



# REPORT OF THE MANAGEMENT BOARD

on the operations of TAURON Polska  
Energia S.A. and TAURON Capital Group  
for the financial year 2023

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# TAURON Group in numbers



## RES

- 11 wind farms with a total capacity of **417 MWe**,
- 34 hydro power plants with a total capacity of **133 MWe**,
- 3 photovoltaic farms with a total capacity of **56 MWe**,
- **1.47 TWh** of gross electricity production.

## GENERATION

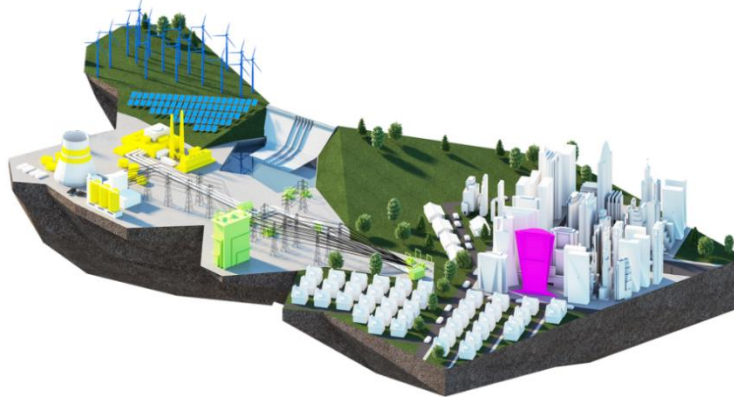
- 5 power plants, 5 combined heat and power plants, and 31 heat generation plants with a total electric capacity of 4.5 GWe and a total thermal capacity of 2.2 GWt,
- 11.12 TWh of gross electric production, including 0.20 TWh from biomass,
- 10.35 PJ of heat production

## DISTRIBUTION

- **5.93 million** customers,
- Distribution covering the area of 57 900 km<sup>2</sup>, i.e. 18.5% of Poland's territory,
- 51.30 TWh of distributed electricity.

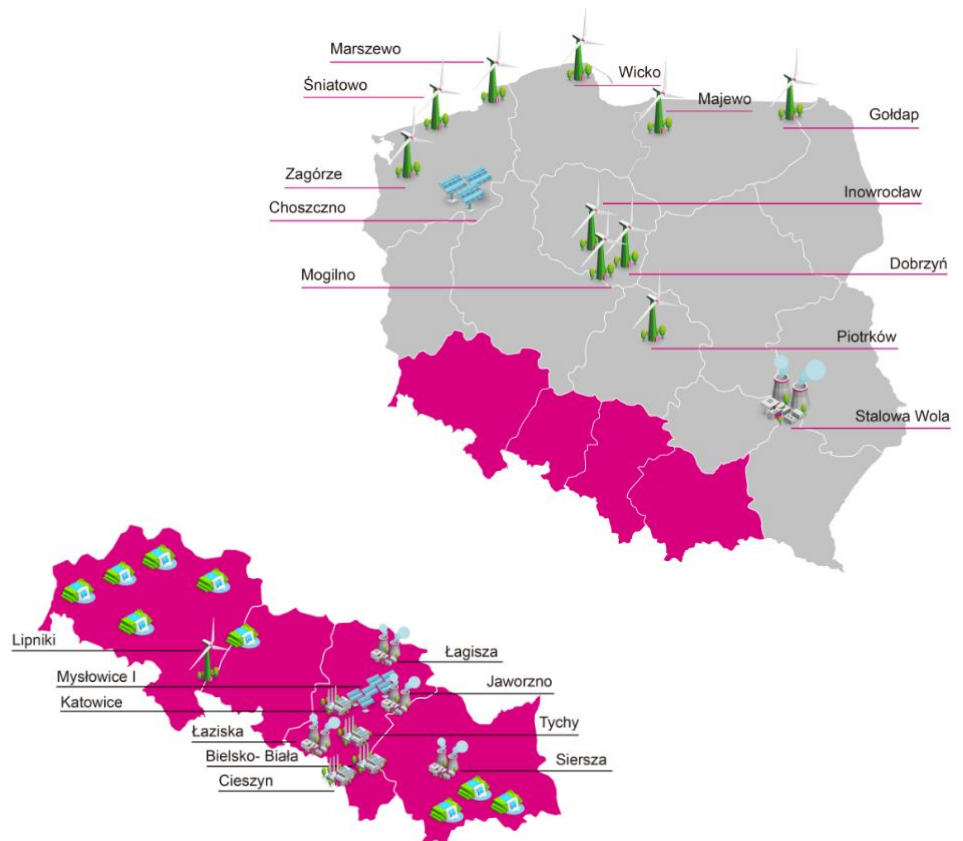
## SUPPLY

- 5.82 million customers,
- 30.75 TWh of retail electricity supply,
- gas engines with a total electric capacity of 10.4 MW
- 80 GWh of gross electricity production.



## Key assets of TAURON Group

- Wind farms
- Hydro power plants
- Photovoltaic farms
- Hard coal fired power plants
- Hard coal fired combined heat and power plants
- TAURON Group's distribution area





# 1. TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

Pursuant to art. 55 clause 2a of the *Act of September 29, 1994, on accounting* (Journal of Laws of 2023, item 120 as amended) and § 71 clause 8 of the *Regulation of the Minister of Finance of March 29, 2018 on current and periodic information to be disclosed by securities issuers and conditions for recognizing as equivalent the information required by the legal regulations in force in a non-member state* (Journal of Laws of 2018, item 757), TAURON Polska Energia S.A. had drawn up the report of the Management Board on the operations of TAURON Polska Energia S.A. and the report of the Management Board on the operations of TAURON Polska Energia S.A. Capital Group in a form of a single document.

Pursuant to art. 49b, clause 9 and art. 55, clause 2c of the *Act of September 29, 1994, on accounting* (Journal of Laws of 2019, item 351), TAURON Polska Energia S.A. drew up the Non-Financial Report of TAURON Capital Group in accordance with the requirements set out in art. 49b, clauses 2-8 of the above mentioned Act, in the form of a separate document.

Pursuant to art. 49b, art. 10 of the *Act of September 29, 1994 on accounting* (Journal of Laws of 2019, item 351), TAURON Polska Energia S.A. presents the information on the key non-financial performance indicators related to the entity's operations and the information on the employee related and environmental issues in the Non-Financial Report of TAURON Capital Group published on the company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/raporty-okresowe>.

## 1.1. General information

TAURON Capital Group's parent (holding) company is TAURON Polska Energia S.A. (hereinafter called the Company or TAURON), that was established on December 6, 2006, as part of the *Program for the Power Sector*. The Company 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. The Company does not have any branches (divisions).

TAURON Polska Energia S.A. Capital Group (hereinafter referred to as TAURON Capital Group or TAURON Group) is a vertically integrated energy group located in the south of Poland. In 2023 TAURON Capital Group had been conducting its operations in the majority of the key segments of the energy market, i.e. electricity and heat generation, distribution and supply. TAURON Group had not been conducting operations in the electricity transmission segment, which is solely the responsibility of the Transmission System Operator - TSO, as well as in the hard coal mining segment as the Group had ceased operations in this segment as of December 31, 2022, As a consequence of the transfer of the ownership title to the TAURON Wydobycie S.A. shares (TAURON Wydobycie) (currently, as of January 2, 2024, under the company name Południowy Koncern Węglowy S.A.) from the Company to the State Treasury.

## 1.2. Segments of operations

In accordance with *TAURON Group's Business and Operational Model* (Business Model), TAURON Capital Group's business operations had been conducted, in 2023, by the units defined as: the Corporate Center, the Lines of Business (Segments) (Trading, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply) and the Shared Services Centers (SSC) (Centra Usług Wspólnych - CUW). *The detailed information on the Business Model is presented in section 1.9. of this report.*

For the purpose of reporting TAURON Group's results, as of December 31, 2023, the continued business operations of TAURON Capital Group had been divided into the following 4 main Segments (Operating Segments), hereinafter also referred to as the Lines of Business:



**Generation Segment** that comprises mainly electricity generation using conventional sources, including co-generation, as well as electricity generation from biomass burning. This Segment also includes heat generation and supply as well as the generation equipment's overhaul operations



**Renewable Energy Sources (RES) Segment** that comprises electricity generation from renewable energy sources, i.e. hydroelectric, wind and photovoltaic power plants.



**Distribution Segment** that comprises distribution of electricity using the distribution grids located on the territory of the following provinces: Małopolska, Lower Silesia, Opole, Silesia, partly: Świętokrzyskie, Podkarpackie, Łódź, Wielkopolska and Lubuskie. The Segment also includes the operations that cover the technical support services related to the electricity metering systems and the metering data acquisition.



**Supply Segment** that comprises electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO<sub>2</sub> emission allowances, the property rights and the innovative services related to, among other things, the

management and maintenance of the street lighting, smart city products, e-mobility products, as well as the services focused on improving energy efficiency. The Segment also includes the business operations involving the production of electricity by the gas engines.



Apart from the main Segments of the operations, TAURON Capital Group is also conducting the operations presented as part of the **Other Operations** that comprise, among other things, the customer service for TAURON Capital Group's customers, the provision of the support services for TAURON Capital Group's subsidiaries with respect to accounting, human resources (HR) management, information and communications technology (ICT), as well as the operations related to the extraction of the stone (rocks) and the production of the sorbing agents. The Other Operations also include the financial operations, utilization (management) of the hard coal combustion and extraction processes' by-products, biomass processing, real estate administration, as well as the technical support services for the vehicles.

### 1.3. Organization of TAURON Capital Group and the changes thereof, as well as the entities subject to consolidation

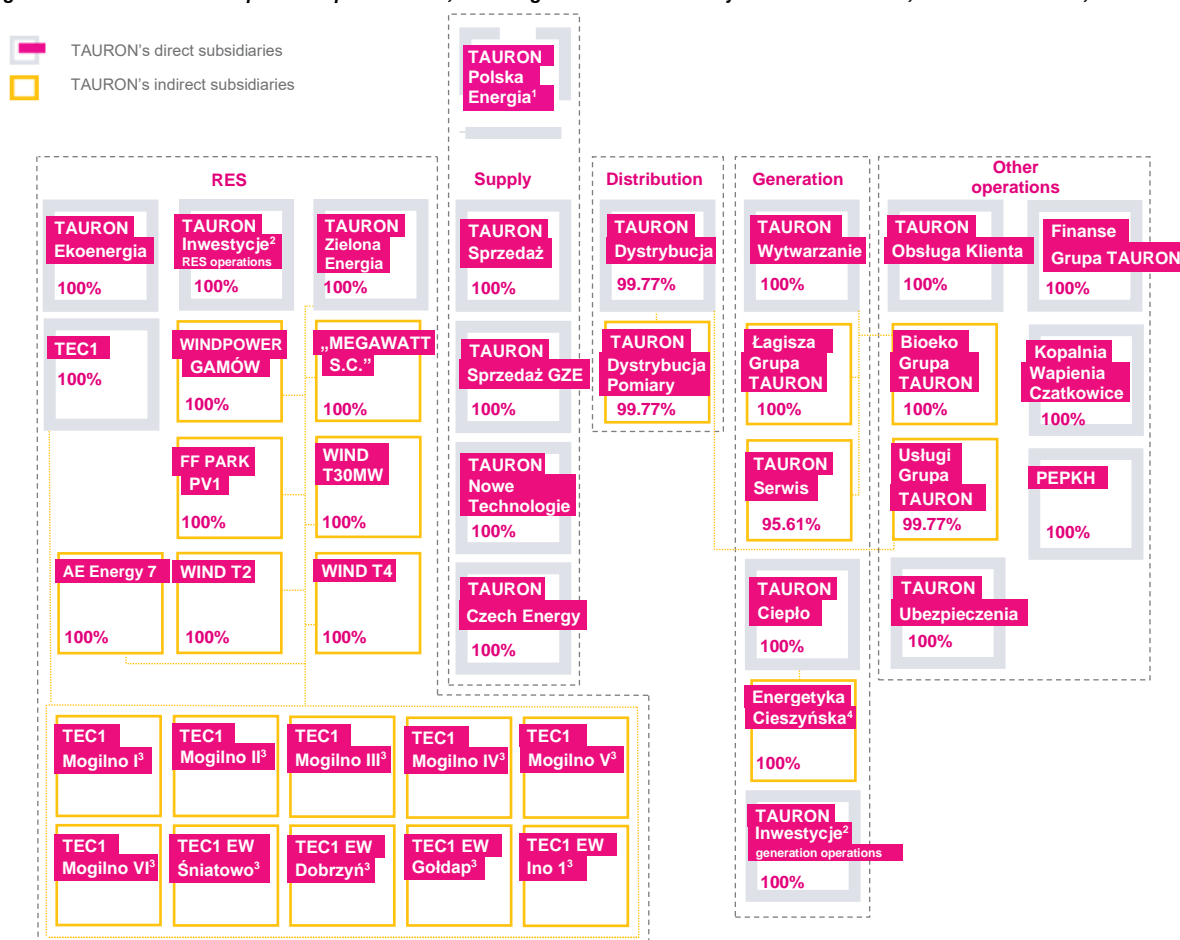
As of December 31, 2023, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 39 subsidiaries subject to consolidation that are listed below. In addition, the Company held, directly or indirectly, shares in the other 33 companies.

As of the date of drawing up this information, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 38 subsidiaries.

#### Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of December 31, 2023.

Figure no. 1. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of December 31, 2023



<sup>1</sup>TAURON is included in the Supply Segment.

<sup>2</sup>company's operations related to the generation of electricity from renewable sources are included in the Renewable Energy Sources (RES) Segment. The company's operations related to investment projects, research and development activities, as well as the generation of electricity from the non-renewable sources are included in the Generation Segment

<sup>3</sup>TEC1 sp. z o.o. (Ltd.) (TEC1) is the General Partner, TAURON Zielona Energia sp. z o.o. (Ltd.) (TAURON Zielona Energia) is the Limited Partner.

<sup>4</sup>incorporation of the subsidiary into TAURON Ciepło sp. z o.o. (Ltd.) (TAURON Ciepło) as of January 3, 2024.

## Changes to the organization

The following changes to the organization of TAURON Capital Group had taken place in 2023 and by the date of drawing up this report:

### **Merger of AVAL-1 sp. z o.o. (Ltd.), "Polpower" sp. z o.o. (Ltd.) and WIND T1 sp. z o.o. (Ltd.) with TAURON Ekoenergia sp. z o.o. (Ltd.) and the merger of TAURON Ciepło sp. z o.o. (Ltd.) and Energetyka Cieszyńska sp. z o.o. (Ltd.)**

On April 11, 2023, the District Court of Wrocław Fabryczna in Wrocław, the 9<sup>th</sup> Commercial Division of the National Court Register had registered the incorporation by TAURON Ekoenergia sp. z o.o. (Ltd.) (TAURON Ekoenergia) (as the Acquiring Company) of AVAL-1 sp. z o.o. (Ltd.) (AVAL-1) and "Polpower" sp. z o.o. (Ltd.) ("Polpower") (as the Acquired Companies).

On October 3, 2023, the District Court of Wrocław Fabryczna in Wrocław, the 9<sup>th</sup> Commercial Division of the National Court Register had registered the incorporation by TAURON Ekoenergia sp. z o.o. (Ltd.) (TAURON Ekoenergia) (as the Acquiring Company) of WIND T1 sp. z o.o. (Ltd.) (WIND T1) (as the Acquired Company).

On January 3, 2024 (an event that took place after the balance sheet date), the District Court of Katowice-Wschód in Katowice, the 8<sup>th</sup> Commercial Division of the National Court Register had registered the incorporation by TAURON Ciepło sp. z o.o. (Ltd.) (TAURON Ciepło) (as the Acquiring Company) of Energetyka Cieszyńska sp. z o.o. (Ltd.) (Energetyka Cieszyńska) (as the Acquired Company).

The above mentioned mergers of the companies had been aimed at optimizing and simplifying the ownership structure and the management of the Group's assets, including, first and foremost, at reducing the costs of operating the incorporated companies.

Due to the capital structure of the companies involved in the above mentioned mergers (100% of the shares in the share capitals of the Acquired Companies had been held by the Acquiring Company), the merger had taken place based on the regulations allowing for the so-called simplified merger procedure (Article 516, § 6 of the Code of Commercial Companies), in accordance with Article 492, § 1, item 1 of the Code of Commercial Companies, i.e. by transferring all of the assets of the Acquired Companies to the Acquiring Company.

### **Acquisition by TAURON Zielona Energia sp. z o.o. (Ltd.) of the shares in the company WIND T2 sp. z o.o. (Ltd.)**

On December 5, 2023, TAURON Zielona Energia had acquired 100% of the shares in the share capital of WIND T2 sp. z o.o. (Ltd.) (WIND T2), a company holding the rights to implement the Sieradz wind farm construction project with a capacity of 23.8 MW, located in the Łódź province. As of the date of the acquisition, the wind farm development project was in the ready for construction phase, and in accordance with the adopted assumptions, the company will complete the project's implementation in the fourth quarter of 2025. The price of acquiring the shares in WIND T2 had not represented a value that was material from the point of view of the scale of the operations and the financial results of TAURON Group.

### **Acquisition by TAURON Zielona Energia sp. z o.o. (Ltd.) of the shares in the company AE Energy 7 sp. z o.o. (Ltd.)**

On December 21, 2023, TAURON Zielona Energia had acquired 100% of the shares in the share capital of AE Energy 7 sp. z o.o. (Ltd.) (AE Energy 7), a company holding the rights to implement the Postomino photovoltaic farm construction project with a capacity of 90 MW, located in the West Pomerania province. As of the date of the acquisition, the wind farm development project was in the ready for construction phase, and in accordance with the adopted assumptions, the company will complete the project's implementation in the fourth quarter of 2025. The price of acquiring the shares in AE Energy 7 had not represented a value that was material from the point of view of the scale of the operations and the financial results of TAURON Group.

## 1.4. Organizational or equity ties with other entities

Apart from the equity ties with the companies presented in section 1.3 of this report, the organizational or equity ties are applicable to the material joint subsidiaries (co-subsidiaries) in which the Company held, directly or indirectly, shares, and which, as of December 31, 2023, and as of the date of drawing up this report, include the companies listed in the below table.

**Table no. 1. List of material joint subsidiaries (co-subsidiaries) as of December 31, 2023, and as of the date of drawing up this information**

Company name	Registered office	TAURON's share in the company's capital and in the parent company	Subsidiary holding directly shares in the company
1. EC Stalowa Wola S.A. (EC Stalowa Wola)	Stalowa Wola	50.00%	TAURON Inwestycje sp. z o.o. (Ltd.) (TAURON Inwestycje)
2. TAMEH HOLDING sp. z o.o. (Ltd.) (TAMEH HOLDING)	Dąbrowa Górnicza	50.00%	TAURON



3.	TAMEH POLSKA sp. z o.o. (Ltd.) (TAMEH POLSKA)	Dąbrowa Górnicza	50.00%	TAMEH HOLDING
4.	TAMEH Czech s.r.o.	Ostrava, Czech Republic	50.00%	TAMEH HOLDING

## 1.5. Major domestic and foreign investments, as well as equity investments

The major domestic and foreign investments, as well as equity investments made in 2022 and by the date of drawing up this report are listed below.

### Taking up or acquiring share securities in TAURON Capital Group's subsidiaries

The below table presents a summary of the equity increases in TAURON Capital Group's subsidiaries in 2022 and by the date of drawing up this report.

**Table no. 2. Summary of the equity increases in TAURON Capital Group's subsidiaries in 2022 and by the date of drawing up this report**

Company	Share capital increase (total price for taking up shares / interests) (PLN)	Company taking up shares / interests	Nominal value of shares / interest taken up (PLN)	Date of passing the resolution by the General Meeting of the Partners / Shareholders	Structure of the share capital following the increase
1. TAURON Inwestycje	59 000 000	TAURON Polska Energia	590 000	18.07.2023	TAURON Polska Energia 100%
2. TAURON Wytwarzanie S.A. (TAURON Wytwarzanie)	652 000 000	TAURON Polska Energia	6 520 000	10.08.2023	TAURON Polska Energia 100%
3. FF PARK PV1 sp. z o.o. (FF PARK PV1)	44 000 000	TAURON Zielona Energia	440 000	20.11.2023	TAURON Zielona Energia 100%
4. „MEGAWATT S.C.” sp. z o.o. („MEGAWATT S.C.”)	92 000 000	TAURON Zielona Energia	920 000	04.12.2023	TAURON Zielona Energia 100%

### Taking up or acquiring of share securities in the other companies in which TAURON holds an equity stake

The below table presents a summary of the equity increases in the other companies, in which TAURON holds an equity stake, implemented in 2023 and by the date of drawing up this report.

**Table no. 3. Summary of the equity increases in the other companies, in which TAURON holds an equity stake, implemented in 2022 and by the date of drawing up this report**

Company	Share capital increase (total price for taking up shares / interests) (PLN)	Company taking up shares / interests	Nominal value of shares / interest taken up (PLN)	Date of passing the resolution by the General Meeting of the Partners / Shareholders	Structure of the share capital following the increase
1. EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo - akcyjna (EEC Magenta limited liability company 2 ASI limited joint stock partnership) (EEC Magenta 2 ASI)	119 749	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership) (EEC Ventures 2)	3 523	05.04.2023	EEC Ventures 2 2.94%
	5 869 900	PFR NCBR CVC FIZAN	58 699		PFR NCBR CVC FIZAN 49.03%
	5 750 200	TAURON	57 502		TAURON 48.03%
2. Elektrownia Wiatrowa Baltica-7 sp. z o.o. <sup>1</sup>	9 137 000	PGE Polska Grupa Energetyczna S.A. (PGE)	9 137 000	12.06.2023	PGE 55.04%
	7 463 000	TAURON	7 463 000		TAURON 44.96%
3. EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo-akcyjna (EEC Magenta limited liability company ASI limited joint stock partnership)	130 800	EEC Ventures	1 308	28.06.2023	EEC Ventures 3%
	3 144 000	PFR Starter FIZ	31 440		PFR Starter FIZ 72.10%
	1 085 700	TAURON	10 857		TAURON 24.90%
4. EEC Magenta 2 ASI	34 582	EEC Ventures 2	1 021	22.11.2023	EEC Ventures 2 2.94%
	1 693 500	PFR NCBR CVC FIZAN	16 935		PFR NCBR CVC FIZAN 49.03%
	1 658 900	TAURON	16 589		TAURON 48.03%

Company	Share capital increase (total price for taking up shares / interests) (PLN)	Company taking up shares / interests	Nominal value of shares / interest taken up (PLN)	Date of passing the resolution by the General Meeting of the Partners / Shareholders	Structure of the share capital following the increase
	39 189	EEC Ventures 2	1 173		EEC Ventures 2 2.94%
5. EEC Magenta 2 ASI	1 919 000	PFR NCBR CVC FIZAN	19 190	24.01.2024	PFR NCBR CVC FIZAN 49.03%
	1 879 900	TAURON	18 799		TAURON 48.03%

<sup>1</sup>former PGE Baltica 4 sp. z o.o. (Ltd.)

The other most significant equity investments in the financial assets as of December 31, 2022, include stakes in the following entities:

1. Polski Holding Obronny sp. z o.o. (Ltd.) – with the balance sheet value of PLN 80 million,
2. EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo-akcyjna (EEC Magenta limited liability company 2 ASI limited joint stock partnership) – with the balance sheet value of PLN 53 million,
3. Spółka Ciepłowniczo Energetyczna Jaworzno III sp. z o.o. (Ltd.) – with the balance sheet value of PLN 28 million,
4. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. (Ltd.) – with the balance sheet value of PLN 24 million,
5. ElectroMobility Poland S.A. – with the balance sheet value of PLN 10 million.

### Investments in the financial assets

TAURON and TAURON Capital Group's subsidiaries did not make any investments in the financial assets in 2023.

The detailed information on the financing model put in place at TAURON Capital Group is presented in section 7.3. of this report.

## 1.6. TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050 and the implementation thereof

TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050 (Strategy) was adopted on 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 situation related to the transition of the electric power industry. A thorough analysis of the environment, as well as of the sector's forecasts and development directions, was carried out as part of the process of developing the Strategy and the results of this analysis was translated into the opportunities and risks for TAURON Group in the time frame up to 2030, with an outlook to reach climate neutrality by 2050.

### Mission, Vision and values

Strategy defines the Mission and Vision and specifies the key values of TAURON Capital Group:



The key values that support the implementation of the Strategy - *Partnership, Development, Boldness* (*Partnerstwo, Rozwój, Odwaga - PRO*), that reflect the way in which TAURON Capital Group wants to accomplish its business goals, are upheld. The important features of the *Partnership* include: customer orientation, development of sustainable relationships and engagement. *Development* signifies a focus on the innovations, developing competences, skills and knowledge, as well as seeking ever better solutions, meeting the customer needs and improving the quality of services. *Boldness* denotes courage and openness, determination as well as engagement and passion in achieving the common goals.



**Partnership**



**Development**



**Boldness**

## Priorities of TAURON Capital Group's Strategy

The Strategy presents an optimal path of sustainable development that will ensure TAURON Group's financial stability and its growth prospects while taking into account the high volatility of the macroeconomic environment.

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

The below figure presents the priorities of TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050.

Figure no. 2. Priorities of TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050



**Priority #1 – Sustainable operations** – will allow for the transition to climate neutrality and reduction of emissions as well as achieving climate neutrality by 2050. As part of Priority #1 the following directions have been adopted:

1. Increasing of the installed capacity in the renewable energy, including an involvement in the development of the offshore wind power as well as maintaining of the capacity and improving of the efficiency of the hydro power as a stable renewable resource,
2. Exiting the coal fired power generation and the hard coal mining operations as well as the transition of the district heating towards the low- and zero carbon sources,
3. Reducing of the emissions and achieving climate neutrality by 2050,
4. Commitment to the development of the Circular Economy,
5. Innovative solutions supporting the transition to the environmentally sustainable operations, enabling achieving climate neutrality in 2050.



**Priority #2 – Growth based on the largest customer base** – will allow the Group to remain a leading energy group on the domestic market in terms of the reliability of the electricity and heat distribution, as well as the electricity supply and customer service. The key challenges will include: the decarbonization of the district heating, guaranteeing of the reliability of the supply and quality of electricity and heat, minimizing the balancing difference in the electricity and heat transmission losses, attracting of the new customers, implementing of the smart metering solutions, a further automation and digitization of the grid infrastructure, the flexibility services and the elimination of the grid congestion, as well as developing of the product offerings and improving of the service quality. As part of Priority #2 the following directions have been assumed:

1. Ensuring the security of the energy supply and the quality of electricity and heat,
2. Maintaining high customer satisfaction indices, modern IT tools,
3. Continuous development of the basket of products and services and the new models of cooperation with the customers,
4. Readiness to provide the new distribution services under the new electricity market model.



**Priority #3 – An organization that keeps up with change** – will allow the Group to maintain a stable financial position based on an improvement of the efficiency and the streamlined organization. The activities will be focused on raising of the funds for the implementation of the investment program,

maintaining a safe level of debt, optimizing the structure of TAURON Group and an improvement of the operational efficiency. As part of Priority #3 the directions include.

1. Ensured financing for the investments and operations, including the use of the strategic and capital (equity) partnerships for an expansion,
2. Human capital management in order to develop and implement the solutions that shape an organizational culture and a friendly work environment,
3. Maximum use of the funds dedicated to the transition,
4. Operational efficiency based on the revised business model,
5. Information security as an important element of development.

The Strategy also indicates the directions and goals within the ESG areas (E – natural environment protection, S - social responsibility and G - corporate governance). The Strategy emphasizes the importance of the actions taken to achieve the UN Sustainable Development Goals. TAURON Group is focusing on 5 goals: *Affordable and clean energy; Industry, Innovation and infrastructure; Sustainable cities and communities; Responsible consumption and production; Climate action.*

### Prospective goals and assumptions of TAURON Group's Strategy

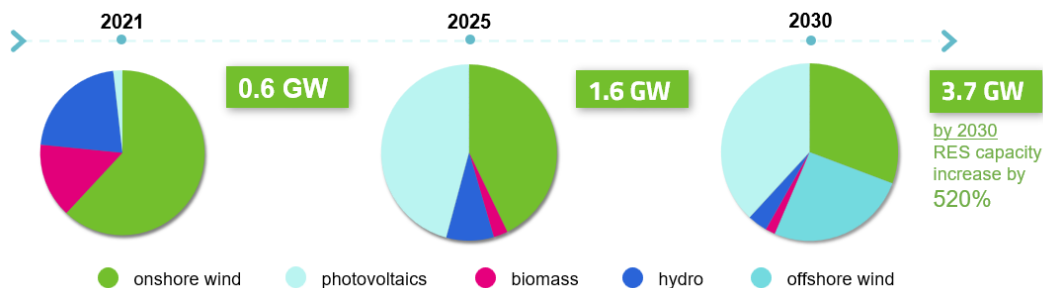
The Strategy, approved in 2022, assumes a number of actions to achieve the goals set for TAURON Capital Group. The key strategic objectives identified as part of the implementation of TAURON Group's priorities include:

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

Such a significant reduction in the CO<sub>2</sub> emissions, which will allow the Group to rank among the most environmentally responsible power companies, will be a consequence of the change in the structure of the installed capacity at TAURON Capital Group.

TAURON Group's renewable energy installed capacity growth ambitions outlined in the Strategy are shown in the below figure.

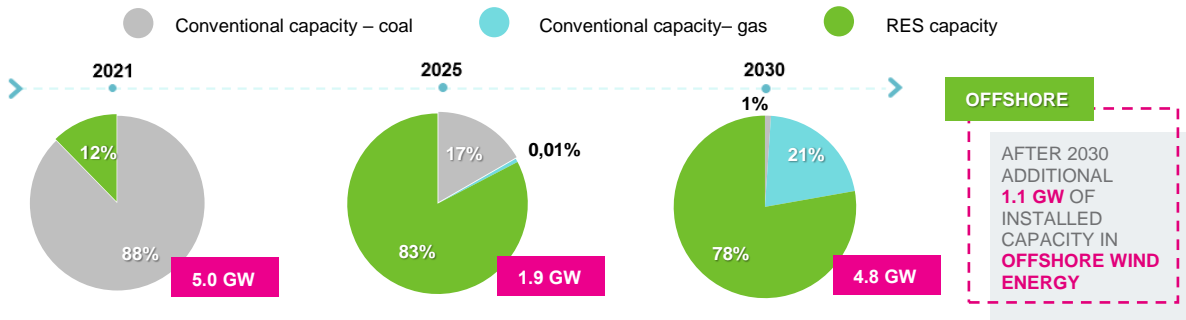
Figure no. 3. TAURON Group's renewable energy installed capacity growth ambitions outlined



As a result of the energy transition of TAURON Group, the Group's energy mix will change significantly - by 2030, the total installed capacity will stand at approx. 4.8 GW, of which approx. 80% will come from the renewable energy sources, and approx. 20% of the power will be generated from the gas-fired sources. It is assumed that after 2030 TAURON Group will have approx. 1.1 GW of offshore wind capacity.

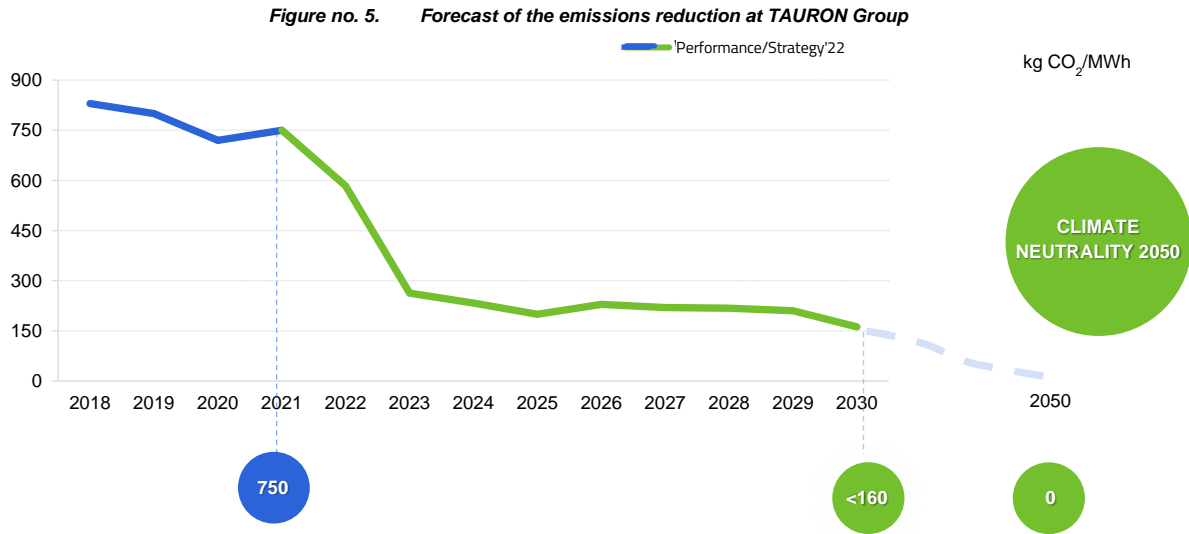
The below figure presents the assumed change in TAURON Group's energy mix.

Figure no. 4. Assumed change in TAURON Group's energy mix



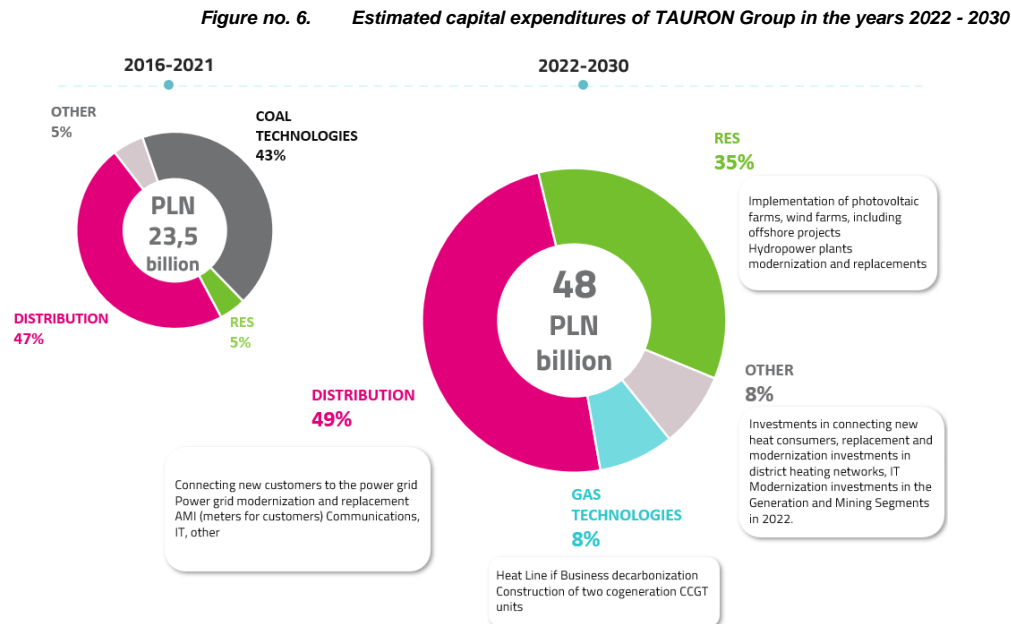
Sustainable investments, first and foremost, an increase in the capacity in renewable energy sources and the reduction of the heat generation emissions, along with a simultaneous decarbonization of TAURON Group, will allow for a significant reduction of the CO<sub>2</sub> emissions in the time frame up to 2030, and in the long term perspective for the implementation of TAURON Group's strategic aspirations to achieve climate neutrality by 2050 .

The below figure presents the forecast of the emissions reduction at TAURON Group.



It is estimated that the implementation of the Strategy will require the capital expenditures of approx. PLN 48 billion in the years 2022 - 2030. The two main directions of the investments are related to the distribution of electricity (approx. 50%) and increasing of the capacity in the renewable energy sources (approx. 35%). Due to the very high volatility of the macroeconomic conditions and the availability of energy resources, a high degree of flexibility in the implementation of the investment projects will be necessary

The below figure presents the estimated capital expenditures of TAURON Group in the years 2022 - 2030.



### Strategic goals and growth prospects in the individual operating Segments

The below table below presents the strategic goals and growth prospects in the individual operating Segments.

**Table no. 4. Strategic goals and growth prospects in the individual operating Segments**

Strategic goals	Growth prospects
<b>RES Segment</b>	





The main goal of the Segment is to increase the installed RES capacity to 1.6 GW in 2025 and to 3.7 GW in 2030

Investments in RES are the basis for the transition of TAURON Group, which assumes:

1. 0.7 GW of installed wind capacity by 2025 and 1.1 GW by 2030,
2. 0.7 GW of installed solar capacity by 2025 and 1.4 GW by 2030,
3. participation in offshore wind development with strategic partners and in-house development of up to 1 GW of installed capacity by 2030; a further 1.1 GW of capacity after 2030,

The activities will also be focused on improving the efficiency of the hydro power solutions, implementing the energy storage technologies, including the pumped storage power plants.

In addition, TAURON Group will be striving to take advantage of the opportunities within the domestic supply chain in the construction of the offshore wind farms.

A rapid growth of the renewable energy sources has been observed over the last few years, in particular with respect to the photovoltaics (PV) installations. According to the publicly available sources, the additional 4.9 GW of PV capacity had been installed in Poland in 2023. As of the end of 2023, Poland's installed capacity in PV sources had stood at 17.1 GW (as of the end of 2022 the RES capacity balance had clocked in at 12.2. GW).

The technological changes with respect to the wind farms, along with the favorable regulations (the Act on promoting electricity generation in offshore wind farms of 2021, the liberalization of the so-called distance act of 2023, incentives for the investments in the pumped storage power plants - the Act of April 2023, the amendment to the Act on RES adopted in August 2023 related to the cable pooling) are an opportunity for the development of the area are an opportunity for the growth of the segment.

The aggression of the Russian Federation against Ukraine had brought about an energy crisis due to the large increases in the prices of the raw materials, in particular the energy commodities, which had translated into very high electricity prices. This forces an acceleration of the development of the low- and zero carbon energy sources.

The ecological issues are driving the development of the renewable energy sources. In the coming years, the expansion of the RES line of business at TAURON Group will be focused on the investments in the photovoltaic farms and the onshore wind farms, and in the long term – in the offshore wind farms.

### Distribution Segment



The main goal of the Distribution Segment is to maintain its leadership position with respect to the reliability of the electricity distribution. Thanks to the continuous development and modernization of the grid, the Distribution Segment is to remain an area of

stable, regulated revenues for the Group

In the time frame up to 2030, TAURON Group is planning to implement 100% smart metering of the grid by installing the smart meters and will continue to be the largest electricity distributor in Poland in terms of the volume and the number of the customers.

The activities under way are aimed at:

1. Ensuring the high reliability and quality of the electricity supply,
2. Investments in the grid infrastructure to enable connecting of the new customers and the renewable sources to the grid,
3. Implementation of the smart metering in the electricity distribution grid,
4. Automation and digitization of the grid infrastructure,
5. Minimizing the level of the electricity balancing difference.

The activities aimed at ensuring the reliability of the electricity supply and simplifying the procedures related to connecting of the new consumers and micro installations to the grid will be continued. The investment projects carried out will allow for adapting TAURON Capital Group's distribution assets to the growing volume of the electricity generated by the dispersed renewable energy sources, and also for preparing the grid to interoperate with the infrastructure to be used for charging the electricity vehicles.

The development of TAURON Group with respect to the smart grids and the smart meters will allow for introducing the additional functionalities, both on the part of the distributor, as well as the customer. The Distribution Segment's growth will be significantly affected by the ability to obtain aid funds, both with respect to improving the grid security, as well as the research and development (R&D) activities.

The above mentioned challenges will be dealt with on the regulated market that makes the distribution segment's operations dependent on the new elements of the regulatory policy introduced by the President of ERO.

### Generation Segment



As part of the ongoing transition of TAURON Group towards climate neutrality, the activities conducted in the Generation Segment are focused on the decarbonization and the reduction of emissions to the level of 200 kg CO<sub>2</sub>/MWh in 2025 and below 160 kg CO<sub>2</sub>/MWh in 2030

TAURON will be participating in the implementation of the solutions related to the coal fired generation assets in accordance with the government's plans with respect to the coal fired power generation.

Another equally important goal for the Segment is the transition of the district heating towards the low- and zero carbon sources. TAURON Group is planning new connections of the consumers to the district heating network at the level of approx. 450 MWt by 2030.

Achieving the position of a reliable producer and the largest supplier of the heat in the region by 2030 will be possible thanks to:

1. Replacing coal fired generation sources with the modern low carbon units,
2. Ensuring high reliability and quality of the heat supply,
3. Improving of the technical and economic parameters, including minimizing of the losses in heat transmission,
4. Development of the district heating market by acquiring the new customers,
5. Support in eliminating the low emission sources,
6. Extending the range of the offering with the new products.

Taking into account the transition towards the sustainable development, the future of the coal fired power generation is very uncertain. However, currently the coal assets constitute the guarantee of the security of the national power system.

The spin off of the hard coal fired generation assets out of TAURON Group would make it easier to obtain the financing for other expansion projects, in particular the ventures related to the RES.

Therefore, TAURON Group's Strategy assumes the spin off of the assets related to the electricity generation by the coal fired units. No material capital expenditures are planned with respect to these assets until the spin off.

With respect to the district heating, the replacement of the coal fired generation units with the low carbon sources is an issue of strategic importance. In the case of the large district heating sources, gas is considered to be the transition fuel on the way to achieving climate neutrality. The development of the heat market by expanding the district heating network and connecting the new customers provides the support for the reduction of the low emission sources.

### Supply Segment



The main goal of the Supply Segment is to maintain the status of the leading electricity supplier.

In the time frame up to 2030, TAURON assumes maintaining the position of the largest supplier of electricity in Poland in terms of the number of customers, and will

The growing customer awareness is leading to the increased demands with respect to the products offered and the speed and quality of the service delivery. The importance of ecology, the changing attitudes to the way electricity is consumed and the large increase in the number of prosumers are the factors that are ever more strongly influencing the customer needs and expectations.

Strategic goals	Growth prospects
<p>also be striving to maintain the high standards of customer service - FTR (First Time Resolution) at the level of &gt; 90%.</p> <p>An increase in the customer satisfaction level is assumed, mainly through the implementation of the following activities:</p> <ol style="list-style-type: none"> <li>1. An offering based on a diversified, attractive basket of the products and services,</li> <li>2. Modern, integrated sales and customer service channels, the simplified procedures,</li> <li>3. Development of the ecological products and services in response to the demand for the solutions stemming from the "green transition" and the SMART products and services,</li> <li>4. Removal of the barriers, introduction of the facilities that guarantee a high quality of service for the customers with the disabilities,</li> <li>5. Ensuring a high level of security for the IT systems and the customer data.</li> </ol>	<p>A further growth in the popularity of the digital customer service channels and the multichannel customer services is assumed. This will result in the transfer of the customer service to the digital platforms.</p> <p>In response to the growing ecological awareness, the basket of the products and services related to the environmental and climate protection will also be changing.</p> <p>In the long term, TAURON assumes having a broader range of services and products offered, including, among other things, the energy efficiency improvement services and the products with a documented neutral or reduced environmental impact.</p> <p>In the short term, the Supply Segment's development depends on the regulations shaping the retail electricity market.</p>

## The implementation of TAURON Group's Strategy in 2023

TAURON Capital Group's efforts focus on the implementation of the designated priorities and strategic directions as key for building TAURON's value.

The sustainable transition of TAURON Capital Group is implemented, first and foremost, through the investments in the renewable energy sources (RES) and the decarbonization process under way.



**Implementation of Priority #1 – Sustainable Operations** – with respect to the expansion of renewable energy sources and the reduction of emissions, the following activities had been carried out in 2023:

1. PV Mysłówice photovoltaic farm with a capacity of 37 MW had been commissioned. The implementation of 8 RES projects with a total capacity of 363.9 MW is currently under way,
2. with respect to a participation in the offshore wind farm construction projects, at the beginning of 2023, the company Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.) (formerly: PGE Baltica 4 sp. z o.o. (Ltd.)), in which TAURON had acquired 44.96% of the shares from PGE in September 2022, had been granted a permit for the erection and use of the artificial islands (in an area located on the Słupsk Shoal (Ławica Słupska) designated as 43.E.1). The decision had become final in August 2023. The capacity of the planned offshore wind farm that would be built under the permit obtained stands at approximately 1 GW. In 2022, TAURON Group owned special purpose vehicle En-Energia III sp. z o.o. (Ltd.) had filed the applications for the permits for the erection or use of the artificial islands in the areas of the Oder Shoal (Ławica Odrzana) (14.E.3). The Minister of Infrastructure announced in May 2023 that ORLEN Neptun III sp. z o.o. (Ltd.) had been granted the highest number of points in the adjudication proceedings for the 14.E.3 area.
3. works are under way to prepare a comprehensive program to modernize and improve the efficiency of the in-house hydroelectric power plants, including, among other things: the construction of a small 2 MW hydroelectric power plant in Rożnów and the installation of a turbine at the Lubachów Hydroelectric Power Plant (Elektrownia Wodna Lubachów),
4. with respect to the transition of the district heating towards the low- and zero carbon sources, the works related to the energy transition of ZW Katowice, including, among other things, the construction of a 140 MWt gas fired boiler, as well as the works related to the energy transition of ZW Bielsko Biała EC1, including, among other things, the construction of a PV farm, along with an energy storage facility, are under way. The construction of a peaking and back-up boiler plant at ZW Bielsko Biała EC-2 has been completed.

As a result, as of the end of 2023, TAURON Group had the following RES sources: 417 MW of installed wind power capacity, 133 MW of installed hydro power capacity, 90 MW of the biomass capacity and 56 MW of the photovoltaic capacity. The total installed RES capacity, as of the end of 2023, had come in at 696 MW, which had corresponded to 44% of the RES target for 2025. At the same time, the share of the RES sources in TAURON Group's energy mix had gone up. 14% of TAURON Group's installed capacity had come from the RES sources as of the end of 2023, while the CO<sub>2</sub>/MWh emissions had clocked in at 720 kg/MWh in 2023.

As part of TAURON Group's efforts to decarbonize, the implementation of the Program to spin off TAURON Group's hard coal based generation assets to NABE (National Energy Security Agency) (NABE Program) in order to implement the assumptions of the government document titled the *Transition of the Power Sector in Poland. The spin off of the hard coal based generation assets out of the companies with the State Treasury shareholding*, adopted by the Council of Ministers by way of the Resolution No. 44/2022 of March 1, 2022 (the Government's NABE Concept), had been continued in 2023.

*The detailed information with respect to the above is provided in section 2.6 of this report.*

The following works on the innovative solutions to support TAURON Group's transition had been conducted in 2023:

1. works on the development and implementation of the energy storage technologies through the implementation of such projects as: Microgrid Project, Virtual Power Plant (VPP) Project, ESS Cieszanowice Project, Small Energy Storage Facilities in the Low Voltage Grid, Energy Storage Facility in Ochotnica Dolna, Second Life ESS, e-BUS Project,
2. preparations for the construction of the Rożnów II pumped storage power plant (the project has been launched, the analytical and design work is currently underway),
3. works related to the development of the projects with respect to the production and the use of the green hydrogen, as well as the production of ammonia from the green hydrogen,
4. works related to the preparation of TAURON Group to take part in the development of the nuclear energy: TAURON is collaborating with KGHM Polska Miedź S.A. (KGHM) with respect to the research related to the SMR technology. In addition, TAURON Wytwarzanie is cooperating with Orlen Synthos Green Energy as part of the project aimed at developing the technology, including with respect to evaluating the locations where it could be developed. In early 2023, Orlen Synthos Green Energy had proceeded with a preliminary assessment of the sites owned by TAURON Wytwarzanie and as a result of that process the Łaziska site had been most highly evaluated.



**Implementation of Priority #2 – Growth based on the largest customer base** – the most important activities implemented in the Distribution Line of Business, affecting the improvement of the quality parameters, are as follows:

1. 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 increased to 13),
2. modernization involving a replacement of the existing grids with the insulated overhead lines and the cable lines (as of the end of 2023, more than 40.3% of the MV lines had been cabled),
3. 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),
4. 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 (as of the end 2023 more than 19% of the customers were equipped with the remote readout meters, and close to 92% of the transformer substations had remote readout meters installed).

With respect to the district heating market development, the Ligota Project – an expansion of the Katowice South (Katowice Południe) district heating market and the Low Emission Elimination Program (Program Likwidacji Niskiej Emisji - PLNE) – the construction and alteration of the transmission and the district heating networks, including for the purpose of connecting the heat consumers, in order to replace the coal fired furnaces, are being implemented.

The Group is seeking to maintain its position as a key electricity supplier and increase the customer satisfaction by developing its sales offering and improving the quality of service. TAURON is taking steps aimed at improving the quality of the customer service across all of the contact channels. The number of the resolved cases handled via the online channels, including through the My TAURON (Mój TAURON) service, had gone up in 2023. The telephone channel is also being steadily improved. 95% of the cases initiated in the telephone channel had been resolved at the stage of the customer's first contact in 2023. The *TAURON Without Barriers (TAURON Bez Barier)* program, introduced in 2021, has been continuously expanded to include the new solutions for the people with the disabilities, seniors or the persons who are socially or digitally excluded, in order to remove all of the barriers and make it easier for the customers to access the services.

As part of the project Operational Program for Digital Poland (POPC) – the fiber optic line accessibility for the residents, all of the works have been completed. A total of 5 500 km of the fiber optic networks had been provided to 104 000 households and 428 educational units as part of the project. Further funding agreements had been signed in December 2023 for the three areas, related to providing the high speed Internet access in the areas with no broadband access coverage.

With respect to the development of electromobility, as of the end of December 2023, the Group had 197 stations (167 AC stations and 30 DC fast charging stations) and, in addition, 20 stations run by its partners.



**Implementation of Priority #3 – An organization that keeps up with change** – TAURON had used the aid funds in 2023. The total amount of the financing obtained for the investment projects carried out in 2023 stands at more than PLN 291 million







With respect to the human capital management, the most important issue in 2023 had been the effective conducting of the social dialogue with the workforce, aimed at preparing for the changes in the

employment structure and the evolution of the organization in connection with the spin off of the generation assets out of the structure of TAURON Group, the consolidation of Energetyka Cieszyńska with TAURON Ciepło and the changes to the Labor Code. In addition, the Group is seeking and implementing solutions to ensure the employee retention, acquisition and development.

In order to ensure the information security and the continuity of the IT systems' operation, the Business Continuity Management System had been implemented at TAURON and TAURON Dystrybucja S.A. (TAURON Dystrybucja), and its implementation at TAURON Ciepło, TAURON Wytwarzanie and TAURON Obsługa Klienta sp. z o.o. (Ltd.) (TAURON Customer Service) had been continued.

The below figure presents the status of the key strategic goals implementation in 2023.

**Figure no. 7. Status of the key strategic goals implementation in 2023**

	Strategic goals	Assumptions	Status in 2023
	EBITDA	PLN 4.5 billion in 2025 PLN 6.5 billion in 2030	PLN 6.1 billion
	Net debt to EBITDA ratio	at a safe level	2.1x
	RES installed capacity	1.6 GW in 2025 3.7 GW in 2030	0.69 GW
	Emissions	200 kg CO <sub>2</sub> /MWh in 2025 < 160 kg CO <sub>2</sub> /MWh in 2030	720 kg CO <sub>2</sub> /MWh
	Smart meters share	100% by 2030	19%
	New consumer connections to the district heating network	450 MWt by 2030	In total (2022-2023) 62.8 MWt
	FTR (First Time Resolution)	> 90% in 2030	95% via the telephone channel

## 1.7. Description of the expansion policy and directions

The expansion directions adopted and implemented at TAURON Group are a response to the current challenges of the power sector, including the tightening climate and environmental policies of the EU in a changing macroeconomic environment. The priority is to decarbonize TAURON Group and strive to achieve climate neutrality while maintaining a stable financial position.

TAURON Group's activities are focused on continuing the *Green Turn* while taking part in the government solutions for the hard coal mining and the coal fired energy.

### Implementation of the strategic investment (CAPEX) projects

#### Key strategic investment (CAPEX) projects under way

The below table presents the activities carried out by TAURON Capital Group in 2023 and by the date of drawing up this report in connection with the implementation of the key strategic investment (CAPEX) projects.

**Table no. 5. Key strategic investment (CAPEX) projects' work progress in 2023 and by the date of drawing up this report**

Investment project	Investment project's work progress
<p>1. Construction of a 910 MW supercritical parameters power generation unit in Jaworzno</p> <p><b>Contractor:</b> Consortium of RAFAKO S.A. (RAFAKO) – Mostostal Warszawa S.A. and E003B7 sp. z o.o. (Ltd.) – contract terminated as of the date of the signing of the Settlement Agreement.</p> <p><b>The unit had been commissioned on November 13, 2020.</b></p> <p><b>Expenditures incurred:</b> PLN 6 115. million (<i>an adjustment of the expenditures in relation to the amount indicated in the previous interim reports due to the settlement of the agreement in connection with the signing of the Settlement Agreement with RAFAKO</i>)</p>	<p>The unit has been commissioned. The President of the ERO has granted a license for the generation of electricity for the period from November 20, 2020, until December 31, 2030.</p> <p>TAURON Wytwarzanie's services personnel have been operating the 910 MW unit independently, without RAFAKO's participation, since August 2022.</p> <p>On March 31, 2023, as part of the mediation in front of the Court of Arbitration at the General Counsel of the Republic of Poland, TAURON and RAFAKO concluded a settlement agreement (Settlement Agreement) that defined the procedure to be applied to complete the contract and make the mutual settlements thereunder, as well as an annex to the Contract. The Settlement Agreement had entered into force on April 25, 2023. As of the signing of the Settlement Agreement, the contract had been terminated with respect to the portion thereof that had not been implemented.</p> <p><i>The detailed information with respect to the above mentioned Settlement Agreement is provided in section 12.2 of this report.</i></p>



Investment project	Investment project's work progress
	<p>As a result of the Settlement Agreement concluded, TAURON Wytwarzanie had been given the opportunity to carry out on its own, without RAFAKO's participation, all of the works on the 910 MW unit aimed at eliminating the identified problems and reducing the probability of the failure thereof. In 2023, TAURON Wytwarzanie had been conducting the works aimed at optimizing and tuning up the unit to prepare it for the remaining trials and the acceptance tests with Polskie Sieci Elektroenergetyczne S.A. (PSE).</p> <p>In the first quarter of 2024, all of the acceptance tests had been successfully completed, the completion of which is required by both the license granted, the agreements signed with PSE and the requirements set forth in the Grid Code (Transmission Grid Operation and Maintenance Manual). The successful completion of PSE's tests will allow for a safe and comprehensive conducting of the commercial operation of the 910 MW Unit without any restrictions, in particular to provide the full range of the system services to the transmission system operator.</p> <p>The works aimed at achieving the full functionality of the unit are being carried out as part of the separate investment projects. These projects are related to, among other things, the modernization of the dedusting system and the mill units, the slagging of the wastewater treatment plant from the slagging system, the modernization on the boiler air and flue gas system and the modernization of selected balance of plant systems.</p>
<p>2. <i>Low Emission Sources Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</i></p> <p><b>Contractor:</b> Contractors are being selected to carry out specific work (project) stages</p> <p><b>Project completion date:</b> December 2023</p> <p><b>Work progress:</b> 100%</p> <p><b>Expenditures incurred:</b> PLN 75.7 million</p>	<p>The PLNE program had been carried out on the territory of the following metropolitan areas: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec and Świętochłowice.</p> <p>In 2023, the construction and the design works related to installing the network connections had been completed under the network connection agreements concluded. Cumulatively, from the beginning of the Program's implementation, the network connection agreements have been concluded for the total volume of 23.05 MWt - the program's target has been achieved in terms of the contracted capacity (22 MWt).</p> <p>The project has been completed. In January this year, the partial applications and the final settlement application had been submitted to WFOŚiGW (Regional Environment Protection and Water Management Fund - Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej) in Katowice in order to obtain the funding in the amount of PLN 25.7 million.</p>
<p>3. <i>Construction of the Mierzyn wind farm with the total capacity of 58.5 MW</i></p> <p><b>Contractor:</b> Consortium of EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 88%</p> <p><b>Expenditures incurred:</b> PLN 153.5 million</p>	<p>The construction works at the construction site had been continued in 2023, including, among other things, the installation of 13 wind turbines had been completed. The construction works related to the Main Power Supply Grid Connection Point (substation) (Główny Punkt Zasilania – GPZ) and the Main Power Take-Off Point (substation) (Główny Punkt Odbioru – GPO) are under way. All of the power devices have been installed, the wiring and the finishing work is under way.</p>
<p>4. <i>Construction of the Nowa Brzeźnica wind farm with the total capacity of 19.6 MW</i></p> <p><b>Contractor:</b> E-Wind S.A.</p> <p><b>Planned project completion date:</b> Q2 2025</p> <p><b>Work progress:</b> 26%</p> <p><b>Expenditures incurred:</b> PLN 50.3 million</p>	<p>The works related to the preparation of the detailed engineering documentation had been continued and the construction works on the access roads and the temporary yards had been commenced in 2023. The pouring of the wind turbine foundations' concrete had been completed. The works related to the laying down of the MV cables and installation of the Main Power Take-Off Point (substation) (Główny Punkt Odbioru – GPO) are under way.</p>
<p>5. <i>Construction of the Gamów wind farm with the total capacity of 33 MW</i></p> <p><b>Contractor:</b> E-Wind S.A.</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 50%</p> <p><b>Expenditures incurred:</b> PLN 94.7 million</p>	<p>The works related to the preparation of the detailed engineering documentation had been continued and the construction works on the access roads, temporary yards and the wind turbine foundations had been commenced in 2023. The construction works related to the Main Power Take-Off Point (substation) (Główny Punkt Odbioru – GPO) and the works related to the foundation of the cables to the Main Power Take-Off Point (substation) (Główny Punkt Odbioru – GPO) had been continued.</p>
<p>6. <i>Construction of the Warblewo wind farm with the total capacity of 30 MW</i></p> <p><b>Contractor:</b> Consortium of EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 49%</p> <p><b>Expenditures incurred:</b> PLN 109.4 million</p>	<p>The works related to the preparation of the inter-industry (inter-discipline) technical and detailed engineering documentation had been completed in 2023. The works related to the road infrastructure and the laying down of the wind turbine foundations had been completed. The works at the Main Power Take-Off Point (substation) (Główny Punkt Odbioru – GPO) site had been continued.</p>
<p>7. <i>Construction of the 140 MWt gas fired boiler at ZW Katowice (Katowice Generation Plant) for the district heating market needs</i></p> <p><b>Contractor:</b> Mostostal Warszawa</p> <p><b>Planned project completion date:</b> Q2 2024</p> <p><b>Work progress:</b> 68%</p> <p><b>Expenditures incurred:</b> PLN 62.8 million</p>	<p>The prefabrication works related to the steel structure, the stack and the heating surfaces of the boiler had been completed in 2023. The installation of the technological equipment has been completed. The electrical works as well as the works with respect to the instrumentation and control (I&amp;C) equipment are in progress, the boiler pressure test has been carried out.</p>



Investment project	Investment project's work progress
<p>8. <i>Construction of the peaking and backup boiler house at ZW Bielsko Biala EC 2 (Bielsko Biala Generation Plant Combined Heat and Power Plant 2)</i></p> <p><b>Contractor:</b> Erbud Industry sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q2 2024</p> <p><b>Work progress:</b> 98%</p> <p><b>Expenditures incurred:</b> PLN 43.0 million</p>	<p>The construction and the installation works with respect to the instrumentation and control (I&amp;C) equipment, as well as the electrical systems had been completed in 2023. The commissioning works are currently under way.</p>
<p>9. <i>Construction of the Myslowice photovoltaic (PV) farm (stage I) with the total capacity of 37 MW</i></p> <p><b>Contractor:</b> TAURON Serwis sp. z o.o. (Ltd.) (TAURON Serwis)</p> <p><b>Project completion date:</b> November 2023</p> <p><b>Work progress:</b> 100%</p> <p><b>Expenditures incurred:</b> PLN 164.2 million</p>	<p>100% of the support structure had been erected and 100% of the photovoltaic panels had been installed in 2023. The works related to the construction of the Main Power Take-Off Point (substation) (Główny Punkt Odbioru – GPO) as well as the excavation works related to the electrical installations had been completed. All of the inverters had been installed and the electrical connections had been completed. The photovoltaic (PV) farm has been notified to be energized by the DSO. The construction of the PV farm had been completed. The photovoltaic (PV) farm was commissioned in November 2023.</p>
<p>10. <i>Construction of the Proszówek photovoltaic (PV) farm with the total capacity of 55 MW (stage I with the capacity of 45.6 MW and stage II with the capacity of 9.4 MW)</i></p> <p><b>Contractor:</b> INTEC EU sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q2 2024</p> <p><b>Work progress:</b> 88%</p> <p><b>Expenditures incurred:</b> PLN 162.3 million</p>	<p>The construction site mobilization works had been completed in 2023. The deliveries and the installation of 100% of the supporting structure had been carried out, and the deliveries of the main components – the panels and the inverters as part of stage I – had been completed. The works related to the installation of the grid connection are under way. The decisions had been made in the third quarter of 2023 to increase the scope of the project by 9.4 MW, and the applicable works will be carried out as part of stage II of the project. The deliveries for this stage of the investment project are currently under way.</p>
<p>11. <i>Construction of the Sieradz wind farm with the total capacity of 23.8 MW</i></p> <p><b>Contractor:</b> Consortium of: Mega S.A. and EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q4 2025</p> <p><b>Work progress:</b> 1%</p> <p><b>Expenditures incurred:</b> PLN 0.0 million</p>	<p>On December 5, 2023, TAURON Zielona Energia had acquired 100% of the shares in the share capital of WIND T2, a special purpose vehicle holding the right to develop the Sieradz wind farm construction project with a total capacity of 23.8 MW located in the Lodz province. On the date of the acquisition, the wind farm development project was at the stage of the readiness for the construction. In January 2024, the construction site had been handed over to the construction works contractor.</p>
<p>12. <i>Construction of the Postomino photovoltaic (PV) farm with the total capacity of 90 MW (stage I with the capacity of 90 MW and stage II with the capacity of 10 MW)</i></p> <p><b>Contractor:</b> GoldbeckSolar Sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q4 2025</p> <p><b>Work progress:</b> 1%</p> <p><b>Expenditures incurred:</b> PLN 35.5 million</p>	<p>On December 21, 2023, TAURON Zielona Energia had acquired 100% of the shares in the share capital of AE Energy 7, a special purpose vehicle holding the right to develop the Postomino photovoltaic (PV) farm construction project with a total capacity of 90 MW located in the West Pomerania province. On the date of the acquisition, the photovoltaic (PV) farm development project was at the stage of the readiness for the construction. In January 2024, the construction site had been handed over to the construction works contractor. The investment project is being carried out under a "cable pooling" formula, i.e. a joint grid connection with an existing source - the Marszewo wind farm with a total capacity of 100 MW.</p>
<p>13. <i>Construction of the Bałków photovoltaic (PV) farm with the total capacity of 54 MW</i></p> <p><b>Contractor:</b> EI Professional sp. z o.o. (Ltd.) and P.U.H. EI Professional Mariusz Maszota</p> <p><b>Planned project completion date:</b> Q4 2025</p> <p><b>Work progress:</b> 1%</p> <p><b>Expenditures incurred:</b> PLN 1.0 million</p>	<p>The Bałków photovoltaic farm (PV) project is being implemented as an in-house development by TAURON Zielona Energia in the Świętokrzyskie province, in the Włoszczowa district, in the Radków municipality.</p> <p>A notice to proceed (NTP) was given to the general contractor and the Contract Engineer in December 2023 to start work.</p>

## Other investment projects in the RES line of business

### Photovoltaic (PV) farms

The works on the development of the photovoltaic farm projects on TAURON Capital Group's sites had been continued 2023. The works include obtaining of the required administrative permits and decisions. The final decisions on the implementation of the individual projects will be made following the evaluation of their business case.

TAURON Capital Group is also looking for the opportunities to acquire on the market projects that are advanced in development and are prepared for the construction of the photovoltaic farms. As part of this work, the internal analyses and due diligence of the photovoltaic farm acquisition projects had been conducted in cooperation with the developers in 2023.

### Onshore wind farms

TAURON Capital Group is looking for the opportunities to acquire advanced wind farm development projects ready for the construction and the operating onshore wind farm assets on the market. As part of such efforts, the internal analyses and the due diligence studies of the potential wind farm acquisition projects had been carried out in cooperation with the developers in 2023.

## Offshore wind farms (in the Polish Exclusive Economic Zone of the Baltic Sea)

In 2021 TAURON and PGE Polska Grupa Energetyczna S.A. (PGE) had concluded a letter of intent with respect to undertaking the cooperation in the development of the offshore wind energy in Poland. As part of carrying out the expressed intentions, having obtained the clearance of the Chairman of the Office of Competition and Consumer Protection (UOKiK), in September 2022, TAURON (as the buyer) and PGE (as the seller and up to then the sole shareholder of the company) had concluded an agreement for the sale of 44.96% of the shares in the company Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.) (formerly: PGE Baltica 4). The task of the joint special purpose vehicle is to obtain the siting permits for the construction of an offshore wind farm in the Polish Exclusive Economic Zone in the Baltic Sea. On January 9, 2023, the Ministry of Infrastructure had disclosed the information that in the adjudication proceeding for the issuance of a permit for the construction and use of the artificial islands, structures and devices in the area located on Słupsk Shoal (Ławica Słupska), designated as 43.E.1, for the purpose of the construction of an offshore wind farm, the company Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.) had been awarded the highest number of points. Subsequently, on August 9, 2023, TAURON received a decision from the Minister of Infrastructure of August 8, 2023, on the granting to Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.) of a permit of the scope indicated above. TAURON had disclosed the information on the issuance of that decision in current report no. 35/2023 of August 9, 2023. That decision had become final as of August 21, 2023. The capacity of the planned offshore wind farm, which would be built under the obtained permit, will be approximately 1 GW.

TAURON Group, through the special purpose vehicle En-Energia III sp. z o.o. (Ltd.), had taken part in the adjudication proceedings for the issuance of a permit for the construction and use of the artificial islands, structures and devices in the area 14.E.3. On May 30, 2023, the Minister of Infrastructure had disclosed the information that the highest number of points had been awarded to ORLEN Neptun III sp. z o.o. (Ltd.) in the adjudication proceedings for Area 14.E.3.

### 413 MWe CCGT unit construction project including an approx. 250 MWt heat generation unit at Łagisza Power Plant in Będzin

In 2016, in accordance with TAURON Group's strategy in force at the time, the 413 MWe CCGT unit construction project including a heat production unit at Łagisza Power Plant in Będzin (that currently belongs to TAURON Inwestycje) had been halted due to the loss of its business case. In 2022, the purchase order award procedure had been conducted, the planned effect of which was supposed to be the obtaining of the bids from the potential contractors that would enable the completion of the final analyses of the project in terms of the long term profitability thereof. As a result of the organized procedure, no bids had been submitted, which made it impossible for the unit to take part in the capacity market auction in 2022. At the current stage, the project feasibility analysis has been expanded to include the criteria for the TAURON Ciepło district heating system, fed from the Łagisza heat production source, enabling it to maintain its energy efficient status. Further decisions related to the project will be made depending on, among other things, the regulatory and the market conditions, including the demand for the electricity and heat, as well as the terms of the long term contract for the supply of the gas fuel and the availability thereof, which should guarantee the project the expected level of profitability and an objective assessment of the feasibility of the project.

## Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures had come in at PLN 4 364 million in 2023 and they had been higher by 10% than the investment outlays incurred in the same period of 2022, when they had clocked in at PLN 3 962 million (excluding the equity investments). This is, first and foremost, due to an increase in the capital spending in the Distribution, RES and Generation Segments.

The below table presents the selected, highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in 2023.

Table no. 6. The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in 2023

Item	Capital expenditures (PLN m)
<b>Distribution</b>	
1. Installation of the new grid connections	1 479
2. Existing grid assets' upgrades (refurbishments) and replacements	944
3. Comprehensive replacement of the meters with a remote readout feature (AMIPlus)	166
<b>Generation</b>	
4. CAPEX on the replacements and upgrades (refurbishments), as well as components, and also on the 910 MW unit at TAURON Wytwarzanie	303

Item	Capital expenditures (PLN m)
5. Construction of the gas fired boiler house at ZW Katowice with a capacity of 140 MWt	61
6. The Ligota project related to the construction and modernization of the network infrastructure as part of the district heating system at TAURON Ciepło	30
7. Connecting of the new facilities to the grid at TAURON Ciepło	28
8. Low Emission Elimination Program conducted by TAURON Ciepło	28
9. Construction of 3 gas fired boilers at Energetyka Cieszyńska	19
10. Construction of the peaking and back-up boiler houses at ZW Bielsko EC2	14
<b>RES</b>	
11. Construction of the Proszówek photovoltaic farm stage I and II with the total capacity of 55 MW	151
12. Construction of the Myslowice photovoltaic farm (stage I) with the capacity of 37 MW	82
13. Construction of the Warblewo wind farm with the capacity of 30 MW	81
14. Construction of the Mierzyn wind farm with the capacity of 58.5 MW	73
15. Construction of the Gamów wind farm with the capacity of 33 MW	60
16. Construction of the Nowa Brzeźnica wind farm with the capacity of 19.6 MW	31
17. Construction of the Postomino photovoltaic farm with the capacity of 90 MW	31
18. Construction of the Sieradz wind farm with the capacity of 23.8 MW	24
19. Modernization (refurbishment) of the hydroelectric power plants	19
<b>Supply and Other Operations</b>	
20. IT related investment projects at Tauron Obsługa Klienta (Tauron Customer Service)	278
21. Maintenance and development of the street lighting	97
22. Program Klient 360 TAURON Obsługa Klienta (Tauron Customer Service 360 Client Program)	15
23. Centrum Usług Biznesowych TAURON Obsługa Klienta (Tauron Customer Service Business Service Center)	14

*The detailed information on the capital expenditures incurred in the individual Segments of TAURON Capital Group's operations is provided in section 5.2 of this report.*

## Evaluation of the capability to complete the intended investment projects

TAURON Capital Group's strategic investment projects and the financing thereof are centrally managed at the Company level. Based on the completed analyses with respect to the planned investment outlays and the funds held the Company's Management Board assesses whether TAURON Capital Group is able to finance the current and future intended investment projects included in the Strategy using the funds generated from the operating activities and by obtaining the external financing.

The Company is pursuing a policy of diversifying the financing instruments and is striving to secure the financing and maintain the ability of TAURON Capital Group's subsidiaries to meet both the current as well as the future obligations in the short and in the long term, including the ones related to the investment plans. Steps are taken to acquire the new sources of financing and the result of such efforts include the agreements and the annexes entered into in 2023, as well as after the balance sheet date.

*The detailed information related to the conclusion of the agreements with respect to the financing of the operations and investment projects of TAURON Group is provided in section 12.2. of this report.*

### 1.8. Major achievements in the field of research, development and innovations

The research and development as well as the innovations related activities (R+D+I), the importance of which is highlighted in the new Strategy, are reflected in the Strategic Research Agenda (SAB), which had been adopted in 2018 and updated in 2022. As part of its activities in the Research and Innovations Area, TAURON Capital Group is applying portfolio based management of the research and development projects, ensuring a comprehensive approach to the implementation of the tasks in line with the innovative solutions indicated in the Strategy in support of TAURON Group's transition towards climate neutrality.

SAB is a document that describes in a precise manner the directions of the innovations pursued and it is a detailed extension of the Strategy. The document is composed of four research portfolios:

1. Customer and His / Her Needs,
2. Smart distribution,
3. Green energy,
4. Sustainable heat.

Each portfolio sets the directions for the research and development projects. As part of the directions the problem areas have been defined for the selected detailed research areas that are important from the point of view of TAURON Group's development plans. Such a structure of the SAB supports the selection of the specific projects and the rejection of others, as well as allows for an optimal allocation of the financial resources. This way, TAURON Capital Group's research and development as well as the innovations related activities are carried out and developed based on the complete and detailed assumptions of the strategic nature – with the clearly defined goals and ambitions.

PLN 40 million had been allocated to the functioning of the R+D+I area in 2023. 10 projects (including 1 start-up) had been launched in various lines of business. As part of four portfolios of the Research and Innovations Area, 26 projects with the total value of close to PLN 80 million had been carried out. For the implementation of some of these projects TAURON Capital Group had obtained the funding from the external sources in the total amount of more than PLN 22 million.

The below table presents the selected R&D projects carried out in 2023 by TAURON Capital Group's subsidiaries, co-financed from the external sources.

Table no. 7. Selected R&D projects carried out in 2022 by TAURON Capital Group's subsidiaries, co-financed from the external sources

Projects / programs / tasks	Co-financing source
1. Development and testing of an adaptive electricity storage system based on the second life of batteries coming from the electric vehicles.	
2. Development of the industrial design of the carbonate fuel cells and ceramic electrolyzers enabling an integration with the power-to-gas installations.	National Research and Development Center (Narodowe Centrum Badań i Rozwoju - NCBR)
3. Development and demonstration of a computer system to be used for the operation control as well as the availability and reliability management of the industrial infrastructure based on the artificial intelligence algorithms.	
4. Development of an advanced technology for monitoring and a predictive analysis of the technical condition of the boiler in order to increase the reliability of the boiler unit.	
5. Energy storage systems for the DSO needs.	Operational Program Infrastructure and Environment

The below table presents the status of the works in the selected research and development projects being implemented in 2023

Table no. 8. Status of work in the selected research and development projects being implemented in 2023

Research and development project	Status of the works
1. Project TENNESSEE	The scope of the project, whose implementation had been commenced in 2017, covers a high efficiency electrolysis of the water vapor supported by the fuel cells, in order to increase the efficiency of the green hydrogen storage in the form of the synthetic natural gas, with the use of the CO <sub>2</sub> captured from the power generating units' flue gas. The technology is a promising solution for storing of the electricity from the non-controllable (intermittent) energy sources - wind farms (in particular, the planned offshore wind farms) or the photovoltaic cells. The testing (research) campaign based on the pilot installation completed at the Łaziska Power Plant had been continued in 2023. Following its completion, the implementation of the TENNESSEE project had come to an end,
2. Second Life ESS	The goal of the project, whose implementation had been commenced in 2019, is to reuse the lithium - ion cells, i.e. the battery packages previously used in the electric vehicles. As part of the project, a prototype of the stationary energy storage facility had been built in 2023. The prototype had been delivered to its destination site in Jaworzno and connected to the power grid. After a proper connection had been set up, the functional tests of the storage unit were carried out, as well as the tests of the storage unit's impact on the distribution grid when interworking with the bus charger. The charger was connected to the same MV/IV transformer station. The project's demonstration phase had been finished as of the end of 2023.
3. OPTIAI UNIT	The project, whose implementation had been commenced in 2020, is related to the development and demonstration of a computer system for controlling the operating parameters of the critical industrial infrastructure devices, as well as the construction of the models allowing for the dynamic management of their availability (dispatchability) and reliability. The solutions developed as part of the project, in line with the assumptions of the so-called Industry 4.0, will allow for, among others, predicting the potential failures within the critical industrial infrastructure devices with an adequate lead time (in advance). In 2023, after the tests on test servers had been completed, the system was launched on TAURON Wytwarzanie's production server and was available to the operators of the 460 MW unit at the Łagisza Power Plant. The project was completed in the fourth quarter of 2023,. The works aimed at implementing the developed solution are planned to be carried out in 2024.

Research and development project	Status of the works
4. Internet of Things (IoT)	<p>The implementation of the project work, which had been commenced in 2018, has come to an end. In 2023, as part of the project the final works aimed at developing an IT platform for the data visualization and reporting for the selected areas of the smart city functionality had been carried out. The development works had been conducted with the use of the cloud solutions. The developed solution is the basis for the launching of the process of a commercialization of the IT solution, and ultimately it is to provide the comprehensive services with respect to the smart city based on the existing street lighting infrastructure. In parallel to the project related work, the consultations had also been held with the selected representatives of the cities and municipalities located in the area of TAURON Group's business operations regarding the demand for the smart city services. Almost all of the administrative units have responded positively to the proposal for a test implementation of the solution in their area. The adequate municipal resolutions have been passed in two of them.</p>
5. Flexible Distribution	<p>The implementation of the project had been commenced in 2021. As part of the project, the tests of the forecasting and analytical methods implemented in the developed IT tool had been conducted in 2023. The scope of the tests had included a verification of the forecast data against the actual data. The results of the works will allow for assessing the effectiveness of the implemented methods in the production environment and will be the basis for the taking of the business decision to implement the tool into TAURON Dystrybucja's operations. The final stage of the project aimed at developing a prototype of an IT tool to support the decision making process related to the purchase of the flexibility services had been completed in January 2024. This tool is based on the analytical and forecasting methods developed as a result of the previous stages of the project. As part of the pre-implementation works, the prototype will be transferred to a production environment provided by TAURON Obsługa Klienta. The launching of the production environment will allow for the conducting of the performance testing and for the taking of the business decision to implement the solution as part of the business operations.</p>
6. Hydrogen Poland	<p>The project combines the scientific (research) and industrial potential of a number of entities with their competences representing the entire cycle of the circular hydrogen economy – the tasks related to the research and development, implementation, production, application, conversion to other fuels and storage based on the new generation technologies, applicable in the large energy installations, the prosumer installations and in the transportation. The project had been submitted to the IPCEI (Important Projects of Common European Interest) program in 2021. The work on the Hydrogen Poland project feasibility study had been finalized in 2023. The activities with respect to the preparation of a full project documentation necessary for the pre-notification stage are continued. A change of the basis for a notification of the project is also being considered.</p>
7. Battery based Energy Storage Facilities – Capacity Market	<p>An initiative had been launched within TAURON Capital Group in 2023 aimed at exploring the scope and the feasibility of developing the battery based energy storage facilities with the goal of using the storage facilities in the Group's business operations and as a potential source of the new opportunities arising from the participation in the Capacity Market and the Balancing Market. The activities carried out as part of the project had covered more than 20 sites in 2023.</p>
8. HEMS Home Energy Management System Program	<p>The main goal of the Home Energy Management System (HEMS) program, whose implementation had been commenced in 2019, is to develop the innovative, specialized solutions in the field of the building energy systems, in order to increase the revenue stream from the sales of the high technology products and services. The goal of the program is also to tailor the sales and customer service tools and channels to their needs by creating the digital consulting and communications tools to enable providing of the support for the customers in the process of planning and implementing the building thermal insulation upgrade and energy saving projects. As part of the program, the works related to the following projects had been carried out in 2023:</p> <ol style="list-style-type: none"> <li>1. <i>Small Wind Turbines</i> - the goal of the project is to develop and test the small wind turbines with a capacity of up to 50 kW based on various technologies in the real life conditions and to build a dedicated tool to match the turbine parameters to the customer's needs, taking into account the specific development site and to develop a new product / service.</li> <li>2. <i>Energy storage facility for a photovoltaic installation</i> – the project includes an implementation of the installation of an energy storage facility (30 kW, 65 kWh) interworking with a photovoltaic installation (50kW) and the analysis of the data with respect to the customer's electricity production and consumption profile (during the period of one year before and after the installation of the energy storage facility).</li> <li>3. <i>Building Customer Energy Characteristics by Analyzing the Customer Energy Behavior Based on the Data Acquired from the AMI Meters</i> - the goal of the project is to develop a method of transmitting the data from the AMI meters and to verify the quality of the data and the efficiency of the transmission thereof, in the context of the possibility of creating the new products and services for the customers.</li> <li>4. <i>Use of the AMI meters in the prepaid electricity billing by the supplier</i> - the goal of the project is to investigate the customer demand for the AMI prepaid meter products, determine the functionality of the new product and the possibility of commercializing the product to generate revenue.</li> </ol>

## Cooperation with start-ups

2023 was the time of the further development of the TAURON Progres proprietary accelerator program that had been launched in 2019. Following an update of the Strategic Research Agenda in 2022, an active search had been commenced in the start-up market for the solutions that would meet the goals and the ambitions outlined in the SAB. To this end, TAURON Group had launched a broad scouting campaign in 2023, aimed at seeking out the innovative services and products. The campaign, launched in March 2023, had been targeted at the start-up community in Poland and had been conducted by a third party provider on behalf of and for TAURON. The areas covered by the search had been divided into 4 segments, corresponding to the individual SAB portfolios. The information and promotional activities had been intensified, including with respect to the presence and involvement of TAURON Group's experts in the events organized for the participants in the start-up ecosystem. For the scouting purposes, a dedicated website had been set up, allowing the people to submit their idea in response to TAURON's challenges. The result of 3 rounds, conducted in 2023, is more than 450 start-up applications.



Developing a greater market awareness of TAURON Group's innovation activities and an openness to the cooperation also with the young technological entities will allow for the successive development of the activities and for shoring up of the position of the TAURON Progres program in this ecosystem.

A pilot project had been continued, in 2023, with Green CEnergy Sp. z o.o. (Ltd.) - a *spin-out* type company of the Warsaw University of Technology (Politechnika Warszawska). The subject of the cooperation, which had been commenced in 2021, is the development of the OptyMator PV system, which supports the construction, maintenance and operation of the photovoltaic farm installations. The task of the artificial intelligence based IT solution, supported by the drones, will be to collect the data from the photovoltaic farm. This comprehensive system, fed with the reliable data, will allow for a verification and a prediction of the condition of the photovoltaic farm infrastructure, as well as for the optimization of the electricity production and will enable a comprehensive management of the photovoltaic installation's operation. The products of the project works undertaken in 2023 are mainly the results of the model analysis of the data from the operation of the farm, along with the conclusions.

Continuing to build the strategic position of TAURON Capital Group with respect to the startups, TAURON carried out, in 2023, the further follow-up investments as part of EEC Magenta - a CVC (*corporate venture capital*) type of fund set up in 2018. EEC Magenta increased its investment portfolio to the amount of close to PLN 128 million in 2023 and currently has 14 innovative startups therein.

The below table presents the projects with the startups carried out in 2023 as part of the accelerator programs, and which are the subject of EEC Magenta's investments.

Table no. 9. Projects with the startups carried out in 2023

Projects	Programs and activities related to cooperation with the startups
<p>1. <b>Green CEnergy Sp. z o.o.</b> that is offering a system to support the construction, maintenance and optimization of energy production from the photovoltaic installations. The goal of the project is to develop a universal solution that will improve the efficiency of the operation and use of the photovoltaic installations. It is planned to develop a method for a location assessment based on the local ecosystem parameters, supported by an unmanned aerial vehicle operating in an autonomous or an operator controlled mode. The data provided by the drone will allow for a verification of the production anomalies and damage, detected based on the IoT sensors' feed or on the data processed.</p>	<p><b>TAURON Progres</b></p>
<p>2. <b>Reliability Solutions sp. z o.o.</b> that is offering a solution responding to the problem of maintaining the process (operation) continuity in the manufacturing industry and the high costs of production downtime, i.e. the predictive maintenance system, which, through the use of artificial intelligence algorithms analyzing the data collected from the devices, predicts the possibility of an occurrence of a failure.</p>	
<p>3. <b>Take Task S.A.</b> that is offering a solution responding to the problem of managing the dispersed groups of employees, i.e. a platform for the mobile communications, creating and distributing tasks, as well as collecting feedback at the enterprises where the numerous groups of employees do not use computers every day.</p>	
<p>4. <b>Sinterit S.A.</b> that is manufacturing advanced, high-precision 3D printers operating based on the SLS technology, which are offered at the price of a consumer product. The Sinterit S.A. printers are a unique solution in the field of prototyping and production of short series of the spare parts.</p>	
<p>5. <b>Challengerocket sp. z o.o.</b> that is offering a platform, made available under the SaaS formula, used for the automatic evaluation of the programmers using the tests with a self-adapting level of difficulty. Based on the artificial intelligence technology the system enables a quick and reliable assessment of the candidates' skills.</p>	
<p>6. <b>ICsec S.A.</b> that is offering the Scadvance system, enabling the monitoring of the process control networks and the detection of the potential threats and anomalies in the traffic among the devices of such network using the big data, machine learning and the artificial intelligence mechanisms for this purpose.</p>	<p><b>EEC Magenta-</b> Companies in the investment portfolio of the CVC type EEC Magenta fund</p>
<p>7. <b>Cash Director S.A.</b> that is digitizing the accounting processes at the small and medium sized companies. The product replaces traditional accounting services and makes it easier for the entrepreneurs (businessmen) to make the optimal financial decisions by acting as a digital CFO. The platform is integrated with a bank account.</p>	
<p>8. <b>Waste24 Sp. z o.o.</b> that is offering a platform for an effective management of the municipal waste, which is addressed to the enterprises and municipalities</p>	
<p>9. <b>DBR77 Sp. z o.o.</b> that is offering a unique marketplace for the industrial robots. The B2B platform enables the previously non-robotic companies to configure their production lines on their own and to select an optimal integrator that will implement the project. The platform uses the advanced 3D tools that enable the visualizing of the projects.</p>	
<p>10. <b>Lekta Sp. z o.o.</b> that is offering a virtual consultant that automates the contact with the customer. Lekta Sp. z o.o. develops advanced speech and text intention recognition algorithms.</p>	
<p>11. <b>GeoFusion Sp. z o.o.</b> that is offering the comprehensive services with respect to the exploration and cleaning of the seabed of the unexploded ordnance and chemical weapons. The most prospective innovation offered by the company is the technology used for the extraction from the seabed and the utilization, on the ship at the site of the extraction, of the poisonous warfare agents. The technology is based on the destruction of the plasma.</p>	
<p>12. <b>Glopack Sp. z o.o.</b> that is a producer of an innovative pro-ecological stretch film, which, due to its physical properties, is more effective than a standard product. The advanced production technique ensures higher film efficiency and allows for an up to 66% reduction in the plastic consumption in the transportation and the trade.</p>	
<p>13. <b>Solwena Sp. z o.o.</b> that is developing the Percee system for managing energy in the buildings (BEMS) and acting as a virtual operator using the dedicated algorithms and scenarios. By implementing Solwena's solution, the customers can reduce the energy consumption in the buildings by up to 30%.</p>	
<p>14. <b>SmokeD Sp. z o.o.</b> that is offering customers a fire monitoring system for the forests, plantations and other vast areas. SmokeD develops deep learning algorithms for detecting fires by analyzing the camera images.</p>	
<p>15. <b>Woonti Sp. z o.o.</b> that is offering a solution aimed at supporting the recruitment departments of the companies with the blue collar workers as its resources, where through a product innovation in the form of an algorithm, the process of selecting a candidate for a job offer / position has been automated</p>	

## 1.9. TAURON Group's Business and Operational Model

TAURON Capital Group is a fully integrated energy group with its business model, in 2023, covering all of the elements of the value chain: from generation, through distribution and supply of electricity and heat to the final consumers, supplemented with the innovations ecosystem and the development of the new businesses, closely integrated with the operations in the energy sector.

TAURON Capital Group is composed of companies that are managed jointly as a uniform business entity (organization), made up of the independent commercial law companies, led by TAURON as the parent entity.

*TAURON Group's Business and Operational Model* in place defines the assumptions of the Group's operations (Group management) and outlines the division of the tasks and responsibilities among the defined Group Units: Corporate Center, Lines of Business and Shared Service Centers. It is a response to the changing environment of the energy company and the basis for the organization's functioning within the entire value chain of TAURON Group.

TAURON Group has identified five process streams around which TAURON Group's activities are centered. These are: Strategy, Finance, Asset Management and Development, Corporate Support and Operational Processes.

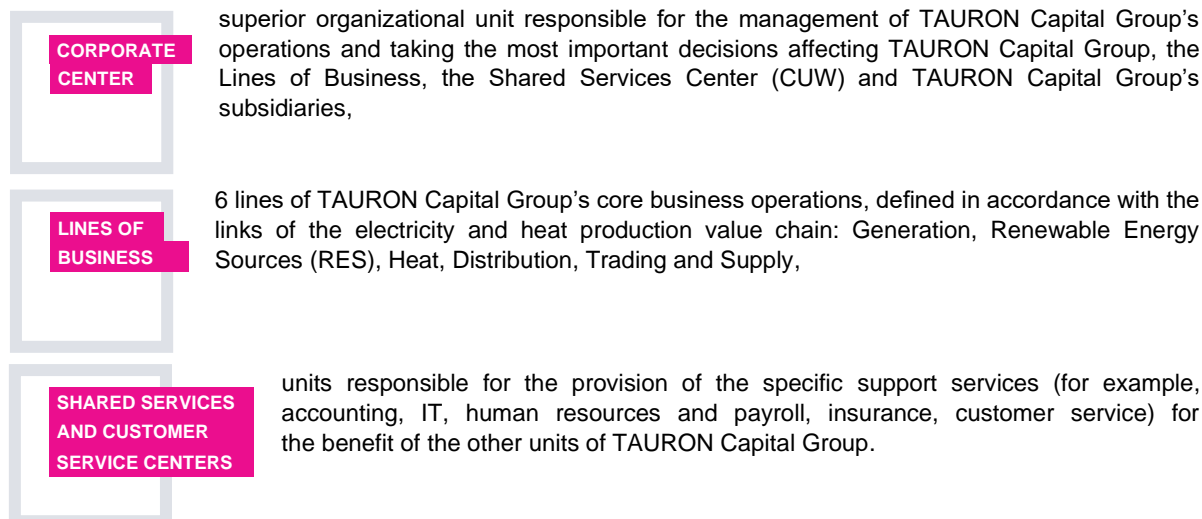
### Assumptions of TAURON Group's Business and Operational Model

The key assumptions of TAURON Group's Business and Operational Model include the support for building the value of TAURON Capital Group in accordance with the Strategy, acting in line with the PRO values, organizational and decision making consistency within TAURON Capital Group, ensuring the compliance with the principles of unbundling with respect to the DSO at TAURON Capital Group, a clear division of the duties and responsibilities, an efficient exchange of information, the use of the employees' knowledge, Business Model variability, flexibility, resilience and adaptation to the changes in the external and internal environment. The Model is in force at all of TAURON Group's subsidiaries.

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

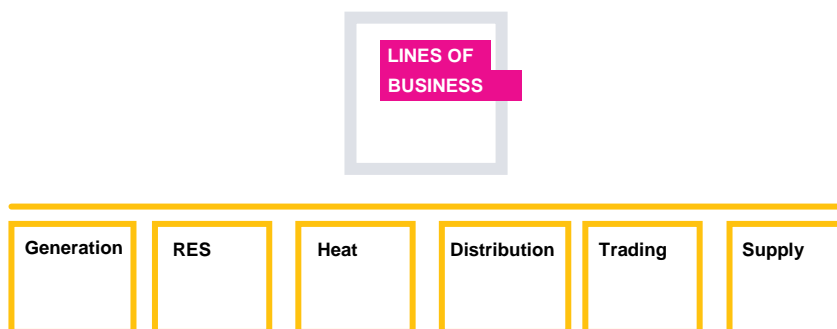
### TAURON Group units

The division of the roles and responsibilities is implemented in accordance with *TAURON Group's Business and Operational Model* in force, based on assigning the process competences to the following TAURON Group units:



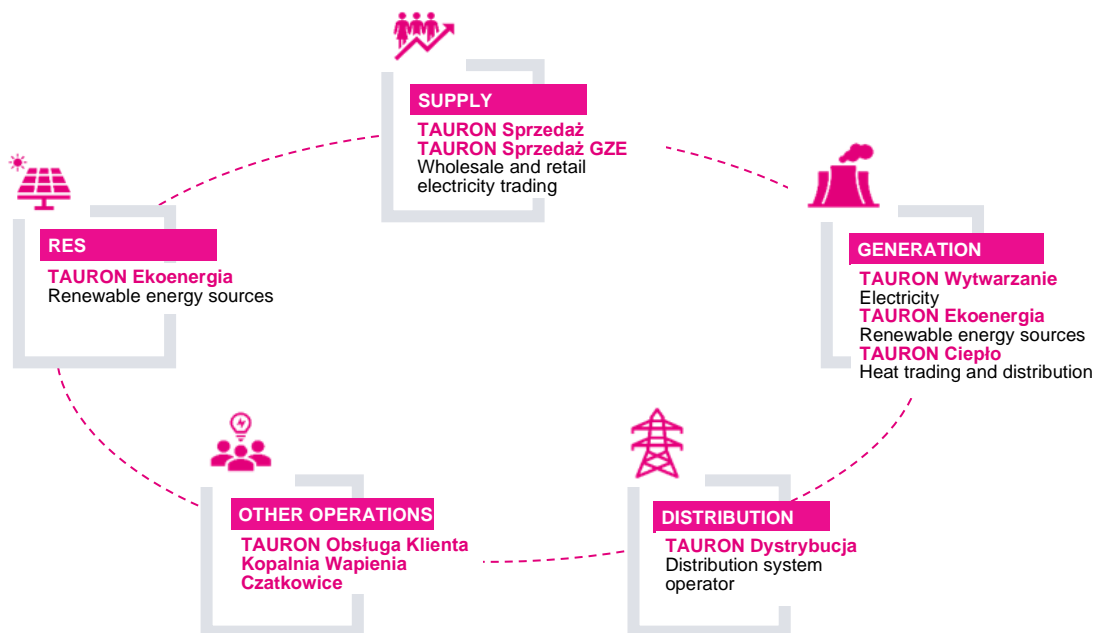
The below figure presents the structure of TAURON Capital Group's Lines of Business in 2023.

Figure no. 8. Structure of TAURON Capital Group's Lines of Business



The below figure depicts TAURON Group's value chain (including the above mentioned Lines of Business) - from the production of energy at a power plant or a combined heat and power plant (CHP) to the delivery of electricity via the distribution grid to the customers, along with the other operations (such as, among other things: customer service for TAURON Capital Group's customers, providing of the support services to TAURON Capital Group's subsidiaries with respect to accounting, human resources management and ICT, the activities related to the rock (stone) extraction and sorbent production, financial activities, brokerage activities, the utilization (management) of the by-products of the combustion process and the by-products of the hard coal mining, biomass processing).

Figure no. 9. TAURON Group's value chain



The detailed information related to the individual segments of operations within the above presented TAURON Group's value chain is provided in section 1.2. of this report

### TAURON Capital Group's Shared Services Centers (CUW)

Centralizing of the support services is aimed at relieving the Corporate Centre and the Lines of Business from performing the processes that are not directly associated with their core business operations (the so-called support processes) as well as at reducing the costs of the implementation of such processes due to the economies of scale and an increase of the operational efficiency. Within the structure of TAURON Capital Group the CUWs (Shared Services Centers) are placed in the following subsidiaries: TAURON Obsługa Klienta (CUW IT, CUW HR, CUW R), TAURON Ubezpieczenia sp. z o.o. (CUW Ubezpieczenia).

The customer service is provided by TAURON Obsługa Klientów for the benefit of the Supply Line of Business and, taking into account the ensuring of the independence of the DSO and other unbundling rules, for benefit of the Distribution Line of Business.

## 1.10. Principles of management of TAURON Polska Energia S.A. and TAURON Capital Group and the changes thereof

### Principles of management of TAURON Polska Energia S.A.

In accordance with the provisions of the *Regulations of the Management Board of TAURON Polska Energia S.A.* (Regulations of the Management Board), the Management Board shall conduct the affairs of the Company and represent it in all judicial and extra-judicial proceedings. All of the issues connected with managing the Company, which are not restricted by the legal regulations and the provisions of the *Articles of Association of TAURON Polska Energia S.A.* (the Company's Articles of Association) to the competence of the General Meeting (GM) or the Supervisory Board shall be within the competence of the Management Board of the Company. A cooperation of two members of the Management Board or one member of the Management Board together with a proxy is required for making statements on behalf of the Company.

