



**REPORT ON THE REMUNERATION  
OF MEMBERS OF THE MANAGEMENT BOARD  
AND THE SUPERVISORY BOARD  
OF TAURON POLSKA ENERGIA S.A.  
FOR 2023**

17 April 2024

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## 1. Foreword

This Report on the remuneration of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. for the financial year 2023 (further: "Remuneration Report") was adopted by the Supervisory Board of TAURON Polska Energia S.A. (further: "TAURON" or "Company") and, according to its assessment, complies with the requirements defined in Article 90g of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to the organised trading, and public companies (as amended) (further: "Act on Public Offering").

The Remuneration Report has been prepared following a comprehensive review of remuneration, including all benefits, in whatever form, received by individual Members of the Management Board and the Supervisory Board or due to individual Members of the Management Board and the Supervisory Board in the financial year 2023. As part of the aforementioned remuneration review, the compliance of the remuneration received by Members of the Management and the Supervisory Board in 2023 with the Remuneration Policy for Members of the Management Board and the Supervisory Board in TAURON Polska Energia S.A. was assessed as adopted by the General Meeting of the Company pursuant to Resolution no. 26 of 15 July 2020 and amended by the Company's General Meeting pursuant to Resolution no. 31 of 24 May 2022 and published on the Company website: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>

The subject of the Remuneration Report covers the principles of determining and the structure of the remuneration of Members of the Management Board and the Supervisory Board the Company in the financial year 2023, with special reference to the level of the total remuneration of individual Members of the Management Board, broken down into fixed and variable remuneration dependent on the achievement of certain management objectives. Moreover, the value of additional cash and non-cash benefits granted to Members of the Management Board and the value of benefits received by Members of the Management Board in connection with the termination of the contract for the provision of management services and compliance with the non-competition clause were also provided.

The Remuneration Report does not contain any personal data of Members of the Management Board and the Supervisory Board referred to in Article 9 section 1 of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation) (Official Journal of EU L 119, 04.05.2016, p. 1, as amended).

## 2. Changes in the composition of the Management and the Supervisory Board

### *Changes in the composition of the Company's Management Board*

Between 1 January 2023 and 13 February 2024 the Company's Management Board was composed of the following members:

1. Paweł Szczeszek - President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Bogusław Rybacki - Vice President of the Management Board for Asset Management,
4. Krzysztof Surma - Vice President of the Management Board for Finance,

5. Tomasz Szczegieliński - Vice President of the Management Board for Trading,
6. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

As of 13 February 2024 the Supervisory Board of TAURON Polska Energia S.A. dismissed Paweł Szczeszek, Patryk Demski, Bogusław Rybacki, Tomasz Szczegieliński and Artur Warzocha from the Management Board of the Company. At the same time the Supervisory Board of the Company delegated member of the Supervisory board Ms. Karolina Mucha-Kuś to temporarily act as the President of the Management Board starting 14 February 2024.

Following the qualification procedure for the positions in the Management Board of TAURON Polska Energia S.A., on 29 February 2024 the Supervisory Board adopted resolutions and appointed Grzegorz Lot, Piotr Gołębiowski, Michał Orłowski, and Krzysztof Surma as members of the Company's Management Board of the 7<sup>th</sup> joint term of office, as of 7 March 2024.

Due to the end of the 6<sup>th</sup> joint term of office of the Management Board of TAURON Polska Energia S.A. on 31 December 2023 the Company's Supervisory Board prior to adopting the abovementioned resolutions, dismissed Krzysztof Surma – Vice President of the Management Board for Finance from the Company's Management Board.

Following the appointment of the abovementioned persons to the Management Board of the Company, the Supervisory Board adopted resolution to end temporary performance of duties of the President of the Management Board by delegated member of the Supervisory Board – Karolina Mucha-Kuś as of 6 March 2024.

The composition of the Company's Management Board from 14 February 2024 to 6 March 2024:

1. Karolina Mucha-Kuś – acting President of the Management Board,
2. Krzysztof Surma – Vice President of the Management Board for Finance.

The composition of the Company's Management Board of the 7<sup>th</sup> joint term of office from 7 March 2024 and as of the date of this report:

1. Grzegorz Lot – President of the Management Board,
2. Piotr Gołębiowski – Vice President of the Management Board for Trade,
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.

The table below shows the period of holding functions by individual members of the Management Board.

#### Period in which individual Management Board members held their functions

No.	Name and surname	Function	Period of holding function as member of Management Board
1.	Grzegorz Lot	President of the Management Board	07.03.2024 – now
2.	Piotr Gołębiowski	Vice President of the Management Board for Trade	07.03.2024 – now
3.	Michał Orłowski	Vice President of the Management Board for Asset Management and Development	07.03.2024 – now
4.	Krzysztof Surma	Vice President of the Management Board for Finance	05.08.2021 – 06.03.2024 07.03.2024 – now
5.	Karolina Mucha-Kuś	acting President of the Management Board	14.02.2024 – 06.03.2024

6.	Paweł Szczeszek	President of the Management Board	11.04.2022 – 13.02.204
7.	Patryk Demski	Vice President of the Management Board for Strategy and Development	05.08.2021 – 13.02.204
8.	Bogusław Rybacki	Vice President of the Management Board for Asset Management	09.09.2022 – 13.02.204
9.	Tomasz Szczegieliński	Vice President of the Management Board for Trading	06.09.2022 – 13.02.204
10.	Artur Warzocha	Vice President of the Management Board for Corporate Affairs	21.01.2022 – 13.02.204

### **Changes in the composition of the Supervisory Board**

As of 31 December 2023 the Supervisory Board was composed of the following members:

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 Kozirowski - Member of the Supervisory Board,
6. Ryszard Madziar - Member of the Supervisory Board,
7. Grzegorz Peczkis - Member of the Supervisory Board.

As of 1 January 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 Kozirowski (Member of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board), and Grzegorz Peczkis (Member of the Supervisory Board).

On 2 October 2023 the mandate of the Member of the Supervisory Board Stanisław Borkowski expired due to his death.

The Minister of State Assets, acting pursuant to § 23 section 1 item 3) of the Company's Articles of Association:

- on 25 January 2024 dismissed Piotr Tutak, Marcin Wawrzyniak, Dariusz Hryniów, and Ryszard Madziar from the Company's Supervisory Board,
- on 25 January 2024 appointed Sławomir Smyczek, Natalia Klima-Piotrowska, Karolina Mucha-Kuś, and Katarzyna Masłowska to the Company's Supervisory Board,
- on 5 February 2024 dismissed Teresa Famulska from the Company's Supervisory Board,
- on 5 February 2024 appointed Piotr Kołodziej to the Company's Supervisory Board.

Member of the Supervisory Board Leszek Kozirowski submitted his resignation from being a member of the Supervisory Board as of the end of 2 April 2024. The rationale behind this decision was to enable appointment of the full composition of the Supervisory Board of the new term of office at the Extraordinary General Meeting of the Company convened for 3 April 2024 in connection with the expiry of the previous term of office of the Supervisory Board on 31 December 2023.

