



ANNUAL REPORT

of TAURON Polska Energia S.A.
for the year 2023

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,
Ladies and Gentlemen,

on behalf of the Management Board of TAURON Polska Energia S.A., I am presenting to you the 2023 Annual Report, in which we provide financial and operational results, as well as significant developments related to TAURON Polska Energia S.A. and TAURON Group.

After a difficult year for the world economy in 2022 that had seen an escalation of the energy crisis, the global economy was gradually returning to relative stability in 2023. The priority was to combat high inflation, which had largely been a consequence of surging fuel and energy prices due to the war in Ukraine. High inflation and restrictive monetary policy had a negative impact on the slowdown of the economic growth. After a period of a rapid recovery in economic activity in the previous years, Poland's GDP grew by only 0.2 percent in 2023.

2023 was another year of elevated price volatility on electricity and energy commodity markets. It is worth emphasizing, however, that the situation in the energy industry began to return to normalcy last year. In contrast to 2022, prices declined significantly in 2023 and have now stabilized at levels close to those before the outbreak of the war in Ukraine. Last year in the power industry was also a time of intensive work on the spin-off of coal-fired generating assets out of four energy groups, including TAURON Group, to the National Energy Security Agency. However, this process has not been completed, and the decisions on the future structure of the energy groups will be made after comprehensive analyses have been conducted.

With respect to the consolidated financial results posted, it should be noted that last year TAURON Group reported the highest annual EBITDA result in its history, clocking in at more than PLN 6.1 billion. The largest contributors to this result included the Distribution, Generation and Supply segments, which accounted for 57 percent, 22 percent and 9 percent of the Group's total EBITDA, respectively. The Group's operating profit was more than double that of 2022, coming in at PLN 3.4 billion. The consolidated net profit stood at close to PLN 1.7 billion.

The Group's parent company, i.e. TAURON Polska Energia S.A., posted EBITDA of PLN 240 million (up 10 percent year on year) and the operating profit of PLN 230 million (up 15 percent year on year) in 2023. The higher EBITDA and EBIT results were a consequence of the higher margin earned on electricity sales, the higher revenue generated by the CO₂ portfolio management service and the reversal of the impairment charge related to the accounts receivable in 2023. The gross and net profit came in at negative values due to the booking of the lower dividend revenue relative to 2022 and the higher, year on year, expenses related to, among other things, the revaluation of shares and loans granted.

The Group's key covenant, i.e. the net debt to EBITDA ratio, remained at a relatively low level, guaranteeing financial security. The Group's stable financial position was reaffirmed by the Fitch Ratings agency that maintained its long term domestic and foreign currency rating at "BBB-" with a stable outlook.

A stable financial position is particularly important due to the investment program related to the energy transition underway, ultimately aimed at achieving climate neutrality in 2050. In line with the Group's strategy, our ambition is to expand and modernize the electricity distribution grid, build zero-carbon electricity sources and decarbonize the heating industry. Everything we do and will continue to do is oriented toward customer needs and seeks to ensure the highest quality customer experience. Our goal is to have an installed capacity of 3.7 GW of photovoltaic and wind power in 2030. We assume that of an estimated investment program worth approximately PLN 48 billion, about 50 percent of the expenditures will be spent to modernize and expand the distribution grids, and about 35 percent to develop zero-carbon electricity generation sources.



TAURON Group continued to implement the Green Turn of TAURON strategy in 2023 - among other things, the construction of five wind farms with a total capacity of 165 MW and three photovoltaic farms with a total capacity of close to 200 MW had been commenced and continued. As of the end of 2023, the installed capacity of renewable energy sources had stood at 696 MW, and upon the completion of all of the projects currently under construction, the total installed capacity of our renewable energy sources will reach more than 1 000 MW. In the coming years, in parallel with the expansion of installed capacity of the Group's wind and photovoltaic farms, we will be expanding energy storage facilities that are necessary for efficient energy management and balancing the power system.