*The detailed information on the matters lying within the competence of the Management Board, acting as a collective body, is provided in section 9.11. of this report.*

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

The Company shall carry out its tasks through:

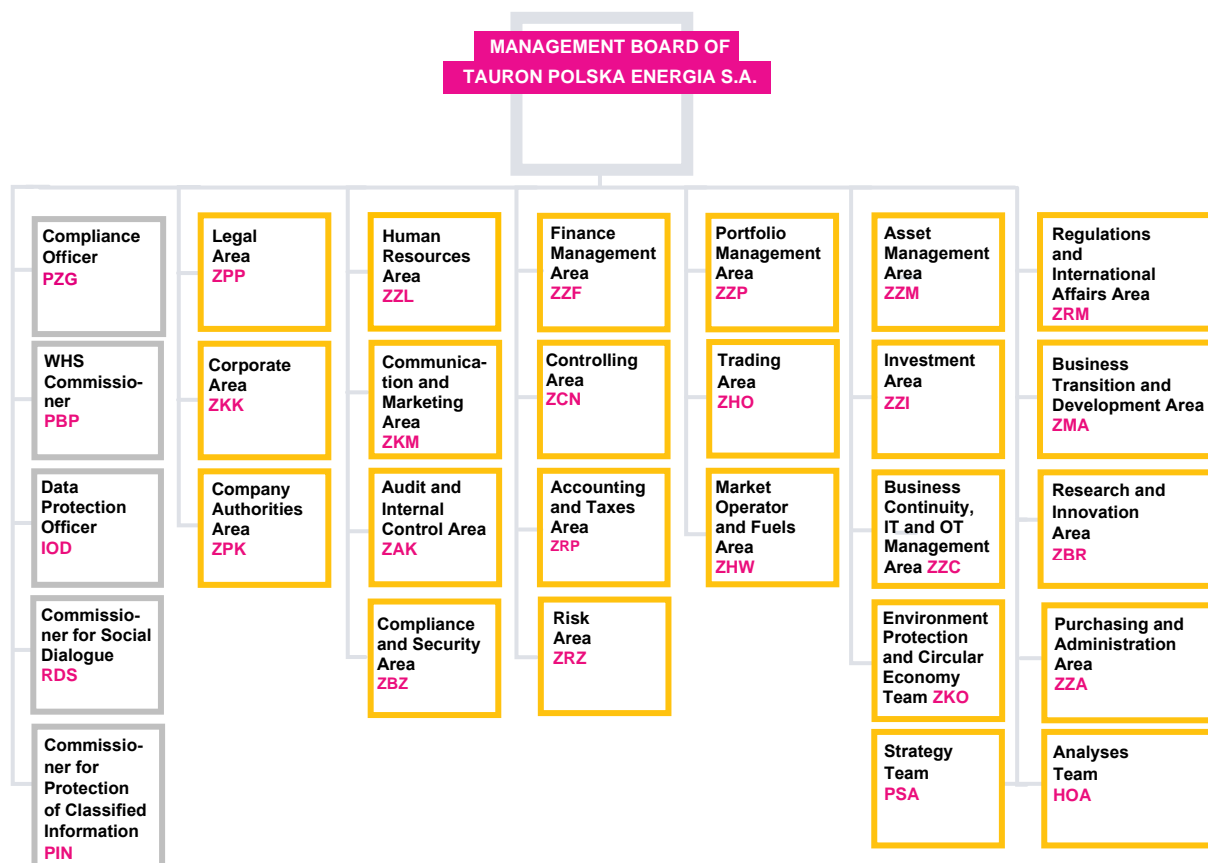
1. separate organizational units (business units):
  - 1) Business Areas, comprising independent work positions and organizational units (business units) reporting directly to the Executive Directors. The work of the Executive Directors is managed (supervised) by the Members of the Company's Management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

### Changes to the principles of management of TAURON Polska Energia S.A.

The Organizational Regulations had been amended in 2023 that had involved moving of the non-financial reporting competences from the Communications and Marketing Area to the Strategy Team, and assigning the competences related to creating and coordinating the integrated report to the Communications and Marketing Area.

The below figure presents the organizational diagram of TAURON as of December 31, 2023, and as of the date of drawing up this report.

Figure no. 10. Organizational diagram of TAURON as of December 31, 2023, and as of the date of drawing up this report



On April 11, 2024 (an event that took place after the balance sheet date) the Management Board of the Company, by way of a resolution, made the current assignment of the Members of the Management Board of the Company, directly, to the individual Business Areas and the independent (autonomous) work positions.

The diagram showing the division of the responsibilities of the Members of the Management Board of the Company is presented in section 9.11. of this report.

## Principles of management of TAURON Capital Group

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

*Code of TAURON Group* regulates TAURON Group's operations, ensuring the implementation of the goals through the specially tailored solutions with respect to the management of TAURON Capital Group's entities, including, in particular, the setting of the objectives of the subsidiaries' business operations that would enable achieving of the effects assumed in the Strategy.

*TAURON Group's Business and Operational Model* assumes process based management of the Group, the essence of which is a clear and transparent division of the competences and responsibilities, a continuous search for and the implementation of the process improvements and modifications in order to improve the efficiency thereof. The processes are the superior organization in relation to the organizational structure of the individual subsidiaries and they run horizontally across entire TAURON Capital Group.

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

The Members of the Management Board manage the mega processes assigned thereto. The owners of the mega processes are the designated Executive Directors at TAURON or the persons holding other positions directly reporting to the Members of the Management Board of the Company.

The process documentation (maps, diagrams and process sheets) defines and describes the decision making powers (competences) and the actions to be undertaken by the individual organizational units within TAURON Capital Group's various subsidiaries. The owners of the mega processes decompose the processes into the lower level processes and appoint the owners thereof. Each process has its owner and the process metrics defined by the process owner in accordance with the decision making competences assigned thereto, stemming from the



process documentation. The process documentation also defines the course of action (interdependencies) and decision making competences for the recurring activities, along with the descriptions of the products and services listed. The competencies and process dependencies described in the process documentation are complementary to the competencies stemming from the organizational structure of the individual subsidiaries and support the operation of TAURON Capital Group's subsidiaries as a unified organizational structure.

The following standing Committees and the IT and OT Change Management Board had been in place within TAURON Capital Group as of December 31, 2023:

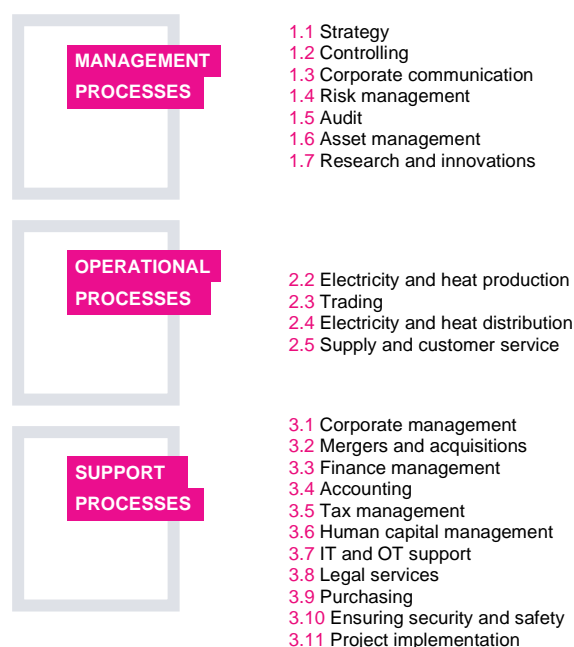
1. Investment Committee,
2. Risk Committee,
3. TAURON Group's Liquidity Committee,
4. Sponsoring Committee,
5. TAURON Group's ESG Committee.

The Committees have been established in order to enable performing of the operations in accordance with the principles of operating consistency, in compliance with the law and interests of TAURON Capital Group and those of its stakeholders.

The Business Model identifies 22 mega processes cutting across all of TAURON Capital Group's units.

The below figure presents the structure of TAURON Capital Group's processes (mega processes) in place as of December 31, 2023.

Figure no. 11. Structure of TAURON Capital Group's processes (mega processes) as of December 31, 2023



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

TAURON Group's Business and Operational Model had been updated in 2023.

The changes to the Model were aimed at its adaptation to the changes to TAURON Group's organization that had taken place, and they were related to the spinning off out of TAURON Group, in December 2022, of the following subsidiaries: TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.), Spółka Usług Górniczych sp. z o.o. (Ltd.), Wsparcie Grupa TAURON sp. z o.o. (Ltd.), and they involved:

1. removing of the Mining Line of Business and the Mining Mega-process,
2. transferring of the Kopalnia Wapienia Czatkowice sp. z o.o. (Ltd.) (Czatkowice Limestone Mine) subsidiary and the processes related to the limestone extraction to the Supply Line of Business and to the Mega-process 2.5 Supply (Sales) and Customer Service,
3. removing of Centrum Usług Wspólnych Ochrona (Shared Services Center Security).

## 2. OPERATIONS OF TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

### 2.1. Core products, goods and services

#### The core products, goods and services of TAURON Polska Energia S.A.

As the parent entity of TAURON Capital Group, TAURON performs the consolidating and management function at TAURON Capital Group. As a result of implementing the Business Model and centralizing of the functions, TAURON had concentrated a number of competences related to the functioning of TAURON Capital Group's subsidiaries and had been carrying out operations, among other things, in the following areas in 2023

1. wholesale trading in electricity, gas and the related products, in particular, with respect to providing trading (commercial) services for the subsidiaries, securing the requirements of the selected subsidiaries with respect to fuel, CO<sub>2</sub> emission allowances and the Guarantees of Origin (GOs) of energy (energy certificates),
2. management of the portfolio of electricity, CO<sub>2</sub> emission allowances and the property rights,
3. supervision of the purchasing,
4. finance management,
5. asset management,
6. corporate risk management,
7. managing the IT model in place,
8. coordinating of the research and development (R&D) activities,
9. coordinating of the activities with respect to accounting and taxes,
10. coordinating of the legal support services,
11. audit.

The core operations of the Company, apart from managing TAURON Capital Group, include the wholesale electricity trading on the territory of the Republic of Poland, based on the license for trading in electricity issued by the President of the ERO (Energy Regulatory Office) for the period from June 1, 2008, until December 31, 2030.

The Company is focusing on purchasing and selling electricity for the purpose of securing (hedging) the buy and sell positions of TAURON Capital Group's entities as well as on the wholesale electricity trading. The Company had purchased and sold 33.7 TWh of electricity in 2023. The electricity sales carried out by TAURON during that period had mainly been addressed to the following subsidiaries: TAURON Sprzedaż sp. z o.o. (Ltd.) (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.) (TAURON Sprzedaż GZE), with 87.6% of the electricity volume purchased sold thereto. The above mentioned subsidiaries are carrying out the retail electricity supply to the final consumers, and therefore TAURON is not overly dependent on any single electricity consumer. The next largest electricity consumer, in terms of the electricity volume purchased, is the Exchange Clearing House (Izba Rozliczeniowa Giełd) (5.7%), and subsequently the other counterparties (2.2%), Polskie Sieci Elektroenergetyczne S.A. (PSE) (2.7%) and TAURON Capital Group's other subsidiaries (1.7%), including TAURON Czech Energy s.r.o. (TAURON Czech Energy) (1.2%), TAURON Ciepło (0,4%) as well as EC Stalowa Wola (0.1%).

Pursuant to the concluded SLA contracts with respect to the trading operations, in 2023, TAURON had been providing, for the benefit of the Group's subsidiaries, among other things, the electricity portfolio management service as well as the property rights and the Guarantees of Origin (GOs) of energy (energy certificates) portfolio management service. In addition, the Company had been offering the *Market Access* service with respect to electricity that had involved the Company entering into the transactions on the Polish Power Exchange on its own behalf but on the account of other subsidiaries of TAURON Capital Group, i.e. acting as the intermediary broker (indirect substitute).

However, having in mind the preparatory activities related to the spin off of the hard coal fired generation assets out of TAURON Group, as part of the implementation of the Government's NABE (National Energy Security Agency) Concept, a decision was made to terminate the provision of the electricity portfolio management service and the *Market Access* service for the benefit of TAURON Wytwarzanie. The detailed information on the implementation of the NABE Program is provided in section. 2..6. of this report. As of November 1, 2022, an organizational structure had been set up at TAURON Wytwarzanie in order to take over the responsibility for the contracting of the coal fuel for the in-house needs. As of that date, the process of transferring the thermal coal sales contracts from TAURON to TAURON Wytwarzanie had also been commenced. In spite of having completed the transfer of some functions to TAURON Wytwarzanie last year, in 2023 TAURON had been carrying out the deliveries of the hard coal for the benefit of the above mentioned subsidiary contracted yet in 2022, and is responsible for the purchases of the hard coal in order to satisfy the demand for TAURON Ciepło, which is the fuel for the needs of the production carried out by the above mentioned subsidiary.

The Company's additional operations include the wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in the gas fuels issued by the President of the ERO on April 27, 2012. The original effective term of the license had commenced on May 4, 2012, and had expired on May 4, 2022. On March 11, 2021, the President of the ERO had made a decision to change the effective term of the license and extend it until June 30, 2035. The Company had purchased and sold 4.48 TWh of the gas fuel in 2023, focusing, first and foremost, on the securing of the natural gas sell position of the TAURON Sprzedaż subsidiary, with 40.2% of the

purchased gas fuel volume sold thereto. In addition, the main counterparty in the trading of the natural gas is the Exchange Clearing House Joint Stock Company (Izba Rozliczeniowa Giełd S.A.) whose share in the total revenue from the gas sales had come in at 50.5% in 2023.

The competences of the Company also include the management, for the needs of TAURON Capital Group, of the property rights related to the Guarantees of Origin (GOs) of energy (energy certificates), constituting the confirmation of the electricity generation by the renewable sources (including the sources that utilize the agricultural biogas), as well as the property rights related to the electricity efficiency certificates. The principles of the cooperation are defined in the agreements for the management of the property rights' balance (TAURON Ciepło) as well as in the agreements for the provision of the trading services with respect to the management of the portfolio of the property rights and the Guarantees of Origin (GOs) of energy (TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Ekoenergia and TEC1).

TAURON is a competence center with respect to the management and trading in the CO<sub>2</sub> emission allowances for TAURON Capital Group's subsidiaries. As a result of centralizing the trading in the emissions, a synergy effect has been achieved, involving the optimizing of the costs of utilizing the resources of TAURON Capital Group's entities. In the pursuit of the above mentioned objectives with respect to the CO<sub>2</sub> emission allowances trading, the Company is actively taking part in the trading on the ICE ENDEX exchange, the EEX exchange, as well as on the OTC market. In connection with the centralizing of this function, TAURON is responsible for the settlements (clearing) of the subsidiaries' CO<sub>2</sub> emission allowances and for the securing (hedging) of the subsidiaries' emission needs while taking into account the emission allowances allocated thereto.

TAURON is also performing the function of the Market Operator and the entity responsible for the trade balancing for TAURON Capital Group's subsidiaries, as well as for a number of external customers. These functions are carried out under the transmission agreement concluded with the Transmission System Operator (TSO) and the other regulations in this respect (the Terms and Conditions for the Balancing and the Transmission Grid Code).

TAURON is also developing its competences with respect to the Market Operator function for the gas under the transmission agreement with GAZ-SYSTEM S.A. Since July 2015, TAURON, as one of the first entities in Poland, has been providing services for a balancing group for the entities carrying out the trading transactions on the gas market and is currently conducting the balancing of the trading for two of TAURON Capital Group's entities, as well as for the external entities.

TAURON performs the role of a representative of TAURON Capital Group's subsidiaries (except for TAURON Wytwarzanie) in the implementation of all of the key processes on the capacity market. However, TAURON Wytwarzanie, in accordance with the assumptions of the Government's NABE Concept, has been, since the fourth quarter of 2022, carrying out these processes independently for its assets.

In 2023, TAURON had been actively taking part in the secondary capacity market, securing the capacity obligation within TAURON Capital Group, as well as concluding the transactions with the external counterparties on the OTC market.

On December 14, 2023, TAURON had taken part in the main auctions for the delivery in 2028. On January 5, 2024 (an event that took place after the balance sheet date), the President of the ERO disclosed the information on the final results of the main auction in the Public Information Bulletin (Biuletyn Informacji Publicznej). In accordance with the information, the closing price of the auction had come in at 244.9 PLN/kW/year. TAURON Capital Group's subsidiaries had concluded the one year capacity contracts with the total volume of 43.50 MW. The performance of the capacity contracts concluded will allow for generating the revenue in the amount of PLN 10.65 million in 2028.

As part of the works related to asset management, TAURON is conducting the activities aimed at ensuring a consistent and efficient management of the production assets. The priority is given to the activities aimed at ensuring the required level of availability, business continuity and efficiency of the assets.

## **The core products, goods and services of TAURON Capital Group**

TAURON Capital Group is conducting its operations and generating its revenue, first and foremost, from the supply of the electricity and heat, coming both from its generation, as well as from the trading, and also from the electricity distribution service, as well as the heat transmission service.

*The detailed information related to the Operating Segments (lines of business) is provided in section 1.2. of this report.*

TAURON Capital Group's core products offered in 2023 had included electricity and heat, as well as the limestone mining products for the needs of the power generation, construction and the road building industries. In addition, TAURON Capital Group has also been dealing with the trading in the commodities: electricity and energy market products, as well as gas, and it has also been providing the electricity distribution and supply services, including to the final consumers, the heat distribution and transmission services, as well as other services related to the operations conducted thereby. It is also worth noting that in 2022, TAURON Group had also offered, as its product,

the hard coal from its in-house coal mines, which had been divested as of December 31, 2022, and thus in 2023 the Group did not sell the hard coal from its own resources as a consequence of the disposal thereof.

The below table presents TAURON Capital Group's 2022 - 2023 production and sales volumes.

Table no. 10. 2022 - 2023 production and sales volumes

Production and sales volumes	Unit	2023	2022	Change in % (2023 / 2022)
1. Commercial coal production	Mg m	-	5.01	-
2. Coal sales by the Mining Segment	Mg m	-	4.90	-
3. Electricity generation (gross production), including:	TWh	12.67	15.55	81%
Electricity generation from renewable energy sources, including:	TWh	1.67	1.57	106%
1) Production from biomass	TWh	0.21	0.34	62%
2) Production of hydro, wind and photovoltaic power plants	TWh	1.47	1.23	120%
4. Heat production	PJ	10.35	10.58	98%
5. Heat supply	PJ	13.04	13.80	94%
6. Electricity distribution	TWh	51.30	53.68	96%
7. Electricity supply	TWh	42.82	46.03	93%
1) Retail	TWh	30.75	31.14	99%
2) Wholesale	TWh	12,07	14.89	81%
8. Number of customers – Distribution	'000	5 925	5 836	100%

The amounts corresponding to the sales volumes presented above are provided in section 5 of this report.

## 2.2. Markets and sources of supply

### Markets

#### Hard coal sales

Due to the transfer of the ownership of 100% of the shares of the TAURON Wydobycie subsidiary (currently Południowy Koncern Węglowy S.A.) to the State Treasury as of December 31, 2022, TAURON Group had not conducted any commercial coal production and sales related activities in 2023, which is in line with its current Strategy. In 2022, TAURON Capital Group had carried out the production and sales of the hard coal from its mining assets in accordance with the specific functions performed by the Group's subsidiaries. The hard coal sales to TAURON Group's generating units during almost all of 2022 had been carried out by TAURON. In the fourth quarter of 2022, in the context of the planned spin off of the hard coal fired generation assets out of TAURON Group as part of the implementation of the Government's NABE Concept, the process of transferring the thermal coal sales contracts from TAURON to TAURON Wytwarzanie had been commenced, leaving the Company with the responsibility for the hard coal fuel purchases in accordance with the demand for TAURON Ciepło.

#### Sales of generated electricity and heat

TAURON Capital Group's electricity and heat generation is carried out by:

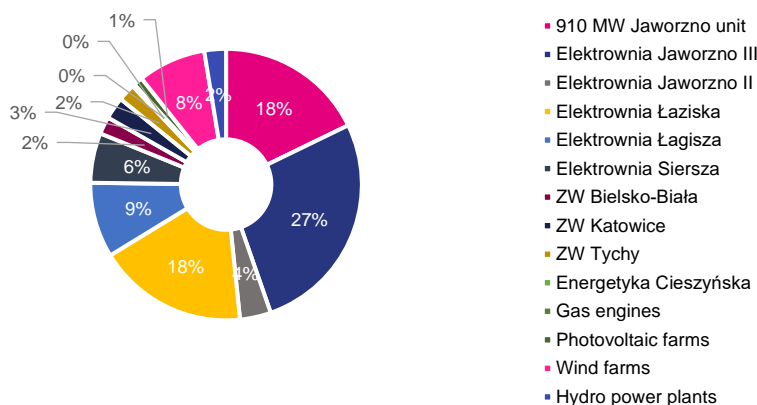
1. hard coal fired and biomass burning power plants and combined heat and power plants,
2. hydroelectric power plants,
3. wind farms,
4. photovoltaic farms,
5. gas engines.

The Generation Segment's operations also include trading, distribution and transmission of heat.

The total installed electric capacity of TAURON Capital Group's generation units had come in at 5.1 GWe of electric capacity and 2.4 GWt of thermal capacity as of the end of 2023.

The below figure presents the structure of the installed capacity of TAURON Group's generating units as of December 31, 2023.

Figure no. 12. Structure of the installed capacity of TAURON Group's generating units as of December 31, 2023



TAURON Capital Group had generated, in total, 12.67 TWh of electricity in 2023, which had constituted a lower output as compared to 2022 when the production of electricity had come in at 15.55 TWh. The decline is mainly the result of the lower electricity production output of the conventional generating units by 2.98 TWh, down from the level of 13.98 TWh in 2022, to 11.00 TWh. This had been related to the different manner of the units' operation, as requested by the market operator. In addition, there had been an increase, in 2023, in the electricity production from the RES by 0.10 TWh, from 1.57 TWh in 2022 to 1.67 TWh. This change is mainly due to the higher production by the hydro power plants due to the more favorable hydrological conditions, as well as an increase in the production from the wind and photovoltaic farms put into operation in 2022. It is also worth noting that the production from the biomass had declined in 2023 due to a significant increase in the unit cost of the fuel.

In 2023, the electricity produced by TAURON Capital Group's subsidiaries had been sold on the domestic market, first of all to TAURON Capital Group's Supply Segment subsidiaries (53%). The remaining part of the electricity produced had been sold to the counterparties from outside of TAURON Group, primarily on the Polish Power Exchange (Towarowa Giełda Energii) (38%) and to PSE (5%).

The heat sales volume by TAURON Capital Group's subsidiaries had come in at 13.04 PJ in 2023 and it had been lower by 6%, as compared to 2022. The share of the heat generated from the in-house sources in the total heat sales volume had clocked in at 79% in 2023.

TAURON Ciepło's heat supply market includes the diverse consumers: the cooperative sector (40.2%), the private sector – the housing communities (multi family buildings) and the single family houses (17.3%), the municipal sector (14.5%), the offices and institutions sector (14.4%), as well as the industrial sector and others (13.5%).

In addition, the heat production, supply and transmission had been carried out by the company Energetyka Cieszyńska, taken over by TAURON Ciepło in 2022, whose thermal capacity had stood at 70 MWt, with 23 MWt of that capacity coming from the cogeneration. The heat distribution system includes more than 55 kilometers of the district heating network and 434 heat substations. The Energetyka Cieszyńska subsidiary provides the supply of the heat to the residents of Cieszyn, the Pogwizdów estate and the Municipality of Hażlach.

In addition, TAURON Capital Group's generation subsidiaries obtain the guarantees of origin of energy due to the electricity generation from the RES, which are subsequently purchased by the Supply Segment subsidiaries and submitted to the President of ERO for redemption.

### Sales of the electricity distribution services

TAURON Dystrybucja is a subsidiary conducting the sales of the electricity distribution services at TAURON Capital Group.

The regulated market on which TAURON Dystrybucja is operating includes the operations of 5 large electric utilities dealing with the electricity distribution and 183 other smaller enterprises of such type. The operations in the field of the electricity distribution are carried out under the conditions of a natural monopoly, which means that they are licensed by the President of the Energy Regulatory Office (ERO), and the scope of the operations conducted is limited to the distribution grids located in a strictly defined area (municipalities and / or cities in whole or in part). The rules for determining the justified revenue obtained by the electricity distribution companies (revenue allocated to the rates of charges for the provision of the electricity distribution services) are defined in the regulatory models developed and implemented by the President of the Energy Regulatory Office (ERO).

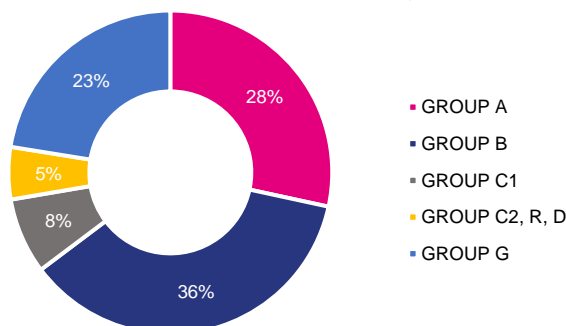
TAURON Dystrybucja is providing the electricity distribution services for approx. 5 925 000 final consumers. The Company covers with its operations an area of approximately 57 thousand km<sup>2</sup>, located mainly in the Lower Silesia, Małopolska, Opole and Silesia regions and, in addition, in the Łódź, Podkarpacie and Świętokrzyskie regions. The operational functions are performed by 11 branches located in: Bielsko-Biała, Będzin, Częstochowa, Gliwice, Jelenia Góra, Kraków, Legnica, Opole, Tarnów, Wałbrzych and Wrocław.



Sales to the tariff eligible consumers on the individual voltage levels: high voltage (A group), medium voltage (B group) and low voltage (C,G), represent 97.3% of the distribution services sales volume. The total electricity volume delivered to the tariff eligible consumers connected to TAURON Dystrybucja's grid in 2023, as part of the total sales of the distribution services, had come in at 51.30 TWh and it had been lower, as compared to 2022, by 2.38 TWh, i.e. by 4%.

The below figure presents the structure of the electricity distribution by the tariff groups in 2023.

Figure no. 13. Structure of the electricity distribution by the tariff groups in 2023



The sales of the distribution services are carried out on the basis of the comprehensive agreements, as well as pursuant to the agreements on the provision of the distribution services concluded with the consumers. The former type of the agreement covers both the electricity supply by the Supply Segment's subsidiaries, as well as the delivery of this electricity by the subsidiary acting as a DSO. The latter type of the agreement regulates only the delivery of the electricity by the subsidiary acting as a DSO. In the case of this type of the agreements, the purchase of the electricity is governed by the separate electricity supply agreements, concluded by a consumer with the supplier selected thereby.

In the financial years ended on December 31, 2023 and December 31, 2022, TAURON Capital Group did not identify a single customer from outside of TAURON Capital Group with which it concluded any transactions related to the provision of the distribution services that would exceed 10% of its total consolidated sales revenues.

#### Wholesale and retail supply of electricity and gas

The electricity supply with respect to the wholesale trading of the electricity, natural gas and the other products of the energy market, as well as with respect to the retail electricity and natural gas supply is carried out by the Supply Segment subsidiaries.

The **wholesale trading operations** conducted by TAURON comprise mainly the trading of the electricity and natural gas. Such activities are performed, first and foremost, for the needs of securing (hedging) the buy and sell positions of TAURON Capital Group's entities. The Company is operating on the wholesale markets in Poland and abroad, and it is also trading in all of the segments of the domestic energy market, i.e. on the intraday market, the day-ahead market and on the forward market. The Company is an active participant of the Polish Power Exchange (Towarowa Gielda Energii S.A – TGE).

With respect to the **wholesale gas fuels trading operations** the Company is an active participant of the gas market run by the Polish Power Exchange - TGE), carries out the transactions on the SPOT market as well as on the commodity forward market (Rynek Terminowy Towarowy - RTT) products. In addition, it is involved in the proprietary trading activity on the international gas exchange EEX.

In addition, the Company is a participant of the Intercontinental Exchange on the National Balancing Point hub. The access to the hubs is a consequence of the activity aimed at increasing TAURON's gas related competences and the access to the new sources. The volume of the OTC market transactions concluded by the Company is also successively increasing. By operating on the gas market the Company is securing the commodity supplies for the entities of TAURON Capital Group; in addition, the proprietary trading operations are carried out on the RTT market, aimed at taking advantage of the volatility of the gas prices to generate the additional margins.

TAURON is also a participant of the European transmission capacity trading platform PRISMA European Capacity Platform GmbH, where the purchasing of the inter-system (interconnector) transmission capacities takes place. With respect to booking the transmission capacity on the Polish market the Company is operating as a participant of the GSA GAZ-SYSTEM Aukcje auction platform.

**Electricity and natural gas retail supply** to the final consumers is carried out by the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries.

The customer segmentation applied by TAURON Capital Group (strategic, business and mass customers), depending on the volume of the electricity consumed, is aimed at tailoring the product offering, the sales channels and the marketing communications to the expectations of the specific customer segment.

The below table presents the categories of TAURON Capital Group's final customers, resulting from the market segmentation used and the specific nature of their business operations.

Table no. 11. Categories of TAURON Capital Group's final customers

Customer group	Description of customers
1. Strategic customers	Customers with the annual potential energy consumption at a level not lower than 40 GWh or the strategic business partners of TAURON Capital Group, i.e. mainly the entities representing the sector of the heavy industry, for example: metallurgical industry, chemical industry, mining industry, automotive industry.
2. Business customers	Customers with the annual potential energy consumption at a level of more than 250 MWh (other than the individual consumers), or purchasing energy based on the provisions of the <i>Act of January 29, 2004, Public procurement law</i> , i.e. the entities representing the other sectors of the manufacturing industry, producers of equipment, the consumers from the food industry, public sector, construction sector and the municipal services sector.
3. Mass customers – small and medium sized enterprises	Customers dealing with the sales, services, banking, catering and small businesses.
4. Mass customers - households	Households

The supply subsidiaries had been operating in 2023 in a market environment where the level of the competitiveness in the individual market segments had not changed significantly as compared to the previous years. The household (individual customers) market segment had continued in 2023 to be covered by the obligation to have the electricity sales prices approved by the President of the ERO.

According to the ERO data, from mid-2007 until November 2023, i.e. since the beginning of the electricity market liberalization process, approx. 759 000 households and more than 238 000 institutional entities switched their electricity supplier.

In the institutions and business entities (business customer) market segment the competition is strong and the businesses have already been taking advantage of the liberalization of the electricity prices for several years. The progress of the liberalization has resulted in an ever increasing awareness of the business customers expecting the competitive solutions. The enhanced sales activities of the energy companies exert an ever increasing price pressure. The business customers are willing to take advantage of the ability to switch their supplier. The consequences of such a situation include the introduction of the activities aimed at protecting the utilities' own customer base against the actions taken by the competition by introducing the loyalty building agreements.

The households segment, where the number of the supplier switch cases represents a small percentage, is considered to offer a strong potential. In 2023 more than 26 000 consumers of electricity had switched their suppliers (including approximately 8 000 institutional customers and approximately 18 000 households).

The sales offering of TAURON Sprzedaż for the business segment in 2023 had included electricity and the gas fuel. The company had continued its activities geared towards building the customer loyalty and the implementation of the tasks stemming from the Green Turn of TAURON. The customers had been offered a number of products to choose from, taking into account their needs as well as the changes taking place in the technological, legal and the business environment. The offering had included three groups of products: the ecological, the exchange based and the technical products. The growing interest in the EKO products had led to a strong emphasis on their sales and the after sales service, especially with respect to the Guarantees of Origin. The activities related to the promotion and the sales of the EKO Premium and EKO Biznes products had been continued. As part of these activities, the contracts for the EKO Premium product for more than 824 GWh had been concluded in 2023. The EKO Biznes product had been even more popular with the customers than in the previous years. The Company had sold electricity, as part of this product, with a volume in the region of 1.9 TWh, while the sales of the Guarantees of Origin had also come in at a very high level of more than 940 GWh. As many as 62% of the business customers, based on the sales volume, had taken advantage of the additional products from the TAURON Sprzedaż offering in 2023.

The process of the mass segment customers (the individual customers, as well as the small and medium sized enterprises) migrating from the product based pricing to the tariff based pricing, had also been observed in 2023. As of the end of 2023, TAURON Capital Group had been selling electricity under the agreements guaranteeing the commercial terms and conditions over the specified period to 41% of the segment's customers (the loyalty building agreements), while 59% of the customers had been buying electricity at the tariff based prices.

The key elements of the commercial offering for the mass customers in 2023 had been the combined products: *Elektryk (Electrician)* and *Serwisant (Repair Man)*, based on the *assistance* functionality, which had been used by approximately 2 million customers. The *assistance* products will represent the core of the offering also in 2024.

In addition, in 2023 the sales of the specialized products had been continued, in particular the photovoltaic installations, with its sales in 2023 reaching more than 1 000 units. In 2023, the retail supply of electricity by the Supply Segment subsidiaries, including also by TAURON Czech Energy, to approx. 5.8 million customers had stood at 30.75 TWh, i.e. 99% of the 2022 level when the supply had come in at 31.13 TWh. The decrease of the supply volume had been reported both in the Business Customer Segment, as well as in the Mass Customer Segment,

which had primarily been due to the curtailed consumption of the electricity by the customers in view of the very high prices of the electricity on the market.

The below table presents the information on the volume of the electricity supplied by TAURON Capital Group's subsidiaries conducting operations related to the retail electricity supply, as well as the number of the customers, broken down into the individual customer segments, in 2023.

Table no. 12. Volume of retail electricity supplied and the number of customers in 2023

Customer type	Electricity volume supplied (TWh)	Number of customers ('000)
1. Strategic customers	5.1	1
2. Business customers	10.7	202
3. Mass customers, including:	11.7	5 612
households	9.6	5 225
4. Supply to TAURON Dystrybucja to cover the balancing differences	3.0	0.001
5. Other (exports, in-house needs)	0.3	-
<b>Supply Segment</b>	<b>30.7</b>	<b>5 815</b>

In addition, TAURON Sprzedaż had completed sales of gas to 60 000 of the Business and Mass Market Segments customers in 2023. The volume of the sales of this fuel had come in at more than 1.7 TWh. Due to the rapid changes on the energy commodity market, the successive departures of the residential customers had been observed in 2023.

With respect to 2023, the government had introduced a series of the acts of law aimed at protecting (shielding) the customers against the effects of the price increases on the wholesale electricity and gas markets, introducing the prices frozen at the 2022 levels, up to a certain volume limit and the maximum prices for the electricity consumed in excess of the cap, into the billings of the residential customers and for the consumers who are the micro and small enterprises, as well as the local government units and others listed in the acts of law. The Company, having applied the maximum and the frozen prices, had applied, in accordance with these acts of law, for a compensation, to be settled and paid by Zarządca Rozliczeń S.A. (the Settlements Manager), which is a special purpose vehicle of the State Treasury, set up in accordance with the provisions of the *Act of June 29, 2007, on the principles of covering the costs incurred by the electricity generators in connection with an early termination of the long term contracts for the sale of capacity and electricity*. In view of their right to apply to Zarządca Rozliczeń S.A. (the Settlements Manager) with the requests for a compensation for the electricity, the Supply Segment subsidiaries had logged in their accounting books for the year ended on December 31, 2023, the revenue on this account in the amount of PLN 6 909 934 034.12, and on the account of the gas fuel in the amount of PLN 26 673 809.69. The amount of the compensation due for 2023 that had not been transferred by Zarządca Rozliczeń S.A. (the Settlements Manager) to the subsidiaries' accounts by the date of drawing up this report had stood at PLN 135 017 530.75 for the electricity trading and PLN 586 473.91 for the gas fuel trading.

The largest consumers for the electricity sold by TAURON Capital Group include the Commodity Exchange Clearing House (Izba Rozliczeniowa Giełd Towarowych S.A.) and Energa Operator S.A., for which the shares of the electricity sales in 2023 had come in at 14.8% and 4.6%, respectively, of TAURON Capital Group's total sales revenue. TAURON Capital Group's subsidiaries have no capital ties to the above mentioned counterparties.

## Supply sources – fuels

### Hard coal (domestic market)

TAURON Capital Group had been sourcing the hard coal from the domestic market, as well as from abroad, from outside of TAURON Capital Group in 2023.

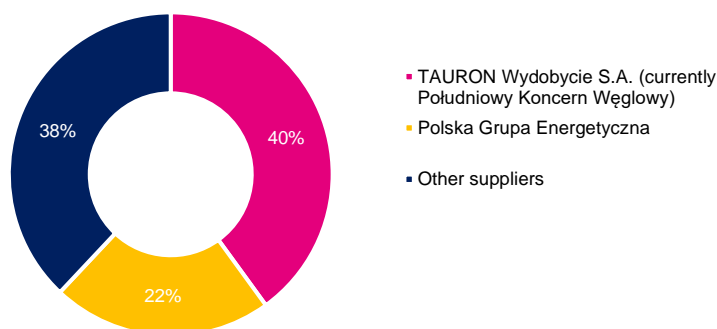
40% of the hard coal supplies used for the electricity and heat generation in 2023 had been met with the hard coal from TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.), which had accounted for 2.264 million Mg. The remaining part of the demand had been met based on the agreements concluded with other suppliers<sup>1</sup>, such as, among others:

1. Polska Grupa Górnicza S.A. (22%),
2. Jastrzębska Spółka Węglowa S.A. (5.4%),
3. Other suppliers, including the imports (32,6 %).

<sup>1</sup>Suppliers' shares in the total hard coal supplies

The below figure presents the quantity of the hard coal and the coal sludge purchased by TAURON Capital Group in 2023.

Figure no. 14. Hard coal and coal sludge purchased in 2023 (in %)



### Gas (domestic and foreign market)

TAURON Capital Group is sourcing the gas fuel from the domestic market, via the exchanges, as well as on the OTC market.

TAURON is an active participant of the gas market managed by TGE (PPX), it carries out the transactions on the SPOT market, as well as on the RTT forward market products. In addition, the Company is a participant of the Intercontinental Exchange on the National Balancing Point and The European Energy Exchange. The volume of the transactions concluded by the Company on the OTC market is also systematically growing.

By operating on the gas market the Company is securing the supplies of the raw material for TAURON Capital Group's entities.

In the financial years ended on December 31, 2023 and on December 31, 2022, TAURON Capital Group did not identify a single supplier from outside of TAURON Capital Group with which it concluded any transactions related to the purchase of the hard coal and gas that would exceed the level of 10% of the total sales revenue of TAURON Capital Group.

### Geographic market areas and key suppliers and consumers

The key area of TAURON's business operations is the domestic market where the revenue generated from the sales of the goods, materials and services clocks in at 98% of the total sales revenue. The main consumers of the goods and materials sold are TAURON Sprzedaż and TAURON Sprzedaż GZE, whose combined share stands at 73.5% of the Company's sales revenue. TAURON Sprzedaż and TAURON Sprzedaż GZE are the companies with the capital ties to TAURON in which TAURON holds 100% of the shares, as indicated in section 1.3 of this report. The main supplier of the purchased goods is also the Commodity Exchange Clearing House (Izba Rozliczeniowa Giełd Towarowych), whose share of the value of the purchased goods in the amount of the Group's sales revenue comes in at 90%, and with which TAURON has no equity ties.

The key area of TAURON Capital Group's business operations is the domestic market where the revenue generated from the sales of the products, goods, materials and the services clocks in at 98.2% of the total sales revenues. The main consumer of the products, goods and materials sold is the Commodity Exchange Clearing House (Izba Rozliczeniowa Giełd Towarowych), whose share stands at 14.8% of TAURON Group's sales revenues. The main supplier of the purchased goods is also the Commodity Exchange Clearing House (Izba Rozliczeniowa Giełd Towarowych), whose share in the amount of the consolidated sales revenue of TAURON Capital Group comes in at 30%. TAURON Capital Group's subsidiaries have no equity ties with this counterparty.

## 2.3. Assessment of the factors and non-typical (one-off) events that have a significant impact on the financial result achieved

### Internal factors

The operations and earnings of the Company and TAURON Capital Group in 2023 had been impacted, among other things, by the internal factors presented in the below table:

Table no. 13. Internal factors impacting the operations and the earnings of the Company and TAURON Capital Group in 2023

#	Description of the factor
1.	actions with respect to optimizing the processes implemented by TAURON Capital Group's subsidiaries,
2.	decisions with respect to the implementation of the key investment projects and the intense activities with respect to searching for the new energy generation sources projects,
3.	loyalty building measures aimed at retaining the existing customers and the marketing activities aimed at acquiring the new customers,

4. TAURON Capital Group's centralized financial management area, supported by the use of such tools as: corporate model of financing, financial liquidity (cash flow) management policy using the *cash pool* mechanism, risk management policy in the financial area, insurance policy,
5. TAURON's purchasing processes management, in particular the management of the purchases of electricity, fuels and the CO<sub>2</sub> emission allowances for the needs of the business operations conducted by the entities that are a part of TAURON Capital Group,
6. activities of the Tax Capital Group aimed, first and foremost, at optimizing the implementation of the corporate income tax settlement obligations by the key subsidiaries of TAURON Capital Group,
7. expectations with regard to an increase of the compensation (wages) at TAURON Capital Group,
8. implementation of the activities stemming from the transition of the power sector in Poland, including the implementation of the agreement between TAURON, PGE, Enea S.A. (Enea), Energa S.A. (Energa) and the State Treasury on the cooperation with respect to the spinning off of the coal assets and the integration thereof within the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE),
9. failures of TAURON Capital Group's equipment, installations and grids (networks),
10. implementation of the wind farm and photovoltaic construction projects with a total capacity of 257 MW,
11. implementation of TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050, adopted in 2022,
12. conclusion of a settlement agreement with RAFAKO with respect to the completion of the contract for the construction of a 910 MW unit in Jaworzno.

The detailed information related to the impact of the above mentioned factors on the financial result achieved in 2023 is provided in sections 4 and 5 of this report. The effects of such an impact are visible both in the short term, as well as in the long term outlook.

The analyses conducted as of December 31, 2023, as part of TAURON Group's asset impairment tests, had demonstrated changes in the recoverable value of the fixed assets in the Generation Segment. The need for the impairment charges (write-downs) had been related to the Generation-Coal CGU and the Generation-Biomass CGU assets, and had been a consequence, in particular, of the following factors:

1. decrease in demand for electricity in 2023 by 3.4% as compared to 2022,
2. lower electricity generation from the hard coal fired sources in 2023 as compared to 2022 by 12.7%,
3. decrease of the average electricity price for the BASE (Y+1) futures contract from 1 111.69 PLN/MWh in 2022 to 641.95 PLN/MWh in 2023 (-42.3%),
4. decrease of the average price of the electricity on the SPOT market from 785.25 PLN/MWh in 2022 to 512.09 PLN/MWh in 2023 (-34.8%),
5. decrease of the average price of the hard coal at the ARA ports in 2023 from an average of 223.4 USD/Mg to 126.44 USD/Mg in 2023 (-43.4%),
6. decrease of the average gas price for the BASE (Y+1) futures contract from 605.66 PLN/MWh in 2022 to 266.49 PLN/MWh in 2023 (-56%),
7. increase of the average price of the CO<sub>2</sub> emission allowances from 81.31 EUR/Mg in 2022 to 85.26 EUR/Mg in 2023 (+4.9%),
8. persistence of the negative economic sentiment, low PMI indices readings in Europe and the NBP projections assuming a lower GDP growth rate in the years 2024-2025 than the multiyear average growth rate of the Polish economy.

As a result of the above changes and a decline of the price levels, there has been an adjustment to the projections in relation to the assumptions made as part of the impairment tests performed as of December 31, 2022, with respect to the following factors:

1. decrease of the projected average BASE electricity prices in the years 2024-2026 by an average of 25.2% as compared to the assumptions made as part of the impairment tests as of December 31, 2022,
2. decrease of the projected average BASE hard coal prices for the delivery in the years 2024-2026 by an average of 29.2% as compared to the assumptions made as part of the impairment tests as of December 31, 2022,
3. decrease of the projected average BASE gas prices in the years 2024-2026 by an average of 48.5% as compared to the assumptions made as part of the impairment tests as of December 31, 2022,
4. decrease of the projected CO<sub>2</sub> prices in the years 2024-2026 by an average of 3.4% for the EU ETS market contracts as compared to the assumptions made as part of the impairment tests as of December 31, 2022.

As a consequence, TAURON Capital Group's results for 2023, as presented in the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group in compliance with the International Financial Reporting Standards approved by the European Union for the year ended on December 31, 2023* (the Consolidated Financial Statements of TAURON Capital Group), include the booking of the impairment charges (write-downs) related to the property, plant and equipment and the intangible assets in the amount of PLN 23 million.

In addition, the adequacy of recognizing the financial impact of the following events has been identified:

1. with respect to the consolidated financial statements of TAURON Capital Group as of December 31, 2023, the analyses carried out have demonstrated the justification for the booking of an impairment charge (write-down) on the carrying value of the hard coal fuel stocks held at TAURON Wytwarzanie (Generation Segment) in the amount of PLN 176 million, which will lead to a reduction of the Capital Group's operating profit (EBIT) for 2023 with no impact on EBITDA. The booking of the impairment charge (write-down) is a consequence of the market situation, i.e. a significant decline of the market prices of the hard coal fuel at the turn of 2023 and 2024, which, as a consequence, taking into account the provisions of IAS 2 Inventories, has led to the need to reduce, as of



December 31, 2023, the carrying value of the hard coal inventory purchased by TAURON Wytwarzanie as part of the hard coal contracting process carried out in the years 2022 - 2023,

- with respect to the consolidated and standalone financial statements, the analyses conducted taking into account the future cash flow projections have demonstrated the justification for an increase of the carrying value of the loans granted to the joint venture - EC Stalowa Wola. A change in the fair value of these loans in 2023 had increased TAURON's consolidated and unconsolidated pretax profit for 2023 by PLN 151 million with no impact on EBITDA and EBIT.

In addition, with respect to the Company's standalone financial statements as of December 31, 2023, the analyses conducted as part of the impairment tests identified the justification for a decrease of the carrying value of the loans granted by TAURON to its subsidiary TAURON Wytwarzanie by PLN 429 million, which will reduce the Company's standalone pretax financial result for 2023 by PLN 429 million.

In addition, as part of the analysis of the rationale for the asset impairment, the possibility of an impairment of the value of the shares in TAMEH HOLDING had been identified due to the decision issued by the Ostrava District Court on December 19, 2023, to declare the company TAMEH Czech s.r.o. insolvent. The value of the shares held in TAMEH HOLDING as a result of the valuation performed is PLN 169 million, which has led to a PLN 487 million charge to TAURON Group's operating profit and a PLN 179 million decrease of TAURON Group's 2023 EBITDA.

With respect to TAURON's standalone financial statements, the analyses have demonstrated a decrease in the valuation of the shares in TAMEH HOLDING by PLN 212 million, which will reduce TAURON's pretax result for 2023 and for the fourth quarter of 2023 by PLN 212 million (no impact on EBITDA and EBIT).

TAURON disclosed the detailed information on the above events in current reports no. 15/2024 of March 15, 2024, as well as no. 16/2024 of March 20, 2023.

## External factors

The operations and earnings of TAURON and TAURON Capital Group had been impacted in 2023 by the following external factors:

- macroeconomic environment,
- market environment,
- regulatory environment,
- competitive environment.

### Macroeconomic environment

TAURON Capital Group's core business operations are conducted on the Polish market and the changes taking place in this market have an impact on the functioning of the Group. The macroeconomic situation is a material factor impacting the earnings generated by TAURON Capital Group.

After a period of a strong recovery in the economic activity in the previous years, the GDP growth rate in 2023 had been coming down materially. The domestic economic activity continues to be impacted by the strong supply disruptions reflected in the high price levels of a number of the raw materials, goods and services. The economic activity is also adversely affected by a marked slowdown in the GDP growth rate in a number of major developed economies, as well as the elevated uncertainty. According to the data published by Statistics Poland (GUS), Poland's GDP had gone up in real terms by 0.5% in the third quarter of 2023, as compared to the same quarter of the previous year, while the inflation rate had clocked in at 11.4% in 2023, year on year. In the opinion of the Monetary Policy Council, the incoming data confirm the persistence of the low demand and cost pressures in the economy, as well as the reduction of the inflationary pressures in the conditions of a weakened economy in the environment of the Polish economy. Taking into account these conditions, the Monetary Policy Council had lowered the interest rates in September and October 2023.

The estimated GDP growth rate in 2023 stands at 0.3%. According to the forecasts of the National Bank of Poland (NBP), in the subsequent years, the GDP growth rate is expected to accelerate to, respectively: 2.9% in 2024 and 3.5% in 2025, although it will remain low against the multiyear average for the Polish economy. In accordance with the NBP's current projection, the disinflation process will be continued in the coming years. In the subsequent years the inflation rate is projected to gradually decrease to the level of 4.6% in 2024, and 3.7% in 2025.

The situation on the labor market continues to be good. According to the Statistics Poland's (GUS) data, the unemployment rate had come in at approximately 5.1% in 2023. The average monthly gross nominal wages in the economy had gone up by 12.8% as compared to the same period of last year.

### Market environment

#### Electricity

The below table presents the volumes of the electricity consumption, production and imports / exports in Poland, as well as the average electricity prices on the SPOT market, both in Poland, as well as in the neighboring countries in 2023 and in 2022.

**Table no. 14. Volumes of electricity consumption, production and imports in Poland, as well as the average electricity prices on the SPOT market, both in Poland, as well as in the neighboring countries in 2023 and in 2022**

Volume	unit	2023	2022	Increase / Decrease
1. Electricity consumption	GWh	167 519	173 479	-5 960 (-3.4 %)
2. Electricity production by domestic power plants	GWh	163 629	175 157	-11 528 (-6.6 %)
3. Electricity production by power plants fired with:				
1) hard coal <sup>1</sup>	GWh	76 607	87 761	-11 154 (-12.7%)
2) lignite	GWh	34 571	46 978	-12 407 (-26.4%)
3) gas	GWh	13 650	10 002	3 648 (+36.5%)
4. Electricity production by wind farms	GWh	22 000	18 305	3 695 (+20.2%)
5. Cross-border (inter-system) exchange balance <sup>2</sup>	GWh	3 889	-1 679	5 568 (+331.6%)
6. Average electricity price on the SPOT market in:				
1) Poland	PLN/MWh	510.94	787.45	-276.51 (-35.1%)
	EUR/MWh <sup>3</sup>	112.15	167.72	-55.57 (-33.1%)
2) the neighboring countries (on the example of Germany)	EUR/MWh <sup>3</sup>	95.18	235.46	-140.28 (-59.6%)

<sup>1</sup> Including the industrial power plants.

<sup>2</sup> A positive value of the balance denotes imports, while a negative value of the balance denotes exports.

<sup>3</sup> The prices in EUR / MWh are converted according to the NBP's average exchange rate as of 2023 and as of 2022, respectively.

The wholesale electricity price on the Day Ahead Market (RDN) of the Polish Power Exchange (TGE) had clocked in at 510.94 PLN/MWh in 2023 and it had been lower by 276.51 PLN/MWh (-35.1%) as compared to 2022. The average settlement price on the Balancing Market (RB) had come in at 525.05 PLN/MWh in 2023 and it had been lower by 231.46 PLN/MWh (-30.6%) as compared to 2022.

The lower SPOT prices in 2023 had been due to: the falling gas prices in Europe, the lower demand in the national power system and the higher imports of the electricity from the neighboring countries. In addition, the level of the SPOT prices had been affected by an increase in the production from the photovoltaic sources. The production from these sources had gone up in 2023, year on year, from 9 297 GWh to 13 209 GWh, i.e. by 42.1%.

At the same time, the electricity market is subject to the maximum prices for the submission of the balancing bids, which cannot be higher than the variable costs increased by the margin specified in the *Balancing Conditions*. Another factor limiting the prices in the wholesale market in 2023 had been the *Regulation of the Council of Ministers on how to calculate the price cap of December 16, 2022 (Journal of Laws of 2022, item 2284)*, which defines the calculation elements to be used for calculating the tax on the windfall profits from the electricity sales in the form of a charge (allowance) to the Price Difference Payout Fund (Fundusz Wyплаты Różnicy Ceny) from which the compensation is paid out to the entities selling electricity below the cost. The windfall profits are determined on the basis of the respective limits assigned to the specific electricity generation sources and include the generation costs, the margin and the fixed costs.

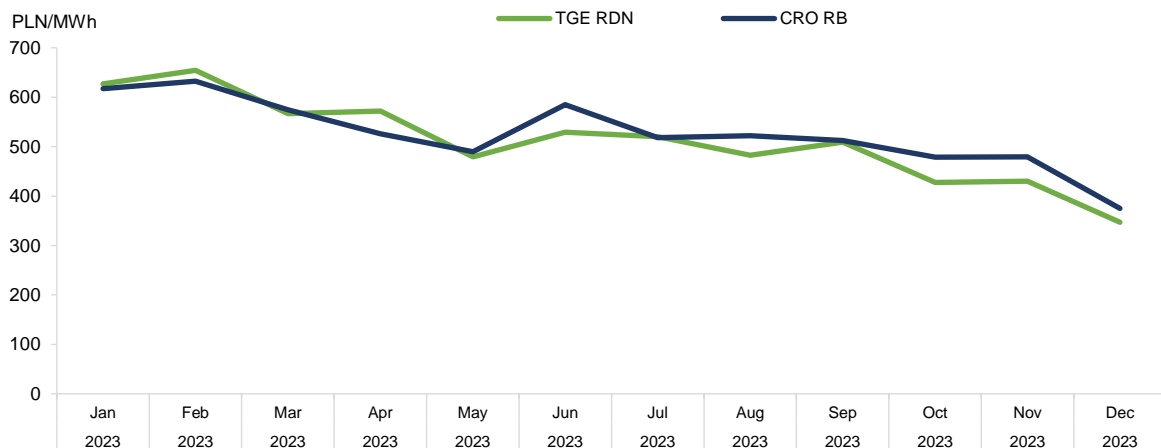
*The detailed information on the amounts of the charges (allowances) to the fund booked by TAURON Group's subsidiaries in 2023 within the individual Segments is presented in Section 2.6 of this report.*

According to the data from the TSO (PSE), the domestic consumption of the electricity from the power grid had gone down by 3.4% in 2023, as compared to 2022. The lower level of the demand for the electricity in the national power system had been affected by a slowdown in the economy and the introduction of the *Act on the special solutions aimed at protecting the electricity consumers in 2023*, according to which the local government units should take measures aimed at reducing the total electricity consumption by 10%.

In 2023, Poland had been a net importer of electricity, due to the lower SPOT prices in the neighboring countries. Due to the reduced demand for the electricity, the surplus of the energy imports over exports, and the higher share of the RES in Poland's electricity production, 2023 had seen the reduced electricity production by the lignite and hard coal fired power plants. On the other hand, due to the relatively low gas prices, the production by the gas fired sources had gone up as compared to 2022.

The below figure presents the average monthly electricity prices on the SPOT and RB markets in 2023.

Figure no. 15. Average monthly electricity prices on the SPOT and RB markets in 2023



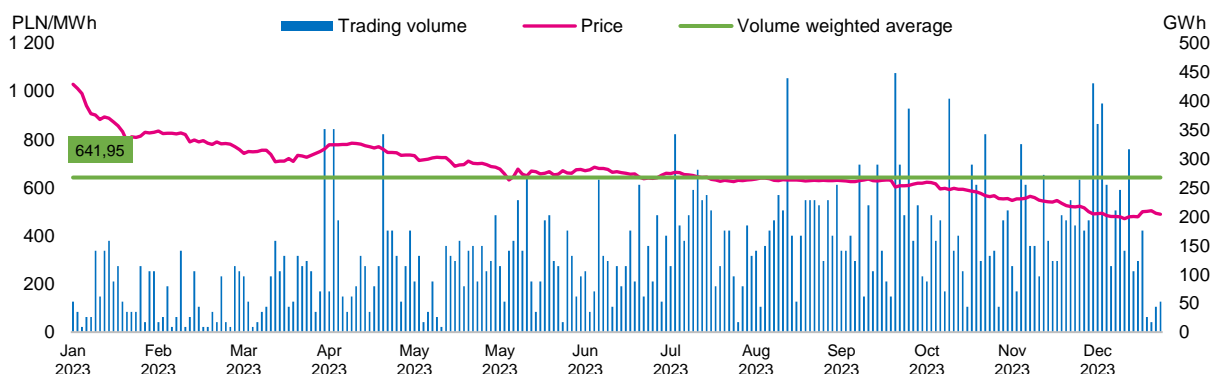
The price of the benchmark base load contract with the delivery in 2024 (BASE\_Y-24) had been in a downward trend on the Polish electricity market in 2023, fluctuating within the range between approx. 1 000 PLN/MWh at the beginning of the year and 470 PLN/MWh in December. The changes in the price levels had been in line with the trends in the price changes on the related markets, in particular those of the CO<sub>2</sub> emission allowance prices, as well as the prices of gas in Europe. The reason for the lower prices had also been the lower volume of the demand for the electricity in the system.

The trading volume for the one year contract with the delivery in 2024 had been much lower on the Polish Power Exchange (TGE) in 2023 than the trading volume in 2022 for the one year contract with the delivery in 2023 (a drop by 45.6%). The low activity on the futures market had been related to the high uncertainty with respect to the regulatory environment and the process of the setting up of NABE getting prolonged. In addition, a change in the profile of the customer demand caused by the increasing importance of the RES sources in the system had been one of the reasons for the shifting of some contracting to the short term market.

The volume weighted average price of the BASE\_Y-24 contract recorded during the trading sessions taking place in 2023 had come in at 641.95 PLN/MWh, and it had been lower by 327.38 PLN/MWh (a decrease by 33.8%) as compared to the average price of such a contract logged in 2022. A similar situation had taken place in the case of the trading of the PEAK5\_Y-24 contract, whose volume weighted average price had clocked in at PLN 767.46 PLN/MWh in 2023 and it had been lower than the average price of that contract quoted in 2022 by 464.89 PLN/MWh (a decrease by 37.7%).

The below figure presents the price performance of the BASE\_Y-24 contract in 2023.

Figure no. 16. BASE\_Y-24 contract trading volume in 2023



### Hard coal

The average price of the continued annual hard coal contract at the ARA ports had stood at 5.05 USD/GJ in 2023 and it had been lower by 3.89 USD/GJ as compared to the average price of such a contract in 2022 (a decrease by 43.5%). On the other hand, the average value of the PSCMI1 index had come in at 33.67 PLN/GJ in 2023, and it had been higher than the value of this index in 2022 by 12.82 PLN/GJ.

Following a period of the very large increases and the price volatility in 2022 as a result of the Russian Federation's attack on the Ukrainian territory, the demand and supply balance on the global hard coal markets had become more stable with each passing month in 2023.

The event that had dominated the conditions on the international market in early 2023 had been the resumption of the trade exchange between Australia and China after a more than two year hiatus. In January 2023, the Chinese authorities had granted a permission to three energy companies and a leading steel producer to resume the hard coal imports from Australia. This had stabilized, to a large degree, the Pacific Rim market and had reduced the negative impact of the war in Ukraine in terms of the hard coal supplies.

The first half of 2023 saw a continuation of the downward trend that had begun in September 2022. The main reason for this phenomenon had been the weakening imports due to the large quantities of inventory accumulated at the international ports, as well as the falling natural gas and LNG prices, which had reduced the competitiveness of the hard coal fired power generation in the energy mix. In spite of the continuation of China's economic recovery and a reduction of the hard coal imports from Russia, in early June 2023, the hard coal prices at the ARA ports had fallen on some contracts to the lowest levels since mid-2021.

In the second half of 2023, the market had witnessed a high price volatility, which had primarily been a consequence of the tense geopolitical situation in the Middle East. During this period, the main price indices in the global hard coal markets demonstrated an upward trend which had begun in June 2023 and ended in mid-October 2023. Later, the market resumed its downward trend which lasted until the end of December 2023.

The factors that had caused the strong declines in the European hard coal market prices at the end of 2023 had been the high levels of the filling of the gas storage facilities in the EU countries, the large inventories at the ARA ports, and the favorable meteorological conditions in the form of the rising temperatures and the wind energy generation.

### Natural gas

2023 was in a stark contrast to 2022, which had seen the unprecedented high price levels on the European gas market. However, the global gas markets had continued to experience a very high price volatility during the period in question, which had been caused by the supply related and the geopolitical factors.

The global natural gas market had experienced severe turbulences in 2022 as a result of the significant impediments to the gas supplies from the East to Europe. The restrictions imposed on the supply of the Russian gas had put a lot of pressure on the market participants during the autumn and winter period, triggering a global energy crisis. In spite of this, the European countries had maintained the levels of filling the gas storage facilities well above the historical averages in the first half of 2023. The record breaking supplies of the liquefied natural gas, a sharp decline in the consumption (in particular in the energy intensive industries), a relatively stable flow from the Norwegian Continental Shelf and an exceptionally mild winter in the northern hemisphere had allowed the gas prices to fall further.

In the second half of 2023, the mood of the participants in the global fuel markets had primarily been impacted by the tense geopolitical situation in the Middle East. Not insignificant for the European market had also been the news of the damage to the Baltic connector gas pipeline connecting Finland and Estonia, the threat of the restrictions on the natural gas imports from Australia, the prolonged maintenance work on the gas infrastructure of the Norwegian Continental Shelf in September 2023, as well as the news of the termination of the exploitation of Europe's largest Dutch gas field Groningen at the beginning of October 2023. In spite of the above mentioned factors, a downward trend could have been observed on the European gas market in the fourth quarter of 2023, mainly due to the stable natural gas supplies from the US and Qatar, the high levels of filling the gas storage facilities in EU countries, which had exceeded 99% at the end of October 2023, and the temperatures above the seasonal norm at the end of the period under review.

Since the beginning of the crisis, the EU had taken the strong legislative measures in order to curb the excessive price increases in the European gas hubs. In December 2022, the EU had approved the Market Adjustment Mechanism, which had come into force as of February 15, 2023. In addition, in order to reduce the dependence on the natural gas, on March 30, 2023, the EU had adopted a regulation that had extended until the end of March 2024 the voluntary 15% gas demand reduction target for the member states.

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (TGE) had stood at 214.45 PLN/MWh in 2023 and it had been lower by 338.66 PLN/MWh than in 2022. The lowest price of the contract on the SPOT market had been recorded in May 2023, while the highest price had been logged in January 2023, with the volume weighted average monthly prices coming in at 159.40 PLN/MWh and 313.86 PLN/MWh, respectively.

The weighted average gas price on the Intraday Market (IDM - RDB) in 2023 had clocked in at 214.45 PLN/MWh and it had been lower by 338.66 PLN/MWh than in 2022. The highest price on the Intraday Market (IDM - RDB), i.e. 351.45 PLN/MWh, had been reported on January 22, 2023, while the weighted average gas price on the Intraday Market (IDM - RDB) for that month had come in at 310.38 PLN/MWh and it had been lower by 73.00 PLN/MWh than such a price in the same period of 2022. The lowest contract price on the Intraday Market (IDM), i.e. 107.78 PLN/MWh, had been recorded on May 28, 2023, while the volume weighted average price for that month had come in at 155.80 PLN/MWh and it had been lower by 269.99 PLN/MWh than such a price in the same period of 2022.

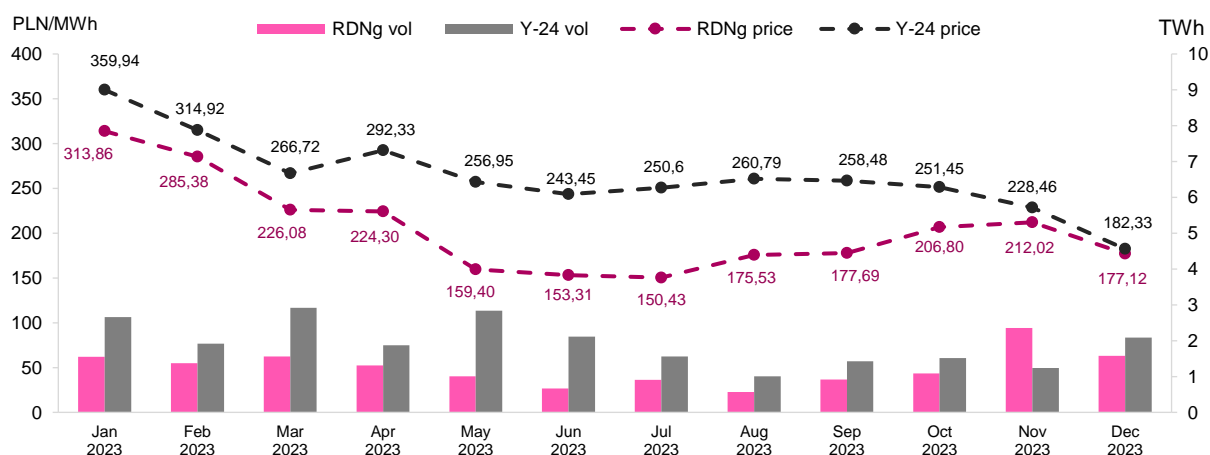
The lowest aggregate trading volume on the futures market had been recorded in June 2023, clocking in at the level of approx. 6.8 TWh, while the highest trading volume had been reported in November 2023, coming in at the level of approx. 12.2 TWh. The volume weighted average price of the benchmark one year GAS\_BASE\_Y-24 contract had stood at 267.65 PLN/MWh in 2023. The lowest price of that contract had been recorded in December 2023, while the highest price had been observed in January 2023, coming in at 169.75 PLN/MWh and 420.00 PLN/MWh, respectively.

The aggregate trading volume on the Polish Power Exchange (TGE) had clocked in at approx. 129.5 TWh in 2023, as compared to approx. 140.0 TWh in 2022 (a decrease by 7.5%). The futures market had the largest share in the overall gas trading in 2023, with a volume generated at the level of approx. 111.3 TWh. On the SPOT market, the total trading volume in the day ahead contracts had come in at approx. 14.9 TWh (a drop by 17.2%). The decline had also been reported on the Intraday Market (IDM) for gas, where the trading volume had clocked in at approx. 3.4 TWh, as compared to approx. 4.7 TWh in 2022 (a decline by 27.7%).

According to the Gas Infrastructure Europe association's data, as of December 31, 2023, the Polish gas storage facilities with a total capacity of approx. 3.3 billion m<sup>3</sup> were 95.4% filled, while a year earlier they had been 96.6% filled (a decrease by 1.2 pp). In Europe, this level, as of the end of 2023, stood at 86.4%, while a year earlier it had clocked in at 83.4% (an increase by 3.0 pp).

The below figure presents the average monthly SPOT market and BASE\_Y-24 contract gas prices on TGE (PPX) in 2023.

Figure no. 17. Average monthly SPOT market and BASE\_Y-24 contract gas prices on TGE (PPX) in 2023



## CO<sub>2</sub> emission allowances

The settlement prices for the CO<sub>2</sub> emission allowances under the benchmark contract with the delivery in December 2023 (EUA DEC-23) on the ICE Endex exchange had been fluctuating within the range between 66.35 EUR/Mg and 100.34 EUR/Mg in 2023. The average clearing price in 2023 had come in at 85.26 EUR/Mg and it had been higher by 4.02 EUR/Mg (an increase by 4.9%), as compared to the average price logged in 2022.

At the beginning of 2023, the prices of the CO<sub>2</sub> emission allowances prices had been observed at the slightly higher levels than in 2022. In January and February, the forward prices had reached the level of 100 EUR/Mg several times, due to the delays in the issuance of the free allowances. However, the ever more frequently emerging fundamental conditions in the form of the unfavorable macroeconomic data, the prolonged crisis in the banking sector and a sharp decline in the prices of the gas fuel following the end of the winter season had not allowed such high CO<sub>2</sub> prices to continue in the long term and had contributed to the start of a medium term downward trend, which further accelerated in the second half of 2023.

The reported price declines had also been related to the short term rebalancing of the EU ETS market. In the first quarter of 2023, the work on the implementation and financing of the RePowerEU package had been under way. Finally, as of July 2023, the supply of the allowances at the auctions had been slightly increased as a result of the implementation of the RePowerEU plan. The European Commission will allocate a portion of the allowances from the future auction pool for an early auctioning in the years 2024 - 2026 (the so-called frontloading).

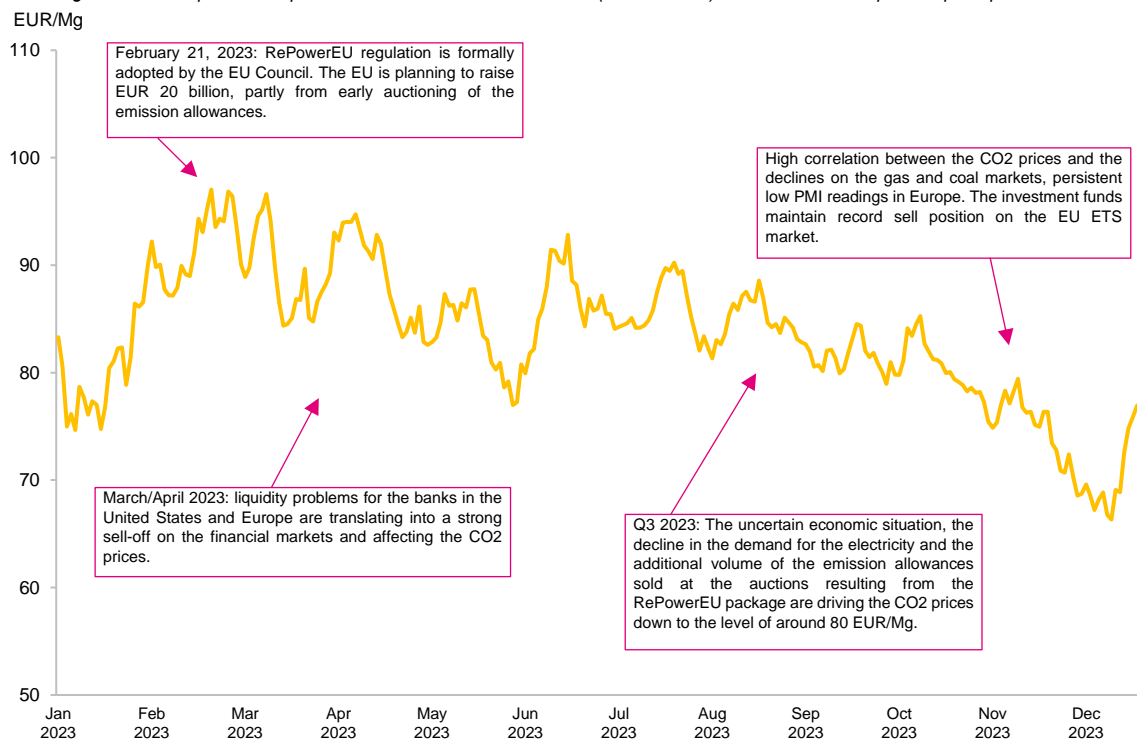
The CO<sub>2</sub> emission allowances, according to the current MIFID2 directive, are the financial instruments, so the observed continued volatility and the CO<sub>2</sub> price levels had been significantly impacted by other financial markets. The investment funds had, throughout the second half of 2023, built up a significant short position (according to the data from the ICE Endex exchange), which, according to the analysts, had contributed significantly to the observed sharp decline in the CO<sub>2</sub> prices during this period. An additional factor that had caused the prices to fall below the 80.00 EUR/Mg level had been the persistent lower demand for the energy from the conventional generation sources triggered by the rapid development of the RES sources. According to the preliminary analyses, the emissions from



the EU ETS sector could fall by a record breaking 23.0% in 2023, mainly as a result of a decline in the generation by the hard coal and lignite fired sources (by more than 100 TWh) and a decline in the generation by the natural gas fired sources (by more than 80 TWh). The lower generation by the conventional sources had been replaced by the higher generation by the RES sources, but the main fundamental reason for the decline in the demand for EUA units had been the observed decline in the consumption of electricity.

The below figure presents the impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2023.

Figure no. 18. Impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2023



## Property rights

The prices on the green certificates market had continued to move mainly in a downward trend in 2023. The TGEozea index had reached its maximum price, which stood at 241.10 PLN/MWh, at the beginning of February 2023, while the minimum price for the above mentioned index had been recorded in the middle of October 2023, at the level of 44.74 PLN/MWh. The weighted average price of PMOZE\_A in 2023 had come in at 158.18 PLN/MWh and it had been lower by 17.5%, than the weighted average price in 2022 (a decrease by 33.62 PLN/MWh).

The volume of the trading in 2023 had been substantially lower than the level observed in 2022, falling by 20.4%, from the level of 6 540.6 GWh to 5 207.8 GWh. The balance of the PMOZE\_A register, as of the end of December 2023, had reached a surplus of 15.5 TWh. Taking into account the certificates that are blocked for the redemption, this balance had dropped by 3.1 TWh, to the level of 12.4 TWh (a decrease by 0.8%, year on year). The substitution fee set for 2023 had come in at the level of 239.75 PLN/MWh, while the obligation to present the green certificates for the redemption in 2023 had dropped by 6.5 pp as compared to 2022 and, in accordance with the *Regulation of the Minister of Climate and Environment of July 13, 2022, on changing the quantitative share of the total of electricity resulting from the redeemed guarantees of origin of energy (energy certificates) confirming the production of electricity from the renewable energy sources in 2023*, it stands at 12%. The obligation for the year 2024, in accordance with a statutory delegation, goes down, as compared to 2023, by another 7 percentage points to the level of 5%,

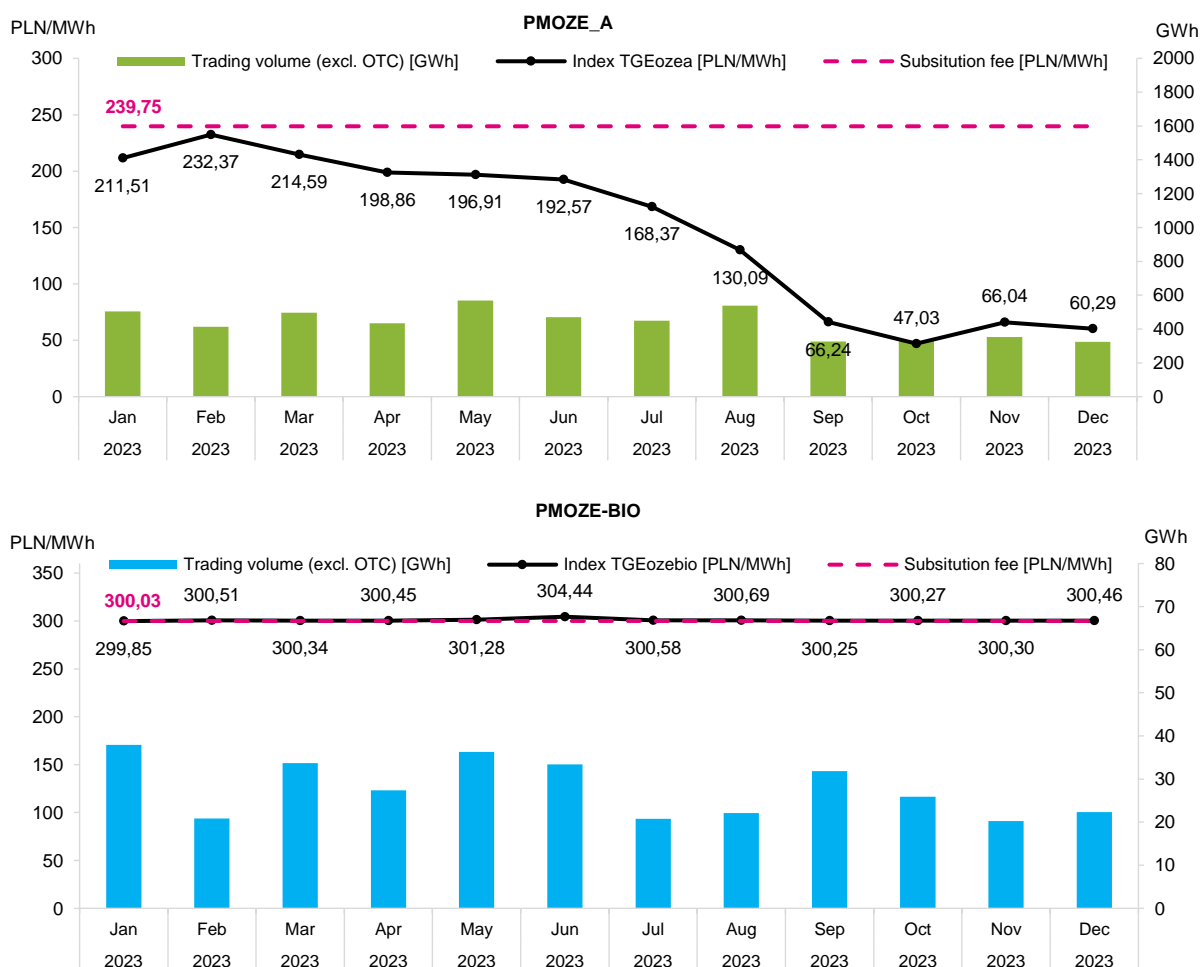
The prices of the certificates confirming the generation of electricity from the agricultural biogas PMOZE-BIO (blue certificates), for which the level of the obligation in the years 2023 – 2024 stands at 0.5%, had invariably been stable. The TGEozebio index had traded close to the substitution fee, which for 2023 had stood at 300.03 PLN/MWh. In 2023, the prices had fluctuated between a price minimum at the level of 299.22 PLN/MWh and the maximum level of 310.00 PLN/MWh. The weighted average price of the TGEozebio index had come in at 300.55 PLN/MWh, while the trading volume had clocked in at 332.9 GWh, and it had been higher by 0.9% than the volume reported in 2022. The balance of the PMOZE-BIO register, as of the end of December 2023, had stood at 344.3 GWh. Taking into account the certificates blocked for the redemption, this balance had dropped to the level of 283.04 GWh (a decrease by 6.1% as compared to 2022).

The prices of the PME\_F white certificates had been fluctuating in 2023 between the minimum level of 2 017.94 PLN/toe, reached at the beginning of August 2023, and the maximum price, obtained at the end of June 2023, standing at the level of 2 299.21 PLN/toe. The weighted average price had come in at 2 121.48 PLN/toe in 2023, and it had been lower by 7.1%, as compared to 2022. On average, the prices had been clocking in at 5.5% above the substitution fee set at the level of 2 010.14 PLN/toe for 2023. The trading volume had gone up by 8.1%, as compared to 2022, and it had come in at 103 225 toe (95 494 toe in 2022).

In 2023 there have been no transactions for the PME-2022 register, while in the case of the PME-2022 register the prices had been quoted only in the first half of 2023. The prices of that contract had been moving within the price range between the minimum of 1 918.77 PLN/toe, reached at the beginning of March of 2023, and the maximum price at the level of 2 280.00 PLN/toe, obtained at the beginning of May of 2023. The weighted average price of the PME-2022 contract had come in at the level of 1 998.49 PLN/toe in the first half of 2023.

The below figures present the property rights indices, the so-called green and blue certificates, in 2023.

Figure no. 19. Property rights indices in 2023



## Regulatory environment

TAURON Capital Group is monitoring the changes and taking actions in the regulatory area, both on the national, as well as on the European Union (EU) level, which may have a direct or indirect impact on TAURON Capital Group

The below table below presents the most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in 2023.

Table no. 15. Most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in 2023

Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group
Fit for 55	In 2023, the works had been continued on the Fit for 55 regulatory package proposal that the European Commission (EC) had published in July of 2021 that had included, among other things, a revision of the directive on the promotion of the	The process of the negotiations of the European Union institutions with respect to the legislative drafts	The Fit for 55 package will contribute to the development of the low emission (low carbon) technologies, first and foremost the renewable energy sources. The regulations that are a part

Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group
	<p>energy coming from the renewable sources (REDIII), the directive on energy efficiency (EED), the directive on the European Union's Emissions Trading System (EU ETS) or the introduction of a price adjustment mechanism at the borders taking into account the CO<sub>2</sub> emissions (Carbon Border Adjustment Mechanism - CBAM). The <i>Fit for 55</i> package aims to introduce the legislative mechanisms that will allow for achieving the target of reducing the greenhouse gas emissions by at least 55% by 2030. The indicated regulations include, among other things, the proposals for the tightening of the EU ETS system, changing of the definition of the efficient district heating and cooling systems, increasing of the RES target and improving of the energy efficiency by 2030. In December 2021, the EC had published the next elements of the <i>Fit for 55</i> package, including a draft revision of the Energy Performance of Buildings Directive (EPBD).</p> <p>The works on the EU ETS and CBAM had been completed in May 2023. Those acts had been published in the Official Journal of the EU.</p> <p>The works on the EED directive had also been completed in 2023. On September 20, 2023, 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 (recast version) had been published in the Official Journal of the European Union.</p> <p>The REDIII directive had also been completed in October 2023. On October 18, Directive (EU) 2023/2413 of the European Parliament and of the Council amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC with regard to the promotion of energy from renewable sources and repealing Council Directive (EU) 2015/652 had been published in the Official Journal of the EU and entered into force on November 20, 2023.</p> <p>The negotiations on the draft EPBD directive had been completed in December 2023. The political agreement must be officially approved by the Council and the EP before its publication in the Official Journal of the EU.</p> <p>In addition, the works had been continued, in 2023, on the "gas package" published by the EC on December 15, 2021, which had included a revision of the Directive related to the common rules for the internal market in the natural gas and a revision of the regulation related to the conditions for access to the natural gas transmission networks. The goal of the package is to increase the share of the renewable and low carbon gases in the energy system, which will enable a shift away from the natural gas and the meeting of the European Union's target of achieving the climate neutrality by 2050. A political agreement had been reached on the directive in November 2023 and on the regulation in December 2023. They must then be formally approved by the EP and the Council before their publication in the Official Journal of the EU</p> <p>In 2023, the works had also been under way on promoting the use of the renewable hydrogen in the EU, in particular, through the establishment of the European Hydrogen Bank (an instrument for the development of the hydrogen economy) by the EC and the implementation of the 2018 REDII directive through the adoption by the EC, in February, 2023, of the delegated acts related to the renewable fuels of non-biological origin.</p>	<p>as part of <i>Fit for 55</i>.</p> <p>In May 2023, the works on the EU ETS and CBAM had been completed, while the works on EED had been completed in September and the works with respect to REDIII had been completed in October. The negotiations on the EPBD and the gas package had been completed in December.</p>	<p>of the package will introduce a number of the new important requirements and changes in the market and regulatory environment for TAURON Capital Group's subsidiaries, including, among other things, raising of the target for the share of the energy coming from the renewable sources in the REDIII Directive, raising of the emissions reduction target in the ETS Directive, increasing energy efficiency in the EED directive, or significantly curtailing the levels of emissions (decarbonizing) generated by the buildings in the EPBD directive.</p>
RePowerEU	<p>The works aimed at implementing the actions included in the REPowerEU communication, adopted in May 2022 by the EC, and in a package of the additional documents had been continued in 2023. A number of them had been added to the legislative proposals processed as part of the <i>Fit for</i></p>	<p>Works on implementing the short term and long term measures provided for under REPowerEU.</p>	<p>The implementation of the REPowerEU plan may have an impact on an increase of the EU's energy independence and an acceleration of the energy transition, as well as it will introduce a number of the material</p>

Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group
	<p>55 package. The communication is a response to the situation prevailing on the electricity and gas markets in connection with the war in Ukraine. The most important actions indicated in the communication include: energy conservation, the diversification of the energy carrier supplies to the EU, the substitution of the fossil fuels and the acceleration of Europe's transition to the clean energy, the smart investments and strengthening of the readiness for the reduction of the supply of the energy raw materials. Along with the communication, a legislative proposal amending the directives: REDII, EED and EPBD, had been published. As part of the above mentioned proposal, the European Commission (EC) has proposed:</p> <ol style="list-style-type: none"> <li>1. increasing of the target with respect to the use of the energy from the renewable energy sources (RES) from 40 to 45% (as compared to the proposal included in the Fit for 55 package),</li> <li>2. introducing of the measures aimed at making it easier to invest in the renewable energy sources (RES),</li> <li>3. raising of the 2030 energy consumption reduction target from 9% to 13% as compared to the projections presented in the 2020 benchmark scenario,</li> <li>4. increasing of the share of the solar energy used in the buildings.</li> </ol> <p>These proposals have generally been included in the draft legislative acts processed as part of the Fit for 55 package (REDIII, EED, EPBD).</p> <p>In Poland, RePowerEU will be implemented through, among other things, the National Recovery and Resilience Plan (NRRP), in which a new RePowerEU section has been added. The changes to the NRP had been approved by the European Commission in November 2023.</p>	<p>In September, the works on the EED had been completed, and in October, the works on REDIII had been completed. In December, the negotiations on the EPBD had been completed.</p> <p>On November 21, 2023, the revised National Recovery Plan had been accepted by the European Commission, and on December 8, 2023, it had been adopted by the EU Council.</p>	<p>changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.</p>
Reform of the electricity market	<p>The primary goal of the reform of the electricity market is to limit the increases of the electricity prices while improving the conditions for investments in the renewable energy sources in the EU. On March 14, 2023, the EC had published the draft proposals that make up the energy market reform. The reform will be carried out in two pieces of legislation: in a regulation of the European Parliament and of the Council amending Regulation 2019/943, Directive 2019/944, Directive 2018/2001 and Regulation 2019/942, and in a regulation of the European Parliament and of the Council amending Regulation 1227/2011 and Regulation 2019/942. The main elements of the reform will be included in the amendment of the market regulation, including the strengthening of the importance of the Power Purchase Agreements (PPAs) and the Contracts for Difference (CfDs).</p> <p>In July 2023, the ITRE Committee had voted through the European Parliament's position on the reform of the electricity market, while the EP plenary meeting in September 2023 had voted through the EP's negotiating mandate for the trilogues with the EC and the Council. These began once the Council's position (General Approach) had been adopted on October 17. On December 13, a political agreement was reached on the reform of the electricity market (Market Regulation and Market Directive). It must be approved and formally adopted by the Council and the EP before its publication in the EU Official Journal</p>	<p>The stage of the inter - institutional negotiations has been completed; the political agreement has been reached on the reform of the electricity market at the EP and the Council levels</p>	<p>The new proposals being discussed as part of the reform may introduce a number of significant changes to the market and regulatory environment for TAURON Group.</p> <p>In particular, the reform of the electricity market will contribute to the promotion of the electricity generation from the renewable energy sources and to the changes to the rules within the framework of the support systems. In addition, the possibility of temporarily extending the participation of the hard coal fired units in the capacity market mechanisms has been introduced, provided that the specific criteria are met.</p>
Net-Zero Industry Act	<p>As part of the Net - Zero Industry Act, published on March 16, 2023, the actions and measures aimed at achieving the goal of ensuring that, by 2030, the manufacturing capability in the EU with respect to the strategic net - zero emissions technologies should come close to or reach a level of at least 40% of the EU's annual needs with respect to the deployment of the relevant technologies needed to meet the EU's climate and energy targets, and ensuring the free flow of the technologies introduced into the single market, had been proposed. In the draft, the EC, among other things,</p>	<p>The stage of the inter - institutional negotiations has been completed; the political agreement has been reached at the EP and the Council levels</p>	<p>The EC initiative may introduce a number of significant changes in the market and regulatory environment for TAURON Group aimed at increasing the manufacturing capabilities with respect to the green technology on the territory of the EU.</p>





Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group
	<p>identifies the net zero emission technologies and the strategic net zero emission technologies. In addition, the NZIA includes the provisions for the non-price criteria to be used in the RES auctions, aimed at promoting, among other things, the development of the value chains within the EU. In June 2023, the EP's competent committee had submitted a draft report. In November 2023, the EP had adopted its position with respect to the NZIA, while in December 2023 the General Approach had been adopted by the Council, which allowed for the inter - institutional negotiations to begin on the final wording of the above mentioned legislative proposal. In February 2024, the Council and the EP reached a political agreement, which must be formally adopted by the Council and the EP before its publication in the Official Journal of the EU.</p>		
<p>Directive 2010/75/EU on the industrial emissions (integrated pollution prevention and control)</p>	<p>The IED directive is the EU's main instrument regulating the emissions of the pollutants. On April 5, 2022, the European Commission had submitted a proposal to revise the directive to make it more effective in preventing or minimizing the emissions of the pollutants and stimulating the transition to the zero pollutant emissions level, contributing to the accomplishment of the targets set out in the European Green Deal. The proposal suggests, among other things: expanding the definition of the BAT conclusions, introducing the more stringent requirements for the application of the BAT compliant emission standards and the granting of the derogations, an obligation to develop the transition plans for the installations, and setting up of the Industrial Transition and Emissions Innovation Center to collect and analyze the information related to the innovative techniques.</p> <p>The Council had adopted a general approach in March 2023, while the EP adopted its negotiating position with respect to the draft IED in July 2023. . In November 2023, the Council and the EP reached a political agreement, which must be formally adopted by the Council and the EP before its publication in the Official Journal of the EU.</p>	<p>The stage of the inter - institutional negotiations has been completed; the political agreement has been reached at the EP and the Council levels</p>	<p>The regulations may result in the need to incur additional expenditures to bring the operating units and the contemplated initiatives to build generating units into the compliance with the stringent standards. However, the final conditions for the existing and the planned investment projects will be known after the adoption of the IED and the BAT Conclusions.</p>
<p>The Commission Regulation (EU) No. 2023/1315 of June 23, 2023, amending the regulation (EU) No. 651/2014, recognizing certain types of aid as being compatible with the internal market in the application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473</p>	<p>In the first quarter of 2023, the works had been completed on the review of the 2014 General Block Exemption Regulation, which contains ex ante compatibility conditions under which the member states can implement the state aid measures without first notifying the EC thereof. The revision of the above mentioned block exemption regulation was aimed at ensuring the feasibility of achieving the targets under the European Green Deal, further clarifying the rules for the aid for the investments in the areas related to the energy performance of buildings, as well as the charging and refueling infrastructure for the needs of the clean mobility.</p> <p>The goal of the introduced amendments to the GBER block exemption regulation is to simplify the provision of the public aid to the energy transition and digital transformation investment projects.</p> <p>The amendments to the regulation had been adopted by the EC in March 2023, with the formal adoption of the regulation taking place on June 23, 2023. On June 30, 2023, the regulation amending regulation 651/2014 had been published in the Official Journal of the EU and it came into force as of July 1, 2023.</p> <p>The amended GBER regulation will be in force until the end of 2026.</p>	<p>Amendments to the GBER Regulation have been approved by the EC.</p> <p>The amending regulation has been published in the Official Journal of the European Union.</p>	<p>The changes introduced (among other things, with respect to the principles of the RES support schemes, the levels of the notification thresholds, the possibility of supporting hydrogen, the principles of supporting the gas investments) will be particularly relevant from the perspective of providing the public aid as part of the aid funds implemented in the 2021 - 2027 financial plan.</p>
<p>Council Executive Decision of the Council amending the Executive Decision of June 17, 2022 on the approval of the assessment of the of Poland's National Recovery and Resilience Improvement Plan</p>	<p>On November 21, 2023, the Commission had issued a positive assessment of Poland's revised National Recovery and Resilience Plan (NRRP), which had also included a new RePowerEU section. The revised NRP covers an amount of EUR 59.8 billion (EUR 34.5 billion in the loans and EUR 25.3 billion in the grants) and includes the changes related to an addition of the RePowerEU section. In particular, this section provides for the setting up of an Energy Support Fund (worth more than €17 billion) which is to provide the loans required to finance the green investment projects. In addition, the RePowerEU section provides for, among other</p>	<p>The decision had been approved by the Council in December 2023</p>	<p>The Council's decision approves changes to the National Recovery Plan (NRP), which sets up an opportunity for the entities operating in the energy sector to obtain the funds needed to carry out the investment projects that are a part of the energy transition process.</p>








Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group
	<p>things, the investments with respect to the construction or the modernization of the electricity distribution grids in the rural areas, the investments in the energy storage, and the setting up of a Fund for the offshore wind energy.</p> <p>In December 2023, the Council had approved the Commission's assessment of the changes to the Polish NRP. The Council's decision allows for an advance payment of up to EUR 5.1 billion under the RePowerEU section.</p>		



The below table below presents the most important changes in the national regulatory environment of TAURON Capital Group in 2023 with respect to the adopted and published legislative acts that may have a direct or indirect impact on TAURON Capital Group

Table no. 16. Most important changes in the national regulatory environment of TAURON Capital Group in 2023 with respect to the adopted and published legislative acts

Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group	Impact on the Segment
<i>Act of January 13, 2023, on the Silesian Province Transition Fund Joint Stock Company (Journal of Laws of 2023, item 203)</i>	The act is related to the establishment of the Silesia Transition Fund, whose goal will be to coordinate the activities conducted as part of the process of transforming the post - mining, industrial and post - industrial areas with the transition of the Silesian province, first and foremost, thanks to the support instruments addressed at a broad range of beneficiaries.	February 14, 2023 – the entry into force	The Fund's operation may contribute to providing of the support for the activities undertaken by TAURON Group's subsidiaries.	
<i>Act of February 8, 2023, on amending the act on the special solutions for certain heat generation sources due to the situation on the fuel market and certain other acts (Journal of Laws of 2023, item 295)</i>	<p>The act is related to the introduction of a maximum heat supply price at the rate in effect as of September 30, 2022, increased by 40%, by the energy companies with respect to a portion of the residential and public utility consumers. The mechanism is to be applied starting from February 1, until December 31, 2023.</p> <p>The act has also introduced the amendments to other acts, including the <i>Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers</i> with respect to the so-called charge (allowance) to the Fund.</p>	February 15, 2023 – the entry into force	<p>The entry into force of the act results in the need to adjust the billing system used to make settlements with the consumers (an impact on TAURON Ciepło).</p> <p>The change of the regulations related to the charge to the Fund for the electricity trading and generation companies has an impact on the way it is calculated.</p>	
<i>Act of March 9, 2023, on amending the act on investments in the wind power plants and certain other acts (Journal of Laws of 2023, item 553)</i>	<p>The act introduces:</p> <ol style="list-style-type: none"> <li>1. a change of the rules of the functioning of the so-called 10H rule (distance of the wind turbines),</li> <li>2. solutions that provide more flexibility for the municipalities to specify the areas for the construction of the wind farms in the local spatial development (zoning) plans,</li> <li>3. a change of the rules for the consultation of the local zoning plans specifying the areas for the wind farms to be built upon,</li> <li>4. the possibility for the investor to allocate at least 10% of the installed capacity of the wind power plant to be taken over by the residents of the municipality.</li> </ol>	April 23, 2023 – the entry into force	<p>The adoption of the act:</p> <ol style="list-style-type: none"> <li>1. has increased TAURON Group's investment opportunities with respect to the onshore wind farms, as it will allow the wind power plants to be located at a distance of less than 10H, if the local government provides for such a possibility in the zoning plan,</li> <li>2. has made it easier to conduct the investment consultation process.</li> </ol>	
<i>Act of April 14, 2023, on the preparation and implementation of the investment projects with respect to the pumped storage power plants and the associated investment projects (Journal of Laws of 2023, item 1113).</i>	The act introduces the simplifications and streamlining of the administrative procedures related to the preparation and implementation of the investment projects with respect to the pumped storage power plants and the associated investment projects.	June 30, 2023 – the entry into force	The entry into force of the act will help facilitate investments in the pumped storage power plants.	
<i>Act of July 7, 2023, on amending the act on planning and spatial development (zoning) and certain other acts (Journal of Laws of 2023, item 1688).</i>	<p>The act assumes that the locating (siting) of the renewable energy sources installations (apart from the installations mounted on the buildings) can only be carried out on the basis of a local zoning plan. The introduced rule covers the investment projects located on:</p> <ol style="list-style-type: none"> <li>1. the 1st - 3rd class agricultural land and forest land,</li> <li>2. the 4th class agricultural land in the case of the installations with an installed electrical capacity greater than 150 kW or used for</li> </ol>	September 24, 2023 – the entry into force	During the transition period, the act will allow for the investment project planning based on the existing regulations, and therefore has a neutral impact on TAURON Group's projects. In the long term, the maintaining of TAURON Group's RES investment momentum will depend to a large extent on the efficient implementation of the legislation by the local government administration units.	

Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group	Impact on the Segment
	<p>the business operations with respect to the generation of electricity,</p> <p>3. other land in the case of the installations with an installed electrical capacity greater than 1000 kW.</p>			
<i>Act of July 7, 2023, on amending the act on the preparation and implementation of the strategic investment projects in the transmission grids and certain other acts (Journal of Laws of 2023, item 1506)</i>	The act provides for the extending of the functioning Special Act on the Transmission covering the strategic investment projects in the transmission grid to include the new key transmission projects and expanding of the annex to also include the distribution grid projects with the voltage above 100 kV.	September 3, 2023 – the entry into force	The entry into force of the act has resulted in a shorter process of obtaining of the public law permits and the possibility of applying a simplified model for obtaining of the land for the investment projects listed in the annex to the act.	
<i>Act of July 28, 2023, on amending the act - Energy Law and certain other acts (Journal of Laws of 2023, item 1681)</i>	The act has introduced, first and foremost: <ol style="list-style-type: none"> <li>1. the possibility of concluding of the agreements with the dynamic pricing mechanisms</li> <li>2. the changes in the rules of concluding and terminating of the agreements for the sale of electricity,</li> <li>3. the shortening of the time required to switch the electricity retail suppliers down to 24 hours,</li> <li>4. the changes with respect to the direct power lines,</li> <li>5. the introduction of the legal framework for the citizen energy communities, the active consumers and the aggregators of the electricity market,</li> <li>6. the introduction of the regulations on the system services, the flexibility services,</li> <li>7. the mechanism for a non-market based curtailment of the generation by the RES installations and the compensation for taking such measures,</li> <li>8. the changes with respect to the Charge (Allowance) to the Fund</li> </ol>	September 7, 2023 – the entry into force	The adoption of the act will, first and foremost: <ol style="list-style-type: none"> <li>1. increase the possibility of using the direct power lines,</li> <li>2. introduce a number of changes in TAURON Group's regulatory environment.</li> </ol>	
<i>Act of August 16, 2023, on amending the act on the special solutions for the protection of the electricity consumers in 2023 in connection with the situation on the electricity market and certain other acts (Journal of Laws of 2023, item 1785)</i>	The act has introduced: <ol style="list-style-type: none"> <li>1. an amendment of the provisions related to the freezing of the electricity prices in 2023 for the household electricity consumers and the application of a maximum price,</li> <li>2. the mechanism of the solidarity contribution system for the large entities operating in the hard coal mining and coke production sector,</li> <li>3. the changes in the regulations with respect to the Charge (Allowance) to the Fund</li> </ol>	September 19, 2023 – the entry into force	The act in question has had an impact on the supply line of business and the generation of electricity from the renewable energy sources line of business with respect to the application of the electricity price freeze mechanisms and the Charge (Allowance) to the Fund	
<i>Act of August 17, 2023, on amending the act on renewable energy sources and certain other acts (Journal of Laws of 2023, item 1762)</i>	The act has introduced, first and foremost: <ol style="list-style-type: none"> <li>1. the <i>cable pooling</i> solutions - the possibility to connect two or more RES installations, belonging to one or more entities, to the electricity grid,</li> <li>2. a change of the energy cluster definition,</li> <li>3. a change of the hybrid RES installation definition,</li> <li>4. a change of the energy cooperative definition,</li> <li>5. the transposition of RED II (district heating and cooling, guarantees of origin, National Contact Point, RES, energy trading based on a partnership),</li> <li>6. possibility of extending the support mechanisms for the RES installations whose 15 year support system is due to expire,</li> <li>7. the solutions for biogas and biomethane,</li> <li>8. increasing of the number of the auctions related to the offshore wind energy.</li> </ol>	October 1, 2023 – the entry into force	The act in question, first and foremost: <ol style="list-style-type: none"> <li>1. introduces the material changes for the DSOs, related to the energy clusters,</li> <li>2. provides for the possibility of obtaining of the support for the RES installations whose 15 year support system is due to expire,</li> <li>3. increases the possibility of connecting the additional RES capacity owing to the <i>cable pooling</i> solutions,</li> <li>4. introduces a number of the material changes to the TAURON Group's regulatory environment.</li> </ol>	
<i>Act of August 17, 2023, on the social protection shields for the workers in the power sector and the lignite mining industry (Journal of Laws of 2023, item 1737)</i>	The act sets out: <ol style="list-style-type: none"> <li>1. the rules for the gaining of the right to a power sector employee's leave and a mining industry employee's leave, the rules for the gaining of the right to the payout of the social benefits (entitlements) while on a power sector employee's leave and a mining industry employee's leave, and the rules for the gaining of the right to and the payout of a one time cash severance pay for the employees of the power sector during the periods of a shutdown of the</li> </ol>	September 14, 2023 – the entry into force	The act in question will allow for the minimizing of the potential negative social implications associated with the transition of the power sector and the lignite mining industry.	



Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group	Impact on the Segment
	<p>generating units and for the employees of the lignite mining industry during the periods of the systemic reduction of the lignite mining extraction output in connection with the transition of the electric power sector in Poland,</p> <p>2. the sources of the funding for the benefits (entitlements).</p>			
<p><i>Act of December 7, 2023 on amending the acts in order to support the consumers of electricity, gas fuels and heat (Journal of Laws 2023 item 2760)</i></p>	<p>The act includes:</p> <ol style="list-style-type: none"> <li>1. extending of the mechanisms of the consumption limits for the eligible consumers (reducing of the limits by 50%), the maximum price of the electricity and gas fuels, and the tariffs subject to the compensation until June 30, 2024,</li> <li>2. extension of the compensation system to cover the first half of 2024,</li> <li>3. introduction of a gas contribution to the Price Difference Payout Fund to be transferred by a natural gas production company from January to June 2024</li> </ol>	<p>December 31, 2023 – the entry into force</p>	<p>The act will, first and foremost, affect TAURON Sprzedaż. The application of the frozen or the maximum prices will be compensated in the first half of 2024 in accordance with the similar principles as in the case of the system in place in 2023.</p>	
<p><i>Regulation of the Minister of Climate and Environment of January 30, 2023, amending the Regulation on the detailed rules for shaping and calculating tariffs and settlements in electricity trading (Journal of Laws of 2023, item 226).</i></p>	<p>The regulation introduces a temporary departure from the obligation to attach the information on the percentage structure of the electricity purchase costs to the invoices - until December 31, 2023.</p>	<p>February 3, 2023 – the entry into force</p>	<p>The regulation allows for avoiding, in 2023, the costs resulting from the obligation to attach the information on the percentage structure of the electricity purchase costs in the invoices issued.</p>	
<p><i>Regulation of the Minister of Climate and Environment of August 4, 2023, on the parameters of the main auction for the delivery year 2028 and the parameters of the additional auctions for the delivery year 2025 (Journal of Laws of 2023, item 1561)</i></p>	<p>The regulation specifies the parameters of the main auction for the delivery year 2028 and the additional auctions for the delivery year 2025: the demand for capacity, the market entry price of a new generating unit, a price escalation coefficient (factor), the parameters determining the amount of capacity below and above the demand for capacity, the maximum price for the price taker, the maximum number of rounds, the level of the capital expenditures, the minimum and the maximum amounts of the capacity obligations, and the corrective availability coefficients (factors).</p>	<p>August 9, 2023 – the entry into force</p>	<p>The possibility of receiving the financial support for fulfilling the capacity obligation in the event of an admission to the relevant auction, i.e., the unit will remain ready to supply the electric power and make a commitment to supply a certain amount of capacity to the system during the period of invoking the capacity market,</p>	
<p><i>Regulation of the Minister of Climate and Environment of August 28, 2023, on changing the quantitative share of the sum of the electricity resulting from the redeemed certificates (guarantees) of origin confirming the generation of the electricity from the renewable energy sources in 2024 (Journal of Laws of 2023, item 1728)</i></p>	<p>The regulation changes the size of the quantitative share of the sum of the electricity resulting from the redeemed certificates (guarantees) of origin in 2024. This obligation is to stand at 5%. In addition, the obligation for the blue certificates has been maintained at the level of 0.5%.</p>	<p>August 30, 2023 – the entry into force</p>	<p>The act in question may have an impact on the supply line of business and the generation of electricity and heat from the renewable energy sources line of business.</p>	
<p><i>Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of the settlement in the electricity trading (Journal of Laws of 2023, item 1847)</i></p>	<p>The amendment has obliged the suppliers to introduce a new method of billing the household consumers that would reward active and efficiency oriented attitudes of the energy consumers. Among other things, the following actions have been rewarded: saving (conservation) of the electricity, expressing a consent to receive the marketing communications, receiving of the VAT invoices in an electronic form or being a prosumer. The amendment to the regulation has brought each household a tangible (measurable) financial benefit in the form of a reduction in its annual energy bill by the equivalent of one average monthly bill. The suppliers have also been obliged to inform the consumers of the changes in the billing, as well as of the amount of the bonus to be earned and the deadline for the granting thereof.</p> <p>The new regulations have exempted the consumers from the charges for the over-contracted consumption of the reactive (passive) energy and for exceeding the</p>	<p>September 19, 2023 – the entry into force</p>	<p>The regulation imposes the additional information disclosure obligations on the companies operating in the Supply Segment and obliges them to incur the additional costs resulting from the bonuses granted to the consumers.</p> <p><i>Information on the estimated impact of the Regulation on TAURON Group's financial results is provided in section 2.6. of this report and was disclosed to the public in current report no. 40/2023 of September 29, 2023.</i></p>	





Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group	Impact on the Segment
	contracted power in the cases when such actions result from the operators' instructions or from the services provided thereto.			
<i>Regulation of the Council of Ministers of November 21, 2023, with respect to the list of the accompanying investment projects consisting in a reconstruction (alteration) or an overhaul of the existing power lines that constitute the elements of the distribution grid with a voltage equal to or higher than 110 kV (Journal of Laws of 2023, item 2570)</i>	The regulation establishes a list of the accompanying investment projects consisting in a reconstruction (alteration) or an overhaul of the existing power lines that constitute the elements of the distribution grid with a voltage equal to or higher than 110 kV.	November 28, 2023 – the entry into force	The regulation specifies the accompanying investment projects that are designated as the strategic investment projects, which allows for applying a number of the solutions that make it easier to find a location (site) for such projects.	
<i>Regulation of the Minister of Climate and Environment of November 22, 2023, on granting of the public aid in the field of energy and environment as part of the European Funds for Infrastructure, Climate, Environment 2021 - 2027 program (Journal of Laws. 2023 item 2557)</i>	The regulation specifies the detailed purpose, conditions and procedure for the granting of the public aid to the entrepreneurs for the investment projects or activities in the field of energy and environment, as part of the European Funds for Infrastructure, Climate, Environment 2021 - 2027 program.	November 28, 2023 – the entry into force	The regulation provides for the possibility of obtaining public aid in the form of grants or compensations for certain investment projects.	



The below table presents the most material changes in the national regulatory environment of TAURON Capital Group on which the work is in progress or which have been adopted after the balance sheet date.

Table no. 17. Most material changes in the national regulatory environment of TAURON Capital Group on which the work is in progress or which have been adopted after the balance sheet date

Name of the regulation	Description of the regulation	Status as of the date of drawing up this report	Impact on TAURON Capital Group	Impact on the Segment
Update of Poland's Energy Policy until 2040 (PEP2040).	In the first half of 2023, the third forecast scenario to PEP2040 had been presented, taking into account the latest conditions and the directions of the actions to be taken such as a faster diversification of the oil supplies, a more rapid expansion of the RES, as well as the use of the coal fired generating units as the peaking generation sources. In accordance with the scenario, by 2040: <ol style="list-style-type: none"> <li>the demand for the electricity will go up to 244 TWh and the installed capacity in the National Power System will increase to 130 GW,</li> <li>the hard coal fired installed capacity will come down to 9.4 GW. While the lignite fired installed capacity will drop to 0.7 GW,</li> <li>an increase in the installed capacity and production from the RES is expected, in particular: <ol style="list-style-type: none"> <li>offshore – 18 GW,</li> <li>onshore wind energy – 20 GW,</li> <li>PV – 45 GW.</li> </ol> </li> </ol>	Pre-consultations have been completed	The draft update of Poland's Energy Policy until 2040 may set the directions for the development and the transition of the power sector	
Draft act on the amendments to the Energy Law and certain other acts	The draft act is a part of a legislative package commonly referred to as the "Constitution for Hydrogen," the main purpose of which is to create a regulatory framework for the operation of the hydrogen market in Poland.	February 3, 2023. – collecting of the feedback	The draft defines the legal framework for the hydrogen market in Poland that will be relevant to the investment projects implemented by the Group's subsidiaries.	

Name of the regulation	Description of the regulation	Status as of the date of drawing up this report	Impact on TAURON Capital Group	Impact on the Segment
Draft act on the principles of the granting of the guarantees by the State Treasury for the obligations of the National Energy Security Agency (NABE)	In accordance with the draft act, the State Treasury is to provide the guarantees for 70 per cent of NABE's financial obligations. The draft act had provided for the three types of the financial instruments as part of the guarantees to be extended to NABE: <ol style="list-style-type: none"> <li>the working capital loans that had been supposed to be granted by the domestic banks, the credit institutions or the foreign banks,</li> <li>the loans granted by PGE, Enea, Energa and TAURON, the obligations arising from a simultaneous early termination of the framework agreements and of all of the transactions concluded in connection with those framework agreements.</li> </ol>	February 16, 2024 - the withdrawal of the act (an event that took place after the balance sheet date)	The adoption of the act would allow for the process of setting up NABE to be continued.	
Draft Regulation of the Minister of Climate and Environment on the benchmark (reference) price of electricity from renewable energy sources, the periods applicable to generators who won the auctions and the reference volumes of electricity sales	The draft in question sets out: <ol style="list-style-type: none"> <li>the maximum price per 1 MWh for which the electricity generated by the renewable energy sources may be sold by the generators through the auctions;</li> <li>the period during which the purchase obligation is applicable and the period during which the right to cover the negative balance for the electricity generated by the renewable energy source installations available to the generators who win the auction is applicable;</li> <li>the benchmark (reference) volume of the electricity sales for the hybrid renewable energy source installations</li> </ol>	November 7, 2023 - collecting of the feedback	Raising of the rates, in all of the cases as compared to those in effect in the last year's auctions, may allow for the obtaining of the higher amounts in the RES auctions.	
Draft Regulation of the Minister of Climate and Environment on the requirements for the method to be used to calculate, meter (measure) and register the volumes of the electricity, heat and cold generated by the renewable energy source installations	The regulation is intended to define: <ol style="list-style-type: none"> <li>the requirements for the method to be used to calculate, meter (measure) and register the volumes of the electricity, heat and cold generated by the renewable energy source installations that use the energy carriers, referred to in article 2, clause 22 of the act on the RES, and other fuels in the energy generation process,</li> <li>the method to be used to carry out the metering (measurement) of the volume of the electricity for the purpose of determining the actual settlement of the obligation to produce the electricity from the renewable energy sources by the generator who has won an auction or obtained the certificate referred to in article 70b, clause 8 of the act or in article 70h, clause 5 of the act on the RES,</li> <li>the method to be used to convert the volume of the heat or cold generated into the energy expressed in MWh,</li> <li>the places and methods to be used to carry out the metering of the volume of the heat or cold for the purpose of issuing a guarantee of origin.</li> </ol>	December 8, 2023 - notification	Extension of the metering (measurement) obligation.	
Draft regulation of the Minister of Climate and Environment on the detailed conditions for the granting of the horizontal public aid by the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) for the investments in the renewable energy sources.	The draft regulation sets out the rules for the granting of the aid for the investments in: <ol style="list-style-type: none"> <li>installations producing energy from the renewable sources, including the cogeneration based on the energy from the renewable sources,</li> <li>installations for the production of the biofuels, biogas, bioliquids and the fuels from the biomass,</li> <li>renewable hydrogen production installations,</li> <li>storage installations</li> </ol>	December 8, 2023 - the public consultation on the draft	The possibility of obtaining a grant (subsidy), loan or a partial loan forgiveness, for investment projects that will be started after the application for the aid has been filed.	



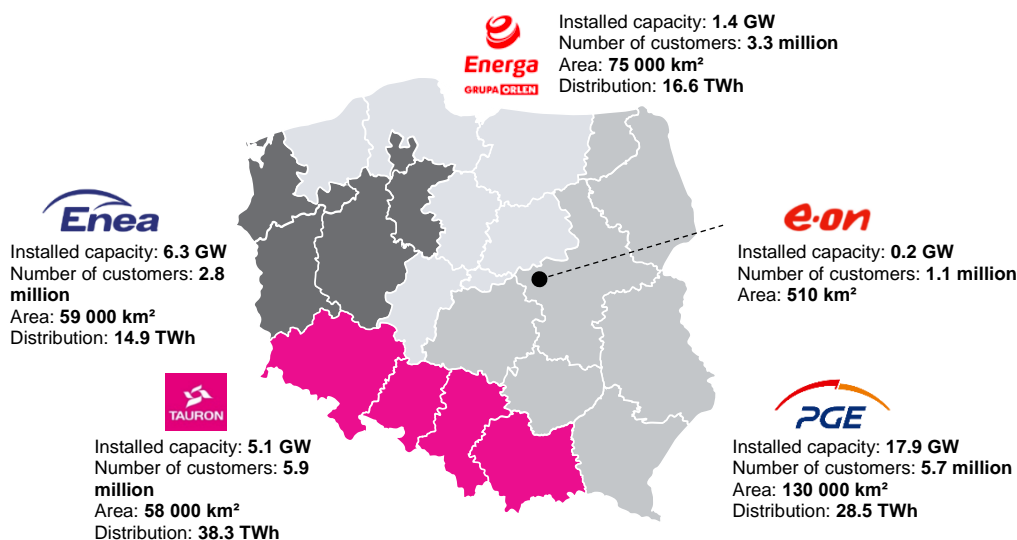
## Competitive environment



Apart from TAURON Capital Group, three large, vertically integrated energy groups are currently operating on the Polish energy market: PGE, Enea and Energa. In addition, the company E.ON Polska S.A. is conducting its operations in the Warsaw metropolitan area, managing Warsaw's power grid.

The below figure presents TAURON Capital Group's competitive environment based on the available data for the first three quarters of 2023.

Figure no. 20. TAURON Capital Group's competitive environment based on the available data for the first three quarters of 2023

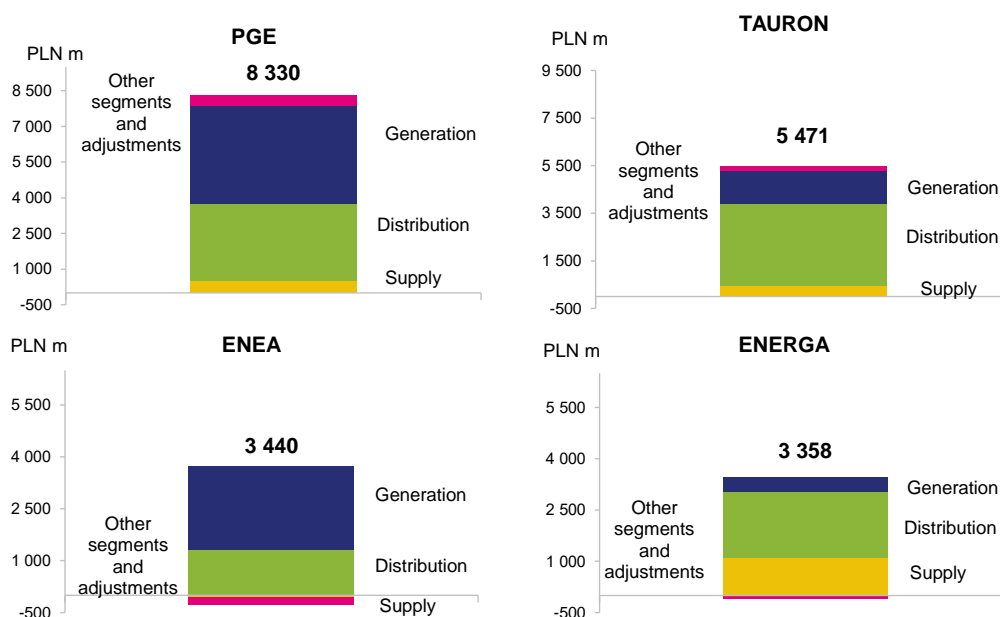


According to the data for the first three quarters of 2023, the consolidated energy groups (PGE, TAURON, Enea, Energa) had held an approximately 62% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated electric utility that takes advantage of the synergies stemming from the size and scope of the operations conducted thereby. In 2023, TAURON Capital Group had been conducting its operations in all of the key segments of the energy market (excluding the transmission of electricity), i.e. the generation, distribution as well as the supply and trading of the electricity and heat.

The below figure presents the information on the structure of EBITDA based on the main operating segments.

Figure no. 21. EBITDA – estimated structure based on the main operating segments in the first 9 months of 2023<sup>1</sup>



<sup>1</sup>In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat.  
Source: Companies' interim reports

## Generation



**TAURON Capital Group is a key producer of electricity in Poland**

TAURON Capital Group's share in the domestic electricity generation market, measured based on the gross electricity production output, had stood at approx. 7% in the first three quarters of 2023. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's conventional generation assets are concentrated in the south of Poland. The renewable energy sources: the wind and photovoltaic power plants are located throughout the country, while the hydro electric power plants are located in the southern and southwestern parts of the country.

86% of TAURON Capital Group's generation assets had been, as of the end of 2023, the hard coal fired units. TAURON Capital Group's total installed capacity had stood at close to 5.1 GW as of December 31, 2023, with the renewable energy sources accounting for 0.66 GW of that figure. The wind farms' installed capacity represents 8%, while the hydro electric power plants' installed capacity accounts for 3% and the biomass fired generating units' installed capacity accounts for 2% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 12.67 TWh of electricity during the entire 2023, with 1.67 TWh coming from the RES.

Nationwide, as of the end of the third quarter of 2023, TAURON Capital Group's hard coal fired units' installed capacity had accounted for approx. 14% of the total installed capacity of all of the hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants, as well as the hydro electric power plants, the share of TAURON Capital Group had come in at: approx. 5%, 7% and 14%, respectively.

According to the data for the first three quarters of 2023, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 38%, and the installed capacity of 17.9 GW. Enea is the second largest electricity producer in Poland, with a market share coming in at approx. 15% and the installed capacity of 6.3 GW. Energa, on the other hand, has the largest share of the electricity produced from the renewable energy sources (RES) on the Polish market and Energa's total installed capacity stands at approx. 1.4 GW. Energa produced 2.5 TWh of electricity in the first three quarters of 2023, with approx. 1.17 TWh (i.e. 47%) coming from the RES.

The below figures present the information on the installed capacity and the electricity generated in the first three quarters of 2023.

Figure no. 22. Gross electricity production - estimated market shares in the first three quarters of 2023

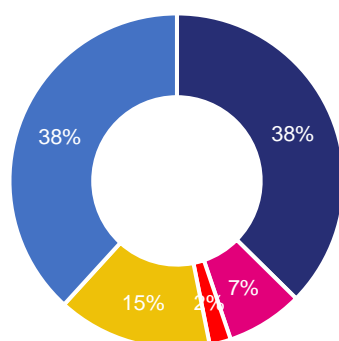
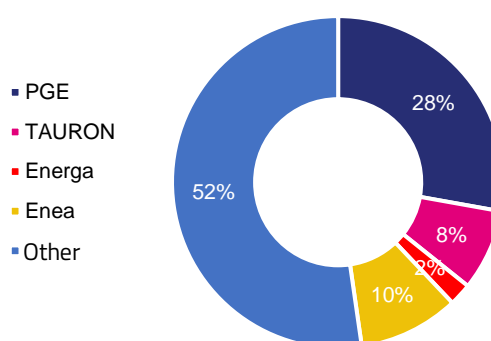


Figure no. 23. Installed capacity - estimated market shares in the first three quarters of 2023



Source: Agencja Rynku Energi S.A. (ARE), the companies' information posted on the web sites

## Distribution



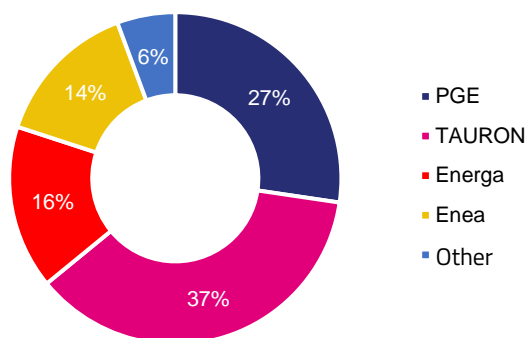
**TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed**

TAURON Capital Group is the largest electricity distributor in Poland. TAURON Dystrybucja's share in the electricity distribution to the final consumers had come in at approx. 37% in the first three quarters of 2023. TAURON Capital Group's distribution grids cover more than 18% of Poland's territory. The volume of the electricity delivered to the final consumers had clocked in at approx. 51.30 TWh in 2023. TAURON Capital Group is the largest electricity distributor in Poland, also in terms of the revenue from the distribution operations.

TAURON Capital Group's distribution operations, due to the natural monopoly in the designated area, are a source of a stable and predictable revenue, accounting for a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution's geographical area on which the Distribution Segment's and the Supply Segment's subsidiaries are historically operating is a heavily industrialized and densely populated area and therefore the distribution grid is very well utilized. The number of the Distribution Segment's customers had come in at approx. 5.93 million in the end of 2023.

The below figure presents the estimated market shares of the individual energy groups in terms of the electricity distribution based on the data for the first three quarters of 2023.

Figure no. 24. Electricity distribution - estimated market shares in the first three quarters of 2023



Source: Agencja Rynku Energi S.A. (ARE), the companies' information posted on the web sites

## Supply



### TAURON Capital Group is the second largest electricity supplier in Poland

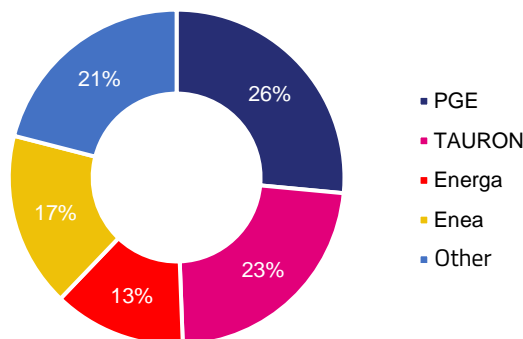
TAURON Capital Group holds a 23% share in the market of the electricity supply to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group had come in at 30.75 TWh in 2023. The number of the customers served by TAURON Capital Group's Supply Segment stands at 5.82 million.

PGE is the largest retail electricity supplier with a 26% market share. The other two groups, Enea and Energa, hold a 17% and a 13% market share, respectively.

In the segment that includes the electricity supply to the households the individual energy groups are geographically linked, first of all, with the areas in which they are acting as an ex officio electricity supplier. The need to submit household tariffs for an approval to the President of the Energy Regulatory Office (ERO) leads to the limited options for the positioning of the prices in the product offerings, and what follows, it impacts the attractiveness thereof for the customers. Such restrictions do not apply to the business and institutional customers. A broader and more open competition exists in those sectors.

The below figure presents the estimated market shares of the individual energy groups in terms of the electricity supply to the final consumers based on the data for the first three quarters of 2023.

Figure no. 25. Electricity supply to the final consumers - estimated market shares in the first three quarters of 2023



Source: Agencja Rynku Energi S.A. (ARE), the companies' information posted on the web sites

The below table presents the information on the installed capacity and the volume of the electricity generation, distribution and supply in the first three quarters of 2023, as well as the domestic market shares.

Table no. 18. Installed capacity, generation, distribution and supply of electricity by energy groups in the first three quarters of 2023, as well as the domestic market shares

Group	Installed capacity		Generation <sup>1</sup>		Distribution		Supply	
	GW	%	TWh	%	TWh	%	TWh	%
1. PGE	17.9	28	45.4	38	28.5	27	26.0	26
2. TAURON	5.1	8	9.0	7	38.3	37	22.5	23
3. Energa	1.4	2	2.5	2	16.6	16	12.5	13
4. Enea	6.3	10	17.5	15	14.9	14	16.5	17
5. Other	34.0	52	46.4	38	5.9	6	21.1	21

Group	Installed capacity		Generation <sup>1</sup>		Distribution		Supply	
	GW	%	TWh	%	TWh	%	TWh	%
<b>Total</b>	<b>64.7</b>	<b>100</b>	<b>120.8</b>	<b>100</b>	<b>104.2</b>	<b>100</b>	<b>98.6</b>	<b>100</b>

<sup>1</sup>Volume of the gross electricity generated in the first three quarters of 2023

Source: ARE, information from the companies posted on their web sites, the in-house estimates in case of the companies publishing the net production output.

The analysis of the largest energy groups operating on the domestic market points to the various sources of the competitiveness in the selected segments of the energy market, depending on the operations conducted thereby. The below table presents the main sources of the competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations).

Table no. 19. Sources of competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations)

Line of Business	Area of initiatives	Sources of competitiveness
Generation	<ol style="list-style-type: none"> <li>1. Operating expenses.</li> <li>2. Reorganization activities aimed at preparing for a potential spinning off of the coal assets out of the Group.</li> </ol>	<ol style="list-style-type: none"> <li>1. Concluded capacity market contracts.</li> <li>2. High efficiency generating units with a competitive unit production cost.</li> <li>3. Improvement of the operational efficiency.</li> </ol>
RES Heat	<ol style="list-style-type: none"> <li>1. Investments in the renewable energy sources and the low emission thermal energy sources.</li> <li>2. Operating expenses.</li> <li>3. Investments in the district heating networks</li> </ol>	<ol style="list-style-type: none"> <li>1. Improvement of the operational efficiency.</li> <li>2. Development of the low and zero emission generation sources.</li> <li>3. Expanding of the regulated operations.</li> </ol>
Distribution	<ol style="list-style-type: none"> <li>1. Operating expenses.</li> <li>2. Investment project efficiency.</li> <li>3. Improvement of the grid reliability indicators.</li> </ol>	<ol style="list-style-type: none"> <li>1. High level of network automation and implemented IT systems.</li> <li>2. Separate processes, a clear split of the responsibilities.</li> </ol>
Supply	<ol style="list-style-type: none"> <li>1. Operating expenses.</li> <li>1. Maintaining of the high customer satisfaction indices.</li> </ol>	<ol style="list-style-type: none"> <li>1. Development of the product and services offering for the customers.</li> <li>2. Integrated customer service channels.</li> </ol>

## 2.4. Factors important for growth

The factors presented in the below table will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter.

Table no. 20. Factors that will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter

#	Description of the factor
1.	aggression of the Russian Federation against Ukraine and its impact on the Polish economy and the European Union policy, as well as the impact of the sanctions imposed against Russia and those imposed by Russia, including in particular the availability of the raw materials (the geopolitical risk),
2.	physical and cyber security risks (possible attacks on the critical infrastructure and the IT / OT infrastructure and, as a consequence, the disruptions of the operation of the critical infrastructure and the disruption of the business continuity)
3.	macroeconomic situation in Poland, including the inflation rate, the GDP growth rate, the changes of the interest rates, the FX rates, etc., having an impact on the valuation of the assets and the liabilities listed by the Company in the statement of financial condition,
4.	market situation in Poland and in the EU, as well as in the global economy, including the changes of the electricity prices, the prices of the CO <sub>2</sub> emission allowances, the prices of the raw materials (in particular the hard coal and gas), etc., having an impact on the revenues and the level of the costs generated (including the maintaining of the IRGiT margins),
5.	change in the rules of the functioning of the balancing market (the risk of the unfavorable settlements of the forced operation of the units generating thermal energy) and the limiting of the liquidity and transparency of the energy market (the abolition of the power exchange trading obligation),
6.	growth of the RES in the National Power System (NPS) resulting in a seasonal reduction in the production of the conventional units in the system,
7.	possibility of an adjustment of the G tariff during the year leading to a loss of a part of the sales revenue, including the possibility of a lack of the ability to pass through the full cost of the purchased electricity for the G tariff for the year 2024,
8.	bankruptcy of the Group's customers and counterparties, and as a consequence, an increase in the overdue accounts receivables,
9.	drop of the demand for the electricity in the National Power System and, as a consequence, the lower level of the production by the generating units, which has an impact on the level of the hard coal inventory at TAURON Group's storage sites, a decline of the revenue in the Supply and Distribution segments, taking into account the changes due to the seasonality, the macroeconomic situation, the weather conditions and the availability of the fuels,
10.	level of the electricity imports / exports and of the available capacity reserve in the power system in Poland and in Europe,
11.	changes to the energy mix and, as a consequence, the adjustment of the demand for the hard coal, which in turn has a material impact on the changes in the electricity price profiles, thus increasing the uncertainty with respect to the cost of the profiling and balancing of the demand of the end customers,
12.	availability of the generating units,
13.	changes to the regulations related to the power sector, as well as the changes in the legal environment, including: the tax law, the law on the natural environment protection and spatial development (zoning), as well as a potential further regulatory intervention (at the EU level and in Poland) aimed at reducing the demand for the electricity, related to the regulation (the implemented one and its future amendments) on the freezing of the sales price of the electricity and gas, the compensations, the positions and the decisions of the government administration institutions, for example, Office for Competition and Consumer Protection (UOKiK), ERO (URE), EC,



14. changes with respect to the policies in place at the financial institutions, the restrictions with respect to the availability of the debt financing, the possibility of taking advantage of the external assistance funds, including the European Union funds, aimed at providing the support for the transition of the energy sector and mitigating the effects of the social changes,
15. further functioning of the generation capabilities compensation mechanism (capacity market), as part of which the deliveries of the electric capacity will be carried out by TAURON Capital Group subsidiaries' generating units and the demand side reduction units at the transmission system operator's request,
16. support system for the electricity generation by the dedicated sources (*color certificates*), resulting, on the one hand, in the costs of the redeeming of the certificates for the suppliers of the electricity to the final consumers, and on the other hand, in the revenue from the sales of the certificates for the generators of electricity, the RES support system, the so-called RES auctions,
17. further tightening of the EU climate policy, in particular, resulting in the energy transition focused on the RES, as well as in an increase of the volatility of the prices of the CO<sub>2</sub> emission allowances,
18. outcome of the court proceedings (court litigations) that TAURON Group's subsidiaries are taking part in,
19. further growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation Lines of Business,
20. environment protection requirements as a consequence of the changes to the *Act of April 27, 2001, the Environment Protection Law*, the so-called anti-smog resolutions and the consequences of the adopted *Act of March 30, 2021, on amending the act on disclosing the information on the environment and the protection thereof, the participation of the public in the protection of the environment and on the environmental impact assessments, and certain other acts* (a potential impact on the investment projects currently under way, as well as on the future investment projects),
21. shaping of the human resources policy, including the results of the negotiations with the Social Council of TAURON Group related to the potential inflation driven wage increases,
22. changes to the schedules, budgets and the scopes of the investment projects carried out by TAURON Capital Group, the availability of the assets of TAURON Capital Group and the impact of the weather conditions, including those of the extreme nature, resulting in the impact on the failure rate of the assets of TAURON Capital Group and the seasonality of the revenue generated and the costs incurred,
23. lack of the finalizing of the implementation of the assumptions of the government concept "*Transition of the power sector in Poland. The spin off of the coal based generating assets out of the State Treasury owned companies*", which is not dependent solely on the decisions of TAURON.

TAURON Capital Group's operations are characterized by the seasonality that is applicable, in particular, to the heat production, distribution and supply, the electricity distribution and supply to the consumers. The heat supply depends on the weather conditions, in particular on the outdoor temperature, and it is higher in the autumn and winter season. The volume of the electricity supply to the individual consumers depends on the length of the daytime which usually makes electricity supply to this group of the consumers lower in the spring and summer season and higher in the autumn and winter season. The seasonality of TAURON Capital Group's other lines of business is low.

In addition, the operations of the Group's lines of business may be affected by the current situation related to the war on the Ukrainian territory. However, given its impact on the market and the regulatory environment, which is highly volatile, forecasting its future effects is difficult due to a number of factors. Such aspects as the scale and duration of the conflict, any further developments, including a possible escalation of the hostilities, and their impact on the condition of the Polish and global economies will, in particular, have a material impact. In addition, any further regulatory actions taken at the European Union level and at the national level, in particular in the context of implementing any intervention measures and the shaping of the future energy market, may have an impact on the level of the financial performance in the coming quarters.

In addition, the ever increasingly important climate regulations at the European Union level and at the national level constitute a significant premise for analyzing the current and the future situation of TAURON Capital Group in the coming quarters.

## 2.5. Timeline

The timeline of the selected highlights associated with the business operations of TAURON and TAURON Capital Group that had taken place in 2023 is presented below.

Table no. 21. 2023 highlights

<b>JANUARY FEBRUARY</b>	<ol style="list-style-type: none"> <li>1. Signing of the hard coal purchase agreements with Polska Grupa Górnicza S.A. (PGG) for the production needs of the generating units owned by TAURON Wytwarzanie and TAURON Ciepło.</li> <li>2. Signing of the annexes setting the pricing terms and conditions for the hard coal supplies for 2023 under the long term contracts for the purchase of the thermal coal from TAURON Wydobywanie for the production needs of the generating units owned by TAURON Ciepło and TAURON Wytwarzanie.</li> <li>3. Signing by TAURON of a loan agreement with Bank Gospodarstwa Krajowego (BGK) for the amount of PLN 750 million.</li> </ol>
<b>MARCH APRIL</b>	<ol style="list-style-type: none"> <li>1. Publishing of the financial results of TAURON and TAURON Capital Group for 2022</li> <li>2. Signing and the entry into force of a settlement agreement related to the implementation of the contract for the construction of a 910 MW unit in Jaworzno.</li> <li>3. Merger of TAURON Ekoenergia with AVAL-1 and "Polpower".</li> </ol>
<b>MAY JUNE</b>	<ol style="list-style-type: none"> <li>1. Ordinary General Meeting of TAURON.</li> <li>2. Publishing of the financial results of TAURON and TAURON Capital Group for the first quarter of 2023</li> <li>3. Signing of a Letter of Intent between TAURON and the Silesian University of Technology (Politechnika Śląska) with respect to the contemplated commencement of the cooperation as part of the implementation of the projects related to the energy transition.</li> </ol>
<b>JULY AUGUST</b>	<ol style="list-style-type: none"> <li>1. Publishing of the Integrated Annual Report for 2022.</li> <li>2. Signing of an agreement to the letter of intent with respect to EC Stalowa Wola concerning a potential transaction for the sale by TAURON Group to ORLEN Group of its equity stake in EC Stalowa Wola.</li> <li>3. Obtaining of a permit by Elektrownia Wiatrowa Baltica - 7 sp. z o.o. (Ltd.) for the erection and use of the artificial islands, structures and equipment in the area designated as 43.E.1 in the Polish Exclusive Economic Zone on the Baltic Sea.</li> </ol>

	4. Signing, between TAURON and the State Treasury, of a document summarizing the terms and conditions of the transaction for the sale of 100% of the shares in TAURON Wytwarzanie by TAURON to the State Treasury - the so-called Term Sheet.
<b>SEPTEMBER</b>	1. Publishing of the financial results of TAURON and TAURON Capital Group for the first half of 2023
<b>OCTOBER</b>	2. Merger of TAURON Ekoenergia and WIND T1. 3. Signing by TAURON of a loan agreement with BGK for the amount of PLN 750 million. 4. Reaffirming by the Fitch Ratings agency of TAURON's long term foreign and local currency ratings at "BBB-" with a stable outlook. 5. TAURON awarded the special prize <i>The Best of The Best</i> for the annual report in the competition <i>The Best Annual Report 2022 and the special honorable mentions for the compensation report and for the best corporate governance statement</i> .
<b>NOVEMBER</b>	1. Publishing of the financial results of TAURON and TAURON Capital Group for the third quarter of 2023.
<b>DECEMBER</b>	2. Completion of the construction of the photovoltaic farm in Mysłowice (stage I). 3. Acquiring by TAURON Zielona Energia of the shares in the company WIND T2, the holder of the rights to develop the project involving the construction of the wind farm in Sieradz with a capacity of 23.85 MW. 4. Commencement of the construction of the photovoltaic farm in Białków with a capacity of 54 MW. 5. Completion of the Digital Poland Operational Program (Program Operacyjny Polska Cyfrowa - POPC) project. 6. Completion of the Low Emissions Elimination Program (Program Likwidacji Niskiej Emisji - PLNE). 7. Launch of Poland's first innovative energy storage facility set up using the used up batteries from the electric buses. 8. Acquiring by TAURON Zielona Energia of the shares in the company AE Energy 7, the holder of the rights to develop the project involving the construction of the wind farm in Postomino with a capacity of 90 MW.

## 2.6. Major events having a significant impact on the operations in 2023 and after the balance sheet date, i.e. December 31, 2023

The more important events and accomplishments that had a significant impact on TAURON Capital Group's operations that had occurred in 2023, as well as by the date of drawing up this report are listed below.

In addition, the above mentioned events should include the agreements that are significant for TAURON Capital Group's operations, presented in detail in section 12.2. of this report.

### Major business events

#### Mediation process and concluding of the settlement agreement related to the contract for the construction of a 910 MW unit in Jaworzno

*The detailed information is provided in section 12.1. of this report.*

#### Activities aimed at the completing of the transaction of TAURON's divestment of 100 percent of the shares in TAURON Wytwarzanie S.A. to the State Treasury.

In 2023, TAURON Group had continued its activities aimed at implementing the assumptions of the document entitled the *Transition of the Power Sector in Poland. The spinning off of the hard coal fired generating assets out of the companies with a State Treasury shareholding* (Government NABE Concept), adopted by the Council of Ministers by way of its Resolution no. 44/2022 of March 1, 2022.

The Government NABE Concept had assumed the acquisition by the State Treasury (directly or indirectly) from the energy groups of the shares of / interests in the companies from the energy groups around which the assets related to the generation of electricity from the hard coal would be integrated, including, among other things, the contributed shares of / interests in the support services companies. The concept in question had also assumed ensuring the self sufficiency of the companies integrating the assets, while at the same time keeping within the energy groups those assets that provided a potential for the investments in the new generation capacity, including the real estate (sites) to be used for the construction of the new generation sources. The goal of the transition outlined in the Government NABE Concept had been to ensure the socially acceptable costs of the electricity purchases, with the uninterrupted supply thereof, which would not be possible in the current regulatory regime and market environment without a fundamental change in the structure of Poland's energy mix. The activities carried out at TAURON Group in order to implement the assumptions of the Government NABE Concept in 2023 had proceeded in accordance with the *Program for spinning off of TAURON Group's hard coal fired generating assets into NABE* (NABE Program).

On July 14, 2023, TAURON had received, from the State Treasury represented by the Minister of the State Assets, a proposal of the non-binding document (Document), containing a summary of the terms of the acquisition by the State Treasury of all of the shares of TAURON Wytwarzanie held by TAURON, in order to set up NABE (Transaction). The proposal had been made as part of the agreement on the cooperation with respect to the spinning off of the coal assets and the integration thereof into NABE signed on July 23, 2021, by TAURON, PGE, Enea, Energa (collectively referred to as the Energy Companies) and the State Treasury.

The Document had included, in particular, the proposed price of the acquisition of the shares in TAURON Wytwarzanie, the key financial (commercial) and legal terms of the Transaction's completion, including the key provisions of the preliminary sale and purchase agreement and of the promised sale and purchase agreement, as well as the proposed mechanism to be applied to settle TAURON Wytwarzanie's debt towards TAURON. The Enterprise Value of TAURON Wytwarzanie had been calculated using the locked - box mechanism as of September 30, 2022. The value of the Transaction had comprised two elements: the price for the shares in TAURON Wytwarzanie (Sale Price) and the value of TAURON Wytwarzanie's debt towards TAURON that would be subject

to the repayment. The State Treasury had proposed to acquire the shares in TAURON Wytwarzanie at the Sale Price in the amount of PLN 1, including the repayment of TAURON Wytwarzanie's debt towards TAURON as of the date of the acquisition of the TAURON Wytwarzanie shares by the State Treasury (Closing Date). As of September 30, 2022, the debt had stood at PLN 6 326 million (this amount had represented the principal loan amount and the interest accrued until September 30, 2022). The debt, as of the Closing Date, had been supposed to have been reduced by the amount of PLN 652 million as a result of the conversion of a portion of the existing debt of TAURON Wytwarzanie towards TAURON into TAURON Wytwarzanie's equity. A portion of TAURON Wytwarzanie's debt towards TAURON, in the amount of PLN 2 120 million had been supposed to have been subject to the repayment over a period of 8 years following the Closing Date and the repayment had been supposed to have been covered by the guarantee issued by the State Treasury in the amount of up to 70 percent of the debt amount. The remaining portion of TAURON Wytwarzanie's debt towards TAURON, as of the Closing Date, had been supposed to have been repaid by NABE using the proceeds from a loan extended to NABE by the banks as part of the Transaction, which had been supposed to have been made available not later than within 90 days following the Closing Date. It had been assumed that the remaining intra-Group settlements, with a particular consideration of the settlement related to the CO<sub>2</sub> emission allowances, were to be executed on an ongoing basis and would have no impact on the Sale Price.

The Document had not constituted a tender or an obligation to sign any agreement. Having completed a thorough analysis of the Document, TAURON had commenced the negotiations with the State Treasury, as a result of which the parties agreed upon the final content of the Document.

On August 10, 2023, the required corporate approvals had been obtained, by TAURON, with respect to the boundary conditions specified in the Document, as well as for an increase of TAURON Wytwarzanie's equity by the amount of PLN 652 million and the taking up by TAURON of the newly issued shares in TAURON Wytwarzanie. The increase in TAURON Wytwarzanie's share capital had been covered by the deduction (conversion) of a part of the existing debt of TAURON Wytwarzanie toward TAURON. In the justification of the decision taken TAURON had indicated that the sale of the hard coal based generation assets had been in line with the Strategy in place, aimed at the transition of TAURON Group towards the low- and zero emission electricity generation sources and at achieving the climate neutrality by 2050.

The corporate approvals had also been obtained by the other Energy Companies (the content of the Document had indicated that the Transaction would be carried out only if the State Treasury's negotiations with all of the Energy Companies had been successfully completed, and the Document, agreed and signed by the parties, was to constitute the basis for the Minister of the State Assets to submit a petition to the Chairman of the Council of Ministers (Prime Minister) for the acquisition of the shares in TAURON Wytwarzanie held by TAURON).

On August 10, 2023, TAURON and the State Treasury, represented by the Minister of the State Assets, had signed a document (Term Sheet) summarizing the key terms of the Transaction. The key boundary conditions, included in the signed Term Sheet, had been consistent with the above outlined terms included in the Document. The Term Sheet had also defined the conditions on the fulfillment of which the conclusion of the preliminary agreement for the sale and purchase of the shares in TAURON Wytwarzanie to the State Treasury had been contingent, including in particular:

1. reaching of an agreement with respect to the content of the Transaction documentation, including the documentation covering the future financing of NABE and obtaining of the initial loan decisions from the banks for the financing of NABE,
2. positive response, by the Chairman of the Council of Ministers (Prime Minister), to the petition for the acquisition of the shares by the State Treasury from the Reprivatization Fund,
3. obtaining of all of the internal approvals and permits required for the conclusion or the completion of the Transaction,
4. concluding of the agreements (or the relevant annexes) ensuring the operation of the companies forming NABE following the closing of the Transaction,
5. implementation of the changes in the share capital or the structure of the shares of / interests in the companies forming NABE in order to prepare them for the Transaction, including the completion of the conversion of a part of the existing debt of TAURON Wytwarzanie towards TAURON into TAURON Wytwarzanie's equity.

As part of the next stage of the Transaction it had been assumed that the preliminary share sale and purchase agreement and then the promised share sale and purchase agreement would be signed.

TAURON disclosed the information on the above events, in reference to current report no. 28/2021 of July 23, 2021, in current reports no. 33/2023 of July 15, 2023, as well as no. 36/2023 and no. 37/2023 of August 10, 2023.

Following the signing of the Term Sheet:

1. the draft transaction documentation had been agreed upon by the parties to the proposed Transaction,
2. the increase in the share capital of TAURON Wytwarzanie, related to the conversion of that company's debt towards TAURON, had been completed - the registration of the share capital increase had taken place on August 18, 2023, of which TAURON Wytwarzanie notified the National Agricultural Support Center (Krajowy

Ośrodek Wsparcia Rolnictwa - KOWR) in connection with its right to purchase the shares in the increased capital of TAURON Wytwarzanie, in response KOWR, on September 15, 2023, had provided the information on its waiving of this right.

On July 21, 2023, the Parliament (Sejm) had received a draft act on the principles (rules) of the State Treasury providing the guarantees for the National Energy Security Agency's obligations, which had been of key importance in ensuring the future financing of NABE and had been one of the conditions precedent to the signing of the promised agreement for the sale of the shares in TAURON Wytwarzanie. The above act, passed by the Parliament (Sejm) on August 17, 2023, had been rejected by way of a Senate resolution on September 7, 2023. The Parliament (Sejm), due to the expiration of its term, had not voted on the Senate resolution. On February 16, 2024 (an event that took place after the balance sheet date), the Government Legislation Center (Rządowe Centrum Legislacji) announced the termination of the works and the withdrawal of the draft. On February 20, 2024 the Management Board of the Company adopted resolution on closing the program for carve out of hard coal fired generation assets from TAURON Group to NABE.

Since TAURON is only a participant in the described process, it has no direct impact on its further shape or the timing of its implementation. TAURON Group has carried out a whole range of the reorganization activities, ensuring the full operational capability to the subsidiaries that had been earmarked as the companies to be spinned off out of TAURON Group's structures, in accordance with the Government NABE Concept.

TAURON Group is fully prepared to continue the process, awaiting any further government decisions in this regard.

#### **Signing of the agreement to the letter of intent with respect to Elektrociepłownia Stalowa Wola S.A.**

The agreement (Agreement) to the Letter of Intent, concluded on August 2, 2021, between TAURON, TAURON Wytwarzanie, Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) and PGNiG TERMIKA S.A., related to a potential transaction involving the sale by TAURON Group to ORLEN Group of its equity in EC Stalowa Wola, as well as the accounts receivable due to the loans that TAURON had extended to EC Stalowa Wola (Potential Transaction), had been signed on July 25, 2023.

The Agreement had been concluded between TAURON, TAURON Wytwarzanie, TAURON Inwestycje (the current owner of 50% of the EC Stalowa Wola shares), ORLEN S.A. (the legal successor of the current party to the letter of intent, i.e. PGNiG) and PGNiG TERMIKA S.A. (an entity that is currently a part of ORLEN Group), in order to confirm the intention to continue (following the ownership changes that had taken place recently) the talks, planned in the letter of intent, with respect to the Potential Transaction, including the possible development of a method that would be acceptable to the parties for the carrying out of the Potential Transaction and the settlement thereof. The Agreement excludes TAURON Wytwarzanie from the talks, brings in TAURON Inwestycje and adapts the principles of the cooperation to the new legal and factual situation.

The Agreement also indicates that the method of settling the Potential Transaction to be worked out by the parties may take into account, for example, the possible sale of 100 percent of the shares in PGNiG TERMIKA Energetyka Przemysłowa S.A. with the registered office in Jastrzębie Zdrój owned by PGNiG TERMIKA S.A. to a subsidiary or subsidiaries of TAURON Group.

TAURON disclosed the information on the above events in current reports no. 30/2021 of August 2, 2021, and no. 34/2023 of July 25, 2023.

#### **Obtaining of the decision on the permit for the construction and the use of the artificial islands, structures and devices in the Polish maritime area for a project involving the construction of an offshore wind farm**

On August 9, 2023, TAURON had received the decision of the Minister of Infrastructure on the granting to Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.) (formerly: PGE Baltica 4) of the permit with respect to the construction and the use of the artificial islands, structures and devices in the Polish maritime area (an exclusive economic zone) designated as area 43.E.1 for the purpose of the construction of an offshore wind farm that had been petitioned by Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.). TAURON holds 44.96 percent of the shares in Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.), while the remaining 55.04 percent of the shares are held by PGE. The capacity of the planned offshore wind farm to be constructed based on the obtained permit will be approx. 1 GW.

TAURON disclosed the information on the above event in current report no. 35/2023 of August 9, 2023.

#### **Filing of an insolvency petition and a receipt of a decision declaring TAMEH Czech s.r.o. insolvent.**

On December 14, 2023, TAMEH Czech s.r.o. had filed an insolvency petition with the competent court in Ostrava.

The subject of the operations of TAMEH Czech s.r.o. is the production of the energy utilities (carriers) for the Liberty Ostrava a.s. steel plant, which is the company's only customer. The filing of an insolvency petition by TAMEH Czech s.r.o. is due to the failure of Liberty Ostrava a.s. to meet its obligations towards the company, which has led to the inability to continue its operations. The owner of 100 percent of the shares in TAMEH Czech s.r.o. is TAMEH HOLDING, a joint subsidiary of TAURON, in which TAURON holds a 50 percent stake. The remaining 50 percent stake is held by the companies that are part of the ArcelorMittal Group.



On December 19, 2023, the District Court in Ostrava had issued the decision declaring TAMEH Czech s.r.o insolvent.

In accordance with the applicable regulations in force in the Czech Republic, the state of insolvency in which TAMEH Czech s.r.o. has found itself in shall be declared by the court. The solution to an insolvency is a bankruptcy or a restructuring, and no decision in this respect has been made thus far.

TAURON is not a guarantor of TAMEH Czech s.r.o.'s financial obligations, and thus there is no risk of the financial outflows from TAURON Group on this account.

At the same time, the analyses carried out have demonstrated a negative impact of the above mentioned event on the financial results of TAURON and those of TAURON Group.

With regard to TAURON's consolidated financial statements, the analyses have demonstrated the justification for a reduction in the valuation of the investment in TAMEH HOLDING for 2023, which will have an impact on the reduction of TAURON Group's operating result for 2023 by PLN 487 million (for the fourth quarter of 2023 by PLN 582 million) and the reduction of TAURON Group's EBITDA result for 2023 by PLN 179 million (for the fourth quarter of 2023 by PLN 274 million).

With respect to TAURON's standalone financial statements, analyses have demonstrated a reduction in the valuation of the shares in TAMEH HOLDING by PLN 212 million, which will have an impact on the reduction of TAURON's pre-tax result for 2023 and for the fourth quarter of 2023 by PLN 212 million (no impact on EBITDA and EBIT).

TAURON disclosed the information on the above events in current reports no. 48/2023 of December 14, 2023, no. 49/2023 of December 22, 2023, no. 48/2023/K of February 8, 2024, no. 49/2023/K of February 8, 2024 and no. 15/2024 of March 15, 2024.

#### **Events related to TAURON's acceptance of an offer by the ArcelorMittal Group's lead partner to purchase the shares in TAMEH HOLDING sp. z o.o.**

TAMEH HOLDING is a joint venture in which currently TAURON and two of ArcelorMittal Group companies (the Group's lead partner, i.e. AM Global Holding S.a r.l., with its registered office in the Grand Duchy of Luxembourg (AM Global Holding) and ArcelorMittal Poland S.A.) each hold 50% of the shares. The core business of TAMEH HOLDING is the production of the blast furnace blowing, compressed air, process steam, production and sales of the electricity and the heat for the district heating purpose. TAMEH HOLDING is a holder of 100% of the shares in two operating companies: TAMEH POLAND and TAMEH Czech s.r.o.

In the Shareholders' Agreement entered into on August 11, 2014, between TAURON Group's subsidiaries and ArcelorMittal Group companies (collectively referred to as the Parties), defining the terms and conditions of the Parties' cooperation within TAMEH HOLDING (the Shareholders' Agreement), the Parties had made irrevocable offers to each other to buy and sell the shares in TAMEH HOLDING. Each of the Parties had the right to accept the irrevocable purchase offer made by the other Party, among other things, in the event that one of the prerequisites set forth in the Shareholders' Agreement would materialize as of the elapse of December 31, 2023.

In connection with the above, on December 22, 2023, TAURON's Supervisory Board had adopted a resolution regarding the submission of a statement on the acceptance of AM Global Holding's offer to purchase all of TAURON's shares in TAMEH Holding. The adoption of the resolution had initiated TAURON's efforts to make the above mentioned statement in the event that one of the prerequisites indicated in the Shareholders' Agreement would materialize as of the elapse of December 31, 2023.

Subsequently, as a result of the materialization, as of the elapse of December 31, 2023, of one of the prerequisites enabling TAURON to take advantage of the offer made thereto by AM Global Holding to purchase the shares in TAMEH Holding, on January 2, 2024 (event after the balance sheet date), TAURON's representative, in the presence of the bailiff recording the act of the serving of the statement, had left at AM Global Holding's registered office a statement on TAURON's acceptance of AM Global Holding's offer to purchase all of 3 293 403 shares held by TAURON in TAMEH HOLDING for the amount of PLN 598 098 090.30 (Sale Price). In accordance with the Shareholders' Agreement, the transfer of the ownership of the shares shall take place upon the crediting of the bank account with an amount equal to the Sale Price, which should take place no later than on the 30th business day from TAURON's acceptance of the offer, i.e. from the date of serving the statement to AM Global Holding. In the event that it is necessary to obtain the approvals required by the law or notify the competent authorities, the deadline for the transfer of the ownership of the shares and the payment deadline indicated above may be extended.

On January 4, 2024 (event after the balance sheet date), TAURON had received a message sent on behalf of AM Global Holding containing the information that AM Global Holding had disputed the effectiveness of the serving of TAURON's statement on the acceptance of AM Global Holding's offer to purchase the shares in TAMEH Holding. As a consequence of the message received, TAURON has identified the risk of the arising of a dispute between TAURON and AM Global Holding and the risk of a failure to receive the payment of the Sale Price for the shares in TAMEH Holding and, as a consequence, the risk of a failure of the transfer of the ownership of the shares in TAMEH HOLDING within 30 business days of TAURON's acceptance of the offer.



On January 9, 2024 (event after the balance sheet date), TAURON received a letter from AM Global Holding, which, according to AM Global Holding, constituted a statement of acceptance of TAURON's offer to purchase all of the shares in TAMEH HOLDING owned by the ArcelorMittal Group companies for PLN 598 098 090.30. In the light of TAURON's earlier actions and the actions taken by AM Global Holding, a risk of the arising of dispute between the Parties with respect to the effectiveness of the submission (serving) of the statements regarding the acceptance of the offers to purchase the shares in TAMEH Holding has been identified.

In reference to the above mentioned events, on January 12, 2024 (event after the balance sheet date), TAURON sent a letter to AM Global Holding in which it expressed its consent to enter into the negotiations in accordance with the procedure set forth in the Shareholders' Agreement.

TAURON disclosed the information on the above events in current reports no. 1/2024 of January 2, 2024, no. 2/2024 of January 2, 2024, no. 3/2024 of January 4, 2024, no. 4/2024 of January 9, 2024 and no. 6/2024 of January 12, 2024.

In connection with the expiration of the above mentioned deadline of 30 working days and a failure to receive the payment of the Sale Price for the shares in TAMEH HOLDING by such a deadline, the Parties have submitted to each other the summons to payment, while at the same time upholding their readiness to negotiate and amicably resolve the dispute arisen.

## Other major events

### Costs of the charges (allowances) to the Price Difference Payout Fund

On February 14, 2023, on the basis of its completed analyses of the regulatory environment in the energy market, and in particular with respect to the impact on the financial performance of TAURON Capital Group of the *Act of October 27, 2022, on the Emergency Measures to Cap the Electricity Prices and Provide the Support for Certain Consumers in 2023* and the *Regulation of the Council of Ministers of November 8, 2022, on the calculation of the price cap*, the Company had estimated the value of the charges (allowances) to be transferred in 2023 to the Price Difference Payout Fund introduced under those regulations.

The obligation of the electricity generators and the enterprises conducting business operations with respect to the electricity trading to transfer the so-called "charge" (allowance) to the Fund shall be applicable in a situation where the above mentioned entities obtain, from the sales of electricity, the prices that exceed the price caps calculated in accordance with the provisions of the above mentioned regulation. Among the entities that a part of TAURON Group, the subsidiaries that belong to the Generation, RES and Supply segments shall be subject to the potential obligation to pay the charge to the Fund.

To the best of the Company's knowledge, as of the date of performing the estimation, having taken into account the scenario based ("what if") analysis with respect to the market conditions, as well as the operational and technical conditions, the total charges transferred to the Fund should be within the range between PLN 1.0 billion and PLN 1.3 billion in 2023. The above estimate was disclosed to the public in current report no. 9/2023 of February 14, 2023.

It was also indicated in the above mentioned current report that, at the same time, in view of the cumulative impact of other factors, the Company did not anticipate that the impact of the charges transferred to the Fund would lead to the negative deviations of the estimated EBITDA earnings in 2023, as compared to the average level of the EBITDA results obtained by TAURON Group over the previous several years.

It was emphasized that the above mentioned disclosures did not constitute a forecast of the earnings for 2023, and the results of the estimates were burdened with a high degree of uncertainty and risk resulting in particular from the potential future changes in the legal situation in this regard, the interpretative doubts and the adopted practice with respect to the calculation of the charge due to the Fund, the instability of the economic environment and the hard to predict market conditions, as well as the operational and technical conditions of the generating units, which would affect, among other things: the demand for the electricity, the electricity production costs, the production and supply volumes and the market electricity prices.

It was also indicated that the real figures required to calculate the charge for the Fund would depend on the final effects of the commercial operations at TAURON Group's subsidiaries subject to the obligation to pay the charges to the Fund, as well as the actions of the Power (Transmission) System Operator with regard to the forcing and reducing of the operation of the generating units, and to a large extent would be known only at the time the given sales were to be realized, based on the then prevalent market conditions (first and foremost the sale price and the volume of the electricity sold) as well the unit electricity generation costs incurred during such time, which would be precisely recognized following the settlement of the given period in the accounting books.

TAURON disclosed the information on the above event in current report no. 9/2023 of February 14, 2023.

Ultimately, in 2023, TAURON Group's subsidiaries had recognized the costs of the charges transferred to the Fund in the total amount of PLN 832 million (of which the amounts per individual Segments had been: Supply - PLN 753 million, Generation - PLN 55 million, RES - PLN 8 million and in the case of the Other Operations - PLN 16 million).

The costs of the charges transferred to the Fund had been included as part of the costs of the taxes and fees related to the Group's business operations.

### **Filing of a claim for payment by subsidiary Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) against Amon sp. z o.o. (Ltd.)**

On March 31, 2023, Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) (PEPKH) had filed a claim for a payment against Amon sp. z o.o. (Ltd.) (Amon) with the District Court in Gdańsk.

The subject of the claim is the payment by Amon in favor of PEPKH of a total amount of PLN 61 576 284.89, along with the statutory interest for a delay and the costs of the court proceeding.

This amount includes:

1. claim for the payment of the liquidated damages in the amount of PLN 55 691 856.47, assessed under the agreement for the sale of the property rights stemming from the guarantees of origin (GOs) that confirm the generation of electricity from a renewable energy source – the wind farm located in Łukaszów, concluded between Amon and PEPKH on December 23, 2009,
2. claim for the payment of the compensation (compensatory damages) in the amount of PLN 5 884 428.42 for a failure to perform the agreement for the sale of the electricity generated from a renewable energy source – the wind farm located in Łukaszów, concluded between Amon and PEPKH on December 23, 2009.

The filing of the claim by PEPKH had stemmed from the fact that following the date of the issuing of the ruling by the Court of Appeals in Gdańsk dismissing PEPKH's appeal (i.e. after November 17, 2022), Amon had failed, in spite of PEPKH's summons, to perform the obligation resulting from the final, legally binding ruling by proceeding to perform the above mentioned agreements with PEPKH.

TAURON disclosed the information on the above event, in reference to current reports no. 7/2015 of March 19, 2015, no. 26/2019 of July 25, 2019, and no. 44/2022 of November 17, 2022, in current report no. 20/2023 of March 31, 2023.

### **Estimated impact of the regulation of the Minister for Climate and Environment of September 9, 2023 on TAURON Group's financial results**

On September 29, 2023, TAURON Sprzedaż informed TAURON that it had completed the major part of the analyses related to the estimated impact of the regulation of the Minister for Climate and Environment of September 9, 2023, amending the regulation on the shaping and calculation of the tariffs and the method to be used for the settlements in electricity supply (Regulation) on the financial results of TAURON Sprzedaż and TAURON Sprzedaż GZE.

The Regulation had introduced a mechanism enabling the reduction of the accounts payable of the households towards the energy companies performing business operations with respect to the electricity supply in the settlements for the year 2023 (Accounts Payable Reduction). Pursuant to the Regulation the amount of the annual accounts payable by the households that have met one of the prerequisites defined in the Regulation, due for the purchase of electricity in 2023, has been reduced by PLN 125.34.

Based on the legal opinion acquired by TAURON Sprzedaż and drafted by an external advisor specializing in the regulatory issues related to the energy law and the analyses completed by the Supply Subsidiaries related to the estimated number of their customers who will benefit from the Accounts Payable Reduction mechanism, on September 29, 2023, TAURON Sprzedaż informed TAURON about the estimated impact of the Regulation on the Supply Subsidiaries' EBITDA in the second half of 2023 in the total amount of PLN -536 million which will translate into the reduction of TAURON Group's EBITDA for the second half of 2023 by the same amount.

TAURON disclosed the information on the above event in current report no. 40/2023 of September 29, 2023.

The Supply Subsidiaries had set up a provision for the impact of the Regulation in the amount of PLN 536 million, which had been fully charged to the EBITDA of the Supply Segment in the third quarter of 2023.

The amounts presented above had been based on the legal status as of the date of the disclosing of the above mentioned report and they had been estimates. As of the date of drawing up this information, following the verification of the number of households that by December 31, 2023 had met the conditions for benefiting from the reduction of the accounts payable by PLN 125.34, the Supply Subsidiaries had adjusted the amount of the provision to PLN 574 million.

### **Affirmation of the ratings assigned by Fitch Ratings agency**

On October 5, 2023, Fitch Ratings agency (Fitch) affirmed Company's long term foreign and local currency ratings at "BBB-" with a stable outlook.

The full list of rating actions includes:

1. long term local and foreign currency IDRs (Issuer Default Ratings) affirmed at "BBB-", stable outlook,
2. short term local and foreign currency IDRs affirmed at "F3",
3. national long-term rating affirmed at "A(pol)", stable outlook,

4. EUR 500 million Eurobonds foreign currency senior unsecured unsubordinated rating affirmed at "BBB-",
5. EUR 190 million hybrid bonds (European Investment Bank – "EIB") rating affirmed at "BB",
6. PLN 750 million hybrid bonds (EIB) rating affirmed at "BB",
7. PLN 400 million hybrid bonds and hybrid bond issue program (Bank Gospodarstwa Krajowego) rating affirmed at "BB", while the national rating of the same program and bonds affirmed at "BBB(pol)".

TAURON disclosed the information on the above event in current report no. 43/2023 of October 5, 2023

#### **Filing of a claim for payment by subsidiary Polska Energia-Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) against Talia sp. z o.o. (Ltd.)**

On December 28, 2023, PEPKH filed a claim for a payment against Talia sp. z o.o. (Ltd.) with the District Court in Warsaw.

The subject of the claim is the payment by Talia in favor of PEPKH of a total amount of PLN 75 334 631.53, along with the statutory interest for a delay and the costs of the court proceeding. This amount includes:

1. claim for the payment of the liquidated damages in the amount of PLN 41 860 569.50, assessed under the agreement for the sale of the property rights stemming from the guarantees of origin (GOs) that confirm the generation of electricity from a renewable energy source – the wind farm located in Modlikowice, concluded between Talia and PEPKH on December 23, 2009
2. claim for the payment of the compensation (compensatory damages) in the amount of PLN 33 474 062.03 for a failure to perform the agreement for the sale of the electricity generated from a renewable energy source – the wind farm located in Modlikowice, concluded between Talia and PEPKH on December 23, 2009

The filing of the claim by PEPKH had stemmed from the fact that following the date of the issuing of the ruling by the Court of Appeals in Gdańsk dismissing PEPKH's appeal (i.e. after December 20, 2021), Talia had failed, in spite of PEPKH's summons, to perform the obligation resulting from the final, legally binding ruling by proceeding to perform the above mentioned agreements with PEPKH.

TAURON disclosed the information on the above event, in reference to current reports no. 7/2015 of March 19, 2015, no. 6/2020 of March 6, 2020, no. 40/2020 of September 8, 2020 and no. 49/2021 of December 20, 2021, in current report no. 50/2023 of December 28, 2023.

#### **Major events after December 31, 2023**

##### **Recommendation of the Management Board of the Company to cover net loss for 2023 from spare capital**

On April 16, 2024 the Management Board of the Company decided to recommend to the Ordinary General Meeting of the Company to cover net loss for the year 2023 recorded by the Company amounting to PLN 637,505,198.92 from the Company's spare capital.

TAURON informed about the abovementioned event in current report no. 25/2024 of April 16, 2024.

## 2.7. Prizes and accolades (honorable mentions)

TAURON and TAURON Capital Group's subsidiaries had received the following awards and accolades (honorable mentions) in 2023:



TAURON awarded the *Sustainable Economy Diamond* prize in the *Ecology Leader in the power industry* category for the investments in line with the highest environmental and social standards as well as the actions in the spirit of minimizing the negative impact on the environment.



TAURON Sprzedaż awarded the prize for the *lepiej.tauron.pl* blog in *The best content directed to consumer* category in the *Performance Marketing Diamonds EU* competition aimed at selecting the leaders with respect to the performance marketing, organized by the Chamber of Electronic Economy (Izba Gospodarki Elektronicznej).



TAURON awarded a special prize and the Friendly Workplace 2023 statuette for its efforts to create a friendly organizational culture and develop the innovative development programs in a competition organized by Markapracodawcy.pl



TAURON awarded special *The Best of The Best* prize for the continuous high quality of the annual reporting, the honorable mention for the best corporate governance statement and the special honorable mention for the compensation report in *The Best Annual Report 2022* competition organized by the Institute of Accounting and Taxes.



TAURON awarded a silver prize in the Education Program category in the ESG Leaders competition, organized by the WSE and PWC Poland, for its activities in the education area and the Green Laboratories of TAURON project, whose goal is to provide the support for the youngest generations in ensuring their access to science, knowledge and the new technologies.



The Friendly Workplace 2023 prize was also awarded to TAURON Wytwarzanie for its modern and responsible approach to the labor relations.



TAURON awarded a prize in the *Innovation of the Year* category for the digital revolution and the transition to the blockchain in the *Energy World Leaders Competition*, recognizing the top leaders and innovators contributing to the development of the clean and sustainable energy.



TAURON awarded the *Platinum Megawatt* prize for an active participation in the work aimed at developing the exchange based products in 2022 at a gala organized by the Polish Power Exchange and the Commodity Exchange Clearing House.



TAURON awarded a prize in the *Ranking of the Golden Hundred Enterprises of the Silesian Province 2022*, organized by the Dziennik Zachodni daily and listing the companies that have the greatest impact on the development of the region.





TAURON awarded the title of the HR leader in the *Responsible Employer* ranking, the purpose of which is to spread and promote the right examples, models and strategies of the activities with respect to the HR policies and the strategies for integrating the HR issues with the business issues.

The program is addressed to the companies operating in Poland, for which the care for the labor conditions and the employee development is a part of the company's strategy. The main criterion for the selection of the laureates of the program is the broadly understood quality of the employment.

TAURON awarded the *Corporate Social Responsibility Leader* title in the Good Company 2023 category in a competition organized by the Business Forum for the activities related to its commitment to the spreading of the CSR principles, in particular in the context of the activities conducted for the benefit of the local communities.

SPÓŁKI NAJBARDZIEJ ŚWIADOME KLIMATYCZNIE W 2022R.:							
CCC S.A.	10	LPP S.A.	8,83	Zespół Elektrowni "Piłtów-Adamów-Konin" S.A.	7,92	Relpol S.A.	7,25
Powszechny Zakład Ubezpieczeń S.A.	9,67	CD Projekt	8,83	AMICA S.A.	7,84	Orange Polska S.A.	7,17
PKO Bank Polski SA	9,67	Grupa Kęty S.A.	8,67	WIELTON S.A.	7,83	Sanok Rubber Company S.A.	7,16
Allegro.eu S.A.	9,5	Agora S.A.	8,67	Bank Handlowy w Warszawie S.A.	7,83	Unimot S.A.	7,16
Erbud S.A.	9,5	Grupa Żywiec SA	8,34	MOL	7,67	Cyfrowy Polsat S.A.	7,08
Eurocash S.A.	9,33	PGE Polska Grupa Energetyczna SA	8,33	Unibep S.A.	7,66	Budimex S.A.	7
Grupa kapitałowa LUG SA	9	Inter Cars S.A.	8,33	mBank S.A.	7,5	Fabryka Maszyn Famur S.A.	7
ING Bank Śląski S.A.	9	ASBISc Enterprises PLC	8,08	Tauron Polska Energia S.A.	7,5		
Immofinanz AG	9	Wirtualna Polska Holding S.A.	8	KGHM Polska Miedz S.A.	7,42		
Polski Koncern Naftowy ORLEN S.A.	9	Jastrzębska Spółka Węglowa SA	7,92	Bank Ochrony Środowiska S.A.	7,33		
Onde S.A.	9						

TAURON awarded the *Climate Aware Company* title based on the results of the *Corporate Climate Crisis Awareness Study* initiated by the Reporting Standards Foundation, the Association of the Exchange Listed Companies and Bureau Veritas



TAURON and TAURON Wytwarzanie awarded the *Top Quality HR Certificate* by the Polish Human Resources Management Association (Polskie Stowarzyszenie Zarządzania Kadrami) for the highest quality human capital management practices.

TAURON awarded the *Golden Laurel of Super Business* prize by the editors of the *Super Express* daily for the steadfast implementation of the assumptions of the Green Turn assumptions with respect to the modernization and the construction of the new power grids.

TAURON awarded the *Wprost Eagle 2023* prize in the *Green Investments* category for the implementation of the wind projects as part of the Green Turn of TAURON program.



TAURON awarded the prize at the United Nations Global Compact Network Poland gala in a recognition of its commitment to countering corruption and the shadow economy, as well for building the foundations for the sustainable development in Poland and around the world.

TAURON Zielona Energia awarded a prize in the *Construction Project of the Year 2022* competition for the implementation of the wind farm in Piotrków with a capacity of 30 MW, organized by the Association of the Construction Engineers and Technicians.

TAURON awarded a special prize for the energy transition strategy at DISE ENERGY.



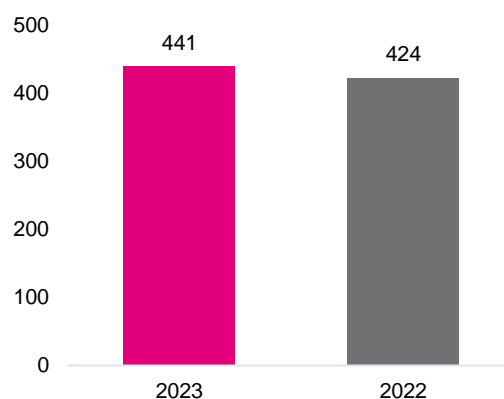
## 2.8. Employment information

### Key headcount data

TAURON's average headcount came in at 441 FTEs in 2023, which meant an increase by 4% as compared to the headcount in 2022, when the average employment stood at 424 FTEs.

The below figure presents TAURON's average headcount in FTEs (rounded up to the full FTE) in the years 2023 - 2022.

Figure no. 26. TAURON's average headcount in FTEs in 2023 - 2022



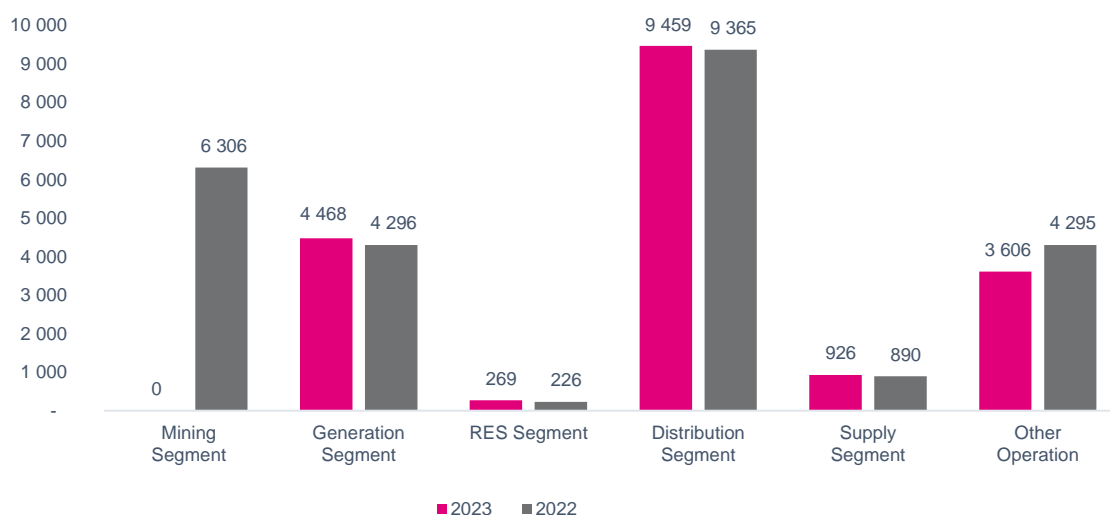
TAURON Capital Group's average headcount clocked in at 18 728 FTEs in 2023, which meant a decrease by 26.2% as compared to the headcount in 2022, when the average employment level stood at 25 378 FTEs.

The decrease in the level of the average employment and headcount is primarily a consequence of the changes that had taken place in the Mining and the Other Operations Segments. As of the end of 2022, the Mining Segment and the Wsparcie Grupa TAURON subsidiary (Other Operations Segment) had been spun off out of TAURON Group in their entirety.

The additional changes in the Group include the consolidation of the TAURON Ubezpieczenia (Insurance) subsidiary.

The below figure presents TAURON Capital Group's average headcount in FTEs (rounded up to the full FTE) per operating Segment in 2023 - 2022.

Figure no. 27. TAURON Capital Group's average headcount in FTEs per operating Segment in 2023 - 2022<sup>1</sup>



<sup>1</sup>Starting from 2023, TAURON Wytwarzanie's headcount has been fully included in the Generation Segment, while in 2022 it had been split between the Generation Segment (2 251.91) and the RES Segment (24.05)

The below table below presents the key data on the headcount at TAURON and TAURON Capital Group as of December 31, 2023, and December 31, 2022.

Table no. 22. Key data on the headcount at TAURON and TAURON Capital Group as of December 31, 2023, and December 31, 2022

Key employment data	unit	TAURON		TAURON Capital Group	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Headcount by Segment of Operations, including:	persons (FTEs)	449	435	18 946	25 740 <sup>1</sup>
Mining Segment	persons (FTEs)	-	-	-	6 297
Generation Segment	persons (FTEs)	-	-	4 473	4 445
RES Segment	persons (FTEs)	-	-	293	260
Distribution Segment	persons (FTEs)	-	-	9 574	9 510
Supply Segment	persons (FTEs)	449	435	948 <sup>2</sup>	916 <sup>2</sup>
Other Operations	persons (FTEs)	-	-	3 658	4 312
Headcount by education level, including:					
College graduates	%	97%	97%	44%	37%
High school graduates	%	3%	3%	39%	43%
Vocational school graduates	%	0%	0%	16%	18%
Elementary school graduates	%	0%	0%	1%	2%
Headcount by age, including:					
Up to 30 years	%	11%	9%	10%	9%
30 - 40 years	%	30%	33%	16%	22%
40 - 50 years	%	39%	41%	27%	29%
50 - 60 years	%	17%	15%	38%	32%
Above 60 years	%	3%	2%	9%	8%
Headcount by gender, including					
Women	%	48%	47%	27%	22%
Men	%	52%	53%	73%	78%

<sup>1</sup> including 100 persons hired under a definite term labor contract to replace an absent employee.

<sup>2</sup> the figure includes TAURON's headcount.

## 2.9. Expenditures to provide support for culture, sports, charity institutions, media, social organizations, trade unions

The activities aimed at building the brand's image, including the implementation of the brand strategy assumptions through the sponsoring and promotional activities and the implementation of the projects based on the corporate social responsibility (CSR), are very important aspects of TAURON Capital Group's operations. The perception of the organization through the prism of its image has a key impact on the customer's willingness to make purchases and customer loyalty, which is an essential element in generating profits for any enterprise. TAURON Capital Group is associated with almost 6 million customers, and the main area of its operations covers the following provinces: Lower Silesia, Opole, Silesia and Małopolskie.

As part of the corporate regulations, the above mentioned activities are described in the core documents adopted by way of a resolution by the Management Board of the Company and implemented by the specific subject matter related areas. These corporate acts include:

1. TAURON Brand Strategy for the years 2022 - 2030,
2. TAURON Group's Communication Strategy for the years 2018 - 2025,
3. TAURON Group's Sponsorship Strategy for the years 2018 - 2025
4. TAURON Group's Sponsoring Principles,
5. TAURON Group's Principles of Conducting Promotional Activities,
6. TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) Projects.

These documents regulate in detail the manner and the objectives of spending the funds as part of the implementation of the sponsorship, promotional and the CSR activities. They also regulate the method to be applied to assessing the effectiveness of such projects. This makes the activities with respect to developing and managing the image of TAURON Capital Group transparent and measurable.

TAURON Capital Group attaches particular importance to the proper performance of the role of a responsible member of the community within which it is operating. It addresses the pro-social projects broadly, in proportion to the range of its business operations.

TAURON Foundation is operating within TAURON Capital Group and it is supported financially by the Group's subsidiary so that it can conduct its statutory activities. It is an independent public benefit organization that is not subject to TAURON Group's corporate regulations.

The list of the projects supported by TAURON Foundation is available on the foundation's website at the following address: <https://fundacja.tauron.pl/wspieramy/projekty-realizowane>.

The below table presents TAURON Capital Group's expenditures to provide support for culture, sports, charity institutions, media, social organizations and the trade unions in 2023.

Table no. 23. TAURON Capital Group's expenditures to provide support for culture, sports, charity institutions, media, social organizations and the trade unions in 2023

Category	TAURON Capital Group's expenditures in 2023 (PLN m) <sup>1</sup>
1. Culture and art	5.50
2. Sports	20.00
3. Education	1.21
4. TAURON Foundation	4.06
5. Social organizations / charitable institutions	3.81

<sup>1</sup>The expenditures include the costs of the sponsoring, promotional and CSR related activities as well as the donations provided by TAURON Capital Group's subsidiaries to the foundations, social organizations, etc.

In the sports category, the biggest support is provided to the Polish Olympic Committee (Polski Komitet Olimpijski), with which TAURON had signed a long term agreement in 2023. As part of this cooperation, TAURON has also become a strategic sponsor of the Polish Roller Sports Association (Polski Związek Sportów Wrotkarskich), the Polish Aeroclub (Aeroklub Polski), the Polish Gymnastics Association (Polski Związek Gimnastyczny) and the Name Rights Partner of the Polish Hockey League (Polska Hokej Liga). As of 2020, TAURON has also been cooperating with the Polish Volleyball League.

From the point of view of TAURON Capital Group's spending in support of the athletic activities, TAURON Arena Kraków indoor venue is also an important project of a strategic regional scope.

With respect to the education category, TAURON has been implementing a new TAURON Lab project together with the SOUNDSCAPE Foundation since 2023. TAURON has been supporting the Wawel Royal Castle continuously since 2010. In 2023, the cooperation with the Wawel Royal Castle had included two main events, i.e. the patronage of the Wawel Royal Castle summer outdoor music festival *Wawel o zmierzchu* (Wawel at Dusk), as well as the co-organization of the unique multi disciplinary project *Tydzień Patriotyczny* (The Patriotic Week). Over the years, the cooperation with the Wawel Royal Castle has also included the exhibition projects, as well as the educational campaigns for the children and youth. The relations with the Wawel Royal Castle ensure the spreading and shoring up of the positive image of the TAURON brand, as well as an opportunity to reach the important companies and communities with the TAURON brand message (as well as the sales pitch message).

The projects implemented by the Group provide the support for the local communities and the charitable institutions, take care of 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 (ecological) and cultural, among which the greatest support is targeted at the educational projects. This includes TAURON's proprietary the *Green Laboratories of TAURON (Zielone Laboratoria TAURONA)* project, implemented since 2022, as part of which TAURON, in order to provide the support for the youngest generations with respect to ensuring their access to science, knowledge and the new technologies, had offered the financial support for the overhaul and the equipment for the science laboratories to 4 schools located in TAURON Group's area of operations in 2023.

TAURON is a regular partner of a number of the Non-Governmental Organizations (NGOs) and the charitable institutions. Among other things, TAURON has been cooperating 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 offer help for the people with the disabilities. TAURON has also cooperated with the Iskierka (Spark) Foundation (Fundacja Iskierka) for a number of years, providing the financial support for the treatment of the children with cancer.

In 2023, TAURON had continued its cooperation with the *Red Noses Foundation (Fundacja Czerwone Noski)*, whose goal is to bring joy to the sick children and their families. As part of this initiative, the hospitalized children with the varying degrees of the neurological and motor disabilities take part in the theater and circus workshops organized by the foundation.

In cooperation with the *Association for Assistance to Children and Youth House of the Guardian Angels" (Stowarzyszenie Pomocy Dzieciom i Młodzieży Dom Aniołów Stróżów)*, TAURON has been changing the reality of

the children from the post industrial areas. Every year, TAURON engages the Group's employees in the employee volunteering activities.

Another pro-social initiative carried out by TAURON is the *Sherpas of Hope (Szerpowie Nadziei)* project, the idea of which is to level the playing field and eliminate the barriers by enabling the people with the disabilities to climb the mountain peaks.

TAURON has also been cooperating, for a number of years, with the *SIEMACHA Association (Stowarzyszenie SIEMACHA)*, one of the leading non-governmental organizations focused on helping the children and the young people. The activities undertaken as part of the cooperation are aimed at supporting those in need with respect to the upbringing, development and therapy, as well as at encouraging the children and the young people to be physically active and practice sports.

## 3. TAURON CAPITAL GROUP'S RISK MANAGEMENT

### 3.1. Risk management strategy

At TAURON Capital Group risk is understood as an uncertain occurrence or a group of occurrences that, in case of materializing, will have an impact on achieving by TAURON Capital Group of its defined strategic goals, both in a negative manner (a threat), as well as in a positive way (an opportunity).

In line with its Strategy in place the Company is implementing the process of managing the risk related to the operations of TAURON Capital Group. The primary goals of risk management include ensuring the broadly understood security and safety of TAURON Capital Group's operations. In particular, TAURON Capital Group's risk management is to ensure an increased predictability of achieving its strategic goals, sustainable (stable) generation of its financial results, the protection of TAURON Capital Group's current economic value, as well as provide support for the decision making processes.

TAURON Capital Group's risk management:

1. is based on the risk management process that provides the comprehensive and consistent rules – it is a continuous process that includes the risk identification, risk assessment, the implementation of the adopted response to risk as well as the communications among the participants of the process,
2. covers all of the elements of the value chain,
3. provides the centralized risk measurement, monitoring and control function, as well as the ability to evaluate the full risk profile in the organization and the consistent risk management principles,
4. ensures the independence of the risk taking function from its control and monitoring,
5. ensures a clear split of the competences and the responsibilities, in particular by introducing the risk ownership function,
6. is overseen by the Risk Committee which, as an expert team, 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 (risks), allowing for taking of the preventive measures,
8. is a systematic and continuously improved process which allows for aligning it on an ongoing basis to TAURON Capital Group's specifics and its organizational structure, as well as to the changing environment,
9. places an emphasis on developing awareness, training and encouraging personnel to use the knowledge of the risks in the daily activities,
10. co-forms TAURON Capital Group's internal audit (control) system, constituting, along with the compliance 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. risk card, risk register, risk response plan, volatility models, scoring models and the risk limits,
12. is based on a risk model that defines a consistent classification of risk, enabling its uniform and comprehensive recognition at TAURON Capital Group's level.

The Enterprise Risk Management System (ERM System) is governed by *TAURON Group's Enterprise Risk Management Strategy* that defines the organization's corporate 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 threat (risk) groups.

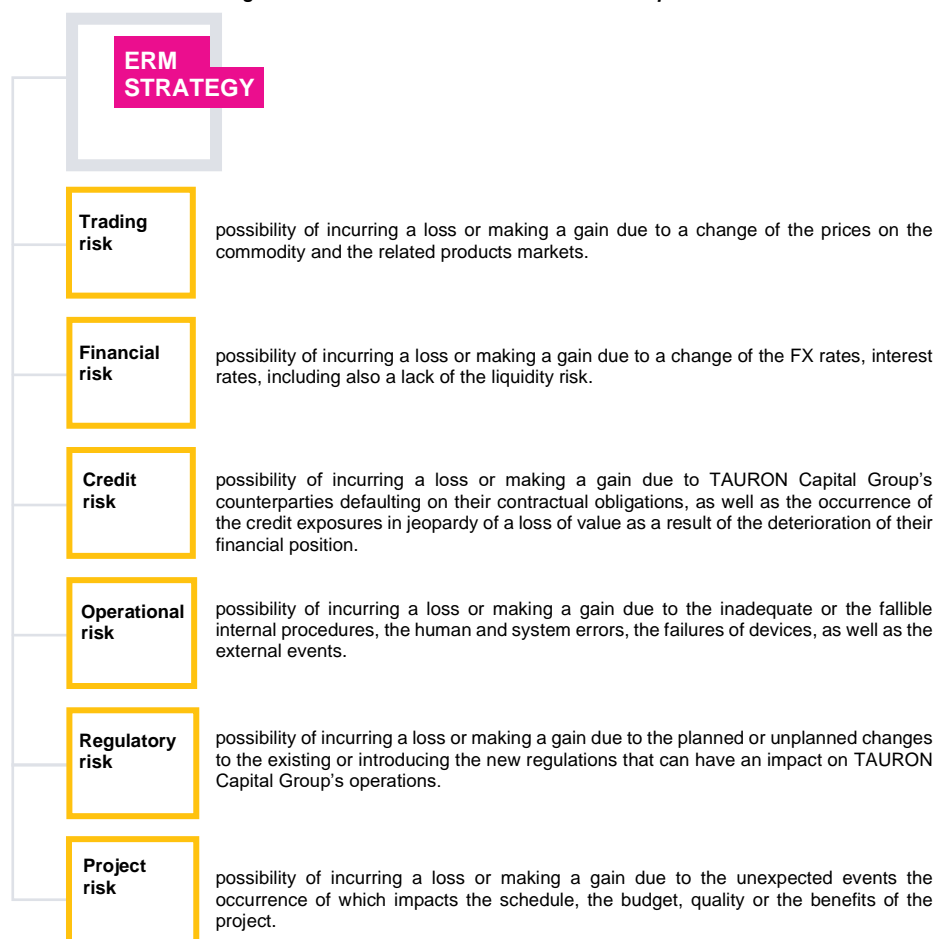
As part of the ERM Strategy, the Enterprise Risk Management Process (ERM Process) plays a central role, ensuring a comprehensive and coherent risk management principles, interconnected methodologically and informationally. The ERM process includes the continuous activities with respect to the risk identification, risk assessment, risk control and monitoring, planning as well as the implementation of the risk responses, also including the communication between the participants of the risk management process.

As part of the ERM System, the following Specific Risks are identified within TAURON Capital Group, for which the separate Policies tailored to the nature and the specifics of the given group of threats (risks) are defined:

The below figure presents the basic classification of the corporate risk.



Figure no. 28. Basic classification of the enterprise risk

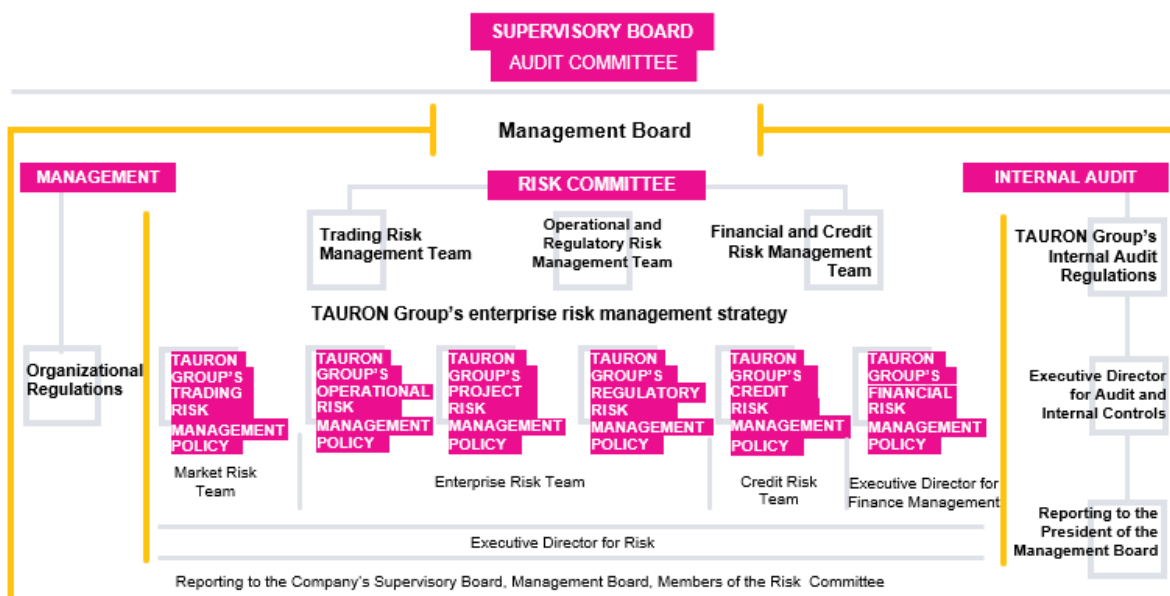


The key assumption of the ERM System is a clear and precise split of the tasks and responsibilities, ensuring no conflict of interest would arise. In particular, the system guarantees the independence of the risk taking function from the risk control and monitoring. This is achieved through the centralization of the control function at the Parent Company's level, while maintaining the organizational and functional separation of the risk taking function.

In the risk management process functioning at TAURON Group, a special role is played by the Risk Committee which is composed of the persons with the adequate knowledge of the Company and its environment (stakeholders), as well as the necessary qualifications and authorizations (empowerments). The task of the Risk Committee is to set the norms and standards for the risk management at TAURON Capital Group and to supervise the effectiveness of the risk management process. Three separate teams have been established within the Risk Committee: for the commercial risk area, for the financial and credit risk area, and for the operational and regulatory risk management. The Risk Committee directly oversees the implementation of the enterprise (corporate) risk management process.

The below figure presents in detail the links between the various roles and documents regulating TAURON Capital Group's ERM System.

Figure no. 29. The links between the various roles in the context of the ERM Strategy and the documents regulating the ERM System



As part of the functioning ERM Process in place, the Group adopted the principles of the risk control and monitoring whose task is to limit the exposure of TAURON Capital Group to the factors that may have an adverse impact on its functioning. The basic risk control tool is the Risk Appetite approved by the Company's Management Board that defines the basic framework used at TAURON Capital Group with respect to the risk management. In accordance with the adopted approach, the priority of TAURON Capital Group is to maintain the maximum level of the security at a level enabling the accomplishment of the strategic goals of TAURON Capital Group.

Based on the Risk Appetite, the Risk Tolerance that specifies TAURON Capital Group's maximum permitted risk exposure value is approved, in particular taking into account the specifics and the scope of its business operations. The Risk Tolerance level is expressed in the form of a collection of metrics and the boundary conditions capping the risk exposure. 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.

A supplementary tool used for the risk monitoring and control is the Early Warning System based on the catalogue of the Key Risk Indicators (KRI) and the Early Warning Indicators (EWI). The system functioning based on the KRI and EWI indicators enables an adequately early identification of the threats by measuring the causes of the individual threats. At the same time, that system allows for an adequately early taking of the remedy actions adapted to the level of the threat - before the individual threats (risk factors) actually materialize.

TAURON Group's risk management is a systematic process subject to the continuous improvement which allows for aligning it, on an ongoing basis, to TAURON Capital Group's specifics and organizational structure, as well as to the rapidly changing environment. That process is also subject to an internal and independent assessment of adequacy and the reviews, in particular based on:

1. ongoing assessment conducted by the Executive Director for Risk and the Risk Committee with respect to its adequacy and alignment with the changes to the structure and the specifics of TAURON Capital Group's business operations, as well as with the changing environment, and
2. periodic (regular) evaluation conducted by the competent Executive Director for Audit and Control, who as part of performing the institutional oversight (third line of defense), conducts an independent audit of TAURON Capital Group's risk management with respect to the appropriate implementation of the principles by the process participants, as well as its adequacy and effectiveness.

### 3.2. Risks in the individual operating Segments

The below table presents the risks in the individual operating Segments.