On 3 April 2024 the Extraordinary general Meeting of TAURON Polska Energia S.A.:

- dismissed Grzegorz Peczkis from the Company's Supervisory Board,

- appointed Michał Hulbój, Leszek Koziorowski, Beata Kisielewska, and Krzysztof Tkaczuk to the Company's Supervisory Board.

Until the date of adoption of this report there were no other changes in the composition of the Supervisory Board.

The composition of the Company's Supervisory Board as of the date of this report is as follows:

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

The table below shows the period of holding functions by individual members of the Supervisory Board.

### Period in which individual Supervisory Board members held their functions

No.	Name and surname	Function	Period of holding function as member of Supervisory Board
1.	Sławomir Smyczek	Chair 01.02.2024 - now	25.01.2024 - now
2.	Natalia Klima-Piotrowska	Vice Chair 13.02 - now Secretary 01.02.2024 - 13.02.2024	25.01.2024 - now
3.	Piotr Kołodziej	Secretary 13.02.2024 - now	05.02.2024 - now
4.	Michał Hulbój	Member	03.04.2024 - now
5.	Beata Kisielewska	Member	03.04.2024 - now
6.	Leszek Koziorowski	Member	24.05.2021 - now
7.	Katarzyna Masłowska	Member	25.01.2024 - now
8.	Karolina Mucha-Kuś	Member (delegated to perform the duties of the President of the Management Board from 14.02.2024 to 06.03.2024)	25.01.2024 - now
9.	Krzysztof Tkaczuk	Member	03.04.2024 - now
10.	Grzegorz Peczkis	Member	06.12.2019 - 03.04.2024
11.	Piotr Tutak	Chairman 29.11.2021 - 25.01.2024	16.11.2021 - 25.01.2024
12.	Teresa Famulska	Vice Chair 03.08.2020 - 05.02.2024	03.08.2020 - 05.02.2024
13.	Marcin Wawrzyniak	Secretary 10.06.2022 - 25.01.2024	06.04.2021 - 25.01.2024
14.	Dariusz Hryniów	Member	26.01.2022 - 25.01.2024
15.	Ryszard Madziar	Member	15.07.2020 - 25.01.2024
16.	Stanisław Borkowski	Member	24.05.2021 - 02.10.2023

### 3. Remuneration Policy

Remuneration Policy for Members of the Management Board and Supervisory Board of TAURON Polska Energia S.A. (further "Remuneration Policy") defines goals and principles of remunerating Members of the Management Board and Supervisory Board of the Company, taking into account and complying with the applicable provisions of Polish law, in particular the Act of 9 June 2016 on the rules of forming remunerations of persons managing selected companies, and EU law European Union, resolutions of the General Meeting and the Supervisory Board of the Company, provisions of the Best Practice for WSE Listed Companies and the Recommendations of the European Commission.

The primary objectives of Remuneration Policy are:

- 1) Ensuring a coherent and motivating remuneration system for Management Board Members.
- 2) Linking the rules of remuneration with monitoring of fulfilment of adopted strategic plans, company's long-term interests and implementation of financial plans.
- 3) Shaping the amount of remuneration of the Members of the Company's Management Board in connection with the implementation of management goals.
- 4) Company's value growth through the professional development of top management.
- 5) Improving the remuneration system translating into the implementation of the Company's business strategy and development directions.
- 6) Ensuring stable development of the Company.

In the reporting year 2023 the Remuneration Policy for Members of the Management Board and Supervisory Board in the wording adopted by Resolution No. 26 of the Ordinary General Meeting of the Company of 15 July 2020 was in effect with amendments adopted by the Ordinary General Meeting of the Company by resolution No. 31 of 24 May 2022.

The abovementioned amendments were related to the increase of compensation for the Member of the Management Board for each month in which the non-competition clause is in force following the termination of the function of a Member of the Management Board from 50% to 100% of the Fixed Remuneration. The maximum period of non-competition after the termination of the function of a Member of the Management Board has not changed and may not exceed 6 months. Other provisions of the Remuneration Policy have not changed.

### 4. Rules and amount of Management Board Members' remuneration

#### 4.1. Remuneration rules for Management Board Members

The remuneration rules for Members of the Management Board applied by the Company in the period covering the 2023 financial year were compliant with:

- 1) The Remuneration Policy adopted by Resolution No. 26 of the Company's General Meeting of 15 July 2020 including amendment adopted by the Company's Ordinary General Meeting by Resolution No. 31 of 24 May 2022,
- 2) Resolution No. 30 of the Ordinary General Meeting of 24 May 2022 on shaping the remunerations of the Members of the Management Board of TAURON Polska Energia S.A.,
- 3) Resolution of the Supervisory Board No. 78/VI/2022 of 29 July 2022 on shaping the remunerations of the members of the Management Board of TAURON Polska Energia

- S.A. (which defined, inter alia, the principles for defining and dividing Management Objectives, their weights and criteria for evaluation and settlement),
- 4) The Act of 9 June 2016 on the rules of forming remunerations of persons managing selected companies. as well as with the Best Practice for WSE Listed Companies in force in 2023.

Pursuant to the contracts for the provision of management services concluded for the term of office, Members of the Management Board receive remuneration consisting of two parts: a fixed amount, representing the basic monthly remuneration (hereinafter referred to as “the Fixed Remuneration”) and a variable part (further: “Variable Remuneration”), representing supplementary remuneration for the financial year of the Company, dependent on the level of achievement of the Management Objectives defined in the Remuneration Policy and specified in detail by the Supervisory Board.

Additionally, in accordance with the Remuneration Policy, Members of the Management Board are also entitled to additional monetary and non-monetary benefits, the scope and rules of which are defined by the Supervisory Board by way of a resolution.

The amount of the Fixed Remuneration and the maximum amount of the Variable Remuneration of a Member of the Management Board are determined by the Supervisory Board in the form of a resolution. When determining the amount of the Fixed Remuneration and the Variable Remuneration, the Supervisory Board takes into account the provisions of the Remuneration Policy, in particular the management objectives, criteria and methods of meeting the criteria.

The Variable Remuneration is due to a given Member of the Management Board after approval of the Management Board's report on the company's activities and the Company's financial statements for the previous financial year and the discharge from the performance of duties by the General Meeting. The amount of the Variable Remuneration depends on the performance of Management Objectives. The maximum amount of the Variable Remuneration may not exceed 100% of annual Fixed Remuneration of a member of the Management Board in the previous financial year.

The Ordinary General Meeting of the Company, by Resolution No. 30 of 24 May 2022, updated the general Management Objectives that are effective as of 2023:

- a) reaching the EBITDA ratio at a level approved in the Material and Financial Plan for a given financial year,
- b) reaching the Net Debt/EBITDA ratio at a level approved in the Material and Financial Plan for a given financial year,
- c) maintaining the rating of TAURON Polska Energia S.A. at an investment level,
- d) achieving the effects of implemented restructuring programmes or improving operational efficiency in the Capital Group,
- e) implementation of the strategy of the Capital Group in accordance with the approved schedule and budget optimal in terms of project profitability and the financial standing of the Capital Group,
- f) implementation of investments of key importance to energy security, in particular in the areas of energy generation and distribution,
- g) sales of new products (sales of energy-containing products and products with synergy effects to electricity and gas),
- h) improving quality indicators related to customer service or other operating indicators,



- i) increasing the innovativeness of the Capital Group through the execution of research, development, pilot projects and implementation, taking into account the effective use of funds allocated for this purpose.

