at the point of the connection to the distribution grid of the renewable energy sources, making it possible to use this measure to increase the ability to connect such sources to the grid and mitigate the impact of the rapid changes in the generated power on the electricity quality parameters.	543 459
	Developing and testing an adaptive energy storage system based on the second life of the batteries coming from the electric vehicles (Second Life ESS).	Building and testing of a prototype of an innovative electricity storage system reusing the batteries coming from the electric transportation (EVs), usually with the lithium-ion cells. There are many benefits to using the reused batteries in an electricity storage system, including, among other things that it will reduce the cost of the storage to a level acceptable to the potential user	1 585 253
	Battery Energy Storage Facilities – Capacity Market	Examining the scope and the feasibility of constructing of the battery energy storage facilities to utilize the storage in the Group's operations and as a potential source of the new opportunities arising from the participation in the Capacity Market and in the Balancing Market.	6 829 000

	Use of the air source heat pumps in the hybrid heat exchange nodes (substations) in the context of the sustainability and the energy efficiency	Conducting of the research work with respect to verifying of the validity and the feasibility of implementing an air source heat pump at the two locations within TAURON Ciepło's district heating network, operating under the actual heat consumption conditions. The project is aimed at preparing TAURON for the future changes in regulations related to the emissions and the energy efficiency.	630 000
TOTAL COSTS IN THE CATEGORY			9 874 981
	Development of the advanced technology for the monitoring and the 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 460 MWe 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, leading to an improvement of 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 the 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).	213 063
Innovative related services (e.g. remote meters)	Development and demonstration of a computer system for the operation control and the management of the availability (dispatchability) and the reliability of the industrial infrastructure based on the artificial intelligence algorithms	Developing of 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 the adaptive predictive and prescription models interoperating with the control systems, the optimization algorithms, the numerical models, the databases and the algorithms controlling the health condition of the energy devices	1 537 293
	Internet of Things (IOT)	Developing and implementing of an IT architecture for collecting and managing the data from the selected areas of a smart city, the implemented solution assumes scaling in terms of the number of the sensor devices and the functional areas served. The project focuses on, among other things, the air quality monitoring, the waste management, the smart street lighting as well as the parking spaces management and the traffic monitoring in the city. The developed IT environment, along with the recommendations, will be the basis for developing and offering of the ultimate (target) product to the cities and municipalities.	8 270
	Developing a tool to support the cooperation with the energy clusters with respect to the sharing and processing of the metering data	Designing, testing and implementing of an ecosystem of the eMeter functionality in order to meet the needs of a new segment of the Customers – the energy clusters and the energy communities	238 409
	Utilization of the next generation hydrogen technologies for the stationary energy and transportation applications, based on a circular economy (HYDROGEN POLAND)	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 – the decarbonized synthetic natural gas.	672 799
	Small Wind Turbines	The development (installing) and testing of the small wind turbines with the capacity of up to 50 kW based on the various technologies in the real conditions, and the development of a dedicated	70 000

Project carried out as part of the HEMS (Home Energy Management System) program	tool to match the turbines' parameters to the Customer's needs, taking into account the specific construction site, and the development of a new product / service.	
Energy storage facility for the PV Installations		
Project carried out as part of the HEMS (Home Energy Management System) program	The project includes the implementation of the development of an energy storage (30 kW, 65 kWh) cooperating with a PV installation (50kW) and the analysis of data on the client's energy production and consumption profile (during the year before and after the storage installation).	2 205
Developing Customer Energy Characteristics by analyzing their energy behavior based on the data obtained from the AMI meters		
Project carried out as part of the HEMS (Home Energy Management System) program	The development of a method of transmitting the data from the AMI meters and to verify the quality of the data and the efficiency of its transmission, in the context of the possibility of creating the new products and services for the Customers.	21 600
Use of the AMI meters in the prepaid energy billing by the supplier		
Project carried out as part of the HEMS program	The testing of the Customer demand for the AMI prepayment meter based products, determining of the functionality of the new product and the possibility of commercializing the product to generate the revenue.	22 000
TOTAL COSTS IN THE CATEGORY		2 785 639
TOTAL AGGREGATE COSTS		15 805 127

S 3.9. Principles of Conducting Corporate Social Responsibility (CSR) projects

Table of indicators:	
GRI – general	2-24
GRI – topic	403-6

In accordance with TAURON Group's Strategy and based on the Good Practices of the Companies Listed on the WSE 2021, TAURON Group has been steadfastly pursuing a policy of corporate social responsibility (CSR). Within its framework, a number of projects are implemented in order to take into account the social interest, the respect for the stakeholders and the ethical principles, with a particular attention being paid to the transparency of the operations and the open communication in the spirit of the dialogue and trust. 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 and updated in 2023. The regulations contained in the document specify what constitutes an activity that is a part of CSR scope at TAURON Group, what its objectives and dimensions are, the scope, as well how the CSR projects are to be planned and implemented in order to ensure their transparency and the compliance with commonly applicable provisions of the law, the internal and the intra-corporate regulations, as well as the best practices.

The projects carried out by the Group support the local communities and institutions, create a friendly workplace and, above all, support the education and the development of the children and young people. The initiatives and the campaigns are focused on several levels: pro-social, educational, sports, environmental and cultural.

With respect to the CSR projects addressed to the external stakeholders, TAURON Group focuses on the initiatives aimed at promoting the social and economic development that include:

- TAURON's proprietary "TAURON's Green Laboratories" (Zielone Laboratoria TAURONA) project as part of which TAURON Group provides the support for the elementary and the secondary school students in the process of their education, and enables the teachers to conduct the classes in the modern, well equipped classrooms. By creating the innovative and the learning-friendly spaces, we motivate the students to deepen their knowledge and strengthen their competencies and skills. The task set before the participants of the project is to create a visualization of the science laboratory in its new appearance using any technique, along with a cost estimate and a description of the planned activities. The amount of the funding covers selected 4 schools from the provinces of Silesia, Lower Silesia, Opole and Lesser Poland. 238 schools (193 elementary schools and 45 secondary schools) joined the project in the second edition that took place in 2023. More information is available on the website: <https://laboratoria.tauron.pl/>,
- cooperation with the Family Rehabilitation HOME for Children with Cerebral Palsy Foundation (Fundacja DOM Rodzinnej Rehabilitacji Dzieci z Porażeniem Mózgowym), where the common goal is to help the people with the disabilities. TAURON is a partner in a number of events organized by the Foundation, such as, among other things, the Carnival Ball for the children, the Colorful Procession or the Christmas Song Contest for the children from the Center. Together we break down the social barriers and stereotypes,
- cooperation with the ISKIERKA (SPARK) Foundation, which involves the support for the treatment of the children with cancer. The activities include renovating the children's hospital rooms, organizing the concerts for the children from the Foundation, the carnival balls or the family picnics,
- cooperation with the Red Noses Foundation (Fundacja Czerwone Noski). TAURON is the first energy company in Poland to carry out a joint project with the Foundation aimed at bringing the smiles and humor to the sick children and their families. Several times a year, the hospitalized children with the varying degrees of the neurological and motor disabilities participate in the theater and circus workshops organized by the Red Noses. The participating children determine the shape of the project, co-create the script for the show, musicalize the final show and are also the main actors on the stage. These activities have a proven scientific therapeutic effect,
- cooperation with the Association for Assistance to Children and Youth "House of the Guardian Angels," (Stowarzyszenie Pomocy Dzieciom i Młodzieży „Dom Aniołów Stróżów”), which changes the reality of the children from post mining areas and annually involves TAURON Group's employees in the employee volunteering. TAURON organizes the collections of the food, stationery, chemicals, cosmetics and medicines for the children from the House of the Guardian Angels,
- organizing of the pro-social campaigns together with the Mountain Volunteer Rescue Service (Górskie Ochotnicze Pogotowie Ratunkowe) with the goal to promote the active lifestyles and the safe behavior in the mountains. These activities contribute to the raising of the awareness of the threats arising from the

inadequate preparation for a mountain hike, as well as from navigating the trails and the slopes. The 2023 events included, among other things, RoweLove Karkonosze - a cycling expedition for TAURON Group's employees in the cooperation with the Karkonosze National Park (Karkonoski Parkiem Narodowy) and GOPR Karkonoska Group (GOPR Grupą Karkonoska),

- leveling of the playing field and eliminating of the barriers by supporting a group of the volunteers, the so-called Sherpas who enable the people with the disabilities (the Treasures) to climb the mountain peaks. Thanks to this innovative, trail blazing campaign, the Treasures have a chance to achieve what had seemed impossible just yesterday - to conquer a mountain. Some are carried up the mountain in the special carriers, others on the stretchers, while still others complete the route on their own feet with the full belief of the Sherpas of the Hope,
- TAURON the Giants of the Volleyball (TAURON Giganci Siatkówki) is one of the largest pre-season volleyball tournaments in Europe. These tournaments are an excellent opportunity to promote a sport that is so dear to the Polish people, and at the same time to engage in the campaigns for those in need. This is an event where the spirit of the sports rivalry is fueled by the will to offer help. The proceeds from the ticket sales go entirely to the children in need,
- providing a patronage support to the sports clubs, such as the Inter-school Pupils Sports Club "Kęczanin" (Uczniowski Międzyszkolny Klub Sportowy "Kęczanin") and the Stal Nysa Volleyball Academy Association (Stowarzyszenie Akademia Siatkówki Stal Nysa), which conduct the training sessions for the children and the young people,
- cooperation with the Karkonosze National Park (Karkonoski Parkiem Narodowy) under the name #NaturalniBohaterowie (#NaturalHeroes), which aims to develop the responsibility among the Group's employees for the existing protected areas,
- financial and non-financial assistance for the citizens of Ukraine through, among other things, the creation of the special service channels and a dedicated website (<https://www.tauron.pl/dla-ukrainy>), the in-kind assistance aimed at ensuring the maintenance and the proper operation of the energy infrastructure in Ukraine or the financial support provided by the TAURON Foundation in the form of, for example, the humanitarian aid, the purchase of the generators or the subsidies for the school starter kits for the refugee children from Ukraine,
- "TAURON's Storks" (Bociany TAURONA) campaign, which aims to make sure that the electricity supply is failure free, and thus the Customers have comfort and safety, as of the storks which are building the nests on the power grid poles in the increasing numbers. More than 2 200 stork nests are located on the power grid poles and more than 5 000 storks have been ringed as part of the campaign in the company's area of operation. The power engineers take care of the nests, in winter in particular, through the cleaning procedures or relocating them to the special platforms.