**Table no. 24. Risks in the individual operating Segments**

Segment	Description of the risk
<p><b>Generation</b></p> 	<p>The Generation Segment (including the production of electricity and heat) is exposed to the market risk, the regulatory risk as well as the technical and the organizational risks that will have a significant impact on the Segment's results in the coming years.</p> <p>One of the key risks for the Generation Segment is the market risk associated with the volatility of the prices of the electricity and the related products, which translates into the amount of the margins earned from the operations conducted. The year 2023 had brought a stabilization of the market conditions and an improvement in the balance between the demand and supply on the hydrocarbons market, leading to a downward trend of the electricity prices and the decline of their volatility. In spite of this, however, the market conditions continued to remain uncertain with a view to the 2024 time frame, in particular due to the continued conflict in Ukraine, as well as the geopolitical tensions in the Middle East that may have an indirect impact on the price and the availability of the fuel imported to Europe. The relatively high price of the hard coal on the domestic market (in spite of the downward trend on the world markets), persisting in 2023, has a negative impact on the future profitability of the conventional generating units. Other important aspects that have an impact on the reduction of the generation in the conventional units also include the import of electricity and an increase in the energy produced by the RES technology, while the demand for the electricity among the final consumers is getting lower. This situation, in addition to its negative impact on the segment's profitability, may precipitate the reduced demand for the fuel and lead to the curtailments in its purchases by TAURON Group's contractors (counterparties).</p> <p>In addition, the rapid development of the RES technologies and the ever growing share of the renewable energy in meeting of the demand for the electricity, apart from the declines in the electricity demand and the import balance of the cross border electricity exchange, also leads to the pushing of TAURON Group's conventional generating units out of the market and the need to adapt the operation of such conventional generation sources to the unstable (intermittent) production of the renewable energy sources. Such a situation forces the need to balance the units on the short term markets (buybacks / forced actions), which may generate both the opportunities, as well as threats (risks). Nevertheless, the high price of the fuel has led to a significant increase in the cost of the production in these generating units and the inability to compete with the other cheaper sources of the electricity.</p> <p>With respect to the operational factors, the most material threat is the risk of not achieving the planned availability rate (dispatchability) of the generating units, which is closely related to the individual units' failure rate, the high variability of the units' loads, the quality of the fuel and the increased frequency of the generation units' start-ups. The direct effects of an increased failure rate of the generating units may be the higher costs to rectify the failures. A failure to meet the planned availability rate (dispatchability) of the generating units may also result in the inability to meet the capacity obligation, which, if it is not possible to reserve the capacity using the internal sources or on the secondary market, may result in the assessing of the penalties on the Generation Segment's subsidiaries for this reason.</p> <p>The factors that had a material impact on the operations of the Generation Segment include: the implementation of the regulations aimed at reducing the demand for the electricity, the introduction of the mechanisms aimed at curtailing the increases in the electricity prices for the final consumers, the introduction of the margin caps for the electricity generators in 2023, which had the effect of curbing the profitability of the existing conventional generation sources. In 2024, in spite of an extension of the protection shield mechanisms for some electricity consumers, the margin capping mechanism in the conventional Generation Segment has been abolished and, as of the date of drawing up this report, it does not have a direct impact on the profitability of this line of business. However, important from the point of view of the operations of the Generation Segment in 2024 is the introduction of the mechanisms for capping of the price increases on the wholesale electricity market, as well as implementation of the changes to the rules of the operation of the wholesale electricity market (an abolition of the power exchange electricity trading obligation and the planned changes to the rules of the operation of the balancing market).</p> <p>With respect to the generation and the supply of the heat, a significant threat to the operations is the risk of a decrease in the demand for the heat and a reduction in the ordered thermal capacity due to the large scale thermal modernization work on buildings under way and a rise in the average winter temperatures due to the climate change. The heat sales are also subject to a tariff risk, where the ability to pass on the operating expenses to the final consumer may be limited by the regulations.</p> <p>In the longer term, it is important to keep in mind the directions set by the EU Climate Policy and the gradual phasing out of the fossil fuel based generating units. This is of particular relevance in view of the announcement of the acceleration of the pace of the reductions in the greenhouse gas emissions by 2040. This will result in a gradual further deterioration of the profitability rate for generating such units, the pushing out of the production from these sources by the low- and zero carbon units, and the phasing out of the support systems currently in place.</p>
<p><b>RES</b></p> 	<p>The RES segment is exposed to the market risks, the risks related to the weather factors having an impact on the volume of the electricity production, in particular the hydro, wind and the solar based power generation, the technical and the organizational risks, as well as the regulatory risks, the impact of which may significantly affect the earnings of the RES Segment and, what follows, the expansion (growth) opportunities thereof.</p> <p>One of the key risks of the RES Segment is the market risk associated with the volatility of the prices of the electricity and the related products, which translates into the amount of the margins earned from the operations conducted. The rapid growth of the installed capacity in the photovoltaic and wind based power generation sources and an increase in the share of the electricity demand covered by such generation sources have an impact on the changes in the price level and profile on the wholesale electricity markets. In particular, the price declines are observed during the periods of the high production of the renewable energy sources. The continuation of such a trend, along with the low demand for the electricity, leads to the negative prices on the short term markets. As a consequence, this has had, and it will continue to have, an impact on the profitability of the existing and the planned RSE generating units.</p> <p>The weather conditions represent a significant threat to the segment, affecting the volume of the production by the RES units. In particular, the volume of the electricity produced by the hydro power plants is dependent on the hydrological conditions, including the quantity and the frequency of the rainfall both in the winter, as well as during the summer period. In the case of the wind and the photovoltaic energy, the lower volatility of the volume produced, and thus the greater stability of achieving the planned production volumes is observed.</p> <p>The results of the RES Segment are also impacted by the availability (dispatchability) rates of the assets and the risk of their failure related thereto (including, among other things, in the event of an occurrence of the extreme weather events), and, as a consequence, the possible temporary outages of some of the assets from use and the potential costs of the repair thereof.</p> <p>The factors that have a material impact on the operations of the RES Segment (similar as in the case of the Generation Segment) included: the implementation of the regulations aimed at reducing the demand for the electricity, the introduction of the mechanisms aimed at curtailing the increases in the electricity prices for the final consumers, the introduction of the margin caps for the electricity generators in 2023, which resulted in the curbing of the profitability rates of the existing RES sources.</p>

Segment	Description of the risk
<p data-bbox="193 629 304 651"><b>Distribution</b></p> 	<p data-bbox="352 192 1390 259">In 2024, in spite of an extension of the protection shield mechanisms for some electricity consumers, the margin capping mechanism in the RES Segment has been abolished and, as of the date of drawing up this report, it will not have a direct impact on the profitability of this line of business.</p> <p data-bbox="352 271 1390 360">With respect to the RES Segment's expansion (growth) it should be pointed out that the existing RES Segment's growth opportunities and strategies are facing the regulatory headwinds related, in particular, to the construction of the new RES sources. In particular, in spite of the partial liberalization of the so-called distance law, there are still barriers in place that curtail the development of the onshore wind energy.</p> <p data-bbox="352 383 1390 427">The Distribution Segment is exposed to the market risk, the regulatory risk as well as the technical and the organizational risks that will have a significant impact on the Segment's results in the coming years.</p> <p data-bbox="352 439 1390 618">One of the most important threats to the Distribution Segment is the distribution services sales risk related to the electricity delivery volume (the decline observed in 2023), and, as a consequence, the fluctuations of the revenue from the provision of the distribution services to the individual groups of consumers. The material reasons behind this risk include both the macroeconomic factors, i.e. a decline of the demand for the electricity due to the economic slowdown or the weather conditions, as well as the factors stemming from the climate issues, i.e. an increase in the consumer awareness with respect to reducing the energy consumption intensity and the rapid growth of the prosumer energy observed over the recent years. However, the nature of this risk is short term due to the regulatory account mechanism in place, aimed at the balancing, in the medium term, of the impact of the fluctuations in the level of the demand for the electricity to cover the operating expenses of the DSOs.</p> <p data-bbox="352 629 1390 696">An equally material risk is associated with the occurrence of an unfavorable deviation of the operating expenses related to the inability to cover the costs of the operations during the period covered by the tariff, and in particular the operating expenses and the costs of purchasing the electricity to cover the balancing difference.</p> <p data-bbox="352 707 1390 842">With respect to the operational factors, a material risk for the Distribution Segment is the risk of an asset failure, i.e. the risk related to maintaining the availability of the transmission networks (systems) and the costs related to the fixing of the failures resulting from, among others, the climate changes leading to an increase in the frequency and intensity of the extreme weather occurrences, such as the hurricanes, hoar frost, strong winds incidentally accompanied by the tornadoes and the lightnings causing the failures of the distribution grids. One should also take into account a rapid increase in the number of the renewable energy sources, which has an impact on the stability of the operation of the distribution grid.</p> <p data-bbox="352 853 1390 965">In the medium term and in the long term, the material risks for the Distribution Segment include the regulatory risks, including the ones related to a change in the structure and the parameters determining the tariff amount (the factors behind this risk include, among other things, the WACC rate, the amount of the capital expenditures, the balancing difference indicators and the level of the transmission fee rates), the issues related to the compliance with the electricity distribution quality indicators that have an impact on the regulated revenue and a change to the distribution tariff model.</p> <p data-bbox="352 976 1390 1043">A threat to the Distribution Segment is also the credit risk, understood as a failure (default) of the contractors (counterparties) to meet their obligations arising from the distribution services sales. The uncertainty and the fluctuations on the market may lead to an increase in the insolvency rate of TAURON Capital Group's customers.</p>
<p data-bbox="193 1402 261 1424"><b>Supply</b></p> 	<p data-bbox="352 1059 1390 1104">The Supply Segment is exposed to the market risk, the regulatory risk as well as the risks stemming from the competitive and macro economic environment that will have a significant impact on the Segment's results in the coming years.</p> <p data-bbox="352 1115 1390 1249">A material threat to the accomplishment of the Supply Segment's goals is the risk related to the non-achievement of the assumed electricity supply volume. The reasons behind this risk stem from, both, the competitive environment factors, as well as the macro economic factors, i.e. a drop of the demand for the electricity caused by the economic slowdown and the volatility of the electricity prices. In addition, this risk is impacted by the following factors: an increase of the customer awareness and a change in the customer behaviors and needs, the trend to strengthen the consumer rights protection, as well as the regulatory pressure to curb the increases of the prices and the level of the consumption of the electricity and gas by the final consumers.</p> <p data-bbox="352 1261 1390 1462">In parallel, the market risk due to the volatility of the prices of the electricity, gas and the related products poses a threat to the Supply Segment. As a consequence of the high volatility of the prices of the electricity and gas, as well as a significant drop in the liquidity on the electricity market futures exchange (as a result of the abolition of the power exchange trading obligation in 2022), an elevated risk of hedging the sell position to the final consumer is being observed. In addition, due to the changes in the generation mix structure stemming mainly from the rapid growth of the renewable energy sources reported in the recent years, the material changes in the electricity price profiles are observed. Such a situation leads to the heightened uncertainty with respect to the costs of the profiling and balancing of the demand from the final consumers. In this context, one should also bear in mind the already implemented, as well as the announced further changes in the functioning of the balancing market, which may have an impact on the costs of the profiling and balancing the demand of the Supply Segment's customers.</p> <p data-bbox="352 1473 1390 1574">A material threat (risk) to the Supply Line of Business (Segment) is also posed by the credit risk understood as a failure of the customers to meet their obligations arising from the electricity and gas sales (customer defaults). The uncertainty and the fluctuations on the market may lead to an increase in the insolvency rate of the counterparties (contractors) of TAURON Capital Group.</p> <p data-bbox="352 1585 1390 1787">One of the most important regulatory risks in the Supply Segment is the regulated tariff risk, related to the level of the costs allowed and approved by the President of the ERO to be passed on in the sales price for the given year for the households (G Tariff), including also a possible tariff adjustment during the year. The result of the materialization of such a risk can be not a full passing of the costs of purchasing of the electricity and gas for the individual customers and, as a consequence, a decline of the profitability and the curtailment of the funds for the development of the Company's potential. The risk related to the regulated tariffs is also very material in the years to come, due to the observed high level of the prices in the electricity and gas markets. The potential changes in the rules of the operation, in 2024, of the regulations aimed at curbing the price increases for the households and the eligible consumers (the first half of 2024), as well as the potential extension (in whole or in part) thereof for the second half of 2024, as well as for the subsequent years, also represent the material regulatory risks.</p> <p data-bbox="352 1798 1390 1865">In the long run, the climate factors, and in particular the potential further expansion of the prosumer and industrial energy, as well as the steps taken by the consumers with respect to improving the energy efficiency, also pose a threat for the Supply Segment, resulting in a loss of the supply volume and the margin on the electricity and gas sales.</p>
<p data-bbox="193 1872 336 1939"><b>Other Operations and Risks</b></p> 	<p data-bbox="352 1877 1390 2000">The other organizational units that are a part of TAURON Capital Group are primarily providing the support services for the above mentioned Segments. The main risks that are present in the Other Operations Segment are related to ensuring the availability and the security of the IT services, the broadly understood compliance management, the personal data protection, as well as the security and protection of the property. In connection with the conflict in Ukraine, the security and the cyber security risks are particularly relevant, including the possible restrictions with respect to the access to the IT/OT infrastructure,</p>

Segment	Description of the risk
	<p>the Internet and the GSM networks, as well as the physical security of the critical infrastructure elements, the breach of which may cause the disruptions in the functioning of the operational processes and the business continuity.</p> <p>At TAURON Capital Group's level, one of the material threats related to the entire value chain of TAURON Capital Group is the risk of financing resulting from the gradual withdrawal of the financial institutions from financing of the activities based on the fossil fuels. It should be pointed out that the risk in question is primarily dependent on the potential continuation of the government plans to spin off the hard coal fired generation assets into a separate entity.</p> <p>The material threats for TAURON Group also include the regulatory and political issues related to the environment protection and climate protection issues, the risks related to the financial condition of TAURON Group's key counterparties, the sustainability risks, the risks associated with the human resources management and the workforce (social partner) expectations with respect to the growth of the wages, as well as the pending court litigations. At the TAURON Group level, the wages increase risk is identified, which is a consequence of the current and expected macro economic situation, related, in particular, to the high level of the inflation rate in Poland.</p> <p>With respect to the regulatory risk, the continued trend towards the tightening of the EU Climate Policy is observed, related to a greater curtailment of the CO<sub>2</sub> emissions and the support for the RES investment projects, which leads to an increase in the volatility in terms of the national sector related regulations, and this, in turn, translates into an increase in the number of the regulatory risks of the strategic importance for TAURON Capital Group.</p>

### 3.3. Description of the most material risk categories and their mitigation examples

The below table presents the most material risk categories identified for TAURON Capital Group.

**Table no. 25. Most material risk categories identified for TAURON Capital Group**

Name and description of the risk	Risk trend and materiality	Response to the risk
<b>Trading risk</b>		
<i>Market risk</i>		
The threats (risks) or the opportunities related to a change in the prices on the wholesale electricity market and the energy related product markets, including the hard coal, gas, crude oil, CO <sub>2</sub> emission allowances, property rights, which have a negative or positive impact on the financial results, as well as stemming from a lack of the supply of the above mentioned products on the market and the liquidity in the commodity markets.	<input type="checkbox"/>  <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Independent monitoring of the trading positions and of the use (consumption) of the risk limits.</li> <li>2. Daily control (checking) of the compliance with the limits - Value at Risk.</li> <li>3. Daily control (checking) of the volume of the open positions, broken down into all of the assets and the aggregate.</li> <li>4. Applying of the Stop Loss limits allowing for protecting (locking in) the generated result.</li> <li>5. The use of the futures (forward) products allowing for the hedging of the future exposure to the trading risk.</li> <li>6. Applying of the tolerances allowing for the flexible reaction to the changing market conditions with a limited level of the risk incurred.</li> <li>7. Taking advantage of the effects of the diversification between the products and the trading portfolios as well as the use of the internal netting.</li> <li>8. Centralization of the trading activities at TAURON Capital Group allowing for taking advantage of the synergy effects.</li> <li>9. Product changes adjusted to the current market situation.</li> </ol>
<b>Financial and credit risk</b>		
<i>Interest rate risk</i>		
The threats (risks) or the opportunities related to an impact of the interest rates on TAURON Capital Group's financial results.	<input type="checkbox"/>  <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Ongoing monitoring of the risk exposure in order to minimize the negative impacts of the changes to the interest rates.</li> <li>2. Use of the risk limits for TAURON Capital Group's operational FX position (Value at Risk).</li> <li>3. Transfer of the FX rate risk through the use of the hedging transactions in accordance with the adopted <i>TAURON Group's Financial Risk Management Policy</i>.</li> </ol>
<i>FX rate risk</i>		
The threats (risks) or the opportunities related to an impact of the FX rates on TAURON Capital Group's financial results.	<input type="checkbox"/>  <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Ongoing monitoring of the risk exposure vulnerable to the FX rate risk.</li> <li>2. Use of the risk limits for TAURON Capital Group's operational FX position (Value at Risk).</li> <li>3. Transfer of the FX rate risk through the use of the hedging transactions in accordance with the adopted <i>TAURON Group's Financial Risk Management Policy</i>.</li> </ol>
<i>Financial liquidity risk</i>		
The threats (risks) related to the lack of TAURON Capital Group's ability to meet its obligations on an ongoing basis and the difficulties in accessing the capital, a change in the conditions for obtaining and servicing the financing already taken on and the planned one (including due to the tightening of the EU climate policy).	<input type="checkbox"/>  <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Diversification of the sources of financing including the arranging of the guaranteed financing programs as well as the securing of the alternative sources of financing.</li> <li>2. Analyzing the market and the availability of the sources of financing.</li> <li>3. Ongoing communications with the financial institutions.</li> <li>4. Arranging of the financing agreements ahead of the time the funding is needed.</li> <li>5. Monitoring of the financial liquidity and planning of the use of the available sources of financing.</li> <li>6. Introduction of a liquidity control system (the spending limits).</li> <li>7. Taking actions and recommendations with respect to the operations of the Financial Management Area, indicated by the Risk Committee or the Management Board of the Company.</li> </ol>
<i>Financing risk</i>		



Name and description of the risk	Risk trend and materiality	Response to the risk
The threats (risks) related to the difficulties in accessing the capital, a change in the conditions for obtaining and servicing the financing already taken on and the planned one (incl. due to the tightening of the EU climate policy).	□ ■	<ol style="list-style-type: none"> <li>1. Diversification of the use of the available sources of financing by using the financing instruments that reduce the risk of breaching the covenant in the form of the net debt to EBITDA ratio (for example, the hybrid bonds, factoring).</li> <li>2. The use of the instruments without the financial covenants and limiting the number of the conditions that breach such covenants.</li> <li>3. Ongoing communications with the financial institutions.</li> <li>4. Pre-emptive activities with respect to obtaining the approvals from the financial institutions to carry out the transactions or activities specified in the financing agreements.</li> <li>5. Identification of the events that may potentially affect the breach of the financial contracts and taking of the pre-emptive actions to mitigate the negative impact of the emergence of such an event.</li> <li>6. Taking of the actions and recommendations with respect to the competences of the Financial Management Area, indicated by the Risk Committee or the Management Board of the Company.</li> <li>7. Taking of the actions aimed at reducing the net debt and / or increasing the EBITDA based on the decisions of the Risk Committee or the Management Board of the Company.</li> </ol>
<b>Tax risk</b>		
The threats (risks) related to the incorrect or untimely payment of the tax obligations and associated with the implementation of the regulatory changes.	□ ■	<ol style="list-style-type: none"> <li>1. Activities in accordance with the legal regulations (Corporate Income Tax Act).</li> <li>2. Issuing of the opinions (providing feedback) with respect to the economic (business) events by TAURON Capital Group's tax advisors.</li> <li>3. Jointly agreeing upon the positions at the TAURON level.</li> <li>4. Applying of the uniform accounting principles for the companies (subsidiaries) within the PGK (Tax Capital Group).</li> <li>5. Preparation of the tax documentation for the transactions between the PGK companies and the related entities outside PGK, requiring such documentation in accordance with the CIT Act, and auditing of the other transactions in order to confirm that they are concluded at arm's length.</li> </ol>
<b>Credit risk</b>		
The threats related to a deterioration of the financial condition of TAURON Group's customers and counterparties, and as a consequence, the possibility of an occurrence of the overdue accounts receivable and the pursuit of accounts receivable by way of a court litigation.	□ ■	<ol style="list-style-type: none"> <li>1. Applying of the assessment of the counterparties (assigning of the ratings and the credit limits) at TAURON Group's individual subsidiaries.</li> <li>2. The use of the credit collaterals for the customers with an unacceptable risk exposure.</li> <li>3. Monitoring of the status (level, balance) of the Company's overdue accounts receivable.</li> <li>4. Investigative (fact finding) and preventive actions in case of exceeding the indicators (ratios, metrics).</li> <li>5. The use of the continuous monitoring of the financial standing of the counterparties (business partners, contractors).</li> <li>6. Conducting of the debt collection processes.</li> <li>7. Identification of the customers particularly exposed to the impact of the trade exchange restrictions and the impact of the conflict in Ukraine, as well as the review of the assessment of the financial condition, and, if necessary, the application of the collaterals for the sales contracts in progress.</li> <li>8. Avoiding of the overly excessive concentration of the exposures in the selected industries particularly exposed to the impact of the deteriorating macro economic environment.</li> <li>9. Verification of the valuation of the substitution exposures in the context of the current market prices and the impact of the regulation with respect to the electricity prices.</li> </ol>
<b>Risks related to the environment (stakeholders)</b>		
<b>Reputational risk</b>		
The threats (risks) or the opportunities related to the current and the future impact on the company's income and capital (equity) stemming from the assessment by the public of TAURON Group's image, which also includes the Group's activities with respect to the sustainable development, the corporate social responsibility as well as the environmental and climate protection.	□ ■	<ol style="list-style-type: none"> <li>1. Continuous monitoring of the Company's external and internal threats (risks).</li> <li>2. Media monitoring, developing the network of the contacts and the relationships with the media within TAURON Capital Group.</li> <li>3. Preparing of the procedures for the Company's communications with the external and internal environment (stakeholders).</li> <li>4. Striving to change the business profile to zero and low emission (zero and low carbon).</li> <li>5. Application of: <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination, TAURON Group's Anti-corruption Policy, TAURON Group's Corporate Social Responsibility Code of Conduct, TAURON Group's Diversity Policy, TAURON Group's Respect for Human Rights Policy.</i></li> </ol>
<b>License risk</b>		
The threats (risks) related to the lack of the possibility of conducting the operations as a result of a prolonged process of obtaining a license or amending of the licenses held, as well as the unfavorable legal changes with respect to the licensed operations.	□ ■	<ol style="list-style-type: none"> <li>1. Ongoing control (checking) of the correct fulfillment of (compliance with) the licensing obligations.</li> <li>2. Monitoring of the changes to the legal acts with respect to the licensing obligations.</li> <li>3. Legal support for the process related to the obtaining of a license or to the extending thereof.</li> </ol>
<b>Macro economic risk</b>		
The threats (risks) or the opportunities related to a change in the economic situation of the country, the instability of the financial markets, which may lead, in particular, to a	□	<ol style="list-style-type: none"> <li>1. Diversification of the revenue sources.</li> <li>2. Market analysis and the application of the pre-emptive actions with respect to the anticipated crisis (downturn) or a slowdown of the GDP growth rate.</li> <li>3. Actions taken as part of the response plans with respect to the individual risks at TAURON Group</li> </ol>

Name and description of the risk	Risk trend and materiality	Response to the risk
change in the demand for the electricity, an increase / decrease in the cost of the operations of the enterprise (including the costs of the wages) and a change in the financial condition of the customers and the counterparties of TAURON Group.	■	
<i>Climate change risk</i>		
The threats (risks) or the opportunities related to the tightening of the EU climate policy, as well as of the environmental requirements resulting from the climate change, the activities supporting the energy efficiency (the expansion of the prosumer energy development, the support for the thermal insulation projects, the construction of the in-house energy and heat sources, the departure from the hard coal as fuel), a change in the conditions of TAURON Capital Group's operations (the need to adapt the company to the challenges of the changes stemming from the climate change). The implications of the risk include: the headwinds / tailwinds or the volatility of the costs of raising the capital to finance the operations based on the fossil fuels, the need to incur the additional capital expenditures for adapting of the assets to the environmental requirements, an increase of the price of the CO <sub>2</sub> emission allowances, the decline of the demand for the products offered by TAURON Capital Group's subsidiaries.	□ ■	<ol style="list-style-type: none"> <li>1. Application of TAURON Group's Climate Policy.</li> <li>2. Gradual adaptation of the production assets and the energy mix of TAURON Capital Group to the production of the renewable energy as well as the zero and low emission electricity generation technologies.</li> <li>3. Update of TAURON Group's Strategic Research Agenda.</li> <li>4. Adaptation of TAURON Group's Investment Strategy to the guidelines stemming from TAURON Group's Climate Policy.</li> <li>5. Active participation in the works of the teams issuing the opinions (providing feedback) on the projects and proposing the optimal solutions.</li> <li>6. Active searching for the technical and organizational solutions that would minimize the impact of TAURON Capital Group's operations on the climate change.</li> <li>7. Promoting of the eco-mobility or the climate-neutral mobility.</li> <li>8. Cooperation with the business partners and the social partners (workforce) with respect to the adaptation to the climate change.</li> </ol>
<b>Risks related to the technology, infrastructure and security (safety)</b>		
<i>Environmental risk</i>		
The threats (risks) related to the impact of the business operations conducted on the natural environment and the use of its resources, including, in particular, the loss of the control over the process that would enable the prevention of the overly excessive (above the applicable standards) pollution, damage, disruption or failures of the installations or equipment that would have a negative impact on the environment.  The risk is also related to the following circumstances:	□ ■	<ol style="list-style-type: none"> <li>1. Application of TAURON Group's Environmental Policy.</li> <li>2. Conducting of the business operations that have an impact on the environment in accordance with the principles of the sustainable development.</li> <li>3. Conducting and intensifying of the efforts aimed at increasing the use of the combustion process by-products (UPS waste) / the mining process by-products (UPW waste),</li> <li>4. Seeking to maximize the utilization of the generated post production waste at all of TAURON Group plants.</li> <li>5. Striving for the optimal management of the water resources</li> <li>6. Ongoing supervision over the compliance with the conditions of the environmental decisions.</li> <li>7. Maintaining of the required efficiency of the devices reducing the emissions of the pollutants.</li> <li>8. Frequent evaluation of the compliance of the activities with the legal requirements with respect to the environment protection.</li> <li>9. Implementing of the investment projects in the environment protection area in order to minimize the adverse impact of the conducted mining and processing operations on the environment and the climate.</li> <li>10. Active searching for the technical and organizational solutions that would minimize the impact of TAURON Capital Group's business operations on the climate change.</li> </ol>

Name and description of the risk	Risk trend and materiality	Response to the risk
<p>7. use of the waste in contravention of the approved destination,</p> <p>8. lack of adequate safeguards to curb the negative impact of the TAURON Group's business operations on the environment – a destruction of a habitat, facility or an area that is of value for nature,</p> <p>9. release of the hazardous substances into the environment, a contamination of the water sources in a way that makes their use impossible,</p> <p>10. social protests.</p> <p>The materialization of the risk results in the degradation of the natural environment and the penalties for a failure to meet the environmental requirements, the need to remove them, a curtailment of the production, the delays in the implementation of the investment projects, a contamination of the water sources in a way that makes their use impossible, a destruction of a habitat, facility or an area that is of value for nature – a nature restoration project related compensation, the restrictions on the further expansion of the business operations, a loss of TAURON Group's image, a limitation of the possibility of using the financial aid programs. The risk also includes an increase in the environmental requirements stemming from the tightening of the EU's climate policy.</p>		
<i>Weather risk</i>		
<p>The threats (risks) or the opportunities related to the volatile weather conditions, including the more frequent occurrence of the weather anomalies, leading, among other things, to a volatility of the volume of the electricity and the heat supply and distribution, a volatility of the production volume.</p>	<p>□</p> <p>■</p>	<ol style="list-style-type: none"> <li>1. Gradual adaptation of the production assets to the consequences of the extreme weather phenomena and the volatility of the weather conditions, in particular in the Lines of Business sensitive (vulnerable) to these factors.</li> <li>2. Monitoring and analysis of the new technological solutions curtailing the impact of the adverse weather conditions on the volume of the electricity produced.</li> <li>3. Preparing of the plans of the overhauls, inspections and maintenance activities with the flexible provisions related to the deadlines for the completion of the works.</li> <li>4. Continuous monitoring of the wind conditions and the icing on the wind farms' blades.</li> <li>5. Continuous technical oversight over the operation of the individual wind farms carried out by the subsidiaries operating the wind farms.</li> <li>6. Upgrading (refurbishing) of the hydro electric structures aimed at optimizing the utilization of the hydro resources.</li> </ol>
<i>Company assets (property) risk</i>		
<p>The threats (risks) related to the failures of the machinery and equipment, the distribution (of electricity, heat) grid failures caused, among other things, by the operation thereof, but also by the random (fortuitous) events, including those related to the extreme weather conditions (storms, floods, hurricane winds, heat waves, fires) as a consequence of, among other things, the climate change. The materialization of the risk has an impact on the availability (dispatchability) rates of the assets and results in the downtime related to the asset failures, the increased costs of the rectification thereof, the deterioration of the quality indicators and the impact on the regulated revenue. In addition, it may also lead to a failure to meet the capacity obligation, as a consequence resulting in the need to conclude the transactions on the secondary market or the payment of the financial penalties to the TSO (PSE). One of</p>	<p>□</p> <p>■</p>	<ol style="list-style-type: none"> <li>1. Optimizing of the capital expenditures on the asset replacements, the ongoing monitoring of the condition of the machines, devices and the installations.</li> <li>2. Recommending of the tasks, to be included in the Investment Plan, with respect to the replacement investment projects to reduce the causes of the risk for the equipment with a nominal life cycle overrun.</li> <li>3. Insuring of the assets against the fortuitous events.</li> <li>4. Raising of the professional qualifications and the work culture of the personnel by organizing of the courses and the training.</li> <li>5. Responding to the emergency situation by the technical personnel and the automatic process safety interlocks (safeguards).</li> <li>6. Introducing of the IT tools with respect to improving of the monitoring and managing the failure indicators (rates, ratios).</li> <li>7. Continuous monitoring of the availability (dispatchability) rate of the generating units and the demand side reduction facilities, as well as the shifting of the capacity obligations that require reserving to the dedicated intra-group reserve units or to the external entities.</li> <li>8. Updating of TAURON Capital Group's maintenance (overhaul) shutdowns schedules.</li> <li>9. Gradual adaptation of the production assets to the consequences of the extreme weather phenomena and the volatility of the weather conditions, in particular in the Distribution Line of Business.</li> <li>10. Optimizing of the trading position.</li> </ol>

Name and description of the risk	Risk trend and materiality	Response to the risk
the effects is also the need to balance the trading position.		
<i>IT / OT risk</i>		
The threats (risks) related to the IT / OT infrastructure security and safety, the failures of the IT / OT infrastructure.	□ ■	<ol style="list-style-type: none"> <li>1. Developing and maintaining of the plans aimed at ensuring the continuity of the IT / OT infrastructure's operation.</li> <li>2. Periodic identifying and categorizing of the IT / OT resources based on the service restoration targets.</li> <li>3. Use of the IT / OT solutions with the adequate technical parameters, ensuring an acceptable level of the reliability and performance of the operation (including also the UPS devices, the GSM modem, the mobile phones).</li> <li>4. Planning and conducting of the training courses with respect to the IT / OT infrastructure's continuity of the operation and security.</li> <li>5. Storing and protecting of the back up data.</li> </ol>
<i>Asset (property) security and protection risk</i>		
The threats related to the compromising of the integrity of the machines / devices and to the security of the information, including the improper processing and the unauthorized disclosure thereof.	□ ■	<ol style="list-style-type: none"> <li>1. Monitoring of the implementation of the developed plans to protect the facilities that are subject to the mandatory protection.</li> <li>2. Maintaining and updating of the contingency procedures / plans.</li> <li>3. Oversight over the compliance with the information security rules in force.</li> <li>4. Regular personnel training with respect to the security procedures in force.</li> <li>5. Application of the provisions of TAURON Group's Physical Security Policy.</li> </ol>
<i>Risk related to the purchasing of the energy related fuels</i>		
The threats (risks) or the opportunities related to the possible necessity to purchase the hard coal at a higher / lower price than assumed in the budget plan (which may be due to a change in the production of the electricity and thermal energy by TAURON Group's generating units, as well as due to a failure to fulfill the concluded hard coal contracts in the minimum quantities). An additional risk factor is the supply of the hard coal on the market, in particular the hard coal with the right quality parameters, which, as a consequence, may lead to a failure to meet the level of the statutory strategic reserves or, in an extreme scenario, the need to reduce the production.	□ ■	<ol style="list-style-type: none"> <li>1. Maintaining of the statutorily required levels of the hard coal inventory in the stockpiles.</li> <li>2. Securing of the additional hard coal volume under the SPOT contracts and, as a volume option, purchasing of the imported hard coal.</li> <li>3. Use of the DAP / CPT formulas, allowing for the flexible response to the changing market conditions (increasing of the hard coal deliveries using the supplier's transportation).</li> <li>4. Ongoing monitoring of the performance of the volumes specified in the contracts.</li> <li>5. Long term hedging of TAURON Group's fuel position taking into account the current economic conditions.</li> <li>6. Negotiations with the hard coal suppliers.</li> <li>7. Searching for the new direction of the supply.</li> </ol>
<b>Risks related to the workforce and the organizational culture</b>		
<i>Risk of disputes with workforce</i>		
Risk related to collective disputes, strikes, conflicts with the workforce being a consequence of a lack of personnel's satisfaction with the economic and social situation.	□ ■	<ol style="list-style-type: none"> <li>1. Conducting public consultations regarding planned changes.</li> <li>2. Conducting a policy of dialogue with the social partners (workforce).</li> <li>3. Preparing and implementing motivational solutions for the personnel.</li> <li>4. Standardizing tasks and requirements towards the personnel.</li> <li>5. Developing organizational culture based on the PRO values.</li> <li>6. Conducting active internal communications on personnel related matters.</li> </ol>
<i>Human resources risk</i>		
Risk related to the employee issues, including also with respect to ensuring the qualified personnel, taking into account the diversity issue, the employment and the labor conditions, the relations with the trade union organizations and the respect for the right to the 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 ensure the adequate competences stemming from the energy transition process. The materialization of the risk may result in the interruptions or the disruptions in the operational work, labor grievances, collective industrial disputes, strikes, loss of the specialized personnel and the difficulties in the replacement thereof.	□ ■	<ol style="list-style-type: none"> <li>1. Implementation of <i>TAURON Group's Human Capital Management Policy</i> based on the Competence Model and the applicable regulations in force with respect to the compensation and labor law (Compensation Regulations, Company Collective Bargaining Agreement (ZUZP), Labor Regulations).</li> <li>2. Implementation of <i>TAURON Group's Principles of Recruitment</i>.</li> <li>3. Implementation of <i>TAURON Group's Human Capital Management Policy</i>,</li> <li>4. Implementation of <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination</i>.</li> <li>5. Taking care of developing the competences of the personnel, including through the participation in the development training courses.</li> <li>6. Holding of the consultations with the social (workforce) organizations operating at TAURON Group's subsidiaries.</li> <li>7. Application of the provisions of the <i>Diversity Policy</i></li> <li>8. Application of the provisions of the <i>Respect for Human Rights Policy</i>.</li> </ol>
<i>Risk of lack of employees' due diligence</i>		

Name and description of the risk	Risk trend and materiality	Response to the risk
Risk related to the non-compliance with the procedures and the lack of the due diligence by the employees in the performance of their official duties.	<input type="checkbox"/> <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Application of <i>TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy</i>.</li> <li>2. Systematic periodic employee training.</li> <li>3. Analysis of the recurring cases of the errors and mistakes of the employees, taking of the systemic remedial actions.</li> <li>4. Implementation of the Internal Control (Audit) System and the control (audit) mechanisms for the processes conducted at TAURON Capital Group.</li> </ol>
<i>Risk of pandemic</i>		
Risk related to the persistence of the state of the pandemic, leading to the disruptions of Poland's economic and administration system and causing significant changes in the market environment, impacting the operating conditions of TAURON Capital Group's subsidiaries. A potential arrival of further waves of infections may have an impact on the operations of the individual Lines of Business of TAURON Capital Group due to the increased absenteeism of the employees. An increase in the number of infection cases leads to the curtailment of the economic activity, affecting the level of demand for the products offered by TAURON Capital Group's subsidiaries, including the electricity distribution and supply volumes.	<input type="checkbox"/> <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Monitoring of the state of the epidemiological threat at TAURON Capital Group.</li> <li>2. Collecting information on the threats and identification of potential threats to the security and safety of the workforce of TAURON Capital Group.</li> <li>3. Developing and recommending of the solutions aimed at reducing the level of the threat to the resources of TAURON Capital Group.</li> <li>4. Ongoing monitoring of the risk related to availability of the employees and services provided by TAURON Capital Group's subsidiaries.</li> <li>5. Recommending solutions aimed at curbing the effects of the materialization of the threat to the resources of TAURON Capital Group.</li> <li>6. Preparing and providing feedback on the content of the messages to be disseminated at the level of the Company and TAURON Capital Group.</li> <li>7. Use of screening tests.</li> <li>8. Preparing contingency plans in the event of the loss of the key employees of TAURON Capital Group.</li> <li>9. Developing backup (contingency) business continuity plans.</li> </ol>
<i>Work Health and Safety (WHS) Risk</i>		
Risk related to ensuring the health and safety at work. The materialization of the risk results in an accident at work or occupational disease of an employee which may lead to absence at work and compensations paid out for a personal injury.	<input type="checkbox"/> <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Prioritizing the safety and security of the employees, customers, contractors and stakeholders in the business activities undertaken.</li> <li>2. Application of <i>TAURON Group's WHS Policy</i>.</li> <li>3. Conducting active monitoring of the labor conditions and the compliance of the organization of the work with WHS principles.</li> <li>4. Raising employees' qualifications with respect to improving the labor safety.</li> <li>5. Conducting training courses, implementing and improving the WHS management system in TAURON Group.</li> </ol>
<i>Risk of Communication</i>		
Risk related to providing of inaccurate, untrue information or lack of information disclosure at a specific time.	<input type="checkbox"/> <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Developing <i>the Communications Strategy for TAURON Capital Group</i>.</li> <li>2. Building relationships with the social partners (workforce) at TAURON Capital Group and close cooperation with the Commissioner for Social Dialogue (Ombudsman).</li> <li>3. Use and development of the available communications tools to provide the relevant information to the employees of TAURON Capital Group.</li> <li>4. When providing the relevant information – organizing face to face meetings between the management team and the employees.</li> <li>5. Ongoing monitoring of the situation and events at TAURON Capital Group's subsidiaries that may cause social discontent.</li> <li>6. Regular periodic meetings with the representatives of the subsidiaries dealing with the internal communications in order to exchange the information.</li> </ol>
<b>Risks related to the lack of compliance</b>		
<i>Internal fraud (abuse) risk</i>		
The threats related to the appropriation or the use of the Company's assets, its devastation, theft, the use of the official position for a personal gain resulting in the financial losses, the criminal and the administrative sanctions, the criminal and the civil law liability.	<input type="checkbox"/> <input checked="" type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Educational and training activities for the employees, including the mandatory e-learning training with respect to the values and the standards defined, among other things, in TAURON Group's Corporate Social Responsibility Code of Conduct.</li> <li>2. Effective functioning of the whistleblowing system in the organization, enabling the reporting of the potential cases of abuse (fraud) by TAURON Group's employees to their direct superior, the Ethics Committee, the Compliance Officer / the Compliance Coordinator or through the fraud (abuse) report form available on the website at <a href="http://www.tauron.pl/">http://www.tauron.pl/</a>.</li> <li>3. Conducting of the investigative (fact finding) probes by the Compliance Officer or the Compliance Coordinators.</li> <li>4. Building of the organizational culture based on TAURON Capital Group's values and principles.</li> <li>5. Implementation of TAURON Group's Anti-Corruption Policy.</li> <li>6. Application of the principles stemming from TAURON Group's Corporate Social Responsibility Code of Conduct.</li> <li>7. Application of the provisions of TAURON Group's Rules for accepting and giving gifts.</li> </ol>
<i>External fraud (abuse) risk</i>		
The threats related to the occurrence of an external fraud (abuse) that has an impact on the operations of TAURON Capital Group through: the disclosure of the information to the	<input type="checkbox"/>	<ol style="list-style-type: none"> <li>1. Raising of the employees' awareness through the training and the information campaigns related to the existing threats of external fraud (abuse), including with respect to TAURON Group's Compliance Management System functioning in the organization.</li> <li>2. Application of the provisions of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries.</li> </ol>



Name and description of the risk	Risk trend and materiality	Response to the risk
unauthorized persons, a loss of the information, the commercial espionage, a terrorist attack and the hacker attacks, a tax fraud, a theft, vandalism, counterfeiting, money laundering.	■	<ol style="list-style-type: none"> <li>Inclusion of the anti-corruption clauses in the contracts with the contractors (counterparties).</li> <li>Application of the provisions of TAURON Group's Anti-Corruption Policy.</li> <li>Effective use of the whistleblowing system in the organization, enabling the reporting of the potential cases of fraud (abuse), the system also allows for the reporting of the cases of fraud (abuse) by the external entities through the fraud (abuse) report form available on the website at <a href="http://www.tauron.pl/">http://www.tauron.pl/</a>.</li> <li>Monitoring of the cooperation with the contractors (counterparties) and testing (vetting) of their credibility at TAURON Group.</li> <li>Promoting of the best practices, improving of the procedures, conducting of the training courses and applying of TAURON Group's Corporate Social Responsibility Code of Conduct and the Policy of ethical principles and counteracting mobbing and discrimination at TAURON Group.</li> <li>Building and promoting of the organizational culture based on TAURON Group's values and principles.</li> </ol>
<i>Risk of unethical behavior and mobbing</i>		
The threats (risks) including the occurrence of the unethical behavior resulting, in particular, in the lack of the cooperation, a bad atmosphere in the team, mobbing, harassment, insulting, discrimination of the employees.	□ ■	<ol style="list-style-type: none"> <li>Developing of the organizational culture based on TAURON Group's values and principles.</li> <li>Conducting of the information campaigns in order to familiarize the employees with TAURON Group's standards of conduct and the corporate values set forth in <i>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</i>.</li> <li>Promoting of the knowledge with respect to the principles of the social co-existence, the moral norms and the principles of equity accepted for use in a society.</li> <li>Raising of the awareness of the employees through the training and the information campaigns with respect to the ethical behavior</li> <li>Effective use of the whistleblowing system in the organization, enabling the reporting of the potential cases of fraud (abuse), the system also allows for the reporting of the cases of fraud (abuse) by the external entities through the fraud (abuse) report form available on the website at <a href="http://www.tauron.pl/">http://www.tauron.pl/</a>.</li> </ol>
<i>Legal risk (including the risk of non-compliance)</i>		
The threats (risks) related to the changes to the legal provisions and the compliance therewith, the interpretation of the new laws and regulations, the requirements imposed by the regulator and the oversight authorities, as well as the legal disputes with the customers and the counterparties. The negative consequences of the materialization of the risk may include the financial penalties, the criminal and the civil law liability, a loss of the image of the Group.	□ ■	<ol style="list-style-type: none"> <li>Continuous monitoring of the regulatory environment and the changes to the legal regulations, including in the area of the social issues, the respect for the human rights, counteracting the corruption, the environment protection and the employee related issues.</li> <li>Implementation of the required changes to the internal regulations and the intra-corporate regulations.</li> <li>Setting up of the working groups tasked with the preparation and the implementation of the required changes stemming from the legal environment.</li> <li>Continuous cooperation with the authorities (regulators) overseeing the energy market and the capital market.</li> <li>Consultations with the organizational units with respect to the planned key regulations for the area of compliance.</li> <li>Training of the personnel with respect to getting to know the legal regulations and the internal regulations.</li> </ol>
<i>Risk of a breach of the contractual provisions (default)</i>		
The threats (risks) related to a breach of the contractual provisions with respect to the contract parameters or a failure to perform the contract (default) in the relationships with TAURON Group's customers and counterparties (contractors).	□ ■	<ol style="list-style-type: none"> <li>Updating and adapting of the contract templates to the legal changes.</li> <li>Monitoring of the complaints and proceedings of the Energy Regulatory Office (URE) / Office of Competition and Consumer Protection (UOKiK).</li> <li>Optimization of the processes.</li> </ol>
<i>Personal data protection risk</i>		
The threats related to the inadequate storing and processing of the personal data resulting in an undesirable leak or a violation of the rights of the data subjects related to the personal data protection.	□ ■	<ol style="list-style-type: none"> <li>Identifying and implementing of the adequate technical or organizational measures to ensure the adequate level of the security of the personal data.</li> <li>Monitoring of the compliance with the legal regulations related to the personal data protection.</li> <li>Raising of the level of awareness of the workforce with respect to the personal data protection, in accordance with the applicable regulations.</li> <li>Defining and implementing of the process of handling the data subjects' requests in accordance with the regulations in force at TAURON Capital Group and the process documentation.</li> <li>Providing of the information and the advice on the personal data protection to the employees of the organization.</li> </ol>
<b>Risks related to the customers and the counterparties (business partners, contractors)</b>		
<i>Customer service risk</i>		
The threats related to the non-compliance with the customer service standards leading to the customer dissatisfaction with the service, the customer complaints, a loss of customers.	□ ■	<ol style="list-style-type: none"> <li>Monitoring and analyzing of the external customer satisfaction indicators (metrics) and the indicators (metrics) related to the complaints.</li> <li>Continuous raising of the customer service standards.</li> <li>Undertaking of the additional measures, for example, with respect to the internal regulations, defining the standards of conduct as a result of the analysis of the indicators (metrics).</li> <li>Undertaking of the additional measures, for example, introducing of the new internal regulations, in order to improve the customer service standards.</li> </ol>

Name and description of the risk	Risk trend and materiality	Response to the risk
5. Developing of the key account managers' competences and skills.		
<i>Risk related to the performance of the agreements (contracts) by the contractors and the subcontractors</i>		
<p>The threats related to the improper performance by the contractors and the subcontractors of the works commissioned, the termination of the agreement and the delays, the changes to the budget, as well as the scope related thereto.</p>	<p>□ ■</p>	<ol style="list-style-type: none"> <li>1. Concluding of the agreements with the contractors and the subcontractors in accordance with TAURON Capital Group's standards.</li> <li>2. Analyzing of the performance of the subject of the agreement, examining of the quality of the services provided by the contractors and the subcontractors.</li> <li>3. Evaluating of the financial standing and the credibility of the contractors and the subcontractors.</li> </ol>
<i>Volume and margin risk</i>		
<p>The threats (risks) or the opportunities related to a change in the volume of the sales of the products offered by TAURON Capital Group's subsidiaries, in particular as a result of the macro economic situation, the development of the energy efficiency solutions, the thermal insulation of the buildings, the growth of the prosumer energy, the impact of the climate factors causing a significant deviation of the temperature deviation versus the planned values. The implications of the materializing of the risk include, first of all, the volatility of the revenue at the individual operating segments of TAURON Capital Group due to the changes in the level of the demand.</p>	<p>□ ■</p>	<ol style="list-style-type: none"> <li>1. Ongoing updating of the offering, launching of the sales of the multi package type products.</li> <li>2. Conducting of the marketing campaigns, acquiring of the new customers.</li> <li>3. Activities focused on the retaining of the existing customers and acquiring of the new customers (expansion oriented activities).</li> </ol>
<i>Purchasing process risk</i>		
<p>The threats (risks) or the opportunities related to the purchasing proceedings conducted, their erroneous implementation, an unplanned change of the purchase costs, taking into account the methods used to prevent the violations of the human rights by the business partners, counteracting corruption and fraud (abuse) in the purchasing process and the compliance with the ethical and moral standards during the implementation thereof. The negative implications of the materializing of the risk include: the unfavorable purchase agreements, the need to cancel the tender procedures, a loss of the image of TAURON Capital Group and its credibility towards the stakeholders.</p>	<p>□ ■</p>	<ol style="list-style-type: none"> <li>1. Application of the provisions of the <i>Code of Conduct for Contractors (Counterparties) of TAURON Group's subsidiaries</i>.</li> <li>2. Application of the provisions of <i>TAURON Group's Anti-Corruption Policy</i>.</li> <li>3. Inclusion of the anti-corruption clauses in the contracts with the contractors (counterparties).</li> <li>4. Application of the provisions of <i>TAURON Group's Respect for Human Rights Policy</i></li> <li>5. Standardization of the rules of conducting the proceedings in the purchasing process and the transparency thereof.</li> <li>6. Building of the long lasting relationships with the contractors (counterparties) based on the trust and the mutual respect.</li> <li>7. Expecting the contractors (counterparties) to comply with the legal provisions, the ethical standards and the good commercial practices, including the work health and safety (WHS) standards, the principles with respect to countering the discrimination and the unequal treatment, the respect for the human rights and the dignity of the employees, a transparent personnel policy, the environment protection, a fair competition, preventing and combating fraud (abuse), as well as the information security and protection.</li> <li>8. Application of the contract forms (templates) and the standard clauses in the contracts with respect to the compliance with the human rights by the business partners of TAURON Capital Group.</li> </ol>
<b>Risks related to the regulations</b>		
<i>Regulatory risk</i>		
<p>The threats (risks) or the opportunities related to the change of the existing regulations or the introduction of the new regulations that have an impact on the operations of TAURON Capital Group and the need to adapt to the regulatory changes, in particular those resulting from a significant increase (tightening) in the requirements of a specific regulation, including the environmental requirements stemming from the climate change, the support for the pro-climate activities (the expansion of the prosumer energy, the thermal insulation of the buildings, the development of the in-house generation sources). The implications of the materializing of the risk include, first and foremost: the volatility of the revenues in the individual operating segments of TAURON Capital Group, the volatility</p>	<p>□ ■</p>	<ol style="list-style-type: none"> <li>1. Continuous monitoring of the regulatory environment and the changes to the legal regulations.</li> <li>2. Active participation in the consultations with respect to the planned regulations (the industry organizations, the government agencies).\)</li> <li>3. Active measures aimed at creating a regulatory environment in a manner favorable to TAURON Group.</li> <li>4. Continuous cooperation with the authorities (regulators) overseeing the energy market and the capital market.</li> <li>5. Consultations with the organizational (business) units with respect to the proposed regulations.</li> <li>6. Internal consultations.</li> </ol>

Name and description of the risk	Risk trend and materiality	Response to the risk
of the operating expenses as a result of the need to adapt to the legislative changes.		

■ Low materiality    
■ Moderate materiality    
■ Medium materiality    
■ High materiality

### 3.4. The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in 2023

No significant impact of the COVID-19 pandemic on TAURON Group had been observed in 2023, including on the level of the demand for the electricity among TAURON Group's customers, the trajectory of the prices of the electricity and the energy related products on the market and the trends in the level of the overdue accounts receivable of the Group's customers.

The situation related to the COVID-19 pandemic had not had an impact on the business operations of TAURON Group's individual Lines of Business in 2023.

The state of the epidemic emergency caused by the SARS-CoV-2 virus infections had been lifted in Poland as of July 1, 2023.

### 3.5. The impact of the Russian Federation's aggression against Ukraine on the current and future operations of TAURON Capital Group

TAURON Group, being aware of the magnitude of the risks associated with the current situation, had been monitoring the impact of the war in Ukraine on an ongoing basis and had been taking measures aimed at minimizing the potential effects of the materialization of the risk, as well as the steps aimed at maintaining of the continuity of the critical infrastructure operations.

TAURON Capital Group had not had any assets located on the territory of Ukraine, Russia and Belarus, and this is why TAURON Capital Group had not identified the direct effects of the war related to its own business operations. With respect to the financial risk and the risk of the lack of liquidity, as of the date of drawing up this report, the Group had the sufficient financial resources to enable it to meet its current obligations, as well as to carry out the investment activities that had been initiated.

In the opinion of TAURON Group, the indirect consequences of the war that had or could have had an impact on TAURON Group in 2023, are as follows:

1. the implementation in 2022 to be applicable in 2023, and in 2023 to be applicable in 2024, of the national regulations aimed at the curbing of the demand for the electricity, the introduction of the mechanisms aimed at the curtailing of the electricity price increases for the final consumers, the introduction of the margin caps for the electricity generators and the electricity trading companies, including the further regulatory interventions with respect to providing the support for the electricity consumers processed in 2023. The mitigation steps with respect to the shaping of the draft regulations had been conducted in the form of the consultations, among other things, within the industry (trade) organizations. The actions had also been taken to adjust TAURON Group's trading strategy to the changes in the regulatory environment, as well as the measures aimed at the technical and operational implementation of the solutions imposed by such regulations. The impact of the most important amendments to regulations on the financial position and results of the Group is described in greater detail in Note 11 to the consolidated financial statements,
2. the decline of the electricity supply and the distribution volume as a result of the reduction in the economic activity of the Polish businesses in the part resulting from the outbreak of the war on the territory of Ukraine. With respect to the risk mitigation, TAURON Group had been taking measures related to the trading activities (the balancing of the sell position and the product changes aimed at reducing the impact of the changes in the demand for the electricity on TAURON Group),
3. a rise in the trade account receivables mainly due to a nominal increase in the electricity sales prices as compared to the situation observed in 2022,
4. a change of the costs incurred and the generated revenues from the production and the sales of the electricity at TAURON Group, among other things, as a result of the crisis on the energy fuel market observed in 2022, in part resulting from the outbreak of the war on the territory of Ukraine, which resulted in particular from volatility of fuel prices and in consequence, volatility of electricity prices.

The abovementioned consequences and the market changes that followed translated into and were accounted for in the assumptions of the asset impairment tests as of December 2023, recently carried out by the Group. Increase of liabilities and risks related to solvency of clients were taken into account in valuation of receivables. Volatility of

energy fuel prices, in particular coal (increase in 2022 and then significant decrease of prices at the turn of 2023 and 2024) and import of coal executed by the Group in 2022 and 2023 required that a write down be recorded for coal inventories, which was described in note 34 to the consolidated financial statements.

The situation related to the war on the territory of Ukraine and its impact on the market and the regulatory environment continues to be highly volatile and its future effects are difficult to estimate precisely. They will depend, in particular, on the scale and the duration of the war, the further trajectory of the situation, including a potential escalation of the military hostilities, as well as their impact on the condition of the economy in Poland and around the world. The impact of the identified risks may also depend on the further regulatory actions taken at the European Union level and at the national level with respect to the implementation of the intervention measures, as well as the evolution of the future energy market.

## 4. ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON POLSKA ENERGIA S.A.

### 4.1. Overview of the economic and financial data disclosed in the annual financial statements

#### Statement of comprehensive income

The below table presents the annual standalone statement of comprehensive income in 2023 - 2022, drawn up in accordance with the IFRS.

Table no. 26. Annual standalone statement of comprehensive income in 2023 - 2022 drawn up in accordance with the IFRS

Statement of comprehensive income drawn up in accordance with the IFRS (PLN m)	2023	2022	Change in % (2023 / 2022)
<b>Sales revenue</b>	<b>34 314</b>	<b>27 545</b>	<b>125%</b>
Own cost of goods, materials and services sold	(33 924)	(27 160)	125%
<b>Gross profit (loss) from sales</b>	<b>390</b>	<b>385</b>	<b>101%</b>
Cost of sales	(33)	(32)	103%
Overhead costs	(116)	(145)	80%
Other operating revenue and costs	(11)	(8)	138%
<b>Operating profit (loss)</b>	<b>230</b>	<b>200</b>	<b>115%</b>
<i>Operating profit margin (%)</i>	<i>0.7%</i>	<i>0.7%</i>	<i>92%</i>
Income from dividend	475	1 797	26%
Interest income on loans	947	544	174%
Costs of interest on debt	(928)	(654)	142%
Revaluation of interests and shares	(271)	(48)	565%
Revaluation of loans	(760)	(1 462)	52%
Other financial revenue and costs	(330)	(341)	97%
<b>Pre-tax net profit (loss)</b>	<b>(637)</b>	<b>36</b>	<b>-1769%</b>
<i>Pre-tax net profit margin (%)</i>	<i>-1.9%</i>	<i>0.1%</i>	<i>-1420%</i>
Income tax	(1)	31	-3%
<b>Net profit (loss)</b>	<b>(638)</b>	<b>67</b>	<b>-952%</b>
<i>Net profit margin (%)</i>	<i>-1.9%</i>	<i>0.2%</i>	<i>-764%</i>
<b>Other net comprehensive income</b>	<b>(232)</b>	<b>152</b>	<b>-153%</b>
<b>Total comprehensive income</b>	<b>(870)</b>	<b>219</b>	<b>-397%</b>
<b>EBITDA</b>	<b>240</b>	<b>218</b>	<b>110%</b>
<i>EBITDA margin (%)</i>	<i>0.7%</i>	<i>0.8%</i>	<i>88%</i>

The Company had reported an operating profit of PLN 230 million in 2023, which was higher than the result achieved in 2022, primarily as a consequence of generating the higher margins on the trading operations with respect to the electricity, CO<sub>2</sub> emission allowances and fuel trading.

The result on the financing activities in 2023 had included the lower income from the dividend and the higher costs related to the revaluation of the interests and shares.

In addition, the bonds and loans had been revalued in 2023.



## Revenue

The below table presents the Company's revenue in 2023 - 2021.

Table no. 27. Company's revenue in 2023 - 2022

Item (PLN m)	2023	2022	Change in % (2023 / 2022)
<b>Total revenue</b>	<b>36 477</b>	<b>30 000</b>	<b>122%</b>
<b>Sales revenue</b>	<b>34 314</b>	<b>27 545</b>	<b>125%</b>
<b>Revenue from sales of goods and materials:</b>	<b>33 970</b>	<b>27 145</b>	<b>125%</b>
Electricity (without excluding excise tax)	28 938	23 056	126%
Greenhouse gas emission allowances	3 581	2 775	129%
Gas	1 424	1 287	111%
Other	27	27	100%
<b>Revenue from sales of services:</b>	<b>344</b>	<b>400</b>	<b>86%</b>
Trading services sales	135	167	81%
Other	209	233	90%
<b>Revenue from other operations</b>	<b>1</b>	<b>1</b>	<b>62%</b>
<b>Revenue from financial operations</b>	<b>2 162</b>	<b>2 454</b>	<b>88%</b>
Revenue from dividends	475	1 797	26%
Revenue from bonds and loans interest	1 002	583	172%
Other financial revenue	685	74	926%

The revenue from the sales of goods and materials represents 93% of the total revenue, while financial revenue represents 6%.

The high share of the revenue from the sales of goods and materials is a consequence of the adopted Business Model, where the main role of TAURON is to hedge the buy and sell positions of TAURON Capital Group's entities. In addition the Company performs the function of the Market Operator and the entity responsible for the trading balancing of TAURON Capital Group's subsidiaries and manages, among other things, the property rights and the CO<sub>2</sub> emission allowances.

In the reporting period ended on December 31, 2023, the Company had generated the sales revenues that had been 25% higher than the revenue posted in 2022, which is the result of the following factors:

1. an increase of the revenue from the sales of electricity by 26% as a result of the higher electricity sales prices by 62%, as compared to 2022, along with the lower sales volume by 22%,
2. an increase of the revenue from the sales of the CO<sub>2</sub> emission allowances which is the result of the sale in 2023 of a larger volume of the allowances for the redemption needs of TAURON Capital Group's subsidiaries due to the emissions both for 2022, as well as for 2023,
3. an increase by 11% of the revenue from the gas sales as a result of an increase of the prices by 6%, along with the simultaneous higher, by 4%, gas sales volume completed. The sales conducted are mainly aimed at hedging the agreements and contracts for the gas sales entered into by TAURON Sprzedaż and achieving a positive margin on the trading activities.

The second largest revenue item is the financial revenue that includes the dividends (22%), interest revenue on the bonds and loans (46%) and the other financial revenue (32%), which is a consequence of the holding operations conducted by TAURON and the implemented corporate financing model, as well as *TAURON Group's Liquidity Management Policy*, along with the *cash pool* mechanism put in place at TAURON Capital Group, which allows for an efficient management of the finances of all of TAURON Capital Group's subsidiaries.

## Costs

The below table presents the level and structure of the costs incurred by the Company in 2023 - 2022.

Table no. 28. Level and structure of the costs incurred by the Company in 2023 - 2022

Item (PLN m)	2023	2022	Change in % (2023 / 2022)
<b>Total costs</b>	<b>(37 114)</b>	<b>(29 965)</b>	<b>124%</b>
Cost of goods, materials and services sold	(33 924)	(27 160)	125%
Costs of sales and overheads	(149)	(177)	84%
Costs of other operations	(11)	(10)	117%
Costs of financial operations	(3 030)	(2 618)	116%

The total costs of the Company's operations in 2023 had represented 124% of the amount of its costs in 2022. The increase in the Company's costs had been affected by the higher, by 25%, costs of goods, materials and services sold.

The cost of goods, materials and services sold had come in at PLN 33 924 million and it had been higher by PLN 6 764 million as compared to 2022, with the biggest impact thereupon coming from an increase of the electricity purchase costs due to the completion of the purchases at the average prices higher by 57%, while at the same time the volume of the purchases had been lower by 22% lower as compared to 2022.

The costs of the financing activities had come in at PLN 3 030 million and they had been higher by 16% as compared to 2022. The financial expenses include the revaluation of the loans (35%), the interest expense on the use of the external financing drawn (30%), the valuation and the costs of the realized derivatives (25%), and the other financial expenses (10%).

## Company's assets and financial position

The below table presents the Company's annual standalone statement of financial position, drawn up in accordance with the IFRS.

Table no. 29. Company's annual standalone statement of financial position, drawn up in accordance with the IFRS (material items)

Statement of financial position drawn up in accordance with the IFRS (PLN '000)	As of December 31, 2023	As of December 31, 2022	Change in % (2023 / 2022)
<b>ASSETS</b>			
<b>Fixed assets</b>	<b>27 108</b>	<b>27 329</b>	<b>99%</b>
Interests and shares	15 520	15 716	99%
Bonds and loans granted	11 273	11 172	101%
<b>Current assets</b>	<b>4 946</b>	<b>6 893</b>	<b>72%</b>
Inventory	12	72	17%
Accounts receivable due to deliveries and services	2 584	2 319	111%
Bonds and loans granted	1 138	2 368	48%
Cash and equivalents	484	1 039	47%
<b>TOTAL ASSETS</b>	<b>32 054</b>	<b>34 222</b>	<b>94%</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>11 450</b>	<b>12 320</b>	<b>93%</b>
<b>Long term liabilities</b>	<b>13 294</b>	<b>14 822</b>	<b>90%</b>
Liabilities due to debt	13 111	14 754	89%
<b>Short term liabilities</b>	<b>7 310</b>	<b>7 080</b>	<b>103%</b>
Liabilities due to debt	4 421	3 316	133%
Liabilities towards suppliers	979	1 419	69%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32 054</b>	<b>34 222</b>	<b>94%</b>

As of December 31, 2023, the fixed assets had accounted for the biggest share of the total assets (85%), where the dominating item is the value of the interests and shares (48% of the total assets), as well as the bonds and loans granted (35% of the total assets).

The liabilities of the Company due to debt, as of December 31, 2023, had been related to:

1. bonds issued as part of the bond issue program in the amount of PLN 6 043 million, including the subordinated hybrid bonds in the amount of PLN 1 918 million,
2. loans obtained from the consortium of the banks in the amount of PLN 2 567 million,
3. loans obtained from BGK in the amount of PLN 1 750 million,
4. loans from the related entities drawn as part of the Agreement for the provision of the *cash pool* service in the amount of PLN 1 636 million,
5. loans obtained from the European Investment Bank (EIB) in the amount of PLN 3 016 million (along with the interest),
6. loans obtained from Intensa Sanpaolo S.p.A. in the amount of PLN 772 million (along with the interest),
7. loans obtained from SMBC Bank EU AG in the amount of PLN 500 million (along with the interest),
8. loans obtained from Erste Group Bank AG. in the amount of PLN 506 million (along with the interest),
9. loan from a subsidiary in the amount of PLN 726 million.

In addition, pursuant to IFRS 16 Leases, the Company's liabilities due to debt also include a lease liability in the amount of PLN 16 million, related to the right of perpetual usufruct of land, leases of office premises and storage space, parking spaces and cars.

## Statement of cash flows

The table below presents the statement of cash flows drawn up in accordance with the IFRS.

Table no. 30. Statement of cash flows drawn up in accordance with the IFRS (material items)

Statement of cash flows drawn up in accordance with the IFRS (PLN '000)	2023	2022	Change in % (2023 / 2022)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Pretax profit / (loss)	(637)	36	- 1769%
Adjustments	217	(218)	-100%
<b>Net cash from operating activities</b>	<b>(420)</b>	<b>(182)</b>	<b>231%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of shares in a subsidiary	(59)	(1 061)	6%
Loans granted	(1 245)	(6 659)	19%
Sale of shares	-	4 815	0%
Repayment of loans granted	305	226	135%
Dividends received	442	1 796	25%
Interest received	808	433	187%
<b>Net cash from investing activities</b>	<b>233</b>	<b>(472)</b>	<b>-49%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redemption of debt securities	(170)	(170)	100%
Repayment of loans / credits	(6 751)	(6 061)	111%
Interest paid	(747)	(515)	145%
Loans taken	7 900	9 440	84%
<b>Net cash from financing activities</b>	<b>221</b>	<b>2 652</b>	<b>8%</b>
<b>Increase / (decrease) in net cash and equivalents</b>	<b>34</b>	<b>1 998</b>	<b>2%</b>
Net FX differences	27	(26)	-104%
<b>Cash opening balance</b>	<b>(321)</b>	<b>(2 319)</b>	<b>14%</b>
<b>Cash closing balance</b>	<b>(287)</b>	<b>(321)</b>	<b>89%</b>

The balance of cash received from the operating, investing and financing activities of the Company for 2023, taking into account the opening cash balance, had stood at PLN (287) million. In addition, the closing cash balance presented in the Company's balance sheet as of the end of the period is the result of the adjustment of the cash that is represented by the balances of the loans granted and drawn under the *cash pool* transactions, due to the fact that they do not constitute cash flows from the investing or financing activities, as they are used mainly for the current liquidity management.

## 4.2. Differences between the financial results reported in the annual report and the forecasts of results for the given year published earlier

The Management Board of the Company did not publish any forecasts of the earnings of TAURON for 2023. This decision was due to the considerable volatility of the market and a substantial number of the factors affecting its predictability.

## 4.3. Key financial ratios and the Alternative Performance Measures

The below table presents the key financial ratios of TAURON, which may constitute an important source of the information for the investors on the financial and operational standing of the Company. The Alternative Performance Measures below as defined by the ESMA Guidelines on the Alternative Performance Measures, in the opinion of the Management Board, present additional information regarding the Company's financial results. They constitute the standard metrics commonly used in the financial analysis, the usefulness of which has been analyzed in terms of the information provided to the investors on the financial standing, financial efficiency and cash flows of the Company. In 2023, there had been no changes to the methodology for determining the individual indicators in relation to 2022, therefore the values of the indicators are comparable.

Table no. 31. TAURON Key financial ratios of TAURON

Item	Definition	2023	2022	Change in % (2023 / 2022)
1. Gross Profitability	Pretax profit / sales revenue	-1.9%	0.1%	-1420%
2. Net Profitability	Net profit / sales revenue	-1.9%	0.2%	-764%
3. Return on equity	Net profit / equity as of the end of the period	-5.6%	0.5%	-1025%
4. Return on assets	Net profit / total assets	-2.0%	0.2%	-1017%
5. EBIT (PLN m)	Operating profit	230	200	115%
6. EBIT margin	EBIT / sales revenue	0.7%	0.7%	92%
7. EBITDA (PLN m)	Operating profit before depreciation	240	218	110%
8. EBITDA margin	EBITDA / sales revenue	0.7%	0.8%	88%
9. Current liquidity ratio	Current assets / short term liabilities	0.68	0,97	69%

The higher EBIT achieved by the Company in 2023, as compared to 2022, is mainly a consequence of generating the higher margins on the trading operations with respect to the electricity, CO<sub>2</sub> emission allowances and fuel trading.

The 2023 pre-tax and net financial results had primarily been impacted by the lower income from the dividend and the revaluation of the loans granted.

The amount of the operating profit is typical for a company conducting operations involving managing a holding entity (the costs related to managing TAURON Capital Group are included in the operating activities, while the revenue gained from the dividends are recognized as the items under the financial activities).

The Company's ability to pay its accounts payable had not been in jeopardy in 2023.

## 4.4. Principles of preparing annual financial statements

The Financial Statements of TAURON have been drawn up in accordance with the IFRS approved by the EU.

The IFRS comprise the standards and interpretations approved by the International Accounting Standards (IAS) Board as well as the International Financial Reporting Standards Interpretation Committee.

The Financial Statements of TAURON have been drawn up with the assumption of the continuation of the business operations (going concern) by TAURON in the foreseeable future, i.e. over the time frame not shorter than 1 year from the balance sheet date. As of the date of the approval of the Financial statements of TAURON for publication, no circumstances have been detected, indicating any risk for business continuity by TAURON.

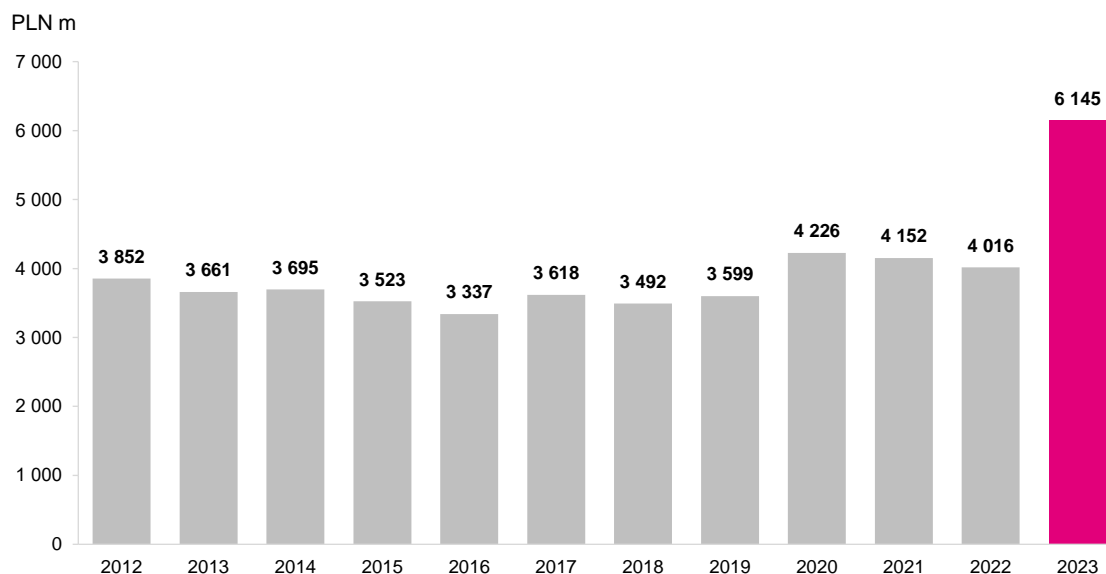
The accounting principles (policy) adopted for drawing up of the Financial Statements of TAURON are presented in the individual notes to the Financial Statements of TAURON.

## 5. ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP

### 5.1. TAURON Capital Group's financial results

The below table presents TAURON Capital Group's EBITDA in 2012 - 2023.

Figure no. 30. TAURON Capital Group's EBITDA in 2012 - 2023



The below table presents TAURON Capital Group's 2023 - 2022 EBITDA broken down into the individual lines of business (segments of operations). The data for the individual segments does not include the consolidation exclusions.

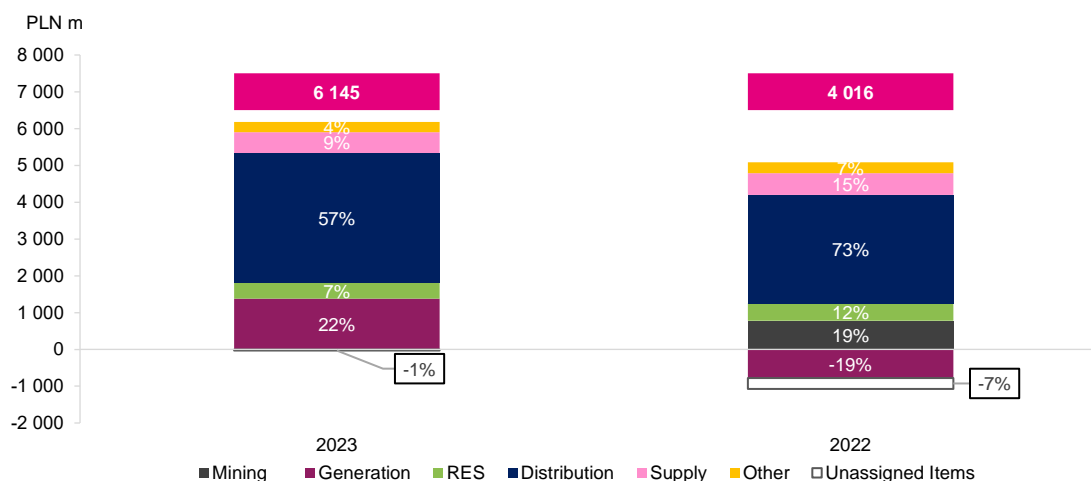
Table no. 32. TAURON Capital Group's 2023 - 2022 EBITDA broken down into individual lines of business (segments of operations)

EBITDA (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<i>Continuing operations</i>				
Generation	1 377	(779)	-	2 156
RES	431	476	91%	(45)
Distribution	3 528	2 939	120%	589
Supply	568	594	96%	(26)
Other operations	273	298	92%	(25)
Unassigned items	(32)	(313)	10%	281
<b>EBITDA from continuing operations</b>	<b>6 145</b>	<b>3 215</b>	<b>191%</b>	<b>2 930</b>
<i>Discontinued operations</i>				
Mining	-	781	-	(781)
Consolidation adjustments/ Unassigned items	-	20	-	(20)
<b>EBITDA from discontinued operations</b>	<b>-</b>	<b>801</b>	<b>-</b>	<b>(801)</b>
<b>EBITDA total from discontinued and continuing operations</b>	<b>6 145</b>	<b>4 016</b>	<b>153%</b>	<b>2 129</b>

The below figure presents TAURON Capital Group's 2023 - 2022 EBITDA structure.



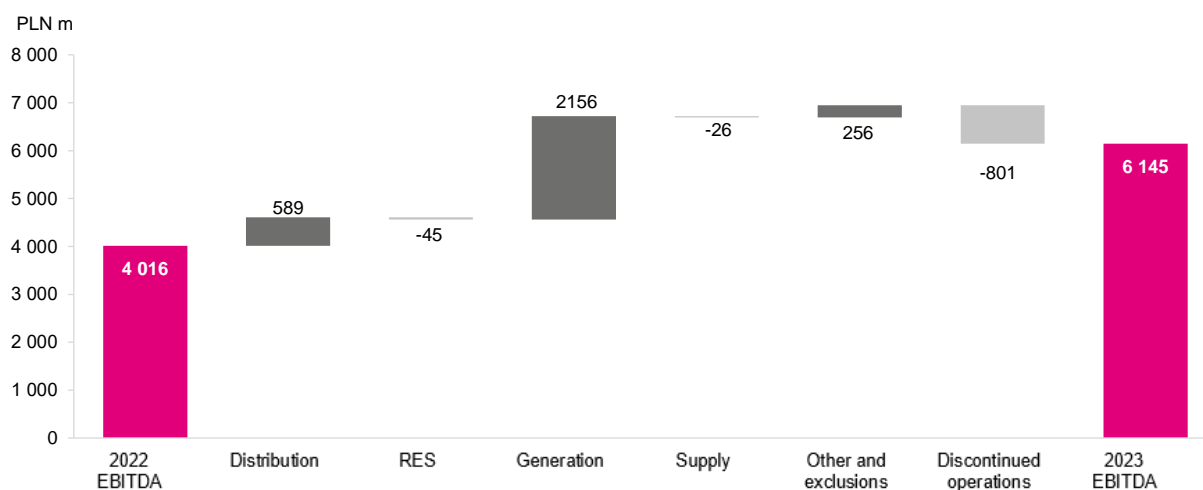
Figure no. 31. TAURON Capital Group's 2023 - 2022 EBITDA structure



The Distribution, Generation and Supply Segments are the biggest contributors to TAURON Capital Group's EBITDA in 2023.

The below figure presents the change in TAURON Capital Group's EBITDA in 2022 - 2023.

Figure no. 32. Change in TAURON Capital Group's EBITDA in 2022 – 2023



## 5.2. TAURON Capital Group's financial results per Segment of operations

### Generation Segment

The below table presents the Generation Segment's 2023 - 2022 results.

Table no. 33. Generation Segment's 2023 - 2022 results

Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>Sales revenue</b>	<b>13 325</b>	<b>11 126</b>	<b>120%</b>	<b>2 199</b>
electricity	10 609	8 317	128%	2 292
heat	1 638	1 112	147%	526
property rights related to guarantees of origin of electricity (energy certificates)	80	150	53%	(70)
services – Capacity Market	675	676	100%	(1)
greenhouse gas emission allowances	265	750	35%	(485)
other revenue	57	121	47%	(64)

Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>EBIT</b>	<b>347</b>	<b>(1 307)</b>	<b>-</b>	<b>1 654</b>
Depreciation and impairment charges	1 030	528	195%	502
<b>EBITDA</b>	<b>1 377</b>	<b>(779)</b>	<b>-</b>	<b>2 156</b>

The Generation Segment's sales revenue in 2023 was higher by 20% as compared to 2022, mainly due to the higher revenue from the sales of the electricity (the resultant of the higher sales price and the lower sales volume) and the heat (the resultant of the higher sales prices and the lower volume), as well as the sales of the CO<sub>2</sub> emission allowances (the resultant of the higher sales prices and the lower volume).

The Generation segment's EBITDA and EBIT results had been higher in 2023 than in 2022. The results posted had been affected by the following factors:

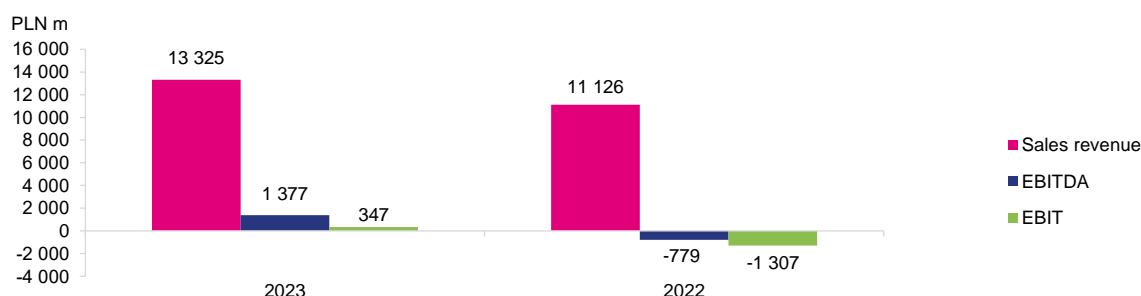
1. a higher margin on the sales of electricity as a result of, among other things, an increase of the prices of the electricity on the market which is the result of the turmoil caused by the conflict in Ukraine and the disruption of the energy fuel supply chain. A consequence of these events also include the rising prices of the thermal coal and of the CO<sub>2</sub> emission allowances, which had a negative impact on the margin achieved in 2023. In 2023, the energy market had been characterized by the stabilization, which had led to a decline of the prices on the SPOT markets, which had, in turn, allowed for achieving a positive margin on the repurchases of the electricity. In addition, in 2022, there had been a failure of the 910 MW unit, which had negative impact on the margins at that time, while in 2023 the unit was operating in a stable manner. Another event that had a positive impact on the margins achieved had been the setting up in 2022, and the release in 2023, of a provision for the onerous contracts in 2023. In addition, the margins had also been affected by the higher revenue from the Capacity Market and the charge to the Price Difference Payout Fund.
2. a higher margin on the heat sales as a consequence of an increase of the heat sales prices, partially offset by the higher costs of the fuels and the CO<sub>2</sub> emission allowances,
3. completion of the transaction related to the CO<sub>2</sub> emission allowances in 2022: as a result of a failure of the 910 MW unit in Jaworzno in June 2021, which had caused it to be taken out of service in the subsequent periods, a surplus of the emission allowances had arisen in the company's portfolio for the redemption obligation in 2021. Taking into consideration the need to match the delivery of the emission allowances and the cash expenditure, TAURON Capital Group had made a decision to sell the CO<sub>2</sub> emission allowances in the amount of 1 717 000 EUAs in the first half of 2022,
4. the lower result of TAMEH Group in 2023. - in December 2023, the TAMEH Czech subsidiary had filed a petition with the court to declare its insolvency, as a consequence of a failure of its main counterparty to pay its obligations. As a result, the result of TAMEH Group for the year 2023 had been hit with the impairment charges and the provisions due to the insolvency,
5. other factors, including the cost increases as a consequence of, among other things, the inflationary price rises.

In addition, the Segment's EBIT result had been impacted by the booking of the impairment charges.

In 2023, TAURON Capital Group had recognized, in the financial results, the booking of the impairment charges, whose total impact on the charge to the Segment's operating profit had clocked in at PLN 75 million. The amount of the CGU write-downs in 2023 is higher than in the same period of the previous year, when it had stood at PLN 82 million.

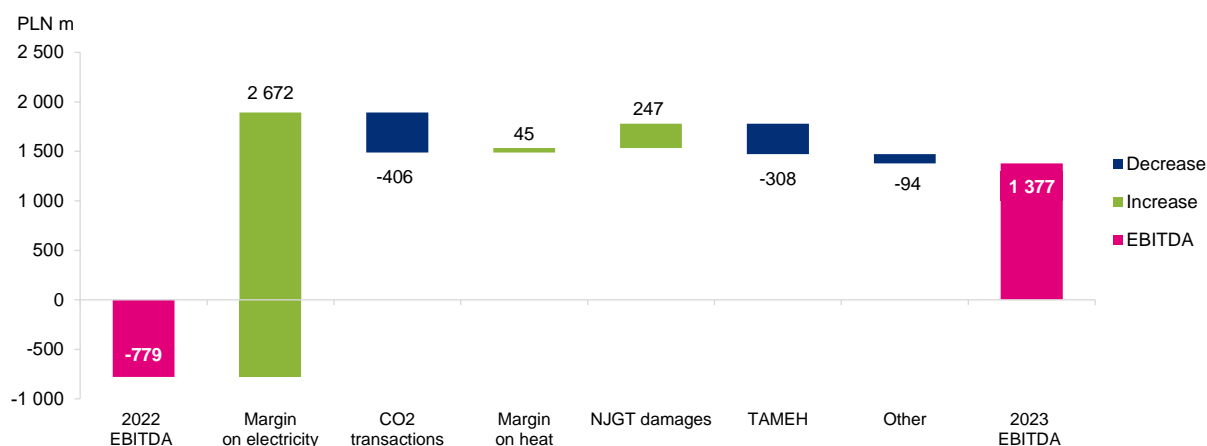
The below figure presents the Generation Segment's financial data for the years 2023 - 2022.

Figure no. 33. Generation Segment's financial data for the years 2023 - 2022



The below figure presents the Generation Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 34. Generation Segment's EBITDA



### Major investments (CAPEX)

The Generation Segment's capital expenditures had come in at PLN 568 million in total in 2023, including the outlays on the following strategic investment projects:

1. PLN 303 million on the replacements, upgrades and components, as well as the 910 MW unit at TAURON Wytwarzanie,
2. PLN 61 million on the construction of the gas fired boiler with a capacity of 140 MWt at ZW Katowice,
3. PLN 30 million on the expansion of the district heating market – Katowice Południe (Ligota Project),
4. PLN 28 million on the Low Emission Elimination Program at TAURON Ciepło,
5. PLN 28 million on connecting of the new facilities,
6. PLN 19 million on the construction of 3 gas fired boilers at Energetyka Cieszyńska
7. PLN 14 million on the construction of the peaking and backup boiler houses at ZW Bielsko,

### Renewable Energy Sources Segment

The below table presents the RES Segment's results in the years 2023 - 2022.

Table no. 34. RES Segment's results in the years 2023 - 2022

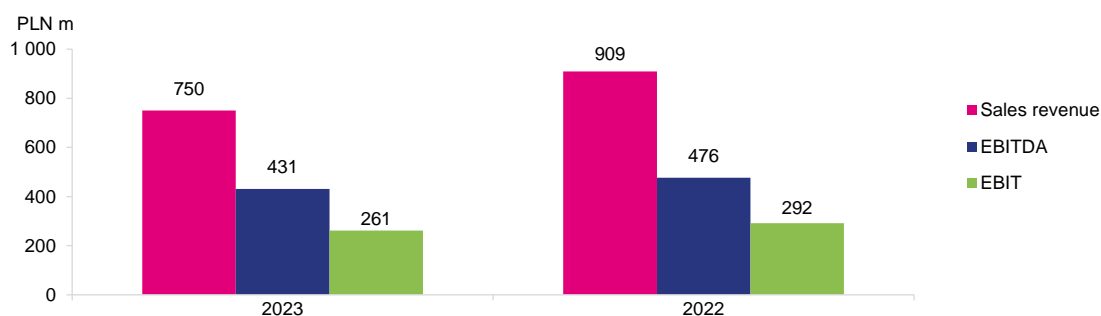
Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>Sales revenue</b>	<b>750</b>	<b>909</b>	<b>83%</b>	<b>(159)</b>
Electricity	481	547	88%	(66)
valuation of the guarantees of origin of electricity	117	147	80%	(30)
sales of the guarantees of origin of electricity	137	198	69%	(61)
other revenue	15	17	88%	(2)
<b>EBIT</b>	<b>261</b>	<b>292</b>	<b>89%</b>	<b>(31)</b>
Depreciation and impairment charges	170	184	92%	(14)
<b>EBITDA</b>	<b>431</b>	<b>476</b>	<b>91%</b>	<b>(45)</b>

The RES segment's EBITDA and EBIT results had been lower in 2023, as compared to 2022. The results posted had been affected by the following factors:

1. a lower margin on the electricity sales, mainly due to the lower electricity sales price, which had partially been offset by the higher production output by the hydro power plants and the wind farms,
2. a lower result on the sales of the guarantees of origin of electricity (energy certificates), which is primarily a consequence of the lower valuation thereof as compared to 2022,
3. the other factors being the result of the higher costs of the business operations conducted along with the simultaneous impact of the resolution of the legal dispute related to the improperly collected wind farm grid connection fees.

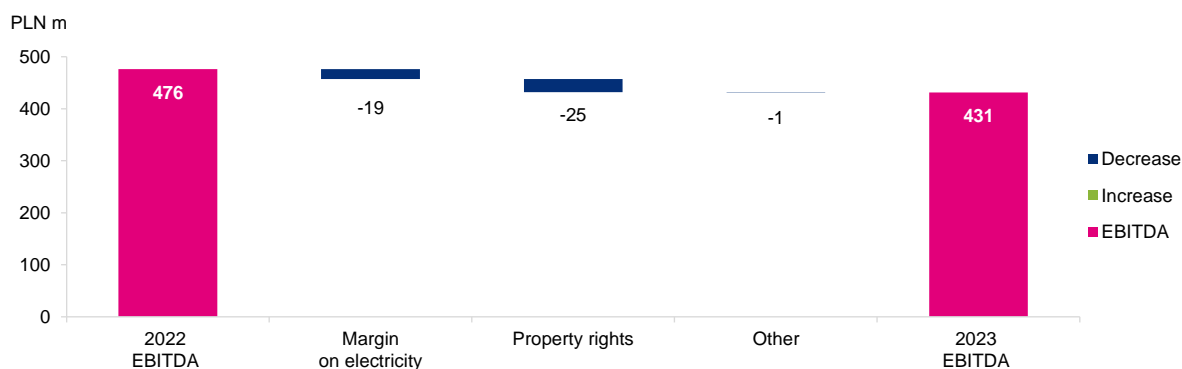
The below figure presents the RES Segment's financial data for the years 2023 - 2022.

Figure no. 35. RES Segment's financial data for the years 2023 - 2022



The below figure presents the RES Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 36. RES Segment's EBITDA



### Major investments (CAPEX)

The RES Segment's capital expenditures had come in at PLN 593 million in total in 2023, including the outlays on the following investment projects:

1. PLN 151 million on the construction of the Proszówek photovoltaic farm with a capacity of 55 MW,
2. PLN 82 million on the construction of the Mysłówice photovoltaic farm (stage I) with a capacity of 37 MW,
3. PLN 81 million on the construction of the Warblewo wind farm with a capacity of 30 MW,
4. PLN 73 million on the construction of the Mierzyn wind farm with a capacity of 58.5 MW,
5. PLN 60 million on the construction of the Gamów wind farm with a capacity of 33 MW,
6. PLN 31 million on the modernization of the Postomino photovoltaic farm with a capacity of 90 MW,
7. PLN 31 million on the construction of the Nowa Brzeźnica wind farm with a capacity of 19.8 MW,
8. PLN 24 million on the construction of the Sieradz wind farm with a capacity of 23.8 MW,
9. PLN 19 million on the modernization of TAURON Ekoenergia's hydro power plants.

### Distribution Segment

The below table presents the Distribution Segment's results in the years 2023 - 2022.

Table no. 35. Distribution Segment's results in the years 2023 - 2022

Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>Sales revenue</b>	<b>11 734</b>	<b>7 611</b>	<b>154%</b>	<b>4 123</b>
Distribution services <sup>1</sup>	11 353	7 273	156%	4 080
Other revenue	381	337	113%	44
<b>EBIT</b>	<b>2 197</b>	<b>1 679</b>	<b>131%</b>	<b>518</b>
Depreciation and impairment charges	1 331	1 260	106%	71
<b>EBITDA</b>	<b>3 528</b>	<b>2 939</b>	<b>120%</b>	<b>589</b>

<sup>1</sup> including an upward adjustment of the electricity purchase

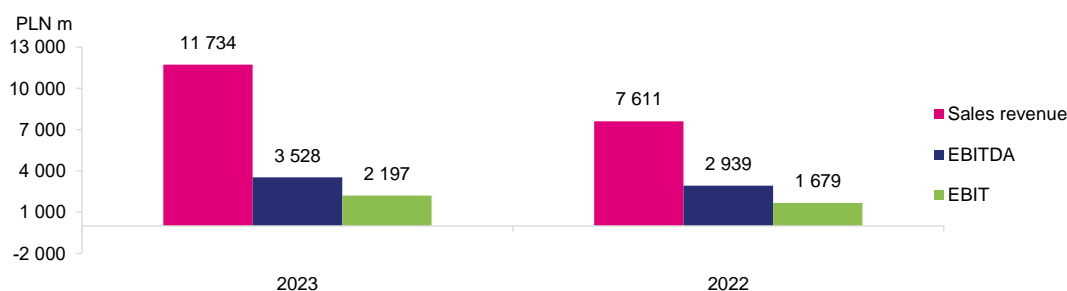
The Distribution Segment had reported an increase of the sales revenue by 54% in 2023, as compared to 2022, mainly as a consequence of an increase in the distribution tariff as compared to 2022.

The Distribution Segment's EBITDA result had come in higher by 20% in 2023, as compared to the previous year, and the change had been affected by the following factors:

1. a change in the balance of the grid losses upward adjustment resulting from the change in the prices of the electricity and the volumetric difference,
2. the impact of the settlements as part of the regulatory account,
3. the higher margin on the distribution service as a result of an increase in the average rate for the distribution service, the higher costs of the grid losses and the costs of purchasing the transmission service,
4. a decrease of the total electricity delivery by 2.38 TWh, including to the final consumers by 1.59 GWh, first of all in the A and C tariff groups, as a result of the reduction of the electricity consumption as a consequence of a partial or complete halting of the production of the goods due to, among other things, a slowdown of the economy, as well as the implementation of the scheduled shutdown to a greater extent than before. In addition, the reduction of the electricity consumption had been impacted by the liquidation of the business operations by some of the consumers in response to a significant rise in the distribution tariffs and the electricity prices, as well as the more widespread consumption of the electricity from the micro-installations,
5. an increase of the other revenue related to the distribution operations, including mainly due to the exceeding of the grid connection contractual passive (reactive) power consumption and the power line collisions,
6. the other factors, including the setting up of a provision for the claims arising from the ruling of the Regional Court in Wrocław in the case for the reimbursement of the consideration due resulting from the distribution service fees incurred by the counterparty, the result on the other business operations.

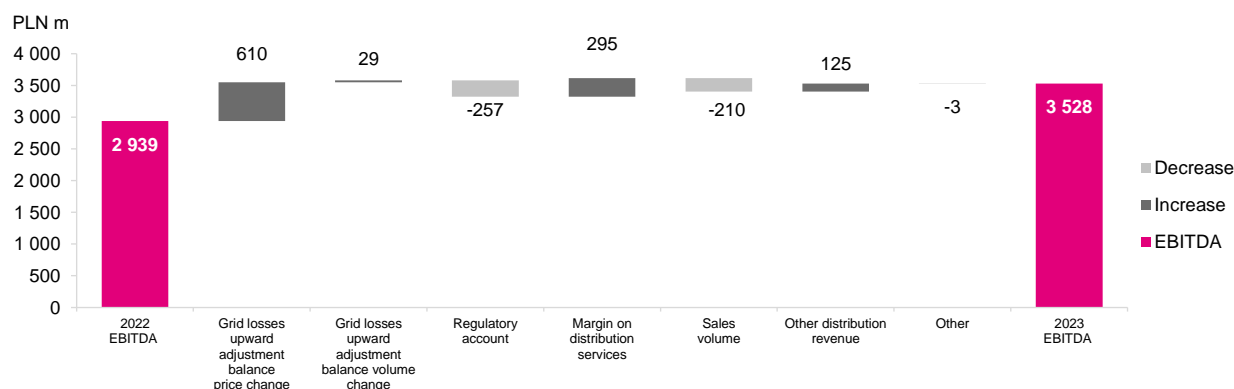
The below figure presents the Distribution Segment's financial data for the years 2023 - 2022.

Figure no. 37. Distribution Segment's financial data for the years 2023 - 2022



The below figure presents the Distribution Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 38. Distribution Segment's EBITDA



### Major investments (CAPEX)

The Distribution Segment's total capital expenditures had come in at PLN 2 762 million in total in 2023. The main capex directions included:

1. PLN 1 479 million on the investment projects related to connecting of the new consumers to the grid,
2. PLN 944 million on the investment projects related to the grid modernization and replacements,
3. PLN 166 million AMIPlus – the remote readout meters,
4. PLN 102 million on the investments related to the IT and the communications systems.

### Supply Segment

The below table presents the Supply Segment's results in the years 2023 - 2022.



Table no. 36. Supply Segment's results in the years 2023 - 2022

Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>Sales revenue</b>	<b>35 803</b>	<b>35 491</b>	<b>101%</b>	<b>312</b>
Electricity, including:	25 597	24 553	104%	1 044
revenue from retail electricity supply	21 895	15 894	138%	6 001
Greenhouse gas emission allowances	3 661	2 775	132%	886
Fuel	2 399	4 341	55%	-1 942
Distribution service (passed on)	3 919	3 308	118%	611
Street lighting service	166	130	128%	36
Other revenue, including trading services	61	384	16%	-323
<b>Compensation payments</b>	<b>6 937</b>	<b>482</b>	<b>1439%</b>	<b>6 455</b>
<b>EBIT</b>	<b>522</b>	<b>550</b>	<b>95%</b>	<b>-28</b>
Depreciation and impairment charges	46	44	105%	2
<b>EBITDA</b>	<b>568</b>	<b>594</b>	<b>96%</b>	<b>-26</b>

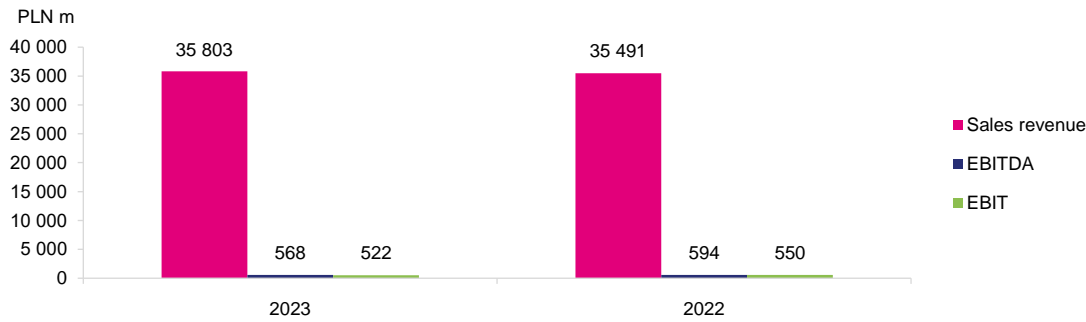
The Supply Segment's sales revenue had come in slightly, i.e. by 1%, higher in 2023 than the revenue generated in 2022. The above mentioned change is the result of obtaining the higher revenue from the sales of the electricity by 4%, the CO<sub>2</sub> emission allowances by 32%, the electricity distribution service by 18% and the street lighting service by 28%, along with a decrease in the value of the combined hard coal fuel and gas sales by 45% in total. The increase of the revenue had been, first and foremost, a consequence of the higher revenue generated from the CO<sub>2</sub> emission allowances trading as a result of, on the one hand, the rise in the prices of the carbon credit certificates on the market, and on the other hand, as a result of the increased emissions of the group's generating units between the periods under the comparison, and which had been hedged by the sales. Obtaining of the slightly higher revenue from the electricity sales as compared to the amount generated in the same period last year is a result of the changes in the electricity prices on the market, as well as an increase in the approved tariff prices for 2023, and, on the other hand, a decrease in the trading volume on the wholesale market.

The Supply Segment's EBITDA and EBIT had been lower in the period under review than in the same period of 2022. The level of the results posted had been affected by the following factors:

- a higher margin earned on the electricity sales on the domestic market as a consequence of:
  - the higher margin earned in the reporting period on the retail electricity trading (supply) as a result of an increase of the sales prices to a level that had allowed to pass on its purchase costs. During the reference period, a sharp increase in the purchase costs, while at the same time the possibility to pass it on in the price had been highly limited, had resulted in a material and negative impact on the margin for the Segment,
  - the obtaining of the higher revenue from the trading fees,
  - a change in the valuation of the upward adjustment of the electricity for the balancing difference between the TAURON Sprzedaż and TAURON Dystrybucja subsidiaries having a positive impact on the Segment's result,
  - the setting up, as of September 30, 2023, of a provision for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading*,
- the lower margin on coal sales due to lower revenues on services for fuel portfolio management as a result of transfer of competence in coal fuel contracting for own purposes to the company TAURON Wytwarzanie,
- the higher amount of the impairment charges (write-downs) related to the accounts receivable as a result of the increase in the revenue based on the value of which the impairment charge (write-down) is calculated taking into account the deteriorating economic condition of the country,
- the other factors, mainly the higher costs related to the customer service following the introduction of the legal regulations, including, among other things, with respect to the anti-inflation shield.