The above general Management Objectives are made more specific by the Supervisory Board which determines detailed tasks for a given financial year together with weights as well as objective and measurable criteria for their execution and settlement (KPI).

In defining the criteria the Supervisory Board relies on the Principles for defining and allocation of Management Objectives, their weights and criteria for performance and settlement.

In line with the abovementioned Principles, achievement of the KPI for a given Management Objective below the minimum value results in loss of right to Variable Remuneration for this objective. In the case of achievement of the KPI for a given Management Objective:

- equal to the minimum value – Member of the Management Board will be entitled to 90% of Variable Remuneration for that objective,
- between the minimum value and the reference value – Member of the Management Board will be entitled to between 90% and 100% of Variable Remuneration for that objective, calculated proportionally,
- equal or above the reference value – Member of the Management Board will be entitled to 100% of Variable Remuneration for that objective.

In the case of a Non-financial Management Objective:

- failure to achieve a given Non-financial Objective in line with independent and measurable criteria – Member of the Management Board will not be entitled to Variable Remuneration for the objective,
- achievement of a given Non-financial Objective in line with independent and measurable criteria – Member of the Management Board will be entitled to 100% of Variable Remuneration for that objective.

Management Objectives may be defined individually for each member of the Management Board or may constitute joint objectives for all Management Board Members.

The Supervisory Board confirms meeting the conditions for payment of Variable Remuneration by individual Management Board Members for whom Management Objectives had been defined for the given year and who had held their functions in the financial year under evaluation, by defining the due amount based on financial statements verified by certified auditor and other documents, depending on the objective.

Variable Remuneration is calculated proportionally, depending on the number of days on which Management Board Members provide management services in a given year.

The expiry of the mandate of a Member of the Management Board assessed in terms of the achievement of the Management Objectives shall not result in the loss of the right to the Variable Remuneration, provided that the time in office in the assessed financial year was longer than 3 three months.

In the case of termination of contract, Management Board Members may be entitled to a severance pay in the amount not higher than three times the Fixed Remuneration, provided that the given member had been holding his or her function for at least 12 months prior to termination of the contract for management services.

Moreover, Management Board Member who had held his or her function on the Company's Management Board for at least 6 months is entitled to receive payment for complying with the non-competition clause for 6 months after he or she stops holding that function. The amount of the non-competition payment may not exceed 100% of the Fixed Remuneration in each month.

## 4.2. Remuneration paid to members of the Management Board in 2023

The total remuneration of Members of the Management Board in 2023, broken down into fixed and variable components and other cash and non-cash benefits, is presented in the table below.

### Remuneration of members of the Company's Management Board paid in 2023, broken down into components (PLN):

No.	Name and surname Period of holding the function in 2023	Total remuneration*	Fixed Remuneration	Variable Remuneration for achievement of KPIs in 2022	Other benefits	TOTAL
1.	Paweł Szczeszek President of the Management Board 01.01 - 31.12.2023	1,365,171.80	792,680.40	572,491.40 (for the period from 11.04.2022 to 31.12.2022)	55,047.29 PPE <sup>1</sup>	1,420,219.09
2.	Patryk Demski Vice President of the Management Board 01.01 - 31.12.2023	1,479,670.08	739,835.04	739,835.04 (for the period from 11.04.2022 to 31.12.2022)	105,483.55 out of which: 75,483.55 PPE <sup>1</sup> 30,000.00 DMS <sup>2</sup>	1,585,153.63
3.	Bogusław Rybacki Vice President of the Management Board 01.01 - 31.12.2023	970,005.94	739,835.04	230,170.90 (for the period from 09.09.2022 to 31.12.2022)	30,000.00 DMS <sup>2</sup>	1,000,005.94
4.	Krzysztof Surma Vice President of the Management Board 01.01 - 31.12.2023	1,479,670.08	739,835.04	739,835.04 (for the period from 01.01.2022 to 31.12.2022)	75,635.77 out of which: 74,062.23 PPE <sup>1</sup> 1,573.54 Training <sup>3</sup> 36,997.95 out of which: 9,497.95 PPE <sup>1</sup> 27,500.00 DMS <sup>2</sup>	1,555,305.85
5.	Tomasz Szczegielniak Vice President of the Management Board 01.01 - 31.12.2023	976,171.23	739,835.04	236,336.19 (for the period from 06.09.2022 to 31.12.2022)	9,497.95 PPE <sup>1</sup> 27,500.00 DMS <sup>2</sup>	1,013,169.18
6.	Artur Warzocha Vice President of the Management Board 01.01 - 31.12.2023	1,440,623.23	739,835.04	700,788.19 (for the period from 21.01.2022 to 31.12.2022)	72,031.21 PPE <sup>1</sup>	1,512,654.44
		<b>7,711,312.36</b>	<b>4,491,855.60</b>	<b>3,219,456.76</b>	<b>375,195.77</b>	<b>8,086,508.13</b>

\* Total fixed and Variable Remuneration

<sup>1</sup> PPE – Employee Pension Scheme excluding overheads

<sup>2</sup> DMS – co-financing of accommodation

<sup>3</sup> Training – individual training

### Total remuneration

The total remuneration, which is a sum of Fixed Remuneration and Variable Remuneration, referred to in the above table received by Members of the Management Board in 2023 is compliant with the Remuneration Policy.

### Fixed Remuneration

The amount of the monthly Fixed Remuneration for the President of the Management Board and other members of the Management Board was determined by the Supervisory Board in the range of 7 to 15-fold the basis of the remuneration referred to in Article 1 section 3 item 11) of the Act of 9 June 2016 on the rules of forming remunerations of persons managing

selected companies., with account being taken of specific legal regulations on defining its amount, and was as follows:

- for the President of the Management Board: PLN 66,056.70 monthly,
- for a Vice President of the Management Board: PLN 61,652.92 monthly.

The above amounts of Fixed Remuneration have been in force from 1 January 2017 and have not changed until the date of this report.

#### *Variable Remuneration for execution of KPI in 2022*

In 2023 the Supervisory Board, following approval by the Company's Ordinary General Meeting of the Company's financial reports and the Management Board's report on the Company's operations in 2022 and granting discharge from duties performed by Management Board Members in 2022 on 10 May 2023, evaluated performance of specific financial and non-financial objectives set for execution by Management Board Members in 2022.

Due to 100% performance of all Management Objectives by Management Board Members who held their functions in 2022, in 2023 Variable Remuneration was paid in the amount indicated in the above table.

In the case of Management Board Members who did not hold their functions throughout the entire year in 2022, Variable Remuneration was calculated proportionally, depending on the number of days of providing management services, however period of holding function in 2022 must have been longer than 3 months for the Management Board Member not to lose the right to Variable Remuneration.

The Supervisory Board confirmed satisfaction of conditions for payment of Variable Remuneration by individual Management Board Members and adopted relevant resolution in 2023, in which it determined due amount of Variable Remuneration based on financial statements for 2022 verified by certified auditor and other documents, depending on the given objectives.