With respect to the projects aimed at the internal stakeholders, the Group focuses on the initiatives that support the developing of a friendly work environment, fostering the interpersonal relations and the long lasting ties with the local communities, through the implementation of the proprietary projects

The trainings, the thematic webinars and the workshops for TAURON Group's employees with respect to health, active lifestyle, well-being practices or safety in the mountains and on the tourist trails are conducted in the cooperation with TAURON Group's partners.

As part of the vacation Thursdays, under the title #MocRelacji (#PowerRelationships), the following events were held:

- webinars with the physiotherapists who talked about the prevention in sports and the healthy diet, among other things,
- webinars with the Karkonosze National Park (Karkonoski Park Narodowy), during which the specialists in the predator and ornithofauna monitoring talked about, among other things, the most valuable species found in the Karkonosze mountains,
- webinars for the employees related to the secondary prevention of the heart attacks, under the title "How to avoid another heart attack – an effective treatment of hypercholesterolemia" and related to the stroke under the title "How to recognize and properly assess the life threatening conditions",
- training with respect to the cardiopulmonary resuscitation with the Upper Silesian Medical Center (Górnośląskie Centrum Medyczne),
- free cardiology examinations and consultations conducted by the specialists from the Upper Silesian Medical Center (Górnośląskie Centrum Medyczne) because of the World Heart Day,
- individual meetings with a psychologist and a child pedagogue were held for the interested employees.

As part of the "Rodzina MegaMoc" (Family MegaPower) campaign, the following events were held:

- "Zero Waste" webinar on the issue of the climate change and its impact on our future and the application of the zero waste ideas at home and in the company, making the well thought through purchasing decisions and taking care of our planet and health at the same time,
- zero waste competition for the employees under the title: "Show off your idea for an ecological picnic with your loved ones",
- yoga classes for TAURON Group's employees,
- webinar with Mountain Volunteer Rescue Service (Górskie Ochotnicze Pogotowie Ratunkowe - GOPR under the title the "Family Expedition to the Mountains",
- workshops for the employees' children related to the energy use combined with a photo contest.

As part of the "#Love for Physical Activity" (#Zamiłowanie do aktywności fizycznej) campaign, the following periodic events are held:

- sports games for TAURON Group's employees in five disciplines, discovering the sports capabilities and potential of the Group's employees and integrating the internal community,
- TAURON Group's employees' skiing competition,
- TAURON Group's employee volleyball championships.

Awards for the corporate social responsibility activities:

Leader of the Corporate Social Responsibility in the category Good Company 2023

TAURON was awarded the title of the Leader of the Corporate Social Responsibility in the category Good Company 2023. The Leaders of the Corporate Social Responsibility program is a competition organized by the Business Forum, whose goal is to distinguish the companies and the institutions operating in Poland that are guided by the principles of the Corporate Social Responsibility and the leaders with respect to the implementation of the CSR assumptions. The numerous criteria were taken into account in selecting the winners, including, among other things, the degree of the company's involvement in the charitable activities, the Corporate Social Responsibility (CSR) and the implemented policy of the company as an employer. The competition's board appreciated TAURON Group's activities related to its commitment to the dissemination of the CSR principles, in particular in the context of the activities for the benefit of the local communities, through the implementation of the numerous projects focused on the pro-social, educational, sports, environmental and the cultural levels.

ESG Leaders – the silver prize in the "Education Program" category

TAURON was awarded a silver prize in the Education Program category in the "ESG Leaders" competition, organized by the Warsaw Stock Exchange (WSE) and PWC Poland. Its goal is to recognize the companies that offer the innovative products and services that support the environment protection or the social sustainability, implement the ESG strategy and conduct the effective information and promotion campaigns in the area of the sustainable development. The award is given in three categories: Strategy, Innovation and Education Program. The competition's board appreciated TAURON Group's activities in the educational area and its proprietary project called TAURON's Green Laboratories, whose goal is to support the youngest generations with respect to the access to science, knowledge and the new technologies, as well as giving the primary and secondary school students a chance to create the modern classroom of their dreams.

Ranking of the Responsible Companies

The Ranking of the Responsible Companies is a list of the largest companies in Poland, evaluated in terms of the quality of their corporate social responsibility (CSR) management. The 17th edition of this event had been held in 2023. Seventy four organizations had taken part, answering the questions from a questionnaire on the scope of environmental, social and corporate governance criteria. TAURON's position at the top of the ranking confirms that the corporate social responsibility and the sustainable development are our greatest value and an inseparable element. The steps taken by TAURON Group in the area of the corporate social responsibility, create the image of an ethical and trustworthy company.

S 3.10. Principles of sponsorship

Table of indicators:

GRI – general	2-24
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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 the 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 the sponsorship projects should be planned and implemented to ensure their transparency, accomplishment of the objectives set and the compliance with the generally applicable legal regulations, the internal and the intra-corporate regulations, as well as the good practices.

The most important projects include the titular sponsorship titular (naming rights holder) of TAURON Arena in Cracow and the cooperation with the Polish Volleyball League (Polska Liga Siatkówki). TAURON is the titular sponsor (naming rights holder) of the Women's Volleyball League, as well as of the Men's Volleyball League's 1st 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 Polish people.

In December 2023, an agreement was signed, for the third time already, with TAURON Arena Kraków. The agreement will remain in effect until 2028. Pursuant to the agreement TAURON will continue to be the titular (naming rights holder) sponsor of the facility. TAURON has been a sponsor titular (naming rights holder) of the facility since its inception.

TAURON, as part of the "TAURON without barriers" (TAURON bez barier) initiative, is the General Sponsor of the Special Olympics - a nationwide organization that supports the athletes with the intellectual disabilities. The sports provide 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 the stereotypes, contributes to the better understanding and acceptance of the people with the intellectual disabilities.

In 2023, a four-year agreement was signed with the Polish Olympic Committee (PKOl), under which, in addition to sponsoring the Olympic team, TAURON became a strategic sponsor of sports associations:

- Polish Roller Sports Association (Polski Związek Sportów Wrotkarskich),
- Polish Aeroclub (Aeroklub Polski),
- Polish Gymnastics Association (Polski Związek Gimnastyczny).

and the Title Partner (naming rights holder) of the Polish Hockey League.

The cooperation with the Soundscape Foundation was added to the thus far supported cultural projects, i.e. TAURON Nowa Muzyka Festival in Katowice and the Snow Fest Festival in Szczyrk, The cooperation with the Soundscape Foundation. Soundscape is a foundation from the Silesia region, whose main goal is to create the platforms for the cooperation of the creative communities and the popularization of the culture. The foundation deals with the scientific approach to the sound, its use in the music, visual arts and in the public space. As part of this cooperation, a multimedia laboratory - TAURON Lab - was established, located on the campus of the Academy of Fine Arts in Katowice (Akademia Sztuk Pięknych w Katowicach), providing the so far unprecedented creative opportunities.






TAURON Group is among the TOP 3 brands in the energy industry that engage in the sponsorship activities (in accordance with the Sponsorship Monitor 2023 – the Syndicated Research Report by ARC Market and Opinion, Warsaw 2024).

S 4. Description of opportunities and risks and the impact thereof on TAURON Group's operations

S 4.1. Human Capital Management Risk

Table no. 87 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. 87. Human Capital Management Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:			
<p>TREND ↗ Risk in an upward trend</p>	<p>TREND → Risk in a sideways trend (no change)</p>	<p>TREND ↘ Risk in a downward trend</p>	
 Low materiality	 Moderate materiality	 Medium materiality	 High materiality
<p>Human Capital Management Risk</p> <p>TREND →</p> <p>MATERIALITY </p>	<p>THREATS</p> <p>Risk related to the employee issues, including diversity, participation, employment and working conditions, relations with the trade unions and respect for the right of freedom of association, human capital management, career path and recruitment management, training systems, health and safety at work as well as, in the long run, the need to restructure employment due to climate change, forcing a change of the business operations profile. The materialization of the risk may result in the interruptions or disruptions in the operational work, employee complaints, collective labor disputes, strikes, loss of specialized staff and difficulties in reproducing it.</p> <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • stabilization of employment, fewer staff fluctuations, • decrease in the cost of recruiting and training of the new employees, • higher level of competence of the persons employed, higher productivity. <p>RESPONSES</p> <ul style="list-style-type: none"> • adoption and implementation of TAURON Group's Recruitment Principles, • implementation of TAURON Group's Policy of Compliance with Ethics Principles and Counteracting Mobbing and Discrimination, • care for the development of the employees' competences, including through the participation in the development training courses, • conducting consultations with the social organizations operating at TAURON Group, • implementation of TAURON Group's Human Capital Management Policy based on the Competence Model and the applicable compensation and labor law regulations (Compensation Regulations, ZUZP, Labor Regulations), • health promotion by providing the employees with access to private medical services, and health care, • applying the provisions of the Diversity Policy, • implementation of the provisions of the Respect for Human Rights Policy. 		

S 4.2. Internal Communication Risk

Table no. 88 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. 88. Internal Communication Risk identified at TAURON Group

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

TREND
↗
Risk in an upward trend

TREND
→
Risk in a sideways trend (no change)

TREND
↘
Risk in a downward trend

Low materiality

Moderate materiality

Medium materiality

High materiality

Communication Risk TREND → MATERIALITY ■	THREATS OPPORTUNITIES RESPONSES	<p>Risk related to providing inaccurate (unreliable), untrue information or a failure to provide the information within a certain time frame</p> <hr/> <ul style="list-style-type: none"> faster resolution of the disputes between the workforce and the Management Board, reducing / eliminating the costs of the possible shutdowns during the labor protests. <hr/> <ul style="list-style-type: none"> developing the relationships with TAURON Group's workforce and the close cooperation with the Social Dialogue Ombudsman, the use and the development of the available communication tools in order to provide the relevant information to the employees of TAURON Group, when providing the relevant information - organizing face to face (direct) meetings of the management team with the workforce, ongoing monitoring of the situations and events occurring at TAURON Group's subsidiaries that may cause social unrest, regular periodic meetings with the representatives of the subsidiaries, that deal with the internal communication, in order to exchange information, applying the provisions of TAURON Group's Communications Strategy.
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S 4.3. WHS Risk

Table no. 89 presents the WHS Risk identified at TAURON 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. 89. WHS Risk identified at TAURON Group

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

TREND
↗
Risk in an upward trend

TREND
→
Risk in a sideways trend (no change)