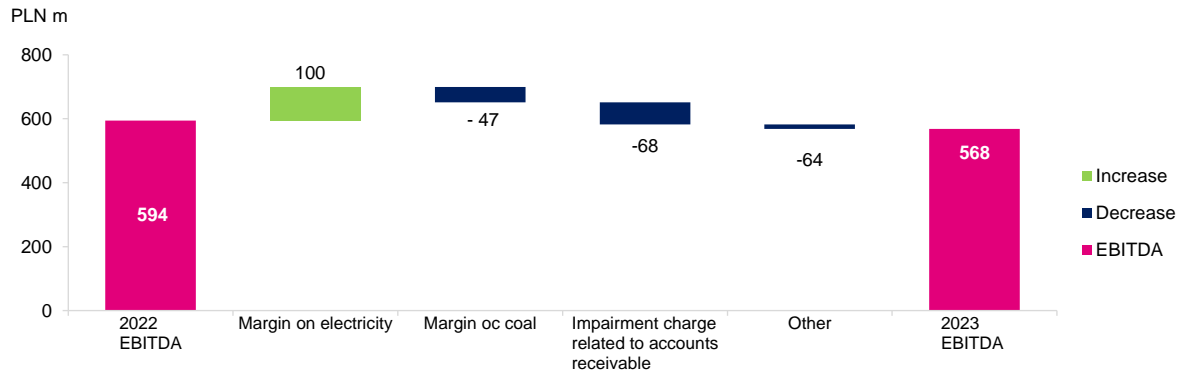
The below figure presents the Supply Segment's financial data for the years 2023 - 2022.

Figure no. 39. Supply Segment's financial data for the years 2023 - 2022



The below figure presents the Supply Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 40. Supply Segment's EBITDA



## Major investments (CAPEX)

The Supply Segment's capital expenditures had come in at PLN 109 million in total in 2023, the amount spent mainly by the TAURON Nowe Technologie subsidiary for the activities related to the maintenance and expansion of the street lighting.

## Other operations

The below table presents the Other Operations Segment's results in the years 2023 - 2022.

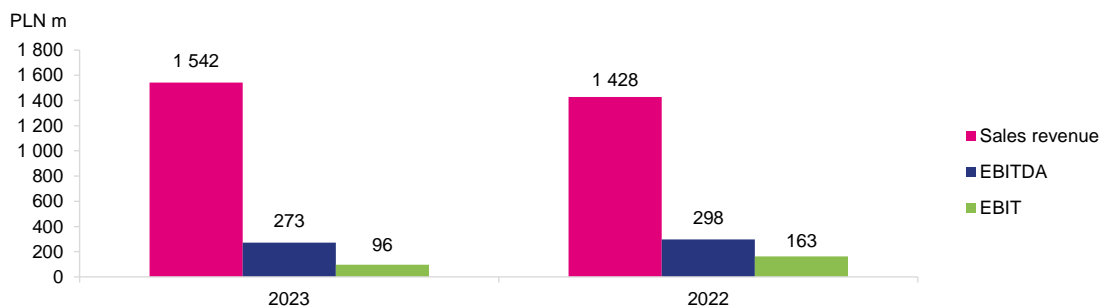
Table no. 37. Other Operations Segment's results in the years 2023 - 2022

Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>Sales revenue</b>	<b>1 542</b>	<b>1 428</b>	<b>108%</b>	<b>114</b>
Customer service	395	285	139%	110
Support services	661	603	110%	58
Aggregates	158	146	108%	12
Electricity	69	92	75%	-23
Biomass	149	197	76%	-48
Other revenue	110	105	105%	5
<b>EBIT</b>	<b>96</b>	<b>163</b>	<b>59%</b>	<b>-67</b>
Depreciation and impairment charges	177	135	131%	42
<b>EBITDA</b>	<b>273</b>	<b>298</b>	<b>92%</b>	<b>-25</b>

Other Operations Segment subsidiaries' sales revenue in had come in higher by 8% in 2023, as compared to the sales revenue posted in 2022, which had primarily been due to the higher sales of the customer support services and the larger volume of the support services provided for the needs of TAURON Capital Group's subsidiaries, along with the simultaneous lower sales of the biomass and electricity.

The below figure presents the Other Operations Segment subsidiaries' financial data for the years 2023 - 2022.

Figure no. 41. Other Operations Segment subsidiaries' financial data for the years 2023 - 2022



### Major investments (CAPEX)

The Other Operations Segment subsidiaries' capital expenditures had come in at PLN 332 million in total in 2023 and they had included mainly the outlays related to the investments in the IT systems at TAURON Obsługa Klienta (PLN 313 million), including for the Customer 360 Program (Program Klient 360) in the amount of PLN 15 million and the Business Services Center (Centrum Usług Biznesowych) in the amount of PLN 14 million.

### Mining Segment – discontinued operations

During the year ended on December 31, 2023, the Group did not discontinue any business operations. In the comparable period, The business operations of the TAURON Wydobywanie S.A. subsidiary had constituted the discontinued operations, classified as part of the Mining Segment that the Group had lost control over as of December 31, 2022. This had been related to the divestment of 100% of the shares in TAURON Wydobywanie S.A. to the State Treasury. *The detailed information on the discontinued operations is presented in note 21 of the Consolidated Financial Statements.*

The below table presents the Mining Segment's results for the year 2022.

Table no. 38. Mining Segment's results for the year 2022

Item (PLN m)	2022
<b>Sales revenue</b>	<b>2 680</b>
Hard coal – large and medium size lump coal	1 116
Thermal coal	1 421
Other revenue	143
<b>EBIT</b>	<b>490</b>
Depreciation and impairment charges	291
<b>EBITDA</b>	<b>781</b>

## 5.3. Characteristics of the structure of assets and liabilities in the consolidated statement of financial position

The below table presents the structure of the annual consolidated statement of financial position.

Table no. 39. Structure of the annual consolidated statement of financial position

Consolidated statement of financial position	As of December 31, 2023	As of December 31, 2022
<b>ASSETS</b>		
Fixed assets	75.0%	77.3%
Current assets	25.0%	22.7%
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to shareholders of the parent entity	36.0%	36.6%
Non-controlling stakes	0.1%	0.1%

Consolidated statement of financial position	As of December 31, 2023	As of December 31, 2022
<b>Total equity</b>	<b>36.1%</b>	<b>36.7%</b>
Long term liabilities	35.3%	40.8%
Short term liabilities	28.7%	22.5%
<b>Total liabilities</b>	<b>63.9%</b>	<b>63.3%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Financial liabilities</b>	<b>14 057</b>	<b>13 266</b>
<b>Net financial liabilities</b>	<b>12 973</b>	<b>11 588</b>
Net debt / EBITDA ratio	2.1x	2.9x
Current liquidity ratio	0.87	1.01

The below figures present the structure of assets as well as equity and liabilities.

Figure no. 42. Structure of assets

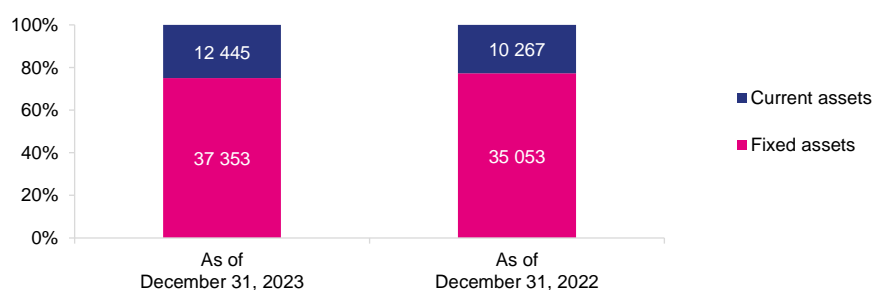
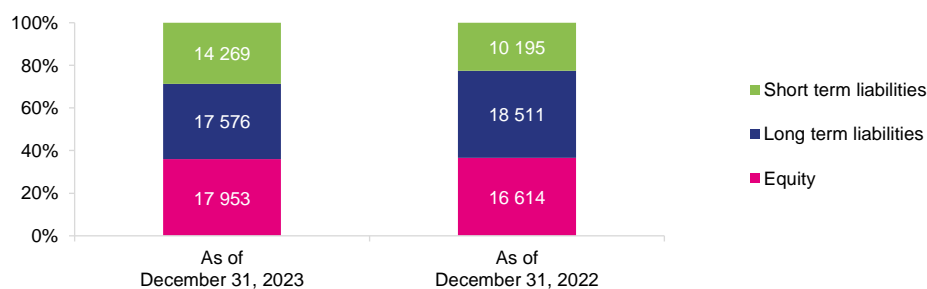


Figure no. 43. Structure of equity and liabilities



As of December 31, 2023, the fixed assets constitute the largest share in the structure of assets, i.e. 75.0%, and it is lower by 2.3 pp than last year, which is related to an increase in the value of the current assets, in particular the accounts receivable due to the compensation payments and the accounts receivable from the consumers, the reasons for which are indicated further on in this report.

The share of the current assets as of December 31, 2023, as compared to the end of 2022, went up by 10%, mainly as a result of an increase in the value of:

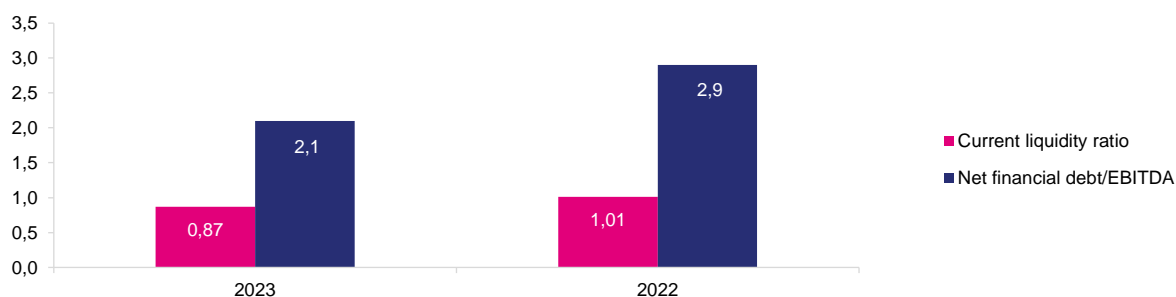
1. the accounts receivable due to the compensation payments, which is related to the way they are accounted for (settled) as defined in the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market* (Journal of Laws of 2023, item 1704, as subsequently amended) and the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023* (Journal of Laws of 2022, item 2243 as subsequently amended),
2. the accounts receivable from the consumers, mainly as a result of the higher accounts receivable due to the upwardly adjusted (revalued) revenue from the electricity and the distribution service,
3. inventories, mainly the hard coal, as a result of an increase of the volume.

As of December 31, 2023, the liabilities constitute 63.9% of the total equity and liabilities in the structure of equity and liabilities, out of which the long term liabilities account for 35.3%, while the short term liabilities account for 28.7% of the balance sheet total, which signifies a change in the debt structure as compared to the end of 2022, when the shares had been, respectively: 40.8% and 22.5%.

As compared to the balance sheet date of December 31, 2022, the net debt to EBITDA ratio is lower by 0.8x in 2023, in spite of an increase of the financial liabilities by 6% and a rise of the net financial debt by 12%, and this is due to the higher EBITDA generated in 2023 as compared to that generated for the financial year 2022. The reasons for an increase of the EBITDA result are indicated in the description of the changes in the operating segments' results in section 5.2 of this report and in the description of the reasons for the change in the consolidated statement of comprehensive income in section 5.3 of this report. The boundary (threshold) covenant level (of the net debt to EBITDA ratio) specified in certain agreements concluded between the Company and the financial institutions is no more than 3.5x. The exceeding thereof could result in potentially requiring TAURON to repay its liabilities immediately.

The below figure presents the current liquidity ratio and the net financial debt to EBITDA ratio in the years 2023 – 2022

Figure no. 44. Current liquidity ratio and the net financial debt to EBITDA ratio in the years 2023 - 2022



The below table presents the annual consolidated statement of financial position – **assets**.

Table no. 40. Annual consolidated statement of financial position - assets (material items) <sup>1</sup>

Statement of financial position (PLN m)	As of December 31, 2023	As of December 31, 2022	Change in % (2023 / 2022)
<b>ASSETS</b>			
<b>Fixed assets</b>	<b>37 353</b>	<b>35 053</b>	<b>107%</b>
Tangible fixed assets	31 872	29 731	107%
<b>Current assets</b>	<b>12 445</b>	<b>10 267</b>	<b>121%</b>
Cash and equivalents	1 084	1 678	65%
<b>TOTAL ASSETS</b>	<b>49 798</b>	<b>45 320</b>	<b>110%</b>

<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report.

As of December 31, 2023, the statement of the financial position of TAURON Capital Group indicates the balance sheet total higher by 10%.

The below figures present the change in the level of the fixed assets and the current assets.

Figure no. 45. Change in fixed assets

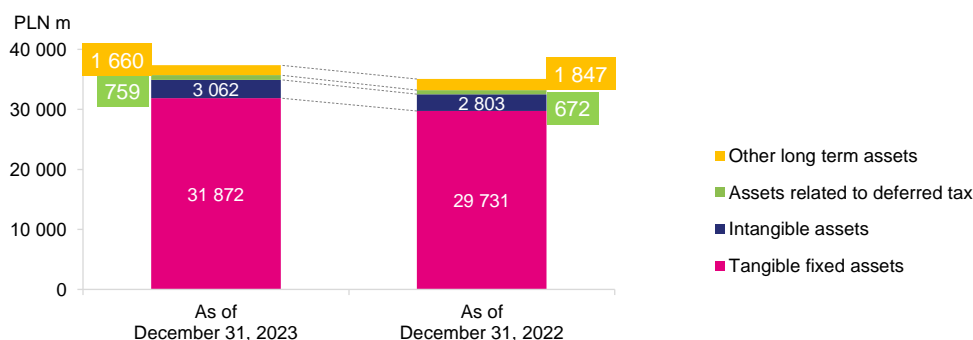
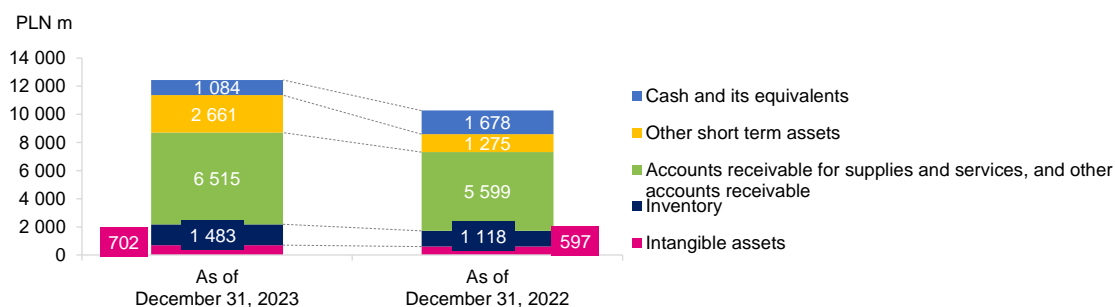




Figure no. 46. Change in current assets



The fixed assets represent the biggest item of the assets as of the end of December 2023, accounting for 75.0% of the balance sheet total. As compared to the level as of the end of 2022, the value of the fixed assets is higher by PLN 2 300 million, i.e. by 6.6%, which had been due to the following factors:

1. an increase by 7% of the value of the tangible fixed assets, which is the resultant of, among other things, an increase in the value of the tangible fixed assets as a consequence of the investment projects implemented by TAURON Capital Group's subsidiaries, leading to an increase of the value by PLN 3 625 million, the recognized (booked) depreciation write-downs for the total amount of PLN 1 962 million, as well as the booked impairment charge related to the non-financial fixed assets in the total amount of PLN 32 million, as a result of, among other things, the impairment tests carried out as of June 30, 2023, and as of December 31, 2023,
2. a decline by 56% in the value of the guarantees of origin of electricity (energy certificates) and the greenhouse gas emission allowances to be redeemed (retired) which is mainly due to the reclassifying of the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances as the current assets held in order to fulfill the obligation related to the redemption (retirement) of the above mentioned assets,
3. an increase by 17% of the value of the other intangible assets, which is the resultant of, among other things, an increase in the value thereof by PLN 283 million as a consequence of the investment projects under way at TAURON Capital Group's subsidiaries and the recognized (booked) depreciation write-downs for the total amount of PLN 159 million,
4. a decrease by 75% of the value of the shares in the joint ventures - a decline which is the result of a drop in the valuation of TAMEH Holding as a consequence of the recognition (booking), due to the insolvency of TAMEH Czech, of the share of the write-downs related to the accounts receivable of TAMEH Czech from Liberty Ostrava a.s. and the share of the impairment losses related to the non-financial fixed assets of TAMEH Czech, recognized (booked) in accordance with the rules consistent with *TAURON Group's Accounting Policy*,
5. an increase by 73% of the value of the loans extended to the joint ventures in connection with an increase in the fair value of the loans granted as a consequence of the analyses taking into account the forecasts of the future cash flows, which demonstrated the justification for the increasing of the carrying value thereof,
6. a decrease by 62% in the value of the derivative instruments as a result of a change in the valuation of the forward / futures commodity derivative instruments and the IRS instruments, in accordance with the rules adopted in *TAURON Group's Accounting Policy*,
7. a decline by 8% of the value of the other financial assets,
8. an increase by 164% of the value of the other financial assets, as a result of the advance payment made for the fixed assets under construction, including those related to the construction of the wind farms,
9. an increase by 13% of the value of the assets due to the deferred income tax.

The following factors had an impact on the rise in the value of the current assets by PLN 2 178 million, i.e. by 21%:

1. a decrease by 35% in the level of cash and its equivalents. *The information on the reasons for the change is presented further on in this report in section Cash Flows)*
2. an increase by 18% in the value of the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances to be redeemed (retired), which is the result of:
  - 1) the purchase of the CO<sub>2</sub> emission allowances in 2023 for the redemption (retirement) obligation for the year 2022,
  - 2) the purchase in 2023 or the recognition (booking) of the guarantees of origin of electricity (energy certificates) produced in-house for the fulfillment of the obligation to redeem (retire) the property rights related to the current year,
  - 3) the reclassifying as the short term assets of a part of the property rights and the CO<sub>2</sub> emission allowances held, originally classified as the long term assets that had been reclassified due to the allocation thereof for the purpose of the ongoing fulfilling of the obligation to redeem (retire) the above mentioned assets,
  - 4) the submission of the assets in question for the redemption in 2023, in accordance with the applicable legal regulations,
3. an increase by 33% of the value of the inventory as a result of the higher volume of the hard coal stocks on the heap and the lower price of the purchasing thereof in relation to the prices reported in 2022,

4. an increase by 40% of the value of the accounts receivable from the consumers, which is mainly a consequence of the higher electricity and gas prices, which has a direct impact on the increase in the turnover and the balances as of the end of the reporting period,
5. a decrease by 80% of the value of the accounts receivable due to the income tax which is mainly the result of the settlement, in 2023, of the overpayment of the income tax in the previous year. In addition, in 2023, TAURON and the selected subsidiaries accounted for the income tax for the current fiscal year as part of the Capital Tax Group (Podatkowa Grupa Kapitałowa) registered on December 28, 2022, while in 2022 the subsidiaries accounted for the income tax individually,
6. a decrease by 1% of the value of the accounts receivable due to the other taxes and fees,
7. a decrease by 40% of the value of the derivative instruments, as a result of the settlement or a change in the valuation of the forward / futures commodity derivative instruments and the IRS instruments,
8. an increase by 412% of the value of the other financial assets, mainly in connection with an increase in the value of the accounts receivable due to the compensation payments that are, to a large extent, related to:
  - 1) the Supply Segment's subsidiaries with respect to the electricity supply for 2022 and for 2023, that the subsidiaries are entitled to under the regulations of the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023* and the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market*,
  - 2) the Distribution Segment's subsidiary with respect to the distribution service that the subsidiary is entitled to under the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market*,
9. a decrease by 74% of the value of the other non-financial assets, mainly as a result of the settlement of the advance payments made in 2022 on the account of the deliveries of the hard coal carried out after the balance sheet date falling on December 31, 2022,

The below table presents the annual consolidated statement of financial position – **equity and liabilities**.

Table no. 41. Annual consolidated statement of financial position – equity and liabilities (material items) <sup>1</sup>

Statement of financial position (PLN m)	As of December 31, 2023	As of December 31, 2022	Change in % (2023 / 2022)
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the parent entity	17 915	16 581	108%
Non-controlling stakes	38	33	115%
<b>Total equity</b>	<b>17 953</b>	<b>16 614</b>	<b>108%</b>
Long term liabilities	17 576	18 511	95%
Liabilities due to debt	14 544	15 959	91%
Short term liabilities	14 269	10 195	140%
Liabilities due to debt	2 871	528	544%
<b>Total liabilities</b>	<b>31 845</b>	<b>28 706</b>	<b>111%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49 798</b>	<b>45 320</b>	<b>110%</b>

<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two-year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report

The below figures present the change in the amount of the equity and liabilities as well as the equity attributable to the majority shareholders.

Figure no. 47. Change in equity and liabilities

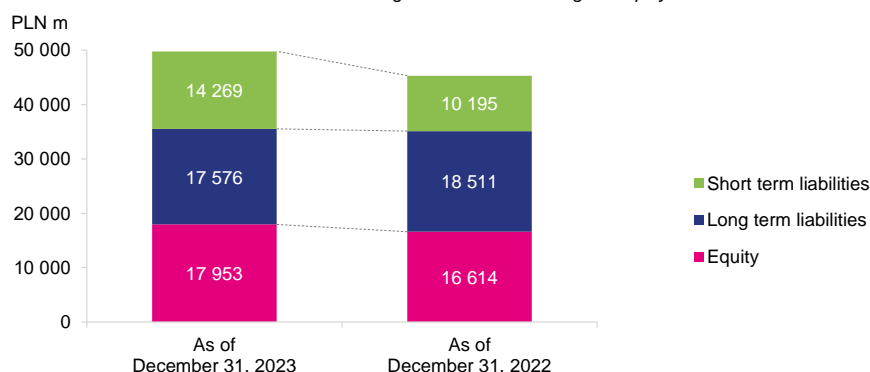
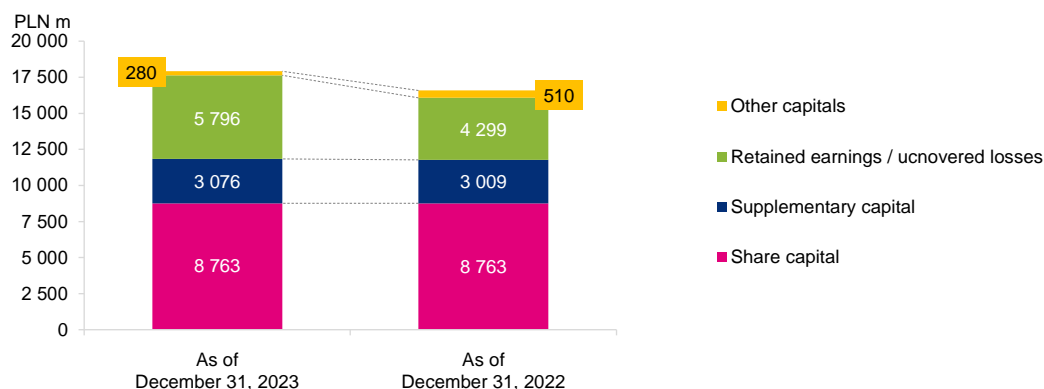


Figure no. 48. Change in equity attributable to majority shareholders



The share of equity in the total equity and liabilities had stood at 36.1% in 2023, and it had been lower by 0.6 pp as compared to 2022. The external capital, in the form of the debt obligations, had been a significant source of the asset financing, whose share in the total liabilities had stood at 35.0% as of December 31, 2023, and it had been lower by 1.4 pp than its share as of the end of 2022.

The below figures present the change in the amount of the short term and the long term liabilities.

Figure no. 49. Change in long term liabilities

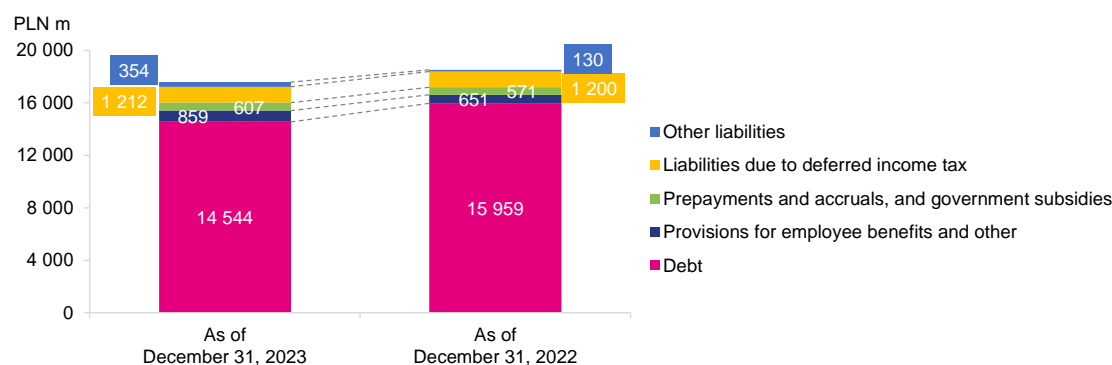
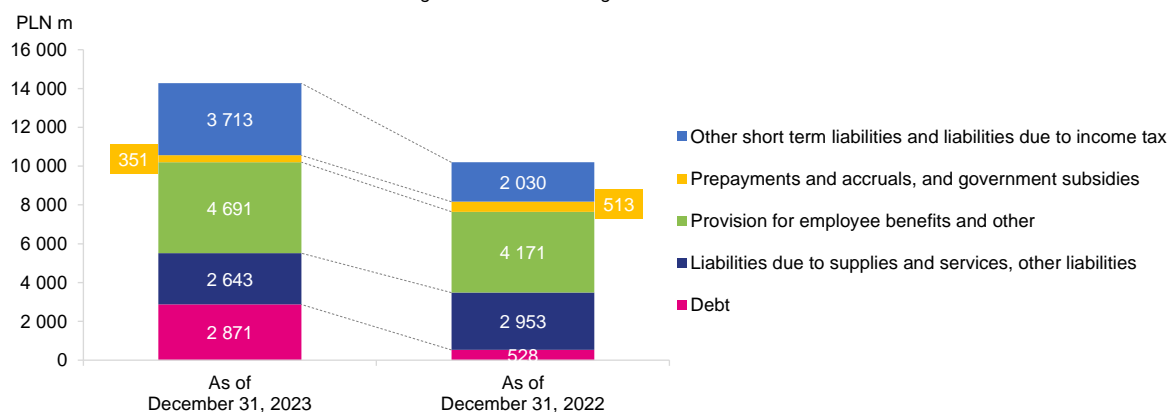


Figure no. 50. Change in short term liabilities



The amount of TAURON Capital Group's long term liabilities had gone down by PLN 935 million, i.e. by 5%, in 2023, which had been a consequence of the following factors:

1. a decrease by 9% of the value of the liabilities due to debt, which is the result of the proceeds obtained due to the taking out of the loans and the reclassifying of a portion of the liabilities due to debt as part of the short term liabilities,
2. an increase by 32% of the value of the provisions for the employee benefits, primarily as a consequence of the updating of the discount rate as a result of the change in the underlying (prime) interest rates,
3. an increase by 33% of the value of the provisions for the costs of the dismantling of the fixed assets and the land reclamation, primarily due to the updating of the discount rate as a result of the change in the underlying (prime) interest rates,

4. an increase by 6% of the value of the prepayments and accruals, as well as the government subsidies,
5. an increase by 1% of the value of the accounts payable due to the deferred income tax,
6. an increase by 1 590% of the value of the derivative instruments, which is a consequence of the settlement in 2023 of a portion of the derivative instruments relating to the forward transactions for the purchase and sale of the CO<sub>2</sub> emission allowances as well as of a change in the fair value measurement (valuation) of the derivative instruments and the foreign currency forward or futures derivative instruments, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,
7. a decrease by 45% of the value of the other financial liabilities,
8. the other non-financial liabilities – no change in the value thereof

The amount of TAURON Capital Group's short term liabilities had gone up by PLN 4 074 million, i.e. by 40%, which had primarily been a consequence of the following factors:

1. an increase by 444% of the value of the liabilities due to debt, which is related to the reclassifying of a part of the long term financial liabilities as due for the repayment within the next 12 months, the revaluation of the financial instruments denominated in a foreign currency as a result of a change in the exchange (FX) rate as of December 31, 2023, as compared to the exchange (FX) rate as of December 31, 2022, as well as the repayment of the loans received in the amount of PLN 6 758 million and the redemption of the debt securities in the amount of PLN 170 million,
2. a decrease by 7% of the value of the accounts payable towards the suppliers, which is a consequence of:
  - 1) the lower value of the liabilities, mainly related to the purchase of the electricity,
  - 2) the entry into force as of April 1, 2023, of the regulations introducing the reverse charging of the VAT on the transactions with respect to, among other things, the electricity trading, including, in particular, the transactions related to the purchase of the electricity by the Group's subsidiaries on the power exchange, resulting in the recognition of the liabilities arising from the completion of the above mentioned transactions at the net value thereof,
3. a decrease by 21% of the value of the investment commitments, which is mainly related to the lower value of the liabilities arisen in connection with the construction of the wind farms and the photovoltaic farms,
4. an increase by 13% of the value of the provisions for the employee benefits, primarily due to the updating of the discount rate as a result of the change in the underlying (prime) interest rates,
5. an increase by 1% of the value of the provisions for the obligations (liabilities) due to the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances, which is the result of:
  - 1) having used up (consumed), in 2023, of a part of the provision in connection with the fulfillment of the obligation to redeem (retire) the CO<sub>2</sub> emission allowances for the year 2023 and the guarantees of origin of electricity (energy certificates) for the years 2022 and 2023,
  - 2) setting up of a provision for the obligations (liabilities) due to the CO<sub>2</sub> gas emissions and the guarantees of origin of electricity (energy certificates) for the year 2023,
6. an increase by 118% of the value of the other provisions, which is the result of:
  - 1) the setting up of a provision in the Supply Segment for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading*,
  - 2) the use / dissolving (release), in 2023, of the provision set up for the onerous contract in the Generation and Supply Segments for the contracts related to the sales of the electricity, in the case of which the sales revenues generated do not fully cover the costs incurred to produce the electricity required to deliver such contracts or to purchase it, which had been set up as of the balance sheet date falling on December 31, 2022,
7. a decrease by 32% of the value of the prepayments and accruals, as well as the government subsidies, mainly due to the settlement in 2023 of the receipt, in December 2022, of an advance payment on the account of the compensation payments to the trading companies in the amount of PLN 337 million, which is as a result of the applications submitted by the Supply Segment subsidiaries in accordance with the provisions of the *Act of October 27, 2022, on the Emergency Measures to Cap the Electricity Prices and Provide Support for Certain Consumers in 2023*. As of December 31, 2023, the value of the advance payments on the account of the compensation payments stands at PLN 141 million, and the settlement date thereof falls after the balance sheet,
8. an increase by 12% of the value of the accounts payable due to the income tax,
9. an increase by 218% of the value of the accounts payable (liabilities) due to the taxes and fees, which is mainly related to the VAT liabilities, which is, to a large extent, a consequence of the reinstatement, as of January 1, 2023, of the 23% VAT rate on the electricity, heat and gas from the 5% rate in effect until December 31, 2022. The second factor affecting the level of the VAT liabilities had been the entry into force, as of April 1, 2023, of the regulations introducing the reverse charging of the VAT on the transactions with respect to, among other things, the electricity trading and the CO<sub>2</sub> emission allowances trading, including, in particular, the transactions related to the purchase of the electricity by the Group's subsidiaries on the power exchange,
10. an increase by 95% of the value of the derivative instruments which is a consequence of the settlement or a change in the fair value valuation of the forward or futures commodity derivative instruments and the FX derivative instruments, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,

11. an increase by 25% of the value of the other financial liabilities, mainly due to the obligations related to the compensation payments and the wages,
12. an increase by 64% of the value of the other non-financial liabilities which is a consequence of the higher overpayments received from the customers, as well as the advance payments on the account of the grid connection fees.

## 5.4. Discussion of the economic and financial figures disclosed in the annual consolidated financial statement

### Consolidated statement of comprehensive income

The below table presents the annual consolidated statement of comprehensive income. Due to the changes in the segments and in order to maintain the comparability, the results are presented for 2 years.

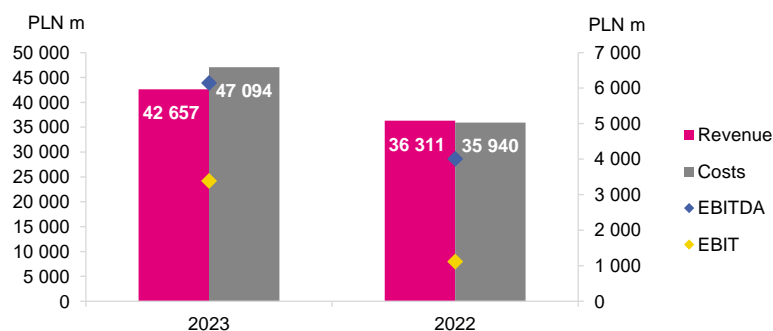
Table no. 42. Annual consolidated statement of comprehensive income for the years 2023 – 2022 <sup>1</sup>

Statement of comprehensive income (PLN m)	2023	2022	Change in % (2023 / 2022)
Sales revenue	42 657	36 311	117%
Compensation payments	8 058	484	1 665%
Own cost of sales	(47 094)	(35 940)	131%
Other operating revenues and costs	260	86	302%
Share in the profits of the joint ventures	(487)	128	-
<b>Operating profit</b>	<b>3 394</b>	<b>1 069</b>	<b>317%</b>
Cost of interest on debt	(797)	(591)	135%
Other financial revenue and costs	(295)	(368)	80%
<b>Pretax profit / loss</b>	<b>2 302</b>	<b>110</b>	<b>2 093%</b>
Income tax	(624)	(319)	196%
<b>Net profit / loss from continuing operations</b>	<b>1 678</b>	<b>(209)</b>	<b>-</b>
<b>Net profit / loss from discontinued operations</b>	<b>-</b>	<b>75</b>	<b>-</b>
<b>Net profit (loss) for the period</b>	<b>1 678</b>	<b>(134)</b>	<b>-</b>
<b>Total income for the period</b>	<b>1 339</b>	<b>108</b>	<b>1 240%</b>
<b>Net profit / loss attributable to:</b>			
Shareholders of the parent entity	1 673	(134)	-
Non-controlling stakes (interests)	5	-	-
<b>EBIT and EBITDA</b>			
EBIT	3 394	1 119	303%
EBITDA	6 145	4 016	153%

<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two-year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report.

The below figure presents TAURON Capital Group's financial results for the years 2023 - 2022.

Figure no. 51. TAURON Capital Group's financial results for the years 2023 - 2022 <sup>1</sup>





<sup>1</sup>The chart presents the financial results in accordance with the Statement of Comprehensive Income, in which the revenue and the expenses shown are related to the continuing operations, while EBITDA and EBIT are related to the continuing and the discontinued operations. In 2022, the EBITDA results stand at, respectively, PLN 3 215 million and PLN 801 million, while the EBIT results stand at: PLN 1 069 million and PLN 50 million, accordingly.

TAURON Capital Group had generated PLN 42 657 million of revenue from the continuing operations conducted in 2023, i.e. it had been higher by 17% as compared to the amount generated in 2022, which had been the result of the following factors:

1. the higher revenue from the electricity sales, mainly as a result of obtaining of the higher electricity prices, which is due to, on the one hand, an increase in the market prices on the forward (futures) electricity market, and, on the other hand, due to the legislative solutions introduced for 2023, setting the level of the price for the selected customer groups at a higher level than that applied in 2022. The legislative solutions introduced for 2023 had been aimed at curtailing an increase of the prices for the customers (the introduction of the maximum prices (price caps) for a selected group of customers and the frozen prices of the electricity for the households depending on the volume of the consumption thereof) and compensating the energy trading companies for the revenue lost this way through the introduction of the compensation payments mechanism. These solutions had been implemented on the basis of the following legal acts:

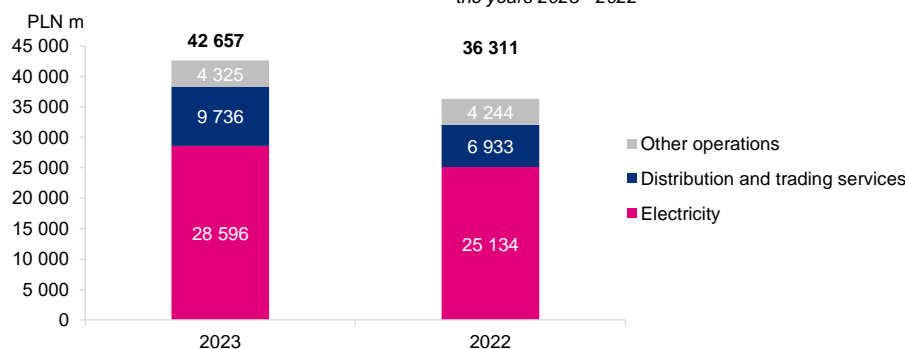
- 1) *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market* (Journal of Laws of 2023, item 1704, as subsequently amended),
- 2) *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023 and the Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market* (Journal of Laws of 2022, item 2243, as subsequently amended).

The higher revenue generated from the sales of the electricity had been partially reduced as a result of the provision set up as of September 30, 2023 and update as of December 31, 2023 in the Supply Segment related to the reduction of customers' accounts payable towards the electric utility companies as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading*,

2. the higher revenue from the distribution and trading services sales, as a consequence of an increase of the distribution and transmission service rate, along with the simultaneous decline of the distribution service volume,
3. the higher revenue from the heat sales, mainly due to a significant increase of the prices under the heat tariffs approved by the President of the ERO,
4. the higher revenue from the gas sales, mainly as a consequence of the significant rise of the prices in relation to the comparable period, as a result of the changes in the prices contracted during 2022 for the delivery in 2023, along with a simultaneous drop of the volume,
5. the lower revenue from the sales of the CO<sub>2</sub> emission allowances, which is a consequence of the recognition (booking) of the revenue of PLN 604 million in the 2022 earnings, as a result of TAURON Group's decision to sell a volume of 1 717 000 EUA allowances and simultaneously repurchase this volume in the form of the EUA MAR'23 futures product for the purpose of redeeming the allowances for 2022 in order to match the delivery of the allowances and the cash outlay. The above mentioned decision to sell is a consequence of the failure of the 910 MW power generating unit in Jaworzno that had taken place in June 2021 and its shutdown for the remainder of the year, which had led to a surplus of the purchased allowances for the redemption purpose for 2021. A part of the resulting surplus in the amount indicated above had been allocated for the redemption purpose to another installation (plant) of TAURON Capital Group for 2022.

The below figure presents the structure of TAURON Capital Group's sales revenue (except for the compensation payments) from the continuing operations in the years 2023 - 2022.

Figure no. 52. Structure of TAURON Capital Group's sales revenue (except for the compensation payments) from the continuing operations in the years 2023 - 2022 <sup>1</sup>



<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two-year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report.

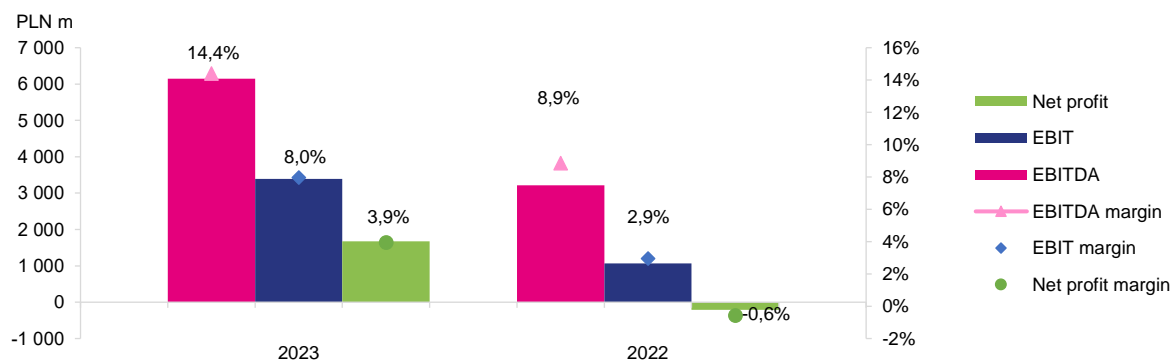
The operating costs of TAURON Capital Group's continuing operations (operating expenses) had come in at PLN 47 094 million in 2023, i.e. they had been higher by 31% than the costs incurred in 2022, which is the result of the following factors:

1. the higher costs of the electricity purchased for the purpose of the resale thereof, due to an increase in the price of the electricity purchased on the domestic market, along with the simultaneous decline of the volume,
2. the higher costs of the gas purchased for the purpose of the resale thereof, which is a consequence of an increase in the prices year on year, along with the simultaneous decline of the volume,
3. the higher costs of the hard coal fuel consumed for the purpose of the production of the electricity and heat, mainly as a consequence of a change of the price of the hard coal contracted during 2022 for the delivery in 2023,
4. an increase of the costs of the distribution services which is a consequence of, among other things, an increase of the average rate for the transmission services purchased from PSE (TSO),
5. the higher depreciation costs, mainly as a result of an increase in the value of the assets of TAURON Capital Group,
6. the higher costs of the greenhouse gas emission allowances, which is a consequence of an increase in the prices of the emission allowances, along with the lower CO<sub>2</sub> emissions of the Group's generating units,
7. the higher costs of the employee benefits, which is the result of the following factors:
  - 1) the booking in the costs of 2023 of the effects of the agreements signed with the social partners (workforce) in 2023,
  - 2) an increase of the minimum wage in 2023,
  - 3) a change in the discount rate and, as a consequence, a change in the value of the actuarial provisions,
8. the higher costs of the maintenance and repair services, as well as of the other third party services, which is a consequence of the increased scope of the maintenance and repair as well as the support services works at the Generation Segment's subsidiaries, and an increase in the cost of the specific ad-hoc services with respect to, among other things, the tree trimming, an external hot line,
9. the higher other costs by type,
10. the higher costs of the impairment charges related to the accounts receivable as a result of an increase in the revenue on the values on which the write-down is calculated taking into account Poland's deteriorating economic condition,
11. the lower costs of the taxes and fees, which is due to the payment of the tax on the civil law transactions in 2022, related to the acquisition by TAURON Wytwarzanie of the shares in the Nowe Jaworzno Grupa TAURON subsidiary. Excluding the effects of the above fee, the expenses due to the taxes and fees are higher year on year, which is mainly due to an increase in the rates of the taxes on the real estate and the grid assets.

In addition, the 2023 costs had included the amount of the charge (allowance) to the Price Difference Payout Fund, which stems from the provisions of the acts obliging both the generators, as well as the suppliers of the electricity and gas to pay the profits, in excess of the statutorily imposed margin, to the Settlements Manager (Zarządca Rozliczeń).

The below figure presents TAURON Capital Group's financial results and the level of the margins realized from the continuing operations.

Figure no. 53. TAURON Capital Group's financial results and the level of the margins realized from the continuing operations in the years 2023 - 2022<sup>1</sup>



<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two-year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report

The EBITDA and EBIT margins generated from the continuing operations in 2023 had come in at, respectively, 14.4% and 8.0%, and they had been lower by 5.5 pp and by 5.1 pp, as compared to the margins posted in 2022. The net profit margin had stood at a higher level in the reported period than the margin achieved a year earlier and it had clocked in at 3.9%, as compared to the margin of (0.6)%, earned in 2022. The main reason for a rise of the above mentioned profitability ratios is the posting by TAURON Group of the better operating results, mainly in the

Generation Segment and in the Distribution Segment, the reasons for which are laid out in section 5.2 of this report. The change of the EBITDA result, year on year, stands at 53%, while that of the EBIT result clocks in at 203%, along with an increase of the revenue by 17%.

## Statement of cash flows

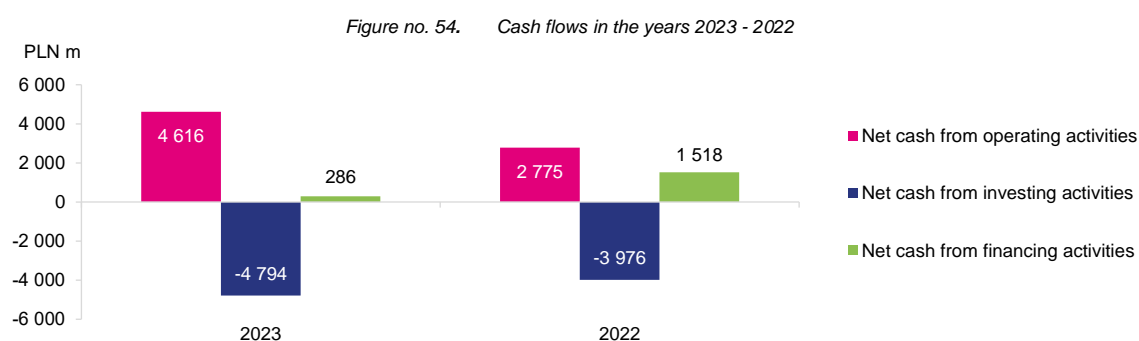
The below table presents the statement of cash flows.

Table no. 43. Statement of cash flows (material items) in the years 2023 – 2022 <sup>1</sup>

Statement of cash flows (PLN m)	Year ended on December 31, 2023	Year ended on December 31, 2022	Change in % (2023 / 2022)
<b>CASH FLOW FROM OPERATING ACTIVITIES, including:</b>			
Pre-tax profit / (loss) from the continuing and discontinued operations	2 302	133	1 731%
Adjustments	2 314	2 642	88%
<b>Net cash from operating activities</b>	<b>4 616</b>	<b>2 775</b>	<b>166%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES, including:</b>			
Purchase of tangible fixed assets and intangible assets	(4 841)	(3 879)	125%
<b>Net cash from investing activities</b>	<b>(4 794)</b>	<b>(3 976)</b>	<b>121%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES, including:</b>			
Redemption of debt securities	(170)	(170)	100%
Proceeds from taking out credits / loans	7 982	9 440	85%
Repayment of loans / credits	(6 758)	(6 067)	111%
Interest paid	(697)	(500)	139%
<b>Net cash from financing activities</b>	<b>286</b>	<b>1 518</b>	<b>19%</b>
Increase / (decrease) in net cash and equivalents	108	317	34%
<b>Cash opening balance</b>	<b>940</b>	<b>623</b>	<b>151%</b>
<b>Cash closing balance</b>	<b>1 048</b>	<b>940</b>	<b>111%</b>

<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two-year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report

The below figure presents the cash flows in the years 2023 - 2022.



The amount of cash flows from the operating activities had come in at PLN 4 616 million in 2023, which had been the result of the following factors:

1. the generated EBITDA in the amount of PLN 6 145 million,
2. a negative change of the working capital in the amount of PLN 1 180 million, which is the result of:
  - 1) a negative change of the balance of the accounts receivable in the amount of PLN 3 422 million, which is mainly due to:
    - an increase of the balance of the accounts receivable from the consumers, year on year, which is the result of the changes in the prices of the energy products,
    - an increase of the accounts receivable due to the compensation payments which is related to the increase in the amounts thereof as compared to the amounts disclosed as of the balance sheet date falling on December 31, 2022, and whose recognition (booking) by the trading (supply) subsidiaries and

the Distribution Segment's subsidiary stems from the right vested in these subsidiaries pursuant to the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023* and the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023*, and a change in the other financial accounts receivable,

- 2) a negative change of the inventory level in the amount of PLN 389 million as a consequence of an increase in the value of the inventory as a result of the higher hard coal volume,
  - 3) a positive change of the balance of the accounts payable in the amount of PLN 1 186 million, mainly as a consequence of:
    - an increase in the accounts payable due to VAT which is related to the reinstatement as of January 1, 2023 of the 23% VAT rate with respect to the electricity and heat, which is applied the invoices are issued for the Group's customers, and the entry into force as of April 1, 2023, of the regulations introducing the reverse charge of the VAT on the transactions in, among other things, the trading of the electricity and the CO<sub>2</sub> emission allowances, covering in particular the transactions in which the Group's subsidiaries are purchasing the electricity on the power exchange,
    - an increase in the accounts payable due to the charges (allowances) to the Price Difference Payout Fund, which is related to the recognition (booking) by the Group's subsidiaries, pursuant to the provisions of the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023*, of the costs of the charges (allowances) to the above mentioned Fund,
    - an increase in the accounts payable to the Group's customers due to the overpayments received and the prepayments on the account of the grid connection fees,
    - a decrease in the accounts payable due from the suppliers of TAURON Group's subsidiaries
  - 4) a positive change of the other long term and short term assets as well as the provisions in the total amount of PLN 1 016 million, which is primarily the result of:
    - the expense incurred in 2023 for the purchase of the CO<sub>2</sub> emission allowances and the guarantees (certificates) of origin of energy in the total amount of PLN 3 816 million,
    - the recognition (booking), as part of the Group's assets, of the guarantees (certificates) of origin of energy obtained in 2023 from the production of the green electricity by its in-house RES production units in the amount of PLN 143 million,
    - the setting up of the provisions for the accounts payable due to the CO<sub>2</sub> emissions and the guarantees (certificates) of origin of energy for the period of 2023, as well as the updating of the value thereof for the 2022 obligation in the total amount of PLN 4 049 million,
    - the setting up, in the Supply Segment, of a provision for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading* in the amount of PLN 574 million,
  - 5) a negative change of the prepayments and accruals, as well as the government subsidies in the amount of PLN 276 million, mainly as a consequence of the lower balance in 2023 due to the receipt and the settlement of the advance payments on the account of the compensation payments with respect to the electricity trading pursuant to the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023*,
  - 6) a positive change in the balance of the collaterals transferred to IRGIT (Warsaw Commodity Exchange Clearing House) in the amount of PLN 705 million
3. the paid income tax in the amount of PLN 206 million,
  4. the other factors: PLN -143 million.

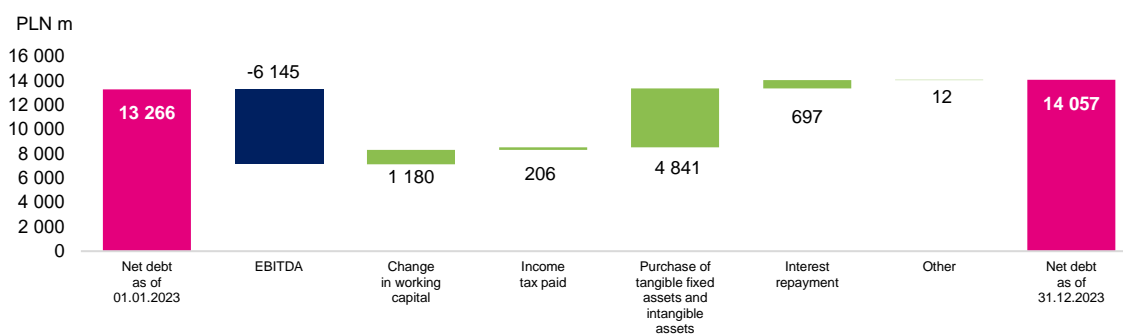
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, and they had come in at PLN 4 841 million in the reporting period and they had been higher by PLN 962 million than the outlays incurred in 2022. The largest expenditures had been incurred by the Distribution Segment and they had accounted for 59% of the total capital spending of TAURON Group.

The positive value of the cash flow from the financing activities is primarily due to the higher value of the inflows from the financing obtained, as compared to the expenditures incurred in connection with the repayment of the financial obligations. The amount of the proceeds received due to the taking out of the loans had clocked in at PLN 7 982 million, the amount of the credits (borrowings) and loans repaid had come in at PLN 6 758 million, while the amount of the redeemed securities had stood at PLN 170 million. In addition, in 2023, TAURON Capital Group had paid the amount of PLN 697 million due to interest, mainly on the financial obligations, and had repaid the accounts payable due to the leases in the amount of PLN 105 million, while the amount of the subsidies received and the other payments had clocked in at PLN 34 million.

TAURON Capital Group is maintaining its market position. The current liquidity ratio and the net financial debt to EBITDA ratio continue to stand at a safe level.

The below figure presents TAURON Capital Group's cash flows in 2023.

Figure no. 55. TAURON Capital Group's cash flows in 2023



TAURON Capital Group is effectively managing its financial liquidity using the central financing model put in place and the central financial risk management policy. TAURON Capital Group is using the *cash pool* mechanism in order to minimize the potential cash flow disruptions and the risk of the liquidity loss. TAURON Capital Group is using various sources of funding, such as, for example, overdrafts, bank loans, loans (borrowings) from the environmental funds, bond issues.

## 5.5. Material off-balance sheet items

The material off-balance sheet items of TAURON Capital Group, as of December 31, 2023, include:

1. the lawsuits brought by the companies from the Polenergia and Wind Invest groups against TAURON and PEPKH, related to the termination of the long term contracts for the purchase of the electricity and property rights by PEPKH,
2. the claim of the WorleyParsons consortium against the company Polskie Elektrownie Jądrowe (Polish Nuclear Plants) (formerly PGE EJ 1 sp. z o.o. (Ltd.)),
3. the claim of Huta Łaziska (Łaziska Steel Works) for the alleged damage caused by a failure to implement, by GZE S.A. (company taken over by TAURON), the decision of the President of the Energy Regulatory Office (ERO) related to the resumption of the electricity supply by GZE to Huta Łaziska (Łaziska Steel Works),
4. the lawsuit brought by Enea against TAURON as well as against TAURON Sprzedaż and TAURON Sprzedaż GZE as the co-defendants, where the basis of Enea claim includes the allegations related to the Company's unjust enrichment (benefit) in connection with the possible errors with respect to the determination of the metering and billing data by Enea Operator sp. z o.o. (Ltd.), constituting the basis for the settlements of Enea and TAURON with PSE (TSO), due to an imbalance on the Balancing Market,
5. the administrative and investigative proceedings, as well as the proceedings with respect to the imposition of the monetary fines initiated by the President of the Office of Competition and Consumer Protection (UOKiK) and the President of the Energy Regulatory Office (ERO) against the Supply Segment's subsidiaries,
6. the contingent liabilities related to the possibility of the future costs to be incurred by TAURON Capital Group's subsidiaries due to the non-contractual use of the real estate, i.e. the land on which the distribution grids, the district heating installations and the devices related thereto are located,

The detailed information related to the off-balance sheet items both in the subjective and objective terms, as well in terms related to the value thereof is presented in notes 56 and 57 to the Consolidated Financial Statements of TAURON Capital Group.

## 5.6. Differences between the financial results reported in the annual report and the forecasts of results for the given year published earlier

The Management Board of the Company did not publish any forecasts of the earnings of TAURON Capital Group for 2023. This decision was due to the considerable volatility of the market and a substantial number of factors negatively affecting the predictability thereof.

## 5.7. Key financial ratios and the Alternative Performance Metrics

The below table presents the key financial ratios of TAURON Capital Group which may constitute an important source of the information for the investors with respect to the financial and operational standing of TAURON Capital Group. The Alternative Performance Measures presented below, as defined by the ESMA Guidelines on the Alternative Performance Metrics, in the opinion of the Management Board, present the additional information with respect to the financial performance (results) of TAURON Capital Group's business operations. They constitute the standard metrics commonly used in the financial analysis, the usefulness of which has been analyzed in terms of the information provided to the investors on the financial efficiency (performance), cash flows and the debt of



TAURON Capital Group. In 2023, there had been no changes in the methodology used for determining the individual metrics in relation to 2022, and therefore the values of the metrics are comparable.

Table no. 44. Key financial ratios of TAURON Capital Group for the continuing and discontinued operations <sup>1</sup>

Ratios	Definition	2023	2022
<b>PROFITABILITY</b>			
EBIT margin <sup>1</sup>	Operating profit / Sales revenue	8.0%	3.0%
EBITDA margin <sup>1</sup>	EBITDA / Sales revenue	14.4%	10.8%
Net Profitability	Net profit / Sales revenue	3.9 %	-0.4%
Return on Equity (ROE)	Net profit / Equity at the end of the period	9.3%	-0.8%
<b>LIQUIDITY</b>			
Current liquidity ratio	Current assets / Short term liabilities	0.87	1.01
<b>DEBT</b>			
Total debt ratio	Total liabilities / total equity and liabilities	0.64	0.63
Net financial debt / EBITDA	(Financial liabilities - Cash) / EBITDA	2.1x	2.9x
<b>OTHER RATIOS</b>			
Earnings per share (EPS)	Net result attributable to shareholders of the parent entity / Number of ordinary shares	0.95	(0.08)

<sup>1</sup> Due to the limited comparability of the earlier periods, the data is presented in a two-year time frame. The data comprising the earlier periods is presented in section no. 5.8 of this report

The profitability ratios achieved in 2023 had come in at a higher level than in 2022. The return on equity had posted the largest increase, i.e. by 10.2 percentage points, which is mainly due to TAURON Group's net profit from the continuing operations. The main cause of the improvement in all of the ratios is the posting of EBIT and EBITDA, as well as the net profit at a higher level than last year, the reasons for which are described in more detail in sections 5.1 and 5.2 of this report, along with the simultaneous slower growth of the sales revenue (i.e., up by 14%) or the equity, respectively.

As of December 31, 2023, the current liquidity ratio had come in higher than as of December 31, 2021, which is the result of a faster growth of the value of the current liabilities, i.e. up by 40%, than the growth rate of the current assets, i.e. up by 21%, the reasons for which are described in section 5.3. of this report.

The total debt ratio and the net debt to EBITDA ratio illustrate the share of the liabilities in the financing of TAURON Capital Group. The current level of these ratios enables TAURON Capital Group to obtain the external financing required to carry out the planned investment (capex) projects. The levels of both ratios confirm a stable financial position of TAURON Capital Group. It should be noted that the net financial debt to EBITDA ratio, which is also one of the key ratios monitored by TAURON Group, determines the level of the group's ability to repay its debt using the operating profits. This ratio is also the basic covenant used in the agreements signed with the banks, and its acceptable value, depending on the provisions of the specific financing agreements, stands at 3.5x or 4.0x. The value of this ratio is lower as compared to the value reported in 2022, which is a consequence of posting the EBITDA result that is higher by 53%, along with a 10% increase in the debt used to calculate this ratio.

The EPS ratio (calculated in relation to the net profit attributable to the shareholders of the parent entity) stands at PLN 0.95 / share and it is higher than the figure reported in the previous year.

The below table presents the reconciliation of the net financial debt, the amount of which, along with the EBITDA amount, is the basis for calculating the net debt to EBITDA ratio.

Table no. 45. Net financial debt reconciliation

Item (PLN m)	2023	2022
<b>Cash and its equivalents</b>	<b>(1 084)</b>	<b>(1 678)</b>
<b>Long term financial debt</b>	<b>12 037</b>	<b>12 806</b>
Long term credits and loans, and other	7 392	7 765
Long term liabilities due to the unsubordinated bonds issued	4 645	5 041
<b>Short term financial debt</b>	<b>2 020</b>	<b>460</b>

Item (PLN m)	2023	2022
Short term credits and loans, and other	1 811	245
Short term liabilities due to the unsubordinated bonds issued	209	215
<b>Total financial debt</b>	<b>14 057</b>	<b>13 266</b>
<b>Contingent liabilities treated as equivalent to debt in the financing documentation</b>	<b>-</b>	<b>187</b>
<b>Net financial debt</b>	<b>12 973</b>	<b>11 775</b>

The below table presents the reconciliation of the result at the EBITDA level.

Table no. 46. Reconciliation of the result on the EBITDA level

Item (PLN m)	2023	2022
<b>Net profit (loss) from continuing operations</b>	<b>1 678</b>	<b>(209)</b>
Income tax charged to the financial result	624	319
Costs of interest on debt	797	591
Financial revenue and other financial costs	295	368
<b>EBIT from continuing operations</b>	<b>3 394</b>	<b>1 069</b>
EBIT from discontinued operations	-	50
<b>EBIT from continuing and discontinued operations</b>	<b>3 394</b>	<b>1 119</b>
Depreciation charged to the financial result from continuing and discontinued operations	2 232	2 215
Impairment loss charged to the result from continuing and discontinued operations	519	682
<b>EBITDA from continuing and discontinued operations</b>	<b>6 145</b>	<b>4 016</b>

## 5.8. Key financial and operating data for the last 5 years

The below table presents the key financial data and operating data of TAURON Capital Group for the last 5 years, i.e. for the 2019 – 2023 time frame.

Table no. 47. Financial data and operating data for the years 2019 - 2023 <sup>1</sup>

Key information	unit	2019	2020	2021	2022	2023	Dynamics (2023 / 2022)
<b>STATEMENT OF COMPREHENSIVE INCOME</b>							
Sales revenue	PLN m	19 558	20 850	25 614	37 341	42 657	114%
Operating profit	PLN m	295	(1 537)	916	1 119	3 394	303%
Financial revenue (total)	PLN m	95	196	193	127	616	485%
Financial costs (total)	PLN m	(407)	(838)	(434)	(1 086)	(1 708)	157%
Pre-tax profit (loss) from continuing operations	PLN m	(113)	(2 179)	1 125	110	2 302	2 093%
Income tax	PLN m	19	6	(293)	(319)	(624)	196%
Net profit (loss) from continuing operations	PLN m	(94)	(2 173)	832	(209)	1 678	-
Net profit (loss) from discontinued operations	PLN m	-	-	(447)	75	-	-
Net profit (loss) from continuing and discontinued operations attributable to:	PLN m	(12)	(2 173)	385	(134)	1 678	-
shareholders of the parent entity	PLN m	(11)	(2 170)	338	(134)	1 673	-
non-controlling stakes (interests)	PLN m	(1)	(3)	47	0	5	-
EBITDA from continuing and discontinued operations	PLN m	3 599	4 226	4 152	4 016	6 145	153%
<b>STATEMENT OF FINANCIAL POSITION</b>							

Key information	unit	2019	2020	2021	2022	2023	Dynamics (2023 / 2022)
Fixed assets	PLN m	35 052	33 585	33 855	35 053	37 353	107%
Current assets	PLN m	6 865	6 111	6 220	10 267	12 445	121%
Total equity	PLN m	19 093	16 727	16 524	16 614	17 953	108%
Total liabilities	PLN m	22 825	22 969	23 551	28 706	31 845	111%
long term liabilities	PLN m	14 963	15 687	13 634	18 511	17 576	95%
short term liabilities	PLN m	7 862	7 102	9 917	10 195	14 269	140%
Net financial debt	PLN m	10 130	10 595	10 129	11 775	12 973	110%
Capital expenditures	PLN m	4 128	4 039	2 932	3 962	4 364	110%
<b>CASH FLOW ACCOUNT</b>							
Net cash from operating activities	PLN m	2 036	4 042	4 955	2 775	4 616	166%
Net cash from investing activities	PLN m	(4 535)	(3 977)	(3 103)	(3 976)	(4 794)	121%
Net cash from financing activities	PLN m	2 895	(374)	(2 003)	1 518	286	19%
Cash closing balance	PLN m	1 204	895	623	940	1 048	111%
<b>RATIOS</b>							
EBIT margin	%	2%	(7)%	4%	3%	8%	266%
EBITDA margin	%	18%	20%	16%	11%	14%	134%
Net financial debt / EBITDA	multiple	2.8x	2.5x	2.4x	2.9x	2.1x	72%
Net earnings per share	PLN / share	-0.01	-1.24	0.19	-0.08	0.95	-
<b>OPERATING DATA</b>							
Commercial coal production	Mg m	3.78	4.54	5.15	5.01	-	-
Gross electricity production	TWh	13.88	12.5	15.59	15.55	12.67	81%
Electricity production from RES	TWh	1.38	1.94	1.71	1.57	1.67	106%
Heat production	PJ	10.85	11.63	12	10.58	10.35	98%
Retail electricity supply	TWh	33.73	32.43	33.41	31.14	30.75	99%
Electricity distribution	TWh	51.73	50.26	53.97	53.68	51.30	96%
Number of customers (Distribution)	M	5.65	5.71	5.78	5.84	5.93	102%

<sup>1</sup> The values presented for the years 2018 - 2019 do not reflect the values in compliance with the IFRS and are not directly comparable due to the changes in the presentation (organization) of the Segments

The below table presents TAURON Capital Group's EBITDA for the last 5 years, i.e. for the 2019 – 2023 time frame.

Table no. 48. TAURON Capital Group's EBITDA, broken down into Segments of Operations <sup>1</sup>

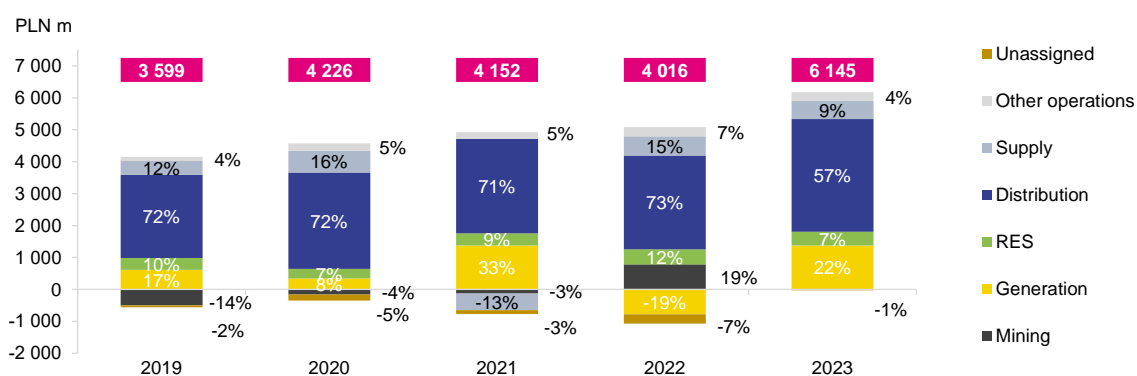
EBITDA (PLN m)	2019	2020	2021	2022	2023	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>Continuing operations</b>							
Mining	(500)	(157)	-	-	-	-	-
Generation	438	344	1 375	(779)	1 377	-	2 156
RES	368	297	376	476	431	91%	(45)
Distribution	2 606	3 023	2 967	2 939	3 528	120%	589
Supply	429	683	(524)	594	568	96%	(26)
Other operations	136	229	208	298	273	92%	(25)
Unassigned items	(56)	(193)	(134)	(313)	(32)	10%	281

EBITDA (PLN m)	2019	2020	2021	2022	2023	Change in % (2023 / 2022)	Change (2023 - 2022)
<b>EBITDA from continuing operations</b>	<b>3 599</b>	<b>4 226</b>	<b>4 268</b>	<b>3 215</b>	<b>6 145</b>	<b>191%</b>	<b>2 930</b>
<i>Discontinued operations</i>							
Mining			(130)	781	-	-	(781)
Consolidation adjustments / Unassigned items			14	20	-	-	(20)
<b>EBITDA from discontinued operations</b>			<b>(116)</b>	<b>801</b>	<b>-</b>	<b>-</b>	<b>(801)</b>
<b>EBITDA total from discontinued and continuing operations</b>	<b>3 599</b>	<b>4 226</b>	<b>4 152</b>	<b>4 016</b>	<b>6 145</b>	<b>153%</b>	<b>2 129</b>

<sup>1</sup>The values presented for the year 2018 do not reflect the values in compliance with the IFRS and are not directly comparable due to the changes in the organization of the Segments that had taken place in 2020, i.e. the spinning off of the RES Segment from the Generation Segment. In addition, due to the loss, as of December 31, 2022, of the control by TAURON Group over the TAURON Wydobycie subsidiary as a result of the divestment of the shares thereof to the State Treasury, the results of the Mining Segment subsidiary for the years 2021 and 2022 are presented as part of the discontinued operations.

The below figure presents the structure of TAURON Capital Group's EBITDA in the years 2019 – 2023.

Figure no. 56. Structure of TAURON Capital Group's EBITDA in the years 2019 – 2023



### Key information for the years 2019 - 2023 by Segments of Operations

The below figures present the financial data for the years 2019 - 2023 by Segments of Operations.

Figure no. 57. Generation Segment's and RES Segment's data for the years 2019 - 2023

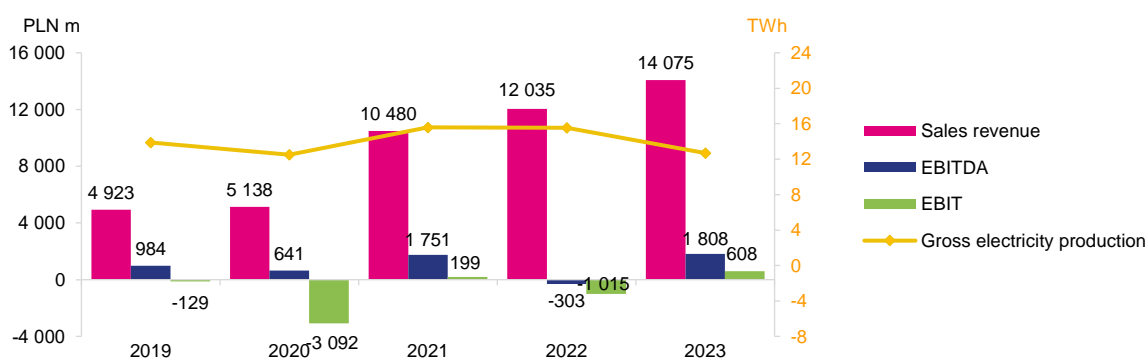


Figure no. 58. Distribution Segment's data for the years 2019 - 2023

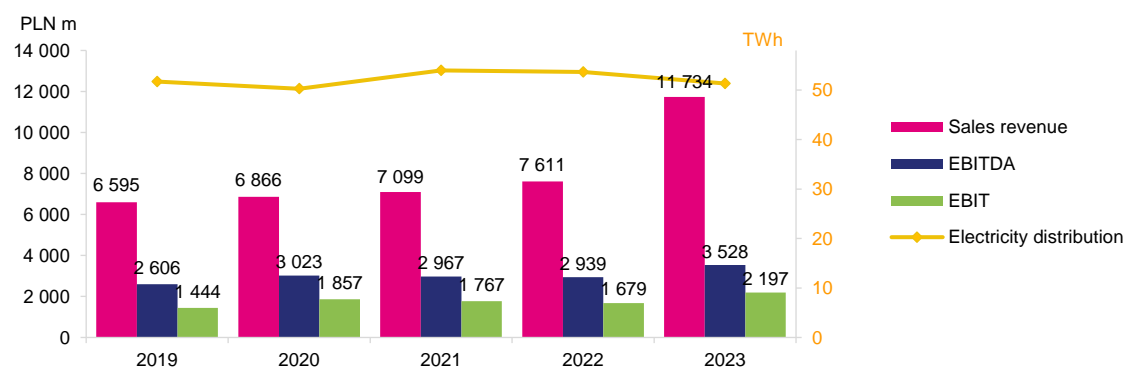


Figure no. 59. Supply Segment's data for the years 2019 - 2023

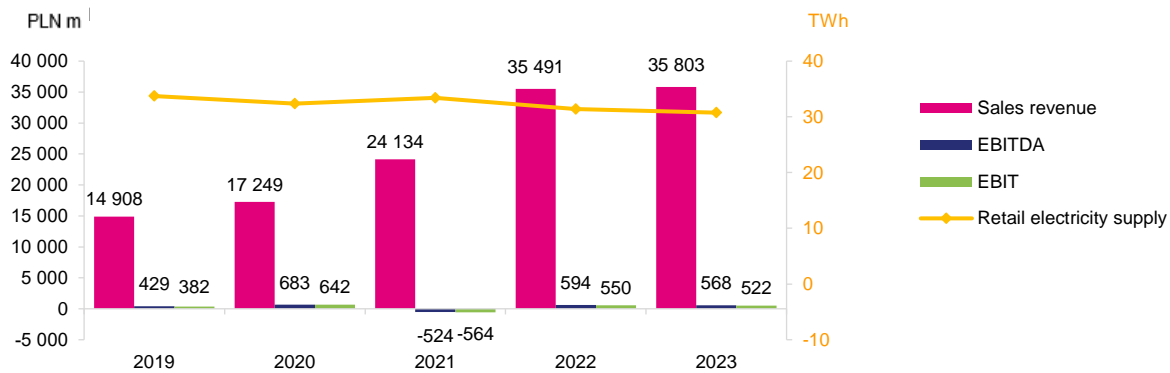
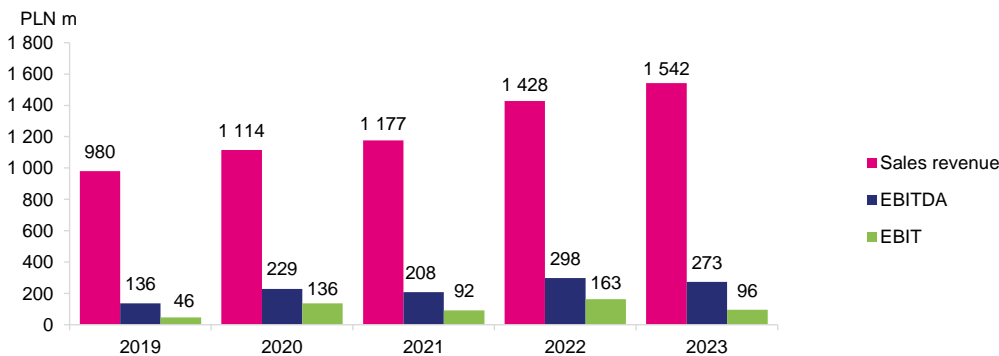


Figure no. 60. Other Operations Segment's data for the years 2019 - 2023



## 5.9. What can we expect in 2024

The World Bank updated its forecast of Poland's GDP growth rate in January 2024. According to the latest data, Poland's GDP growth rate in 2024 is projected to come in at 2.6%, and in 2025 it is expected to climb to 3.4%. In its latest projections, the World Bank has maintained its previous forecast for 2024, but made a 0.2 percentage point upward revision for 2025. The bank's analysts note the current situation of the global economy, which they describe as a "decade of the missed opportunities". They forecast that, by the end of 2024, the world will experience its lowest economic growth rate in 30 years, and the global growth will decelerate for the third consecutive year, down 0.2 pp from 2.6% in 2023. The bank predicts that developing economies will grow by only 3.9%, which means the decline by more than 1 pp from the average growth rate logged during the previous decade. After a disappointing performance in the previous year, the low income countries expect the growth rate of 5.5%, which is weaker than previously forecast. At the end of 2024, a significant number of countries will still be economically below the pre-COVID-19 pandemic levels.

According to the Statistics Poland's data, published on January 15, 2024, the average annual inflation rate clocked in at 11.4% in 2023. The projection presented on March 11, 2024, by the National Bank of Poland indicated that the projected GDP growth will come in at 3.5% in 2024, 4.2% in 2025 and 3.3% for 2026. At the same time, the NBP makes a caveat that the presented projected GDP growth rate in 2024 is possible under the assumption that the shielding measures are maintained. However, in the event that the government abandons those solutions, according to the bank's representatives, the GDP growth rate will be lower by 0.3 pp and will clock in at 3.2% in 2024. According to the forecasts of the bank's economists, the coming quarters will see a receding of the effects of the supply shocks in the global energy commodity markets, and the fiscal measures taken will increase the disposable income of households. At the same time, in 2024 there will be a slight decrease in the absorption of European funds, while in 2025 there will be a strong growth as part of the new financial plan for the years 2021 - 2027. According to the bank's representatives, there will also be a limited scale of the recovery in Poland's external environment and a restrictive monetary policy with the assumption of keeping the interest rates unchanged, which will not be without an impact on the development of the factors that build the GDP growth rate. In addition, the bank's representatives have presented the projections for the trajectory of the inflation rate, according to which the CPI inflation should stand at a level significantly below the readings reported in 2023 and remain at a depressed level until the end of 2024. According to the NBP's report, a decline in the consumer prices rise rate, relative to 2023, is brought about by the staggered impact of a significant reduction in the cost pressures in the economy associated with a marked decline of the energy commodity prices on the world markets after their strong rise in 2021 - 2022. As in case of the GDP projection, the bank's economists have presented two variants for the inflation



rate trajectory, i.e. depending on the actions taken by the government. In the event that the shielding measures with respect to the food and energy prices are extended until the end of the period covered by the projection, the inflation rate will fall to 3% in 2024 and will persist around the NBP's inflation target in the subsequent years covered by the projection, i.e. it will stand at 3.4% in 2025 and at 2.9% in 2026. However, in the event that the government were to restore the VAT rate on the basic food products at 5% from April and completely unfreeze the electricity and gas prices for households from July then the inflation could reach 5.7% in 2024, and 3.0% and 2.7% in the subsequent years, respectively.

In the long term, the sweeping changes to the entire power sector are expected. The tightening climate policy at the EU level is having a material impact on the functioning of the electricity market in Poland. A permanent change in the structure of the electricity production due to the decarbonization of the power sector is under way. TAURON Capital Group is responding to the market and the regulatory changes by focusing on a sustainable transition towards a leading low carbon energy group.

The additional information related to the forecasts for 2024 is provided in section 5.10. of this report.

## 5.10. Current and forecast financial and assets situation

Taking into account the current market situation, it is expected that the results of TAURON Capital Group in the coming years will be impacted by both the external factors, as well as by the actions taken inside the Group.

In the **Generation Segment**, an important challenge of the next few years is the transition of the district heating industry to the low- and zero carbon sources. With respect to the district heating, replacing of the hard coal fired generating units with the low carbon sources is a strategic issue. The development of the heat market through an expansion of the district heating network and connecting of the new customers provides the support for the reduction of the low emissions. TAURON Group is planning to become a reliable producer and the largest supplier of heat in the region, which will be possible by replacing the hard coal fired sources with the modern low carbon units, ensuring the high reliability and quality of the heat supply, improving the technical and economic parameters, including minimizing of the heat transmission losses, developing the district heating market by acquiring the new customers, supporting the elimination of the low emissions and expanding the range of the offering with the new products.

In the short term, the **RES Segment's** expansion will be continued through the further investments in the photovoltaic farms and the onshore wind farms. The Act of March 9, 2023, on amending the act on investments in the wind power plants and certain other acts includes a loosening of the regulations restricting the locations of the farms. The liberalization of the regulations may lead to the new projects coming to the market, however a number of them will require many months of the design work due to the need to update the administrative permits and decisions. For both technologies, obtaining of the conditions for the DSO grid connection is a problem. In the long term, the development of the offshore wind farms is planned as well. The Segment's activities will also be focused on improving the efficiency of the hydro power plants, implementing the energy storage technologies, including the pumped storage power plants. The implementation of the above development activities should ensure a stable financial performance of the Segment as a result of, first of all, increased electricity production volumes.

The **Distribution Segment** is and will be a stable source of revenue for TAURON Capital Group. The rapid growth of the distributed sources and electromobility requires substantial capital expenditures on the modernization and expansion of the distribution grid. The investment projects in this regard are required to ensure an even broader utilization of the electricity coming from the RES and, therefore, extensive work is under way to support their financing under the regulatory model, as well as with the use of the assistance funds.

In the **Supply Segment**, it is assumed that a competitive advantage will be developed in the electricity market based on a rapid response to the market changes and the customer expectations. It is necessary to ensure a diversified and attractive basket of the products and services. The market for the ecological products and services is undergoing continuous development as a result of the need to implement the green transition and the rapid growth in the number of the prosumers. In addition, maintaining a high level of the customer satisfaction indices requires the provision and a further development of the modern, integrated sales and customer service channels in the form of the chatbots or the artificial intelligence based algorithms. In the long term, it becomes necessary to have a broader range of the services and products including, among other things, the services related to improving the customers' energy efficiency and the products with a documented neutral environmental impact. In order to maintain a high level of the customer satisfaction index, it is necessary to involve the customer in the development of the products and services. The Supply Segment is assumed to carry on posting the positive financial results and continue the implementation of its value growth model based on the customer relationships and the sales of the additional products and services in connection with the supply of electricity.

**Other operations** - the main consumers of the shared services provided include, first and foremost, the Distribution Segment and the Supply Segment, for the benefit of which the projects with respect to customer service are implemented and finalized, while at the same ensuring the highest quality of service. In addition, the services for TAURON Capital Group's subsidiaries are provided, with respect to, among other things, the financial and accounting services, the human resources (HR) and payroll services, the IT services, the fleet management

services and the real estate management services. Such activities enable achieving synergy the effects across entire TAURON Capital Group and bring the cost efficiency improvements.

## 5.11. Principles of preparing annual consolidated financial statements

The Consolidated Financial Statements of TAURON Capital Group have been drawn up in accordance with the IFRS, approved by the EU.

The IFRS comprise the standards and the interpretations approved by the International Accounting Standards Board, as well as by the International Financial Reporting Interpretation Committee.

TAURON Capital Group's subsidiaries and the parent entity keep their accounting books and draw up their financial statements in accordance with the IFRS, approved by the EU, with the exception of TAURON Czech Energy that is keeping its accounting books and drawing up its financial statements in accordance with the accounting principles applicable in the Czech Republic and the companies Łagisza Grupa TAURON sp. z o.o. (Ltd.), TEC1, FF PARK PV1, „MEGAWATT S.C.", WIND T4 sp. z o.o. (Ltd.), WINDPOWER Gamów sp. z o.o. (Ltd.) (WINDPOWER Gamów), WIND T30MW sp. z o.o. (Ltd.) (WIND T30MW), WIND T2, AE Energy 7, TAURON Ubezpieczenia sp. z o.o. (Ltd.) and Energetyka Cieszyńska that are keeping their accounting books and drawing up their financial statements in accordance with the *Act of September 24, 1994, on accounting*.

The Consolidated Financial Statements of TAURON Capital Group contain adjustments which are not included in the ledgers of TAURON Capital Group's entities, introduced in order to bring the consolidated statements into compliance with IFRS.

The Consolidated Financial Statements of TAURON Capital Group have been drawn up with the assumption of the continuation of business operations by TAURON Capital Group's subsidiaries in the foreseeable future, *i.e. over the time frame not shorter than 1 year from the balance sheet date*. As of the date of the approval of the Consolidated Financial Statements of TAURON Capital Group for publication, no circumstances have been detected, indicating any risk for business continuity by TAURON Capital Group.

The accounting principles (policy) adopted for drawing up of the Consolidated Financial Statements of TAURON Capital Group are presented in note 6 and in the individual notes to the Consolidated Financial Statements of TAURON Capital Group.

## 6. INFORMATION ON THE AUDIT FIRM

On November 9, 2021, the Supervisory Board, based on the recommendation of the Audit Committee, appointed the audit firm Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (Limited Liability Company Limited Joint-Stock Partnership) (Ernst & Young Audyt Polska) to conduct an audit and the review of the financial statements and the consolidated financial statements of TAURON for the years 2022 - 2024. On February 28, 2019, TAURON concluded an agreement with Ernst & Young Audyt Polska and the subject of the agreement covered:

1. audit of the financial statements of the Company for the years 2022 - 2024, drawn up in accordance with the requirements of the IFRS,
2. audit of the financial statements of the selected subsidiaries of TAURON Capital Group for the years 2022 - 2024, drawn up in accordance with the IFRS,
3. audit of the consolidated financial statements for the years 2022 - 2024, drawn up in accordance with the IFRS,
4. review of the interim, half year financial statements of the Company, required by the Warsaw Stock Exchange (WSE), for the periods ended on June 30, 2022, June 30, 2023, and June 30, 2024, drawn up in accordance with the requirements of the IFRS,
5. review of the interim, half year consolidated financial statements, required by the Warsaw Stock Exchange (WSE), for the periods ended on June 30, 2022, June 30, 2023, and June 30, 2024, drawn up in accordance with the requirements of the IFRS.

In addition, in accordance with the agreement, TAURON exercised the option involving the ability to commission the financial audit services including the evaluation of the annual report of the Supervisory Board on the compensation of the Company's Management Board and Supervisory Board for the years 2022 - 2024 and the other permitted services including the verification of the interim, the semi annual and the annual consolidation packages of the selected subsidiaries of TAURON Capital Group for the years 2022 - 2024, necessary for the preparation of the consolidated financial statements and carrying out, in the years 2022 – 2024, of the agreed upon procedures with respect to the verification of the subsidiary's report on the update of the Regulatory Asset Base (RAB) and the Regulatory Asset Base for the AMI System (AMI RAB) for the purpose of determining a reasonable rate of return on the capital employed by the President of the Energy Regulatory Office (ERO) for the years 2023 - 2025.

Prior to 2023 the services provided for the Company by Ernst & Young Audyt Polska had included the audit of the standalone financial statements and the consolidated financial statements of the Company for the years from 2008 until 2012 and for the years from 2017 to 2022, as well as the reviews of the interim, half year standalone financial statements and the consolidated financial statements of the Company for the periods ended on June 30 in the individual years from 2010 until 2012 and from 2017 to 2022, carrying out, in the years 2019 – 2022, of the agreed upon procedures with respect to the verification of the subsidiary's report on the update of the Regulatory Asset Base (RAB) for the purpose of determining a reasonable rate of return on the capital employed by the President of the Energy Regulatory Office (ERO) and carrying out of a service involving an evaluation of the report of the Supervisory Board on the compensation for the years 2019 – 2020, 2021 and 2022. The Company had also used, prior to 2018, the advisory (consulting) and the training services provided by Ernst & Young Audyt Polska, to the extent in line with the legal regulations in force and not leading to the curtailment of the level of the impartiality and independence of the auditor.

The compensation of the audit firm Ernst & Young Audyt Polska and of the audit firms auditing the financial statements of the selected subsidiaries for the services provided for the benefit of TAURON Capital Group's subsidiaries is presented in the below table. The total amount of the compensation of the audit firms came in at PLN 3 043 000, of which the compensation of the audit firm Ernst & Young Audit Poland clocked in at PLN 2 846 000. Other than the presented services provided by Ernst & Young Audyt Polska, the Group has not used any services of any other entity belonging to the Ernst & Young Global Limited network (EY network).

**Table no. 49. Compensation of the audit firms for the services provided for TAURON Capital Group's subsidiaries**

Services provided for TAURON Capital Group's subsidiaries	Year ended on December 31, 2023 (PLN '000)	Year ended on December 31, 2022 (PLN '000)
1. Mandatory audit, including:	2 235	2 162
1) consolidated financial statements	328	308
2) standalone financial statements of the parent entity	305	288
3) standalone financial statements of the subsidiaries	1 602 <sup>1</sup>	1 566 <sup>2</sup>

Services provided for TAURON Capital Group's subsidiaries	Year ended on December 31, 2023 (PLN '000)	Year ended on December 31, 2022 (PLN '000)
2. Other certifying services provided for the mother company, including reviews of financial statements and the evaluation of the annual report of the Supervisory Board on the compensation	485	475
3. Other certifying services for subsidiaries, including verification of consolidation packages	323	350
4. Tax advisory services	0	0
5. Other services (including training) provided for TAURON Capital Group	0	0
<b>Total</b>	<b>3 043</b>	<b>2 987</b>

<sup>1</sup> as part of the amount of PLN 1 602 000 related to the audit of the standalone financial statements of the subsidiaries, the compensation in the amount of PLN 1 405 000 applies to the audit firm Ernst & Young Audyt Polska and the compensation in the amount of PLN 197 000 applies to the other audit firms.

<sup>2</sup> as part of the amount of PLN 1 566 000 related to the audit of the standalone financial statements of the subsidiaries, the compensation in the amount of PLN 1 423 000 applies to the audit firm Ernst & Young Audyt Polska and the compensation in the amount of PLN 143 000 applies to the other audit firms.

## 7. FINANCIAL RESOURCES AND INSTRUMENTS

### 7.1. Proceeds from the security issues

The Company did not issue any securities in 2023.

### 7.2. Financial instruments

#### **The application of the financial instruments with respect to eliminating the price changes, credit risk, material disruptions of the cash flows and a loss of the financial liquidity**

The financial risk at TAURON Capital Group is managed by TAURON. The centralizing of the financial risk management function is aimed at optimizing the process, including the minimizing of TAURON's and TAURON Capital Group's costs in the above mentioned respect. As part of the financial risk management in 2023 TAURON had continued to hedge the risk of the volatility of the cash flows resulting from its debt based on the WIBOR reference rate by continuing the interest rate swap (IRS) hedging transactions that it had entered into earlier.

In addition, in 2023, TAURON had hedged its FX exposure arising from the trading operations (first of all due to the purchase of the CO<sub>2</sub> emission allowances), as well as from the investing activities related to the implementation of the projects in the field of the renewable energy sources by concluding the forward type contracts. In 2023, TAURON had also been continuing the strategy of hedging its foreign currency exposure generated by the interest payments on the financing obtained in EUR by concluding the forward type contracts. The goal of such transactions was to hedge against the risk of the cash flow volatility stemming from the FX rate fluctuations.

With respect to hedging the credit risk, TAURON Capital Group did not use any financial instruments.

As part of the efforts aimed at eliminating the price risk (a loss of margin), the contracting of the electricity sales is followed by the contracting of the CO<sub>2</sub> emission allowances. Such a method of hedging the positions allows for minimizing the risk of the CO<sub>2</sub> costs not being covered by the contracted electricity price. The basis for determining the CO<sub>2</sub> sales price for the emission allowances volume defined this way is the CO<sub>2</sub> price on the exchange from the time when the CO<sub>2</sub> volume is contracted.

On the other hand, as part of the liquidity loss risk management, the instruments referred to in section 7.3 of this report are used.

#### **The objectives and methods of the financial risk management**

As part of the financial risk management, TAURON Capital Group is managing the FX risk and the interest rate risk, based on *TAURON Group's Financial Risk Management Policy* as well as the Risk Tolerance approved by the Management Board, the Global Financial Risk Limit including the decomposition thereof into the individual financial risk types. The main goal of managing such risks is to minimize the sensitivity of TAURON Capital Group's cash flows to the financial risk factors and to minimize the financial costs and the hedging costs as part of the transactions with the use of the derivative instruments. In cases when it is possible and economically justified, TAURON uses the derivative instruments the characteristics of which allow for applying the hedging accounting.

With respect to the financial risks TAURON Capital Group also identifies and actively manages the liquidity risk understood as a potential loss or a curtailment of the ability to pay the ongoing expenses, due to an inadequate value or the structure of the liquid assets in relation to the short term obligations or an insufficient level of the actual net inflows from the operating activities.

As part of the identified financial risks, TAURON is also managing the risk of the financing understood as a lack of the possibility to acquire the new funding, an increase of the cost of the funding and the risk of the termination of the existing financing agreements. As part of the efforts aimed at minimizing the financing risk, TAURON is conducting a policy of acquiring the funding for TAURON Capital Group with an adequate advance notice in relation to the planned date of the use thereof, i.e. up to 24 months in advance of the planned funding requirement. This means that TAURON Capital Group should have signed programs of guaranteed financing or hedging for such financing in place by accumulating the funds on TAURON Capital Group's accounts. Such a policy is, first and foremost, aimed at ensuring a flexible choice of the financing sources and taking advantage of the favorable market conditions, as well as reducing the risk of the need to take on the new liabilities under the adverse financial terms. TAURON's policy also covers the standardizing of the covenants and the provisions of the financing agreements in the most important (key) elements of the documentation.



### 7.3. Assessment of the financial resources management

TAURON is conducting the corporate policy with respect to the financial management and as a result of that an effective management of the finances of the entire TAURON Capital Group is possible. The main tools enabling effective management include the adequate internal corporate regulations as well as the *cash pool* service in place within TAURON Capital Group and the intra-Group loans. In addition, the adopted financial management model is supported by the Policy with respect to *TAURON Capital Group's financial risk management* and *TAURON Capital Group's Insurance Policy*. In these areas the Company is performing the function of the management body (manager) and the decision maker with respect to the directions of the measures to be undertaken, enabling the setting of the relevant limits of the risk exposure.

In accordance with the adopted financing policy the Company is responsible for acquiring the financing for TAURON Capital Group's subsidiaries. The funds acquired both internally (from TAURON Capital Group's subsidiaries generating financial surpluses), as well as externally (from the financial market), are subsequently transferred to TAURON Capital Group's subsidiaries that are reporting the need for the financing.

The conducted policy with respect to the acquiring of the funding sources enables, first of all, to increase the possibility of obtaining the financing for the general corporate purposes and the capital expenditures (CAPEX), reduce the cost of the external capital, curtail the establishing of the number and forms of the collaterals (pledges) on the assets of TAURON Capital Group as well as the covenants required by the financial institutions, and also leads to the reduction of the administrative (overhead) costs. The corporate financing model also enables acquiring of the funding sources that are not available for the individual subsidiaries. The Company is also considering implementing the method of acquiring the funding using the *project finance* formula with respect to the RES projects. The Company has an option to exclude the financing obtained by TAURON's selected special purpose vehicles (SPV) for the implementation of the RES investment projects from the net debt / EBITDA ratio calculation. In case of deploying the *project finance* solutions, the funds will be obtained directly by the companies implementing the investment projects in the field of the renewable energy sources (RES) in cooperation with TAURON, where TAURON will be performing the arrangement (organizational) functions. The above mentioned measure should enable a greater use of the debt financing as part of the Green Turn strategy implemented by TAURON.

The other key element having an impact on the financial management efficiency is the financial liquidity management, implemented through, among other things, the determination of the liquidity position and the implementation of the liquidity controlling processes. TAURON Capital Group manages the cash flows efficiently, maintains an adequate liquidity of TAURON Capital Group by optimizing the level of the expenses and the cash balances at the subsidiaries. The above mentioned activities lead to the improving of the selection of the moment (timing) of the fund raising and the determining of the maturity date, as well as to maintaining of an adequate level of the liquidity reserve, and also bring about the reduction of the financial costs.

In order to optimize TAURON Capital Group's financial liquidity management and the decision making processes, in particular with regard to the total working capital and approving the liquidity position of TAURON Capital Group's subsidiaries for the given year, as well as for the purpose of the ongoing monitoring and developing the management guidelines for the subsidiaries, the Liquidity Committee is in place at TAURON Capital Group.

The liquidity management is supported by the implemented *cash pool* mechanism. Its overarching goal is to ensure TAURON Capital Group's ongoing financial liquidity, while at the same time curbing the costs of the short term external financing and minimizing the financial costs related to maintaining the cash surpluses on the bank accounts. Due to the functioning of the *cash pool* structure, TAURON Capital Group's subsidiaries, facing the short term funding deficits, may use the funds of the subsidiaries generating the financial surpluses, without the need to acquire the external financing.

Both, the financing policy, as well as TAURON Capital Group's liquidity management policy conducted by TAURON are, first of all, aimed at, apart from increasing the efficiency of managing TAURON Capital Group's finances, eliminating the threats of the curtailment or loss of TAURON Capital Group's financial liquidity. The guaranteed sources of the financing, obtained with an adequate lead time, effectively eliminate the risk of TAURON Capital Group losing its liquidity. The Company is pursuing a policy of diversifying the financing instruments, but, first and foremost, it is seeking to secure the financing and to maintain the ability of TAURON Capital Group's subsidiaries to meet the current and future obligations in the short term and in the long term.

In addition, TAURON Capital Group has dedicated agreements in place to provide the collateral for the liabilities towards IRGiT (Warsaw Commodity Exchange Clearing House) and the bank guarantee programs, as part of which it is possible to issue the guarantees to provide the collateral (pledges) for the liabilities of TAURON Capital Group's subsidiaries within the centralized bank limits. The above mentioned measure has curtailed the costs of the guarantees acquired and has curbed the formal steps required to obtain a guarantee.

The Company and TAURON Capital Group had demonstrated in 2023 a full capacity to pay its accounts payable within the payment deadlines thereof.

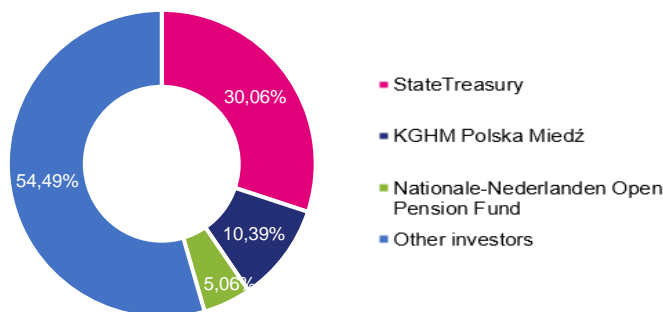
## 8. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

### 8.1. Shareholding structure

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 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.

The below figure presents the shareholding structure as of December 31, 2023, and as of the date of drawing up this report.

Figure no. 61. Shareholding structure as of December 31, 2023, and as of the date of drawing up this report



The detailed information regarding the shareholding structure is presented in section 9.4. of this report.