Variable Remuneration for performance of Management Objectives determined by the Supervisory Board for 2023 will be paid in 2024 following evaluation of meeting all the required conditions.

Level of performance of financial Management Objectives was evaluated based on consolidated financial statements of TAURON Polska Energia S.A. Group for 2022 examined by certified auditor and level of performance of other non-financial Management Objectives was evaluated based on documents and information determined in the method of evaluation.

As a result of the carried out analysis and evaluation of performance of individual positions of TAURON Group's plan for 2022 by the Company, on 23 May 2023 the Supervisory Board stated that the financial Management Objectives determined by the Supervisory Board that constituted conditions that must have been satisfied to receive relevant part of Variable Remuneration for 2022 were realized as follows: EBITDA as approved in the Financial and Operating Plan for the given year: 104%, net debt/ EBITDA as in the Financial and Operating Plan for the given year: 105%.

At the same time the Supervisory Board stated that Management Objectives that constituted condition for receiving variable part of the remuneration, and that were set for performance by all members of the Management Board as joint objectives, related to application of terms and conditions for remunerating members of management and supervisory bodies defined in Act

of 9 June 2016 on the rules of forming remunerations of persons managing selected companies in all companies from the Capital Group and on the performance of other duties referred to in Articles 17-20, Article 22 and Article 23 of the Act of 16 December 2016 on the rules for managing of state assets, were executed in 100%.

Based on “Report of TAURON Polska Energia S.A. Management Board on performance of individual Management Objectives set for execution by members of Management Board of the 6th term of office in 2022” and source documents concerning execution of particular non-financial Management Objectives presented to the Supervisory Board, the Supervisory Board evaluated the performance of individual non-financial objectives.

The below table presents evaluation of performance of Management Objectives set for performance in 2022 that were defined as joint objectives for all members of the Management Board:

No.	Name and surname	Execution of <u>joint</u> Management Objectives in 2022	KPI performance assessment
1.	Paweł Szczeszek 11.04 - 31.12.2022	Conditional objectives: – The rules of remuneration for members of management and supervisory bodies of subsidiaries were formed and applied, corresponding to the rules defined in the Act of 9 June 2016 on the rules of forming remunerations of persons managing selected companies.	100%
2.	Patryk Demski 01.01 - 31.12.2022	– Duties were performed referred to in Articles 17-20, Article 22 and Article 23, with account being taken of Article 18a and Article 23a of the Act of 16 December 2016 on the rules of managing state assets.	100%
3.	Bogusław Rybacki 09.09 - 31.12.2022	Financial objectives: – Achieved EBITDA was at the level adopted in the Financial and Operating Plan for the given year (weight 35%) – Achieved net debt/EBITDA was at the level adopted in the Financial and Operating Plan for the given year (weight 10%)	100%
4.	Krzysztof Surma 01.01 - 31.12.2022	Non-financial objectives (performance of specific tasks): – TAURON's investment grade rating remained on the required level (at least BBB minus) (weight 5%)	100%
5.	Tomasz Szczegieliński 06.09 - 31.12.2022	– As part of general objective concerning achievement of effects of the restructuring programs TAURON Group was prepared to sell coal based generation assets to the State Treasury, in line with the assumptions of the Government's Plan to establish NABE (National Agency for Energy Security) (weight 10%)	100%
6.	Artur Warzocha 21.01 - 31.12.2022	– As part of general objective concerning implementation of Capital Group's strategy, updated TAURON Group's Strategy was developed that received positive opinion of TAURON's Supervisory Board (weight 5%) – As part of general objective concerning execution of key investments for energy security, the installed capacity in RES increased by a total of 223.84 Mwe as of the end of 2022 (weight 13%). Actions were taken with the aim of selecting contractor of the CCGT unit at Elektrownia Łągisza (weight 7%).	100%
7.	Artur Michałowski 01.01 - 12.08.2022	Also, following the completion of the construction of 910 MW unit in Jaworzno the unit was resynchronized with the Polish Power System (weight 15%).	100%
8.	Jerzy Topolski 01.01 - 12.08.2022		100%

### Other cash and non-cash benefits

In accordance with the Remuneration Policy, in 2023, Members of the Management Board were entitled to receive the following additional benefits:

- 1) the Company covered basic contributions due to participation in Employee Pension Scheme (PPE) implemented in TAURON pursuant to the Act on Employee Pension Schemes of 20 April 2004, under the terms and conditions provided for in the Company Agreement concluded on 25 September 2008, for the following members of the

Management Board: Paweł Szczeszek, Patryk Demski, Krzysztof Surma, Tomasz Szczegielniak, and Artur Warzocha.

Each member of the Management Board is entitled to the abovementioned benefit after one year of holding function of a member of the Management Board or continued employment at TAURON Group.

- 2) the Company covered the costs of membership fee in the Association of Chartered Certified Accountants of member of the Management Board Krzysztof Surma, who makes use of this membership to increase his professional skills (training) and covered the costs of English lessons,
- 3) the following members of the Management Board: Patryk Demski, Bogusław Rybacki, and Tomasz Szczegielniak received accommodation subsidy (DMS) in the amount of PLN 2,500 gross per month due to the fact that their permanent residences are located at a considerable distance from the head office of the Company.

In addition, Members of the Management Board could use, against payment, company vehicles for commuting from the place of residence to the premises of the Company and for private purposes, under the terms and conditions defined in the resolution of the Supervisory Board.

In the reporting period no cases of claims for reimbursement of Variable Remuneration components by Members of the Company Management Board occurred.

Members of the Management Board did not receive any remuneration from entities belonging to TAURON Capital Group within the meaning of the Accounting Act of 29 September 1994.

In the reporting period, no financial instruments were granted or offered to Members of the Management Board. No cash or non-cash benefits were also granted to any relatives of Members of the Management Board.

The Supervisory Board did not take any decisions on temporary waiver of application of the Remuneration Policy implemented and derogations applied pursuant to Article 90f of the Act on Public Offering.

### *Amount of remuneration paid to former Members of the Management Board in 2023*

The table below presents the amount of remuneration paid to former Management Board Members in 2023, broken down into Variable Remuneration and other benefits.

#### **Remuneration of former Members of the Management Board paid in 2023 by components (without overheads, in PLN):**

No.	Name and surname Period of holding function in the year of KPI performance	Variable Remuneration for performance of KPI in 2022	Other benefits	Non-competition clause payment	Settlement agreement	TOTAL
1.	Artur Michałowski 01.01 - 12.08.2022	456,231.61	-	123,305.84	-	579,537.45
2.	Jerzy Topolski 01.01 - 12.08.2022	456,231.61	6,165.30 PPE <sup>1</sup>	123,305.84	-	585,702.75
3.	Kamil Kamiński 01.01 - 21.09.2019	-	-	-	268,267.00	268,267.00
		<b>912,463.22</b>	<b>6,165.30</b>	<b>246,611.68</b>	<b>268,267.00</b>	<b>1,433,507.20</b>

<sup>1</sup> PPE – Employee Pension Scheme

In 2023 former Members of the Management Board were paid Variable Remuneration in the amount proportional to the period of employment, for execution of Management Objectives:

- 1) to Artur Michałowski for execution of Management Objectives in 2022, i.e. from 1 January 2022 to 12 August 2022, at the level of 100%, in the amount of 100% of annual Fixed Remuneration paid in 2022.
- 2) to Jerzy Topolski for execution of Management Objectives in 2022, i.e. from 1 January 2022 to 12 August 2022, at the level of 100%, in the amount of 100% of annual Fixed Remuneration paid in 2022. In connection with payment of the above Variable Remuneration Jerzy Topolski was paid additional remuneration covering basic contribution due to participation in Employee Pension Scheme (PPE) implemented in TAURON.