In parallel, we are steadily increasing investment outlays on the modernization and expansion of the distribution grid, which is a prerequisite for a successful energy transition. Last year, we allocated a record amount of PLN 2.8 billion for investments in the distribution line of business, which accounted for 63 percent of the total capital expenditures incurred by TAURON Group. In 2024 and beyond, investment outlays in the Distribution segment will be rising at a rapid pace. We will be seeking to improve quality indicators in this area and shorten the waiting time of our customers for a connection to the distribution grid.

One of the key priorities for the Management Board that I lead will be to meet the needs of customers for whom TAURON is to be the company of first choice. We will also be expanding our customer-facing offerings, responding to customer needs in a flexible manner and raising the level of customer satisfaction from using our services, in line with our mission: "We care about the customer. We care about the planet. We choose the Green Turn of TAURON". Our strategic goal will also be to provide increasingly higher volumes of clean, green energy for our customers and to offer products with a sustainable environmental impact.

Environmental, social and corporate governance (ESG) issues, which are an integral part of our Strategy, will invariably continue to be important for us. In 2023, TAURON Group adopted the document *"ESG in TAURON Group's Strategy"*, which described in detail the ESG-related measures and metrics, and which, along with other internal regulations, set the direction of actions for achieving the goals in each area of sustainable development. As a Group, we are moving in this direction, with the respect for human rights and the Sustainable Development Goals set by the United Nations in mind. In pursuit of the adopted goals, we will be reducing the negative effects of our activities and maximizing the positive impact on the economy, environment and society.

I would also like to emphasize that the new Management Board will focus on building TAURON Group's value in the long term through the implementation of purely business-oriented projects that will deliver a return on investment. As the Management Board, we will be striving to generate and maximize profits, keeping in mind both the Group's rapid growth, as well as our shareholders' expectations.

In spite of a number of challenges related to the need to implement a profound transition of the entire energy sector, including TAURON Group, I believe that the commitment and competence of the Group's workforce will enable us to achieve our strategic goals, which will shore up our position and build a sustainable competitive advantage. Our goal is to create sustainable economic value for the shareholders and tangible value for the customers. On behalf of the Management Board of TAURON Polska Energia S.A., I would like to thank all of our stakeholders, including customers and shareholders, for the trust you put in our company and your commitment to building the value of TAURON Group.

Yours respectfully



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

SELECTED FINANCIAL DATA	In PLN '000		in EUR '000	
	2023 from 01.01.2023 to 31.12.2023	2022 from 01.01.2022 to 31.12.2022 (adjusted figures)	2023 from 01.01.2023 to 31.12.2023	2022 from 01.01.2022 to 31.12.2022 (adjusted figures)
Selected standalone financial data of TAURON Polska Energia S.A.				
Sales revenue	34 314	27 545	7 578	5 875
Operating profit	230	200	51	43
Pre-tax profit (loss)	(637)	36	(141)	8
Net profit (loss)	(638)	67	(141)	14
Other net comprehensive income	(232)	152	(51)	33
Total comprehensive income	(870)	219	(192)	47
Profit (loss) per share (in PLN/EUR) basic and diluted based on net profit (loss)	(0.36)	0.04	(0.08)	0.01
Weighted average number of shares (pcs.) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Cash flow from operating activities	(420)	(182)	(92)	(39)
Cash flow from investing activities	233	(472)	51	(101)
Cash flow from financing activities	221	2 652	49	566
Increase (decrease) in net cash and equivalents	34	1 998	8	426
	As of 31.12.2023	As of 31.12.2022 (adjusted figures)	As of 31.12.2023	As of 31.12.2022 (adjusted figures)
Fixed assets	27 108	27 329	6 234	5 827
Current assets	4 946	6 893	1 138	1 470
Total assets	32 054	34 222	7 372	7 297
Share capital	8 763	8 763	2 015	1 868
Equity	11 450	12 320	2 633	2 627
Long term liabilities	13 294	14 822	3 058	3 160
Short term liabilities	7 310	7 080	1 681	1 510
Total liabilities	20 604	21 902	4 739	4 670

The above financial data was converted to EUR according to the following principles:

- individual items of the statement of financial position – at the average exchange rate of NBP announced as of December 29, 2023 – PLN/EUR 4.3480 (as of December 30, 2022 – PLN/EUR 4.6899),
- Individual items of the statement of comprehensive income and the statement of cash flows – at the exchange rate that is an arithmetic mean of the average exchange rates of NBP announced as of the last day of each month of the financial year running from January 1, 2023 to December 31, 2023 – PLN/EUR 4.5284 (for the period from January 1, 2022 to December 31, 2022 – PLN/EUR 4.6883).



INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

of the annual standalone
financial statements
of TAURON Polska Energia S.A.
for the year 2023

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of TAURON Polska Energia S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of TAURON Polska Energia S.A. (the 'Company') located in Katowice at Ks. Piotra Ściegiennego 3, which comprise the statement of comprehensive income for the period from 1 January 2023 to 31 December 2023, the statement of financial position as at 31 December 2023, the statement of changes in equity, the statement of cash flows for the period from 1 January 2023 to 31 December 2023 and additional information to the financial statements, including a summary of material accounting policies (the 'financial statements').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the period from 1 January 2023 to 31 December 2023 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- comply in respect of the form and content with laws applicable to Company and its Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 ('the Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 17 April 2024.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
<p>Impairment of shares and loans receivable</p> <p><i>Why the issue is a key audit matter</i></p> <p>As at 31 December 2023, the Company presented:</p> <ul style="list-style-type: none"> • shares (with a carrying amount of approximately PLN 15 530 million) • loans receivable (with a carrying amount of approximately PLN 12 411 million), <p>constituting approximately 87% of the Company's balance sheet total.</p> <p>According to International Financial Reporting Standards the Management of the entity is obliged to determine the appropriate valuation method of loans receivable and, depending on the valuation method, determine the fair value of these loans receivable or determine the value of expected credit losses that may occur in the period of 12 months or remaining period of existence of receivables from loans depending on classification of assets to the brackets and for shares or joint ventures as a result of the identified assets impairment premise for performing the impairment test.</p> <p>The issue was identified as key audit matter in the audit of the financial statements due to the value of the assets listed above, which is significant for the financial statements, as well as due to the complex element of the professional judgment of the Management Board regarding the valuation of receivables</p>	<p><i>Audit approach</i></p> <p>Our procedures, in relation to the key audit matter described, included, among others:</p> <ul style="list-style-type: none"> • overview of the process and identification of control mechanisms operating in the Company related to impairment tests of assets, as well as an understanding of the applied accounting policies and procedures, including internal control environment related to the process of assessing impairment indicators, identification of objective impairment events, asset impairment tests, fair value measurement and estimation of expected credit losses; • assessment of the assumptions made with regard to the grouping of assets into cash-generating units (CGU); • analysis of impairments indicators and reconciliation of source data used in impairment test models for financial forecasts approved of the Company • assessment (with the assistance of valuation specialists) of estimates and assumptions made by the Company in order to determine the assets recoverable amount, including: <ul style="list-style-type: none"> ○ the key macroeconomic assumptions adopted by the Company for future years (including: discount rates, projected growth rate) by comparing them to market data and available external data; ○ arithmetical correctness of the discounted cash flows model, and