### 8.2. Dividend policy

As part of the Strategy adopted in June 2022, TAURON had also adopted a dividend policy assuming a minimum dividend payment of 40% of the consolidated net profit in the long term. Over the time frame covered by the Strategy, i.e. until 2030, due to the high level of the planned capital expenditures associated with the implementation of the strategic projects, the dividend policy assumes that the Management Board of the Company will not recommend to the General Meeting of the Shareholders of the Company a payout of the dividend, provided that, in the opinion of the Management Board, such a retention of the funds by TAURON Group will contribute to an increase in the value of its assets. The decision to pay out the dividends will be made by the General Meeting of the Shareholders of the Company following a recommendation by the Management Board, which will take into account the circumstances set forth in the dividend policy when determining the recommended level of the dividends.

The dividend had last time been paid out by the Company in 2015, in the amount of PLN 262 882 409.10 for the financial year 2014. Starting from 2015, the Company has not paid out any dividend.

#### The distribution of the profit achieved for 2022

On March 28, 2023, the Management Board of the Company had made the decision to recommend to the Ordinary General Meeting of the Company the distribution of the net profit generated by the Company for the financial year 2022 in the amount of PLN 67 102 592.85 by allocating the entire net profit to the Company's supplementary capital.

The decision taken had been in line with the applicable dividend policy of the Company, and when making such a decision the Management Board of the Company had taken into account the capex program of TAURON Capital Group adopted as part of *TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050*, which had assumed incurring significant capital expenditures in the subsequent years, in particular in the Distribution Line of Business and in the Renewable Energy Sources Line of Business. The Company will be able to use the funds retained thereby for the implementation of the investment projects and, at the same time, the retained funds will contribute to reducing the demand for the further financing, and thus they will have a positive impact on the level of the net debt to EBITDA ratio.

On May 10, 2023, the Ordinary General Meeting (GM) of the Company had passed a resolution on the distribution of the net profit for the financial year 2022 by allocating the full net profit amount to the supplementary capital of the Company. The resolution the Ordinary General Meeting (GM) of the Company had been in line with the above mentioned recommendation of the Management Board.

TAURON disclosed the information on the above events in current report no. 19/2023 of March 28, 2023, and in current report: no. 29/2023 of May 10, 2023.

### **8.3. Number and nominal value of TAURON Polska Energia S.A.'s shares, as well as of the shares and interests in the related units, held by the Members of the Management Board and of the Supervisory Board**

The persons holding the positions of the Members of the Management Board of the Company and the Members of the Supervisory Board of the Company as of December 31, 2023, did not hold any shares of TAURON, nor did they hold any shares or interest in the units related to the Company, as of that date.

The persons holding the positions of the Members of the Management Board of the Company and the Members of the Supervisory Board of the Company as of the date of drawing up this report, did not hold any shares of TAURON, nor did they hold any shares or interest in the units related to the Company, as of that date.

#### **The changes in the holdings of the shares of the Company by the Members of the Management Board and of the Supervisory Board in 2023**

During the course of 2023 there had been a change in the holding of the shares of TAURON by a Member of the Management Board of the Company involving a sale by the Vice President of the Management Board for Finance (CFO), Krzysztof Surma, on September 8, 2023, of all of the 10 000 shares held thereby before.

### **8.4. Agreements related to the potential changes to the shareholding structure**

The Company does not have any information on the existence of any agreements (including also the agreements concluded after the balance sheet date), as a result of which any changes in the proportions of the shares held by the existing shareholders and bondholders may occur in the future.

### **8.5. Share buybacks**

In 2023 and as of the date of drawing up this report, TAURON and its subsidiaries had not acquired or held any of its own shares, with the exception of TAURON Dystrybucja, as discussed below.

#### **Acquiring of the shares in TAURON Dystrybucja S.A.**

As of January 1, 2023, TAURON Dystrybucja had held a total of 649 500 of its own shares with a total nominal value of PLN 12 990, which, after rounding up, had represented 0.002% of the company's share capital. These shares had been purchased from the minority shareholders in 2022 in order to be redeemed, due to a failure of the General Meeting convened on June 23, 2022 to adopt a resolution on the mandatory repurchase of the Company's shares owned by the Shareholders representing no more than 5% of the share capital by the majority Shareholder.

On January 24, 2023, the Management Board of TAURON Dystrybucja had adopted the resolutions on the redemption of the company's shares purchased by TAURON Dystrybucja from the shareholders representing no more than 5% of the share capital and on the lowering of TAURON Dystrybucja's share capital as well as the amendments to the company's articles of association. The Management Board of TAURON Dystrybucja had taken the decision to lower the company's share capital from the amount of PLN 560 489 734.52 by the amount of PLN 12 990.00, i.e. to the amount of PLN 560 467 130.62.

Following the redemption of the above mentioned shares, in 2023, TAURON Dystrybucja had acquired a total of 229 410 of its own shares in order to be redeemed, with a total nominal value of PLN 4 588.20, which in the round numbers had represented 0.0008% of the company's share capital. Pursuant to Article 418<sup>1</sup>, § 6 of the *Code of Commercial Companies*, the share repurchase price is equal to the value of the net assets per share, as shown in the financial statements for the last financial year, less the amount to be distributed to the shareholders. In conjunction with the above, the shares had been repurchased at a price of PLN 0.50 per share, which had translated into a total amount of PLN 114 705 for all of the acquired shares.

Pursuant to Article 418<sup>1</sup>, § 4 of the *Code of Commercial Companies*, if a resolution on the mandatory repurchase of the shares is not adopted at the General Meeting, a company shall be obliged to purchase the shares of the minority shareholders, in order to be redeemed, within 3 months from the date of holding the General Meeting.

In conjunction with the above, as of December 31, 2023, TAURON Dystrybucja had held 229 410 of its own shares with a total nominal value of PLN 4 588.20, which in the round numbers had represented 0.0008% of the company's share capital.

In the first quarter of 2024, (an event that took place after the balance sheet date), the Company acquired a total of 344 596 of its own shares in order to be redeemed, with a total nominal value of PLN 6 891.92, which in the round numbers represented 0.0012% of the Company's share capital. Pursuant to Article 418<sup>1</sup>, § 6 of the *Code of Commercial Companies*, the shares were repurchased at a price of PLN 0.50 per share.

On March 26, 2024 (an event that took place after the balance sheet date), the Management Board of TAURON Dystrybucja adopted the resolutions on the redemption of 574 006 shares purchased by TAURON Dystrybucja from the shareholders representing no more than 5% of the share capital and on the lowering of TAURON Dystrybucja's share capital as well as the amendments to the company's articles of association. The Management Board of

TAURON Dystrybucja took the decision to lower the company's share capital from the amount of PLN 560 467 130.62 by the amount of PLN 11 480.12, i.e. to the amount of PLN 560 455 650.50. As of the date of drawing up this report, the process of registering the lowering of the share capital is under way in the registry court.

Following the above mentioned redemption of the shares purchased, as of the date of drawing up this report TAURON Dystrybucja does not hold any of its own shares.

## 8.6. Employee stock award programs

No employee stock award programs had been implemented by the Company in 2023.

## 8.7. Share price performance on the Warsaw Stock Exchange (WSE)

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

TAURON share price had fluctuated between PLN 1.849 and PLN 4.584 (at the closing prices) in 2023. During the last stock market session of 2023 the share price had stood at PLN 3.734.

After a turbulent and tumultuous year in 2022, the global economy had been returning to a state of stability in 2023. The priority had been to combat a high inflation, which followed the surge in the fuel and energy prices caused by the war unleashed by the Russian Federation in Ukraine. The average annual inflation rate in Poland in 2022 had come in at 14.4 percent in 2022. In February 2023, the inflation rate had risen to its highest level since 1996, clocking in at 18.4 percent, and since then it had been steadily declining to reach 6.2 percent in December 2023, with an average annual inflation rate standing at 11.4 percent. In the wake of the falling inflation rate, the interest rate cuts took place in the second half of the year.

There has been a marked recovery on the majority of the world's stock markets, including the Warsaw Stock Exchange. A reversal of the downward trends of 2022 has been observed, the stock market indices have entered the upward trends and, looking from a full year perspective, the stock market's sentiment in 2023 can be viewed as having been above average. The trading volumes on the Warsaw Stock Exchange had exceeded the levels observed before the outbreak of the Covid-19 pandemic, in terms of the liquidity the Warsaw stock exchange had maintained its position among the top five in Europe, and in terms of the trading volume it had been among the top ten among the European stock exchanges. The Warsaw Stock Exchange Index (Warszawski Indeks Giełdowy – WIG) had reached an all time high, with all of the major indices of the Warsaw stock market posting the double digit gains - the WIG index had risen by 36.54 percent over the course of 2023, the WIG20 index had climbed by 30.75 percent, the mWIG40 had gone up by 39.26 percent, while the WIG-Energia index, which groups companies operating in the energy sector, had logged a 33.09 percent increase.

While the WSE had posted gains, the economic situation had remained fairly stable with its growth rate persisting at a low level. In the first quarter of 2023, the GDP had gone down by 0.3 percent, in the second quarter it had dropped by 0.6 percent, in the third quarter the GDP had climbed by 0.5 percent year on year, and in the fourth quarter of 2023 it had gone up by 1 percent, which had translated into a 0.2 percent GDP growth rate for all of 2023. This indicates the beginning of the recovery from the slowdown, and the rate of the GDP growth rate is close to the average result for the EU countries.

The price performance of the shares of TAURON and the shares of the entire energy sector had been, first and foremost, impacted in 2023, in addition to the above mentioned macro economic factors, by the information related to the overall situation on the electricity market, the transition of the energy sector under way, assuming the spinning off of the generation assets based on the hard coal and lignite out of the energy groups, and the subsequent transfer thereof to NABE (The National Energy Security Agency), the information on the probable acquiring of the funds from the National Recovery Plan, the expected decline of the hard coal prices, the changes in the so-called windmill law, and in the case of TAURON share price performance – in addition, the conclusion of the dispute with the main contractor of the 910 MW power generating unit in Jaworzno, as well as the process of the sale of TAURON Group's hard coal mining assets to the State Treasury, which was completed at the turn of 2022 and 2023.

As of December 31, 2023, TAURON shares were included in the following stock exchange indices:

1. **WIG** – an index that includes all of the companies listed on WSE's Main Market that meet the basic criteria for the inclusion in the indices. TAURON's share in the WIG index: 1.1246%,
2. **WIG-Poland** – a national index that groups solely shares of the domestic companies listed on WSE's Main Market that meet the basic criteria for the inclusion in the indices. TAURON's share in the WIG-Poland index: 1.1519%,
3. **WIG30** – an index that includes 30 of the largest and most liquid companies listed on WSE's Main Market. TAURON's share in the WIG30 index: 1.3538%,
4. **WIG40** – an index that includes 40 of the largest and most liquid companies listed on WSE's Main Market. TAURON's share in the WIG40 index: 5.6571%,
5. **WIG-Energia** – a sector based index that comprises companies that are included in the WIG index and also qualified to the energy sector. TAURON's share in the WIG-Energia index: 22.61%,
6. **WIG-ESG** – an index that includes the shares of the companies considered as socially responsible, i.e. those that comply with the principles of the corporate social responsibility, in particular with respect to the

environmental, social, economic and corporate governance issues. TAURON's share in the WIG-ESG index: 1.0023%.

The below table presents the key data on the Company's shares price performance in the years 2011 - 2023.

**Table no. 50. Key data on the Company's shares in 2011 - 2023**

Year	Share price high (PLN)	Share price low (PLN)	Last share price (PLN)	Market capitalization at the end of the period (PLN m)	Market capitalization at the end of the period (%)	Book value (PLN m)	Price / Earnings
2011	6.81	4.65	5.35	9 376	2.1	15 922	8.1
2012	5.61	4.08	4.75	8 325	1.59	16 839	5.5
2013	5.39	3.85	4.37	7 659	1.29	17 675	5.5
2014	5.69	4.04	5.05	8 850	1.5	18 107	7.8
2015	5.29	2.37	2.88	5 047	0.98	18 837	4.2
2016	3.19	2.31	2.85	4 995	0.9	16 349	-
2017	4.12	2.75	3.05	5 345	0.8	17 880	3.02
2018	3.28	1.67	2.19	3 838	0.66	18 967	3.7
2019	2.44	1.43	1.64	2 874	0.52	19 168	13.9
2020	3.26	0.82	2.72	4 770	0.89	18 071	-
2021	3.82	2.495	2.654	4 651	0.66	16 497	-
2022	3.562	1.745	2.119	3 714	0.65	17 235	13.5
2023	4.584	1.849	3.734	6 544	0.86	18 609	3.8

Year	Price / Book Value	Rate of return ytd <sup>1</sup> (%)	Dividend yield (%)	Trading volume (PLN m)	Trading volume share (%)	Average volume per session (pcs)	Average number of transactions per session (pcs)
2011	0.59	-16.73	2.8	5 575	2.21	3 721 539	1 373
2012	0.49	-5.03	6.5	3 199	1.7	2 667 725	960
2013	0.43	-3.64	4.6	3 104	1.41	2 793 020	1 022
2014	0.49	20.07	3.8	3 135	1.53	2 489 329	1 106
2015	0.27	-40.78	5.2	3 063	1.5	3 190 195	1 431
2016	0.31	-1.04	-	3 199	1.69	4 662 087	1 465
2017	0.31	7.02	-	2 737	1.16	3 261 765	1 323
2018	0.2	-28.2	-	3 104	1.52	5 622 737	1 769
2019	0.15	-25.11	-	2 001	1.04	4 508 965	1 699
2020	0.26	65.98	-	3 233	1.09	6 807 622	2 523
2021	0.28	-2.50	-	3 015	0.96	3 883 666	2 167
2022	0.22	-20.16	-	2 651	0.93	4 086 822	2 026
2023	0.35	76.22	-	2 865	1.04	3 837 532	2 331

<sup>1</sup> Rate of return calculated taking into account the investor's income from the dividend and assuming that the additional income realized is re-invested. The methodology in accordance with Biuletyn Statystyczny GPW (WSE Statistical Bulletin)  
Source: Biuletyn Statystyczny GPW (WSE Statistical Bulletin)

The below graphs present the historical TAURON share price performance and the trading volumes, including against the backdrop of the WIG20, mWIG40 and WIG-Energia indices.



Figure no. 62. TAURON share price performance and trading volumes in 2023

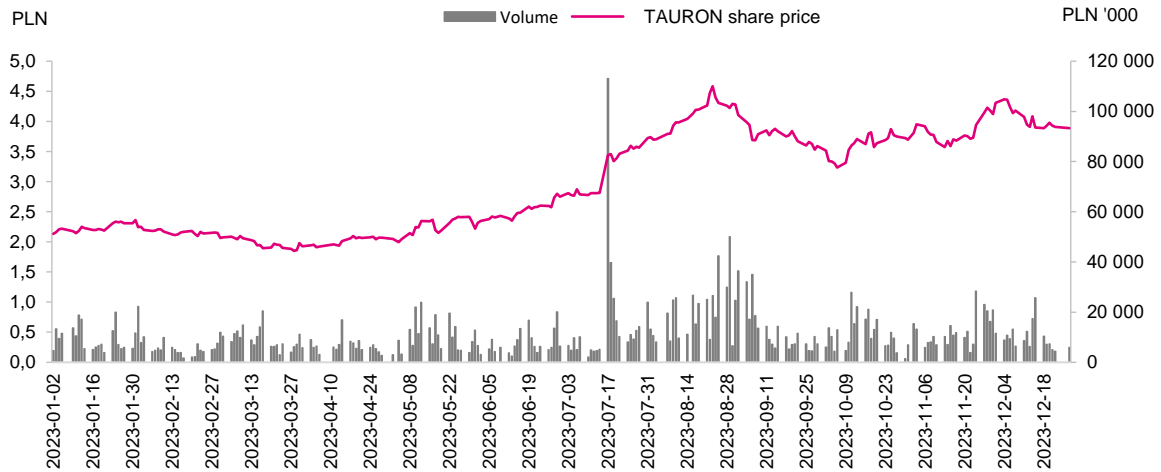


Figure no. 63. TAURON share price and trading volumes since the market debut until December 31, 2023

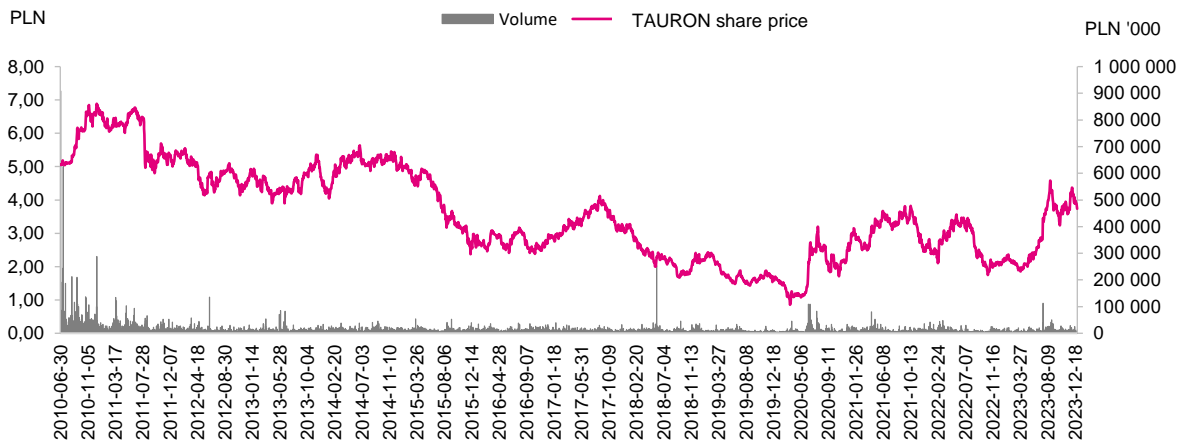


Figure no. 64. TAURON share price (in PLN) versus WIG20 and WIG-Energia indices since the market debut until December 31, 2023

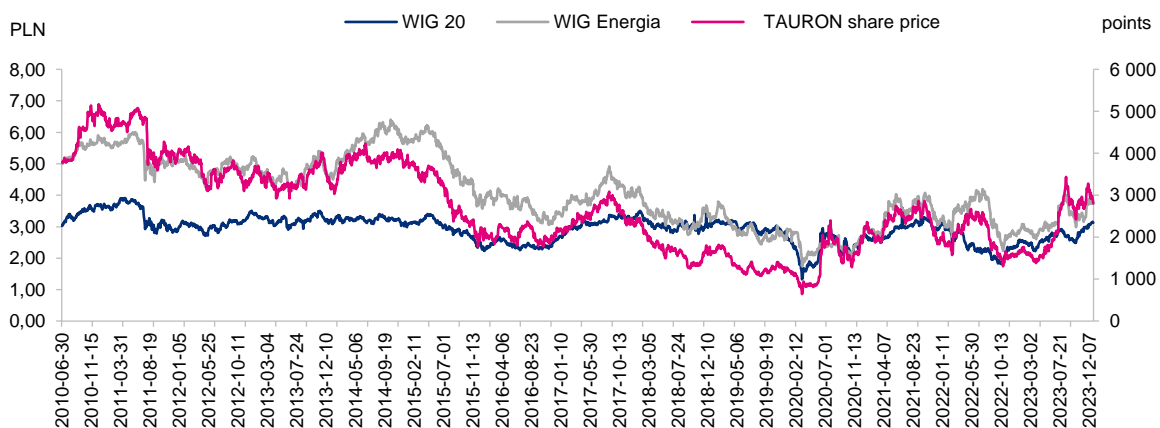
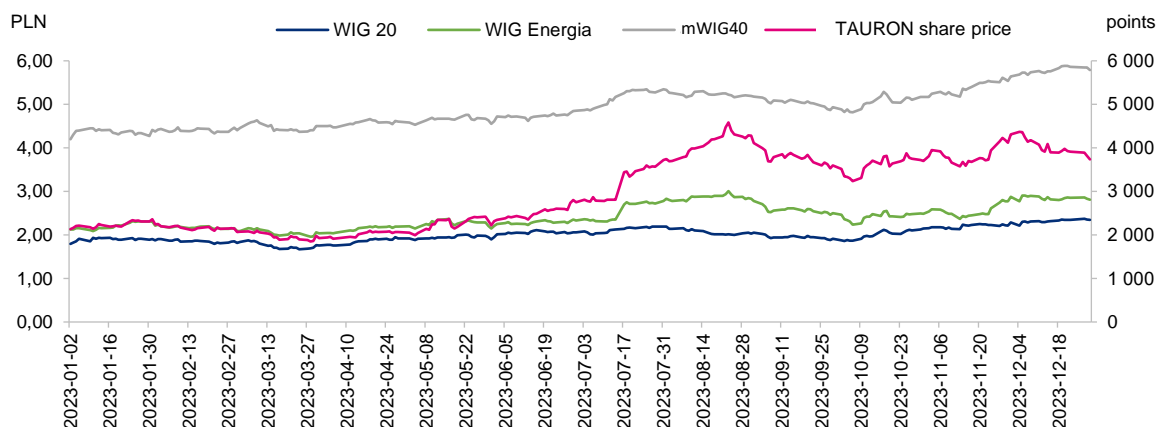


Figure no. 65. TAURON share price versus WIG20, mWIG40 and WIG-Energia indices in 2023



### Recommendations for the shares of TAURON Polska Energia S.A.

Analysts from the brokerage houses and investment banks had issued, in total, 10 recommendations for TAURON shares in 2023, including:



The below table presents a list of recommendations issued in 2023.

Table no. 51. Recommendations issued in 2023

Date of issuing recommendation	Institution issuing recommendation	Recommendation / target price
3.03.2023	Citi	Buy / PLN 2.80
23.05.2023	Santander BM	Buy / PLN 5.10
30.06.2023	Ipopema	Buy / PLN 3.72
19.07.2023	Santander BM	Buy / PLN 7.70
24.07.2023	DM PKO BP	Buy / PLN 4.30
14.08.2023	Wood&Co.	Buy / PLN 8.20
22.08.2023	Trigon DM	Buy / PLN 5.13
9.11.2023	Santander BM	Buy / PLN 5.20
27.11.2023	Santander BM	Buy / PLN 6.10
20.12.2023	DM PKO BP	Buy / PLN 5.00

## 8.8. Investor relations

Transparent, accurate and regular communications is the foundation of TAURON's investor relations (IR) program. It is taking place not only in the form of the mandatory activities required by the legal regulations, i.e. by disclosing the information in the current and periodic regulatory filings (current reports) for example, but it is also supplemented via a number of additional activities and tools addressed directly to all of the stakeholders. The high quality communications leads to the higher level of trust among the investors, financing institutions and business partners. Building the relationships with the investors is based on both implementing the best practices applied around the world, as well as setting the highest standards on the Polish capital market.

The analysts, fund managers and shareholders had access to a wide spectrum of the information on TAURON Capital Group in 2023, through the use of the various communications tools.

In connection with the publication of the periodic, interim reports, the Company was organizing the earnings conference calls for the investors and analysts, each time attended by several dozen representatives of the capital markets and media. Such events were simultaneously interpreted into English. The ability to replay them at a later

date was also provided. As a result, all of the interested parties were guaranteed an equal access to the information. In addition, the Company organized three chats with the representatives of the Management Board, dedicated to the individual (retail) investors.

Apart from the meetings accompanying the publication of the periodic, interim reports, the representatives of the Company took part in the meetings with the investors and the conferences for the investors in 2023, during which, in total, approximately 250 meetings with the investment fund managers and the capital market analysts were held. During the meetings the representatives of TAURON were presenting TAURON Capital Group's strategy, discussing the most important capex projects, the financial position, as well as the current situation on the market and the outlook for the energy sector.

In 2023, similar as in the previous years, TAURON had also participated in the events addressed to the individual investors. The Company was, among other things, a partner of the "WallStreet" conference organized by the Individual Investors Association (Stowarzyszenie Inwestorów Indywidualnych).

In connection with the growing importance of the online channels and the social media, the Company is placing a lot of weight on the development of the use thereof with respect to the communications with the investors. The broadcasts of the events that are important for the investors are provided via the YouTube service, for example, the earnings conference calls or the General Meetings. TAURON also has a corporate profile on X portal (formerly Twitter) where the entries related to, among other things, the investor relations are posted. Being aware of the fact that the website is a significant source of information for the investors, in particular, its *Investor Relations* tab; the Company takes care of its content and the validity of the content provided therein. The *Investor Relations* section contains a lot of useful information on both the current events as well as the planned ones, the financial results or the strategy of TAURON Capital Group. The presentations and the video broadcasts of the earnings conference calls summarizing the financial results are also posted thereupon.

The below table presents a timeline of the investor relations highlights (events) and the activities that had taken place in 2023.

**Table no. 52. Timeline of the investor relations highlights (events) and activities that had taken place in 2023**

Date	Highlight (event)
29.03.2023	Full year 2022 standalone and consolidated earnings reports published
30.03.2023	Video conference call for the analysts, fund managers and the media to present the FY 2022 financial results
30.03.2023	Chat for the individual investors as part of the cooperation with the Individual Investors Association
10.05.2023	Ordinary General Meeting of the Company
30.05.2023	Q1 2023 consolidated earnings report published
31.05.2023	Video conference call for the analysts, fund managers and the media to present the Q1 2023 financial results
26.05.2023	Participation in the <i>WallStreet</i> conference organized by the Individual Investors Association
13.06.2023	Participation in the CEE Days Conference, Ipopema, Warsaw
6.09.2022	H1 2023 consolidated earnings report published
7.09.2023	Video conference call for the analysts, fund managers and the media to present the H1 2023 financial results
7.09.2023	Chat for the individual investors as part of the cooperation with the Individual Investors Association
22.11.2023	Q3 2023 consolidated earnings report published
23.11.2023	Video conference call for the analysts, fund managers and the media to present the Q3 2023 financial results
23.11.2023	Chat for the individual investors as part of the cooperation with the Individual Investors Association
6.12.2023	Participation in the <i>Wood's Winter Wonderland – EME conference</i> , Prague

## 9. STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE

Pursuant to § 70, clause 6, sub-clause 5) of the Regulation of the Minister of Finance of March 29, 2018 on the current and periodic (interim) information disclosed by the issuers of securities and the conditions to acknowledge as equivalent the information required by the legal regulations of a non-member state (i.e. Journal of Laws of 2018, item 757), the Management Board of the Company presents the statement on the application of corporate governance in 2023.

### 9.1. Applied set of corporate governance rules

In 2023 the Company had been subject to the corporate governance rules, described in the Best Practice of the WSE (GPW) Listed Companies 2021 (Best Practice 2021), adopted by the Supervisory Board of the WSE (GPW) by way of the resolution no. 13/1834/2021 of March 29, 2021, which had come into force on July 1, 2021, and have been applied by the Company since that date.

The text of the Best Practice 2021 document is published on the WSE (GPW) website at the following address: <https://www.gpw.pl/dobre-praktyki2021>.

The up to date Information on the application by the Company of the principles contained in the Best Practice 2021 document is posted on the Company's website at the following address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/lad-korporacyjny>.

### Description of the manner in which the Company is applying the principles provided in the Best Practice 2021

The Company presents the below information on the rules applied by the Company in 2023.

#### The rules related to the information disclosure policy and communications with the investors

Section 1 of the Best Practice 2021 sets out the rules for ensuring the proper communications with the stakeholders and conducting a transparent and reliable information disclosure policy.

The Company had used various channels of communications with the capital market participants in 2023. All of the information required by the law is posted and updated on an ongoing basis on the Company's website. The Company had maintained ongoing contacts with the investors (institutional and individual) as well as the analysts from the brokerage houses and the investment banks. The Company had communicated with them at the conferences organized following the publication of every interim report, the individual meetings organized at the request of the investors and analysts, as well as the regularly organized chats for the retail investors. The contact details for the investors along with the available telephone numbers and the e-mail addresses, as well as a contact form (rule 1.1.), are provided on the Company's website at the following address: <https://www.tauron.pl/tauron/relacje-inwestorskie>.

The Company had prepared and published, on the Company's website at the above indicated address, the periodic (interim) reports containing the financial results, as soon as possible following the end of the reporting period. In order to reduce the investors' uncertainty with respect to the Company's financial standing, the Company had published the estimated financial results prior to the publication of the periodic (interim) reports (rule 1.2.).

The Company had also incorporated the ESG subjects into its business strategy, including in particular:

1. environmental issues, including the metrics and risks related to climate change and the sustainability issues,
2. social and labor issues, including the measures, taken and planned, aimed at, among other things, ensuring gender equality, sound working conditions, respect for the employees' rights, dialogue with the local communities, customer relations.

The Group's Strategy also covers the ESG subjects and it was described in current report no. 27/2022 of June 22, 2022. The detailed information on the adopted Strategy is provided in the presentation posted along with the current report on the Company's website, as well as in the 2022 Integrated Report available at the following address: <https://raport.tauron.pl/>. In addition, a document titled "ESG in TAURON Group's Strategy" had been adopted in September 2023. It is a presentation of a comprehensive and consistent with the strategy approach to the sustainable development. The document includes the set directions and goals for the environment and climate protection, care for the society and the adherence to the highest standards of the corporate governance. In accordance with the ESG criteria, the goals from each area are supported by the actions, initiatives and the projects that make the accomplishment thereof possible. The document is available on the website at the following address: <https://www.tauron.pl/tauron/o-tauronie/raportowanie-esg> (rule 1.3.).

In order to ensure the proper communications with the stakeholders, with respect to the adopted business strategy, the Company posts, on the Company's website at the following address: <https://www.tauron.pl/tauron/o->

[tauronie/tauron-dla-otoczenia/zielony-zwrot](#), the information on the assumptions of the strategy it has in place, the measurable goals, including in particular the long term goals, the planned activities and the progress in the implementation thereof, defined based on the metrics, both the financial, as well as the non-financial ones. The information on the strategy in the ESG area, among other things: explains how the climate change issues are taken into account in the decision making processes of the Company and those of its Group's entities, indicating the risks involved with respect thereto (rule 1.4.).

The Company discloses the expenses incurred thereby and its Group to support culture, sports, charitable institutions, media, social organizations, trade unions, etc. in the Report of the Management Board on the Operations of TAURON Polska Energia S.A. and TAURON Capital Group in section 2.9. (rule 1.5.).

The Company had held conference calls for the investors, analysts and media representatives each time after the publication of the financial results in 2023. These conference calls had been made available online in real time to all of the interested parties. During the earnings conference calls, the representatives of the Management Board of the Company had presented and commented on the financial and operating results posted, the adopted strategy and the implementation thereof, as well as the most important events that had an impact on the business operations of the Company and TAURON Capital Group, as well as the outlook for the future. During the organized meetings, the Management Board of the Company had publicly provided the explanations and given answers to the questions asked (rule 1.6.).

The investors may submit their questions in writing, by phone, via e-mail or using the contact form available on the website at the following address: <https://www.tauron.pl/tauron/relacje-inwestorskie/kontakt-dla-inwestorow/formularz>. The Company has adopted a Procedure for disclosing the information on the Company and the subsidiaries thereof for the purpose of the Investor Relations, along with an indication of the deadlines for completing the individual activities. The answers to the questions are provided immediately, and in the case of the issues that would require in-depth analyses / calculations, within 10 days (rule 1.7.).

### **The rules related to the Management Board and the Supervisory Board**

Section 2 of the Best Practice 2021 sets out the rules with respect to the performance by the Management Board and the Supervisory Board of the responsibilities thereof.

As of the end of the financial year 2023, seven Members of the Supervisory Board had met the independence criteria listed in the Act of May 11, 2017, on certified auditors, audit firms and public oversight, and also had no actual and material ties to a shareholder holding at least 5% of the total number of the votes in the company. As of the date of drawing up this report, eight Members of the Supervisory Board had met the independence criteria. All of the Members of the Supervisory Board had no actual and material ties to a shareholder holding at least 5% of the total number of the votes in the company (rule 2.3.).

During the period covered by this report, all of the votes of the Supervisory Board and the Management Board had been held by way of an open ballot (rule 2.4.).

The Rules of Procedure of the Company's Supervisory Board and the Rules of Procedure of the Company's Management Board shall provide for the voting Members of the Management Board and the Supervisory Board to submit a dissenting opinion for the record (rule 2.5.). During the period covered by this report, no Member of the Management Board or the Supervisory Board had submitted a dissenting opinion for the record.

Serving on the Company's Management Board had been the main area of the professional activity of the Members of Management Board, and the performance of the functions by the Members of the Management Board on the corporate bodies of the entities outside of the Capital Group had, every time, required an issuance of an approval of the Supervisory Board (rule 2.6. and rule 2.7.). The Members of the Supervisory Board had been able to devote the required amount of time to perform their responsibilities (rule 2.8.). During 21 meetings of the Supervisory Board and the Committees thereof, only 7 absences had been recorded. The Chair of the Supervisory Board had not managed the works of the Audit Committee (rule 2.9.), and the administrative and the financial resources had been delegated in accordance with the Company's size and the Company's financial position to ensure the efficient functioning of the Supervisory Board (rule 2.10.).

The Supervisory Board had drawn up and presented to the Ordinary General Meeting for approval an annual report that had included all of the information indicated in rule 2.11. By way of a resolution of the Ordinary General Meeting of May 10, 2023, the above mentioned report had been approved.

### **The rules related to the internal systems and functions**

Section 3 of the Best Practice 2021 refers to the efficient operation of the Company's internal systems and functions as the tools to be used for the performance of the oversight.

The Company had maintained the following effective systems: internal control system, risk management system and the legal compliance system, as well as an effective internal audit function, corresponding to the size of the Company and the type and scale of its business operations (rule 3.1.). The Company shall have in place separate units responsible for the tasks of the individual systems or functions (rule 3.2.).



The Company has appointed an internal auditor who shall manage the internal audit function acting in accordance with generally recognized international standards of professional internal audit practice (rule 3.3.).

The compensation of the persons responsible for the risk management and compliance as well as that of the head of the internal audit shall depend on the performance of the assigned tasks and not on the Company's short term results (rule 3.4.). The persons responsible for the risk management and compliance shall report directly to the President or another Member of the Management Board (rule 3.5.).

The Director responsible for an internal audit had presented to the Audit Committee during the meetings on March 27, 2023, and April 15, 2024, and subsequently to the Supervisory Board, an assessment of the effectiveness of the functioning of the systems and functions referred to in rule 3.1, along with a corresponding report (rule 3.8.). The Audit Committee had monitored the effectiveness of the following systems: internal control system, risk management system, legal compliance system, and the internal audit function on an ongoing basis, while the Supervisory Board had performed, during its meeting on March 29, 2023, an annual assessment of the effectiveness of the functioning of these systems and functions for the year 2022, and, during the meeting on April 15, 2024, for the year 2023 (rule 3.9.). By 2026, the Company is planning to perform an independent assessment of the functioning of the internal audit (rule 3.10.).

### **The rules related to the General Meeting and the relations with the shareholders**

Section 4 of the Best Practice 2021 sets out the rules for holding the General Meetings and the other rules aimed at encouraging the shareholders to get involved in the Company's affairs.

Pursuant to the Regulations of the General Meeting, the Company had determined the place and date, as well as the form of the General Meeting in a manner that had enabled the participation of as many shareholders as possible in 2023 (rule 4.2.).

The Company had provided a publicly available broadcast, in real time, of the General Meeting in 2023, and the representatives of the media had been provided an opportunity to attend the meeting (rule 4.3. and rule 4.4.).

In 2022, the General Meeting had been convened by the Management Board pursuant to the provisions of the Code of Commercial Companies, and the Management Board had taken all of the required steps in order to convene, organize and conduct the General Meeting (rule 4.5.).

The draft resolutions of the General Meeting related to the issues and decisions other than those of a procedural nature had included the justifications (statements of reason) (rule 4.6.).

The Supervisory Board had provided its opinion (feedback) on the draft resolutions to be put on the agenda of the General Meeting by the Management Board (rule 4.7.).

In accordance with the Regulations of the General Meeting the Shareholders should submit the draft resolutions of the General Meeting on the issues put on the agenda of the General Meeting no later than 3 days prior to the General Meeting (rule 4.8.). In 2023, a shareholder, the State Treasury, at whose request an item on amending the Company's Articles of Association had been placed on the agenda of the General Meeting, had submitted a draft resolution in this regard by the above deadline.

Pursuant to the Regulations of the General Meeting, the shareholders who intend to propose the candidates for the members of the Supervisory Board should provide the Company with the justification of the candidates along with the professional CVs of the candidates and a complete set of materials related thereto, by the deadline that would enable the other shareholders to study them before the General Meeting is held and to make a decision on the appointment of a member of the Supervisory Board based on the adequate knowledge, but not later than 3 days prior to the General Meeting. The information received from the shareholders shall promptly be made available by the Company to the other shareholders in the manner specified in the announcement (notice) on the General Meeting for the provision of the documentation and the draft resolutions to be presented to the General Meeting. A shareholder proposing the candidates for the members of the Supervisory Board shall submit to the Company, along with the justification for the candidate, a statement of the candidate on the candidate's compliance or non-compliance with the independence criteria specified in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*, as well as on the existence or non-existence of the actual and material ties between this candidate and a shareholder holding at least 5% of the total number of the votes in the Company (rule 4.9.). In 2023, in spite of the inclusion of an item on the agenda of the General Meeting regarding the changes in the composition of the Supervisory Board at the request of a shareholder, no candidates for the members of the Supervisory Board had been put forward and, therefore, the resolutions regarding the changes in the composition of the Supervisory Board had not been voted on.

In 2023, the Members of the Management Board and of the Supervisory Board as well as the certified auditor had participated in the sessions of the General Meeting in a group of its representatives that would enable them to provide substantive answers to the questions asked during the General Meeting. The Management Board had presented to the participants of the Ordinary General Meeting the financial results of the Company and other material information contained in the financial statements subject to the approval by the General Meeting (rule 4.11.).

In accordance with the Regulations of the General Meeting, a resolution of the General Meeting on the issue of the shares with the subscription rights (rights issue) shall specify in detail the issue price or the mechanism for the determination thereof, or shall oblige the authorized body to determine it prior to the subscription right date, within the time that would enable making of the investment decision. Since the date of the Best Practices 2021 coming into force, there have been no resolutions of the General Meeting on the issue of shares with the subscription rights (rights issue) (rule 4.12.).

In accordance with the Regulations of the General Meeting a resolution on a new issue of the shares with the exclusion of the subscription rights, which at the same time grants the pre-emptive right to take up the newly issued shares to the selected shareholders or other entities, may be adopted if at least the following conditions are met:

1. The Company has a rational, economically justified need to urgently raise capital or the issue of the shares is related to the rational, economically justified transactions, among other things, such deals as a merger with or an acquisition of another company, or the shares are to be taken up under the incentive program adopted by the Company,
2. people who will be entitled to the pre-emptive rights will be identified according to the objective general criteria,
3. the price of the shares to be taken up will be in a rational relation to the current price of the Company's shares or will be determined as a result of the market based book building process.

Since the date of the Best Practices 2021 coming into force, there have been no resolutions of the General Meeting on the new issue of shares with the exclusion of the subscription rights (rule 4.13.).

### **The rules on the conflict of interest and the related party transactions**

Section 5 of the Best Practice 2021 sets out the procedures for managing a conflict of interest and concluding transactions with the related entities under such conditions when there is a possibility of a conflict of interest arising.

In accordance with the Regulations of the Management Board and the Regulations of the Supervisory Board of TAURON Polska Energia S.A., the Members of the Management Board or of the Supervisory Board shall inform the Management Board or the Supervisory Board, respectively, of any conflict of interest or the possibility of the occurrence thereof and they shall not participate in the consideration of a matter in which a conflict of interest may arise with respect thereto (rule 5.1.). During the period covered by this report, there had been no events that would give rise to a conflict of interest.

In accordance with the Regulations of the Management Board of TAURON Polska Energia S.A., if a Member of the Management Board or of the Supervisory Board considers that a decision of the Management Board or of the Supervisory Board, respectively, is contrary to the interests of the Company, he or she should demand that his or her dissenting opinion on the matter be included in the minutes of the meeting of the Management Board or of the Supervisory Board (rule 5.2.). In 2023 there had been no instances of the dissenting opinions being submitted to the minutes of the meeting of the Management Board or of the Supervisory Board by the Members of the Management Board and by the Members of the Supervisory Board.

In accordance with the procedures implemented in the Company, no shareholder shall be privileged over the other shareholders in relation to the transactions with the related entities. This shall also be applicable to the transactions between the Company's shareholders and the entities that are a part of the Company's group (rule 5.3.).

In accordance with the Company's Articles of Association a resolution of the General Meeting authorizing the Management Board of the Company to take steps aimed at acquiring the shares to be redeemed shall specify the conditions for the purchase of the shares by the Company (buy - back), while ensuring that the rights of all of the shareholders are respected (rule 5.4.). During the period covered by this report, the General Meeting of the Company had not passed any resolutions with respect to the above mentioned matters.

In case a transaction of the Company with a related entity requires an approval of the Supervisory Board, prior to adopting a resolution on the granting of the approval, the Supervisory Board shall assess whether it is necessary to first consult an external entity that will carry out the valuation of the transaction and analyze its economic effects (rule 5.5.). In 2023, the Supervisory Board of the Company had not passed any resolutions with respect to the above mentioned matters.

On the other hand, if a conclusion of a transaction with a related entity requires an approval of the General Meeting, the Supervisory Board shall prepare an opinion on the legitimacy of concluding such a transaction and, in such a case, shall assess the need to consult an external entity referred to in the previous sentence (rule 5.6.). In case the decision on the conclusion by the Company of a material transaction with a related entity is made by the General Meeting, prior to making such a decision, the Company shall provide all of the shareholders with access to the information required to assess the impact of this transaction on the Company's interest, including providing the opinion of the Supervisory Board referred to in rule 5.6. (rule 5.7.). In accordance with the Company's model, entering into a material transaction with a related party shall require the approval of the Supervisory Board of the Company and shall not require the approval of the General Meeting of the Company.

The Company publishes on its website a list of the material transactions with the related entities drawn up in accordance with Art. 90i of the *Act of July 29, 2005, on a public offering and conditions of introducing financial*

instruments to an organized trading system and on public companies: <https://www.tauron.pl/tauron/relacje-inwestorskie/wykaz-istotnych-transakcji>.

## The rules related to the compensation

Section 6 of the Best Practice 2021 sets out transparent, fair, consistent and non-discriminatory principles for the compensation of the management team.

The compensation of the Members of the Management Board of the Company and of the Supervisory Board of the Company as well of the key managers had been sufficient, during the period covered by this report, to attract, retain and motivate persons with the competencies required for the proper management and the oversight of the Company. The amount of the compensation is adequate to the tasks and duties performed by the individuals and the responsibility related thereto (rule 6.1.). The amount of the compensation of the Members of the Supervisory Board is not dependent on the Company's short term performance (rule 6.5.).

## 9.2 Set of abandoned rules of corporate governance

The Company did not apply the following rules provided in the Best Practice 2021 in 2023:

1. 1.4.2. – the rule related to the presentation of the value of the ratio expressing the equal compensation paid out to its employees, calculated as a percentage difference between the average monthly compensation of women and men for the last year and the information on the actions taken in order to eliminate any potential inequalities in this respect, including the presentation of the risks related thereto and the time horizon over which achieving of equality is planned.

*This rule was not applied by the Company due to the fact that this ratio did not reflect the actual conditions for the possibility of employing women and men in the Company's selected lines of business.*

*Regardless of this, the Company is guided by the principle of equal treatment of its employees and does not tolerate discrimination on any grounds, in particular, based on age, gender, race, nationality, religion, sexual orientation, appearance, fitness or difference of opinion. Measures are taken as well as procedures and mechanisms are implemented to protect the employees against the discrimination and unequal treatment, and to ensure the detection and elimination of the cases of such unlawful practices. The above mentioned principles stem from TAURON Group's Corporate Social Responsibility Code of Conduct (<https://www.tauron.pl/tauron/o-tauronie/kodeks-odpowiedzialnego-biznesu>) and TAURON Group's Respect for Human Rights Policy.*

2. 2.1. – the rule related to having a diversity policy in place with respect to the Management Board and the Supervisory Board, adopted by the Management Board or the Supervisory Board, respectively, defining the diversity goals and criteria, among others in terms of gender, education background, specialist knowledge, age and professional experience, as well as indicating the date and method of monitoring the achievement of such goals. In terms of the diversity with respect to gender the prerequisite for ensuring the diversity of the Company's authorities is the participation rate (share) of the minority in the given authority at a level of not less than 30%.

*The Company has implemented TAURON Group's Diversity Policy, on the basis of which TAURON Capital Group has applied the policy of equal treatment and has striven to ensure diversity in terms of gender, education, age and professional experience for all of the employees. However, the Company has not had a diversity policy with respect to the Management Board and the Supervisory Board in terms of the minority share in the given authority at a level of not less than 30%, due to the adoption by the Company of the solutions in accordance with the Act of December 16, 2016, on the principles of state assets management regarding the appointment of the members of the Management Board following the conducting of the recruitment procedure aimed at checking and assessing the qualifications of the candidates and selecting the best candidate to be a member of the Management Board. In the case of appointing the members of the Supervisory Board, the minister competent to exercise the rights related to the rights attached to the shares of the State Treasury has the statutory power to appoint the majority of the members of the Supervisory Board.*

3. 2.2. – the rule stating that the persons making the decisions on the appointment of the members of the Management Board or the Supervisory Board should ensure the versatility of these authorities by selecting as the members thereof the persons that would ensure the diversity, enabling, among other things, achieving of the target minimum minority participation rate (share), set at a level of not less than 30%, in line with the goals set out in the adopted diversity policy referred to in rule 2.1.

*The Company has not ensured a 30% diversity level with respect to the share of women in the membership of the Management Board and of the Supervisory Board. The General Meeting, having in mind the goal of ensuring the diversity with respect to the shares of women and men in the composition of the Supervisory Board, on May 24, 2021, had adopted the amendments to the Regulations of the General Meeting of the Company, among other things, by adding in § 24, section 5 with the following wording: "Persons making the decisions on the appointment of the members of the Supervisory Board should ensure the versatility of the authority by selecting as the members thereof the persons that would ensure the diversity, enabling, among*

other things, achieving of the target minimum minority participation share, set at a level of not less than 30%, in line with the goals set out in the diversity policy adopted by the Company". With regard to the appointment of the Members of the Management Board, the rules defined in the Act of December 16, 2016, on the principles of state assets management, pursuant to which the members of the Management Board shall be appointed following the conducting of the recruitment procedure aimed at verifying and assessing the qualifications of the candidates and selecting the best candidate to be a Member of the Management Board.

4. 3.6. – the rule stating that the Head of the Internal Audit reports organizationally to the President of the Management Board, and functionally to the chairperson of the audit committee or the chairperson of the supervisory board, if the supervisory board performs the function of the audit committee.

*The internal audit unit, headed by the Executive Director for Audit and Internal Control, is placed in the organizational structure of the Company under the direct authority of the President of the Management Board. Functionally, the Head of the Internal Audit does not report to the Chairperson of the Audit Committee, however, in order to maintain the independence, objectivity and proper performance of the audit and control functions, the Executive Director for Audit and Internal Control is provided with the option of the periodic reporting to the Audit Committee and to the Supervisory Board of the Company.*

5. 3.7. – the rule stating that that rules 3.4. - 3.6. shall also apply to those entities from the company's group that are of material importance to the operations thereof, in case they have designated (appointed) persons to perform these tasks.

*The Risk Management Coordinators and the Compliance Coordinators, who do not always report directly to the president or another member of the subsidiary's management board, have been appointed at TAURON Capital Group's subsidiaries that are of material importance to the operations thereof. The solutions adopted at these subsidiaries in terms of the organizational structure, in spite of the fact that they do not always ensure the direct reporting to a member of the company's management board, do not restrict the possibility of the direct reporting to the members of the company's management board. In December 2021, TAURON Group's Compliance Policy was updated, where it was indicated that the Compliance Coordinator should report directly to the President of the Management Board or another Member of the Management Board of the Company. Accordingly, actions have been initiated to implement the above mentioned provision. With regard to the Audit and Internal Control Area, the audit function is centralized, and no persons have been designated (appointed) to perform the audit tasks at the subsidiaries.*

6. 4.1. – the rule related to allowing the shareholders to take part in a general meeting by means of electronic communication, if it is justified due to the shareholders' expectations reported to the company, provided that it is able to provide the technical infrastructure required to conduct such a general meeting.

*The Company monitors, on an ongoing basis, the changes in the shareholding structure that could affect the way the communication is conducted during the general meeting. In addition, in the event that the Company receives requests from the shareholders to conduct a general meeting using the electronic means of communication, the Company will verify the technical possibilities that would ensure the safe conduct of the general meeting for the shareholders and the Company, and in the absence of any contraindications, the Company will take actions in accordance with this recommendation.*

7. 4.14. – the rule stating that the company should strive to distribute the profit by paying out a dividend, while retaining of the entire profit in the company is possible if any of the following reasons occur:

- 1) the amount of this profit is minimal, and as a consequence the dividend would be insignificant in relation to the value of the shares
- 2) the company reports uncovered losses from the previous years, and the profit is to be used to reduce such losses,
- 3) the company justifies that the allocation of the profit to the investments will bring tangible benefits to the shareholders,
- 4) the company has failed to generate cash that would enable the payout of the dividend,
- 5) the payout of the dividend would significantly increase the risk of a breach of the covenants included in the credit agreements that are binding for the company or the terms of the bond issue,
- 6) leaving the profit in the company is in line with the recommendation of the institution exercising the supervision over the company due to its specific type of operations.

*In accordance with the adopted Dividend Policy, the Company is planning, in the long term, to pay out a dividend in the amount of at least 40% of the consolidated net profit. The intention of the Company is to ensure a dividend yield at a competitive level in relation to the long term debt instruments issued on the Polish market by companies with the investment grade ratings.*

*Over the time frame covered by the Strategy, i.e. until 2030, due to the high level of the planned capital expenditures associated with the implementation of the strategic projects, the dividend policy assumes that the Management Board of the Company will not be recommending to the General Meeting of the Company*



*the payout of the dividends, provided that, in the opinion of the Management Board, such a retention of the funds by TAURON Group will contribute to an increase in the value of its assets*

*The decision with respect to the payout of the dividend shall be made by the General Meeting of the Company having obtained the recommendation of the Management Board of the Company, which takes into account, in particular, the following factors: the legal requirements and the provisions of the financial agreements, in particular with respect to not exceeding a certain level of the leverage ratio, ensuring an investment grade rating, the implementation of the investment policy, the Group's liquidity position and the cost and options for obtaining of the financing.*

*The Company's Dividend Policy is largely in line with rule 4.14. of the Best Practice 2021, although it also provides for a broader range of the events or circumstances justifying the lack of the dividend payout, and thus the Company's decision may be made on the basis of the premises that are not referred to in the catalog specified under rule 4.14. of the Best Practice 2021.*

8. 6.2. – the rule regarding such a structuring (design) of the incentive programs that, among other things, the level of the compensation of the members of the management board of the company and that of the key managers thereof would be made dependent on the actual, long term situation of the company in terms of the financial and non-financial results as well as the long term increase in the shareholder value and the sustainable development, as well as the stability of the company's operations.

*The level of the variable compensation of the Members of the Management Board and the key managers of the Company is dependent on the annual consolidated financial results of the Company and the long term standing of the Capital Group in terms of the non-financial results. The principles of compensating the Members of the Management Board, that would assume, inter alia, that the variable compensation should be dependent on the annual results, were adopted by the General Meeting of the Company at the request of a shareholder State Treasury. A change of the above mentioned principles shall require a decision of the Shareholders*

9. 6.3. – the rule stating that if one of the company's incentive programs is a management options program, then the implementation of the options program should be conditional on the eligible persons achieving, for at least 3 years, the predetermined, realistic and adequate financial and non-financial, as well as the sustainable development goals, and the established price at which the eligible persons would purchase the shares or settle the options may not differ from the value of the shares from the period when the program was adopted.

*The compensation and bonus system for the Members of the Management Board of the Company and the key managers thereof in force does not provide for linking the compensation with the instruments tied to the Company's shares.*

10. 6.4. – the rule stating that the supervisory board shall perform its tasks on a continuous basis, therefore the compensation of the members of the supervisory board may not depend on the number of the meetings held. The compensation of the members of the committees, in particular the audit committee, should take into account the additional workload related to the work in such committees.

*Members of the Supervisory Board receive a fixed monthly compensation, regardless of the number of the convened meetings and regardless of the participation of the Members of the Supervisory Board in the works of the committees, including those of the Audit Committee.*

The other rules included in the Best Practice 2021 had been applied by the Company in 2023. In 2023, there had been no changes to the scope of the Company's application of the 2021 Best Practices or any incidental violations of the applicable principles.

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In reference to rule 1.4.2, the Company strives for equal rights for the employees in every aspect of employment, including with respect to the compensation of women and men (gender pay). The Company conducts the analyses of the wage gap index. TAURON Group's wage equality index is calculated based on the wages paid relative to the average headcount and is published in TAURON Group's Non-Financial Report. The ratio is calculated taking into account the division into the management, administrative (white collar) and executive (blue collar) positions.

In terms of rule 2.1. and 2.2. that are related to the Diversity Policy with respect to the Management Board and the Supervisory Board, the Company and its shareholders strive to ensure the versatility of the Management Board and the Supervisory Board.

As of the date of drawing up this report, the diversity in the composition of the Supervisory Board of the Company in terms of gender, education background, specialized expertise, age and the professional experience is ensured. In terms of the gender diversity, the minority share is more than 30%.

As of the date of drawing up this report, the gender diversity is not ensured in the composition of the Management Board of the Company, but the diversity is ensured in terms of age, education background, specialized knowledge and the professional experience.



The Members of the Management Board of the Company shall be selected through a recruitment procedure based on the Act of December 16, 2016, on the principles of state assets management, which does not limit the participation of candidates in the above procedure as to gender, among other things. The purpose of the above mentioned recruitment procedure is to verify and assess the qualifications of the candidates and to select the best candidate to be a Member of the Management Board.

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### 9.3. Main characteristics of the internal controls and risk management systems in relation to the process of drawing up the financial statements and the consolidated financial statements

The internal control (audit) and risk management system with respect to the process of drawing up the financial statements and the consolidated financial statements is implemented on 3 levels:

**LEVEL I**  
General principles of  
of the Company's and TAURON  
Capital Group's management

Pursuant to the adopted internal regulations TAURON Capital Group's subsidiaries operate based on the organizational regulations and have defined organizational structures in place, where the applicable business units are assigned the responsibility for drawing up the financial statements and the consolidated financial statements. Such units are obliged to perform the ongoing control that is built into the tasks performed and the functional control of their activities. Based on TAURON Capital Group's Business Model put in place the Process Documentation of Mega-process 3.4 *Accounting* is in force, containing, among other things, processes associated with the financial reporting of the Company and TAURON Capital Group. The process documentation defines the responsibilities of the business units within the reporting processes. The Process Documentation defines the responsibilities of business units within the reporting processes. The Process Documentation is subject to the necessary updates in the case of an occurrence of the events that require changes, such as the changes to the legislation or the reorganization related to the changes at TAURON Capital Group.

**LEVEL II**  
Risk management

TAURON Capital Group has put the Risk Area in place, whose role is to oversee and establish TAURON Capital Group's risk management system. These functions are implemented within the Company by the Corporate, Market and Credit Risk Management Teams as well as by the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions. The purpose of the risk management is to ensure the improvement of the predictability of attaining of the strategic objectives by TAURON Capital Group, including the stable creation of the financial result through adequately early identification of threats allowing the preventive activities to be undertaken. Risk management standards applicable at TAURON Capital Group have been defined in *TAURON Group's Corporate Risk Management Strategy* and in the policies for managing the specific risks. The ERM system encompasses all of TAURON Capital Group's lines of business and the business processes carried out within TAURON Capital Group, including the process of drawing up the financial statements. The risks associated with this process are managed, monitored and reported within the ERM System. The goal of the standardization is to ensure consistency in managing the individual risk categories, by defining the general principles, standards and tools of the system's architecture. The oversight of the ERM system at TAURON Capital Group is performed by the Risk Committee, which as an expert team, on a permanent basis and continuously, initiates, analyzes, monitors, controls (audits) and supports the functioning of TAURON Capital Group's risk management system.

*The detailed information on the risk management system is provided in section 3.1. of this report.*

**LEVEL III**  
Internal audit

The Audit and Internal Control Area is functioning within TAURON Capital Group, with the goal to plan and implement, within TAURON Group, the audit and control tasks, developing and coordinating the principles of audit and internal control within TAURON Group and supporting the organization in maintaining an effective internal control system .

The audit activities are conducted by the audit teams composed of the employees holding the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions as part of TAURON's Audit and Internal Control Area, carrying out the scheduled and ad hoc audit tasks both at TAURON as well as at TAURON Capital Group's subsidiaries. The audit activities are regulated in an internal corporate regulation titled *Tauron Group's Internal Audit Principles*. The audit teams, based on the Audit Plan for the given calendar year, by performing the process based audit tasks, make an assessment of the current level of the individual risks and the effectiveness of the management thereof. As part of the audit activities the correctness of the audited processes is also verified, as well as the adequacy and implementation of the control mechanisms in the audited processes. If any irregularities are identified, the auditors recommend taking adequate corrective actions. The implementation of the recommendations is the responsibility of the management of the audited entities, and the degree of the implementation of the audit recommendations is monitored on an ongoing basis using the dedicated MRA application.

The internal control, understood as a set of activities of a detective (detection control), preventive (preventive control) and corrective (correction of irregularities and deficiencies) nature, as part of the functioning internal control system, is carried out at the level of TAURON Capital Group by the control teams composed of the employees holding the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions as part of TAURON's Audit and Internal Control Area, as well as by the organizational units competent for the internal control, operating at some of the subsidiaries. The control tasks are performed in the form of the ad hoc and the scheduled controls. The control activities are regulated in an internal corporate regulation titled *Tauron Group's Internal Control Principles*.

In addition, a model for a periodic Evaluation of the Internal Control System is also in place at TAURON Capital Group whose goal is to provide the Company's Management Board and the Audit Committee of the Company's Supervisory Board with the independent and objective information on the functioning of the control mechanisms in the business processes. The Evaluation of the Internal Control System for 2023 had been carried out in accordance with the above mentioned model and had included both a self-assessment of the individual lines of business, an assessment of the adequacy, the implementation and effectiveness of the selected controls related to the risks assessed as relevant to the Internal Control System, as well as a review of the recommendations made as part of the assessment of the Internal Control System for 2022. The results of the assessment of the Internal Control System for 2023 demonstrated that no significant weaknesses had been identified with respect to the effectiveness of the Internal Control System that would affect the ability to achieve the set goals.

The goal of the organization of the Audit and Internal Control Area is to enable the scope of the audits and controls to cover the entire business operations of the organization, both from the perspective of the needs of TAURON Capital Group, as well as those of the individual subsidiaries. The direct organizational reporting to the President of the Management Board allows the Area to maintain the necessary independence and objectivity needed 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 the Company. This empowerment is implemented in the Company's Organizational Regulations currently in force.

## **The most important aspects related to the internal controls and risk management with respect to the process of drawing up the financial statements and the consolidated financial statements**

Supervision over the application of consistent (uniform) accounting rules by TAURON Capital Group's subsidiaries when developing reporting packages for the purpose of drawing up TAURON Capital Group's consolidated financial statements

In order to ensure the consistent accounting principles based on International Financial Reporting Standards (IFRS), approved by the European Union, *the Accounting Policy of TAURON Polska Energia S.A. Capital Group (Accounting Policy)* was developed and implemented by TAURON Capital Group. This document shall be accordingly updated in case there are changes to the regulations. The rules defined in the Accounting Policy shall be applicable to TAURON's standalone financial statements and TAURON Capital Group's consolidated financial statements. TAURON Capital Group's subsidiaries shall be obligated to apply the Accounting Policy when preparing the reporting packages that provide the basis for preparing TAURON Capital Group's consolidated financial statements.

In addition, TAURON Capital Group developed and implemented an intra-group regulation that comprehensively regulates issues related to the rules and deadlines for preparing the reporting packages for the purpose of consolidated financial statements. The reporting packages shall be validated by the holding company's Consolidation and Reporting Team and by an independent certified auditor during an audit or review of TAURON Capital Group's consolidated financial statements.

Procedures used to authorize and provide opinions on the Company's financial statements and TAURON Capital Group's consolidated financial statements.

The Company has implemented financial statements' authorization procedures. Quarterly, half year and full year financial statements of the Company and TAURON Capital Group's consolidated financial statements shall be approved by the Company's Management Board before being published. Full year financial statements of TAURON and TAURON Capital Group's consolidated financial statements shall be additionally presented for evaluation to the Company's Supervisory Board before being published. The Company's Vice President of the Management Board for Finance (Chief Financial Officer) shall oversee the preparation of financial statements, while the Management Boards of the subsidiaries included in the consolidation shall be responsible for preparing the reporting packages for TAURON Capital Group's consolidated financial statements.

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

*The detailed information on the composition, competences and description of the operations of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. is presented in section 9.11. of this report.*

IT systems as well as financial and accounting processes

TAURON Capital Group's subsidiaries maintain accounting books (ledgers) which constitute the basis for preparing financial statements using ERP grade financial and accounting computer systems, enabling system audits of the correctness of the document flow and classifying of the business events. Consolidated financial statements are prepared using an IT tool used to consolidate financial statements, providing system control with respect to the consistency (integrity) and timeliness of preparing the consolidation data.

TAURON Capital Group's subsidiaries have implemented IT and organizational solutions that provide control of access to the financial and accounting system and ensure the adequate protection and archiving of the accounting books. Access to IT systems is restricted based on the applicable access rights assigned to authorized personnel. Control mechanisms are applied in the process of granting and changing access rights to the financial and accounting systems. The rights granted are also subject to a periodic verification.

The accounting functions at TAURON Group's subsidiaries are to a significant degree integrated – the financial and accounting services for the majority of TAURON Capital Group's subsidiaries are performed by CUW-R (Shared Services Center – Accounting) and as a result of that TAURON Capital Group's financial and accounting processes are to a large degree unified. The subsidiaries adjusted their own procedures to the flow of the financial and accounting processes, taking into account the specifics of the individual segments. As part of the implementation of the Government

NABE Concept the reorganization works were carried out resulting in the integration of the assets intended to be spun off into a single entity, i.e. the TAURON Wytwarzanie subsidiary. These works also included the transfer of the accounting services for the assets intended to be spun off to the TAURON Wytwarzanie subsidiary.

TAURON Capital Group's Business Model in place clearly distributes responsibilities with respect to the financial and accounting processes between the Company (designated as the Corporate Centre) and the subsidiaries and CUW R, indicating that the Corporate Centre is the owner of the processes associated with the accounting and reporting of TAURON Capital Group. With respect to the tasks of the Corporate Centre, the strategic functions associated with the development of the model of the operations and standards of TAURON Capital Group were indicated with respect to the accounting and supervision of the implementation of standards in the accounting area at the subsidiaries and CUW R. In addition, it was indicated that the Company as the Corporate Centre is responsible for drawing up the Company's financial statements and the consolidated financial statements of TAURON Capital Group. A clear split of the responsibilities and a strong emphasis on the fulfillment of the supervisory functions by the Corporate Centre in relation to CUW R and the subsidiaries is, among other things, aimed at improving the process of preparing the financial statements.

Subjecting the Company's financial statements and TAURON Capital Group's consolidated financial statements to an audit and reviews by an independent certified auditor

The Company's full year financial statements and TAURON Capital Group's full year consolidated financial statements are subject to an audit by a certified auditor. In November 2021, the Company selected an entity authorized to audit and review the financial statements as well as the consolidated financial statements of the Company and to audit the financial statements of selected TAURON Capital Group's subsidiaries. The contract with the entity authorized to audit the financial statements was concluded for the audit of the financial statements and the consolidated financial statements for the years 2022 - 2024, as well as for the review (audit) of the interim financial statements and the interim consolidated financial statements for the 6 - month periods ending on June 30, 2022, June 30, 2023 and June 30, 2024.

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

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

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

## 9.4. Shareholders holding substantial blocks of shares

The below table presents shareholders holding, as of December 31, 2023, and as of the date of drawing up this report, directly or indirectly via subsidiaries, the substantial blocks of the Company's shares.

Table no. 53. Shareholders holding, directly or indirectly, the substantial blocks of shares as of December 31, 2023, and as of the date of drawing up this report

Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held	Percentage share in the total number of votes
1. State Treasury	526 848 384	30.06%	526 848 384	30.06%
2. KGHM Polska Miedź (Polish Copper)	182 110 566	10.39%	182 110 566	10.39%
3. Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5.06%	88 742 929	5.06%

The Company did not receive any notifications regarding the changes in the holding of the significant blocks of TAURON shares in 2023, except for the notification mentioned below.

On December 4, 2023, the Company had received a notification from Helikon Investments Limited with its registered office in London that Helikon Long Short Equity Fund Master ICAV had exceeded the 5% threshold of the total number of the votes in the Company. In accordance with the notification received, the threshold of 5% of the total number of the votes in the Company had been exceeded on November 30, 2023. As of November 30, 2023, Helikon had held the financial instruments entitling it to 5.0348 percent of the total number of the votes (1 752,549 394 votes), of which:

- 1) 1.7538% of the total number of the votes (30 736 871 votes) had been related to the Company's shares,
- 2) 3.281% of the total number of the votes (57 500 487 votes) had been related to other financial instruments.

## 9.5. Holders of securities providing special control rights

The Company did not issue securities that would grant special control rights with respect to the Company.

## 9.6. Restrictions on exercising the voting right

The restrictions on exercising the right to vote are included in § 10 of the Company's Articles of Association which are available on the Company's website at the following address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

The above mentioned restrictions on the exercising of the voting right are formulated in the following way:

1. The voting right of the shareholders holding more than 10% of the total votes in the company shall be limited so that none of them can exercise more than 10% of the total votes in the company at the General Meeting of the Company.
2. The restriction on the exercising of the voting right mentioned in clause 1 above shall not apply to the State Treasury and the entities controlled thereby in the period during which the State Treasury, together with the entities controlled thereby, hold a number of the company's shares that entitle them to exercise at least 25% of the total votes in the Company.
3. The votes of the shareholders who have a parent / subsidiary relationship within the meaning of § 10 of the Articles of Association (Shareholder Cluster) shall be aggregated; in case the aggregate number of their votes exceeds 10% of the total votes in the Company it shall be subject to a reduction. The rules of the votes' aggregation and reduction are defined in clauses 6 and 7 below.
4. A shareholder, within the meaning of § 10 of the Articles of Associations, shall be any party (entity, person), including its parent and subsidiary company, entitled directly or indirectly to a voting right at the General Meeting of the Company on the basis of any legal title; it shall also be applicable to a party (entity, person) that does not hold the company's shares, and in particular to a user, lien holder, party (entity, person) entitled on the basis of a depositary receipt under the regulations of the *Act of July 29, 2005 on the trading of financial instruments*, as well as a party (entity, person) entitled to take part in the General Meeting of the Company in spite of disposing of its shares after the date of establishing (registering) the right to take part in the General Meeting of the Company.
5. A parent company and a subsidiary company, for the purposes of § 10 of the Company's Articles of Association, shall be understood, accordingly, as a party (entity, person):
  - 1) with a status of a controlling undertaking, controlled undertaking or, at the same time, both the status of a controlling undertaking and controlled undertaking within the meaning of the *Act of February 16, 2007, on the protection of competition and consumers*, or
  - 2) with a status of a parent company, higher level parent company, subsidiary company, lower level subsidiary company, co-controlled company or one that has both the status of a parent company (including a higher level parent company) and the status of a subsidiary (including a lower level subsidiary company and a co-controlled company) within the meaning of the *Act of September 29, 1994 on accounting*, or
  - 3) which has (parent company) or one which is under (subsidiary company) controlling influence within the meaning of the *Act of September 22, 2006, on transparency of financial relationships between public bodies and public undertakings and on financial transparency of some undertakings*, or
  - 4) whose votes due to the Company's shares owned directly or indirectly are subject to aggregation with votes of another party (entity, person) or other parties (entities, persons) on the conditions defined in the *Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies* in connection with holding, disposing of or acquiring the substantial blocks of the Company's shares.
6. Aggregation of the votes is based on totaling the number of the votes held by the individual shareholders that are members of the Shareholders' Cluster
7. Reduction of the votes involves decreasing the total number of the votes in the Company that the shareholders that are members of the Shareholders' Cluster, are entitled to exercise at the General Meeting of the Company to the level of 10% of the total votes in the Company. A reduction of the votes shall take place in accordance with the following rules:
  - 1) number of the votes of a shareholder who holds the largest number of votes in the Company among all of the shareholders that are the members of the Shareholders' Cluster shall be reduced by a number of the votes equal to a surplus above 10% of the total votes in the Company held by all of the shareholders that are the members of the Shareholders' Cluster,
  - 2) if, in spite of the reduction mentioned in clause 1) above, the total number of the votes that the shareholders that are the members of the Shareholders' Cluster are entitled to exceeds 10% of the total votes in the Company, a further reduction of the votes held by the other shareholders that are the members of the Shareholders' Cluster shall be made. A further reduction of the individual shareholders' votes shall take place in an order established on the basis of the number of the votes that the individual shareholders that are the members of the Shareholders' Cluster hold (from the highest to the lowest one). A further reduction shall take place until the total number of the votes held by the shareholders that are the members of the Shareholders' Cluster does not exceed 10% of the total votes in the Company,
  - 3) in any case a shareholder whose voting rights have been reduced shall have the right to exercise at least one vote,
  - 4) restriction on the exercising of the voting right shall also apply to a shareholder absent at the General Meeting of the Company.
8. Each shareholder who is going to take part in the General Meeting of the Company, in person or through a proxy, shall be obliged to, without a separate notice mentioned in clause 9 below, notify the Management Board or the Chairperson of the General Meeting of the Company that she or he holds, directly or indirectly, more than 10% of the total votes in the Company.



9. Notwithstanding the provisions of clause 8 above, in order to establish the basis for aggregating and reducing the votes, a Company's shareholder, Management Board, Supervisory Board and the individual members of such bodies shall have the right to demand that a shareholder of the Company provide information whether she or he is a party (entity, person) having the status of a parent or subsidiary company towards another shareholder within the meaning of § 10 of the Company's Articles of Association. The entitlement mentioned in the preceding sentence shall also include the right to demand the revealing of the number of the votes that the Company's shareholder holds on its own or jointly with other shareholders of the Company.
10. A party (entity, person) that has failed to fulfill or has fulfilled the information disclosure obligation mentioned in clauses 8 and 9 above improperly, shall, until a failure to fulfill the information disclosure obligation has been remedied, be able to exercise its voting right with respect to one share only; the exercising of the voting rights with respect to the other shares by such party (entity, person) shall be null and void.

## 9.7. Restrictions on the transfer of the ownership right to securities

As of December 31, 2023, and as of the date of drawing up this report the Company's Articles of Association do not envisage any restrictions on the transfer of the ownership right to the Company's securities.

However, in accordance with the *Act of July 24, 2015 on the control of certain investments* (Journal of Laws of 2023, item 415), an entity intending to purchase or achieve a material shareholding or purchase the dominating control over TAURON, which is, in accordance with the *Regulation of the Council of Ministers of December 27, 2022, on the list of entities subject to protection and their competent control bodies* (Journal of Laws of 2023, item 2812), an entity subject to protection, shall, each time, be obligated to submit a notification to the control body – the competent Minister of the State Assets of its intention to do so, unless such an obligation rests on other entities.

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

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

#### The rules on appointing and dismissing the Members of the Company's Management Board

The Management Board of the Company shall be composed of 1 to 6 persons, including the President and the Vice Presidents. The Members of the Management Board of the Company 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 of office that had lasted 2 years. The term of office (tenure) of a Member of the Management Board shall expire, at the latest, as of the date of the General Meeting which approves the financial statements for the last full financial year of the Member of the Management Board's term of office. In accordance with the Company's Articles of Association, each of the Members of the Management Board can be dismissed or suspended from office by the Company's Supervisory Board or the General Meeting of the Company.

In accordance with the Company's Articles of Association 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, in connection with the expiration of the common 6th term of office of the Management Board as of December 31, 2023, on February 13, 2024 (an event that took place after the balance sheet date) adopted a resolution to initiate the qualification (recruitment) proceedings for the following positions on the Management Board of the 7th common term of office: the President of the Management Board, the Vice President of the Management Board for Finance, the Vice President of the Management Board for Trade, the Vice President of the Management Board for Asset Management and Development, and defined the detailed rules and the procedure for these proceedings, the date and the place of holding the interviews, the range of the issues to be the subject of the interviews, the requirements and the method to be applied to evaluate the candidate.

In the implementation of the above mentioned resolution, the announcement of the qualification (recruitment) proceedings for the above mentioned the positions of the Members of the Management Board of the 7th common term of office was published on the Company's web site at the following address: <https://www.tauron.pl> and in the Public Information Bulletin of the Ministry of the State Assets.

By the deadline specified in the announcement, 54 applications from the candidates for the above mentioned positions on the Supervisory Board of the Company had been received at the Company's registered office.

On February 26, 2024 (an event that took place after the balance sheet date), the Nominations and Compensation Committee of the Supervisory Board verified the applications of the candidates in terms of meeting the formal requirements specified in the published announcement on initiating the above mentioned qualification (recruitment) proceedings and evaluated the candidates in order to determine which candidates best met the requirements to perform the functions for the above mentioned positions on the Management Board of the Company.

Subsequently, the Company's Supervisory Board, taking into account the recommendation of the Nominations and Compensation Committee, admitted the selected candidates to take part in the next stage of the qualification



(recruitment) proceedings for the positions of the President the Management Board and the Vice Presidents of the Company's Management Board of the 7th common term of office, which included interviews, and indicating, at the same time, the date and schedule of the interviews.

On February 29, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board, having conducted the interviews, selected the best candidates for the positions of the President of the Management Board, the Vice President for Finance, the Vice President for Trade and the Vice President for Asset Management and Development.

In connection with the above, the Supervisory Board appointed the following candidates as the members of the Management Board for the 7th term of office, effective as of March 7, 2024:

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

The information on the results of the qualification (recruitment) proceedings was published on the Company's website at the following address: <https://www.tauron.pl/tauron>.

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 diagram showing the division of the competences (responsibilities) of the Members of the Management Board of the Company is presented in section 9.11 of this report.*

## **Supervisory Board of TAURON Polska Energia S.A.**

### **Rules on appointing and dismissing the Members of the Company's Supervisory Board**

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 of office that had lasted 1 financial year. The term of office (tenure) of a Member of the Supervisory Board shall expire, at the latest, as of the date of the General

Meeting which approves the financial statements for the last full financial year of the Member of the Supervisory Board's term of office. 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, 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 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 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 of the Company on establishing the number of Members of the Company's Supervisory Board that would correspond to the maximum number of Members of the Company's Supervisory Board defined in the Company's Articles of Association in case such a motion is submitted to the Company's Management Board by a shareholder or shareholders who hold a number of votes that entitle them to exercise at least 5% of the total number of the votes in the Company,
  - 2) shall be excluded from the voting at the General Meeting of the Company on appointing and dismissing of the other members of the Company's Supervisory Board, including independent members of the Company's Supervisory Board; this shall not, however, apply to the case when the Company's Supervisory Board cannot act due to its membership being smaller than required by the Company's Articles of Association, and the shareholders present at the General Meeting of the Company, other than the State Treasury, do not supplement the composition of the Company's Supervisory Board in accordance with the distribution of the seats in the Company's Supervisory Board, as defined in this section,
2. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10, clause 5 of the Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise less than 25% of the total number of votes in the Company, the State Treasury, represented by the minister competent to exercise the rights related to the State Treasury's shares, shall be entitled to appoint and dismiss one member of the Company's Supervisory Board,
3. appointing and dismissing members of the Company's Supervisory Board by the State Treasury pursuant to the above mentioned clauses 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 background 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 of the Company.

In accordance with the Articles of Association of the Company, at least two Members of the Supervisory Board of the Company should meet the independence criteria specified in the *Act of May 11, 2017, on 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 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 detailed information on the independence of the Members of the Company's Supervisory Board is presented in section 9.11. of this report.*

## **9.9. Procedure of amending TAURON Polska Energia S.A.'s Articles of Association**

The amendments to the Company's Articles of Association shall be made in accordance with the provisions of the Code of Commercial Companies, in particular: an amendment to the Company's Articles of Association shall take

place by way of a resolution of the General Meeting of the Company, passed by the majority of three fourths of the votes, and shall, subsequently, require issuing of a decision by a competent court on the entering of the amendment into the register of entrepreneurs (business register). The consolidated text of the Company's Articles of Association, including the amendments passed by the General Meeting, shall be adopted by the Supervisory Board of the Company by way of a resolution.

In accordance with the Company's Articles of Association, a material amendment to the subject of the Company's business operations shall require the majority of two thirds of the votes in the presence of the persons representing at least half of the share capital.

The current text of the Company's Articles of Association can be found on the Company's website at the following address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

### **Information on the amendment of the Company's Articles of Association in 2023.**

On May 15, 2023, the Katowice - Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register entered into the Register of Entrepreneurs of the National Court Register the amendments to § 15, clause 6, § 20 clauses 1 - 3, § 21, § 25 clause 4, § 26 clause 2 and § 35 clause 1 of the Company's Articles of Association passed by the Extraordinary General Meeting of the Company on May 10, 2023.

On May 23, 2023, the Company's Supervisory Board adopted the consolidated text of the Company's Articles of Association incorporating the amendments passed by the Ordinary General Meeting of the Company on May 10, 2023.

The amendments to the Company's Articles of Association were aimed at adapting its provisions to the amended provisions of the Code of Commercial Companies, based on the amendment of the Act of February 9, 2022, amending the Act – Code of Commercial Companies and certain other acts.

As part of the above mentioned amendments, the decision was taken to waive the application of Article 380<sup>1</sup>, § 1 and 2 of the Code of Commercial Companies regarding the Management Board's disclosure obligations to the supervisory authority, in § 15, clause 6 of the Company's Articles of Association. The rationale for this decision had been the premise that the information the scope of which had covered the obligations referred to in Article 380<sup>1</sup>, § 1 and 2 of the Code of Commercial Companies was disclosed to the Supervisory Board in the periodic (interim) reports prepared in connection with the implementation of the information disclosure obligations set forth in the Regulation of the Minister of Finance as of March 29, 2018. on current and periodic (interim) information disclosed by the issuers of the securities and the conditions for recognizing as equivalent the information required by the legal regulation of a non-member state and the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of April 16, 2014 on market abuse, as well as part of the Company's application of the Best Practice 2021. In addition, at the initiative of the Company's Supervisory Board, the lists of the resolutions of the Company's Management Board are also provided to the individual meetings of the body, along with a relevant description.

The amendment of the provisions in § 20, clause 1 of the Company's Articles of Association was related to adjusting the content thereof to the changes introduced in Article 382, § 3<sup>1</sup> of the Code of Commercial Companies concerning the scope of the subject matter of the Supervisory Board's report, which is prepared once a year and presented to the General Meeting for its approval.

The refining of § 21 of the Company's Articles of Association was aimed at adjusting its wording to the provisions contained in Articles 390<sup>1</sup>, § 1 and 4 of the Code of Commercial Companies, concerning the delegation of the members of the Supervisory Board to independently perform certain supervisory activities and the establishment of the Supervisory Board's committees.

The amendment of § 25, clause 4 of the Company's Articles of Association was aimed at adjusting its wording to the amended provisions contained in Article 389 of the Code of Commercial Companies, by clarifying the issue of convening of the meetings of the Supervisory Board at the request of the members of the Supervisory Board or at the request of the Management Board.

The amendment to the wording of § 26, clause 2 of the Company's Articles of Association was aimed at clarifying the scope of the information included in the invitation to a meeting of the Supervisory Board, in particular by specifying the manner of using the means of the direct remote communication during the meeting, in accordance with the provisions of Article 389, § 2 of the Code of Commercial Companies.

The amendments with respect to other matters were of editorial and tidying up nature.

TAURON disclosed the information on the content of the Ordinary General Meeting's resolution to amend the Company's Articles of Association in current report no. 29/2023 of May 10, 2023. The Company disclosed the information on the registration of the amendments to the Articles of Association in current report no. 31/2023 of May 17, 2023, while the consolidated text of the Company's Articles of Association was disclosed in current report no. 32/2023 of May 23, 2023.

## 9.10. General Meeting of TAURON Polska Energia S.A. and the shareholders' rights

### General Meeting of TAURON Polska Energia S.A.

The Company's General Meeting of Shareholders' procedures and its empowerments are defined in the Company's Articles of Association and in the *Regulations of the General Meeting of the Shareholders of TAURON Polska Energia S.A.* (GM Regulations) which are available on the Company's website at the following address: <http://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

#### Procedures of the General Meeting of the Company

A General Meeting (GM) shall be convened by way of a notice published on the Company's website and in a manner defined for disclosing the current information (regulatory filings) by the public companies. In the case the General Meeting (GM) is convened by an entity or a body other than the Management Board pursuant to the regulations of the Code of Commercial Companies, as convening a General Meeting requires the Management Board's cooperation, the Management Board shall be obliged to perform any activities required by law in order to convene, organize and conduct the General Meetings (GMs) that take 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 following 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 registered at the General Meeting such a number of shares that grant the right to exercise the largest number of votes. Subsequently, the Chair 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 General Meeting, unless the regulations of the Code of Commercial Companies, as well as the provisions of the Company's Articles of Association state otherwise.

A General Meeting may order a break in the meeting by the majority of two thirds of the votes. The breaks shall not last longer than 30 days in total. A break in the GM session may take place only in the exceptional situations, every time indicated, on a case-by-case basis, in the justification to the resolution, drawn up based on the reasons presented by a shareholder requesting the break to be ordered. A GM resolution related to the ordering of a break shall clearly indicate the date (time) of the resumption of the session, however, such a date (time) must not create a barrier for the participation of the majority of the shareholders in the resumed meeting, including the minority shareholders.

#### Competence of the General Meeting of the Company

In accordance with the Company's Articles of Association the matters listed in the below table shall require a resolution of the General Meeting (GM) of the Company as of December 31, 2023, and as of the date of drawing up this report.

Table no. 54. Competence of the General Meeting of the Company as of December 31, 2023, and as of the date of drawing up this report

Matters that require a resolution of the General Meeting of the Company	
1.	Reviewing and approving of the financial statements of the Company and the consolidated financial statements of the Capital Group for the previous financial year as well as of the Management Board's report on the Company's operations (Directors' Report) and of the Management Board's report on the operations of the Capital Group
2.	Granting of the acknowledgement of the fulfillment of the duties to the members of the Company's corporate bodies (authorities),
3.	Distribution of the profit and covering of the loss,
4.	Appointing and dismissing of the Members of the Company's Supervisory Board,
5.	Suspending of the Members of the Company's Management Board in the performance of their duties,
6.	Establishing of the amount of the compensation for the Members of the Company's Supervisory Board, subject to § 29, clause 4 of the Company's Articles of Association,
7.	Establishing of the principles of determining the compensation and the amount of the compensation of the Members of the Company's Management Board taking into account the provisions of the Act of June 9, 2016, on the principles of determining compensation of the management personnel of certain companies,
8.	Adopting, not less often than every four years, of the compensation policy for the Members of the Management Board and of the Supervisory Board of the Company, taking into account the requirements of the Act of July 29, 2005, on the public offering and the conditions for introducing financial instruments to an organized trading system and on public companies,
9.	Selling and leasing out of the Company's enterprise or its organized part as well as establishing of a limited pledge (property right) thereupon,
10.	Concluding of a credit, loan, surety agreement or of any other similar agreement by the Company with a member of the Management Board, Supervisory Board, proxy, liquidator (receiver) or for the benefit of any of such persons. Concluding of a credit, loan, surety or of any other similar agreement by a subsidiary with a member of the Management Board, Supervisory Board, proxy, liquidator (receiver) or for the benefit of any of such persons,
11.	Increasing and decreasing of the Company's share capital,
12.	Issuing of the convertible bonds or the senior bonds as well as the registered securities or bearer securities entitling the holder thereof to subscribe or take up the shares,
13.	Purchasing (buyback) of own shares in the cases required by the regulations of the Code of Commercial Companies,
14.	Mandatory buyback of the shares (squeeze-out) in accordance with the provisions of art. 418 of the Code of Commercial Companies,



## Matters that require a resolution of the General Meeting of the Company

15. Setting up, using and liquidating the reserve capitals,
16. Use of the supplementary capital,
17. Provisions related to the claims to repair damage caused while establishing the Company or performing of the management or supervision functions,
18. Merger, transformation and the division of the Company,
19. Redemptions (retirements) of the shares,
20. Amendment to the Company's Articles of Association and a change of the subject of the Company's business operations,
21. Dissolving and liquidating of the Company.
22. Providing an opinion on the report on the compensation of the Members of the Management Board and of the Supervisory Board, referred to in § 20, clause 1, item 17 of the Company's Articles of Association,
23. Approving of the report on the activities of the Supervisory Board, referred to in § 20, clause 1, item 3 of the Company's Articles of Association.

In accordance with the provisions of the Code of Commercial Companies the decision on the issue and repurchase of the shares shall be included within the competence of the General Meeting.

### General Meeting of the Company in 2023

The Ordinary General Meeting of the Company was held on May 10, 2023, and it adopted the resolutions related to, among other things: the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2022, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2022, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022*, the distribution of the net profit for the financial year 2022, the approval of the *Report of the Supervisory Board of TAURON Polska Energia S.A. for the financial year 2022*, the providing of the opinion on the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for 2022*, the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board and of the Company's Supervisory Board and the amendment of the Company's Articles of Association.

TAURON disclosed the information on the convening of the Ordinary General Meeting (GM) of the Company, on the content of the draft resolutions and on the changes to the agenda in current reports no. 22/2023 of April 13, 2023, no. 23/2023 of April 13, 2023, no. 24/2023 of April 19, 2023, as well as no. 27/2023 of May 5, 2023.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Ordinary General Meeting (GM) of the Company in current report no. 29/2023 of May 10, 2023.

### Extraordinary General Meeting of the Company after the balance sheet date

The Extraordinary General Meeting of the Company was held on April 3, 2024 (an event that took place after the balance sheet date), and it adopted the resolutions related to, among other things: the determining of the number of the Members of the Supervisory Board of the Company, the dismissal of a Member of the Supervisory Board of the Company and the appointment of the Members of the Supervisory Board of the Company.

TAURON disclosed the information on the convening of the Extraordinary General Meeting (GM) of the Company and on the content of the draft resolutions in current reports no. 13/2024 and no. 14/2024 of March 6, 2024, as well as no. 19/2024 of March 28, 2024.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Extraordinary General Meeting (GM) of the Company in current report: no. 22/2024 of April 3, 2024.

## Shareholders' rights and the manner of exercising thereof

The below table presents the description of the Company's shareholders' rights related to the General Meeting in accordance with the Company's Articles of Association, Code of Commercial Companies and the Regulations of the General Meeting.

Table no. 55. Description of the Company's shareholders' rights related to the General Meeting of the Company

Shareholders' rights	Description of shareholders' rights
1. Convene a General Meeting (GM)	Shareholders representing at least 1/20 of the share capital, may request convening of an Extraordinary General Meeting. Such a request should include a concise justification. It may be submitted to the Company's Management Board in writing or in an electronic form, to the Company's e-mail address, provided by the Company on its website under the <i>Investor Relations</i> tab. Shareholders representing at least a half of the share capital or at least half of all of the votes in the Company may convene an Extraordinary General Meeting (GM) and appoint a chairperson of such General Meeting.
2. Include matters (items) in the agenda of the General Meeting	Shareholders representing at least 1/20 of the share capital, may request that certain matters (items) be included in the agenda of the forthcoming General Meeting. Such a request, including a justification or a draft resolution related to the proposed item of the agenda, should be submitted to



Shareholders' rights	Description of shareholders' rights
	the Company's Management Board not later than 21 days prior to the set date of the General Meeting in electronic form to the Company's e-mail address or in writing to the Company's address.
3. Become acquainted with the list of shareholders	Shareholders may become acquainted with the shareholders' list at the Company's Management Board's seat for 3 weekdays preceding directly the General Meeting's date. Shareholders may also request that the list of shareholders be sent to them free of charge to the address for electronic deliveries or by electronic mail, providing the address to which the list should be sent.
4. Participate in the General Meeting	Only persons who are the Shareholders 16 days before the date of the General Meeting (date of registering to participate in the General Meeting) shall have the right to take part in the General Meeting. In order to participate in the General Meeting the shareholders should submit a request to issue a name bearing affidavit on the right to take part in the General Meeting to an investment (brokerage) company maintaining their securities account. Such a request should be submitted not earlier than following the announcement (notice) on the convening of the General Meeting and not later than on the first weekday following the day of registering to participate in the General Meeting.
5. Represent a shareholder by a proxy (power of attorney)	Shareholders may take part in the General Meeting as well as exercise the voting right in person or through a proxy (power of attorney). Shares' co-owners may take part in the General Meeting and exercise the voting right only through a joint representative (proxy). A proxy (power of attorney) may represent more than one shareholder and vote differently based on the shares of each shareholder.
6. Elect the Chairperson of the General Meeting	Shareholders shall elect the Chairperson of the General Meeting from among the persons entitled to take part in the General Meeting. Each of the participants of the General Meeting shall have the right to propose one candidate. The Chairperson shall be elected by a secret ballot, by an absolute majority of the votes. In case there is just one candidate for the Chairperson, the election can take place by acclamation.
7. Elect the Returning Committee	Each shareholder may propose no more than 3 candidates for the members of the Returning Committee to be elected by the General Meeting, and vote for the maximum 3 candidates.
8. Submit a draft resolution	During the General Meeting shareholders shall have the right, until the discussion on a certain item of the agenda is closed, to submit a proposal of changes to the content of a draft resolution proposed for adoption by the General Meeting, as part of the given item of the agenda.
9. Raise an objection	Shareholders who have voted against a resolution and, after the General Meeting has adopted it, want to raise their objection, should, immediately after the results of the voting have been announced, raise their objection and request it be included in the minutes of the meetings before proceeding to the next item of the agenda. In case such an objection is raised later, which however shall not take place later than by the time the General Meeting is closed, the shareholders shall indicate against which resolution passed by the General Meeting they are raising their objection. The shareholders raising their objection against a resolution of the General Meeting may request their concise justification of the objection be recorded in the minutes of the meeting.

## 9.11. Management Board and Supervisory Board of TAURON Polska Energia S.A. and the committees thereof

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

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. After the balance sheet date, the 7th term of office of the Management Board of the Company began its run 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 Management Board of the Company had held a total of 52 meetings and had adopted 354 resolutions in the financial year 2023.

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

1. Paweł Szczeszek - President of the Management Board (CEO),
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 (CFO),
5. Tomasz Szczegieliński - Vice President of the Management Board for Trading,
6. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

There had been no changes to the composition of the Company's Management Board in 2023. The above mentioned persons had been the Members of the Management Board as of January 1, 2023.

#### 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 (CEO),
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 (CFO).

#### The changes to the composition of the Company's Management Board in 2024 and by the date of drawing up this report

On February 13, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board dismissed Paweł Szczeszek, Patryk Demski, Bogusław Rybacki, Tomasz Szczegielniak and Artur Warzocha from the Company's Management Board, effective as of the same date.

At the same time, on the same day, the Company's Supervisory Board took the decision to delegate, as of February 14, 2024, a Member of the Company's Supervisory Board, Karolina Mucha-Kuś, to temporarily perform the duties of the President of the Management Board of the Company during the period until the date of the appointment of the new President of the Management Board, however not longer than three months running from the date of the delegation.

On February 29, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board appointed, effective as of March 7, 2024, the following Members of the Company's Management Board of the 7<sup>th</sup> term of office, Grzegorz Lot to hold the position of the President of the Management Board, Piotr Gołębiowski to hold the position of the Vice President for Trading, Michał Orłowski to hold the position of the Vice President for Asset Management and Development and Krzysztof Surma to hold the position of the Vice President for Finance.

In connection with the expiration of the 6th common term of the Company's Management Board as of December 31, 2023, the Supervisory Board of the Company, before appointing the above mentioned persons to be the Members of the Management Board of the Company of the 7th common term, had adopted a resolution to dismiss Krzysztof Surma from the Management Board of the Company, effective as of March 6, 2024. In addition, in connection with the appointment of the above mentioned persons to be the Members of the Management Board of the Company, the Supervisory Board of the Company had adopted a resolution to terminate, effective as of March 6, 2024, the temporary performance of the duties of the President of the Management Board of the Company by the delegated Member of the Supervisory Board, Karolina Mucha-Kuś.

The Company disclosed the information on the changes to the composition of the Management Board of TAURON Polska Energia S.A. in current reports no. 11/2024 of February 13, 2024, and no. 12/2024 of February 29, 2024.

There had been no other changes to the composition of the Company's Management Board by the date of drawing up this report.

### **Experience and competences of the Members of the Company's Management Board who continue to hold their positions in the Company's Management Board as of the date of drawing up this report**

#### **Grzegorz Lot – the President of the Management Board (CEO)**



A graduate of the Silesian University of Technology in Gliwice (Politechnika Śląska w Gliwicach), with a major in Mechanics and Machine Building with a specialization in the innovative processes and management in the energy industry. He completed the Post-graduate Management Studies in Enterprise Management at the Silesian University of Technology in Gliwice, the International Management and Marketing Studies at Brno University of Technology, the International Management and Finance Studies at the Katowice University of Economics (Uniwersytet Ekonomiczny w Katowicach) and the Master of Business Administration studies at The Brennan School of Business of Dominican University, River Forest Illinois, USA.

Grzegorz Lot has been associated with the energy sector for more than 27 years. He has a number of years of experience in developing effective sales and marketing strategies and change management, and he is an expert with respect to, among other things, the design and implementation of the new products and services, marketing campaigns, contact channels as well as the IT tools and systems. He has led and implemented a number of projects related to improving the efficiency of processes.

From January 2023 to March 2024, Grzegorz Lot had held the position of the Vice President of the Management Board of Polenergia Sprzedaż sp. z o.o. (Ltd.). From 2020 to 2022, he had held the position of the Vice President of the Management Board of Polenergia Dystrybucja sp. z o.o. (Ltd.), and had, at the same time, served as a Member of the Management Board of Polenergia Sprzedaż sp. z o.o. (Ltd.).

In the years 2012 - 2019, he had been associated with TAURON Group, holding the position of the Vice President of the Management Board of TAURON Sprzedaż sp. z o.o. (Ltd.) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.), as well as the Executive Director for Customer Affairs at TAURON Polska Energia S.A.

From 1997 to 2012, he had worked at Vattenfall Group's subsidiaries as, among other things, the Head of the Development Department, the Head of the Human Resources Planning and Strategy Department, Project Manager, Customer Service Director, the Sales and Marketing Director, the Vice President of the Management Board.

Grzegorz Lot has served on the supervisory boards of a number of companies operating in the energy sector, in particular those of the subsidiaries of Vattenfall Group and TAURON Group.

He currently serves on the supervisory boards of TAURON Group's subsidiaries: TAURON Dystrybucja S.A. and TAURON Obsługa Klienta sp. z o.o. (Ltd.), as well as on the supervisory boards of such companies as: Elektrociepłownia Stalowa Wola S.A. and Knauf Jaworzno III sp. z o.o. (Ltd.)

#### **Piotr Gołębiowski – the Vice President of the Management Board for Trading**



A graduate of the Electrical Faculty of the Silesian University of Technology in Gliwice (Politechnika Śląska w Gliwicach). He also completed the Post-graduate International Management and Finance Studies at the Katowice University of Economics (Uniwersytet Ekonomiczny w Katowicach), the International Management and Marketing Post-graduate Studies at Brno University of Technology, the Strategic Leadership Academy program organized by ICAN Institute and the Master of Business Administration studies at The Brennan School of Business of Dominican University, River Forest Illinois, USA.

Piotr Gołębiowski has been associated with the energy sector for 28 years, specializing mainly in the issues related to the wholesale and retail trading on the energy markets, the asset hedging transactions and the risk management in the energy industry.

Since 2012, he has been associated with TAURON Group, where he had held the position of the Vice President of the Management Board of TAURON Sprzedaż sp. z o.o. (Ltd.) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.) (2012 - 2016), the Executive Director for Trading at TAURON Polska Energia S.A. (2016 - 2019), a Member of the Management Board of TAURON Czech Energy s.r.o. (2018 - 2019), and from 2019 to March 2024 he had held the position of the Executive Director for Portfolio Management at TAURON Polska Energia S.A.

From 2006 to 2011, he had been working at Vattenfall Sales Poland holding the position of the Director of Energy Portfolio and Pricing, and subsequently the Vice President, the Director of Energy Portfolio and Pricing.

From 1995 to 2005, he had worked at the subsidiaries of Górnos Śląski Zakład Elektroenergetyczny S.A., where he had held, among other things, such positions as the Head of the Demand Management Department, the Head of the Pricing Department, the Deputy Director for Product Development, the Head of the Pricing and Tariffs.

In 2022, Piotr Gołębiowski served as a Member of the Supervisory Board of Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.)