### **Non-competition clause payment**

Due to dismissal and termination of contracts for providing management services in 2022 with Management Board Members Artur Michałowski and Jerzy Topolski, they were paid non-competition payment for 6 months (including for 2 months of 2023). The amount of non-competition compensation did not exceed 100% of Fixed Remuneration.

### **Settlement agreement**

Following adoption of Resolution No. 6 of 13 July 2022 by Extraordinary General Meeting concerning discharge from performance of duties of Vice President of the Management Board for Customer and Corporate Support in the period from 1 January 2019 to 21 September 2019 granted to Kamil Kamiński, in line with the settlement agreement signed on 3 April 2023 Kamil Kamiński was paid the amount of PLN 268,267 for settlement of mutual liabilities for holding the abovementioned function.

## **4.3. Specific Management Objectives to be executed in 2023**

In accordance with the applicable remuneration rules the Supervisory Board determined joint specific Management objectives for implementation in 2023 by all Management Board Members, that fulfilled the criteria defined in Remuneration policy, i.e. included financial and non-financial objectives, and were determined in accordance with SMART methodology, were precise, measurable, achievable, material and set in time.

Variable Remuneration for execution of Management Objectives set by the Supervisory Board for execution in 2023 will be evaluated and paid out in 2024 after prior approval of the financial statements and the Management Board's report on the operations of the Company in 2023 by the Company's General Meeting as well as granting discharge from performance of duties in 2023 to the Management Board Members.

The table below shows joint specific Management Objectives defined for execution in 2023 by all Members of the Management Board holding their functions in 2023.

Name and surname Period of holding function in the year of KPI execution 01.01 - 31.12.2023	Joint Management Objectives for execution in 2023	Weight of the objectives
1. Paweł Szczeszek	Conditional objectives: – Forming and application of rules for remuneration of members of management and supervisory bodies of subsidiaries corresponding to the rules defined in Act of 9 June 2016 on the rules of forming remunerations of persons managing selected companies.	Performance constitutes condition for receipt of variable part of remuneration
2. Patryk Demski		

Name and surname Period of holding function in the year of KPI execution 01.01 - 31.12.2023	Joint Management Objectives for execution in 2023	Weight of the objectives
3. Bogusław Rybacki	– Execution of duties referred to in Articles 17-20, Article 22 and Article 23 with account being taken of Article 18a and Article 23a of the Act of 16 December 2016 on the rules of managing state assets.	35%
4. Krzysztof Surma	Financial objectives:	10%
5. Tomasz Szczegielniak	– EBITDA at the level adopted in Financial and Operating Plan for the given financial year.	
	– Net debt/EBITDA at the level adopted in Financial and Operating Plan for the given financial year.	
6. Artur Warzocha	Non-financial objectives (detailed tasks to be performed):	5%
	– Maintaining investment grade rating at a specified level (at least BBB minus).	
	– As part of general objective concerning achievement of effects of implemented restructuring programs a task was set concerning preparation for sale of TAURON Group's coal-based generation assets to State Treasury, in accordance with the assumption of the Government's Plan to establish NABE.	5%
	– As part of general objective concerning implementation of Capital Group's strategy a task was set concerning transformation of Heat Area towards low-emission sources and increase of RES capacity by not less than 140 MW in total.	25%
	– As part of general objective concerning execution of strategic investments for energy security a task was set to implement investment plans in Distribution Area, prepare heating units of TAURON Ciepło to participate in Capacity Market starting from 2024 and execute investments in renewable energy sources that were launched in 2022.	20%

The table below shows Variable Remuneration potentially due in 2024, that will be paid if Management Objectives set out for 2023 are executed in 100%.

#### **Estimated value of Variable Remuneration for Management Board Members for 2023 (to be paid in 2024)**

No.	Name and surname	Period of holding function in the year of KPI execution 2023	Maximum Variable Remuneration for KPI achievement
1.	Paweł Szczeszek	01.01 - 31.12.2023	792,680.40
2.	Patryk Demski	01.01 - 31.12.2023	739,835.04
3.	Bogusław Rybacki	01.01 - 31.12.2023	739,835.04
4.	Krzysztof Surma	01.01 - 31.12.2023	739,835.04
5.	Tomasz Szczegielniak	01.01 - 31.12.2023	739,835.04
6.	Artur Warzocha	01.01 - 31.12.2023	739,835.04
			4,491,855.60

#### **4.4. Compliance of total remuneration with Remuneration policy and the way in which it contributes to achievement of long-term objectives of the Company**

Total remuneration paid out to Management Board Members in 2023 was in line with the Remuneration Policy and contributes to achievement of long-term results of the Company and TAURON Group.

The system for remunerating and rewarding Management Board Members applicable in the Company supports execution of strategic objectives and takes into account the fact that level of remuneration should depend on the Company's and TAURON Group's financial standing in a year's perspective. In line with the Remuneration Policy, the remuneration system is composed of fixed part and variable part, whose payment depends on the performance of specified management objectives.

Variable Remuneration of management Board Members depends on achievement of financial ratios: EBITDA and net debt/ EBITDA determined in Financial and Operating Plan for the given

financial year as well as on the implementation of TAURON Group's Strategy and investment tasks in the long-term perspective.

Conditioning the Variable Remuneration on execution of management objectives according to criteria determined in the Remuneration Policy and further specified by the Supervisory Board contributes to implementation of the business strategy, long-term interest and stability of the Company.

The main objective of TAURON Group's Strategy for 2022-2030 with the perspective until 2050 announced on 22 June 2022 (further "TAURON Group's Strategy") is to build value of TAURON Group through up-to-date solutions for clients and the climate with stable financial position maintained. The most important direction of TAURON Group's development is focus on TAURON Group's transformation towards climate neutrality. Main objectives that TAURON Group wants to achieve by pursuit of the above directions, in the perspective of TAURON Group's Strategy, include the following:

- Increase of installed capacity in renewable sources to 1.6 GW in 2025 and to 3.7 GW in 2030.
- Decreasing emission levels to 200 kgCO<sub>2</sub>/MWh in 2025 and below 160 kgCO<sub>2</sub>/MWh in 2030.

The following non-financial objectives set by resolution of the Supervisory Board for performance in 2023 are in line with implementation of the abovementioned strategic objectives of the Company:

- Objective: Carve out of coal based generation assets from TAURON Group. The Management Board acted in line with the assumptions and timeline of the Government's Plan to establish NABE (National Agency for Energy Security).
- Objective: Capacity increase in RES and execution of already launched investments. achievement of the objective by commissioning of 37 MW PV farm in Myslowice, continued investments in RES that were launched in 2022 with total capacity of 186.7 MW and launching execution of further projects with total capacity of 177.2 MW.
- Objective: Implementation of investment plans in Distribution Area. Achievement of objective by upgrade, restoration and development of distribution grid for PLN 2.8 billion.
- Objective: transformation of Heat Area towards low-emission sources and preparation of heating units to participate in capacity market from 2024. Preparation and implementation of investment projects, including peak load boiler at Zakład Wytwarzania Bielsko-Biała EC2, project related to transformation of Zakład Wytwarzania Katowice and development of PV farm at Zakład Wytwarzania Bielsko-Biała EC1. The generation units: BCF100 unit in Katowice and BC50 unit in ZW Tychy achieved the status of upgraded units.