TREND
↘
Risk in a downward trend

Low materiality

Moderate materiality

Medium materiality

High materiality

WHS Risk TREND → MATERIALITY ■	THREATS OPPORTUNITIES	<p>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.</p> <hr/> <ul style="list-style-type: none"> building a positive image of the TAURON Group as an entity taking care of the health and safety issues, creating safe working conditions for its employees, decrease in the number of accident events, the lower costs resulting from the consequences of accident events.
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	RESPONSES	<ul style="list-style-type: none"> prioritizing the safety of the employees, Customers, contractors and stakeholders in the business operations undertaken, applying the provisions of TAURON Group's Work Health and Safety (WHS) Policy, ensuring the optimal work conditions, conducting active monitoring of the working conditions and the correctness of the work organization, raising the employees' qualifications with respect to improving work safety, conducting the training courses, implementing and improving the WHS management system.
Pandemic Risk TREND → MATERIALITY ■	THREATS	Risk related to the occurrence of the state of pandemic causing the disruptions to the country's economic and administration system, as well as bringing about the 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 the demand for the products offered by TAURON Group's subsidiaries, including, in particular, the electricity distribution and supply volumes.
	OPPORTUNITIES	Early detection and response to an increase in the number of the infection cases curbs the spread of the disease, which leads to the faster control of the situation and the control of the effects of the pandemic reducing the time of the incapacity to perform work, in order to maintain the continuity of the Group's operations, curtailing any potential losses in the business operations.
	RESPONSES	<ul style="list-style-type: none"> monitoring of the state of the epidemiological threat (risk) at TAURON Group, collecting the information on the threats (risks) and identifying the potential threats (risks) to the safety of the employees of TAURON Group's subsidiaries, developing and recommending the solutions aimed at reducing the level of risk to TAURON Group's resources, ongoing monitoring of the risk of the availability of the employees and the services provided by TAURON Group's subsidiaries, recommending solutions aimed at reducing the effects of the materialization of the threat (risk) on TAURON Group's resources, preparing and providing feedback on the content of the messages disseminated at the level of TAURON Group and TAURON Polska Energia, use of the screening tests, preparing the contingency plans in the event of a loss of the Group's key employees, development of the backup business continuity plans.

S 4.4. Social Risk

Table no. 90 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. The corporate social responsibility area management risk and the risk of reputation management by shaping the brand image are classified in the category: Operational Risk / Environment (Stakeholders).

Table no. 90. Social Risk identified at TAURON Group

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

TREND ↗ Risk in an upward trend	TREND → Risk in a sideways trend (no change)	TREND ↘ Risk in a downward trend
		
Low materiality	Moderate materiality	Medium materiality
		
	High materiality	

Social Risk TREND → MATERIALITY ■	THREATS	The risk includes the risk of the non-compliance with the standards of the Customer service, the supply contract performance, the external communications and the marketing activities, as well as the risk related to the protection of the personal data. The result of the materialization of the risk is a loss of the reputation and the trust of the Customers, the disputes with the Customers, a failure to meet the targets, including the sales targets, as well as the potential penalties for the non-compliance with the legal requirements with respect to the protection of the personal data.
	OPPORTUNITIES	Acquiring of the new Customer groups and the development of the product offerings based on the current trends and the Customer needs, the consolidation of the positive image of TAURON Group's brand.







	RESPONSES	<ul style="list-style-type: none"> • applying of the PRO Client Social Policy, • conducting of the dialogue with the Customers, including the Customer satisfaction surveys, tailoring the product offerings to their needs, ensuring the high quality of the Customer service, • developing of the relationships with the Customers and with the market environment (stakeholders), • responsibility for the product, including for the quality and the security of the supply, tailoring of the product offerings to the Customer expectations, • protection of the privacy and the security of the Customers' personal data, • deploying of the tools supporting the implementation of the client social policy, • 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, • 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.
<p>Corporate social responsibility area management risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	<p>Risk related to the involvement of TAURON Group in the activities that do not constitute a response to the needs of the stakeholders resulting in a loss of confidence on the part of the various stakeholder groups, a loss of the credibility and the messages generated by the company in the society.</p>
	OPPORTUNITIES	<p>Acquiring of the new Customer groups and the development of the product offerings based on the current trends and the Customer needs, the consolidation of the positive image of TAURON Group's brand.</p>
	RESPONSES	<ul style="list-style-type: none"> • implementation and performance of the CSR projects plan, which specifies all of the activities, including the justification thereof, • applying of the document entitled: TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects, • approval of the key activities by the authorized areas.
<p>Risk of reputation management by shaping the brand image</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	<p>Risk includes the risk of a failure to meet the standards of the Customer service, the supply contract performance, the external communications and the marketing activities, as well as risk related to the personal data protection. The effect of the materialization of the risk is loss of the reputation and the trust of Customers, the disputes with Customers, a failure to meet targets, including the sales targets, and the potential penalties for the non-compliance with the legal requirements with respect to the protection of the personal data.</p>
	OPPORTUNITIES	<p>Acquiring of the new Customer groups and the development of the product offerings based on the current trends and the Customer needs, the consolidation of the positive image of TAURON Group's brand.</p>
	RESPONSES	<ul style="list-style-type: none"> • supervising of the process of establishing the methodology for conducting the promotional and the sponsorship campaigns, approving of the key activities by the authorized areas, • implementing of the Visual Identification System, appointing a Team responsible for assessing and approving the image building projects.

G – GOVERNANCE

(Corporate Governance)

G 1. Governance area in numbers

Table no. 91. Non-financial and financial key performance indicators related to the corporate governance area in 2023

	Key performance indicators	2023
	Conducted training sessions on the topics related to the respect for human rights, a conflict of interest, counteracting corruption, the proposed changes in the area of the sustainable development, and TAURON Group's other internal regulations with respect to Compliance	21
	Identified material cases of non-compliance with the laws and regulations	0
	Material penalties for non-compliance with the laws and regulations	No sanctions imposed on TAURON Group
	Participation in the preparation of the document "Anti-Corruption Standard for Business" published in December 2023 at the registered office of the Warsaw Stock Exchange Joint Stock Company (Giełda Papierów Wartościowych w Warszawie S.A.), which provides the guidelines for an implementation of an anti-corruption program at organizations	
	Number of TAURON Group's employees trained with respect to the Corporate Social Responsibility Code of Conduct and the Compliance Management System at TAURON Group by the end of 2023	13 000 employees
	Identified critical incidents as defined by the Act of July 5, 2018, on the National Cyber Security System	0

G 2. TAURON Group's corporate governance commitments

TAURON Group ensures a transparent compliance with the corporate governance and business ethics. As part of its operations and business relations, the Group implements the commitments adopted in the internal policies with respect to the corporate social responsibility, including counteracting corruption, countering money laundering, ensuring a respect for the human rights and the protection of the personal data. The commitments with respect to the corporate governance are rooted in the Group's corporate values, which are the determinants for the shaping of the organizational culture and are the starting point for the rules of conduct. The key document relating to the corporate governance commitments is the Corporate Social Responsibility Code of Conduct and the comprehensive whistleblowing system related to that document.

G 2.1. Corporate Social Responsibility Code of Conduct

Table of indicators:

GRI – general	2-23
WSE	G-M4

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 for the benefit of the Group, are obligated to familiarize themselves with the Code and to act in accordance with its provisions.

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 the issues concerning employees, the natural environment and the stakeholders. The Code also describes TAURON Group's Whistleblowing (Fraud Reporting) System, which is discussed in more detail in the "Whistleblowing System" section.

The Code regulates, among other things, the issues related to:

- compliance with labor rights,
- prohibition of discrimination and unequal treatment,
- diversity,
- conflict of interest,
- countering corruption,
- environment protection,
- stakeholder relations,
- fair competition,
- safety and security,
- information protection.

The Code provides the basis for the detailed policies and procedures related to the above mentioned topics.

The issues related to the topics indicated in the Code are included in the periodic reports with respect to the scope of the tasks performed, submitted quarterly to the Audit Committee and semi-annually to the Supervisory Board of TAURON Polska Energia. After the end of the calendar year, the Compliance Officer draws up an annual Compliance Report on the functioning of the Compliance Management System at TAURON Group.

The Compliance Officer conducts monthly monitoring of the reports of abuse (whistleblowing reports) at TAURON Group and takes appropriate measures in the event a violation has been confirmed, including actions aimed at minimizing the likelihood of the risk of abuse occurring in the future.

TAURON Group employees are required to complete training on the issues identified in the Corporate Social Responsibility Code of Conduct. These topics also constituted the content of the online training as part of the "Compliance Academy" project implemented in 2023.

G 2.2. Whistleblowing system

Table of indicators:	
GRI – general	2-25, 2-26, 2-27
WSE	G-M6

TAURON Group's Corporate Social Responsibility Code of Conduct specifies how to report abuse at TAURON Group. Using the Whistleblowing System it is possible to report (whistle blow) activities that are in breach of the commonly applicable law, violations of the internal regulations and other doubtful matters - including the concerns about the way the organization conducts its business operations. They can be reported through the communications channels adopted at TAURON Group, i.e.:

- in person to the Compliance Officer,
- in writing, to the following address: Compliance Officer, ul. Ks. Piotra Ściegiennego 3, 40-114 Katowice,
- by phone: + 48 32 774 22 22,
- via e-mail: compliance@tauron.pl,
- via the Abuse (Fraud) Reporting Form available at: <https://www.tauron.pl/tauron/o-tauronie/formularz-zgloszenia-naduzycia/>,
- at TAURON Group's subsidiaries, the employees are also able to report abuse (fraud) in person, by phone or in writing to the Compliance Coordinator. The contact details of the Compliance Coordinators are available in the intranet.

In addition, it is possible to contact the Ethics Committee in case of reporting cases of mobbing (bullying) or discrimination. The procedure for receiving reports by the Ethics Committee is described in more detail in Section "S 3.4. Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination".

The Abuse (Fraud) Reporting Form allows for the possibility of submitting information anonymously. The communication channels indicated above allow employees and external parties (including suppliers and other stakeholders) to safely report potential violations. If one's identity is disclosed, the confidentiality of the whistleblower's data and the information provided is ensured. TAURON Group provides protection against any form of retaliation to those who report incidents of abuse (fraud).

Reports of violations are verified for veracity and reported to the Risk Area. Investigations are conducted to verify the report. In case a violation is confirmed, actions are taken to offset the negative effects of the violation and the preventive measures are implemented. Adequate recommendations are issued in connection with each confirmed case of violation, based on the circumstances of the given case.

TAURON Group is taking measures aimed at improving the process of receiving (handling) the reports of violations, including taking into account the circumstances indicated by users of the channels used to report the violations. It also conducts educational and informational campaigns on the rules for reporting corrupt activities or other abuses at TAURON Group.

Case reporting statistics

A total of 86 potential cases of irregularities were reported at TAURON Group in 2023, with the follow-up actions having been taken for all of them.