<p>from loans and a complex element of the professional judgment of the Management Board regarding the estimation of the recoverable amount of shares in joint ventures and subsidiaries.</p> <p>The valuation of receivables from loans requires the application of appropriate valuation model, depending on the classification of assets, in accordance with International Financial Reporting Standard 9 <i>Financial Instruments</i>.</p> <p>The estimation of the recoverable amount of shares in subsidiaries or joint ventures requires the Management Board to adopt a number of assumptions regarding future market and economic conditions, such as, future changes in the prices of raw materials, electricity, property rights arising from certificates of origin of energy, CO2 emission rights and future revenues, costs and cash flows, weighted average cost of capital ("WACC"), as well as the impact of potential and already approved Polish and European regulatory changes, including environmental protection and the anticipated macroeconomic situation.</p>	<ul style="list-style-type: none"> ○ assumptions made to determine cash flows (including, among others, such key assumptions as electricity price paths, emission rights prices, coal prices) and residual values after the period covered by a detailed forecast, and ○ assumptions made in the scenario analyses in the impairment test carried out in relation to the valuation of the investments in the joint venture; <ul style="list-style-type: none"> • an assessment of the assumptions used to measure the fair value of loans granted to joint ventures, including an assessment of the consistency of these assumptions with the assumptions used to conduct impairment tests of assets; • an assessment of the assumptions made in determining the expected credit losses; • inquiries to employees of the financial department and the Management Board of the Company referring to the status of implementation of the adopted assumptions, including the validity of key estimates • assessment of the regulatory changes impact on the assumptions made by the Company's Management Board for impairment tests and an assessment of the risks associated with the implementation of these assumptions; • assessment of the classification of the loan's receivable from joint ventures in accordance with International Financial Reporting Standard 9 <i>Financial Instruments</i>; • assessment of the Company's Management Board's judgment regarding the valuation models used for loan receivables to joint ventures and the existence of objective events affecting the impairment understood as the expected credit losses of loans; • assessment of the correctness of recognition of results of impairment tests of assets and the valuation of loans receivable in the books; • assessment of the Company's Management Board's judgment as to the occurrence of objective impairment indications and as to
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<p><i>A reference to disclosure in the financial statements</i></p> <p>The Company disclosed the information regarding impairment indicators analysis, impairment estimates, as well as impairment losses on shares in note 11 of the explanatory notes to the financial statements for the year ended December 31, 2023.</p> <p>The disclosure regarding the valuation of receivables from loans granted was included in note 21 of the explanatory notes to the financial statements for the year ended December 31, 2023.</p>	<p>the assumptions adopted for the scenario analysis as part of the impairment test of shares in a joint venture;</p> <ul style="list-style-type: none"> • reconciliation of source data being the basis for valuation of loans; • reconciliation of source data used to determine the carrying amount of shares and loans granted; • analysis of the documentation presented for audit confirming the validity of the assumptions made for impairment tests; • obtaining detailed statements of the Company's Management regarding the completeness and correctness of the data and significant assumptions provided to us; • assessment of the completeness of disclosures, in accordance with the International Accounting Standard 36 Impairment of assets, the International Accounting Standard 1 Presentation of financial statements and the International Financial Reporting Standard 7 Financial instruments - disclosure of information in the Company's financial statements regarding impairment and valuation of assets.
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<p>Claims, lawsuits and contingent liabilities</p> <p><i>Why the issue as a key audit matter</i></p> <p>The Company is a party to many significant claims and court cases which, depending on the Company Management's assessment, are recognized as provisions or contingent liabilities.</p> <p>The basis for recognizing provisions and contingent liabilities in the financial statements are the Company Management's judgments regarding the likelihood of adverse effects of the claims and court cases that may cause an outflow of economic benefits from the Company. The results of these claims and lawsuits are beyond the Company's control.</p> <p>The issue was identified as key audit matter in the audit of the financial statements due to the significance of the claims and lawsuits, as well as due to the element of the professional judgment of the Management regarding their impact on the financial statements.</p>	<p><i>Audit approach</i></p> <p>Our procedures, in relation to the key audit matter described, included, among others:</p> <ul style="list-style-type: none"> • understanding of the process of making judgments by the Company's Management regarding claims and lawsuits; • monitoring of public information to identify a violation or potential violation of laws and regulations by the Company and to assess the completeness of the effects of identified violations, as well as to assess the completeness of disclosures in the financial statements; • analysis of the documentation regarding court cases presented for the audit purposes and discussion of significant court cases with the Legal Project Management Team of the Company and external lawyers significant claims and lawsuits; • analysis of the costs of legal services incurred during the year including the identification of entities providing legal services to the Company; • obtaining written explanations from the lawyers serving the Company with regard to the court and dispute cases conducted by them, and the analysis of the provided explanations; • analysis and assessment of the level and completeness of provisions for litigation in the context of the existing legal documentation; • discussion of the selected claims and court cases with internal specialists in the field of law; • obtaining detailed statements of the Parent Company's Management Board regarding the completeness and correctness of the data and significant assumptions provided to us;
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<p><i>A reference to disclosure in the financial statements</i></p> <p>The disclosure regarding significant contingent liability items from litigation and concluded contracts was presented in note 41 of the explanatory notes to the financial statements for the year ended December 31, 2023.</p>	<ul style="list-style-type: none"> • review of minutes of meetings of the legal bodies of the Company's Management Board as well as control reports of supervisory authorities and correspondence with these authorities; • analysis of the adequacy of disclosures in relation to court and out-of-court proceedings, related provisions and contingent liabilities in the financial statements.
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Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with applicable International Financial Reporting Standards adopted by the European Union, the applied accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as the Company's Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's opinions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor efficiency or effectiveness of conducting business matters now and in the future by the Company's Management Board.