#### 4.5. Performance criteria used

In order to correlate Management Board Members' Variable Remuneration with TAURON Group's financial results, the General Meeting indicated two material financial measures upon adoption of the Remuneration Policy: EBITDA and net debt/ EBITDA.

In relation to the above, the Variable Remuneration of Management Board Members depends, inter alia, on execution of financial objectives including achievement of a specified EBITDA level and net debt/EBITDA ratio at a level adopted in the Financial and Operating Plan for a given financial year.



The financial figures and ratios for the period from 2019 to 2023 presented in this report are in line with the following documents presented to the public by the Company:

- Consolidated financial statements of TAURON Capital Group,
- Financial statements of TAURON Polska Energia S.A.,
- Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group.

The remaining Management Objectives are correlated with implementation of the business strategy and long-term strategic objectives of TAURON Group.

By selecting the above financial measures as conditions for Variable Remuneration of Management Board Members, the Supervisory Board acts towards implementation of the adopted TAURON Group's Strategy, whose implementation requires from TAURON Group to shape the above indicated financial ratios at a level that would enable acquisition of funds to execute the investment program it introduces, i.e. TAURON's Green Turn, and at the same time maintain safe debt level.

EBITDA result is one of the most recognizable measures of the company's business profitability. In line with ESMA (European Securities and Markets Authority) guidelines EBITDA is one of the Alternative Performance Measures. EBITDA is a measure of result that is not defined by the International Financial reporting Standards (IFRS) however it has been defined by TAURON in the provisions of the accounting policy applied by all companies from TAURON Capital Group. EBITDA covers operating profit increased by amortization and depreciation and write downs for non-financial assets.

Write-downs for non-financial assets of TAURON Group include write-downs for non-financial assets of entities consolidated using the full method and share in write-downs for non-financial assets of entities valued using the equity method. This measure is one of the main measures used by TAURON Group in the management of its operations and at the same time constitutes the basic measure of assessment of effectiveness of subsidiaries' management board members.

The EBITDA result, unlike other financial and economic ratios, most precisely reflects the efficiency of the business. This is due to the fact that, the EBITDA result is similar to operating cash flows from activities, as it reflects the efficiency of the company's operations from the perspective of cash generated by its core business. It is particularly appropriate to use it in the case of enterprises whose large part of their assets are fixed assets (factories, buildings), and which are associated with high depreciation costs. The EBITDA result is relatively simple to calculate and understand which makes it the most often applied ratio by investors and analysts. Thanks to elimination of the impact of applied amortization and depreciation related policies, capital structure or tax burdens it allows for easier comparison of different companies' results, which in turn significantly facilitates quick comparisons and assessment of investment attractiveness.

The second of the financial goals set for the Members of the Management Board of TAURON Group, i.e. the Net Debt / EBITDA ratio, is included in the debt (solvency) ratios. It allows to determine TAURON Group's ability to repay its debt from operating profits. Successively implementing the policy of maximizing the EBITDA result, the Management Board of TAURON Group strives for the optimal level of the ratio, thus guaranteeing itself the possibility of choosing the most favorable financing model in order to implement the adopted TAURON Group Strategy and transformation towards TAURON's Green Turn.

In the light of the financing agreements concluded by TAURON, net debt means, as a rule, the financial debt of TAURON Group less cash and cash equivalents and short-term investments with a maturity of up to 1 year, as well as the debt of TAURON Group resulting from issued subordinated bonds. The concept of financial debt has been precisely defined in TAURON's financing agreements and covers TAURON Group's obligation to pay or respectively return funds (including the principal amount and interest) resulting mainly from loans and borrowings drawn and issued debt securities, contingent liabilities extended as collateral for financial liabilities (other than included in consolidated debt), due recourse claims related to payments by third parties for sureties or warranties issued by those parties on request of TAURON or TAURON Group companies or joining a debt that constitutes a liability, as well as leasing (as understood under MSR17) and factoring agreements for receivables (except for receivables sold without the right of recourse).

In accordance with the developed rules of the bonus system for Members of the Management Boards of the Company, the table below presents the evolution of TAURON Group's EBITDA financial result and the Net Debt / EBITDA ratio of TAURON Group, which have been the assessment criteria over the last 5 years in relation to the values set for TAURON Group Management Board Members by the Supervisory Board.

#### TAURON Group's EBITDA and net debt/ EBITDA ratio in the years 2019-2023

EBITDA [PLN million]	2019	Change	2020	Change	2021	Change	2022	Change	2023
Set value of the objective not smaller than	3,348	-29	3,319	+506	3,825	+40	3,865	+951	4,816
Achieved value of the objective	3,599	+627	4,226	-74	4,152	-136	4,016	+2,129	6,145
	<b>+251</b>		<b>+907</b>		<b>+327</b>		<b>+151</b>		<b>+1,329</b>
<b>Net debt / EBITDA</b>									
Set value of the objective not smaller than	3.4x	-	3.4x	+0.2x	3.2x	+0.1x	3.1x	-0.1x	3.2x
Achieved value of the objective	2.8x	+0.3x	2.5x	+0.1x	2.4x	-0.5x	2.9x	+-.8x	2.1x
	<b>+0.6x</b>		<b>+0.9x</b>		<b>+0.8x</b>		<b>+0.2x</b>		<b>+1.1x</b>

In each of the presented periods, EBITDA and net debt/EBITDA ratio were above the set objective.

TAURON Group's EBITDA in the past four years was at a high level exceeding PLN 4 billion from 2020 on. In particular, in 2023 it improved significantly and exceeded the level of PLN 6 billion, which is mainly a result of:

- higher margin on electricity than in 2022, mainly as an effect of stable operation of 910 MW unit and lack of major breakdowns as opposed to the previous year. In addition, higher revenues from capacity market also helped improve margin,
- payment of performance bond under the contract for construction of 910 MW unit and compensation received from insurance companies under insurance agreement, for material damages that occurred at the construction site of the 910 MW unit,
- higher margin on distribution services, mainly as an effect of positive change of the grid loss account revaluation, higher distribution rate and higher revenues on other distribution services.

It should be noted that lower result on a joint enterprise had negative impact on EBITDA, which in the end had no influence on the increasing trend of the ratio. The above was caused by TAMEH Czech filing an insolvency petition with the court as a result of its main contractor's failure to pay their liabilities. Thus the result of TAMEH Group for 2023 was burdened by impairment charges and reserves resulting from the insolvency.

Net debt/EBITDA ratio in the past four years was at a stable, secure level below 3.0x.