During the period covered by the report, no material cases of non-compliance with the laws and regulations had been identified, and no material penalties for a failure to comply with the laws and regulations or any non-financial sanctions for the non-compliance were imposed on TAURON Group.

In order to build awareness with respect to countering irregularities, training sessions were organized in 2023, with a constant part thereof being a reminder to participants of the mechanisms for reporting fraud (whistle blowing) at TAURON Group. As part of the Compliance Day 2023 event, training sessions on ESG were held with a special focus on the topics related to corporate governance and the role of HR and Compliance Teams in the face of the upcoming changes with respect to the reporting of the non-financial information.

G 2.3. Responsible supply chain, supplier relations and human rights in the supply chain

Table of indicators:	
GRI 3-3	Responsible supply chain, transparent supplier relations and respect for human rights in the supply chain
GRI – general	2-6
WSE	G-M6
Proprietary indicators	Description of actions in the field of building responsible supply chain, transparent supplier relations and respect for the human rights in the supply chain

Ensuring sustainability and social responsibility at the company and within its supply chain is one of the priorities for TAURON Group's business operations. The document that regulates social issues within the supply chain is the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries, which has been in effect at TAURON Group since 2017 (the document is available on TAURON Group's procurement platform).

Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries

The document sets the standards of conduct for TAURON Group's contractors (counterparties), particularly with respect to the employees (including work health and safety, discrimination, personnel policy, forced labor, employment of children and minors), the natural environment (environmental protection, responsible resource management, climate care), relations with the stakeholders (including fair competition, combating fraud, information security and protection, investor relations).

TAURON Group expects to cooperate with contractors (counterparties) who respect human rights and act in compliance with the legal regulations, ensure safe and dignified working conditions, and apply not only the highest ethical standards, but also care for the natural environment and climate.

The Code constitutes a binding standard that promotes responsibility among the stakeholders and encourages suppliers to implement responsible practices, including the compliance with the environmental standards contained in the legally binding supplier agreements. TAURON Group does not cooperate with contractors (counterparties) that act in violation of the law, the provisions of TAURON Group's internal and intra-corporate regulations, or ethical standards, standards of good conduct or good business practices.

The Code is applied in relations with the contractors (counterparties) of TAURON Group's subsidiaries and is applicable to all of the employees, the members of the management board and supervisory bodies of the subsidiaries, as well as proxies and powers of attorney.

The Code is linked to other documents in force at TAURON Capital Group:

- 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 contractors (counterparties),
- TAURON Group's rules for organizing ventures in cooperation with external entities,
- TAURON Group's Purchase Order (Contract) Award Regulations.

Before commencing cooperation with a counterparty, it is necessary to carry out a verification (vetting) in accordance with the Procedure for Assessing (Vetting) the Credibility of the Contractors (Counterparties), which is described in more detail in section "G 3.2. The Procedure for Assessing (Vetting) the Credibility of TAURON Group's Contractors (Counterparties)". The verification to be carried out is related to, among other things, the counterparty's legal and financial characteristics, capital and personal ties, information on its experience and history, as well as the determination of the real beneficiary, the subject and area of business operations, and it being subject to international sanctions.

Each contractor (counterparty) that takes part in the proceedings organized by TAURON Group subsidiaries is obliged to submit a statement confirming its familiarity with TAURON Group's Corporate Social Responsibility Code of Conduct and the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries as well as the compliance with its provisions.

G 3. Internal policies and regulations, as well as actions taken and the results achieved by TAURON Group

G 3.1. Corporate Purchasing Policy

Table of indicators:

GRI – general	2-24
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TAURON Group's Strategy formulates expectations for the purchasing area - it is a continuation of the actions taken to improve the efficiency of the purchasing processes in place. TAURON Group's Corporate Purchasing Policy sets the priorities and goals for the Group's purchasing areas, in particular with respect to:

- consolidating the most material purchasing processes,
- standardizing the purchasing procedures and processes,
- increasing the level of digitalization of the purchasing processes.

Due diligence procedures and the 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. In order to be able to more fully achieve the above objective, the Purchase Order (Contract) Award Regulations and the 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 the transparency thereof.

The functionality of TAURON Group's Purchasing Platform, using which the purchasing processes are conducted, was updated in 2023 to include electronic declarations, making it faster and easier for contractors to submit bids in the proceedings by checking (ticking) the relevant content of the declarations without having to fill out additional documents.

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.

11 254 proceedings had been conducted at TAURON Group in 2023, as a result of which 30 815 bids had been submitted.

Contractors bidding for purchase order (contracts) shall submit statements confirming the following, otherwise their bids shall be rejected:

- having become familiar with TAURON Group's Corporate Social Responsibility Code of Conduct and complying with the provisions thereof. The above statement is posted on the Company's web site at the following address:
<https://swoz.tauron.pl/swoz2/platform/application?MPaction=publicFilesList&folder=00f0003&MPmodule=main>,
- not being in arrears with the payment of taxes, fees or the social and health insurance premiums,
- not having been convicted with a legally binding judgement for an offence committed in connection with the purchase order (contract) award proceeding, an offence against the rights of persons performing paid work, an offence against the environment, a bribery offence, an offence against business trading operations or any other offence committed for a financial gain, as well as a fiscal offence or an offence involving a participation in an organized group or association aimed at committing an offence or a fiscal offence.

The principle of equal treatment of contractors associated with the public procurement law does not allow for the exclusions of contractors from the supply chain due to the carbon footprint generated by the operations thereof and the negative impact on climate. An engagement with suppliers to improve environmental efficiency (performance) in the current state of the law is done on a voluntary basis on the part of suppliers that can grant a non-binding consent to disclose information on the impact of their operations on the environment and climate.

A provision has been introduced in the Regulations to promote and take into account environmentally friendly solutions, mitigating the impact on the environment and the climate change, in the description of the subject of the purchase order (contract). Also, the possibility of including the best available technologies, in terms of their environmental impact, the solutions that mitigate the impact on the climate change as well as the greenhouse gas emissions in the criteria for the evaluation of the tenders has been introduced,

Purchasing Strategy

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 the information on the solutions proposed and the innovations implemented by the suppliers.

Actions taken and the results achieved

Implementation of the goals established in the Corporate Purchasing Policy resulted in the simplification and standardization of the purchasing process. One of the key metrics of the efficiency of the purchasing process (KPI) 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.

In addition, a metric called the "monitoring of purchasing processes" has been introduced in the KPI system, which verifies the course of the purchasing processes at 14 of TAURON Group's Subsidiaries. It is aimed at improving the quality of the data recorded in the IT systems, based on which reports are generated for internal and external purposes.

G 3.2. The Procedure for Assessing (Vetting) the Credibility of TAURON Group's Contractors (Counterparties)

Table of indicators:

GRI – general	2-24
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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 in contravention of the law, standards of good conduct and business practices, and in particular in order to reduce the risk stemming from:

- participation in the tax fraud and money laundering activities,
- commencing cooperation with entities placed on the sanctions lists, subject to the financial sanctions or specific restrictive measures,
- an occurrence of the corruption risk,

The assessment of the credibility of contractors (counterparties) is made on the basis of:

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

Due diligence procedures and the internal regulations

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

The verification to be carried out includes, among other things, the identification of the counterparty's beneficial owner, the type of the business operations it conducts and the geographic area within which it operates, and the counterparty's history of corruption or violations of law of a similar nature.

Actions taken and the results achieved

The Compliance Area issued a total of 913 counterparty credibility examination (vetting) reports in 2023.

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.

As part of the "Compliance Academy" training series, a training course entitled "Find out who your counterparty is, i.e. the overview of the procedures for vetting the credibility of the counterparties at TAURON Group" was held to familiarize the employees with the principles of verifying the counterparties at TAURON Group. These training sessions were voluntarily attended by 103 employees.

G 3.3. Internal audit principles and internal control principles

TAURON 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.

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, creating and coordinating of the principles of the functioning of the audit and internal control, as well as providing support for the organization in maintaining an effective internal control system.

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.

The teams of the Audit and Internal Control Area at TAURON Polska Energia are conducting scheduled and ad hoc audit tasks both at TAURON Polska Energia, as well as at TAURON Group's subsidiaries. The audit activities are governed by the document entitled "TAURON Group's Internal Audit Principles". 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 of the effectiveness of the management thereof. 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 verified on an ongoing basis.

The internal control 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 activities are governed by the document entitled "TAURON Group's Internal Control Principles". The control tasks are performed in the form of ad hoc and scheduled controls (audits) conducted by the control teams composed of the employees holding the Autonomous (Independent) Audit and Internal Control 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 at TAURON Polska Energia carried out 20 scheduled and ad hoc tasks in 2023.

In addition, a model for the periodic Evaluation of the Internal Control System is in place at TAURON Group, with its goal being 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. The evaluation of the Internal Control System for 2023 was carried out according to the above mentioned model and consisted of both a Self-Assessment of the individual lines of business, as well as the tests of the adequacy, implementation and effectiveness of the selected control mechanisms related to the risks assessed as relevant to the Internal Control System.

The most important aspects related to the internal controls and risk management with respect to the process of drawing up financial statements and consolidated financial statements are described in the Management Board's Report on the Operations of TAURON Polska Energia and TAURON Group for the 2023 financial year in Section 9.3 The main features of internal control and risk management systems in relation to the process of drawing up financial statements and consolidated financial statements.

G 3.4. Anti-corruption Policy

Table of indicators:

GRI – general	2-24
GRI – topic	205-1, 205-2, 205-3
WSE	G-M5

TAURON Group has implemented an Anti-Corruption Policy, pursuant to which it prevents, identifies risk areas and clarifies the suspected cases of corruption in accordance with the zero tolerance approach to corruption. TAURON Group also has other intra-corporate regulations covering the anti-corruption issues, i.e., among other things, TAURON Polska Energia S.A. Capital Group's Accounting Policy, Principles of Circulation, Control and Approval of Purchase Documents at TAURON Group's Subsidiaries and the Rules for Entering Bank Accounts into the Suppliers' and Customers Files in the Financial and Accounting Systems. The provisions of the above mentioned regulations outline the operating guidelines addressing record keeping, approval procedures and appropriate behavior aimed at counteracting corruption.

The Policy applies to all of the employees, members of the management board and the 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 areas susceptible to the risk of corruption or other fraud related to the operations of TAURON 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 related to the marketing and consulting services,
- cash transactions,
- donations and sponsorship agreements.