He has been serving as the Chair of the Supervisory Board of TAURON Sprzedaż sp. z o.o. (Ltd.) since 2019, and currently he is the Vice Chair of the Supervisory Board of TAMEH Holding sp. z o.o. (Ltd.)

#### **Michał Orłowski – the Vice President of the Management Board for Asset Management and Development**



A graduate of the Wrocław University of Technology (Politechnika Wrocławska) with a major in management and a graduate of the Wrocław University of Economics (Uniwersytet Ekonomiczny we Wrocławiu) with a major in corporate finance and accounting. He holds the title of CFA (Chartered Financial Analyst).

He has been associated with the energy sector for more than 10 years. He has extensive experience with respect to, among other things, preparing the business strategies, evaluating the investment and development projects, the merger and acquisition processes, due diligence, and creating the business plans for a number of companies operating in Central Europe and in the Middle East

From November 2021 to March 2024, Michał Orłowski had worked at The Boston Consulting Group, most recently holding the position of the Principal.

From 2016 to 2021, he had worked at TAURON Polska Energia S.A., holding, among other things, such positions as the Executive Director for Mergers, Acquisitions and Disinvestment, the Deputy Executive Director for Investments, and the Head of the Project Analysis and Evaluation Team. From 2014 to 2016 he had worked at The Boston Consulting Group, and from 2013 to 2014 he had been a market analyst at Fortum Power and Heat Polska sp. z o.o. (Ltd.) in the area of production optimization, fuel management and energy trading.

Michał Orłowski has served on the supervisory boards of a number of TAURON Group's subsidiaries.

He currently serves on the supervisory boards of TAURON Group's subsidiaries: TAURON Ekoenergia sp. z o.o. (Ltd.), TAURON Inwestycje sp. z o.o. (Ltd.), TAURON Wytwarzanie S.A. and TAURON Ciepło sp. z o.o. (Ltd.), as well as on the supervisory boards of such companies as: Elektrociepłownia Stalowa Wola S.A. and Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. (Ltd.) in Tychy.

#### **Krzysztof Surma – the Vice President of the Management Board for Finance (CFO)**



A graduate of the Cracow University of Economics (Akademia Ekonomiczna w Krakowie), with a major in finance and banking, specialization: corporate finance. He also completed the Master of Business Administration studies for Financiers at Kozminski University (Akademia Leona Koźmińskiego), the post-graduate studies in the Practical Application of the International Financial Reporting Standards at the Warsaw School of Economics (Szkoła Główna Handlowa w Warszawie) and the Manager Development Program organized by the ICAN Institute. He is a member of the Association of Chartered Certified Accountants (ACCA).

Krzysztof Surma has been associated with the energy sector for 23 years. He has extensive experience with respect to, among other things, the processes related to the centralizing of the financial and insurance areas, obtaining of the external financing, implementation of the strategic projects involving a reorganization and a consolidation of the capital groups of companies.

In the years 2001 - 2009 he had worked at Południowy Koncern Energetyczny S.A., including, among others, holding the position of the Head of the Risk and Insurance

Department (2005-2009).

From May 2009 to August, 2021, he had been the competent Director for Finance at TAURON Polska Energia S.A. Since August 2021, Krzysztof Surma has been holding the position of the Vice President of the Management Board for Finance of TAURON Polska Energia S.A.

He has served on the management boards and the supervisory boards of a number of TAURON Group's subsidiaries.

He currently serves on the supervisory boards of TAURON Group's subsidiaries: TAURON Ciepło sp. z o.o. (Ltd.) and TAURON Wytwarzanie S.A., as well as on the Supervisory Board of TAMEH HOLDING sp. z o.o. (Ltd.).

#### Description of the procedures of the Company's Management Board

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

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

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

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

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

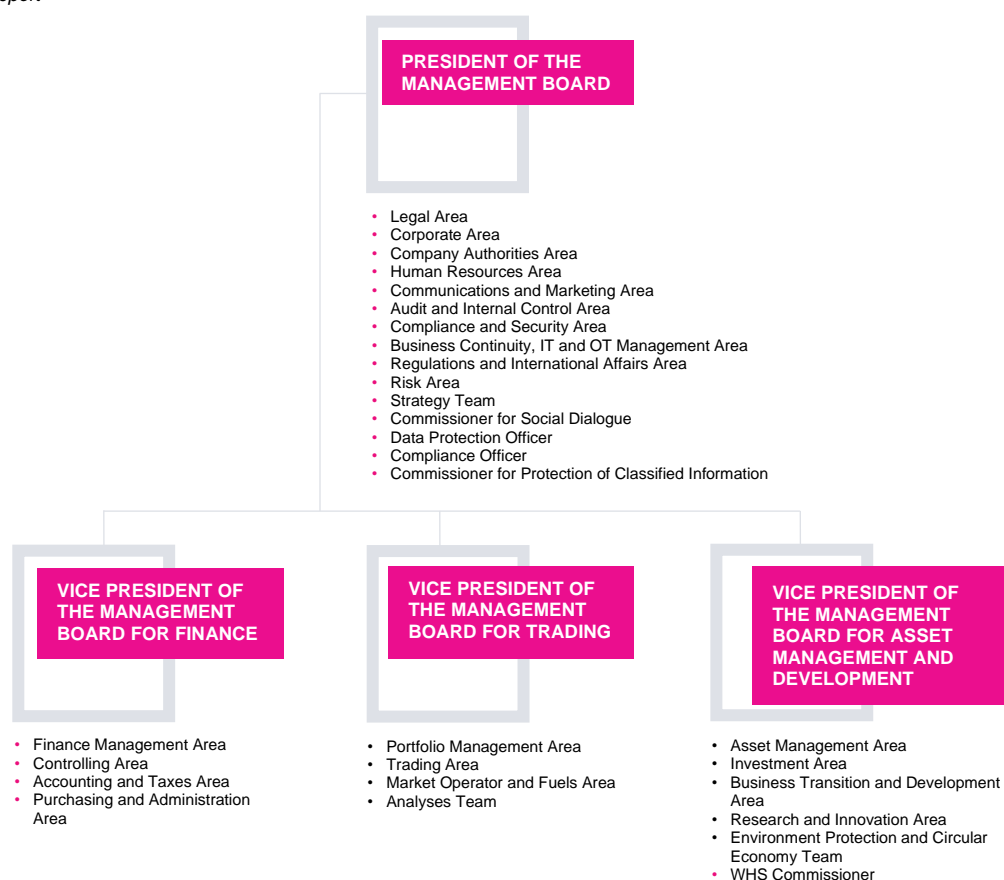


which are the decisions on the ongoing matters (daily business) that do not require a resolution shall be recorded only in the minutes.

The internal division, among the Members of the Management Board, of the tasks and responsibilities for the individual business areas of the Company's operations, as defined in the Organizational Regulations and including the independent (autonomous) work positions, as well as the organizational units reporting directly to the Executive Directors, whose work is managed (supervised) by the Members of the Company's Management Board, is defined by the *Company's Management Board Resolution No. 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 web site at the following address: <https://www.tauron.pl/tauron/tauronie/wladze-spolki>.

The below figure presents the 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.

Figure no. 66. 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



### Competence of the Company's Management Board

The Management Board shall conduct the Company's affairs and represent the Company in all court and out of court proceedings. Any matters related to conducting the Company's affairs, not assigned, based on the legal regulations or the provisions of the Company's Articles of Association, to the scope of competence of the General Meeting (GM) or the Supervisory Board, shall be within the scope of competence of the Company's Management Board.

As of December 31, 2023, and as of the date of drawing up this report, in accordance with the Company's Articles of Association, all issues which go beyond the regular scope of the Company's ordinary activities shall require a resolution of the Company's Management Board, in particular, the issues listed in the below table.

Table no. 56. Competence of the Company's Management Board as of December 31, 2023, and as of the date of drawing up this report

Matters that require a resolution of the Company's Management Board	
1.	Regulations of the Company's Management Board,
2.	Company's enterprise organizational regulations,
3.	Establishment and liquidation of the branches,



#### Matters that require a resolution of the Company's Management Board

4. Appointment of a proxy,
5. Taking on the credits and loans,
6. Approving of the annual material and financial plans of the Company and of the Capital Group as well as of the Capital Group's Corporate Strategy,
7. Assuming contingent liabilities within the meaning of the *Act of September 29, 1994 on accounting*, including granting guaranties and sureties by the Company as well as issuing of the bills of exchange, subject to the provisions of § 20 clause 2 items 3 and 4 of the Company's Articles of Association,
8. Making donations, cancelling interest or releasing from debt (debt forgiving), subject to the provisions of § 20, clause 2, items 11 and 12 of the Company's Articles of Association,
9. Purchase of the real estate, perpetual usufruct or of the shares in real estate or in perpetual usufruct, subject to the provisions of § 20, clause 2, item 1 of the Company's Articles of Association,
10. Purchase of the fixed assets excluding the real estate, perpetual usufruct or a share in the real estate or perpetual usufruct with the value equal to or exceeding PLN 40 000, subject to the provisions of § 20, clause 2, item 2 of the Company's Articles of Association,
11. Disposal (control) of the fixed assets including the real estate, perpetual usufruct or a share in the real estate or perpetual usufruct with the value equal to or exceeding PLN 40 000, subject to the provisions of § 20, clause 2, item 2 of the Company's Articles of Association,
12. Defining of the way the voting right will be exercised at the General Meeting of Shareholders or the Meeting of Shareholders of the companies in which the Company holds shares, on the matters within the scope of competence of the General Meeting of Shareholders or the Meeting of Shareholders of such companies, subject to the provisions of § 20, clause 3, items 9 and 10 of the Company's Articles of Association,
13. Principles of conducting the sponsoring activities,
14. Adoption of the annual plan of the sponsoring activities,
15. Matters which the Company's Management Board refers to the Company's Supervisory Board or the General Meeting of the Company for review.

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

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. After the balance sheet date, the 7th term of office of the Supervisory Board of the Company began its run 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 it 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.

#### The changes to the composition of the Company's Supervisory Board in 2023 and in 2024, as well as by the date of drawing up this report

As of January 1, 2023, the Company's Supervisory Board was composed of the following members: Piotr Tutak (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Marcin Wawrzyniak (Secretary of the Supervisory Board), Stanisław Borkowski (Member of the Supervisory Board), Dariusz Hryniów (Member of the Supervisory Board), Leszek Koziowski (Member of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board) and Grzegorz Peczkis (Member of the Supervisory Board).

On October 2, 2023, the term of office of a Member of the Company's Supervisory Board, Stanisław Borkowski, had expired due to his death.

On January 25, 2024 (an event that took place after the balance sheet date), the Minister of the State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, dismissed Dariusz Hryniów, Ryszard Madziar, Piotr Tutak and Marcina Wawrzyniak from the Company's Supervisory Board, and appointed Natalia Klima-Piotrowska, Katarzyna Maślowska, Karolina Mucha-Kuś and Sławomir Smyczek to be the Members of the Company's Supervisory Board.

On February 1, 2024 (an event that took place after the balance sheet date), the Supervisory Board of the Company elected Sławomir Smyczek to be the Chair of the Supervisory Board of the Company. On the same day the

Supervisory Board of the Company elected Natalia Klima-Piotrowska to be the Secretary of the Supervisory Board of the Company.

On February 5, 2024 (an event that took place after the balance sheet date), the Minister of the State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, dismissed Teresa Famulska from the Company's Supervisory Board, and appointed Piotr Kołodziej to be a Member of the Company's Supervisory Board.

On February 13, 2024 (an event that took place after the balance sheet date), the Supervisory Board of the Company elected Natalia Klima-Piotrowska to be the Vice Chair of the Supervisory Board of the Company. On the same day the Supervisory Board of the Company elected Piotr Kołodziej to be the Secretary of the Supervisory Board of the Company.

On February 13, 2024 (an event that took place after the balance sheet date), the Supervisory Board of the Company adopted the resolution to delegate, as of February 14, 2024, a Member of the Company's Supervisory Board, Karolina Mucha-Kuś, to temporarily perform the duties of the President of the Management Board of the Company during the period until the date of the appointment of the new President of the Management Board, however not longer than three months running from the date of the delegation.

In connection with the appointment, on February 29, 2024, of the new Members of the Management Board of the Company, effective as of March 7, 2024, the Supervisory Board of the Company adopted, on February 29, 2024 (an event that took place after the balance sheet date), a resolution to terminate, effective as of March 6, 2024, the temporary performance of the duties of the President of the Management Board of the Company by the delegated Member of the Supervisory Board, Karolina Mucha-Kuś.

On March 25, 2024 (an event that took place after the balance sheet date), Leszek Koziarowski submitted a statement on his resignation, effective as of April 2, 2024, from the function of a Member of the Company's Supervisory Board. The rationale for the resignation was to enable the full Supervisory Board to be appointed for a new term of office at the Extraordinary General Meeting of the Company convened for April 3, 2024, in connection with the expiration of the term of office of the existing Supervisory Board as of December 31, 2023.

On April 3, 2024 (an event that took place after the balance sheet date), the Extraordinary General Meeting of the Company adopted the resolution on the dismissing of Grzegorz Peczkis from the Company's Supervisory Board, and the appointing of Michał Hulbój, Beata Kisielewska, Leszek Koziarowski and Krzysztof Tkaczuk to be the Members of the Company's Supervisory Board.

The Company disclosed the information on the changes to the composition of the Supervisory Board in current reports: no. 41/2023 of October 3, 2023, no. 7/2024 of January 25, 2024, no. 8/2024 of January 26, 2024, no. 10/2024 of February 5, 2024, no. 11/2024 of February 13, 2024, no. 12/2024 of February 29, 2024, no. 18/2024 of March 25, 2024, and no. 23/2024 of April, 2024.

There had been no other changes to the composition of the Company's Supervisory Board in 2023 and by the date of drawing up this report.

### **Information on the independence of the Members of the Company's Supervisory Board**

In accordance with the Company's Articles of Association at least two Members of the Company's Supervisory Board should meet the criteria of independence listed in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*, and also should not have the actual and material ties to a shareholder holding at least 5% of the total number of the votes in the Company.

The Members of the Company's Supervisory Board shall submit to the Company, prior to their appointment as the members of the Company's 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 material ties to a shareholder holding at least 5% of the total number of the votes in the Company. In case a situation occurs where the independence criteria are not complied with, 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 is posted on the Company's website at the following address: <https://www.tauron.pl/tauron/o-tauronie/wladze-spolki>.

In order to update the information on the compliance by the Members of the Supervisory Board with the independence criteria, as well as on the existence or the non-existence of the actual and material ties to a shareholder holding at least 5% of the total number of the votes in the Company, the Members of the Supervisory Board have submitted the up to date statements on the independence and the ties thereof.

The below table presents the information on the compliance or non-compliance of the Members of the Company's Supervisory Board with the independence criteria, as well as on the existence or non-existence of the actual and material ties to a shareholder holding at least 5% of the total number of the votes in the Company in 2023 and by the date of drawing up this report.

Table no. 57. Compliance by the Members of the Company's Supervisory Board with the independence requirements and the existence of the actual ties to a shareholder holding at least 5% of the total number of the votes in the Company in 2023 and by the date of drawing up this report

First and last name	Period of holding a seat on the Company's Supervisory Board in 2023 and by the date of drawing up this report	Compliance with the independence requirements	Actual ties to a shareholder
1. Sławomir Smyczek	since 25.01.2024 until now	Independent	Do not exist
2. Natalia Klima-Piotrowska	since 25.01.2024 until now	Independent	Do not exist
3. Piotr Kołodziej	since 05.02.2024 until now	Independent	Do not exist
4. Michał Hulbój	since 03.04.2024 until now	Independent	Do not exist
5. Beata Kisielewska	since 03.04.2024 until now	Independent	Do not exist
6. Leszek Koziorowski	since 01.01.2023 until now	Independent	Do not exist
7. Katarzyna Masłowska	since 25.01.2024 until now	Independent	Do not exist
8. Karolina Mucha-Kuś	from 25.01.2024 to 13.02.2024	Independent	Do not exist
	since 14.02.2024 until now	Dependent	
9. Krzysztof Tkaczuk	since 03.04.2024 until now	Independent	Do not exist
10. Piotr Tutak	from 01.01.2023 to 25.01.2024	Independent	Did not exist
11. Teresa Famulska	from 01.01.2023 to 05.02.2024	Independent	Did not exist
12. Marcin Wawrzyniak	from 01.01.2023 to 25.01.2024	Independent	Did not exist
13. Stanisław Borkowski	from 01.01.2023 to 02.10.2023	Independent	Did not exist
14. Dariusz Hryniów	from 01.01.2023 to 25.01.2024	Independent	Did not exist
15. Ryszard Madziar	from 01.01.2023 to 25.01.2024	Independent	Did not exist
16. Grzegorz Peczkis	from 01.01.2023 to 03.04.2024	Independent	Did not exist

### Experience and competences of the Members of the Supervisory Board who continue to hold their seats on the Company's Supervisory Board as of the date of drawing up this report

#### Sławomir Smyczek – the Chair of the Supervisory Board

Professor, Ph.D. The Vice President for Education and International Cooperation at the Katowice University of Economics (Uniwersytet Ekonomiczny w Katowicach). At the same time, he holds the position of the Head of the Department of Consumption Research. He is a national representative in the Asian Marketing Association MAGScholar and in the European Universities Network DUKENET, of which he had been the President in 2017 - 2019. Since 2022, he has served as Chair of the Silesian Universities Network (SUN).

Sławomir Smyczek lectures at foreign universities, including Wirtschaftsuniversität Wien, Université de Haute-Alsace, Budapest Business School, Howest Hogeschool West-Vlaanderen and Universidad CEU Cardenal Herrera in Valencia. He is an expert with respect to the consumer rights protection. In 2023, he was appointed to the Scientific Advisory Committee to the Financial Ombudsman.

He conducts scientific research on the consumer behavior, sustainable consumption, consumer market exclusion and marketing. He cooperates with the companies involved in international business operations as a consultant in the field of marketing, loyalty programs and the consumer market education.

Sławomir Smyczek was the chair of the supervisory board of Azoty-Adipol S.A. and served as the secretary of the supervisory board at Aster ZAK Sp. z o.o. (Ltd.) and Futuria Sp. z o.o. (Ltd.).

He has been a Member of the Supervisory Board of the Company since January 25, 2024.

On the Company's Supervisory Board, he serves as the Chair of the Supervisory Board, he is the Head of the Nominations and Compensation Committee and a Member of the Strategy Committee of the Company's Supervisory Board.

#### Natalia Klima-Piotrowska – the Vice Chair of the Supervisory Board

A graduate of the Faculty of Law and Administration of the University of Silesia in Katowice (Uniwersytet Śląski w Katowicach). An attorney at law registered on the list of the attorneys at law of the Bar Association in Katowice since 2006, a mediator registered on the list of the Mediation Center at the Supreme Bar Council and the Mediation Center of the Bar Association in Katowice. A Member of the Regional Bar Council in Katowice, the Chair of the

Human Rights Commission at the Supreme Bar Council, a member of the Women's Team at the Supreme Bar Council, a member of the Prof. Zbigniew Hołda Association (Stowarzyszenie im. Prof. Zbigniewa Hołdy).

She gained professional experience in the tax departments of Arthur Andersen sp. z o.o. (Ltd.) and Ernst & Young sp. z o.o. (Ltd.), and subsequently at the law firms Adwokaci i Doradcy sp. j. and Popiołek, Adwokaci i Doradcy Kancelaria Adwokatów i Radców Prawnych sp. j. in Katowice. Having passed the bar exam, she ran an individual law firm, and since 2012 she has been a partner at Piotrowscy Spółka Partnerska Adwokatów, which provides legal assistance to the entrepreneurs, municipal companies and the private individuals. She specializes in the real estate law, the real estate management, the civil and family law, as well as the human rights protection cases.

Natalia Klima-Piotrowska conducts trainings, participates in conferences, lectures and talks as their organizer, moderator and a panelist.

In 2022, she was listed on the Forbes Women magazine's ranking of the top 25 lawyers in business, and in 2023 she was awarded the title of the Equality Leader of the Silesian province in a competition organized by the Women's Congress Association together with the British Embassy and the Forbes Women magazine. In 2020, she was awarded the Attorney at Law Social Activist in the poll of the Defensor Iuris Association (Stowarzyszenie Defensor Iuris), and in 2017 she won the First Honorable Mention in the 2017 Woman Attorney at Law competition.

She has been a Member of the Supervisory Board of the Company since January 25, 2024.

On the Company's Supervisory Board, she serves as the Vice Chair of the Supervisory Board, she is the Head of the Strategy Committee, a Member of the Audit Committee and a Member of Nominations and Compensation Committee of the Company's Supervisory Board.

#### **Piotr Kołodziej – the Secretary of the Supervisory Board**

A graduate of the Electrical Department of the Silesian University of Technology in Gliwice (Politechnika Śląska w Gliwicach). He also completed the postgraduate studies in the electrical power engineering (Silesian University of Technology), the microcomputer systems (Silesian University of Technology) and business management. A participant of the Vattenfall Executive Management Program (a training program for Vattenfall's senior management) in Stockholm.

Piotr Kołodziej had worked: from 1970 to 1996 at Zakład Energetyczny Gliwice (Gliwice Power Unit), from 1996 to 2001 at Górnos Śląski Zakład Elektroenergetyczny S.A. as a Member of the Management Board responsible for the technical affairs and electricity trading, from 2001 to 2007 at Vattenfall Distribution S.A. as the President of the Management Board (CEO), from 2002 to 2009 at Vattenfall Poland as a Member of the Board of Directors, from 2009 to 2011 at Vattenfall Europe AB as a Member of the Management Board, from 2008 to 2012 at TAURON Dystrybucja GZE S.A. as the President of the Management Board (CEO), where he had created a highly efficient, customer oriented organization, achieving high Vattenfall Customer Satisfaction Index benchmark scores and high employee engagement ratings.

From 2012 to 2015, he had held the position of the CEO of TAURON Dystrybucja S.A., where, among other things, he had implemented several dozens of the reorganization, restructuring, process optimization and IT system implementation projects.

From October to December 2015, he had held the position of the Vice President of the Management Board of TAURON Polska Energia S.A. for Strategy and Development. From January to April 2016, he had been an advisor to the Management Board of TAURON Polska Energia S.A., and from May 2016 to February 2017, he had held the position of the Executive Director for Asset Management.

From 2017 to 2021, he had held the position of the President of the Management Board of Spółka Ciepłowniczo-Energetyczna Jaworzno III Sp. z o.o. (Ltd.), and from 2022 he has been an advisor to the Management Board of Smart EPC Sp. z o.o..

He has been a Member of the Supervisory Board of the Company since February 5, 2024.

On the Company's Supervisory Board, he serves as the Secretary of the Supervisory Board, he is the Head of the Audit Committee, a Member of the Strategy Committee and a Member of the Nominations and Compensation Committee of the Company's Supervisory Board.

#### **Michał Hulbój – a Member of the Supervisory Board**

A graduate of the SGH Warsaw School of Economics (Szkoła Główna Handlowa w Warszawie) with a major in finance and banking. He holds a stockbroker's license and has also passed two exams as part of the CFA program.

He had gained professional experience as a participant of the management training at Bank Millennium, subsequently as an equity analyst at Millennium Dom Maklerski (Millenium Brokerage House), PTE PZU and AIG PTE. From 2008 to 2010, he had worked as an equity portfolio manager at PTE PZU. At the end of 2010, he had become the Director of the Equity Product Management Team at Skarbiec TFI. In 2012, he had worked as the Director of the Analyses Department at Erste Securities Poland. Since February 2013, he had taken the position of



a Member of the Management Board, the Director of the Asset Management Office at Forum TFI. From 2014 to 2018, he had held the position of the CEO at Cresco Sp. z o.o. (Ltd.).

Michał Hulbój had served on the Supervisory Boards of the following companies: Herkules S.A., AB Kauno Tiltai, Libet S.A., Nowa Gala S.A., Trakcja S.A.. He had served as the Head of the Audit Committee at Herkules S.A. and as a Member of the Audit Committee at: Libet S.A., Nowa Gala S.A., Trakcja S.A.

He is currently an independent member of the Supervisory Boards of the following companies: Biazet S.A., Onde S.A., Develia S.A., AC S.A., EMC Instytut Medyczny S.A. and Orzeł Biały S.A.; he also serves as the Head of the Audit Committee at AC S.A., Orzeł Biały S.A. and as a Member of the Audit Committee at Develia S.A. and EMC Instytut Medyczny S.A..

He has been a Member of the Supervisory Board of the Company since April 3, 2024.

On the Company's Supervisory Board, he is a Member of the Audit Committee and a Member of the Strategy Committee of the Company's Supervisory Board.

#### **Beata Kisielewska – a Member of the Supervisory Board**

A certified auditor, she is a graduate of the Silesian University of Technology in Gliwice (Politechnika Śląska w Gliwicach), with a major in management and marketing, specializing in business management, and a graduate of the Katowice Business University (Górnośląska Wyższa Szkoła Handlowa), with a major in management and marketing, specializing in accounting and finance, where she was additionally awarded an IES International Education Society certificate. She is a graduate of the postgraduate studies in tax strategy at the Katowice University of Economics (Akademia Ekonomiczna w Katowicach) and the MBA studies at Wyższa Szkoła Biznesu in Nowy Sącz.

From 1998 to 2005 Beata Kisielewska had worked at the Cooperative Bank in Jastrzębie-Zdrój, including holding the position of the Chief Accountant. From 2005 to 2019 she had been employed at Getin Noble Bank S.A. as the Director of the Accounting Department. She has experience related to the bookkeeping and drawing up of the financial statements. Among other things, she had participated in the projects related to the implementation of the IFRS and company mergers. In addition, since 2005 she has been involved in the audits of the financial statements and she has worked with a number of audit firms, including PKF, BDO, KPFK Dr. Piotr Rojek. Currently she is working at ATAC Auditors and Partners Sp. z o.o. (Ltd.) as a certified auditor and the Vice President of the Management Board. She specializes in the audits of the financial statements of the public interest entities and the services for the joint stock companies and the limited liability companies as well as for the financial institutions. Since 2022, she has been a Member of the Supervisory Board and a Member of the Audit Committee at the Cooperative Bank in Jastrzębie-Zdrój.

She has been a Member of the Supervisory Board of the Company since April 3, 2024.

On the Company's Supervisory Board, she is a Member of the Audit Committee of the Company's Supervisory Board.

#### **Leszek Koziorowski – a Member of the Supervisory Board**

A graduate of the Faculty of Law and Administration of the University of Warsaw (Uniwersytet Warszawski), He is registered on the list of the attorneys at law of the Warsaw Bar Association (Okręgowa Izba Radców Prawnych w Warszawie).

From the beginning of his professional career, he has been associated with the capital market. From 1994 to 1999 at the Securities Commission (Komisja Papierów Wartościowych - KPW), initially at the Office of the Brokerage Houses and Trust Funds (Biuro Domów Maklerskich i Funduszy Powierniczych), subsequently as an advisor to the Chair of the Securities Commission (KPW).

During his work at the Securities Commission (KPW), he had also been holding the position of the Deputy Chairman of the Examination Commission for the Investment Advisors.

Currently at GESSEL, KOZIOROWSKI Kancelaria Radców Prawnych i Adwokatów sp. p., where he has created and manages the capital market law department - employed since 1999, a partner since 2002.

He had been an arbitrator at the Stock Exchange Court at the Warsaw Stock Exchange (Sąd Giełdowy przy Giełdzie Papierów Wartościowych w Warszawie).

Since 2015, he has been a member of the Corporate Governance Committee at the Warsaw Stock Exchange (Komitet Ładu Korporacyjnego przy Giełdzie Papierów Wartościowych w Warszawie), where he was a co-author of the Best Practice of WSE Listed Companies 2016 and of the latest: the Best Practice of WSE Listed Companies 2021.

He had been holding the position of the Chair and a Member of the Supervisory Boards at a number of private and public joint stock companies, for example, IGLOTEX S.A. (the Chair of the Supervisory Board), ESALIENS TFI S.A.



(the Chair of the Supervisory Board), Zakłady Odzieżowe BYTOM S.A., TETA S.A. (the Chair of the Supervisory Board), TAURON Polska Energia S.A. (from 2010 to 2017 and from 2021 to 2024).

He has been a Member of the Supervisory Board of the Company since May 24, 2021.

On the Company's Supervisory Board, he is a Member of the Nominations and Compensation Committee of the Company's Supervisory Board.

#### **Katarzyna Masłowska – a Member of the Supervisory Board**

A graduate of the Faculty of Law, Canon Law and Administration of the John Paul II Lublin Catholic University in Lublin (Katolicki Uniwersytet Lubelski im. Jana Pawła II w Lublinie) (a major in law) and a scholarship holder of the Socrates-Erasmus program at the Faculty of Law, Economics and Administration at L'Université d'Orléans in France. A legal counsel, a member of the Regional Chamber of the Legal Counsels in Olsztyn. She has a number of years of professional experience in the area of the legal services and consulting for the entities operating in the electric power industry.

Katarzyna Masłowska has acted as a legal representative in, among other things, the construction, real estate, expropriation, transmission easement and compensation (damages) related cases, including court and administrative cases in front of the provincial administrative courts, the Supreme Administrative Court in Warsaw and the common courts.

Since 2009, she had worked at ELTEL Networks Energetyka S.A. where she had advised and also represented as a legal representative in the administrative and court proceedings the electricity distribution system operators and the transmission operator Polskie Sieci Elektroenergetyczne S.A. in the implementation of the key power projects for Poland. Since 2020, a legal counsel at OLMEX Projekt Sp. z o.o. Sp.k., where she has provided the formal and legal services for the electric power investments. Since 2021, a legal counsel at Polskie Sieci Elektroenergetyczne S.A., where she has provided the legal services for the strategic investment projects related to the national transmission grids.

A speaker, co-organizer and a lecturer at the energy related training and conferences on the transmission and the distribution grids.

She has been a Member of the Supervisory Board of the Company since January 25, 2024.

On the Company's Supervisory Board, she is a Member of the Strategy Committee and a Member of the Nominations and Compensation Committee of the Company's Supervisory Board.

#### **Karolina Mucha-Kuś – a Member of the Supervisory Board**

She holds a PhD degree in Economics and is a graduate of the doctoral studies at the Department of Management at the Katowice University of Economics (Uniwersytet Ekonomiczny w Katowicach). She completed the post-graduate studies in the Nuclear Energy and the Natural Gas Market at the Stanisław Staszic AGH University of Science and Technology in Cracow (Akademia Górniczo-Hutnicza im. Stanisława Staszica w Krakowie).

An Assistant Professor at the Department of Management at the WSB Academy in Dąbrowa Górnicza.

Karolina Mucha-Kuś is an author and co-author of the research papers on the strategic management, Smart City, e-mobility, energy market, sustainable development, coopetition. A manager of the international research projects. A speaker at the national and international conferences. She also lectures at the universities in Europe (Spain, Czech Republic).

She has been associated with the energy industry since 2007. She has extensive experience in the implementation of the projects and investments in the energy sector, including in the area of distribution and trading (Vattenfall, TAURON) and in the public administration (Upper Silesia and Zagłębie Metropolitan Area) in the areas of e-mobility, including the use of hydrogen in the public transportation, purchasing groups (energy, gas), targeted subsidies, including the programs aimed at reducing of the low emissions or the digitization of the public administration (open data platform).

She has been a Member of the Supervisory Board of the Company since January 25, 2024.

On the Company's Supervisory Board, she is a Member of the Audit Committee, a Member of the Strategy Committee and a Member of the Nominations and Compensation Committee of the Company's Supervisory Board.

#### **Krzysztof Tkaczuk – a Member of the Supervisory Board**

A graduate of the Faculty of Mining and Geology at the AGH University of Science and Technology in Cracow (Akademia Górniczo-Hutnicza w Krakowie) and of the post-graduate studies in the Financial Management at the Wrocław University of Economics (Akademia Ekonomiczna we Wrocławiu).

Krzysztof Tkaczuk has completed a number of courses and trainings, including, among other things, the Work Safety Management - Risk Assessment and Management, a series of the training courses: Change Management Leaders, Prince Foundation, Energy in Industry, Theory and Practice and Procedures of Risk Management, Pro-

business approach to the process management, Project Management, Integrated Management System, Management and Strategy organized by the Ministry of National Education.

Since the beginning of his career, he has been associated with KGHM Polska Miedź S.A., the Mining Plant branch in Lubin, where he has climbed all of the career levels from the medium level operation supervision employee to the General Manager (Mining Plant Operation Manager).

In 2016, he had held the position of the General Manager of the Mining and Smelting Production at KGHM Polska Miedź S.A., and since 2017 he has held the position of the General Director of Mining at KGHM Polska Miedź S.A. at the Company's head office.

From 2022 to 2024, Mr. Krzysztof Tkaczuk had held the position of the General Manager (Mining Plant Manager) of KGHM Polska Miedź S.A., the Mining Plant branch in Lubin. Until March 2024, he had held the position of the General Director of Mining at KGHM Polska Miedź S.A. at the Company's head office.

Mr. Krzysztof Tkaczuk has served on the Supervisory Boards of a number of joint stock companies such as, among other things, KGHM Zanam S.A. (from 2015 to 2016), KGHM Zagłębie Lubin S.A. (from 2015 to 2018), Przedsiębiorstwo Budowy Kopalń PeBeKa S.A. (from 2016 to 2018).

He has served on the Supervisory Board of KGHM Cuprum Lubin S.A. since 2022 until now.

He has been a Member of the Supervisory Board of the Company since April 3, 2024.

On the Company's Supervisory Board, he is a Member of the Strategy Committee of the Company's Supervisory Board.

### Description of the procedures of the Company's Supervisory Board

The Supervisory Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association, as well as 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 following address: <http://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>. When performing their duties the Members of the Company's Supervisory Board shall be acting in accordance with the principles provided in the Best Practice 2021.

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

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

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

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

The Chair or the Vice Chair of the Supervisory Board shall convene a meeting with an agenda in accordance with the request, which shall be held no later than two weeks from the date of the receipt of the request. In the event that the Chair or the Vice Chair of the Supervisory Board fails to convene a meeting of the Supervisory Board in the manner specified above, the person making the request may convene the meeting independently.

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.

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

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

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

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

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

The meetings of the Supervisory Board shall be chaired by the Chair of the Supervisory Board, and in case of his or her absence, by the Vice Chair of the Supervisory Board. For important reasons, with the consent of the majority of the Members of the Supervisory Board present at the meeting, the person chairing the meeting shall be obliged to subject to a vote a motion to interrupt the meeting and set the date of resuming the meeting of the Company's Supervisory Board. The Supervisory Board shall make its decisions in the form of resolutions. The Supervisory Board's resolutions shall be passed mainly during the meetings thereof. The Supervisory Board shall pass resolutions if at least half of its members are present at the meeting and all of its members have been invited in the appropriate manner defined in the Regulations of the Supervisory Board. Subject to the mandatory legal regulations in force, including the Code of Commercial Companies and the provisions of the Company's Articles of Association, the Supervisory Board shall pass resolutions by an absolute majority of votes of the persons present at the meeting where the absolute majority of votes shall be understood as more votes cast "for" than "against" and "abstain". Resolutions shall not be passed on 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 the 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 resolutions in writing or using the means of the direct remote communications. Passing 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 the resolution. The Company's Supervisory Board may pass resolutions this way as long as no Member of the Company's Supervisory Board raises an objection. When voting on a resolution in the above mentioned way a Member of the Company's Supervisory Board shall indicate his/her vote, i.e. "for", "against" or "abstain". A resolution with a note that it has been passed in writing or by voting using the means of direct remote communications shall be signed by the 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 participation in a meeting of the Company's Supervisory Board using the means of the direct remote communications, i.e. a conference call or a video conference, shall be allowed. In case the Members of the Company's Supervisory Board take part in a meeting of the Company's Supervisory Board using the means of the direct remote communications, the resolutions shall be passed if at least half of the Members of the Company's Supervisory Board participate in the voting.

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

The Supervisory Board may delegate its individual members to perform certain supervision (oversight) activities on their own as well as establish the ad hoc (temporary or standing (permanent) committees of the Supervisory Board to perform certain supervision (oversight) activities. The delegated Member of the Supervisory Board and the

committee of the Supervisory Board should at least once in each quarter of the financial year provide the Supervisory Board with the information on the supervisory activities undertaken and the results thereof.

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

The Company's Supervisory Board may appoint from among its members the standing or temporary (ad hoc) working groups (teams), committees to perform the 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 procedures of the operation of the above mentioned committees shall be defined in the regulations thereof passed by the Supervisory Board.

### Competence of the Company's Supervisory Board

The Supervisory Board of the Company shall continuously oversee the Company's activities in all areas of its business operations.

In accordance with the Company's Articles of Association, the Company's Supervisory Board's tasks and competences shall include in particular the matters listed in the below table, as of December 31, 2023, and as of the date of drawing up this report.

Table no. 58. Competence of the Company's Supervisory Board as of December 31, 2023, and as of the date of drawing up this report

Matters that require a resolution of the Company's Supervisory Board

#### Competences related to providing opinions

1. Evaluate the Company's Management Board's report on the Company's operations (Directors' Report) as well as the financial statements for the last financial year with respect to their compliance with the books, documents as well as with the factual status. This shall also apply to the Capital Group's consolidated financial statements,
2. Evaluate the Company's Management Board's recommendations on the distribution of the profit or the covering of the loss,
3. Draw up once a year and submit to the General Meeting a report on the activities of the Supervisory Board containing at least:
  - 1) results of the evaluations mentioned in items 1 and 2 above,
  - 2) information on: the composition of the Company's Supervisory Board and its Committees, including an indication which Members of the Supervisory Board comply with the criteria of independence listed in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*, as well as those that not to have the actual and material ties to a shareholder holding at least 5% of the total number of votes in the Company, and also the information on the composition (membership) of the Supervisory Board in the context of the diversity thereof,
  - 3) summary of the activities of the Supervisory Board and its Committees,
  - 4) evaluation of the Company's situation on the consolidated basis, including the assessment of the adequacy and effectiveness of the internal controls, risk management, standards or applied practices compliance systems and the internal audit functions applied by the Company, including the information on the steps that the Company's Supervisory Board took in order to perform such an evaluation, including all of the significant control mechanisms, in particular the ones related to the reporting and the business operations
  - 5) assessment of the application of the corporate governance principles by the Company and the method of the fulfilment of the information disclosure obligations in relation to the application thereof, defined in the Regulations of the Exchange and in the provisions related to the current and periodic (interim) information (disclosures, regulatory filings) filed by the issuers of the securities. including the information on the steps that the Company's Supervisory Board took in order to perform such an assessment,
  - 6) assessment of the rationality (legitimacy) of the expenditures incurred by the Company and its group to support culture, sports, charity institutions, media, social organizations, trade unions, etc.,
  - 7) information on the degree of implementation of the diversity policy in relation to the Management Board of the Company and the Supervisory Board of the Company, including the implementation of the objectives and the criteria of diversity, including, among other things, in such areas as gender, education background, specialist knowledge, age and professional experience,
  - 8) evaluation of the manner in which the Management Board draws up or submits to the Supervisory Board the information, documents, reports or explanations requested in accordance with the procedure set forth in Article 382, § 4 of the Code of Commercial Companies,
  - 9) information on the total compensation payable by the Company for all of the studies commissioned by the Supervisory Board to its advisors during the financial year.
4. Draw up, once a year, a report on the compensation of the Members of the Management Board of the Company and the Supervisory Board of the Company in accordance with the requirements defined in the *Act of July 29, 2005, on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*,
5. Provide opinions on the Capital Group's Corporate Strategy,
6. Provide opinions on the rules of conducting the sponsoring activities,
7. Provide opinions on the annual plan of conducting the sponsoring activities as well as on the annual report on the implementation thereof,
8. Provide opinions on the reports drawn up, by the Company's Management Board, on the entertainment expenses, the expenditures on the legal services, marketing services, public relations and the social communications services as well as the advisory services related to the management,
9. Provide opinions on the Company's Management Board's motions regarding the matters referred to in § 35 of the Company's Articles of Association, excluding the motions regarding the Members of the Company's Supervisory Board,
10. Provide opinions on the draft resolutions introduced by the Management Board of the Company to the agenda of the General Meeting,
11. Provide opinions on the changes of the rules of divesting the fixed assets, defined in § 38<sup>1</sup> of the Company's Articles of Association.



**Competences that include**

1. Selecting a certified auditor to carry out an audit of the Company's financial statements and the Capital Group's consolidated financial statements,
2. Defining the scope and deadlines for submitting the Company's and the Capital Group's annual material and financial plan by the Company's Management Board,
3. Approving of the Company's and the Capital Group's material and financial plan by the Company's Management Board
4. Adopting of the consolidated text of the Company's Articles of Association, drawn up by the Company's Management Board,
5. Approving of the Regulations of the Company's Management Board,
6. Approving of the organizational regulations of the Company's enterprise,
7. Approving of the capital group's compensation policy,
8. Purchasing of the real estate asset components within the meaning of the *Act of September 29, 1994, on accounting*, with the value exceeding:
  - 1) PLN 20 000 000 or
  - 2) 5% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,subject to the provisions of § 20, clause 5 of the Company's Articles of Association,
9. Disposing of the fixed asset components, within the meaning of the *Act of September 29, 1994, on accounting*, classified as intangible and legal assets, tangible fixed assets or the long term investments, including making a contribution to a company or cooperative if the market value of such components exceeds PLN 20 000 000 or 5% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements, subject to the provisions of § 20, clause 5 of the Company's Articles of Association, as well as handing over these components for use to another entity for a period longer than 180 days in a calendar year, based on a legal transaction, if the market value of the subject of the legal transaction exceeds PLN 500 000 or 5% of the total assets, where the handing over of such components for use in the case of:
  - 1) lease, tenancy and other contracts for the transfer of an asset for use by other entities for a fee – the market value of the subject of the legal action shall be understood as the value of the services for: one year - if the asset was transferred on the basis of an agreement concluded for an indefinite period of time, the entire duration of the agreement - in the case of the contracts concluded for a defined period of time,
  - 2) loan contracts and other free of charge contracts for the handing over of an asset for use by other entities - the market value of the subject of legal transaction shall be understood as the equivalent of the benefits that would be due if the lease or tenancy agreement were concluded, for: one year - if the asset is handed over under the contract concluded for an indefinite period of time, the entire duration of the contract - in the case of the contracts concluded for a defined period of time,
10. Assuming of the contingent liabilities, including the granting of the guaranties and sureties by the Company with the value exceeding the equivalent of PLN 20 000 000,
11. Issuing of the bills of exchange with the value exceeding the equivalent of PLN 20 000 000,
12. Making of an advance payment on account of the expected dividend,
13. Taking up or purchasing of the shares in another company with the value exceeding:
  - 1) PLN 20 000 000 or
  - 2) 5% of the total assets within the meaning of the *Act of 29 September 1994 on accounting*, determined on the basis of the last approved financial statements,
14. Selling of the shares or interest in another company with the market value exceeding:
  - 1) PLN 20 000 000 or
  - 2) 10% of the total assets within the meaning of the Act of 29 September 1994, on accounting, determined on the basis of the last approved financial statements,
15. Concluding of an agreement for the legal services, marketing services, public relations and the social communications services as well as the advisory services related to the management, if the amount of the total net compensation envisaged for the services provided in total under such an agreement or under other agreements concluded with the same entity exceeds PLN 500 000, on a yearly basis,
16. Amending of an agreement for the legal services, marketing services, public relations and the social communications services as well as the advisory services related to the management, increasing the compensation above the amount mentioned in item 15 above,
17. Concluding of the agreements for the legal services, marketing services, public relations and the social communications services as well as the advisory services related to the management, under which the maximum compensation amount (cap) is not envisaged,
18. Concluding of a donation agreement or of another agreement with the similar consequences of the value exceeding PLN 20 000 or 0.1% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,
19. Relieving from debt (debt forgiving) or from another agreement with the similar consequences of the value exceeding PLN 50 000 or 0.1% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,
20. Concluding of a material transaction with a related entity within the meaning of the *Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*,
21. Granting of a permission to establish the Company's branches abroad,
22. Defining of the way of exercising the voting right at the General Meeting of the Company or at the Meeting of Shareholders (Partners) of the companies in which the Company holds more than 50% of the shares or interest, with respect to the following matters:
  - 1) selling and leasing out the company's enterprise or its organized part as well as establishing a limited pledge (property right) thereupon if the value thereof exceeds the PLN equivalent of EUR 5 000 000,
  - 2) dissolving and liquidating of the company
23. Defining of the manner of exercising the voting right by a representative of TAURON during the GMs of the companies (subsidiaries) with respect to which the Company is a dominating entrepreneur (parent company) within the meaning of art. 4 section 3 of the *Act of February 16, 2007, on competition and consumer protection*, with respect to the following issues:
  - 1) a company setting up another company,
  - 2) a change to the Articles of Association or the shareholders agreement and the subject of the company's operations,
  - 3) merging, transforming, splitting, dissolving and liquidating the company,
  - 4) increasing or decreasing the company's share capital,
  - 5) selling and leasing out the company's enterprise or its organized part and establishing a limited pledge (property right) thereupon,
  - 6) redeeming (retiring) of the interests or the shares,
  - 7) setting the compensation of the members of the Management Boards and the members of the Supervisory Boards,
  - 8) provision related to the claims for remedying damage inflicted when setting up the company or performing the management or supervision,
  - 9) matters mentioned in art. 17 of the *Act of December 16, 2016, on the principles of state assets management*, subject to § 15, clause 5 of the Company's Articles of Association, with the exception of the matters relating to the legal transactions referred to in § 20, clause 5 of the Company's Articles of Association, and with the exception of the matters regarding an acquisition or a disposal of the fixed assets constituting or intended to constitute the assets necessary to conduct the business operations with respect to the distribution of the



Matters that require a resolution of the Company's Supervisory Board

electricity by a company that is an operator of the power distribution system.

#### Competences related to the Management Board

1. Appoint and dismiss the Members of the Management Board of the Company,
2. Establish the rules of the compensation and the amounts of the compensation for the Members of the Company's Management Board, subject to § 18 of the Company's Articles of Association,
3. Suspend the Members of the Company's Management Board from office for important reasons,
4. Delegate the Members of the Company's Supervisory Board to temporarily perform the duties of the Members of the Company's Management Board who cannot perform their duties and establish their compensation subject to the provision that the total compensation of the delegated person as a Member of the Company's Supervisory Board's as well as on account of being delegated to temporarily perform the duties of a Member of the Company's Management Board shall not exceed the compensation established for the Member of the Company's Management Board to replace whom the Member of the Company's Supervisory Board has been delegated,
5. Conduct a recruitment process for a position of a Member of the Company's Management Board,
6. Conduct a competition in order to select a person with whom an agreement to perform the management board functions (services) in the Company shall be concluded and conclude such an agreement to perform the management board functions (services) in the Company,
7. Grant a permission to the Members of the Company's Management Board to take the positions in the governing bodies (authorities) of other companies.

#### Other competences of the Company's Supervisory Board

1. Approve the Company's Management Board's annual report on the supervision over the implementation of the investment projects
2. Draw up the reports on the overseeing of the implementation of the investment projects by the Company's Management Board, including the purchases of the fixed assets, and in particular provide the opinions on the correctness and effectiveness of the expenditures related thereto
3. Approve the reports drawn up by the Company's Management Board on :
  - 1) entertainment expenses, expenditures on the legal services, marketing services, public relations and the social communications services, as well as the advisory services related to the management,
  - 2) applying of the best practice defined by the Chairman of the Council of Ministers (Prime Minister) on the basis of art. 7, clause 3 of the *Act on the principles of state assets management* with respect to the corporate governance, corporate social responsibility and the sponsorship,
4. Pass the regulations describing in detail the Company's Supervisory Board's procedures.

#### The main tasks of the Supervisory Board of the Company in 2023

The Supervisory Board of the Company had held a total of 7 meetings in total and had passed 75 resolutions in the financial 2023.

All of the Members of the Supervisory Board of the Company had been present during 5 meetings. 1 Member of the Supervisory Board of the Company had been absent during 2 meetings. The absences of the Members of the Supervisory Board of the Company had been excused by the relevant resolutions of the Supervisory Board of the Company.

The below table presents the main issues that the Company's Supervisory Board of the Company had been dealing with during its meetings in 2023.

Table no. 59. Main issues that the Company's Supervisory Board had been dealing with during its meetings in 2023.

Main issues that the Company's Supervisory Board had been dealing with during its meetings in 2023

#### With respect to its competences related to the providing of the opinions / assessments the Company's Supervisory Board:

1. completed an assessment of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2022, drawn up in accordance with the International Financial Reporting Standards approved by the European Union*, in terms of its consistency with the books and documents, as well as with the factual situation,
2. completed an assessment of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2022, drawn up in accordance with the International Financial Reporting Standards approved by the European Union*, in terms of its consistency with the books and documents, as well as with the factual situation,
3. completed an assessment of the Management Board's proposal (petition) submitted to the Company's General Meeting of Shareholders regarding the distribution of the net profit for the financial year 2022,
4. completed an assessment of the *Report of the Management Board (Directors' Report) on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022 and the Non-financial Report of TAURON Capital Group for the year 2022*,
5. issued a positive opinion on the *Report of TAURON Polska Energia S.A. on the entertainment expenses, the expenditures on the legal services, marketing services, public relations and the social communications services as well as the advisory services related to the management incurred in 2022*,
6. issued a positive opinion on the *Annual Report on the implementation of the Plan of conducting the sponsoring activities by TAURON Group in 2022, the Plan of conducting the sponsoring activities by TAURON Group in 2023, as well as the Plan of conducting the sponsoring activities by TAURON Capital Group in 2024*,

#### With respect to its competences the Company's Supervisory Board:

1. adopted the *Report of the Supervisory Board of TAURON Polska Energia S.A. for the year 2022*,
2. adopted the consolidated text of the *Articles of Association of TAURON Polska Energia S.A.*,
3. adopted the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2022* and submitted it to the General Meeting in order to receive an opinion thereupon,
4. approved the amendments to the *Organizational Regulations of TAURON Polska Energia S.A.*,
5. approved the *Material and financial plan of TAURON Group for the year 2023 and the Material and financial plan of TAURON Polska Energia S.A. for the year 2023*,
6. approved the amended *TAURON Group's compensation principles*.

#### Main issues that the Company's Supervisory Board had been dealing with during its meetings in 2023

7. expressed a consent for the concluding of the agreements for the legal services, marketing services, public relations and the social communications services as well as for the advisory services related to the management, if the amount of the total net compensation envisaged for the services provided under the given agreement or under other agreements concluded with the given entity exceeded PLN 500 000, on a yearly basis,
8. defined the manner of exercising the voting right during the General Meetings / Meetings of Partners of companies (subsidiaries) with respect to which TAURON Polska Energia S.A. is a dominating entrepreneur (parent company) within the meaning of art. 4, section 3 of the Act of February 16, 2007, *on competition and consumer protection*, with respect to the following issues: the amendments to the Articles of Association / agreements / founding acts aimed at adapting the content thereof to the emended Code of Commercial Companies, merging, acquiring of the fixed assets, the compensation of the members of the corporate authorities (bodies), increasing of the share capital,
9. monitored the activities of the Supervisory Board's Committees, supplemented the compositions thereof.

#### With respect to the cooperation with the audit firm Ernst & Young Audyt Polska sp. z o.o. sp.k. the Company's Supervisory Board:

1. held a meeting with the certified auditor to discuss the results of the audit of the Company's and TAURON Capital Group's financial statements for the financial year 2022,
2. became familiar with the conclusions of the audit of the Company's and the TAURON Capital Group's financial statements for the year 2022, as well as the supplementary report prepared for the Audit Committee,
3. became familiar with the certified auditor's report on the assessment of the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2022.*

#### With respect to the oversight of the ongoing operations of the Company and TAURON Capital Group the Company's Supervisory Board:

1. analyzed the current economic and financial situation of the Company and of TAURON Capital Group, including the implementation of the material and financial plan, leverage ratio, utilization of the electricity generation potential, projected revenues and profits in the individual lines of business,
2. became familiar with the information on the implementation of TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050 and the expansion directions, with a particular focus on the small modular reactors (SMRs) and the offshore wind farms, including the deviations from the set directions,
3. discussed the progress of the works related to the implementation of the NABE Program,
4. granted its consent for the boundary conditions set forth in the document summarizing the terms and conditions (Term Sheet) of the transaction to divest to the State Treasury, represented by the Minister of the State Assets, 100% of the shares held by TAURON in the share capital of TAURON Wytwarzanie as part of the NABE Program,
5. discussed the information on the situation on the hard coal market and at TAURON Group's subsidiaries, including the hard coal inventory levels and the progress of the performance of the hard coal deliveries in 2023,
6. discussed the key risks and the mitigations thereof, in particular the impact of the Russian Federation's aggression against Ukraine on TAURON Group's current and future operations,
7. discussed a report covering the status of the work on the directions of the reorganization of TAURON Group's RES Line of Business,
8. discussed the concept of the heat market development at TAURON Group,
9. granted its consent for the conclusion of the donation agreements with TAURON Foundation,
10. granted its consent for the assumption by TAURON of a contingent liability in the form of granting a surety for the liabilities of its subsidiary, TAURON Sprzedaż, towards Polska Spółka Gazownictwa sp. z o.o. (Ltd.),
11. granted its consent for an extension of the period for TAURON to take on the contingent liabilities in the form of the bank guarantees issued under the uncommitted line of credit agreements concluded with the banks for the purpose of securing (hedging) of the transactions carried out by TAURON on behalf of and for the benefit of TAURON and the subsidiaries thereof, as well as to expand the group of the potential beneficiaries by amending the resolution adopted in 2022,
12. monitored the process of the implementation of the social dialogue at the Company and at TAURON Capital Group, held the meetings with the representatives of the Presidium (Leadership) of TAURON Capital Group's Social Council, and responded to the comments submitted,
13. became familiar with the information on the expenses incurred in 2022 and in the first half of 2023 on the consulting services at TAURON and at TAURON Capital Group, broken down into the business and the strategic consulting, the legal consulting, the auditing services, the tax consulting and the other services,
14. became familiar with the report on the implementation in 2022 of the Regulation of the European Parliament and of the Council on the protection of the personal data (GDPR),
15. monitored the membership of TAURON Group's subsidiaries in the associations and other industry organizations and the paid dues (premiums),
16. discussed the situation of the 910 MW power generating unit in Jaworzno, with a particular emphasis on the causes, effects and the consequences related to the occurrence of the failures and a failure to achieve the optimal power (capacity) of the unit, as well as the status of the negotiations with Rafako S.A. conducted as part of the mediation proceedings in front of the Court of Arbitration at the Office of the General Counsel of the Republic of Poland,
17. became familiar with the up to date information related to, among other things: the completed and ongoing audit tasks at TAURON Capital Group, the operations of the compliance management area, the court disputes of the PEPKH subsidiary, the lists of the resolutions passed by the Management Board.

#### With respect to the competences related to the Management Board:

1. submitted the motions to the General Meeting of the Company related to the acknowledgment of the fulfilment of the duties in the financial year 2022 by the current and the former Members of the Company's Management Board,
2. conducted an analysis of the level of the accomplishment of the Management Objectives set for the Members of the Management Board of the Company of the 6th term of office to be accomplished in 2022, and determined the amount of the variable compensation to be paid out thereto,
3. in connection with the adopted compensation system, the Supervisory Board detailed the Management Objectives for the Members of the Company's Management Board to be accomplished in 2023, along with the specification of the weights of these objectives and the objective criteria for the accomplishment and accountability thereof,
4. granted its consent for the incurring the costs related the training of a Member of the Management Board.

#### With respect to the oversight of the correctness and efficiency of the spending of the funds related to the implementation of investment projects by the Management Board of the Company, including purchasing of the fixed assets the Company's Supervisory Board:

1. approved the *Report of the Management Board of TAURON Polska Energia S.A. on the oversight of the implementation of the investment projects at TAURON Group in 2022,*

Main issues that the Company's Supervisory Board had been dealing with during its meetings in 2023

2. approved the *Report of the Supervisory Board of TAURON Polska Energia S.A. on the oversight of the implementation by the Management Board of the investment projects including purchasing of the fixed assets in 2022*, and issued a positive opinion and raised no objections to the correctness and efficiency of the spending of the funds related to the purchasing of the fixed assets,
3. granted its consent for the divestment of the shares in TAMEH HOLDING, representing 50% of the share capital of TAMEH HOLDING, to ArcelorMittal Group's subsidiaries in a procedure conducted without a tender or an auction, in accordance with the provisions of the Shareholders' Agreement,
4. became familiar with the up to date information on the status of the implementation of the strategic investment projects,
5. granted its consent for the merger of the following companies: TAURON Ekoenergia and AVAL-1 and „Polpower”, TAURON Ciepło and Energetyka Cieszyńska, as well as TAURON Ekoenergia and WIND T1,
6. became familiar with the status of the implementation of the RES projects at TAURON Group, including, among other things, the ongoing and the planned RES projects, as well as the division of the responsibilities with respect to the RES among TAURON Group's subsidiaries.

## Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.

The members of the Audit Committee had been appointed by the Supervisory Board of the Company from among the members thereof.

The Audit Committee had been composed of 4 to 5 members in 2023.

### The composition of the Audit Committee as of December 31, 2023

1. Teresa Famulska – Head of the Audit Committee,
2. Dariusz Hryniów – Member of the Audit Committee,
3. Leszek Kozirowski – Member of the Audit Committee,
4. Grzegorz Peczkis – Member of the Audit Committee.

### The composition of the Audit Committee as of the date of drawing up this report

1. Piotr Kołodziej – Head of the Audit Committee,
2. Michał Hulbój – Member of the Audit Committee,
3. Beata Kisielewska – Member of the Audit Committee,
4. Natalia Klima-Piotrowska – Member of the Audit Committee,
5. Karolina Mucha-Kuś – Member of the Audit Committee.

### The changes to the composition of the Audit Committee in 2023 and by the date of drawing up this report

As of January 1, 2023, the Audit Committee had been composed of the following Members of the Supervisory Board of the Company: Teresa Famulska (Head of the Audit Committee), Stanisław Borkowski, Leszek Kozirowski and Grzegorz Peczkis.

On May 23, 2023, the Company's Supervisory Board had supplemented the composition of the Audit Committee, by appointing Dariusz Hryniów to be a member of the Audit Committee.

On October 3, 2023, the term of office of a Member of the Company's Supervisory Board, Stanisław Borkowski, had expired due to his death.

On January 25, 2024 (an event that took place after the balance sheet date), the Minister of the State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, dismissed Dariusz Hryniów from the Company's Supervisory Board. Subsequently, on February 5, 2024, the Minister of the State Assets dismissed Teresa Famulska from the Company's Supervisory Board. As a consequence, their membership of the Audit Committee expired.

On February 13, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Audit Committee, by appointing Piotr Kołodziej to be a member of the Audit Committee.

On February 13, 2024 (an event that took place after the balance sheet date), the Audit Committee elected Piotr Kołodziej to be the Head of the Audit Committee.

On March 25, 2024 (an event that took place after the balance sheet date), Leszek Kozirowski submitted a statement on his resignation, effective as of April 2, 2024, from the function of a Member of the Company's Supervisory Board. As a consequence, his membership of the Audit Committee expired.

On April 3, 2024 (an event that took place after the balance sheet date), the Extraordinary General Meeting of the Company adopted the resolution on the dismissing of Grzegorz Peczkis from the Company's Supervisory Board. As a consequence, his membership of the Audit Committee expired.

On April 5, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Audit Committee, by appointing Michał Hulbój, Beata Kisielewska, Natalia Klima-Piotrowska and Karolina Mucha-Kuś to be the members of the Audit Committee.

There had been no other changes to the composition of the Audit Committee in 2023 and by the date of drawing up this report.

### Information on the independence and the professional qualifications of the Members of the Audit Committee

Pursuant to the *Act of May 11, 2017, on certified auditors, audit companies and 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 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.

In 2023 the composition of the Audit Committee had been in compliance with the requirements defined in the above mentioned act. The evaluation of the independence and the statutory requirements with respect to the knowledge and the skills of the individual Members of the Audit Committee had been carried out by the Company's Supervisory Board based on the relevant statements submitted by the Members of the Audit Committee. The qualifications of the Members of the Audit Committee with respect to the accounting or auditing of the financial statements, as well as the industry that the Company is operating in, were based on the education background and the skills possessed by the Members of the Audit Committee.

Following the change in the composition of the Company's Supervisory Board on February 5, 2024 (an event after the balance sheet date), made as part of the personal powers vested with the Minister of the State Assets, representing the State Treasury as a shareholder, the Company's Supervisory Board, during its meeting on February 13, 2024, while appointing the members of the Audit Committee, evaluated the candidates in terms of meeting the above mentioned criteria. The said analysis and the evaluation demonstrated that the requirements with respect to having the knowledge and the skills related to the industry that the Company is operating, i.e. the energy industry, were met, while the requirements with respect to having the knowledge and the skills related to accounting or auditing of the financial statements were not met. With respect to the independence requirements, the majority of the Members of TAURON's Supervisory Board were independent.

In connection with the above, the steps were taken to meet the above requirement and, at the request of the shareholder KGHM Polska Miedź, the Extraordinary General Meeting of the Shareholders of the Company was convened for April 3, 2024 (an event that took place after the balance sheet date) and subsequently held on that date, and, among other things, the resolutions on the appointment to the Company's Supervisory Board of the persons meeting the requirement with respect to having the knowledge and the skills related to accounting or auditing of the financial statements.

The below table presents the information on the compliance, in 2023, of the Members of the Audit Committee with the independence requirements and the requirements with respect to the knowledge and the skills held.

Table no. 60. Compliance, in 2023, of the Members of the Audit Committee with the independence requirements and the requirements with respect to the knowledge and the skills held

First and last name	Period of performing the function (tenure) in the Audit Committee in 2023	Compliance with the independence requirements and the requirements with respect to the knowledge and the skills held
1. Teresa Famulska	from 01.01.2023 to 31.12.2023	Independent. Teresa Famulska had the knowledge and the skills with respect to accounting and auditing of the financial statements based on her education background (she is a graduate of the Academy of Economics in Katowice, she holds a title of a Professor of economics and she is a professional tax advisor) and experience (among other things, she is an author of more than 150 domestic and foreign publications in the field of finance; in 2007 – 2018 she had taken part in the works of the State Examination Commission on the Tax Advisory Services; in 2007 - 2019 she had been a member of the Financial Education Committee of the Polish Academy of Science; she is a member of the Polish Finance and Banking Association, the International Fiscal Association, the Center for Information and Organization of Public Finance and Tax Law Research of Central and Eastern European Countries and the Polish Economic Society).
2. Stanisław Borkowski	from 01.01.2023 to 02.10.2023	Independent. Stanisław Borkowski had the knowledge and the skills with respect to accounting and auditing of the financial statements based on his education background (he is a graduate of the Executive MBA studies at the University of Quebec in Montreal and a graduate of the Master of Business Administration studies at the SGH Warsaw School of Economics) and experience (among other things, an oversight and management of the joint stock companies and the limited liability companies).
3. Dariusz Hryniów	from 23.05.2023 to 31.12.2023	Independent.
4. Leszek Koziorowski	from 01.01.2023 to 31.12.2023	Independent.

First and last name	Period of performing the function (tenure) in the Audit Committee in 2023	Compliance with the independence requirements and the requirements with respect to the knowledge and the skills held
5. Grzegorz Peczkis	from 01.01.2023 to 31.12.2023	Independent. Grzegorz Peczkis had the knowledge and the skills with respect to the industry that the Company was operating in based on the education background (he is, among other things, a graduate of the Faculty of Environment and Energy Engineering of the Silesian University of Technology, specializing in Machine Mechanics and Design and he holds a PhD degree in technical science in the field of machine design and operation) and experience (he is an Assistant Professor at the Silesian University of Technology and he is an author of several dozen scientific and popular publications, he holds the rights under ten patents granted by the Patent Office of the Republic of Poland).

The below table presents the information on the compliance of the Members of the Audit Committee with the independence requirements and the requirements with respect to the knowledge and the skills held, as of the date of publishing this report

Table no. 61. Compliance of the Members of the Audit Committee with the independence requirements and the requirements with respect to the knowledge and skills held, as of the date of publishing this report.

First and last name	Period of performing the function (tenure) in the Audit Committee in 2024	Compliance with the independence requirements and the requirements with respect to the knowledge and skills held
1. Piotr Kołodziej	since 13.03.2024 until now	Independent. Piotr Kołodziej has the knowledge and the skills with respect to the industry that the Company is operating in based on the education background (he is, among other things, a graduate of the Electrical Faculty of the Silesian University of Technology (Politechnika Śląska), he also completed the post-graduate studies in the electrical power engineering) and experience (having served on the management boards and having held the management positions in the companies operating in the power industry).
2. Michał Hulbój	since 05.04.2024 until now	Independent. Michał Hulbój has the knowledge and the skills with respect to accounting and auditing of the financial statements based on his education background (he is a graduate of the SGH Warsaw School of Economics with a major in the finance and banking. He holds a stockbroker's license and has successfully passed two exams as part of the CFA program) and experience (a number of years of employment in the entities operating in the financial sector).
3. Beata Kisielewska	since 05.04.2024 until now	Independent. Beata Kisielewska has the knowledge and the skills with respect to accounting and auditing of the financial statements. She is a certified auditor and a graduate of the Katowice Business University (Górnośląska Wyższa Szkoła Handlowa), with a major in the management and marketing, specializing in accounting and finance, where she was awarded the IES International Education Society certificate. She is currently employed at ATAC Audytorzy i Partnerzy Sp. z o.o. (Ltd.) as a certified auditor and the Vice President of the Management Board. She specializes in the audits of the financial statements of the public interest entities and the services for the joint stock companies and the limited liability companies as well as for the financial institutions.
4. Natalia Klima-Piotrowska	since 05.04.2024 until now	Independent.
5. Karolina Mucha-Kuś	since 05.04.2024 until now	Dependent.

### Tasks and competences of the Audit Committee

In 2023 the Audit Committee had been performing the tasks and competences defined in the currently applicable legal regulations and in the *Regulations of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.* adopted by the Supervisory Board.

The tasks and competences of the Audit Committee as of December 31, 2023, and as of the date of drawing up this report, are presented in the below table.

Table no. 62. Competences of the Audit Committee as of December 31, 2023, and as of the date of drawing up this report

Competences of the Audit Committee
1. Monitoring of the Company's financial reporting process, the effectiveness of the internal control, risk management, compliance and the internal audit systems in place, including with respect to the financial reporting, performing of the financial auditing activities, in particular performing of an audit by an audit firm, taking into account any conclusions (motions) and findings of the Audit Supervision Committee stemming from an audit performed at an audit firm.
2. Controlling (verifying) and monitoring of the independence of the certified auditor and the audit firm, in particular in case other services than an audit are provided for the benefit of the Company by the audit firm,



## Competences of the Audit Committee

3. Performing of the evaluation of the independence of the certified auditor and expressing consent for the performance thereby of the permitted services that do not constitute an audit of the Company,
4. Developing the policy for selecting an audit firm to carry out the audit,
5. Developing the policy for the performance by the audit firm conducting the audit, the entities related to such an audit firm and the members of the audit firm's corporate network, of the permitted services that do not constitute an audit,
6. Defining the procedure for selecting of an audit firm by the Company,
7. Presenting to the Supervisory Board, for the purpose of selecting the audit firm responsible for performing the statutory audit or the review of the financial statements, of the recommendation, referred to in Art. 130, clauses 2 and 3 of the *Act of May 11, 2017 on certified auditors, auditing companies and public oversight* and in Art. 16, clause 2 of the *Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public interest entities (...)*, in line with the policies referred to above in items 4 and 5,
8. Informing the Supervisory Board of the audit results and explaining how the audit contributed to the accuracy (fairness, reliability) of the Company's financial reporting, and also what the role of the Audit Committee in the audit process was,
9. Presenting of the recommendations aimed at ensuring the accuracy (fairness, reliability) of the Company's financial reporting process,
10. Performing of other activities vested with the audit committees pursuant to the Act and the Regulation mentioned in item 7 above and *the Act of September 29, 1994, on accounting*.

## The main tasks of the Audit Committee in 2023

The Audit Committee had held a total of 8 meetings and had passed 16 resolutions.

All of the Members of the Audit Committee had been present during 6 meetings, while 1 Member of the Audit Committee was absent during 2 meetings. The absence of the Member of the Audit Committee had been excused by the relevant resolution of the Audit Committee.

The below table presents the main issues that the Audit Committee had been dealing with during its meetings in 2023.

Table no. 63. Main issues that the Audit Committee had been dealing with during its meetings in 2023

During its meetings in 2023 the Audit Committee had been dealing with the following issues:

1. monitored the Company's financial reporting process, including having completed an analysis of the reliability of the financial information presented by the Company in the following documents in terms of its compliance with the books and documents, as well as with the factual situation, and made the relevant recommendations to the Supervisory Board based on the assessment of the information contained in:
  - *Financial statements of TAURON Polska Energia S.A. for the financial year ended on December 31, 2022, in compliance with the IFRS approved by the European Union,*
  - *Proposal of the Management Board of the General Meeting of the Company with respect to the distribution of the net profit for the financial year 2022,*
  - *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the financial year ended on December 31, 2022, in compliance with the IFRS approved by the European Union,*
  - *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the year 2022 and the Non-financial Report of TAURON for the year 2022,*
  - *Extended consolidated quarterly report of TAURON Polska Energia S.A. for the first quarter of 2023*
  - *Extended consolidated interim report of TAURON Polska Energia S.A. for the first half of 2023.*
  - *Extended consolidated quarterly report of TAURON Polska Energia S.A. for the third quarter of 2023,*
2. cooperated with the certified auditor with respect to:
  - auditing of the financial statements of the Company and of the consolidated financial statements of TAURON Capital Group for the financial year 2022 (discussion of the auditor's report on the audit conducted, discussion of the additional report prepared by the auditor for the Audit Committee, becoming familiar with the statement on the compliance with the independence requirements by the audit firm and the members of the team performing the financial audit activities and the information on the non-performance of the non-audit services by the audit firm for the Company and TAURON Group's subsidiaries),
  - review of the interim, abbreviated financial statements of the Company and of the consolidated financial statements of the Capital Group for the first half of 2023 (discussion of the results of the review conducted and becoming familiar with the statement on the compliance with the independence requirements with respect to TAURON Group's subsidiaries and remaining in an independent relationship with respect to the entity being audited during the time frame from the date of the submission of the previous statement of independence),
  - process of auditing the financial statements of the Company and the consolidated financial statements of the Capital Group for the financial year 2023 (discussion of the general assumptions of the audit process, the timetable, the audit strategy and the non-financial reporting, as well as the results of the preliminary audit of the Company and the subsidiaries).
3. presented to the Supervisory Board a positive assessment with respect to the independence of the financial audit process and the conducting of the assessment of the key auditor and the members of the team performing the financial audit activities as to whether they met the criteria for the independence with respect to TAURON Group's subsidiaries and remaining in an independent relationship with respect to the audited entity during the time frame from the date of the previous assessment of the independence,
4. presented to the Supervisory Board the Report of the Audit Committee of Supervisory Board on the Assessment of the financial statements, the Report of the Management Board on the Operations of the Company and TAURON Capital Group and the Proposal of the Management Board with respect to the distribution of the net profit for the financial year 2022 and the assessment of the Company's situation, taking into account the adequacy and effectiveness of the Company's internal control, risk management, compliance and internal audit systems in place,
5. discussed the draft Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2022 in order to provide it to the certified auditors to receive the opinion thereof,
6. analyzed the financial results of the Company and TAURON Capital Group for the year 2022, the first quarter of 2023, the first half of 2023 and for the third quarter of 2023,
7. became familiar with and did not submit any comments with respect to the new wording of the Accounting Policy of TAURON Polska Energia S.A. Capital Group,

During its meetings in 2023 the Audit Committee had been dealing with the following issues:

8. became familiar with the information with respect to the performance of the activities stemming from the Procedure for ensuring compliance, within TAURON Group, with the requirement of the independence of the audit firm conducting the audit and review of the financial statements and the consolidated financial statements of TAURON Polska Energia S.A.,
9. became familiar with the draft amendments to the regulations related to the selection of an audit firm and the audit of the financial statements in terms of the UKNF (Financial Supervision Commission Office) guidelines,
10. became familiar with the information related to the internal and external financing system at TAURON Group and the level of the subsidiaries' indebtedness to TAURON on account of the intra-group loans and the cash pool mechanism as of December 31, 2022,
11. monitored the issues with respect to the internal audit and the internal control systems, in particular, discussed the degree of the implementation of the annual Audit Plan for TAURON Group for 2022, as well as of the implementation in each quarter of the plan of the audit tasks and the ad hoc controls at TAURON Capital Group adopted for 2023,
12. became familiar with the self-assessment of the Audit Area's activities over a three year period with respect to the effectiveness of the audit and control projects undertaken at TAURON Group and the covering with its activities of all of the material areas of the operations of TAURON Group's subsidiaries,
13. discussed of the Internal Control System Assessment Report for 2022,
14. monitored the issues with respect to the key corporate and specific risks at TAURON Capital Group (the quarterly information with respect to the risk management),
15. monitored the quarterly reports with respect to the tasks carried out by the compliance area, as well as got acquainted with: TAURON Polska Energia S.A.'s Compliance Report for 2022, TAURON Group's Compliance Plan for 2023, the reports on the periodic assessment of the transactions concluded with the related parties for the periods of: the second half of 2022 and the first half of 2023, the information on the status of the application of the Best Practice 2021 and an update of TAURON Group's Procedure for Assessing (Vetting) the Credibility of Counterparties (Contractors),
16. became familiar with the rules and the procedures related to the methods used to assess the personal relationships of the Members of the Company's management authorities (bodies) as part of assessing the credibility of the counterparties (contractors),
17. monitored the quarterly information with respect to the area of purchasing, including in particular: the analysis of the purchase order (contract) award proceedings as part of the monitoring of the effectiveness of the internal control system, including the non-tender proceedings at TAURON Capital Group's subsidiaries, the findings and the conclusions stemming from the analysis of the purchase orders (contracts) awarded on the emergency basis by the Company and by TAURON Capital Group's subsidiaries, was getting acquainted with the purchasing procedures applied by TAURON Group's subsidiaries,
18. became familiar with the management model and the organization of the legal services at TAURON Group and the list of the purchase orders (contracts) awarded to the external law firms in 2022, the value of which topped PLN 30 000 in total,
19. adopted and submitted to the Supervisory Board the Report on the activities of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2022,
20. carried out other tasks entrusted by the Supervisory Board, including, among other things, conducting of the fact finding proceedings (probes, investigations), analyzing and evaluating of the documents or the legal actions performed by the Company with respect to their compliance with the applicable legal regulations and the internal regulations.

### **Permitted non-audit services provided by an audit company**

The following permitted non-audit services had been provided for TAURON and TAURON Capital Group's subsidiaries in 2023 by the audit firm auditing the financial statements:

1. confirmed in writing verification of the annual and interim (semi-annual) standalone consolidation packages of selected TAURON Capital Group's subsidiaries required to prepare the annual and interim consolidated financial statements,
2. completing of the agreed upon procedures for the verification of the report of the TAURON Dystrybucja subsidiary in connection with the requirement to estimate the Regulatory Asset Base (RAB) and the Regulatory Asset Base (RAB) for the AMI System for the needs of determining the justified return on capital employed by the President of ERO.
3. an assessment of the annual report of the Supervisory Board on the compensation of the Management Board and the Supervisory Board of TAURON Polska Energia S.A., drawn up in accordance with art. 90g of the *Act on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*.

In connection with the provision of the above mentioned services, the Audit Committee performed an evaluation of the threats to and the safeguards of the independence of the audit company Ernst & Young Audyt Polska and expressed its consent for the provision of the above mentioned services.

### **The main assumptions of the policy for selecting an audit firm to conduct the audit and the policy of providing the permitted non-audit services by the audit firm conducting the audit, by the entities related to such an audit firm and by a member of the audit firm's network**

The Audit Committee had adopted the following regulations on October 16, 2017, drawn up in connection with the coming into force of the *Act of May 11, 2017, on certified auditors, auditing companies and public oversight*:

1. *Policy for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.,*
2. *Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.*
3. *Policy for the provision of the permitted non-audit services at TAURON Group by the audit firm conducting the audit of the annual financial statements and consolidated financial statements of TAURON Polska Energia S.A., the entities related to such an audit firm and by a member of the audit firm's network.*

On March 27, 2023, the Audit Committee had adopted the new version of the *Policy for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.*, as well as the *Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.*

*Policy for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.* is aimed at ensuring the compliance of the selection of the audit firm to conduct the audit and review of the Company's financial statements with the legal regulations. The policy defines, in a clear manner, the principles and rules of the process for the selection of the audit firm to audit the reports of TAURON as a public interest entity, principles of the procedure for the selection of the audit firm, principles of preparing the recommendations of the Audit Committee related to the selection of the audit firm, as well as the principles of a rotation of the audit firm conducting the audit and review of the financial statements and the consolidated financial statements of TAURON. The most important assumptions adopted in the policy include the fact that the process for the appointment of the auditor shall be based on the applicable legal regulations, ensuring the transparency and objectivity of the process for the appointment of the auditor and including in the process of the requirements necessary for the timely and correct performance of the audit services for the Company.

*Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.* is aimed at ensuring the compliance of the process for the selection of the audit firm with the legal regulations, as well as ensuring that the audit and review of the financial statements are conducted at a high quality level, within a specified time frame, while ensuring independence, objectivity, transparency and credibility of the audit firm and the certified auditors. The procedure defines in detail and accurately the individual stages of the process to select the audit firm, including indicating the corporate authorities (bodies) and organizational units responsible for such stages. Furthermore, the procedure defines the general conditions for the participation in the proceedings and the criteria for the selection of the audit firm as well as the time frame of the auditor selection process. The most important assumptions made in the procedure include adopting a clear and transparent, based on the legal regulations, split of the responsibilities in the process for the selection of the auditor, as well as defining transparent and non-discriminatory conditions for the participation in the tender procedure and the criteria for the selection of the audit firm that the company may apply.

*Policy for the provision of the allowed non-audit services at TAURON Group by the audit firm conducting the audit of the annual financial statements and consolidated financial statements of TAURON Polska Energia S.A., the entities related to such an audit firm and by a member of the audit firm's network* is aimed at defining the clear rules aimed at meeting the requirement of the independence of the audit firm conducting the audit of the Company, in case such firm or entities that are members of its network are providing the non-audit services. This policy defines the principles related to the provision for the benefit of TAURON Capital Group's entities, by the audit firm conducting the audit at TAURON, entities related to the audit firm and a member of the audit firm's network, of the additional non-audit services or non-review services, in particular the conditions for the admissibility of the provision of the permitted services, the principles of the Audit Committee conducting an assessment of the threats to and the safeguards of the independence of the audit firm, as well as the control mechanisms with respect to observing the principles of the independence of the certified auditor at TAURON Capital Group. The most important assumptions adopted in the policy include defining clear rules for the Audit Committee to conduct an assessment of the threats to and the safeguards of the independence of the audit firm and expressing consent for the provision of the non-audit services, based on the compliance with the legal regulations and the purposefulness of the provision of such services.

### **Recommendations of the Audit Committee related to the selection of the audit firm**

In 2021, the audit firm had been selected to audit and review the financial statements and consolidated financial statements of TAURON for the years 2022 - 2024. The Supervisory Board had selected the audit firm, based on the recommendation of the Audit Committee that had met the applicable conditions and had been drawn up as a result of the Company's public procurement proceedings, in accordance with the applicable criteria, including an indication, at the same time, of the other alternative entity to perform such activities and providing the justification for the preferences behind the selection of the recommended audit firm. In 2023, the Audit Committee did not develop any recommendations with respect to the selection of an audit firm for the Company.

### **Controlling and monitoring of the independence of the auditor**

Controlling and monitoring of the independence of the audit firm by the Audit Committee shall take place on the basis of the legal provisions and regulations adopted by the Audit Committee, in particular the *Policy for the provision of the allowed non-audit services at TAURON Group by the audit firm conducting the audit of the annual financial statements and consolidated financial statements of TAURON Polska Energia S.A., the entities related to such an audit firm and by a member of the audit firm's network* (Policy). In addition, the Company has implemented the *Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.* (Procedure), which is aimed at ensuring the correct and timely performance by the Company of the activities required for the process of controlling and

monitoring of the independence of the audit firm and the entities that are the members of its network by the Audit Committee.

The auditor's independence shall be assessed by the Audit Committee each time as part of the reviewing of the interim (semi-annual) and the annual financial statements and the consolidated financial statements of the Company. For the purpose of the above assessment, in accordance with the Procedure, in the case of the interim (semi-annual) and the annual financial statements, the Company shall obtain, from the audit firm, a declaration of the compliance with the independence criteria referred to in the *Act of May 11, 2017, on certified auditors, audit firms and public oversight*. This statement shall be assessed by the Audit Committee.

The auditor's independence shall be assessed by the Audit Committee each time the Company or a subsidiary intends to commission services permitted to be performed by the audit firm or a member of the network that such an audit firm is a part of. In such a situation, the Audit Committee shall each time assess the threats and safeguards protecting the independence of the certified auditor and the audit firm. The assessment of the threats and the safeguards protecting the independence of the certified auditor and the audit firm carried out by the Audit Committee in accordance with the Policy shall include:

1. verification whether the given service is included in the list of the permitted services,
2. verification whether the requirements regarding the maximum limit of the compensation allowed by the legal regulations for the provision of the services other than an audit are met,
3. checking whether the subject of the permitted service to be commissioned to the certified auditor or the audit firm, an entity related to that audit firm or a member of the network that the certified auditor or the audit firm is a part of, is not related to the Company's tax policy,
4. assessment of the statement on the compliance with the independence criteria obtained by the Company, in accordance with the Procedure, from the certified auditor or the audit firm that is to perform the permitted services, valid as of the date of the assessment,
5. an analysis of the substantive justification for the performance of the service by the certified auditor or the audit firm conducting the audit, an entity related to that audit firm or an entity that is a part of its network, indicating the key factors impacting the legitimacy of such a selection.

The Procedure implemented at the Company defines the activities, the organizational units responsible for the performance thereof and the deadlines for the completion of the activities aimed at ensuring, within TAURON Group, of the compliance with the requirement of the independence of the audit firm conducting the audit and the review of the Company's financial statements and the consolidated financial statements. In particular, the Procedure defines the principles of the intra-group communication with respect to the selection of the audit firm to audit the Company's financial statements and the principles and the deadlines for obtaining, from the audit firm, of the statements on the compliance with the independence principles. The Procedure also sets forth the principles and the deadlines for the Company to collect and verify the information on the agreements entered into by TAURON Capital Group's subsidiaries with the audit firm auditing and reviewing the Company's financial statements and the consolidated financial statements, as well as with the members of the network that such an audit firm is a part of. In addition, the Procedure regulates the principles and the deadlines for the collection of the information on the transactions entered into by TAURON Capital Group's subsidiaries with the audit firm auditing and reviewing the Company's financial statements and the consolidated financial statements, as well as with the members of the network that such an audit firm is a part of. At least once a year, the Company shall prepare the information on the performance of the activities stemming from this procedure and submit it to the Audit Committee for an evaluation.

## **Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A.**

The members of the Nominations and Compensation Committee had been appointed by the Supervisory Board of the Company from among the members thereof.

The Nominations and Compensation Committee had been composed of 4 members in 2023.

### **The composition of the Nominations and Compensation Committee as of December 31, 2023**

1. Piotr Tutak – Head of the Nominations and Compensation Committee,
2. Leszek Koziarowski – Member of the Nominations and Compensation Committee,
3. Ryszard Madziar – Member of the Nominations and Compensation Committee,
4. Marcin Wawrzyniak – Member of the Nominations and Compensation Committee.

There had been no changes to the composition of the Nominations and Compensation Committee in 2023. The above mentioned persons had been the Members of the Nominations and Compensation Committee as of January 1, 2023.

### **The composition of the Nominations and Compensation Committee as of the date of drawing up this report**

1. Sławomir Smyczek – Head of the Nominations and Compensation Committee



2. Natalia Klima-Piotrowska – Member of the Nominations and Compensation Committee,
3. Piotr Kołodziej – Member of the Nominations and Compensation Committee,
4. Leszek Koziarowski – Member of the Nominations and Compensation Committee,
5. Katarzyna Masłowska – Member of the Nominations and Compensation Committee,
6. Karolina Mucha-Kuś – Member of the Nominations and Compensation Committee.

### The changes to the composition of the Nominations and Compensation Committee in 2024 and by the date of drawing up this report

On January 25, 2024 (an event that took place after the balance sheet date), the Minister of the State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, dismissed Piotr Tutak, Ryszard Madziar and Marcin Wawrzyniak from the Company's Supervisory Board. As a consequence, their membership of the Nominations and Compensation Committee expired.

On February 1, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Nominations and Compensation Committee, by appointing Natalia Klima-Piotrowska, Katarzyna Masłowska and Sławomir Smyczek to be the members of the Nominations and Compensation Committee.

On February 1, 2024 (an event that took place after the balance sheet date), the Nominations and Compensation Committee elected Sławomir Smyczek to be the Head of the Nominations and Compensation Committee.

On February 13, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Nominations and Compensation Committee, by appointing Piotr Kołodziej to be a member of the Nominations and Compensation Committee.

On March 25, 2024 (an event that took place after the balance sheet date), Leszek Koziarowski submitted a statement on his resignation, effective as of April 2, 2024, from the function of a Member of the Company's Supervisory Board. As a consequence, his membership of the Nominations and Compensation Committee expired.

On April 5, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Nominations and Compensation Committee, by appointing Leszek Koziarowski and Karolina Mucha-Kuś to be the members of the Nominations and Compensation Committee.

There had been no other changes to the composition of the Nominations and Compensation Committee by the date of drawing up this report.

### Tasks and competences of the Nominations and Compensation Committee

The tasks and competences of the Nominations and Compensation Committee, as of December 31, 2023, and as of the date of drawing up this report, are presented in the below table.

Table no. 64. Competences of the Nominations and Compensation Committee, as of December 31, 2023, and as of the date of drawing up this report

Competences of the Nominations and Compensation Committee
<ol style="list-style-type: none"> <li>1. Recommending to the Supervisory Board of a recruitment (qualification) procedure for the positions of the Members of the Company's Management Board,</li> <li>2. Evaluating of the candidates for the Members of the Management Board and providing the Supervisory Board with the opinions in this respect,</li> <li>3. Recommending to the Supervisory Board of a form and content of the agreements to be concluded with the members of the Management Board,</li> <li>4. Recommending to the Supervisory Board of a compensation and bonus system for the members of the Management Board,</li> <li>5. Recommending to the Supervisory Board of the need to suspend a member of the Management Board for important reasons,</li> <li>6. Recommending to the Supervisory Board of the need to delegate a member of the Supervisory Board to temporarily perform the duties of the Members of the Management Board who cannot perform their duties, along with a compensation proposal</li> </ol>

### The main tasks of the Nominations and Compensation Committee in 2023

The Nominations and Compensation Committee had held a total of 2 meetings and had passed 3 resolutions in the financial year 2023.

All of the Members of the Nominations and Compensation Committee had been present during its meetings.

The below table presents the main issues that the Nominations and Compensation Committee had been dealing with during its meetings in 2023.

Table no. 65. Main issues that the Nominations and Compensation Committee had been dealing with during its meetings in 2023

During its meetings in 2023 the Nominations and Compensation Committee:
<ol style="list-style-type: none"> <li>1. recommended to the Supervisory Board the adoption of the detailed Management Objectives for the Members of the Management Board of TAURON of the 6th common term of office to be accomplished in 2023, along with the determination of the weights of these objectives as well as the objective and measurable criteria for the accomplishment and the accountability thereof,</li> </ol>



During its meetings in 2023 the Nominations and Compensation Committee:

2. carried out an analysis and evaluation of the accomplishment of the Management Objectives set for the Members of the Management Board of the Company of the 6th common term of office to be accomplished in 2022, and presented of the adequate recommendations to the Supervisory Board, including the ones related to the amount of the payout of the Variable Compensation due to the Members of the Management Board for 2022,
3. adopted and submitted to the Supervisory Board the *Report on the activities of the Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2022*,
4. analyzed the quarterly information with respect to the proper performance of the duties of the Members of the Management Board under the agreements for the provision of the management services.

## Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A.

The members of the Strategy Committee were appointed by the Supervisory Board of the Company from among the members thereof.

The Strategy Committee had been composed of 5 to 6 members in 2023.

### The composition of the Strategy Committee as of December 31, 2023

1. Grzegorz Peczkis – Head of the Strategy Committee,
2. Dariusz Hryniów – Member of the Strategy Committee,
3. Ryszard Madziar – Member of the Strategy Committee,
4. Piotr Tutak – Member of the Strategy Committee,
5. Marcin Wawrzyniak – Member of the Strategy Committee.

### The composition of the Strategy Committee as of the date of drawing up this report

1. Natalia Klima-Piotrowska – Head of the Strategy Committee,
2. Michał Hulbój – Member of the Strategy Committee,
3. Piotr Kołodziej – Member of the Strategy Committee,
4. Katarzyna Masłowska – Member of the Strategy Committee,
5. Karolina Mucha-Kuś – Member of the Strategy Committee,
6. Sławomir Smyczek – Member of the Strategy Committee,
7. Krzysztof Tkaczuk – Member of the Strategy Committee.

### The changes to the composition of the Strategy Committee in 2023 and by the date of drawing up this report

As of January 1, 2023, the Strategy Committee had been composed of the following Members of the Supervisory Board of the Company: Grzegorz Peczkis (Head of the Strategy Committee), Stanisław Borkowski, Dariusz Hryniów, Ryszard Madziar, Piotr Tutak and Marcin Wawrzyniak.

On October 3, 2023, the term of office of a Member of the Company's Supervisory Board, Stanisław Borkowski, had expired due to his death.

On January 25, 2024 (an event that took place after the balance sheet date), the Minister of the State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, dismissed Dariusz Hryniów, Ryszard Madziar, Piotr Tutak and Marcin Wawrzyniak from the Company's Supervisory Board. As a consequence, their membership of the Strategy Committee expired.

On February 13, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Strategy Committee, by appointing Natalia Klima-Piotrowska, Piotr Kołodziej, Katarzyna Masłowska and Sławomir Smyczek to be the members of the Strategy Committee.

On April 3, 2024 (an event that took place after the balance sheet date), the Extraordinary General Meeting of the Company adopted the resolution on the dismissing of Grzegorz Peczkis from the Company's Supervisory Board. As a consequence, his membership of the Strategy Committee expired.

On April 5, 2024 (an event that took place after the balance sheet date), the Company's Supervisory Board supplemented the composition of the Strategy Committee, by appointing Michał Hulbój, Karolina Mucha-Kuś and Krzysztof Tkaczuk to be the members of the Strategy Committee.

On April 5, 2024 (an event that took place after the balance sheet date), the Strategy Committee elected Natalia Klima-Piotrowska to be the Head of the Strategy Committee.

There had been no other changes to the composition of the Strategy Committee in 2023 and by the date of drawing up this report.

### Tasks and competences of the Strategy Committee

The tasks and competences of the Strategy Committee as of December 31, 2023, and as of the date of drawing up this report are presented in the below table.

Table no. 66. Competences of the Strategy Committee as of December 31, 2023, and as of the date of drawing up this report

Competences of the Strategy Committee
1. Evaluating of the Company's and TAURON Capital Group's Strategy and presenting of the results of such an evaluation to the Supervisory Board,
2. Recommending to the Supervisory Board of the scope and the deadlines for the submission of the long term (multi year) strategic plans by the Management Board,
3. Evaluating of the impact of the planned and the currently undertaken strategic investment projects on the Company's assets' position,
4. Monitoring of the implementation of the strategic investment tasks,
5. Evaluating of the activities related to the use (control) of the Company's material assets,
6. Providing of the opinions on the strategic documents submitted to the Supervisory Board by the Management Board

### The main tasks of the Strategy Committee in 2023

The Strategy Committee had held a total of 4 meetings and had passed 6 resolutions in the financial year 2023.

All of the Members of the Strategy Committee were present during 1 meeting, while 1 Member of the Strategy Committee was absent during 3 meetings. The absences of the Member of the Strategy Committee had been excused by the relevant resolutions of the Strategy Committee

The below table presents the main issues that the Strategy Committee had been dealing with during its meetings in 2023.

Table no. 67. Main issues that the Strategy Committee had been dealing with during its meetings in 2023

During its meetings in 2023 the Strategy Committee:
1. recommended to the Supervisory Board the approval of the <i>Report of the Management Board on the oversight of the implementation of the investment projects at TAURON Group in 2022</i> .
2. recommended to the Supervisory Board the acceptance of the <i>Report of the Supervisory Board of TAURON Polska Energia S.A. on the oversight of the implementation of the investment projects by the Management Board, including the purchasing of the fixed assets in 2022</i> ,
3. adopted and submitted to the Supervisory Board the <i>Report on the activities of the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2022</i> ,
4. became familiar with the information on the status of the implementation of the expansion directions adopted in <i>TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050</i> , including those related to the replacement of the production assets, the construction of the energy storage facilities, the utilization of the by-products of the combustion process, the construction of a pumped storage hydroelectric power plant,
5. discussed the issues related to the implementation of the key investment projects for TAURON Group in 2023, with a particular emphasis on the projects at TAURON Dystrybucja and in the following Lines of Business: Generation, RES, Heat and Customer Service,
6. became familiar with the information on the asset components of the Generation Line of Business (before the division) and of TAURON Group's other subsidiaries, as divided into the asset components transferred as part of the NABE project (real estate and the fixed assets) and the asset components remaining at TAURON Group,
7. discussed the concept of the lines of business at TAURON Group after NABE has come to fruition, including the consolidation of TAURON Group's subsidiaries,
8. became familiar with the updated Strategic Research Agenda and the progress of the R&D projects in 2023, in particular in the Distribution Line of Business, including: the connections of the new RES generation units to the grid, the implementation of the smart metering system in the context of the replacement of the meters with the smart meters (AMI),
9. became familiar with the information related to the implementation of the new RES projects planned to be acquired in 2023 and the status (progress) of the construction of the RES projects acquired in 2022,
10. analyzed the status of the works with respect to the implementation of the concept of a reorganization of the RES Line of Business at TAURON Group,
11. became familiar with the activities of TAURON Nowe Technologie with respect to electromobility and the concept of its strategic development,
12. became familiar with the information related to the impact of the key industry regulations in 2023 on TAURON Group's Strategy.

## Description of the activities of the Committees of the Supervisory Board of TAURON Polska Energia S.A.

The detailed description of the activities of the Committees of the Supervisory Board is provided in the Regulations of the individual Committees of the Supervisory Board. The regulations in question had not been subject to amendments in 2023.

The Committees of the Supervisory Board are advisory and opinion providing bodies acting collectively as a part of the Company's Supervisory Board structure and perform the support and the advisory functions for the Supervisory Board. The tasks of the Committees of the Supervisory Board are carried out by submitting of the motions, recommendations, opinions and the statements related to the scope of their tasks to the Supervisory Board, by way of the resolutions passed. The Committees of the Supervisory Board are independent of the Management Board of the Company.

The Audit Committee and the Nominations and Compensation Committee of the Supervisory Board shall be composed of 3 to 5 members, while the Strategy Committee shall be composed of 3 to 7 members. The activities of the individual Committees shall be managed by the Chairpersons (Heads) thereof.

The meetings of the Committees of the Supervisory Board shall be convened by the Chairperson (Head) of the specific Committee on his or her own initiative or upon the motion of a member of the Committee or the Chair of the Supervisory Board and they shall be held on as needed basis. In the case of the Audit Committee the meetings shall be convened at least on a quarterly basis. The Head of the given Committee may invite the Members of the Company's Supervisory Board, who are not members of the specific Committee, the members of the Management Board and the employees of the Company as well as other persons working or cooperating with the Company to take part in the meetings of the Committees. The Head of the specific Committee or a person appointed by him or her shall submit the motions, recommendations and the reports to the Supervisory Board .

The Committees of the Supervisory Board shall pass resolutions if at least half of their members are present at the meeting and all of the members have been duly invited. The resolutions of the Committees of the Supervisory Board shall be adopted by an absolute majority of the votes of the persons present at the meeting, where the absolute majority of the votes shall be understood as more votes cast "for" than the "against" and the "abstain" votes. The Committees of the Supervisory Board may pass resolutions in writing or by using the means of the direct remote communication.

The Members of the Committees of the Supervisory Board may also participate in the meetings of the Committees and vote on the resolutions being passed by using the means of the direct remote communication, i.e. the tele- or video conferences.

The Company's Management Board shall be informed of the recommendations and the assessments submitted to the Supervisory Board by the given Committee of the Supervisory Board. Every year, the Committees of the Supervisory Board shall provide the public record information, via the Company, on their memberships, the number of the meetings held and the participation in the meetings during the year, as well as on their main activities.

The Management Board of the Company shall provide the individual Committees with the possibility of using the services of the external advisers to the extent required to perform the responsibilities of the Committees.