As part of an audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The Other information comprises the management report of the Company for the period from 1 January 2023 to 31 December 2023 („Directors' Report") together with the statement on corporate governance, which is a separate section of the Directors' Report, the statement on non-financial information and other documents comprising the annual financial report for the financial year ended 31 December 2023 ('Annual Report') excluding the financial statements and the independent auditor's report on the audit ('Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation of the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report with separate elements meets the requirements of the Accounting Act.

Auditor's responsibilities

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the statement on non-financial information and to issue an opinion on whether the Company has included the required information in the statement on corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Statement on Other information

Based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report with respect to the remaining Other information.

Opinion on the corporate governance statement

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the statement on corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has included in Directors' Report information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any assurance procedures on the separate report on non-financial information and do not provide any assurance thereon.

Report on other legal and regulatory requirements

Information on the audit of regulatory financial information specified in article 44 of the Energy Law

In addition, we have concluded that the presented in note 48 statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account), prepared separately for each type of business activity in the fuel gas trading, comply, in all material respects, with the requirements referred to in Article 44 of the Act dated 10 April 1997 Energy Law ("Energy Law").

The scope of regulatory financial information contained in the explanatory note 48 is specified in art. 44 of the Energy Law. Our audit did not include an assessment on whether the information required to be disclosed by the law are sufficient to ensure equal treatment of customers and elimination of cross-subsidization between activities.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we represent that services, which we have provided to the Company and its controlled undertakings, are compliant with the laws and regulations applicable in Poland, and that non-audit services, which are prohibited under article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors, were not provided. The non-audit services, which we have provided to the Company and its controlled undertakings in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of Supervisory Board from 15 March 2017 and reappointed based on the resolution from 28 November 2018 and resolution from 9 November 2021. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2017, i.e. for the past 7 consecutive years.

Warsaw, 17 April 2024

Key Certified Auditor

Marcin Kowalczyk

Certified auditor

no in the register: 12840

on behalf of:

Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.

Rondo ONZ 1, 00-124 Warsaw
no on the audit firms list: 130



FINANCIAL STATEMENTS

compliant with the International
Financial Reporting Standards
approved by the European Union
for the year ended 31 December 2023

TAURON Polska Energia S.A.

Financial Statements

compliant with the International Financial Reporting Standards

approved by the European Union

for the year ended 31 December 2023

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STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023	Year ended 31 December 2022 <i>(restated figures)</i>
Sales revenue	12	34 314	27 545
Cost of sales	13	(33 924)	(27 160)
Profit on sale		390	385
Selling and distribution expenses	13	(33)	(32)
Administrative expenses	13	(116)	(145)
Other operating income and expenses		(11)	(8)
Operating profit		230	200
Dividend income	15	475	1 797
Interest income on loans	15	947	544
Interest expense on debt	15	(928)	(654)
Revaluation of shares	15	(271)	(48)
Revaluation of loans	15	(760)	(1 462)
Other finance income and costs	15	(330)	(341)
Profit (loss) before tax		(637)	36
Income tax expense	16	(1)	31
Net profit (loss)		(638)	67
Measurement of hedging instruments	30.4	(287)	187
Income tax expense	16	55	(36)
Other comprehensive income subject to reclassification to profit or loss		(232)	151
Actuarial gains		–	1
Other comprehensive income not subject to reclassification to profit or loss		–	1
Other comprehensive income, net of tax		(232)	152
Total comprehensive income		(870)	219
Profit (loss) per share (in PLN):			
- basic, for net profit (loss)	17	(0.36)	0.04
- diluted, for net profit (loss)	17	(0.36)	0.04