Due diligence procedures and the internal regulations

TAURON Group's employees shall be obliged to prevent and report potential cases of corruption. The Group's subsidiaries provide adequate communication channels that allow employees and external parties to safely (including anonymously) report potential violations and any inquiries regarding the anti-corruption area. Reporting channels are further described in Section "G 2.2. Whistleblowing System".

Corruption risk is one of the identified operational risks assigned to the Compliance unit. As part of risk monitoring, the Compliance Officer obtains information on reported suspected cases of corruption at TAURON Group, as well as on pending court cases and their outcomes. A gift register is also maintained for each of the Group's subsidiaries. TAURON Group takes adequate measures in response to incidents of corrupt activities, including notifying the law enforcement agencies of the suspected offenses.

Each employee shall be obliged to study the provisions of TAURON Group's Anti-corruption Policy, to strictly comply with its content and to sign a relevant statement on having familiarized himself/herself with the regulation.

TAURON Group's subsidiaries include an anti-corruption clause in the agreements to be concluded, through which the contractor declares that it counteracts all of the corrupt practices and other frauds (abuses), as well as undertakes to prevent such cases in the performance of the contract to be concluded.

Actions taken and the results achieved

As part of the working group under the United Nations Global Compact initiative, of which TAURON Polska Energia is a member, work was undertaken in 2023 to draft an Anti-Corruption Standard for Business, which would provide guidelines for implementing an anti-corruption program at various organizations. The standard is intended to serve both the organizations that are just introducing the anti-corruption programs, as well as the organizations that face the challenge of monitoring and reporting on the effectiveness of the anti-corruption system they have implemented. The document was published in December 2023 at the head office of the Warsaw Stock Exchange.

A key element of TAURON Group's anti-corruption system is raising awareness of the employees in this respect by conducting regular training on bribery and corruption. Four voluntary training courses had been conducted for TAURON Group's employees in 2023, attended by 442 persons.

By the end of 2023, more than 13 000 of TAURON Group's employees (70% of the work force) had completed the "Compliance Management System" e-learning training course covering the content related to anti-corruption activities.

Table no.92. Confirmed cases of corruption at TAURON Group in 2023

Indicator	Number
Number of internally confirmed cases of corruption	1*
Number of public prosecutions against the organization or its employees with respect to corruption	1**
Number of confirmed cases in which employees have been dismissed or punished with disciplinary measures in connection with corruption	0

*Substantiated suspicion of an offense of active corruption having been committed against an employee of a TAURON Group's Subsidiary. The employee filed the report. The notice of a suspicion of the offense having been committed was filed with the prosecutor's office.

**By way of the judgement of the second instance court a case of corruption at a TAURON Group's Subsidiary involving the acceptance of financial benefits in connection with the performance of a public function from 2008 to 2014 was determined to have occurred. The case is currently under the cassation proceedings. The case involves a former employee of a TAURON Group's Subsidiary.

G 3.5. Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism

Table of indicators:	
GRI – general	2-24

TAURON Group's Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism regulates the issues related to the exchange and protection of information within TAURON Group and covers 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.

Due diligence procedures and the internal regulations

TAURON Group's subsidiaries that are obligated institutions (in accordance with the Act on *Anti-Money Laundering – AML*) have their own internal procedures for counteracting money laundering and financing of terrorism and are obliged to file a report on the implementation of such procedures with TAURON Polska Energia every six months. The obligated institutions regularly update the AML documentation (including collecting the relevant statements) and prepare transaction statements (summaries), based on which they assess Customers with respect to money laundering and terrorist financing risks.

Actions taken and the results achieved

The Compliance Officer, together with the Compliance Team, every year organize a training on the AML (*Anti-Money Laundering*) for the employees of TAURON Group's subsidiaries that are obligated institutions.

As part of the due diligence procedures, the employees of the obligated institutions are obliged to complete an e-learning training course titled "Counteracting Money Laundering (Anti-Money Laundering) and the Financing of Terrorism".

G 3.6. Compliance Policy

Table of indicators:	
GRI – general	2-24

TAURON Group, seeking to meet the market standards, has introduced and is developing a Compliance Management System aimed at reducing the risk of sanctions, financial losses, as well as reputational damage, while contributing to building and consolidating TAURON Group's positive image. TAURON Group's corporate governance is rooted in the commonly applicable laws, in particular in the "Code of Commercial Companies" as

well as the compliance management standards and best practices. The internal and intra-corporate regulations of an open nature are published on TAURON's website. These documents, as well as the other regulations, are also available to TAURON Group's employees on the corporate intranet.

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

TAURON Group's Compliance Management System is composed of: Compliance Officer at TAURON Polska Energia, Compliance Coordinators at TAURON Group's subsidiaries and the Ethics Committee.

Due diligence procedures and the internal regulations

TAURON Group's Compliance Policy along with TAURON Group's Corporate Social Responsibility Code of Conduct constituted the basis for the adoption and application of a number of policies and procedures detailing the specific compliance issues, for example TAURON Group's Respect for Human Rights Policy, TAURON Group's Rules for Accepting and Giving Gifts.

As part of the risk status monitoring activities, the monthly compliance risk monitoring is carried out, in which the data on fraud, unethical behavior, non-compliance with the laws and regulations and corruption is aggregated and then reported. If an occurrence of a violation is confirmed, adequate steps are taken in order to minimize the impact of the risk and reduce the likelihood of the risk materializing in the future.

TAURON Group's due diligence is manifested, among other things, through the ongoing monitoring of the changes in the laws and regulations, identification of the issues related to the organization's operations and the introduction or updating of the adequate internal regulations. Within the framework of the implemented due diligence procedures, TAURON Group's employees can take advantage of the possibility to file a non-compliance report with respect cases of non-compliance with the law and any other violations.

Actions taken and the results achieved

TAURON Group applies the principle of caution by taking preventive measures aimed at preventing the occurrence of violations. As part of the ongoing compliance tasks the implementation training courses for the new employees and the regular training courses on the selected compliance management issues are conducted. A series of the online training courses called: "Compliance Academy" had been conducted in 2023. Within the framework of this project the Compliance Team conducted 21 training courses. All of the events conducted as part of that project were attended by 2 877 of TAURON Group's employees.

By the end of 2023, more than 13 000 of TAURON Group's employees had attended the e-learning training courses ended with the knowledge verifying tests with respect to TAURON Group's Corporate Social Responsibility Code of Conduct and TAURON Group's Compliance Management System.

In terms of the initiatives aimed at developing a compliance culture at TAURON Group, the publication of the quarterly Compliance Newsletters had been continued and the publication of the Compliance Alerts had been launched, through which TAURON Group's employees had been informed of the changes to the law and the trends in the compliance management.

G 3.7. Principles of counteracting a conflict of interest

Table of indicators:

GRI – general	2-15, 2-24
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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 the situations that may lead to an emergence of a conflict of interest.

Due diligence procedures and the internal regulations

The Principles (Rules) of Counteracting a Conflict of Interest are in force at TAURON Group. A conflict of interest occurs when, while acting in his/her own interest or in the interest of any entity, an employee simultaneously acts against the interests of the Group.

The purpose of the adopted rules is to:

- identify circumstances that constitute a conflict of interest or may cause it to arise,
- define the rules for preventing, identifying and managing a conflict of interest,
- increase the level of awareness among employees in terms of identifying, avoiding and disclosing a conflict of interest.

Each employee shall be obliged to immediately report to his/her immediate superior and to 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. These rules shall also apply with respect to the members of the management boards of TAURON Group's subsidiaries.

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 the arising of a conflict of interest has been introduced. The verification of the above obligation is carried out, among other things, through the identification of the affiliations for the purposes of the Procedure for the Identification of Affiliates of TAURON Group's subsidiaries, as part of which the organizational, capital (equity) and personal affiliations are identified.

In the articles of association of TAURON Group's subsidiaries and in the agreements on the provision of the management services concluded with the members of the management boards, the provisions stemming from the Act on the Principles of the Management of State Assets have been implemented, according to which:

- a member of the subsidiary's Management Board may not be a person whose social activities or income generating activities give rise to a conflict of interest in relation to the operations of TAURON Group's subsidiary,
- a person who does not perform activities that would be in conflict with his/her responsibilities as a member of the supervisory body or that could give rise to a suspicion of partiality or self-interest or give rise to a conflict of interest in relation to the operations of TAURON Group's subsidiary may be appointed to be a member of the Supervisory Board.

In the Regulations (By-laws) of the Management Board and the Regulations (By-laws) of the Supervisory Board of TAURON Polska Energia, provisions have been introduced whereby the members of the Management Board or the Supervisory Board shall inform the Management Board or the Supervisory Board, respectively, of any existing conflict of interest or the possibility of the occurrence thereof, and shall not take part in the consideration of a matter in which a conflict of interest may arise in relation to them.

In addition, a member of the Management Board may not, without a consent of the Supervisory Board (or TAURON Polska Energia or the Shareholders' Meeting at the subsidiaries where there is no Supervisory Board), engage in competitive interests or participate in a competitive company as a partner in a civil partnership, a partnership or as a member of an authority of a corporation, or participate in another competitive legal entity as a member of its authority.

Actions taken and the results achieved

The conflict of interest registers are maintained in order to document the circumstances or events that cause or may cause conflicts of interest at the subsidiaries.

Both, the candidates for the members of the Management Board and the Supervisory Board of TAURON Group's subsidiaries, as well as the members of the Management Board and the Supervisory Board of TAURON Polska Energia shall submit statements on the absence of conflicts of interest.

One voluntary training course on preventing conflicts of interest at TAURON Group was conducted in 2023, which was attended by 98 employees.

G 3.8. Security Management System Policy

Table of indicators:

GRI – general	2-16, 2-24
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TAURON Group's Security Management System Policy had been implemented in July 2018 and it was updated in the second quarter of 2023. It is in force at all of TAURON Group's subsidiaries.

The Security Policy and the specific regulations related thereto form a unified, consistent and comprehensive Security Management System 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 the standards, rules of conduct and the organizational structures with respect to security (safety) within TAURON Group, including the assignments of competences and responsibilities. Among other things, new rules for conducting security audits and the security requirements for third parties were implemented. Special attention is paid at TAURON Group to the Cyber Security aspects, which are regulated in a number of internal documents related to the security system, providing a Specific Cybersecurity Program.

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

1. Security Management System.
2. Information security.
3. IT/OT systems security.
4. Physical security.
5. Security incidents.

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

The Security Management System is based on the international standards with respect to information security management, such as ISO 27000 and the NIST standards.