## 9.12. TAURON Group's Diversity Policy

The Company has *TAURON Group's Diversity Policy* (Diversity Policy) in place, pursuant to which TAURON Capital Group shall apply the policy of equal treatment and shall seek to ensure the diversity in terms of gender, educational background, age and the professional experience with respect to all of its employees. The Diversity Policy shall also be applied in the cooperation with the external partners of TAURON Capital Group, i.e. the companies, universities, schools or other business entities.

The Company does not have a separate diversity policy with respect to the Members of the Management Board and the Members of the Supervisory Board in place, due to the adoption by the Company of the solutions in accordance with the Act of December 16, 2016, on the principles of the state assets management, related to the appointment of the members of the Management Board following the conducting of a recruitment (qualification) proceedings, and due to the personally vested powers of the Minister competent to exercise the rights related to the State Treasury shares with respect to the appointing of a majority of the Members of the Supervisory Board.

With respect to the Members of the Management Board and the Members of the Supervisory Board, the appointment of the persons performing the functions of the Members of the Management Board of the Company shall be made by the Supervisory Board of the Company, while the members of the Supervisory Board of the Company shall be elected by the General Meeting of the Company and the Minister competent to exercise the rights related to the shares of the State Treasury as part of the statutory powers of the State Treasury.

The Members of the Management Board of the Company shall be appointed by the Supervisory Board of the Company on the basis of a recruitment proceedings conducted in accordance with the rules and the requirements set out in the Articles of Association and the *Act of December 16, 2016, on the principles of the state assets management* whose goal is to verify (vet) and assess the qualifications of the candidates and to select the best candidate.

The announcement (notice) of the recruitment (qualification) proceedings shall be published on the Company's web site at the following address: <https://www.tauron.pl> and in the Public Information Bulletin of the Minister competent to exercise the rights related to the shares of the State Treasury. Anyone who meets the requirements set out in § 16, clauses 3 and 4 of the Company's Articles of Association may enter the recruitment process. Due to the lack of specific requirements regarding, among other things, gender, education background, age and the professional experience, the Supervisory Board of the Company, when assessing and selecting the candidates for the Members of the Management Board of the Company, shall have an option to ensure the versatility and the diversity in the selection of the Members of the Management Board of the Company.

### Due diligence procedures and the internal regulations

The due diligence procedures in place under the Diversity Policy include the activities aimed at:

1. developing the work environment based on the respect, openness, reliability and fairness (justice),

2. ensuring the versatility and diversity, in particular with respect to gender, education, age and the professional experience,
3. building an organizational culture open to diversity, based on the corporate values: Partnership, Development and Boldness (PRO),
4. preventing the discrimination by fostering an adequate atmosphere at work as well as building and shoring up the positive relationships among the personnel.
5. supporting the employee initiatives related to the equality practices at the Group's Subsidiaries,
6. support for the vulnerable groups of people
7. activities that support work - life balance,
8. equal treatment of the employees in the hiring process and a prohibition of the discrimination.

By implementing its Diversity Policy TAURON Capital Group is seeking to provide the work environment based on the respect and fairness (justice), within which each employee may fully realize his or her individual potential.

The measures are also being taken to prevent the manifestations of the discrimination by developing the adequate atmosphere at work, creating and strengthening the positive relations among the employees and building an organizational culture based on the PRO corporate values.

The Diversity Policy had not changed in 2023, but the works on the updating thereof had been commenced.

TAURON Capital Group is implementing a number of the initiatives that are aimed at shoring up a culture of respect for the diversity, including, among other things:

1. training courses and lectures for the employees, conducted by the experts, dedicated to the gender differences (for example, *UNIKAT or why each of us is unique, A man and his emotions – A men's day at TAURON Group*),
2. thematic weeks, for example, a week of the generations - dedicated to an intergenerational cooperation, a week devoted to the art of communication, demonstrating the role of the good and effective communication,
3. webinars as part of the *Development Squared* initiative, for example *Self-criticism and perfectionism*, demonstrating the individual differences in the functioning in every day work environment, as a support for a better cooperation,
4. a program related to the accessibility - *TAURON without Barriers*, within the framework of which the initiatives are implemented on an ongoing basis in order to eliminate the accessibility barriers for the people with the special needs, both in the context of our employees and customers,
5. *#WzMOcnijsię* - a training for the managers *A leader versus the diversity*, related to the perception of the diversity in the contemporary world, the leadership attitudes that make the best use of it, the tools that can be used in order to act in the spirit of a fair and inclusive culture.

As part of the employee related issues supporting the implementation of the directions set by TAURON Capital Group's Diversity Policy, the following regulations have been put in place:

1. *TAURON Group's Policy of compliance with the Principles of Ethics and counteracting Mobbing and Discrimination*,
2. *Policy of Respect for Human Rights* defining the principles of respect for the human rights and the actions taken in order to prevent the violation thereof and in order to foster the atmosphere of dignity and mutual respect,
3. training and competence development programs conducive to and supporting the creation of an atmosphere for the development of each employee,
4. regulations ensuring fairness and objectivity with respect to the organization of the work and compensation, including among others:
  - 1) *TAURON Group's Compensation Principles*,
  - 2) *TAURON Group's Human Capital Management Policy*,
  - 3) regulations with respect to the benefits (entitlements),
  - 4) flexible forms of the work time and the ability to work remotely,
5. *TAURON Group's Employee Recruitment Principles*,
6. *TAURON Group's Competence Model*

TAURON Capital Group's diversity management is based on building a culture of openness. TAURON Capital Group, by fighting the age related stereotypes, is building an intergenerational dialogue so as to facilitate the flow of knowledge. The workforce represents various age groups, including those over 50 years of age. Among the employees there are also people with the various degrees of disability, which ensures the stimulation of the activities of this professional group.

TAURON Capital Group is taking steps aimed at preventing the discrimination, in particular due to age, gender, race, nationality, sexual orientation, appearance, fitness, difference in the views or the political or religious beliefs by fostering the adequate atmosphere at work, which makes the employees feel respected and appreciated as well as it gives them a feeling that they can develop and fully realize their professional potential. TAURON Group enables the employees, in the situations when their mobility is limited, to perform the work remotely even on a full time basis. The development initiatives (*Internal Trainers Program, Development Squared, TAURON Group Open University*)

provide the support for the process of an exchange and sharing of the knowledge among the diverse groups of the employees.

As part of the diversity management, the *Inclusiveness and Cooperation* index has been measured for the first time in a recent Employee Opinion Survey - 67% of TAURON Group's employees believe that the co-workers respect their opinions and feelings.



## 10. STATEMENT ON NON-FINANCIAL INFORMATION

Pursuant to art. 49b, clause 9 and art. 55, clause 2c of the *Act of September 29, 1994, on accounting* (Journal of Laws of 2023, item 120 as amended), instead of the statement on the non-financial information, the Company had drawn up a Non-financial Report of TAURON Capital Group for 2022, in accordance with the requirements set forth in article 49b, clauses 2 - 8 of the Act on Accounting, in the form of a separate document posted on the Company's website at the following address: <https://www.tauron.pl/tauron/relacje-inwestorskie/raporty-okresowe>.

# 11. POLICY OF COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

## 11.1. Compensation system for the Members of the Management Board and the key managers

### General information on the adopted compensation system for the Members of the Management Board of TAURON Polska Energia S.A.

The principles of the compensation of the Members of the Management Board in 2023 had not changed and had been in line with the *Policy of Compensation of the Members of the Management Board and the Supervisory Board* (Compensation Policy) adopted by the General Meeting of the Company by way of the resolution no. 26 of July 15, 2020, as amended by the GM of the Company by way of the resolution no. 31 of May 24, 2022.

The above mentioned principles had also been in line with the resolution no. 5 of the Extraordinary General Meeting of the Company of November 21, 2019, on the principles of determining the compensation of the Members of the Management Board, and the subsequent amendment passed by the GM of the Company by way of the resolution no. 30 of May 24, 2019, and the *Act of June 9, 2016, on the principles of determining the compensation of persons managing certain companies* (Journal of Laws of 2020, item 1907), as well as the Best Practice 2021.

The Company shall draw up a report on the compensation of the Members of the Management Board and the Supervisory Board of the Company for the individual financial years in accordance with the requirements defined in art. 90g of the *Act of July 29, 2005, on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies* and shall publish such reports on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/walne-zgromadzenie>.

The subject of the Report on the Compensation are the principles of determining and the structure of the compensation of the Members of the Management Board and the Supervisory Board of the Company in the individual financial years, with a particular emphasis on the total compensation of the individual Members of the Management Board, broken down into the fixed and the variable compensation dependent on the accomplishment of the specific management objectives, along with the amount of the additional cash benefits and non-cash benefits granted to the Members of the Management Board and the amount of the benefits received by the Members of the Management Board in connection with the termination of the contract for the provision of the management services and the compliance with the non-compete clause.

The Compensation Policy, along with the resolution of the General Meeting of the Company on the adoption thereof is published on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

The overarching objectives of the Compensation Policy include:

1. ensuring a consistent and motivational compensation system for the Members of the Company's Management Board,
2. 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,
3. 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
4. increasing the Company's value through the development of the most senior management staff
5. improving the compensation system that would result in the implementation of the Company's business strategy and the directions of its expansion,
6. 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 the achieving of the specific management KPI objectives.

The system of compensating the Members of the Company's Management Board assumes linking the variable part of the compensation with the outstanding management objectives stemming from the provisions of the *Act of June 9, 2016 on the principles for determining the compensation of the management personnel of certain companies*, (Journal of Laws of 2020, item 1907), and set, pursuant to these provisions, by the GM and the Supervisory Board of the Company. The adoption, as part of the compensation system, of the dependence of the compensation's variable part on the achieving of the management objectives set to be accomplished is aimed, in particular, at

implementing the adopted Strategy, the directions of the Company's expansion and the financial plans, taking into account the Company's long term interests.

Taking into account the applicable regulations, the Company's Supervisory Board sets the compensation for the Members of the Management Board of the Company within the range set by the General Meeting of the Company.

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

The variable compensation for the accomplishment of the management objectives of a financial nature is granted based on the data coming from the Company's audited consolidated financial statements for a given financial year. The variable compensation for the accomplishment of the management objectives of a non-financial nature is granted in connection with the achievement of certain objectives in a given financial year based on the Company's Supervisory Board's assessment of the accomplishment thereof.

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 Capital Group's subsidiaries.

### **General information on the adopted System of Compensation of the Members of the Management Board of TAURON Capital Group's Subsidiaries**

At all of TAURON Capital Group's subsidiaries with respect to which TAURON is a parent company within the meaning of art. 4, clause 3 of the *Act of February 16, 2007, on the protection of competition and consumers*, (Journal of Laws of 2023, items 1689, 1705), the principles of the compensation of the members of the management bodies are applied in accordance with the *Act of June 9, 2016, on the principles of determining compensation of the management personnel of certain companies* (Journal of Laws of 2020, item 1907). The above is defined in the *Policy for determining the compensation of the members of the authorities of the Subsidiaries* adopted by the Management Board of TAURON, and in the *Principles of the compensation of the members of the corporate authorities of the Subsidiaries*.

The principles of the compensation of the members of the management bodies of the subsidiaries are, similar as at TAURON, based on a two component system for determining the compensation, where the total compensation is composed of a fixed part and a variable part dependent on fulfilling specific, results based criteria, i.e. the achieving of the management objectives. Linking of the compensation's variable part to the achieving of the management objectives set to be accomplished is of material importance in TAURON Capital Group's management process and is aimed at prioritizing the directions of the expansion of the individual subsidiaries.

### **General information on the adopted System of Compensation of the Key Managers**

The principles related to the compensation and the bonus system for the key managers and the other employees are defined in the *Regulations of the Compensation of the Employees of TAURON Polska Energia S.A.*, adopted for application by the Management Board of the Company.

In 2023 *TAURON Group's Principles of Compensation* were in force at 12 of TAURON Capital Group's Subsidiaries, constituting the guidelines for key TAURON Capital Group subsidiaries with respect to the personnel compensation systems, in particular taking into account the bonus system for the key managers based on the management by objectives system, consistent throughout the entire TAURON Capital Group, representing a combination of the planning process, the efficiency (performance) measurement process and the assessment process. In 2023 subsidiaries covered by NABE Program, i.e. TAURON Wytwarzanie, TAURON Serwis and Bioeko Grupa TAURON sp. z o.o. were excluded from application of *TAURON Group's Principles of Compensation*.

The compensation and bonus system for the key managers in force envisages that the level of the compensation should be tied to the financial condition of TAURON Capital Group and the Company over one year's time frame, in connection with the accomplishment of the strategic goals.

The overarching assumption of the compensation system in force is to ensure the optimal and motivating compensation level, based on the value and type of work in the given position, as well as the quality of work and effects achieved by the employees.

The structure of the compensation is composed of the following elements:

1. a fixed part – that constitutes the base compensation (salary) determined in accordance with the table of the level (tier) categories applicable at the Company and the monthly rates of the personal level (tier). The allocated level of the basic compensation (salary) reflects the value and the type of the work as well as the quality of the employee's work, defined based on the assessment of the employee's competence level,
2. a variable part - which is dependent on the work performance results, defined based on the level of accomplishing the targets and the tasks within the Management By Objectives (MBO) bonus system,
3. benefits (entitlements) - which are defined in the internal regulations of the Company.

The MBO bonus system based on the market principles of awarding of the bonuses ensures focusing of the activities of the key managers on attaining the objectives aimed at implementing the Strategy, as well as the strategic objectives and expansion (growth) directions of TAURON Capital Group's individual subsidiaries. Such a system allows for cascading of the objectives defined by the Company's Management Board at TAURON Capital Group level and at the Company level, down to the concrete, parameterized tasks vested with the employees positioned at the lower levels of the organization. In addition, the MBO bonus system has been linked with the process based management system implemented at TAURON Capital Group, among other things, by linking the objectives with the Mega-processes defined within TAURON Capital Group. Therefore, the Management by Objectives culture introduced reflects the specific features of the individual functions implemented by the Company and allows for the use of the mechanisms enabling a dialogue between the superior and the subordinate during the process of setting and assessing of the objectives, which translate into attaining the overall efficiency throughout the entire organization.

At the same time, this tool enables the precise correlating of the KPIs defined for the Members of the Company's Management Board with the objectives set for the given year for the key managers of the Company. An initial assessment of the accomplishment of the objectives takes place after the elapse of the first 6 months of the year, while the Members of the Company's Management Board make the final assessment of the accomplishment of the objectives by the key managers after the year has ended.

In addition, there is a bonus system for the trading area (and the units directly cooperating therewith) in place, the purpose of which is to motivate the personnel to achieving the higher revenues for TAURON Capital Group. The trading bonus covers the key managers from the trading and controlling area, where the bonus mechanism awards them an additional bonus only after exceeding their designated annual trading plans.

## 11.2. Principles, conditions and amount of compensation of the Members of the Management Board of TAURON Polska Energia S.A. and the entities that are a part of TAURON Capital Group

### The compensation of the Members of the Management Board of TAURON Polska Energia S.A.

The compensation of the Members of the Management Board of the Company is determined by the Supervisory Board of the Company. The total amount of the compensation understood as the value of the salaries, bonuses and the benefits received in cash, in kind or in any other form, as well as the severance payments and the compensation for refraining from the conducting of the competitive activities, paid out by the Company to the Members of the Management Board of the Company stood at the gross amount of PLN 8 087 000 in 2023.

The compensation of the Members of the Management Board of the Company paid out in 2023, broken down into the individual components, is presented in the below table.

**Table no. 68. Compensation of the Members of the Management Board of the Company paid out in 2023, broken down into the individual components (excluding the markups)**

	First and last name and the period of holding a position on the Management Board of the Company in 2023	Total compensation <sup>1</sup> (PLN '000)	Fixed compensation (PLN '000)	Variable compensation <sup>2</sup> for achieving KPIs in 2022 (PLN '000)	Other benefits (PLN '000)	Total (PLN '000)
1.	Paweł Szczeszek President of the Management Board 01.01.2023 – 31.12.2023	1 365	793	572 (for the time frame from 11.04.2022 to 31.12.2022)	55 PPE <sup>3</sup>	1 420
2.	Patryk Demski Vice President of the Management Board 01.01.2023 – 31.12.2023	1 480	740	740 (for the time frame from 01.01.2022 to 31.12.2022)	105 including: 75 PPE <sup>3</sup> 30 DMS <sup>4</sup>	1 585
3.	Bogusław Rybacki Vice President of the Management Board 01.01.2023 – 31.12.2023	970	740	230 (for the time frame from 09.09.2022 do 31.12.2022)	30 DMS <sup>4</sup>	1 000
4.	Krzysztof Surma Vice President of the Management Board 01.01.2023 – 31.12.2023	1 480	740	740 (for the time frame from 01.01.2022 do 31.12.2022)	76 including: 74 PPE <sup>3</sup> 2 Training <sup>5</sup>	1 556

5.	Tomasz Szczegielniak Vice President of the Management Board 01.01.2023 – 31.12.2023	976	740	236 (for the time frame from 06.09.2022 do 31.12.2022)	37 including: 9 PPE <sup>3</sup> 28 DMS <sup>4</sup>	1 013
6.	Artur Warzocha Vice President of the Management Board 01.01.2023 – 31.12.2023	1 441	740	701 (for the time frame from 21.01.2022 to 31.12.2022)	72 PPE <sup>3</sup>	1 513
<b>Total<sup>6</sup></b>		<b>7 711</b>	<b>4 492</b>	<b>3 219</b>	<b>375</b>	<b>8 087</b>

<sup>1</sup> total of the fixed compensation and the variable compensation.

<sup>2</sup> variable compensation had been paid in the full amount due (100% of all of the set management objectives had been accomplished).

<sup>3</sup> PPE – Employee Pension Program (Pracowniczy Program Emerytalny – PPE).

<sup>4</sup> DMS – Housing allowance for the company accommodation.

<sup>5</sup> Individual training sessions.

<sup>6</sup> The total in PLN thousand is the rounded total amount of compensations (fixed compensation PLN 4 491 855.6, total amount of compensations PLN 8 086 508.13) and may differ from the sum of rounded individual positions (values presented in PLN thousand).

As part of the Company's obligations towards the former Members of TAURON's Management Board, the total amount of PLN 1 433 000 was paid out in 2023 due to the payment of the variable compensation and the other benefits.

The Members of TAURON's Management Board did not receive any compensation or bonuses for performing the functions in the corporate bodies of TAURON Capital Group's subsidiaries in 2023.

All of the Members of the Management Board of the Company received in 2023 their compensation in accordance with the applicable contract for the provision of the management services in compliance with the *Act of June 9, 2016, on the principles of determining the compensation of the management personnel of certain companies* (Journal of Laws of 2020, item 1907) and the Compensation Policy.

The detailed information on the model of the compensation for the Members of the Management Board of the Company and the Compensation Policy is presented in section 11.1. of this report.

### Information on the obligations towards the former Members of the Management Board of the Company due to the pensions or the benefits of similar nature

The Company does not have any obligations towards the former Members of the Company's Management Board due to the pensions or the benefits of similar nature.

## Compensation of the Members of the Management Boards of TAURON Capital Group's subsidiaries

The compensation of the Members of the Management Boards of TAURON Capital Group's subsidiaries is determined taking into account the scale of the given subsidiary's operations, in particular:

1. average annual headcount,
2. annual net revenue (turnover) from the sales of the goods, products and the services as well as from the financial operations,
3. total assets on the balance sheet as of the end of the year.

Based on the above criteria, the categories of the subsidiaries are defined, which determine the amount of the fixed compensation of the members of the subsidiaries' management bodies.

The principles of the compensation of the Members of the Management Boards of TAURON Capital Group's subsidiaries are published on the Company's website at the address: <https://www.tauron.pl>.

### 11.3. Agreements concluded with the Members of the Management Board that envisage a compensation in case of their dismissal from the position held

The agreements (contracts) for the provision of the management services concluded both with the Members of TAURON's Management Board, as well as with the Members of the Management Boards of TAURON Capital Group's individual subsidiaries, envisage, in case of the termination of or the withdrawal from the agreement by the Company for the reasons other than defined therein, a payout of the severance payment in the amount of three times the fixed part of the compensation, on the condition they have performed their function over a period of at least 12 months prior to the termination of the agreement.

In addition, due to the Members of TAURON's Management Board, as well as the Members of the Management Boards of TAURON Capital Group's individual subsidiaries having access to the confidential information the disclosure of which could expose the Company and TAURON Capital Group's subsidiaries to the losses, the agreements for the provision of the management services include the non-compete clauses applicable after the expiry of the term of office. Under the above mentioned agreements the Members of the Management Board are



obligated to refrain from conducting of the competitive activities for a specified period of time in return for the compensation due thereto.

#### **11.4. Non-financial components of the compensation due to the Members of the Management Board of TAURON Polska Energia S.A. and the key managers**

##### **Non-financial components of the compensation of the Members of the Management Board of the Company**

The Members of the Management Board of the Company, in accordance with the concluded agreements for the provision of the management services, shall be entitled to the reimbursement by the Company of the cost of the individual training up to the net amount of PLN 15 000 in a calendar year.

The Members of the Company's Management Board are covered by the Employee Pension Program in accordance with the rules applicable to all of the employees of TAURON.

In addition, in the event of the permanent residence at a considerable distance from the registered office of the Company, a Member of the Management Board of the Company shall be entitled to a housing allowance in the gross amount of PLN 2 500.00 per month, which constitutes an additional benefit.

##### **Non-financial components of the compensation of the key managers**

The personnel employed at the key positions by the Company shall be entitled to take advantage of the following benefits and the non-financial components of the compensation offered by the Company:

1. Employee Pension Program managed by the employer (under the condition of being employed by the Company or by one of TAURON Capital Group's subsidiaries over a period of at least 1 year),
2. a medical package financed with the Company's funds,
3. a company car allocated for their exclusive use,
4. a housing allowance in the gross amount of PLN 2 500.00 per month in the case the availability of the employee is required due to the nature of his / her work and the scope of their responsibilities.

#### **11.5. Information on the changes to the compensation policy during the last financial year**

The Compensation Policy was not changed in 2023.

#### **11.6. System of the Compensation of the Members of the Supervisory Board of TAURON Polska Energia S.A.**

The principles of the compensation of the Members of the Supervisory Board of the Management Board in 2023 had not changed and had been in line with the Compensation Policy and the resolution no. 6 of the Extraordinary GM of the Company of December 15, 2016, amended by the resolution no. 6 of the Extraordinary GM of the Company of November 21, 2019, on the principles of determining the compensation of the Members of the Supervisory Board.

In accordance with the resolution no. 6 of the Extraordinary GM of the Company of December 15, 2016, *on the principles of determining the compensation of the Members of the Supervisory Board*, as subsequently amended, which continues to be valid also in the light of the Compensation Policy in force, the monthly compensation of the Members of the Supervisory Board of the Company is determined as a product of multiplying the assessment base mentioned in art. 1, clause 3, item 11 of the *Act of 9 June 2016 on the principles for determining the compensation of the management personnel of certain companies*, and the multiplier:

1. for the Chair of the Supervisory Board – 1.7
2. for the other members of the Supervisory Board – 1.5

The Members of the Supervisory Board shall be entitled to receive the compensation irrespective of the frequency of the meetings convened. The compensation shall not be due for a month during which a Member of the Supervisory Board of the Company was not present at any of the formally correctly convened meetings, and the absence thereof had not been excused. The decision on excusing or a failure to excuse the absence of a Member of the Company's Supervisory Board at the meeting thereof shall be taken by the Supervisory Board of the Company by way of a resolution.

Pursuant to the Company's Articles of Association, TAURON shall cover the costs incurred in connection with the performance by the Members of the Supervisory Board of the functions entrusted therewith, in particular: the costs of the round trip between the place of the residence and the venue of the Supervisory Board's meeting or a meeting

of the Supervisory Board's Committee, the costs of the individual supervision and the costs of the accommodation and board.

## 11.7. Compensation of the Members of the Supervisory Board of TAURON Polska Energia S.A.

The total amount of the compensation understood as the value of the compensations due or paid out by the Company to the Members of the Company's Supervisory Board in 2023 came in at the gross amount of PLN 625 000.

The compensation of the Members of the Supervisory Board of the Company in 2023 is presented in the below table.

**Table no. 69. Compensation of the Members of the Supervisory Board of the Company in 2023**

First and last name	Period of holding a position on the Company's Management Board in 2023	Compensation (PLN '000)
1. Piotr Tutak	01.01.2023 – 31.12.2023	90
2. Teresa Famulska	01.01.2023 – 31.12.2023	79
3. Marcin Wawrzyniak	01.01.2023 – 31.12.2023	79
4. Stanisław Borkowski	01.01.2023 – 02.10.2023	60
5. Dariusz Hryniów	01.01.2023 – 31.12.2023	79
6. Leszek Koziorowski	01.01.2023 – 31.12.2023	79
7. Ryszard Madziar	01.01.2023 – 31.12.2023	79
8. Grzegorz Peczkis	01.01.2023 – 31.12.2023	79
<b>Total<sup>1</sup></b>		<b>625</b>

<sup>1</sup>The total in PLN thousands is the rounded amount of actual compensations (compensation of PLN 625 322.6).

The Members of the Supervisory Board of the Company do not hold positions in the authorities of the subordinated units.

### Information on the obligations towards the former Members of the Supervisory Board of the Company due to the pensions or the benefits of similar nature

The Company does not have any obligations towards the former Members of the Supervisory Board of the Company due to the pensions or the benefits of similar nature.

## 12. OTHER MATERIAL INFORMATION AND EVENTS

### 12.1. Material proceedings pending in front of the court, competent arbitration authority or public administration authority

The below table presents the material proceedings pending in front of the court, competent arbitration authority or the public administration authority in 2023.

**Table no. 70. Summary of material proceedings pending in front of the court, competent arbitration authority or public administration authority in 2023**

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<b>Proceedings involving TAURON</b>	
<p>1. <b>Plaintiff:</b> Huta Łaziska (Łaziska Steel Works)</p> <p><b>Defendants:</b> TAURON (as a legal successor to GZE) and the State Treasury represented by the President of the Energy Regulatory Office (ERO)</p>	<p><b>Object of litigation:</b> a lawsuit for the payment of the compensation for the alleged damage caused by a non-performance by Górnośląski Zakład Elektroenergetyczny S.A. (GZE) of the decision of the President of the Energy Regulatory Office (ERO) of October 12, 2001, related to the resumption of the electricity supply to the plaintiff.</p> <p><b>Value of the object of litigation:</b> PLN 182 060 000.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of March 12, 2007</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On May 28, 2019, the Regional Court in Warsaw issued a ruling on the dismissal of Huta Łaziska's lawsuit in whole and ruled that Huta Łaziska shall refund each Defendant the costs of the proceedings. Huta Łaziska had filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole. Based on the ruling of the Court of Appeal in Warsaw of February 9, 2022, the appeal of Huta Łaziska had been dismissed. The ruling is final (legally binding). On October 13, 2022, Huta Łaziska brought a cassation appeal against the judgment to the Supreme Court. Both the Company and the State Treasury have filed responses to this complaint.</p> <p>The cassation complaint of Huta Łaziska was accepted for hearing. The case was assigned the reference file number II CSKP 499/23.</p>
<p>2. <b>Authority conducting the audit:</b> Head of the Mazovian Customs and Tax Office, and after an appeal has been filed – the Director of the Tax Administration Chamber in Katowice and the Director of the Tax Administration Chamber in Warsaw</p> <p><b>Party:</b> TAURON</p>	<p><b>Object of litigation:</b> examining of the accuracy of the tax base amounts declared by TAURON and the correctness of the calculations and payments of the VAT tax for the period from October 2013 until September 2014. The main subject of the two investigations (audits) are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from Castor Energy sp. z o.o. (Ltd.)</p> <p><b>Value of the object of litigation (the deducted VAT amount):</b> with respect to the transaction with Castor Energy sp. z o.o.(Ltd.) – PLN 52 494 672.</p> <p><b>Date of initiating the proceeding:</b> October 2014, August 2016</p> <p><b>Company's position:</b> in the Company's opinion during the verification of the counterparty (business partner, contractor), the due diligence was actually adhered to, and the Company acted in good faith, so there are no grounds for refusing the Company the right to deduct the tax assessed on the invoices documenting the electricity purchase from Castor Energy sp. z o.o. (Ltd.).</p> <p>On October 7, 2020, the Company had received the decision of the Head of the Mazovian Customs and Tax Office, ending one of the audit proceedings, specifying the amount of its VAT tax liability for the following months: October, November, December 2013 and the first quarter of 2014, which had resulted in the obligation for the Company to pay additional VAT due to the transaction with Castor Energy sp. z o.o., in the total amount of PLN 51 818 857, along with the interest on the tax arrears. The Company filed an appeal against the decision on October 20, 2020.</p> <p>On January 15, 2021, as part of the second audit proceedings, a decision was issued by the Head of the Mazovian Customs and Tax Office in which the Authority stated that the Company had not been eligible to deduct the VAT assessed from the invoice issued by Castor Energia Sp. z o.o. (Ltd.) in April 2014, and thus the Company had overstated the amount of the VAT assessed recognized in the tax statement filing for the second quarter of 2014 by the amount of PLN 677 815.39. On February 12, 2021, the Company filed an appeal against the decision.</p> <p>On February 23, 2023, the Provincial Administrative Court (WSA) in Gliwice overturned the decision of the second instance authority that the Company had filed an appeal against, with respect to the VAT tax liability for the periods from October to December 2013 and for the first quarter of 2014. The Director of the Tax Administration Chamber in Katowice filed a cassation appeal with the Supreme Administrative Court (NSA) on April 22, 2022, representing a complaint against the February 23, 2023, ruling of the Provincial Administrative Court (WSA) in Gliwice, which had been in TAURON's favor.</p>
<p>3. <b>Plaintiff:</b> Enea</p> <p><b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> a lawsuit for the payment due to the Company's alleged unjust enrichment (benefit) in connection with the settlements related to the imbalance of the Balancing Market with PSE between January and December 2012</p> <p><b>Value of the object of litigation:</b> PLN 17 085 846.49</p> <p><b>Initiation of the proceeding:</b> the lawsuit of December 10, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>On March 22, 2021, the Regional Court in Katowice had dismissed Enea's lawsuit in its entirety. Enea had filed an appeal in June 2021. The Company has filed a response to the appeal. As of now, no appeal hearing date has been set.</p>
<p>4. <b>Plaintiff:</b> Dobiesław Wind Invest sp. z o.o.(Dobiesław Wind Invest) <b>Defendant:</b> TAURON</p>	<p><b>Lawsuits pertaining to the termination, by the PEPKH subsidiary, of the agreements related to the sales of electricity and property rights arising from the guarantees of origin (energy certificates)</b></p> <p><b>Object of litigation:</b> a lawsuit for the payment of the damages and the determination of the liability for the future.</p> <p><b>Value of the object of litigation:</b> PLN 72 217 997.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 30, 2017</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 37 471 305.05 or (a potential claim) PLN 35 969 662.07.</p> <p>In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which witnesses had been heard. The evidentiary proceedings are still in progress. The further hearings were held in April, May and October 2023. The case is pending in the first instance.</p> <p>By way of a letter dated December 21, 2023, Dobieslaw Wind Invest had summoned TAURON to pay a further amount of PLN 22 551 525.32 by December 29, 2023, pointing to the arising of the "damage to the property of Dobieslaw Wind Invest as a result of the actions taken by TPE and PEPKH and others bearing the hallmarks of a tort and an act of unfair competition, which are the subject of the proceedings pending before the Regional Court in Katowice under the reference file number XIII GC 650/19." According to Dobieslaw Wind Invest, the acts were alleged to have consisted "in particular of taking a series of extended over time, unlawful actions aimed at annihilating the long term contractual relations between Dobieslaw Wind Invest and TAURON's wholly owned subsidiary PEPKH."</p> <p>By way of a letter dated December 28, 2023, TAURON responded to the above mentioned summons and disputed Dobieslaw Wind Invest's claims in their entirety, both in the principle, as well as in the amount.</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>5. <b>Plaintiff:</b> Gorzyca Wind Invest sp. z o.o. (Ltd.) <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> a lawsuit for the payment of the damages and the determination of TAURON's liability for the losses that may arise in the future due to tort, including due to the acts of an unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 150 069 533.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives had received the plaintiff's pleading (submission) extending the claim. The Plaintiff, apart from the existing claims, had brought the new claims: for the payment of PLN 57 933 516.55 or (a potential claim) PLN 62 666 188.65. In January 2024 (an event after the balance sheet date) the Company's power of attorneys received plaintiff's pleading extending the claim for the second time. The plaintiff, in addition to the previous claims, submitted further claims: for payment of PLN 38 517 274.48 or (potential claim) PLN 15 473 568.81 and additionally of the amount of PLN 13 900 420.46 for previous "unjustified compensation with periodic profits generated by Gorzyca Wind Invest sp. z o.o." in relation to sale of electricity and property rights in that period.</p> <p>The case had been heard jointly with the cases brought by Pękanino Wind Invest sp. z o. o. (Ltd.) and Nowy Jaroslaw Wind Invest Sp. z o. o. (Ltd.). In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which the witnesses had been heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>6. <b>Plaintiff:</b> Pękanino Wind Invest sp. z o.o. (Ltd.) <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> a lawsuit for the payment of the damages and the determination of TAURON's liability for the losses that may arise in the future due to tort, including due to the acts of an unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 44 817 060.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives had received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, had brought the new claims: for the payment of PLN 16 347 985.20 or (a potential claim) PLN 11 894 096.96.</p> <p>The case had been heard jointly with the cases brought by Gorzyca Wind Invest sp. z o. o. (Ltd.) and Nowy Jaroslaw Wind Invest Sp. z o. o. (Ltd.). In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which the witnesses had been heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>7. <b>Plaintiff:</b> Nowy Jaroslaw Wind Invest sp. z o.o. (Ltd.) <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> a lawsuit for the payment of the damages and the determination of TAURON's liability for the losses that may arise in the future due to tort, including due to the acts of an unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 83 600 774.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives had received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, had brought the new claims: for the payment of PLN 30 755 239.47 or (a potential claim) PLN 32 175 239.15. In January 2024 (an event after the balance sheet date) the Company's power of attorneys received the plaintiff's pleading extending the claim for the second time. The plaintiff, in addition to the previous claims, submitted further claims: for</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>payment of PLN 19 887 160.09, or (potential claim) PLN 8 098 270.92 and additionally of the amount of PLN 5 950 274.18 for previous "unjustified compensation with periodic profits generated by Nowy Jarosław Wind Invest sp. z o.o." in relation to sale of electricity and property rights in that period.</p> <p>The case had been heard jointly with the cases brought by Gorzyca Wind Invest sp. z o.o. (Ltd.) and Pękanino Wind Invest Sp. z o.o. (Ltd.) In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which the witnesses had been heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p> <p><b>Object of litigation:</b> a lawsuit for the payment of the damages and the determination of TAURON's liability for the losses that may arise in the future due to tort, including due to the acts of an unfair competition.</p> <p><b>Value of the object of litigation:</b> Amon – PLN 107 873 696.42; Talia – PLN 72 405 047.22</p> <p><b>Initiation of the proceeding:</b> the lawsuit of April 30, 2018</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions). The evidentiary proceedings are still in progress, a number of hearings had been held at which the witnesses had been heard. The further hearings had been held in April, May, September and October 2023. The case is pending in the first instance. In January 2024 (an event after the balance sheet date) the Company's power of attorneys received the plaintiff's pleading extending the claim, Amon, in addition to previous claims, submitted a new claim for payment of PLN 29 668 791.42 and Talia, in addition to previous claims, submitted a new claim for payment of PLN 19 277 206.14.</p>
<p>8. <b>Co-participation on the plaintiff's side:</b> Amon sp. z o.o. (Ltd.) (Amon) and Talia sp. z o.o. (Ltd.) (Talia)</p> <p><b>Defendant:</b> TAURON</p>	<p><b>Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates)</b></p> <p><b>Object of litigation:</b> a plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and the property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award the damages.</p> <p><b>Value of the object of litigation:</b> Gorzyca Wind Invest sp. z o.o.(Ltd.) – PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. (Ltd.) - PLN 64 116 908.85</p> <p><b>Initiation of the proceeding:</b> Gorzyca Wind Invest sp. z o.o. (Ltd.) – May 18, 2015, Pękanino Wind Invest sp. z o.o. (Ltd.) – May 20, 2018, Dobiesław Wind Invest sp. z o.o. (Ltd.) – May 18, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On April 14, 2022, PEPKH's power of attorney representatives had received further lawsuits including more claims:</p> <ol style="list-style-type: none"> <li>1) Gorzyca Wind Invest sp. z o.o. (Ltd.) – a claim for the award of the amount of PLN 80 810 380.04 or (an alternative claim) of PLN 43 350 973.37,</li> <li>2) Pękanino Wind Invest sp. z o.o. (Ltd.) – a claim for the award of the amount of PLN 11 070 380.21 or (an alternative claim) of PLN 11 454 266.58.</li> </ol> <p>The cases had been combined for a joint hearing in 2018. In the course of the court proceedings under way, the plaintiffs had expanded their claims, as well as had filed the new claims (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings had been held, during which the witnesses had been heard. The evidentiary proceedings are still in progress, and the court has appointed an accounting expert. PEPKH had not agreed to accept the team of the persons appointed as the experts and had filed its appeals with respect to this issue. In December 2022, the plaintiffs had filed a motion for the issuance of the preliminary and partial rulings. PEPKH, by way of a letter dated February 1, 2023, had filed a petition to dismiss the above mentioned motions. On March 2, 2023, the court had dismissed the plaintiffs' motion for the issuance of the preliminary and partial rulings, and an order had been issued to commission an opinion to be prepared by the previously designated team of the experts.</p> <p>The case is pending in the first instance.</p>
<p>9. <b>Plaintiff:</b> Gorzyca Wind Invest sp. z o.o. (Ltd.), Pękanino Wind Invest sp. z o.o. (Ltd.), Dobiesław Wind Invest sp. z o.o. (Ltd.)</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> a plea to award damages and the liquidated damages.</p> <p><b>Value of the object of litigation:</b> PLN 159 427 682.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 14, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In the course of the court proceedings under way, the plaintiff had expanded its claims (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings had been held, during which the witnesses had been heard. The evidentiary proceedings are still in progress. The issue of an appointment of an accounting expert is currently being processed.</p> <p>The case is pending in the first instance.</p>
<p>10. <b>Plaintiff:</b> Dobiesław Wind Invest sp. z o.o. (Ltd.)</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> a plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and the property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award the damages.</p> <p><b>Value of the object of litigation:</b> PLN 105 128 834.11</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 3, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In the course of the court proceedings under way, the plaintiff had expanded its claims four times (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings had been held, during which the witnesses had been heard. The evidentiary proceedings are still in progress. The court had</p>
<p>11. <b>Plaintiff:</b> Nowy Jarosław Wind Invest sp. z o.o.(Ltd.)</p> <p><b>Defendant:</b> PEPKH</p>	



Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>12. <b>Plaintiff:</b> Amon <b>Defendant:</b> PEPKH</p>	<p>admitted the evidence in the form of an opinion issued by an expert in energy and the property rights, the issue of an appointment of an accounting and finance expert is currently being processed. The case is pending in the first instance.</p> <p><b>Object of litigation:</b> a plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and the property rights arising from the guarantees of origin of electricity null and void, and to award the damages.</p> <p><b>Value of the object of litigation:</b> PLN 40 478 983.22</p> <p><b>Initiation of the proceeding:</b> the lawsuit of May 22, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On July 25, 2019, the Regional Court in Gdańsk had issued a partial and preliminary ruling in the case in which the Court:</p> <ol style="list-style-type: none"> <li>1. determined that PEPKH's statements on the termination of the long term agreements, concluded between PKH and Amon, for the purchase of electricity and the property rights arising from the guarantees of origin of electricity had been ineffective and had not produced any legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all of their provisions and shall be binding for the parties,</li> <li>2. determined that Amon's claim for the payment of the damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages.</li> </ol> <p>PEPKH disagrees with the ruling and had filed an appeal complaint on October 25, 2019. On November 17, 2022, the Court of Appeals had dismissed PEPKH's appeal. The ruling of the Court of Appeals and, as a consequence, the above mentioned preliminary and partial rulings shall be legally binding, however, there is a possibility that a cassation appeal will be filed. These rulings do not award any damages to be paid by PEPKH to the plaintiff, i.e. Amon. PEPKH disagrees with the ruling of the Court of Appeals in its entirety, as well as it disagrees with the ruling of the Court of the First Instance. Having been served a written statement of reasons, PEPKH had filed a cassation appeal to the Supreme Court, which was received by the Supreme Court to be heard on September 26, 2023.</p> <p>The preliminary and partial ruling is final (legally binding). On January 20, 2023, PEPKH had sent a letter to Amon in which it stated that it intended to comply with the above mentioned ruling and remained ready to perform its obligations and indicated that it expected the same readiness from Amon. Up to now, Amon has not, in spite of the summons, complied with the Court of Appeals' ruling, and as a consequence PEPKH has filed a lawsuit against Amon, as described in section 15 below.</p>
<p>13. <b>Plaintiff:</b> Amon <b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> a plea to determine awarding of the damages due to a failure to perform, by PEPKH, of the agreements related to the purchase of electricity and the property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 49 096 783,00 29</p> <p><b>Initiation of the proceeding:</b> August 20, 2019</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On March 1, 2023, PEPKH had been served with an amendment to the lawsuit, in which Amon had claimed the payment of the amount of PLN 20 087 593.10. in addition to the amount of PLN 29 009 190 claimed in the lawsuit.</p> <p>In January 2021, the Court had suspended the proceedings pending the final determination with respect to Amon's claim referred to in section 12 above, and, in view of the Court of Appeals' ruling, the Court had resumed the suspended proceedings on January 30, 2023.</p> <p>The case is pending in the first instance.</p>
<p>14. <b>Plaintiff:</b> Talia <b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> a plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award the damages.</p> <p><b>Value of the object of litigation:</b> PLN 46 078 047.43</p> <p><b>Initiation of the proceeding:</b> the lawsuit of May 21, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On March 6, 2020. the Regional Court in Gdańsk had issued a partial and preliminary ruling, supplemented by the court on September 8, 2020, in which the Court:</p> <ol style="list-style-type: none"> <li>1. determined that PEPKH's statements on the termination of the long term agreements, concluded between PEPKH and Talia, for the purchase of electricity and the property rights arising from the guarantees of origin of electricity (energy certificates) had been ineffective and had not produced any legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all of their provisions and shall be binding for the parties,</li> <li>2. determined that Talia's demand for the payment of the damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages.</li> </ol> <p>On August 3, 2020, and on March 8, 2021, PEPKH had filed an appeal against the ruling (the preliminary one and the supplementary one) with the court. On December 20, 2021, the Court of Appeal in Gdańsk, had announced the ruling in which it had dismissed the appeal of PEPKH. The ruling of the Court of Appeals, and as a consequence the above mentioned preliminary and partial ruling as well as the supplementary ruling shall be final (legally binding). The rulings do not order that PEPKH should pay any damages to the plaintiff, i.e. Talia. PEPKH disagrees with the ruling of the Court of Appeals in its entirety,</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>as well as with the rulings of the Court of the first instance. PEPKH had been served the statement of reason for the court judgment and had filed a cassation appeal. On February 28, 2023, the Supreme Court accepted the cassation appeal to be heard. On September 29, 2023, a three member Supreme Court held a closed session, no ruling was issued and the proceedings were adjourned without indicating a date for the resumption thereof.</p>
<p>15. <b>Plaintiff:</b> PEPKH <b>Defendant:</b> Amon</p>	<p><b>Object of litigation:</b> a plea to determine awarding of the damages due to a failure to perform, by Amon, of the agreements related to the purchase of electricity and the payment of the liquidated damages under the agreement for the sale of the property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 61 576 284.89</p> <p><b>Initiation of the proceeding:</b> the lawsuit had been filed on March 31, 2023</p> <p>The filing of the lawsuit by PEPKH was due to the fact that following the date of the issuance of the ruling by the Court of Appeals, i.e., after November 17, 2022, dismissing the appeal of PEPKH, as discussed in detail in section 12 above, Amon, in spite of PEPKH having issued the summons, has not fulfilled its obligation stemming from the final (legally binding) ruling by proceeding to perform the above mentioned agreements with PEPKH. The procedural issues are currently under way.</p>
<p>16. <b>Plaintiff:</b> PEPKH <b>Defendant:</b> Talia</p>	<p><b>Object of litigation:</b> a plea to determine awarding of the damages due to a failure to perform, by Talia, of the agreements related to the purchase of electricity and the payment of the liquidated damages under the agreement for the sale of the property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 75 334 631.53</p> <p><b>Initiation of the proceeding:</b> the lawsuit had been filed on December 28, 2023</p> <p>The filing of the lawsuit by PEPKH was due to the fact that following the date of the issuance of the ruling by the Court of Appeals, i.e., after December 20, 2022, dismissing the appeal of PEPKH, Talia, in spite of PEPKH having issued the summons, has not fulfilled its obligation stemming from the final (legally binding) ruling by proceeding to perform the above mentioned agreements with PEPKH. The procedural issues are currently under way.</p>

## Other proceedings

### Petitions of TAURON Sprzedaż for a change of the approved tariff

As of January 1, 2020, pursuant to the decision of the President of the Energy Regulatory Office (ERO) of December 17, 2019, the electricity tariff for the G tariff groups consumers had entered into force, resulting in an increase in the payments for the household consumers by 19.9% as compared to the payments incurred in 2018 / 2019.

Due to the fact that the said decision had prevented TAURON Sprzedaż from passing on the justified costs of the activities related to the electricity trading, on January 8, 2020, TAURON Sprzedaż submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, which led to the initiating the administrative proceedings.

Due to the particularly complex nature of the case and the COVID-19 pandemic, the deadline for resolving the case had been set as July 29, 2020. By way of the decision of July 8, 2020, the President of the Energy Regulatory Office (ERO) did not approve the above mentioned change of the tariff.

In the opinion of TAURON Sprzedaż, the change of the decision to approve the tariff was justified by the legitimate interest of the party and the provisions of the applicable law, stipulating that the tariff should ensure that the justified costs of the activities conducted by the Company are covered, while the decision approving the tariff, in the opinion of the Company, did not ensure this.

On July 30, 2020, TAURON Sprzedaż had filed an appeal to the Court of Competition and Consumer Protection in Warsaw, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020, motioning for an amendment of the challenged decision in its entirety by approving the electricity tariff in accordance with the petition of TAURON Sprzedaż or revoking the decision in its entirety and ruling that the decision had been issued in the violation of the law. The case is pending under the reference file number XVII AmE 242/20.

The Court of Competition and Consumer Protection Company, by way of its decision of July 28, 2022, had admitted the evidence in the form of the opinion of a court expert in the field of the energy market and accounting. The expert had prepared an opinion, which was served on the Company's power of attorney representative on December 4, 2023. The date of the next hearing has not been set.

### Mediation process and the conclusion of the settlement agreement related to the contract for the construction of the 910 MW power generation unit in Jaworzno

On August 5, 2022, Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie, the Ordering Party) and the consortium composed of RAFAKO, Mostostal Warszawa and E003B7 sp. z o.o. (Ltd.) (the Contractor), had signed a mediation agreement pursuant to which, on August 8, 2022, a petition for a mediation to be conducted in front of the Court of Arbitration at the General Counsel to the Republic of Poland was submitted.

The intention behind conducting the mediation process had been precipitated by the need to change the terms of the settlement agreement concluded on December 2, 2021, in particular those related to the transition period (i.e. the period during which the optimization and tune-up works are carried out, including the tests, trials and measurements) for the 910 MW generation unit in Jaworzno, which had originally been supposed to end by October 30, 2022. The contentious issue that had arisen between the parties had been related to the identification of the reasons that had caused the delays in the implementation of the schedule of the works conducted on the 910 MW unit in Jaworzno and the fallout from the situation arisen.

The Contractor had not completed the transition period by January 11, 2023, and - as a consequence - the protocol of the transition period completion, referred to in current report no. 47/2021 of December 2, 2021, had not been signed. Taking the above into account, on January 11, 2023, in view of a failure to obtain or confirm the technical parameters specified in the contract, an occurrence of an objective delay, on the part of the Contractor, in the performance of the Contract for the construction of the new capacity based on the coal technology at TAURON Wytwarzanie - Construction of a 910 MW supercritical parameters power generation unit at Jaworzno III Power Plant - Power Plant II - with the scope thereof covering: steam boiler (generator), turbine set, main building, the electrical and I&C (Instrumentation and Control) part, concluded on April 17, 2014 (the Contract), an occurrence of the damage on the part of the Ordering Party as a result of a failure to meet the required availability parameter (rate) and the physical defects of the subject of the Contract that had been identified and not remedied, the Ordering Party took the decision - in line with the powers granted thereto according to the provisions of the Contract - to issue a demand (summons) for the payment of the liquidated damages and the compensation (compensatory damages).

A note issued for the total amount of PLN 1 312 440 218.91, was attached to the demand, which was a total amount of the liquidated damages and the compensation (compensatory damages), in particular due for the below listed claims: statutory warranty for the physical defects and thus a claim to remedy the damage incurred by the Ordering Party as a consequence of the physical defects, a claim to remedy the damage incurred by the Ordering Party as a result of a failure to fix the non-limiting defects described in the unit's acceptance (hand-over) protocol (certificate), a claim to cover the costs of the substitute contractor with respect to the fixing of the defect in the boiler slag hopper and the mills, a claim to satisfy the recourse claim in view of the need to satisfy the claim of the Contractor's subcontractor by the Ordering Party, the liquidated damages for a delay in the meeting of the deadline for proceeding to start the fixing of the defects or for a delay in the meeting of the deadline for the fixing of the defects during a warranty period, the liquidated damages for a delay in the signing of the transition period completion protocol due to a failure to meet the guaranteed technical (performance) parameters, the liquidated damages for each hour of a non-planned shutdown in excess of the number of hours specified in the Contract, the damage involving an occurrence of the flaws in the design and in the implementation of the subject of the Contract, the liquidated damages for a delay in the signing of the protocol for the completion of the stage of the Contract covering the performance of the selected acceptance tests with Polskie Sieci Elektroenergetyczne S.A. (Transmission System Operator). The Contractor had been given a deadline of 30 days from the date of the receipt of the summons to pay the amount covered by the note.

Subsequently, on January 13, 2023, TAURON and TAURON Wytwarzanie had received the summons to pay from RAFAKO.

The subject of the summons addressed to TAURON Wytwarzanie had been the claims for the payment of:

1. PLN 1 500 000 to the public benefit organizations indicated by RAFAKO S.A. for an unlawful violation of the personal interests (rights, goodwill) of RAFAKO by TAURON Wytwarzanie,
2. PLN 249 605 000 to RAFAKO for the remedying by TAURON Wytwarzanie of the damage suffered by RAFAKO S.A. due to the violation of the personal interests (rights, goodwill) of RAFAKO and the loss of RAFAKO's ability to acquire the new contracts, resulting from the lack of the decrease in the amount of the financial guarantees that serve as the Contract collaterals (bonds),
3. PLN 319 447 991 to RAFAKO due to a reimbursement of the costs incurred by RAFAKO as a consequence of an extension of the implementation of the Contract due to TAURON Wytwarzanie's fault, with a proviso that the amount of the costs has been calculated assuming that the Contract's implementation will be completed by the end of 2023,
4. PLN 1 450 000 to RAFAKO due to a reimbursement of the costs of the fixing of the malfunctions, faults of the devices and the remedying of effects of the failures with respect to the Unit arisen due to TAURON Wytwarzanie's fault and caused by the use of the coal that had not met the terms of the Contract, where the amount had been calculated as of the date of drawing up the summons,
5. PLN 34 471 000 to RAFAKO due to the indexing of RAFAKO's compensation.

At the same time RAFAKO indicated that in the case of a failure of the process related to the acquiring of an investor for RAFAKO for the reasons attributable, in the opinion of RAFAKO, to TAURON Wytwarzanie, RAFAKO would be filing a claim for the damages in the amount of not less than PLN 300 000 000. In addition, RAFAKO has made a caveat that in the event the contractors (counterparties) and the business partners of RAFAKO - as a result of the acts or omissions by TAURON Wytwarzanie - file claims against RAFAKO for the liquidated damages or a

compensation, RAFAKO will file claims for a compensation (compensatory damages) / recourse against TAURON Wytwarzanie in the amount of not less than PLN 483 305 502.71.

In addition, RAFAKO demanded that TAURON Wytwarzanie should submit a statement containing the wording presented in the above mentioned summons that would constitute an apology for the violation of the personal interests (rights, goodwill) of RAFAKO.

The subject of the summons addressed to TAURON were the claims for the payment of:

1. PLN 1 500 000 to the public benefit organizations indicated by RAFAKO for an unlawful violation of the personal interests (rights, goodwill) of RAFAKO by TAURON,
2. PLN 249 605 000 to RAFAKO as a compensation (compensatory damages) for an unlawful violation of the personal interests (rights, goodwill) of RAFAKO by TAURON.

In addition, RAFAKO indicated that:

1. RAFAKO would be filing claims for a compensation (compensatory damages) against TAURON in the amount of not less than PLN 483 305 502.71 due to the potential penalties (liquidated damages) and compensations (compensatory damages) being the subject of the claims filed by the entities for the benefit of which agreements (contracts) are performed or which are RAFAKO's business partners. This amount may go up due to any further claims by the parties to the contracts, related to a breach of contracts and the delays in the implementation thereof,
2. in the case of a failure of the process related to the acquiring of an investor for RAFAKO for the reasons attributable - in the opinion of RAFAKO - to TAURON Wytwarzanie, RAFAKO would be filing a claim for the damages in the amount of not less than PLN 300 000 000.

RAFAKO also demanded that TAURON should submit a statement containing the wording presented in the above mentioned summons that would constitute an apology for the violation of the personal interests (rights, goodwill) of RAFAKO.

In order to ensure a constructive course of the mediation in front of the Court of Arbitration at the General Counsel to the Republic of Poland, the purpose of which was to work out a solution to the contentious issues related to the implementation of the Contract, the Ordering Party and the Contractor entered into an agreement (Agreement) on February 7, 2023.

In accordance with the Agreement, the Parties declared their intention to continue with the further mediation process in good faith, with an intention to find an amicable settlement of the claims covered by the summons to pay and the notes of January 11 and 13, 2023.

The Parties had undertaken to conduct the negotiations and the mediation in order to agree on the final terms and conditions of the settlement agreement, pursuant to which they would determine the manner of completing of the Contract and making of the mutual settlements thereunder (Settlement Agreement) by February 28, 2023, and finish the mediation process, as well as sign the Settlement Agreement by March 8, 2023.

At the same time, the Parties had undertaken not to file any claims, either monetary or non-monetary, including the summons to pay / the demands for payment, with each other or with the financing institutions, until February 28, 2023.

On March 7 and March 21, 2023, the Ordering Party and the Contractor had signed two annexes to the Agreement in question, according to which the Parties had taken the decision to extend the payment due dates of their mutual claims and had undertaken to refrain from the pursuing of any claims against the Contractor arising out of or in relation to the implementation of the Contract,

The Parties had signed the assumptions to the Settlement Agreement on March 20, 2023.

Based on the agreed upon assumptions, on March 31, 2023, the Parties, as part of the mediation process in front of the Court of Arbitration at the General Counsel of the Republic of Poland, had concluded the Settlement Agreement which had defined the manner of completing the Contract and the finalizing of the mutual settlements stemming from the Contract, as well as an annex to the Contract.

In accordance with the key provisions of the Settlement Agreement:

1. Subject to the prior coming into force of the Settlement Agreement, the Ordering Party had declared that it had limited all of its claims against the Contractor, related directly or indirectly to the Contract, to the amount of PLN 240 000 000 (Claim Amount). The Claim Amount is due to the Ordering Party for the claims which are a consequence of a failure to properly perform the Contract. The Ordering Party had declared that it would submit, by April 17, 2023, to the bond underwriters (i.e. Powszechny Zakład Ubezpieczeń S.A., Bank Gospodarstwa Krajowego, Powszechna Kasa Oszczędności Bank Polska S.A., mBank S.A.), the summons to pay, under the Contract's Performance Bond, the total amount equal to the Claim Amount. In accordance with the provisions of the Settlement Agreement, the amount paid out from the Bond shall reduce the amount of the Contract's Performance Bond and the Contractor shall not be obliged to supplement it. The payment of the Claim Amount by the Bond Underwriters by the deadline of April 25, 2023, shall exhaust all of the claims of the Ordering Party



against the Contractor pursuant to or in connection with the Contract. Following the receipt of the Claim Amount by the above mentioned deadline, the Ordering Party shall not be entitled to pursue any claims against RAFAKO, including any claims in connection with the performance of the Contract and pursuant to any factual or legal basis, including, in particular, in connection with any delays, malfunctions or defects, and the Contractor shall not be held liable for the rectification thereof. The above disclaimer shall not apply to the liability assumed by the Parties expressly on the basis of the Settlement Agreement, to the extent of which the Parties shall be entitled to pursue any potential claims against each other arising directly from the Settlement Agreement. Subject to the Settlement Agreement coming into force and the payment of the Claim Amount by the Bond Underwriters in favor of the Ordering Party by April 25, 2023, the Parties shall have released the Bond Underwriters from any liability under the Contract's Performance Bond.

2. Upon the signing of the Settlement Agreement, the Parties had completed the acceptance and accounting for (settlement of) the works that had been performed by the Contractor under the Contract up to the date of concluding the Settlement Agreement and that were indicated in the appendix to the Settlement Agreement. As part of the amicable settlement of the works, it has been agreed that the Ordering Party will pay the net amount of PLN 18 020 950.51 in favor of the Contractor as the remuneration for the above mentioned works. The settlement of the works and the payment of the remuneration shall denote the settlement of all of the works performed by the Contractor under the Contract and the Contractor will not be carrying out any further works under the Contract. The settlement of the works and the payment of the remuneration shall exhaust the Contractor's claims related to the settlement of the works under the Contract, except for the other claims that stem from the Settlement Agreement.
3. The Ordering Party and RAFAKO had also agreed that they would make every effort to conclude, as soon as possible, an agreement with UNIQA Towarzystwo Ubezpieczeń S.A. and InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group on the settlement of the damage resulting from the failure of the unit of February 9, 2020, as part of the insurance claim liquidation proceedings conducted in this regard. The Ordering Party shall pay RAFAKO the amount of PLN 8 500 000 within 7 days from the date of the receipt of the insurance payment, and the remaining amount of the awarded insurance payment shall constitute the Ordering Party's receivable. In the event that no agreement is reached by June 30, 2023, as a result of an act or omission of the Ordering Party, the Ordering Party shall pay the amount of PLN 8 500 000 to RAFAKO by July 15, 2023. In such a case RAFAKO will not be entitled to any further claims. This provision shall not apply if the withdrawal from the conclusion of the agreement is a result of a consensual decision of the Ordering Party and RAFAKO.
4. The Ordering Party had undertaken to buy from the Contractor the assets specified in the Settlement Agreement (including, but not limited to, the operating parts not covered by the Contract, the electrostatic precipitator and flue gas desulfurization plant documentation, as well as a license to the above mentioned documentation, the boiler calculation documentation and a license to the above mentioned documentation, the construction office site assets, the VPN server) and to pay the total net amount of PLN 14 012 700 for the purchase of the above mentioned assets.
5. RAFAKO and E003B7 sp. z o.o. (Ltd.) had expressed a consent for the use by the Ordering Party of the subcontractors and the further subcontractors involved in the implementation of the Contract with respect to the works and the services related to the unit, including its operation, overhauls (repairs), optimization, modernization, tuning, trials, tests and the future failures.
6. RAFAKO and E003B7 sp. z o.o. (Ltd.) had inventoried, to the best of their knowledge, all of the subcontractor claims related to the implementation of the Contract. E003B7 sp. z o.o. (Ltd.) had guaranteed that all of the claims due as of the date of the Settlement Agreement coming into force would be paid within 14 days (this is not applicable to the disputed claims), the claims that would have become due after the date of the Settlement Agreement coming into force would be duly paid on their due dates, and the disputed claims would be paid no later than the day following the date the judgment related thereto has become legally binding or another enforcement title has been issued. In order to carry out these actions, the Ordering Party shall be obliged to pay E003B7 sp. z o.o. (Ltd.), following the date of the Settlement Agreement coming into force, a lump sum remuneration in the net amount of PLN 10 000 000.
7. As of the date of the Settlement Agreement coming into force, all of the technical warranties and the statutory warranty with respect to the subject of the Contract shall have expired.
8. Upon the termination of the Contract, the Contractor had undertaken to withdraw the demand for the issuance and submission by the Ordering Party of a payment guarantee (bond) in accordance with Article 649<sup>1</sup> of the Civil Code, delivered to the Ordering Party on December 15, 2022, and the Ordering Party was to express its consent for the withdrawal of the statement in question, in view of which the Parties unanimously agreed that the Ordering Party shall not be obliged to submit the payment guarantee (bond), referred to above, to the Contractor.
9. The Parties had limited the subject scope of the Contract to the works completed thus far and had agreed that, upon the signing of the Settlement Agreement, the Contract would have been terminated with respect to the portion that had not been completed. Upon the entry into force of the Settlement Agreement, all of the liability of the Contractor related to the Contract, in particular the warranty and the statutory warranty with respect to the subject of the Contract, and all of the liability for the malfunctions, faults and defects of the unit, including those that will become apparent after the date of concluding the Settlement Agreement, was to cease. Under the Annex to the Contract, the Parties had agreed the final price of the Contract at the net amount of PLN 4 658 972



354.86. The termination of the Contract shall result in the termination of all of the obligations of the Parties under the Contract (except for the obligation to maintain confidentiality and the obligations that shall expire upon the Settlement Agreement coming into force).

10. Upon the entry into force of the Settlement Agreement, the settlements provided for in the Settlement Agreement were to satisfy all of the mutual claims of the Parties related to the performance of the Contract. The Parties had mutually waived all of the claims arising in connection with the circumstances that had occurred up to the date of concluding the Settlement Agreement. The Parties had agreed not to pursue the claims subject to a waiver in the future, irrespective of the legal title or the factual and legal basis, and in particular, the Parties had waived the claims indicated in the January 2023 summonses referred to in the preceding sections of this report.
11. In view of the termination of the Contract, as agreed in the Settlement Agreement, the Ordering Party had confirmed that the waiver of the claims would have also included the rights and claims in connection with the operation of the unit, including under the warranty or the statutory warranty, with respect to the faults, defects and malfunctions that would have become apparent after the date of concluding the Settlement Agreement, as well as the rights and claims related to the performance level of the unit and the achievement of the guaranteed technical parameters of the unit. In this regard, the Claim Amount would have exhausted the entirety of the Ordering Party's claims, and the Contractor would not have been responsible for the continued operation of the unit and the performance parameters thereof. The Parties shall exclude all of the obligations and the liability of the Contractor under any warranties, including the warranties with respect to the deliveries made, and all of the warranties granted thus far would have expired.
12. The Parties had agreed in the Settlement Agreement that they would be taking all of the actions aimed at obtaining the approval of the Settlement Agreement by the Regional Court in Katowice, nevertheless, in accordance with the agreements reached by the Parties, the Settlement Agreement contained valid and enforceable obligations of the Parties regardless of whether it would have been approved by the Court.

The Parties had agreed that the Settlement Agreement would come into force after the suspensive conditions had been met, which had included the following:

1. obtaining, by April 20, 2023, by the Ordering Party, RAFAKO, E003B7 sp. z o.o. (Ltd.), and MOSTOSTAL Warszawa, of the corporate approvals of the conclusion of the Settlement Agreement and of the terms and conditions included therein, whereby, with respect to RAFAKO, the corporate approvals had been understood to mean the approval of the Management Board and the Supervisory Board of RAFAKO, as well as a statement by MS Galleon GmbH or the conclusion by RAFAKO and MS Galleon GmbH of an agreement on MS Galleon GmbH's further interest in continuing the process of becoming an investor in RAFAKO,
2. obtaining, by April 20, 2023, by RAFAKO of the court supervisor's approval of the conclusion of Settlement Agreement and of the conditions included therein,
3. adoption by the General Meeting of RAFAKO, by April 24, 2023, of all of the resolutions on the share capital increase indicated in RAFAKO's current report No. 23/2023 on the convening of an Extraordinary General Meeting to be held on April 17, 2023,
4. conclusion, by April 24, 2023, of an agreement between the Ordering Party, RAFAKO, E003B7 sp. z o.o. (Ltd.) and the bond underwriters with respect to the payout of the Claim Amount,
5. conclusion, by April 24, 2023, of an agreement between RAFAKO, E003B7 sp. z o.o. (Ltd.) and the bond underwriters with respect to the mutual settlements, as well as the acceptance of the Settlement Agreement by the bond underwriters. The entry into force of the Settlement Agreement and this agreement had originally been supposed to be contingent on RAFAKO's entering into a settlement agreement with Ignitis Grupe AB or its subsidiaries regarding the settlement of the mutual claims of these parties, however, on April 24, 2023, the Ordering Party and the Contractor had signed annex no. 1 to the Settlement Agreement, whereby they decided to modify the pre-requisite of the Settlement Agreement by waiving it being contingent on RAFAKO's entering into a settlement agreement with Ignitis Grupe AB or its subsidiaries,
6. obtaining of the payment of the Claim Amount by the Ordering Party from the bond underwriters by April 25, 2023.

The above mentioned suspensive conditions had been met by the deadlines agreed upon by the Parties, and as a result, as of April 25, 2023, the Settlement Agreement had come into force.

On May 8, 2023, a petition for the approval of the Settlement Agreement had been filed with the Regional Court in Katowice, after consideration of which the Regional Court in Katowice, the 14th Commercial Division, on June 19, 2023, issued a decision approving the Settlement Agreement.

The Company disclosed the information on the trajectory of the mediation process and the material actions taken by the Parties in current reports no. 2/2023 of January 11, 2023, no. 3/2023 of January 13, 2023, no. 4/2023 of January 25, 2023, no. 7/2023 of February 7, 2023, no. 12/2023 of February 28, 2023, no. 14/2023 of March 7, 2023, no. 16/2023 of March 20, 2023, no. 17/2023 of March 21, 2023, no. 18/2023 of March 23, 2023, no. 21/2023 of March 31, 2023, no. 25/2023 of April 24, 2023 and no. 26/2023 of April 25, 2023.

## 12.2. Agreements that are material for TAURON Capital Group's operations

The agreements that had been material for the operations of TAURON Capital Group in 2023 and by the date of drawing up this report are listed below.

### Signing of the hard coal purchase agreements with Polska Grupa Górnicza S.A.

On January 5, 2023, TAURON had entered into the agreements with Polska Grupa Górnicza S.A. (PGG) for a purchase of the hard coal from PGG to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie and TAURON Ciepło. The agreements had come into effect as of January 1, 2023, and they had been signed for an indefinite period of time. The value of the hard coal supplies for the year 2023, specified in the above mentioned agreements, had been estimated to clock in at approx. PLN 960 million. 77 percent of the value of the hard coal contracted for 2023 had been allocated to TAURON Wytwarzanie, while the remaining 23 percent had been allocated to TAURON Ciepło. The prices of the hard coal to be delivered in the subsequent years covered by the agreements are to be agreed upon by way of the negotiations between the parties based on the current market conditions.

On February 9, TAURON had entered into the agreements with PGG for a purchase of the additional volumes of the hard coal from PGG to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie and TAURON Ciepło. The agreements had been in effect from December 22, 2023, until January 31, 2024. The value of the hard coal supplies, specified in the above mentioned agreements, had been estimated to come in at approx. PLN 520 million. 75 percent of the value of the hard coal contracted had been allocated to TAURON Wytwarzanie, while the remaining 25 percent had been allocated to TAURON Ciepło.

The parties to the above mentioned agreements may apply the liquidated damages for a failure to deliver or collect the agreed upon volumes of the hard coal in the amount of 10 percent of the value of the undelivered or the uncollected hard coal.

TAURON disclosed the information on the above events in current reports no. 1/2023 of January 5, 2023, and no. 8/2023 of February 9, 2023.

The net value of the actually completed hard coal fuel deliveries from PGG had clocked in at approximately PLN 920 million, in total, in 2023. In addition, TAURON has agreed with PGG on the terms and conditions of the hard coal deliveries for 2024, however the estimated value of these deliveries will not constitute a material value from the point of view of TAURON Group's financial results.

TAURON disclosed the information on the above event in current report no. 47/2023 of December 7, 2023.

### Signing by TAURON and TAURON Wytwarzanie of the annexes determining the prices for the hard coal supplies from TAURON Wydobyćie S.A. (currently Południowy Koncern Węglowy S.A.) in 2023

On February 1, 2023, TAURON had signed an annex establishing the pricing terms for the hard coal supplies in 2023 pursuant to a multi year contract for the purchase of the thermal coal from TAURON Wydobyćie (currently Południowy Koncern Węglowy S.A.). The hard coal had been used to meet the electricity production needs of the generation units owned by TAURON Ciepło. The net value of the hard coal fuel supplies from TAURON Wydobyćie to TAURON Ciepło in 2023 had been estimated to come in at approx. PLN 360 million.

The parties were able apply the liquidated damages for a failure to deliver or collect the agreed upon volumes of the hard coal if the deviation were in excess of 5 percent with respect to the annual settlement of the deliveries. The parties had agreed that the amount of the liquidated damages should stand at 5 percent of the value of the undelivered or the uncollected hard coal. Each of the parties may claim a compensation (compensatory damages) exceeding the liquidated damages due in accordance with the generally applicable principles.

TAURON disclosed the information on the above event in current report no. 6/2023 of February 1, 2023.

On February 14, 2023, TAURON Wytwarzanie had signed an annex establishing the new pricing terms for the hard coal supplies in 2023 pursuant to a multi year contract for the purchase of the thermal coal from TAURON Wydobyćie (currently Południowy Koncern Węglowy S.A.). The hard coal had been used to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie. The net value of the hard coal fuel supplies from TAURON Wydobyćie (currently Południowy Koncern Węglowy S.A.) to TAURON Wytwarzanie in 2023 had been estimated to come in at approx. PLN 2.3 billion.

The parties were able apply the liquidated damages for a failure to deliver or collect the agreed upon volumes of the hard coal if the deviation were in excess of 5 percent in the case of TAURON Wytwarzanie and 3 percent in the case of TAURON Wytwarzanie – the Nowe Jaworzno Power Plant Division – the 910 MW generating unit. With respect to the annual settlement, the parties had agreed that the amount of the liquidated damages should stand at, respectively, 5 percent and 20 percent of the value of the undelivered or the uncollected hard coal. Each of the parties may claim a compensation (compensatory damages) exceeding the liquidated damages due in accordance with the generally applicable principles.

TAURON disclosed the information on the above event in current report no. 10/2023 of February 14, 2023.

The net value of the actually completed hard coal fuel deliveries from TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.) to TAURON Wytwarzanie and TAURON Ciepło had clocked in at approximately PLN 1.56 billion, in total, in 2023. Pursuant to the agreements entered into, the parties have agreed that they shall deem the parties' obligations to deliver and take the delivery of the volumes scheduled for 2023 to have been met in their entirety. The unrealized hard coal delivery volumes for 2023 have been put off to 2025, and the prices thereof will be determined in the fourth quarter of 2024.

TAURON disclosed the information on the above event in current report no. 47/2023 of December 7, 2023.

#### **Signing of the loan agreements with Bank Gospodarstwa Krajowego**

On February 16, 2023, TAURON had entered into a loan agreement with Bank Gospodarstwa Krajowego (BGK) for the amount of PLN 750 million with the deadline for the repayment of the financing set as September 30, 2023. The purpose of the financing had been indicated as the provision of the funds to support the ongoing operations with respect to the purchasing of the fuel for TAURON Group's subsidiaries.

The funds made available as a part of the loan had been repaid in full by the end of the financing period.

TAURON disclosed the information on the above event in current report no. 11/2023 of February 16, 2023.

On October 3, 2023, TAURON had entered into a loan agreement with Bank Gospodarstwa Krajowego (BGK) for the amount of PLN 750 million with the funds from the loan to be used to finance the ongoing operations of TAURON Group's subsidiaries.

A repayment of the whole or a part of the loan used shall result in the renewal thereof by the repayment amount and provide the possibility of the multiple use during the loan availability period up to the loan limit amount. The total repayment of the loan shall take place by October 3, 2024. The interest rate will be determined based on the floating interest rate increased by BGK's margin.

The loan had been drawn down in October 2023 in the amount of PLN 750 million.

TAURON disclosed the information on the above event in current report no. 42/2023 of October 3, 2023.

On January 10, 2024 (an event that took place after the balance sheet date), TAURON entered into a PLN 750 million loan agreement with BGK, with the funds from the loan to be used to cover the Group's expenses related to the financing or the refinancing of the expenditures in the renewable energy sources line of business and to the development of the distribution grids. Under the loan agreement, TAURON will be able to make the drawdowns over a 2 year financing availability period. The loan agreement will be repaid in the years 2027 - 2032.

The interest rate on the funds made available under the loan agreement will be calculated based on a floating interest rate adequate for the given interest period, increased by a margin dependent on the performance related to the sustainable development rate, i.e. the rate of increasing the share of the renewable energy sources in TAURON Group's generation mix. The correctness of the sustainable development rate calculation will be confirmed by an independent auditor.

As of the date of drawing up the report, the loan had not been drawn down.

TAURON disclosed the information on the above event in current report no. 5/2024 of January 10, 2024.

#### **Signing of an agreement by a subsidiary and TAURON Wydobycie S.A. (currently Południowy Koncern Węglowy S.A.) on the determining of the terms and conditions of the hard coal purchase for 2024.**

On December 7, 2023, TAURON Wytwarzanie and TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.) had entered into an agreement related to a multi year contract for the purchase of the thermal coal from TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.) (Agreement).

Pursuant to the Agreement entered into, the parties have agreed on the price terms and conditions for the hard coal deliveries for 2024. The estimated net value of the hard coal fuel deliveries from TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.) to TAURON Wytwarzanie for 2024 stands at approximately PLN 980 million. This value takes into account both the reduced volume of the deliveries corresponding to the estimated demand, as well as the level of the hard coal prices. The provisions related to the amount of the liquidated damages for a failure to deliver or a failure to collect the contractual quantities of the hard coal have remained unchanged.

A similar agreement has also been entered into between TAURON and TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.). The hard coal delivered on the basis of this agreement will be earmarked for the production needs of the generating units owned by TAURON Ciepło, with the estimated net value of the coal fuel deliveries for 2024 coming in at approximately PLN 150 million.

Pursuant to the agreements entered into, the parties have agreed that they shall deem the parties' obligations to deliver and take the delivery of the volumes scheduled for 2023 to have been met in their entirety. The unrealized hard coal delivery volumes for 2023 have been put off to 2025, and the prices thereof will be determined in the fourth quarter of 2024.

TAURON disclosed the information on the above event in current report no. 47/2023 of December 7, 2023.

### **12.3. Transactions with related entities on terms other than at arm's length**

All of the transactions with the related entities are concluded at arm's length.

The detailed information on the transactions with the related entities is provided in note 58 to the Consolidated Financial Statements of TAURON Capital Group.

### **12.4. Concluded and terminated credit and loan agreements**

TAURON entered into two working capital loan agreements with BGK in 2023:

1. on February 16, 2023, for the amount of PLN 750 million, with a maturity date of September 30, 2023,
2. on October 3, 2023, for the amount of PLN 750 million, with a maturity date of October 3, 2024.

After the balance sheet date, TAURON entered into a loan agreement with BGK for the amount of PLN 750 million, to be used to cover the expenses related to the financing or the refinancing of the expenditures in the renewable energy sources line of business and to the development of the distribution grids.

*The detailed information related to the above mentioned agreements is provided in section 12.2. of this report.*

In 2023, as part of the financing of its ongoing operations, the Company entered into an annex to the overdraft agreement with BGK up to the amount of PLN 500 million and an annex to the foreign currency account overdraft agreement up to the amount of EUR 4 million, extending the terms of the agreements to October 2, 2024, and December 31, 2024, respectively.

On December 29, 2023, the annexes to the loan agreements between TAURON Nowe Technologie and the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) had been entered into, increasing the values of the loans from a total of PLN 19 million to PLN 22 million and extending the repayment period to December 20, 2037. The funds from the loans are intended to be used for the co-financing of the modernization of the lighting infrastructure, in accordance with the eligible expenses related to the completed projects incurred.

The intra-group loan agreements had been entered into within TAURON Capital Group in 2023.

*The information is presented in section 12.5. of this report.*

TAURON Capital Group's other subsidiaries had not entered into any other credit or loan agreements in 2023.

*The material information related to the credit and loan agreements is provided in note 40.1 of the Consolidated Financial Statements of TAURON Capital Group.*

TAURON Capital Group's subsidiaries had not terminated any credit and loan agreements in 2023, as well as no credit and loan agreements of such subsidiaries had been terminated in 2023.

### **12.5. Loans and sureties granted as well as sureties and guarantees received**

#### **Loans granted**

TAURON provided the financing to the following subsidiaries in the form of the intra-group loans with a fixed interest rate:

1. WIND T30MW up to the amount of PLN 179 million to be used to finance the capital expenditures and up to the amount of PLN 31 million to be used to finance the VAT tax with the repayment deadlines of December 29, 2023,
2. WINDPOWER Gamów up to the amount of PLN 182 million to be used to finance the capital expenditures and up to the amount of PLN 39 million to be used to finance the VAT tax with the repayment deadlines of December 29, 2023,
3. FF PARK PV 1 up to the amount of PLN 27 million to be used to finance the capital expenditures with the repayment deadline in the years 2025 - 2034 and up to the amount of PLN 7 million to be used to finance the VAT tax with the repayment deadline of October 31, 2024,
4. WIND T2 up to the amount of PLN 212 million to be used to finance the capital expenditures with the repayment deadline in the years 2026 - 2034 and up to the amount of PLN 48 million to be used to finance the VAT tax with the repayment deadline of October 31, 2024,
5. TAURON Inwestycje in the amount of PLN 83 million to be used to finance the capital expenditures with the repayment deadline in the years 2024 - 2033,
6. TAURON Obsługa Klienta in the total amount of PLN 130 million be used to finance the capital expenditures and the current expenses with the repayment dates in 2025.

In addition, as part of the intra-group financing, TAURON had extended the maturity deadlines of the existing loans granted to the special purpose vehicles (subsidiaries) carrying out the investment projects in the renewable energy sources line of business - an extension of the original deadline set for December 29, 2023, to the repayment deadlines that would correspond to the planned revenue streams generated by the individual investment projects.



As of December 31, 2023, the total nominal value of the intra-group loans granted to the subsidiaries had clocked in at PLN 12 954 million.

Apart from the loans mentioned above, the Company had not extended any other loans in 2023.

TAURON had continued the financing, in the form of the loans, of the co-subsidiary EC Stalowa Wola in 2023, and the total nominal value of such loans had come in at PLN 532 million as of December 31, 2023.

TAURON Zielona Energia had granted the loans in the total amount of PLN 191 million to the special purpose vehicles (subsidiaries) carrying out the investment projects in the renewable energy sources line of business in 2023. As of December 31, 2023, the balance amount of the loans had come in at PLN 12 million.

TAURON Ciepło had granted a loan in the amount of PLN 55 million to the Energetyka Cieszyńska subsidiary in 2023. As of December 31, 2023, the balance amount of the loan had clocked in at PLN 56 million. Energetyka Cieszyńska had been incorporated by TAURON Ciepło on January 3, 2024 (an event after the balance sheet date).

*The material information related to the loans is provided in note 21 of the Consolidated Financial Statements of TAURON.*

## **Sureties and guarantees granted**

In 2023 TAURON had entered into:

1. an annex to the corporate guarantee in favor of TAURON Czech Energy worth up to the amount of EUR 3 million as a security for the performance of the commercial contracts for the benefit of a third party. Pursuant to that annex, the corporate guarantee shall be in effect until January 31, 2025,
2. an annex to the surety in favor of BGK to secure the agreement on the granting of the guarantee for EC Stalowa Wola's liabilities up to the amount of PLN 7 million. The beneficiaries of the bank guarantee issued by BGK up to the amount of PLN 14 million are the third parties that had entered into an agreement with EC Stalowa Wola for the purchase, transmission, supply of electricity or a comprehensive agreement after February 15, 2021. Pursuant to that annex, the surety shall be in effect until December 30, 2024.

In 2023, TAURON Zielona Energia had granted the guarantees (sureties) for the trade liabilities of the special purpose vehicles (subsidiaries) carrying out the investment projects in the renewable energy sources line of business, to the third parties, i.e.:

1. a surety for "MEGAWATT S.C." in the amount of PLN 1.5 million with an effective term until December 31, 2024,
2. a surety for WIND T30MW in the amount of PLN 1.5 million with an effective term until December 31, 2024.
3. a corporate guarantee for WIND T2 up to the amount of EUR 27 million with an effective term until December 20, 2025.
4. a surety for WIND T2 in the amount of PLN 100 million with an effective term until December 31, 2025.

In addition, in 2023 TAURON had lowered the surety granted to TAURON Sprzedaż for the trade liabilities to the amount of PLN 25 million and had extended its effective term until April 30, 2024.

As of December 31, 2023, the total nominal amount of the sureties and the corporate guarantees granted by TAURON had come in at PLN 868 million.

The amount of the guarantees (bonds) and sureties granted by TAURON Zielona Energia for the liabilities of the special purpose vehicles (subsidiaries) carrying out the investment projects in the renewable energy sources line of business, as of December 31, 2022, had stood at PLN 643 million.

In 2023, as part of the framework (master) agreements in force, the bank guarantees (bonds) had been issued at the instruction of TAURON for the liabilities of TAURON Capital Group's subsidiaries and the related companies. As of December 31, 2023, the value of the bank guarantees (bonds) in effect, issued at the instruction of TAURON, had clocked in at PLN 539 million.

After the balance sheet date, TAURON has granted a surety for EC Stalowa Wola's liabilities towards BGK stemming from the agreement for the loan extended in 2018. As of the date of drawing up this report, the value of TAURON's surety had stood at PLN 54 million.

The material information related to the sureties and guarantees (bonds) granted is provided in note 57 to the *Consolidated Financial Statements of TAURON Capital Group* and in notes 41 and 42 to the *Financial Statements of TAURON*.

## **Sureties and guarantees received**

As of December 31, 2023, the Company and its subsidiaries had held the transaction collaterals (securities, sureties) received from the counterparties (contractors) in the form of the guarantees (bonds) granted to TAURON Capital Group's subsidiaries, the bills of exchange (promissory notes) issued by the counterparties (contractors), as well as the corporate guarantees. The most material guarantees (bonds) granted to TAURON Capital Group's



subsidiaries had been related to TAURON and had been associated with the loans granted to the EC Stalowa Wola subsidiary.

## **12.6. Other information that could be material for the evaluation of TAURON Capital Group's personnel, assets, financial position, financial result and the changes thereof, as well as the information that could be material for the evaluation of the ability of TAURON Capital Group to meet its obligations**

Apart from the events indicated in this information, no other events had occurred 2023 that were material for the evaluation of the personnel, assets, financial position and the financial result of TAURON Capital Group and the changes thereof, as well as for the evaluation of the ability of TAURON Capital Group to meet its obligations.

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

# Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS

The glossary of the trade terms and the list of the abbreviations and acronyms most commonly used in this report is presented below.

**Table no. 71. Explanation of the abbreviations and acronyms as well as the trade terms**

Abbreviation and trade term	Full name / explanation
1. Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
2. ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
3. ARE	Agencja Rynku Energii S.A. (Energy Market Agency) with its registered office in Warsaw.
4. AVAL-1	AVAL-1 sp. z o. o. (Ltd.) with its registered office in Szczecin.
5. BASE (Kontrakt BASE)	A baseload contract for the supply of electricity at all hours of the period, for example the BASE contract for March 2022 is related to the supply of the same amount of electricity during all hours of the month of March 2022.
6. BGK	Bank Gospodarstwa Krajowego with its registered office in Warsaw.
7. Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
8. B+R (R&D)	Research and Development (R&D).
9. B+R+I (R&D&I).	Research, Development and Innovations (R&D&I).
10. CAPEX	Capital Expenditures.
11. Cash pool	True real time (online) cash pool structure, implemented under the cash management agreement, is based on the daily limits. As a result of the implementation of the cash pool mechanism, cash transfers are made between the accounts of the service participants and the Pool Leader's account.
12. CDS	Clean Dark Spread - margin ratio used to calculate the profitability of electricity production, taking into account the revenues from the sale of electricity and the cost of fuel and CO <sub>2</sub> emission allowances.
13. CES	Customer Effort Score – an indicator that measures the degree of an effort a customer has to make to get an answer to their question or a solution to their problem.
14. Color certificates	Property rights based on the guarantees of origin of electricity (energy certificates) generated in the way that is subject to support, the so-called color certificates: <b>green</b> - guarantees of origin of electricity (energy certificates) from RES, <b>blue</b> - guarantees of origin of electricity (energy certificates) generated from agricultural biogas. <b>white</b> - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) <b>yellow</b> - guarantees of origin of electricity (energy certificates) generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, <b>red</b> - guarantees of origin of electricity (energy certificates) from co-generation (CHP certificates - Combined Heat and Power), <b>violet</b> - guarantees of origin of electricity (energy certificates) generated in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing.
15. COVID-19	Coronavirus Disease 2019 - acute respiratory system contagious disease caused by the SARS-CoV-2 virus infection. The disease was first diagnosed and described in November 2019 in central China in the city of Wuhan, Hubei Province.
16. CSR	Corporate Social Responsibility.
17. CUW	Shared Services Center (Centrum Usług Wspólnych - CUW) - separate organizational units responsible for providing a specific range of support services (CUW R – accounting services, CUW HR – human resources services, CUW IT – IT services, CUW Insurance, CUW Protection).
18. CVC	Corporate Venture Capital - Venture Capital (VC) investments carried out by VC funds with the intention of achieving not only financial goals, but also strategic (industry) goals set by a large company (corporation) which is the capital donor for this fund. VC are capital investments made on the OTC market in business ventures that are in the early stages of development. CVC is a development of VC as a way of investing capital and is to have a positive impact on the industry objectives of TAURON Capital Group.
19. Best Practices 2021	<i>Best Practices of WSE Listed Companies 2021</i> , effective as of July 1, 2021
20. EBI	European Investment Bank with its registered office in Luxembourg.
21. EBIT	Earnings Before Interest and Taxes.
22. EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
23. EC Stalowa Wola	Elektrociepłownia Stalowa Wola S.A. (Joint Stock Company) with its registered office in Stalowa Wola (Stalowa Wola Combined Heat and Power Plant (CHP)).
24. EEC Magenta 2 ASI	EEC Magenta limited liability company 2 ASI limited joint stock partnership with its registered office in Warsaw

Abbreviation and trade term	Full name / explanation
25. EEC Ventures 2	EEC Ventures limited liability company 2 limited joint stock partnership with its registered office in Warsaw
26. EEX (Giełda EEX)	European Energy Exchange – the European energy exchange in Leipzig, where the contracts and derivatives for electricity for various European countries are traded, as well as the primary auctions of the CO <sub>2</sub> emission allowances are conducted.
27. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
28. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
29. Energetyka Cieszyńska	Energetyka Cieszyńska sp. z o.o. (Ltd.) with its registered office in Cieszyn.
30. ERM	Enterprise Risk Management.
31. ESG	Environmental, Social and Governance - environmental, social and corporate governance factors used in the investment decision making process.
32. ESS	Energy Store System.
33. EU ETS	European Union Emission Trading System - European Union's System for the Trading of the CO <sub>2</sub> Emission Allowances.
34. EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO <sub>2</sub> ) equivalent to the air, within the meaning of Article 2 section 4 of the <i>Act of July 17, 2009, on the management system of emissions of greenhouse gases and other substances</i> , which is used for settlements of emission level within the system and which can be managed under the rules provided in the <i>Act of April 28, 2011, on the system of greenhouse gases emission allowances trading</i>
35. EUR	Euro - a common European currency introduced in some EU member states
36. EWI	Early Warning Indicator – a distinguished Key Risk Indicator (KRI), for which the escalation thresholds and the mitigation thresholds are set.
37. FF PARK PV1	FF PARK PV1 sp. z o.o. (Ltd.) with its registered office in Katowice.
38. FIZAN	Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Closed-end Private Equity Investment Fund)
39. WSE (GPW)	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
40. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
41. GZE	Górnśląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
42. HEMS	Home Energy Management System.
43. ICE (ICE exchange)	InterContinental Exchange – the commodity and financial exchange, where, among others, the contracts for oil, coal, natural gas and the CO <sub>2</sub> emission allowances are traded.
44. IRGiT (Warsaw Commodity Exchange Clearing House)	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Exchange Clearing House) with its registered office in Warsaw.
45. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
46. KGHM	KGHM Polska Miedź S.A. (Polish Copper Mining Joint Stock Company) with its registered office in Lubin.
47. Audit Committee	Audit Committee of the Supervisory Board of TAURON Polska Energia S.A..
48. Nominations and Compensation Committee	Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A.
49. Strategy Committee	Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A.
50. KPI	Key Performance Indicators – key financial and non-financial performance (efficiency) indicators used as ways to measure progress of achieving goals of an organization.
51. KRI	Key Risk Indicator – a measure (metric) that informs about an organization's exposure to a given risk over a specified period of time.
52. Ksh	<i>Act of September 15, 2000, Code of Commercial Companies</i>
53. Kopalnia Wapienia Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
54. Mg	Megagram - million gram (1 000 000 g), i.e. ton.
55. Business Model	Document entitled <i>TAURON Group's Business and Operational Model</i> .
56. IFRS (MSSF)	International Financial Reporting Standards.
57. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.

Abbreviation and trade term	Full name / explanation
58. NCBR	National Research and Development Center (Narodowe Centrum Badań i Rozwoju) with its registered office in Warsaw.
59. Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Jaworzno.
60. Line of Business (Segment)	Six areas (lines of business, segments) of TAURON Capital Group's core operations set up by the Company: Generation, RES, Heat, Distribution, Trading and Supply.
61. OSD (DSO)	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD).
62. OSP (TSO)	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
63. OTC (OTC market)	Over The Counter Market – European OTC market.
64. RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
65. PEAK (PEAK contract)	Peak contract for the supply of electricity during business hours (8-22) on business days, for example the PEAK contract for March 2020 is related to the supply of the same amount of electricity on all business days in March 2020 between 8 and 22.
66. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
67. PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its registered office in Warsaw.
68. PGE Baltica 4	PGE Baltica 4 sp. z o.o. (Ltd.) with its registered office in Warsaw (currently Elektrownia Wiatrowa Baltica-7 sp. z o.o. (Ltd.)).
69. PGG	Polska Grupa Górnicza S.A. (Polish Mining Group) with its registered office in Katowice
70. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
71. PGK	Tax Capital Group (Podatkowa Grupa Kapitałowa – PGK).
72. PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Joint Stock Company) with its registered office in Warsaw.
73. PKB (GDP)	Gross Domestic Product (Produkt Krajowy Brutto).
74. PLN	Polish zloty currency symbol – zł (PLN)
75. PMEF	Property rights related to the energy efficiency certificates
76. PMOZE	Property rights related to the certificates of origin confirming generation of electricity in RES before March 1, 2009.
77. PMOZE_A	Property rights related to the certificates of origin confirming generation of electricity in RES after March 1, 2009.
78. PMOZE-BIO	Property rights related to the certificates of origin confirming generation of electricity from agricultural biogas from July 1, 2016
79. „Polpower”	„Polpower” sp. z o.o. . (Ltd.) with its registered office in Jelenia Góra.
80. POPC	Digital Poland Operational Program. (Program Operacyjny Polska Cyfrowa – POPC).
81. PRO	Partnership, Development, Boldness (Partnerstwo Rozwój Odwaga – PRO) - key corporate values reflecting the way TAURON Capital Group wants to achieve its business goals.
82. PSE (TSO)	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna.
83. Balancing Market (Rynek Bilansujący – RB)	Balancing Market (Rynek Bilansujący) - technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
84. RDB (Intraday Market)	Intraday Market - a market operating on the POLPX TGE), where trading is carried out in a continuous trading formula, 24 hours a day. Instruments with delivery on the next day are traded, with their trading starting at 14:00 the day before the delivery and gradually exiting the market one hour before the start of the delivery.
85. RDN (Day Ahead Market)	Day Ahead Market - a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
86. RDNg (Day Ahead Gas Market)	Day Ahead Gas Market - a market operating on the POLPX (TGE), where trading is carried out every day and is conducted in the continuous trading system.
87. RTT (Futures Commodity Market)	Futures Commodity Market (Rynek Terminowy Towarowy – RTT) - market operating on the POLPX (TGE), where trading in contracts is carried out in the continuous trading system and in the auction system.
88. SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
89. Segment, Segments of Operations (Operating Segments)	TAURON Capital Group's segments of operations used in the statutory reporting process. TAURON Capital Group's results from operations are allocated to the following 5 main Segments: Mining, Generation, RES, Distribution and Supply, as well as, additionally, Other Operations.

Abbreviation and trade term	Full name / explanation
90. SLA	Service Level Agreement – a contract with guaranteed level of service.
91. Consolidated Financial Statements of TAURON Capital Group	Document under the title <i>Consolidated financial statements of TAURON Polska Energia S.A. Capital Group in accordance with the International Financial Reporting Standards approved by the European Union for the year ended on December 31, 2023.</i>
92. Financial Statements of TAURON	Document under the title <i>Financial statements of TAURON Polska Energia S.A. in accordance with the International Financial Reporting Standards approved by the European Union for the year ended on December 31, 2023.</i>
93. SPOT (SPOT market)	With respect to electricity, it is the place where trade transactions for electricity are concluded with delivery not later than 3 days after the date of the transaction's conclusion (most often it is one day before the date of delivery). The operation of the SPOT market for electricity is strongly tied to the operation of the Balancing Market run by the TSO.
94. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
95. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
96. Strategy	Document entitled <i>TAURON Group's Strategy for the years 2020 - 2030 with an outlook until 2050</i> adopted by the Management Board of TAURON on June 22, 2022.
97. TAMEH HOLDING	TAMEH HOLDING sp. z o.o. (Ltd.) with its registered office in Dąbrowa Górnicza.
98. TAMEH POLSKA	TAMEH POLSKA sp. z o.o. (Ltd.) with its registered office in Dąbrowa Górnicza.
99. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
100. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
101. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
102. TAURON Dystrybucja	TAURON Dystrybucja S.A. (Joint Stock Company) with its registered office in Cracow.
103. TAURON Ekoenergia	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
104. TAURON Nowe Technologie	TAURON Nowe Technologie S.A. (Joint Stock Company) (formerly: TAURON Dystrybucja Serwis S.A. (Joint Stock Company)) with its registered office in Wrocław.
105. TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. (Ltd.) with its registered office in Wrocław.
106. TAURON Serwis	TAURON Serwis sp. z o.o. (Ltd.) with its registered office in Katowice.
107. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
108. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
109. TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
110. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
111. TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice.
112. TEC1	TEC1 sp. z o.o. (Ltd.) with its registered office in Katowice.
113. TEC2	TEC2 sp. z o.o. (Ltd.) with its registered office in Katowice.
114. TEC3	TEC3 sp. z o.o. (Ltd.) with its registered office in Katowice.
115. PPX (TGE)	Towarowa Giełda Energii S.A. (Joint Stock Company) (Polish Power Exchange – POLPX) with its registered office in Warsaw.
116. TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
117. EU (UE)	European Union (Unia Europejska - UE)
118. UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów – UOKiK)
119. Unbundling	Separation of the operations with respect to transmission or distribution of electricity from the operations that involve the production and delivery (supply) of this electricity to the final consumers.
120. ERO (URE)	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
121. USA	United States of America.
122. USD	United States Dollar - US dollar's international acronym
123. Usługi Grupa TAURON	Usługi Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.



Abbreviation and trade term	Full name / explanation
124. WACC	Weighted Average Cost of Capital - the weighted average cost of capital of the company, weighted respectively by the share of debt and equity in the company's capital structure.
125. WIND T1	WIND T1 sp. z o. o. (Ltd.) with its registered office in Pieńków.
126. WIND T2	WIND T2 sp. z o.o. (Ltd.) with its registered office in Pieńków.
127. WIND T30MW	WIND T30MW sp. z o.o. (Ltd.) with its registered office in Pieńków.
128. WIND T4	WIND T4 sp. z o.o. (Ltd.) with its registered office in Katowice.
129. WINDPOWER Gamów	WINDPOWER Gamów sp. z o.o. (Ltd.) with its registered office in Katowice.
130. Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.
131. GM (WZ / ZW)	General Meeting (GM) / Shareholders' (Partners') Meeting (Walne Zgromadzenie – WZ / Zgromadzenie Wspólników - ZW)
132. ZG	Coal Mine (Zakład Górniczy - ZG) (Janina Coal Mine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

## Appendix B: INDEX OF TABLES AND FIGURES

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