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

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STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023	As at 31 December 2022 (restated figures)	As at 1 January 2022 (restated figures)
ASSETS				
Non-current assets				
Investment property	18	18	19	24
Right-of-use assets	19	12	13	22
Shares	20	15 520	15 716	20 559
Loans granted	21	11 273	11 172	5 936
Derivative instruments	22	149	390	532
Other financial assets	23	33	–	–
Other non-financial assets	24	17	19	14
Deferred tax assets	25	86	–	–
		27 108	27 329	27 087
Current assets				
Inventories	26	12	72	51
Receivables from buyers	27	2 490	2 240	1 912
Income tax receivables	28	94	79	373
Loans granted	21	1 138	2 368	445
Derivative instruments	22	292	459	465
Other financial assets	23	433	35	70
Other non-financial assets	24	3	601	54
Cash and cash equivalents	29	484	1 039	440
		4 946	6 893	3 810
TOTAL ASSETS		32 054	34 222	30 897
EQUITY AND LIABILITIES				
Equity				
Issued capital	30.1	8 763	8 763	8 763
Reserve capital	30.3	3 076	3 009	2 749
Revaluation reserve from valuation of hedging instruments	30.4	218	450	299
Retained earnings/(Accumulated losses)	30.5	(607)	98	290
		11 450	12 320	12 101
Non-current liabilities				
Debt	31	13 111	14 754	9 801
Derivative instruments	22	169	10	116
Other financial liabilities	32	6	8	11
Other non-financial liabilities	34	–	4	113
Deferred tax liabilities	25	–	14	45
Provision for the onerous contract	35	–	28	154
Other provisions, accruals, deferred income and government grants	36	8	4	5
		13 294	14 822	10 245
Current liabilities				
Debt	31	4 421	3 316	4 669
Liabilities to suppliers	33	979	1 419	1 162
Liabilities arising from the purchase of shares in a subsidiary		–	–	1 061
Derivative instruments	22	644	331	379
Other financial liabilities	32	234	146	493
Other non-financial liabilities	34	1 005	1 593	701
Provision for the onerous contract	35	–	253	68
Other provisions, accruals, deferred income and government grants	36	27	22	18
		7 310	7 080	8 551
Total liabilities		20 604	21 902	18 796
TOTAL EQUITY AND LIABILITIES		32 054	34 222	30 897

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

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STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
As at 1 January 2022		8 763	2 749	299	290	12 101
Prior year profits' distribution		–	260	–	(260)	–
Transactions with shareholders		–	260	–	(260)	–
Net profit		–	–	–	67	67
Other comprehensive income		–	–	151	1	152
Total comprehensive income		–	–	151	68	219
As at 31 December 2022		8 763	3 009	450	98	12 320
Prior year profits' distribution	30.6	–	67	–	(67)	–
Transactions with shareholders		–	67	–	(67)	–
Net profit		–	–	–	(638)	(638)
Other comprehensive income		–	–	(232)	–	(232)
Total comprehensive income		–	–	(232)	(638)	(870)
As at 31 December 2023		8 763	3 076	218	(607)	11 450

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

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STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Profit (loss) before tax		(637)	36
Depreciation and amortization		12	15
Interest and dividends		(474)	(1 717)
Revaluation of shares		271	48
Valuation of loans		760	1 462
Valuation of derivatives		587	229
Exchange differences		(324)	104
Other adjustments of profit before tax		(25)	(30)
Change in working capital	37.1	(636)	(255)
Income tax paid		46	(74)
Net cash from operating activities		(420)	(182)
Cash flows from investing activities			
Loans granted	37.2	(1 245)	(6 659)
Purchase of shares in the subsidiary		(59)	(1 061)
Purchase of other shares		(16)	(21)
Other		(2)	(1)
Total payments		(1 322)	(7 742)
Sale of shares		–	4 815
Dividends received		442	1 796
Interest received from loans granted		808	433
Repayment of loans granted		305	226
Total proceeds		1 555	7 270
Net cash used in investing activities		233	(472)
Cash flows from financing activities			
Repayment of loans	37.3	(6 751)	(6 061)
Interest paid	37.3	(747)	(515)
Redemption of debt securities		(170)	(170)
Commission paid		(7)	(32)
Repayment of lease liabilities		(10)	(10)
Total payments		(7 685)	(6 788)
Contracted loans	37.3	7 900	9 440
Other		6	–
Total proceeds		7 906	9 440
Net cash from financing activities		221	2 652
Net increase/(decrease) in cash and cash equivalents		34	1 998
Net foreign exchange difference		27	(26)
Cash at the beginning of the period	29	(321)	(2 319)
Cash at the end of the period, of which:	29	(287)	(321)
restricted cash	29	181	81