Due diligence procedures and the 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 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 Cybersecurity Policy.
5. TAURON Group's Principles of IT System Management.
6. A comprehensive set of security standards for the IT/OT area.
7. TAURON Group's Security Incident Management Principles.
8. 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.
9. TAURON Group's Requirements for Designers and Contractors of Technical Security Systems and Fire Alarm Systems at TAURON Group.
10. TAURON Group's Guidelines for the use of Unmanned Aerial Vehicles.
11. 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 Management System, there is a set of processes in place, responsible for various aspects of security (safety) management that are implemented accordingly throughout TAURON Group, providing governance structures in place for cybersecurity management.

Communication of the critical incidents

A critical incident 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.

An optimization of the security incident management process had been implemented in 2023 through the creation of a dedicated incident reporting form and a tool for recording and handling the Security Incidents. No critical incidents had been identified in 2023.

Actions taken and the results achieved

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

- mandatory introductory training in basic security and 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 through a series of more than a dozen dedicated video tutorials,
- substantive (subject matter) related training for the employees responsible for various aspects of security (information security, IT/OT security, handling of the Security Incidents, 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 and 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 and safety of TAURON Group's infrastructure by, among other things:

- maintaining an extensive infrastructure for monitoring security and safety, physical security and IT/OT security,
- using technical and organizational safeguards (physical security, ICT security),
- maintaining structures responsible for the detection and the rapid response to the security incidents (in-house *Security Operation Center* (SOC) operating for 24 hours a day, whose employees use the 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 the high level of competences in the field of cyber security),
- cooperation with the state authorities and services with respect to identifying and neutralizing threats as well as attacks against TAURON Group's systems and infrastructure,
- conducting security audits and tests carried out using the in-house resources, as well as with the involvement of the external companies,
- applying the *security by design* and *security by default* principles in designing, ordering, maintaining the systems and the infrastructure that have an impact on security and safety,
- 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 the common security and safety standards.

TAURON Group is undertaking a number of activities aimed at ensuring security and safety, as well as raising awareness of TAURON Group's Customers, including, among other things, by:

- providing information to Customers on the 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 the Customers on TAURON Group's website.

G 3.9. Personal Data Protection Policy

Table of indicators:	
GRI – general	2-24, 2-27
GRI – topic	418-1
WSE	G-A1

The privacy of the individuals whose personal data we are processing is very important to us. The protection of the private individuals in this context is one of the basic rights, and we therefore take various measures to ensure the security of the data we are processing by implementing adequate technical and organizational measures.

TAURON Group has a personal data protection management system in place, established by the Personal Data Protection Policy for TAURON Group's entities. The goal of the Policy is to minimize the risk of violating the rights and freedoms of the private individuals whose data is processed. The document defines the manner and the principles of the implementation of personal data protection, while respecting the obligations imposed by law, including the roles and tasks of the individual units and the employees of the Group. The personal data protection

system introduced by the Policy is an element of TAURON Group's extensive information security management system.

TAURON Group's business entities operate as part of a group of enterprises. The Policy takes this circumstance into account, respecting their formal and legal separateness. The role of TAURON Polska Energia as a dominant entity (parent company) and the requirement to separate (unbundle) the operations of an electricity distribution system operator from those of the electricity supplier were also taken into account when developing the Policy.

The generally applicable acts of law, as well as the opinions and guidelines issued by the authorized bodies were taken into account when developing the Policy.

Due diligence procedures and the internal regulations:

In order to ensure due diligence with respect to personal data protection, the Policy regulates in particular:

- principles related to the processing of personal data,
- legal basis for the processing of personal data,
- designing of the processing of personal data,
- risk analysis and data protection impact assessment (*Data Protection Impact Assessment – DPIA*),
- security measures,
- raising awareness,
- issuance of authorizations,
- personal data protection audits,
- personal data protection management and monitoring structure,
- transfers of personal data,
- implementation of data subjects' rights,
- management of personal data protection violations,
- dealing with the supervisory authority audits,
- responsibility of the employees.

Actions taken and the results achieved

In connection with the evolving jurisprudence (rulings, case law) with respect to personal data protection and the decisions of the supervisory authorities, as well as the changing factual situation related to the processing of personal data at TAURON Group, a new Personal Data Protection Policy for TAURON Group's Entities had been adopted in 2023.

The new Policy is an element of the extensively undertaken activities aimed at continuously increasing the level of security of the adopted organizational and technical measures for processing broadly understood information including personal data. In connection with the above, the following activities, among other things, had been carried out in 2023:

1. Update of the internal regulations with respect to personal data protection (update to the Policy and of the accompanying processes).
2. Keeping the technical and organizational solutions used for processing the information 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 persons 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 agreements 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). as well as carrying out the prior assessment of the data processors (data processing entities) in terms of providing sufficient guarantees for the security of personal data processing.
10. Setting the rules for dealing with the information that minimize the risk of a theft of information and the information processing means, including the 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. use of the cryptographic mechanisms by the users in a manner adequate to the threats or the requirements of a legal provision,
 - e. ensuring the security of the system files,
 - f. promptly taking actions after noticing the undisclosed vulnerabilities of the IT systems to the possibility of security breaches.
12. Implementation of a system for promptly reporting of the incidents, enabling the identification and analysis of the breaches of personal data protection security, so that corrective action can be taken quickly.

There had been a single case of a justified Customer privacy breach complaint received from the regulatory authorities in 2023. The total number of the identified leaks, thefts or incidents of a loss of Customer data went up by 103 incidents in 2023 to reach 809. This is a 14.6% increase in the number of the breach incidents as compared to the same period in 2022.

Despite the overall significant increase in the number of the processing operations performed on personal data, there had been a positive change in the number of the legitimate complaints regarding breaches of the Customer privacy received from external parties and acknowledged by TAURON Group's subsidiaries. It went down by 24 cases as compared to 2022 (this represents approximately 31%).

The violations had mainly been caused by a human error, and as a consequence measures are being taken to improve the technical and the organizational solutions aimed at curtailing the errors. The above mentioned issue will be one of the priorities for TAURON Group's data protection area in 2024.

Material complaints regarding the breaches of Customer privacy and a loss of Customer data at TAURON Group in 2023 is presented in Table no. 93.

Table no. 93. GRI 418-1. Substantiated complaints regarding breaches of Customer privacy and loss of Customer data at TAURON Group in 2023

Material data on Customer privacy in 2023	
Total number of data leakage, theft or loss of Customer data cases found ¹	809
Number of substantiated (justified) complaints regarding breaches of Customer privacy received from third parties and acknowledged by the organization ²	54
Number of substantiated (justified) complaints regarding breaches of Customer privacy received from the regulatory authorities ³	1
Total number of substantiated (justified) complaints regarding breaches of Customer privacy ⁴	55

¹ Understood as: the total number of the personal data breaches as defined in Article 4, clause 12 of Regulation (EU) 2016/679 of the European Parliament and of the council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation) (GDPR).

² Understood as: the total number of the complaints of the natural persons (data subjects) with respect to the personal data protection that were deemed as substantiated (legitimate) by the organizations.

³ Understood as: the total number of letters, filings, proceedings with respect to the personal data protection received from the Office for Personal Data Protection, with the exception of the complaints related to the cases of the natural persons (data subjects) referred to in item 2.

⁴ Understood as: the total number of the complaints referred to in items 2 and 3.

G 3.10. Business Continuity Management Policy

Table of indicators:

GRI – general	2-16, 2-24
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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 its Strategy. TAURON Group, as the entity responsible for providing the key services such as the electricity and heat generation and distribution, had continued the implementation of the Business Continuity Management System in 2023 at selected Subsidiaries of the Group, i.e. TAURON Polska Energia, TAURON Ciepło, TAURON Dystrybucja, TAURON Obsługa Klienta and TAURON Wytwarzanie.

Due diligence procedures and the internal regulations

At all of the above mentioned Subsidiaries:

- Business Continuity Policies in line with TAURON Group's Business Continuity Management Policy were implemented,
- processes and services that are key (critical) to ensuring business continuity were identified, as well as the *Business Impact Analysis (BIA)* was conducted. As part of the *Risk Analysis (RA)* – the analysis and assessment of the risks (threats) to these processes and services were completed,
- Business Continuity Officers and Business Continuity Coordinators were appointed, as well as the resources and means necessary to maintain the business continuity of the key processes and services were secured,
- Business Continuity Plans and the Disaster Recovery Plans were developed to ensure the uninterrupted operation of the processes and services that are key (critical) to ensuring business continuity. These plans were also tested, at most of the Subsidiaries, in accordance with the requirements of the "Business Continuity Policy" of the given subsidiary in order to determine their effectiveness.

Actions taken and the results achieved

As part of the awareness building in 2023:

- specialized training entitled: "Internal Auditor of the Business Continuity Management System according to ISO 22301: 2019" had been conducted,
- periodic meetings of the Business Continuity Coordinators had been held as part of the Business Continuity Forum

At the same time, in the second half of 2023, two more of TAURON Group's Subsidiaries (i.e. TAURON Ekoenergia and TAURON Nowe Technologie) took the decisions to implement the Business Continuity Management System - they are currently at the initial stage of the implementation thereof, i.e. a "Business Continuity Policy" is under development.

G 4. TAURON Group's Risk Management Principles

Table of indicators:

GRI – general	2-24
WSE	I-M4

G 4.1. Three Line Defense Model

In order to ensure the broadly understood 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 – the functional control performed by:

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

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

- risk management,
- compliance assurance,
- safety assurance,

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

The results of the activities of the above indicated functions performer as part of the 2nd and 3rd lines of defense are reported directly to the senior level management, as well as to the Audit Committee and the Supervisory Board. The way the so-called Three Line Defense Model is organized is illustrated in Figure no. 35.



Figure no. 35. TAURON Group's three line defense model

G 4.2. Risk Management Objective and Principles

At TAURON 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 Group of its defined strategic goals, both a negative one (threat), as well as a positive one (opportunity).

In order to ensure the implementation of its Strategy in force, TAURON Polska Energia is managing the risk related to the operations of TAURON Group. The primary goals of risk management include providing the broadly understood security of the operations, which is to ensure an increased predictability of the Group achieving its strategic goals, including the sustainable generation of its financial results and the protection of the Group's current economic value (preventive function), as well as the support for the decision making processes.

TAURON Group's risk management:

1. 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, as well as the ability to evaluate the full risk profile in the organization and the consistent risk management principles,
4. ensures independence of the risk taking function from its control and monitoring,
5. ensures a clear split of the 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 the threats, allowing for taking the preventive measures,
8. is a systematic and continuously improved process which allows for aligning it on an ongoing basis to TAURON Group's specifics and organizational structure, as well as to the changing environment,
9. places a strong emphasis on developing awareness, training and encouraging the personnel to use the knowledge of the risks in the daily activities,

10. co-creates TAURON Group's internal audit system, constituting, along with the compliance assurance and the security management functions, an element of the Three Line Defense Model,
11. uses the tools that allow for an effective implementation of the process, i.e. the risk card, the risk register, the risk response plan, the volatility models, the scoring models and the risk limits,
12. is based on a risk model that defines a consistent classification of the risks, enabling their uniform and comprehensive recognition at TAURON Group's level.