Activities related to the financial result EBITDA, which were described above, had a significant impact on the Net Debt/EBITDA ratio in this period. Nevertheless, in terms of the level of net debt in 2023, TAURON Group undertook a number of initiatives aimed at maintaining it at a safe level. In line with the adopted financing policy, TAURON Polska Energia S.A. is responsible for finding financing for the companies from TAURON Capital Group which increases the possibilities of financing, decreases the cost of external capital, allows for control of covenants required by financing institutions and helps reduce administrative costs. In addition, financial liquidity management is a significant element of the financing management policy. It allows effective management of cash flows and debt level of TAURON Capital Group by optimizing expenses and cash balance levels at individual companies.

Net debt/EBITDA ratio reported as of 31 December 2023 calculated on the basis of consolidated financial statements of TAURON Group decreased by 0.8x as compared to 2022, from 2.9x to 2.1x. The change is a result of significantly higher EBITDA which improved the ratio by 1.0x and higher net debt which worsened the ratio by 0.2x.

Improvement of the above ratios is, inter alia, a consequence of a return to stability in various areas of social and economic life in 2023 after the year 2022 that was marked by the crisis in the power sector. The stability has worked to the benefit of TAURON Capital Group, enabling to focus of development strategy, innovations, and operating efficiency. Support for renewable energy sources and effective use of generation units were the key elements of the said stabilization, enabling the Company to effectively operate in the dynamic environment of the power sector. In 2023 the position of the Company on the energy market was strengthening which allowed the Company to focus on long term growth.

Concluding, from the perspective of the analyzed five-year period it can be said that net debt/EBITDA ratio was within the safe range for TAURON Group and was below the defined financial objective.

#### **4.6. Information on the change of the remuneration, average remuneration of employees and the results of the Company**

In 2023, the Supervisory Board did not change the amount of the Fixed Remuneration of Members of the Company Management Board.

The remuneration system for the Company employees, like that for the Members of the Management Board, is of an incentive nature, consisting of the monthly Fixed Remuneration and the Variable Remuneration which depends on the level of achievement of the bonus targets assigned. The Variable Remuneration of employees acting in the capacity of Directors and Managers depends, among others, on the financial results achieved.

The average total remuneration of employees employed by the Company under an employment contract in 2023 increased by 13.61% compared to the average remuneration in 2022. The analysis of the increase in the average total remuneration broken down by

employees of the Company acting in the capacity of Directors and Managers and holding other positions, indicates an increase in the average remuneration in 2023 by approximately 14.08% compared to 2022 in the group of employees acting in the capacity of Directors and Managers, while for other positions, the average remuneration increased by approx. 14.71% compared to 2022.

The table below shows the change, in year-on-year terms, in the remuneration of the Management Board and the Supervisory Board and the average remuneration of employees in the years 2019-2023.

### **Change in remuneration of the Management and Supervisory Boards and the average remuneration of employees in 2019-2023 (in PLN):**

	2019	Year-on-year change	2020	Year-on-year change	2021	Year-on-year change	2022	Year-on-year change	2023
Total remuneration of the Management Board <sup>1</sup>	4,540,326.91	-21.48%	3,564,994.60	-10.81%	3,398,940.74 <sup>3</sup>	+59.71%	5,428,397.64 <sup>4</sup>	+42.06%	7,711,312.36
Average number of Management Board members	3.73	-19.57%	3.00	+3.67%	3.11	+77.81%	5.53	+8.5%	6.00
Average monthly remuneration of Management Board member	101,437.15	-2.38%	99,027.63	-8.03%	91,075.58	-10.18%	81,802.25	+30.93%	107,101.56
Fixed Remuneration of the Supervisory Board	789,626.16	-25.59%	587,535.76	-2.18%	574,726.48	+23.90%	712,091.27	-12.19%	625,322.60
Average number of Supervisory Board members	8.65	-19.41%	6.97	+2.20%	7.12	+24.29%	8.85	-12.31%	7.76
Average monthly remuneration of Supervisory Board member	7,611.45	-7.67%	7,027.40	-4.29%	6,725.92	-0.30%	6,705.60	+0.14%	6,715.23
Average monthly salary of the Company employees other than Members of the Management Board and the Supervisory Board <sup>2</sup>	12,761	+1.17%	12,910	+7.78%	13,914	+9.31%	15,210	+13.61%	17,280

<sup>1</sup> Total fixed and Variable Remuneration paid during a given period.

<sup>2</sup> Calculated as remuneration paid without taking into account jubilee bonuses equivalents for unused leave and severance pay.

<sup>3</sup> Adjustment for 2021 resulting from a change in the method of presenting data – the value supplemented by Variable Remuneration paid in 2020 to Filip Grzegorzczak.

<sup>4</sup> The amount does not include Variable Remuneration for 2019 and 2020 paid in 2022 to Kamil Kamiński and Jarosław Broda.

The table below shows the change, in year-on-year terms, in the results of TAURON Polska Energia S.A. in the years 2019 - 2023.

**Change in the Company's results  
in the years 2019-2023 (PLN million):**

	2019	Year-on-year change	2020	Year-on-year change	2021	Year-on-year change	2022	Year-on-year change	2023
Company's sales revenue	10,681	659	11,340	6,876	18,216	9,329	27,545	6,769	34,314
Company's EBITDA	114	(1,009)	(895)	952	57	161	218	22	240
Gross profit (loss)	(346)	(2,844)	(3,190)	3,426	236	(200)	36	(673)	(637)

Sales revenues in the perspective of the last five years show an upward trend, especially in the period between 2020 and 2023, which is a result of significant increases in electricity prices and a higher volume of its sales. Change in revenues in 2023 as compared to the previous year is a result of higher (by 62%) average electricity sales price in 2023 vs. 2022 and lower (by 22%) volume. The change in price results from market conditions and the increase in electricity prices for contracts with delivery in 2023 that occurred in 2022 as a consequence of Russia's aggression in Ukraine and the resulting destabilization on raw materials markets. Volume decrease is a result of lower demand in 2023 and lower volume sold to TAURON Wytwarzanie S.A. due to transfer to this company of the competence to hedge sales position from Q3 2022. Volume drop was also caused by sale of higher volume of electricity to Nowe Jaworzno Grupa TAURON Sp. z o.o. to hedge liabilities resulting from sales contracts that could not have been covered by generation from the 910 MW unit in Jaworzno due to its breakdown, which took place in 2022.

EBITDA in 2023 was 10% higher than in the previous year which was a result of the following factors:

- higher margin on sales of electricity, mainly as an effect of changes in the formation of market electricity prices,
- higher revenue on CO<sub>2</sub> portfolio management, as an effect of higher level of contracts vs. 2022,
- reverse of write down for revaluation of receivables set up in 2022 that took place in 2023. This change is a consequence of applied provisions of the company's accounting policy in accordance with IFRS 9 and is based on the model of estimating possible credit losses. Reverse of this write down results from settlement in 2023 of receivables from a contractor, in relation to whom the write down was initially established in accordance with the abovementioned principles,
- lower income on services related to electricity trading and fuel portfolio management which is connected with transfer of those competences to TAURON Wytwarzanie which was a part of implementation of the program for coal based assets carve out from TAURON Group,
- higher operating costs, related to, inter alia, signed remuneration agreements and higher social security costs.