G 4.3. Risk Management Strategy

The Enterprise Risk Management System (ERM System) is governed by TAURON Group's Enterprise Risk Management Strategy that defines the organization's enterprise risk management framework and rules, and its goal is to ensure the consistency of managing the individual risk categories that are detailed in the separate regulations, aligned to the specifics of the individual groups of threats.

Specific Risks are understood as a group of risks that constitute a direct detailing of the Enterprise Risk in terms of their specifics, for which the detailed rules for dealing with the given group of risks are developed in the form of the Specific Risk Management Policies. As part of the ERM System, the Specific Risks are identified, for which the separate Policies tailored to the nature and the specifics of the given group of risks are defined:

The basic classification of the enterprise risk is presented in Figure no. 36.

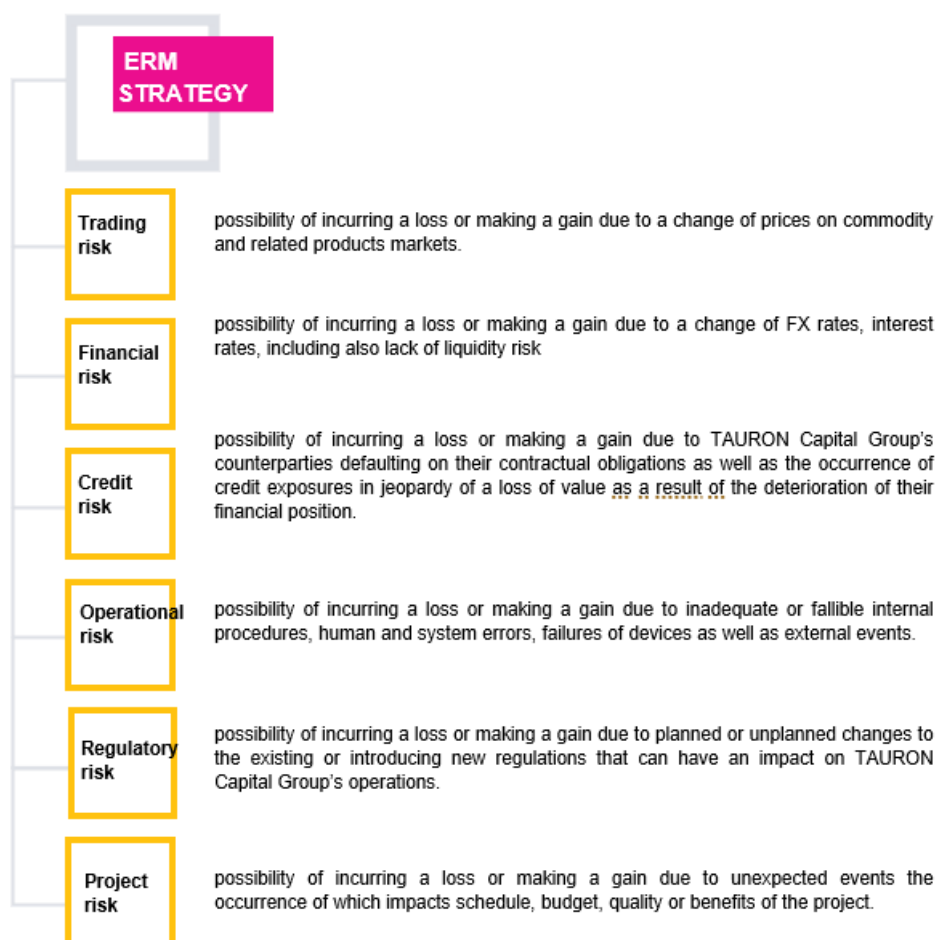


Figure no. 36. Description of TAURON Group's specific risks in the ERM system

The Business Continuity Management System is a component of the ERM System whose task is to identify the most critical processes for the business operations, identify threats to Business Continuity and build the mechanisms aimed at mitigating the disruptions as well as to develop TAURON Group's resilience.

G 4.3.1. Roles and Responsibilities of the Risk Management System's Participants

The key assumption of the ERM system is a clear and precise split of the tasks and responsibilities, ensuring no conflict of interest arises. In particular, the system guarantees independence of the risk taking function from the risk control and monitoring. This is achieved through the centralization of the control function at the Parent (Holding) Company level, while maintaining the organizational and functional separation of the risk taking function.

As part of the ERM process the roles and responsibilities of all of the participants of TAURON Group's risk management system are defined in detail, as presented in Figure no. 37.

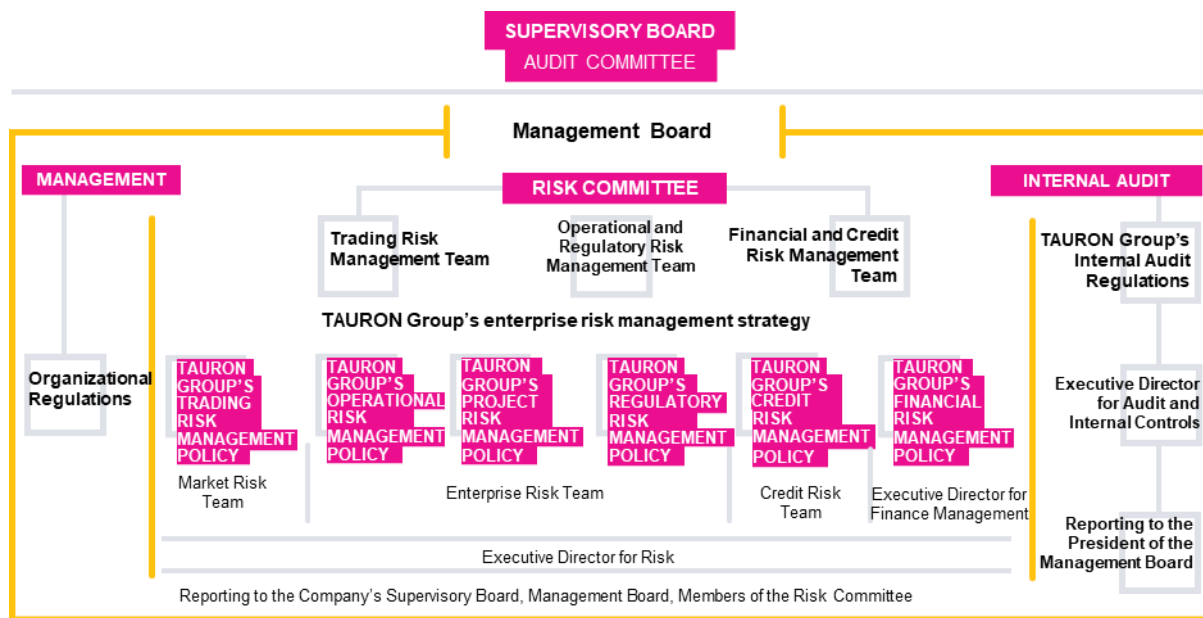


Figure no. 37. The links between the various roles in the context of the ERM Strategy and the documents regulating the ERM System in detail

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

G 4.3.2. 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 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 to a value acceptable for TAURON Group, necessary for conducting safe business operations.. The Risk Tolerance represents 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 their values the Risk Committee approves the sets of the Operational Limits dedicated to the individual risks or the groups thereof.

As part of the Risk Management Process (ERM), estimates are made of the probability and impact of the risks (both threats as well as 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.

G 4.3.3. Risk Model

Risk model defines a consistent risk classification, enabling a consistent and comprehensive capturing of the risk across entire TAURON Group. Each risk identified is assigned to the specific categories and sub-categories. The main risk categories and sub-categories, in accordance with TAURON Group's Risk Model in place, include:

1. Operational risk, within which the following risks are identified:
 - environment – the 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 the employees, information as well as the generation, transmission, mining or IT infrastructure,

- employees and organizational culture – the risks related to the employee issues and the organizational culture as well as the pandemic risk,
 - Compliance Risk – the risks related to the non-compliance, internal and external abuse (fraud), as well as the unethical behavior,
 - Customers and contractors (counterparties) – the risks related to the volatility of the supplies/services market, a failure of the Customer/contractor (counterparty) to meet their contractual obligations and the adverse changes or the terminations of the commercial contracts by the Customers, affecting both the volume as well as the margin.
2. Financial and credit risk, within which the following risks are identified:
 - finance and credit, within which the specific risks are identified:
 - financial risk – the risks related to the changes in exchange rates and interest rates,
 - credit risk – the risk of TAURON Group’s contractors (counterparties) defaulting on their contractual obligations due to the deterioration of their financial condition.
 3. Trading (commercial) risk, within which the following risks are identified:
 - trading – the risks related to the market volatility of the electricity and the related products market prices to which the enterprise is exposed, as well as the risks related to the changes in the volumes of purchases and sales of energy carriers.
 4. Regulatory risk, within which the following risks are identified:
 - regulations - risks determining the adverse impact of changes in the legislation at the national and the European level having a direct impact on the operations of TAURON Group.
 5. Project risks – the possibility of incurring a loss or obtaining a gain due to the unforeseen events, the occurrence of which has an impact on the schedule, budget, quality or benefits of the Projects (this includes the risks indicated in items 1 - 4, which may occur during the implementation of investment projects).

G 5. Description of the opportunities and risks and their Impact on TAURON Group’s Operations

Table of indicators:

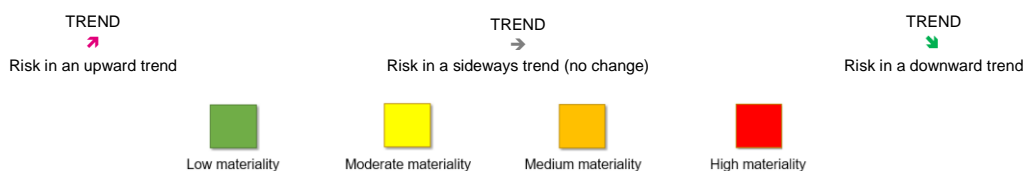
WSE	I-M4
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G 5.1. Regulatory Risk

Table no. 94 presents the Regulatory Risk identified at TAURON Group. In accordance with the Risk Model adopted by TAURON Group, the Regulatory Risk is classified as a separate category.

Table no. 94. Regulatory Risk identified at TAURON Group

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









<p>Regulatory Risk</p> <p>TREND ↗</p> <p>MATERIALITY ■</p>	<p>THREATS</p>	<p>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).</p>
	<p>OPPORTUNITIES</p>	<p>Taking full advantage of the legal regulations, including the emerging opportunities that have a positive impact on TAURON Group’s business operations.</p>

RESPONSES	<ul style="list-style-type: none"> • continuous monitoring of the regulatory environment and changes to the legal regulations, • active participation in the consultations with respect to the planned regulations (industry organizations, government agencies), • active measures aimed at creating the regulatory environment in a way that is favorable for TAURON Group, • continuous cooperation with the authorities performing oversight of the energy market and the capital market, • consultations with the organizational units with respect to the planned regulations, • internal consultations.
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G 5.2. Legal Risk and Compliance Risk

Table no. 95 presents the Legal Risk and the Compliance Risk identified at TAURON 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. 95. GRI 2-23. Legal Risk and the Compliance Risk identified at TAURON Group

		Each of the risks is assigned a trend and a materiality level, as indicated below:			
		TREND ↗ Risk in an upward trend	TREND → Risk in a sideways trend (no change)	TREND ↘ Risk in a downward trend	
					
		Low materiality	Moderate materiality	Medium materiality	High materiality
Legal Risk TREND → MATERIALITY 	THREATS	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.			
	OPPORTUNITIES	Taking full advantage of the legal regulations, including the emerging opportunities that have a positive impact on TAURON Group's business operations.			
	RESPONSES	<ul style="list-style-type: none"> • continuous monitoring of the regulatory environment and the changes to the legal regulations, including with respect to the social issues, respect for human rights, counteracting corruption, environment protection and the employee issues, • implementation of the required changes to the internal and intra- corporate regulations, • establishing working groups tasked with the preparation and the implementation the changes required due to the legal environment, • continuous cooperation with the authorities performing oversight of the energy market and the capital market, • consultations with the organizational units with respect to the planned key regulations in the area of compliance, • training of the employees with respect to the knowledge of the legal regulations and the internal regulations. 			
Internal abuse (fraud) risk TREND → MATERIALITY 	THREATS	Risk related to the appropriation or use of the Company's assets, its devastation, theft, use of an official position for a personal gain resulting in the financial losses, penal and administrative sanctions, criminal and civil law liability.			
	OPPORTUNITIES	Developing standards for the Group's operations, where abuse (fraud) is incidental, and any potential manifestations thereof are detected and eliminated at an early enough stage. This allows for building the organizational culture based on integrity and transparency.			
	RESPONSES	<ul style="list-style-type: none"> • education and training activities among the employees, including the mandatory e-learning training with respect to the values and standards defined, among other things, in TAURON Group's Corporate Social Responsibility Code of Conduct, • 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 Officer / Compliance Coordinator, or via the abuse (fraud) notification (reporting) form available on the website http://www.tauron.pl/, • conducting of the fact finding investigations by the Compliance Officer or the Compliance Coordinators, • building an organizational culture based on TAURON Group's values and principles (policies), • implementation of TAURON Group's Anti-Corruption Policy, • applying of the principles stemming from TAURON Group's Corporate Social Responsibility Code of Conduct, • implementation of the provisions of TAURON Group's Rules for accepting and giving gifts. 			

<p>External abuse (fraud) risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	Risk related to an occurrence of the external abuse (fraud) that has an impact on the operations of TAURON Group through: a disclosure of information to the unauthorized persons, a loss of information, commercial espionage, terrorist assault and hacker attacks, tax fraud, theft, vandalism, counterfeiting, dirty money laundering.
	OPPORTUNITIES	Building the Group's image as a potential partner where clear rules of business cooperation are in place, the principles of fair competition are observed, the data transferred is properly secured and any suspected violations in this regard are dealt with accordingly.
	RESPONSES	<ul style="list-style-type: none"> raising the employee awareness through training and information campaigns on the existing threats (risks) of external abuse (fraud), including the Compliance Management System in place at TAURON Group, implementation of the provisions of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries, implementation of the anti-corruption clauses in the contracts with the contractors (counterparties), implementation of the provisions of TAURON Group's Anti-Corruption Policy, effective use of the whistleblowing system in the organization, enabling reporting of the potential cases of abuse (fraud), the system also allows for reporting of the abuse (fraud) by the external entities through the abuse (fraud) reporting form available on the website: http://www.tauron.pl/, monitoring of the cooperation with the contractors (counterparties) and checking (vetting) their credibility at TAURON Group, promoting the best practices, improving the procedures, conducting the 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, building and spreading an organizational culture based on TAURON Group's values and principles.
<p>The risk of unethical behavior and mobbing</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	The risk includes the occurrence of the unethical behavior resulting, in particular, in a lack of cooperation, bad atmosphere in the team, mobbing, harassment, insults, the discrimination of the employees.
	OPPORTUNITIES	The use of the responses indicated is related to building a positive image of the TAURON Group as a desirable and sought after employer. TAURON Group is against any manifestation of the unethical behavior and takes adequate reactions to the cases where such risks materialize, which, as a consequence, has an impact on building the organization's culture.
	RESPONSES	<ul style="list-style-type: none"> developing an organizational culture based on TAURON Group's values and principles, conducting information activities in order to familiarize the work force with TAURON Group's standards of conduct and corporate values defined in TAURON Group's Corporate Social Responsibility Code of Conduct, TAURON Group's Respect for Human Rights Policy, TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination, promoting knowledge with respect to the principles of social coexistence, moral standards and principles of equity adopted for use in the society, raising the employee awareness through training and the information campaigns on the ethical behavior, effective use of the whistleblowing system in the organization, enabling reporting of the potential cases of abuse (fraud), the system also allows for reporting of the abuse (fraud) by the external entities through the abuse (fraud) reporting form available on the website: http://www.tauron.pl/.

G 5.3. Purchasing Process Risk

Table no. 96 presents the Purchasing Process Risk identified at TAURON 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. 96. Purchasing Process Risk identified at TAURON Group


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


TREND
↗
Risk in an upward trend


TREND
→
Risk in a sideways trend (no change)


TREND
↘
Risk in a downward trend


Low materiality


Moderate materiality


Medium materiality


High materiality

Purchasing Process Risk TREND → Materiality 	THREATS	The risk related to the purchasing proceedings conducted, the erroneous implementation thereof, an unplanned increase in the purchase costs (budget overruns), taking into account the methods employed to prevent a violation of human rights by the business partners, counteract the corruption and abuse (fraud) in the purchasing process as well as to 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 Group and a loss of credibility with the stakeholders. The risk of a lack of environmental and climate responsibility on the supply chain side.
	OPPORTUNITIES	Building TAURON Group's position as a responsible business partner paying attention not only to the economic issues, but also to the sources of the origin of the goods and services sold, as well as to the contractors' (counterparties') compliance with the high social standards.
	RESPONSES	<ul style="list-style-type: none"> • implementation of the provisions of the Code of Conduct for the Contractors (Counterparties) of TAURON Group's Subsidiaries, • applying of TAURON Group's Anti- Corruption Policy, • applying of the anti-corruption clauses in the contracts with the contractors (counterparties), • implementation of the Respect for Human Rights Policy, • standardization of the principles (rules) of conducting the proceedings in the purchasing process and the transparency thereof, • developing long lasting relationships with the contractors (counterparties) based on trust and the mutual respect, • expecting the contractors (counterparties) to comply with the legal regulations, the ethical standards and the good commercial practices, including the work health and safety rules, the principles of counteracting the discrimination and unequal treatment, the respect for human rights and the dignity of the employees, the transparent personnel policy, the environment protection, fair competition, prevention and countering of fraud, as well as the information security and protection, • applying of the standard contract forms (drafts, templates) and the standard clauses in the contracts regarding the respect for human rights by TAURON Group's business partners.

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, 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI Standard Name	Disclosure	Section	
General disclosures			
1. The organization and its reporting practices			
GRI 2: General Disclosures	2-1 Organizational details	1.1. Legal Basis, Methodology and Standard of the Report 2.2. General information on TAURON Group 2.3. TAURON Group's structure and organization 2.4.1. Shareholding structure of TAURON Polska Energia	
	2-2 Entities included in the organization's sustainability reporting	1.1. Legal Basis, Methodology and Standard of the Report	
	2-3 Reporting period, frequency and contact point		
	2-4 Restatements of information		
	2-5 External assurance		1.1.3. Data verification
	2. Activities and workers		
	2-6 Activities, value chain, and other business relationships	2.2. General information on TAURON Group 2.5. Principles of TAURON Group's management 2.7. Group's Business Model 2.7.1. Value chain and business relations 2.7.2. Capitals and the value creation model G 2.3. Responsible supply chain, supplier relations and human rights in the supply chain	
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	2-8 Workers who are not employees	S 3.1. Human Capital Management Policy	
	3. Governance		
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2-10 Nomination and selection of the highest governance body	2.4.3. Supervisory Board of TAURON Polska Energia 2.4.4. Management Board of TAURON Polska Energia 2.4.6. Organization of the Company TAURON Polska Energia		
2-11 Chair of the highest governance body	2.4.4. Management Board of TAURON Polska Energia 2.4.6. Organization of the Company TAURON Polska Energia 2.6. Changes to the principles of the management of TAURON Polska Energia and TAURON Group		

2-12 Role of the highest governance body in overseeing the management of impacts	2.8. Group's sustainable development management
2-13 Delegation of responsibility for managing impacts	3.4.1. TAURON Group's Strategy and its Assumptions E 3.2. Climate Policy
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2-15 Conflicts of interest	2.4.4. Management Board of TAURON Polska Energia G 3.7. Principles of counteracting a conflict of interest
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101-2 Management of biodiversity impacts	
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101-7 Changes to the state of biodiversity	
GRI 201: Economic Performance 2016	
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201-2 Financial implications and other risks and opportunities due to climate change	E 5.1. Threats and opportunities related to the climate change E 5.2. Environmental risk
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205-1 Operations assessed for risks related to corruption	
205-2 Communication and training about anti-corruption policies and procedures	G 3.4. Anti-corruption Policy
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301-1 Materials used by weight or volume	2.7.2. Capitals and the value creation model E 3.2.3. Improving energy efficiency and energy management
GRI 302: Energy 2016	
302-1 Energy consumption within the organization	E 3.2.3. Improving energy efficiency and energy management
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Katowice, April 16, 2024

Grzegorz Lot

– President of the Management Board

Piotr Gołębiowski

– Vice President of the Management Board

Michał Orłowski

– Vice President of the Management Board

Krzysztof Surma

– Vice President of the Management Board