The gross financial result for 2023 was lower than for the previous year which was caused by various factors that translated into both, its decrease and increase. They included:

- lower dividend income, mainly due to lack of dividend from subsidiary TAURON Dystrybucja S.A. whose profit was in total allocated to the company's spare capital,
- recognition of loss on derivatives related to strengthening of PLN, which translated into lower valuation and result on current settlement of FX derivatives purchased primarily to hedge FX cash flows covering futures transactions for CO<sub>2</sub> emission allowances,
- recognition of positive exchange rate differences related to valuation of external financing in EUR thanks to strengthening of PLN,
- increase of interest income due to higher average annual use of external financing and higher level of base rates in general,
- increase of interest income on loans resulting primarily from increase of the amount of loans granted to subsidiaries, especially TAURON Wytwarzanie S.A.,
- revaluation of shares by recognizing impairment charge related to shares in joint enterprise TAMEH Holding Sp. z o.o. in consequence of asset impairment tests carried out,
- revaluation of loans by lowering the balance sheet value of loans granted to TAURON Wytwarzanie S.A. and increased valuation of loans granted to other subsidiaries and the joint enterprise,
- EBITDA increase, as described above.

## 5. Rules and amount of the remuneration of Members of the Supervisory Board

The rules governing the remuneration of Members of the Supervisory Board applied by the Company in the period covering the financial year 2023 were compliant with the Remuneration Policy applicable in 2022 and with Resolution No. 6 of the Extraordinary General Meeting of the Company of 15 December 2016, as amended by Resolution No. 6 of the Extraordinary General Meeting of the Company of 21 November 2019.

In the reporting period, no changes were introduced in the rules of remuneration of Members of the Supervisory Board, including the amount of monthly remuneration.

In 2023 Members of the Supervisory Board received monthly remuneration calculated as a multiple of a basis for remuneration referred to in Article 1 section 3 item 11 of the Act of 9 June 2016 on the rules of forming remunerations of persons managing selected companies and the following multiplier:

- 1) for the Chairman of the Supervisory Board – 1.7
- 2) for other member of the Supervisory Board – 1.5.

In connection with the arrangement included in art. 11 of the Act of 1 December 2022 on special solutions serving the implementation of the Budget Act for 2023, in 2023 the basis for calculating the remuneration of Members of the Supervisory Board referred to in Article 1 section 3 item 11 of the Act of 9 June 2016 on the rules of forming remunerations of persons managing selected companies., it was still the average monthly remuneration in the enterprise sector without the payment of bonuses from profit in the fourth quarter of 2016. In view of the above, the amount of remuneration of Members of the Supervisory Board in 2023 did not change compared to 2022.

In 2023, Members of the Supervisory Board received remuneration on the basis of their appointment to the Supervisory Board by the General Meeting or by the State Treasury under their statutory personal rights.

The remuneration of Members of the Supervisory Board is of a single component nature, comprising monthly remuneration, irrespective of the number of meetings convened in a given month. Consequently, the remuneration rules for Members of the Supervisory Board are not linked to the performance of the Company, either on an annual or a long-term basis.

A Member of the Supervisory Board shall not be eligible to receive the remuneration for the month in which he/she was not present at any of the duly convened meetings, where the absence was not justified. The decision on excusing or not excusing the absence of a Member of the Supervisory Board at a meeting shall be taken by the Supervisory Board by way of a resolution.

If a given member of the Supervisory Board was appointed in the course of a calendar month, the remuneration was calculated proportionally to the number of days in which the function was held.

The table below presents the total remuneration of Members of the Company Supervisory Board paid in 2023.

**Remuneration of Members of the Company Supervisory Board  
in 2023 (in PLN excluding overheads)**

No.	Name and surname	Period of holding the function in 2023	Remuneration
1.	Piotr Tutak	01.01.2023 – 31.12.2023	89,837.16
2.	Teresa Famulska	01.01.2023 – 31.12.2023	79,268.04
3.	Marcin Wawrzyniak	01.01.2023 – 31.12.2023	79,268.04
4.	Stanisław Borkowski	01.01.2023 – 02.10.2023	59,877.20
5.	Dariusz Hryniów	01.01.2023 – 31.12.2023	79,268.04
6.	Leszek Koziorowski	01.01.2023 – 31.12.2023	79,268.04
7.	Ryszard Madziar	01.01.2023 – 31.12.2023	79,268.04
8.	Grzegorz Peczkis	01.01.2023 – 31.12.2023	79,268.04
Total			612,322.60

In line with the provisions of the Article of Association of TAURON Polska Energia S.A. the Company covered the costs related to performance of functions by the Supervisory Board Members. In 2023 there were 7 meetings of the Supervisory Board, 8 meetings of the Audit Committee, 4 meetings of the Strategy Committee and 2 meetings of the Nominations and Remunerations Committee thus the Company covered in particular the costs of travel from the place of residence to the place where the meetings were held and back, as well as the costs of board and accommodation, depending on individual needs.

In the reported period, no requests to return components of remuneration were made in relation to Supervisory Board Members.

Supervisory Board Members did not receive remuneration from other entities belonging to TAURON Capital Group as understood in line with the Act of 29 September 1994 on accounting.

In the reported period, Supervisory board Members were not given or offered financial instruments. Also, no monetary or non-monetary benefits were given to persons closest to the Supervisory Board Members.

**6. Opinion of the Company’s General Meeting related to the previous Remuneration Report**

The Company’s Ordinary General Meeting, by Resolution No. 10 of 10 May 2023 issued a positive opinion on the Report on the remuneration of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. for 2022 and had no reservation as to its contents.

The Report on remuneration of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. for 2022 was submitted to certified auditor for review and the certified auditor confirmed that it contains information required under Article 90g sections 1-5 and 8 of the Act on Public Offering.

**7. Conclusion**

The Remuneration Report was prepared after the review of the remuneration performed by the Supervisory Board, including all benefits due to and received by individual members of the Management Board and the Supervisory Board in the financial year 2023 and, in the opinion of the Supervisory Board, all information required by the Act on Public Offering has been included herein.

The Remuneration Report was subject to the assessment by certified auditor with regard to the inclusion of the required information pursuant to Article 90g sections 1-5 and 8 of the Act on Public Offering.

The Supervisory Board shall submit this Remuneration Report to the Ordinary General Meeting for the purpose of obtaining its opinion in the form of a resolution which is of advisory nature. Following the conclusion of the Ordinary General Meeting, the Remuneration Report will be posted on TAURON website, where it will be made available free of charge for at least 10 years.

17 April 2024

**Signatures of Members of the Supervisory Board:**

Chair of the Supervisory Board - Sławomir Smyczek .....

Vice Chair of the Supervisory Board - Natalia Klima-Piotrowska .....



Secretary of the Supervisory Board - Piotr Kołodziej	.....
Member of the Supervisory Board - Michał Hulbój	.....
Member of the Supervisory Board - Beata Kisielewska	.....
Member of the Supervisory Board - Leszek Koziarowski	.....
Member of the Supervisory Board - Katarzyna Maślowska	.....
Member of the Supervisory Board - Karolina Mucha-Kuś	.....
Member of the Supervisory Board - Krzysztof Tkaczuk	.....