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

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INFORMATION ON TAURON POLSKA ENERGIA S.A. AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. General Information about TAURON Polska Energia S.A.

These financial statements have been prepared by TAURON Polska Energia Spółka Akcyjna (the "Company") with its registered office in Katowice, ul. Piotra Ściegiennego 3, whose shares are publicly traded.

The company was established by a Notarial Deed on 6 December 2006 under the name Energetyka Południe S.A. On 8 January 2007, the District Court for Katowice-Wschód, 8th Commercial Department of the National Court Register, registered the Company under the KRS number 0000271562. The change of its name to TAURON Polska Energia S.A. was registered by the District Court on 16 November 2007.

The entity was assigned the statistical number, REGON 240524697 and the tax identification number, NIP 9542583988.

TAURON Polska Energia S.A. was established for an unlimited period.

The core business of TAURON Polska Energia S.A. focuses on:

- Activities of head offices and holding operations, except for financial holdings → PKD 70.10 Z,
- Sales of electricity → PKD 35.14 Z,
- Sales of coal → PKD 46.71.Z,
- Sales of gaseous fuels in a network system → PKD 35.23.Z.

TAURON Polska Energia S.A. is the parent company of the TAURON Polska Energia S.A. Capital Group. ("The Group, the TAURON Group").

The Company has prepared the financial statements covering the year ended 31 December 2023 and including comparative figures for the year ended 31 December 2022. Due to retrospective change in the presentation of items in the statement of financial position, which is described in more detail in Note 8.2 of these financial statements, the opening balance of the earliest presented period, i.e. of 1 January 2022, is also presented. These financial statements were approved for publication by the Management Board on 16 April 2024.

The Company has also prepared consolidated financial statements for the year ended 31 December 2023, which were approved for publication by the Management Board on 16 April 2024.

Composition of the Management Board

As at 1 January 2023 and as at 31 December 2023, the composition of the Management Board was as follows:

- Paweł Szczeszek – President of the Management Board,
- Patryk Demski – Vice President of the Management Board,
- Bogusław Rybacki – Vice President of the Management Board,
- Krzysztof Surma – Vice President of the Management Board,
- Tomasz Szczegielniak - Vice President of the Management Board,
- Artur Warzocha – Vice-President of the Management Board.

After the balance sheet date, the Supervisory Board dismissed as of 13 February 2024:

- Paweł Szczeszek from the position of the President of the Management Board,
- Patryk Demski from the position of the Vice President of the Management Board,
- Bogusław Rybacki from the position of the Vice President of the Management Board,
- Tomasz Szczegielniak from the position of the Vice President of the Management Board,
- Artur Warzocha from the position of the Vice President of the Management Board.

At the same time, the Supervisory Board assigned, as of 14 February 2024, a member of the Supervisory Board, Ms Karolina Mucha-Kuś, to temporarily perform the activities of the President of the Management Board of the Company in the period until the date of appointment of the new President of the Management Board, but no longer than three months from the date of the assignment.

On 29 February 2024, the Company's Supervisory Board appointed, as of 7 March 2024, the following persons to the Company's Management Board of the 7th joint term of office:

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- Grzegorz Lot for the position of the President of the Management Board,
- Piotr Gołębiowski for the position of the Vice President of the Management Board for Trade,
- Michał Orłowski for the position of the Vice President of the Management Board for Asset Management and Development,
- Krzysztof Surma for the position of the Vice President of the Management Board for Finance.

Due to the end of the 6th joint term of office of the Company's Management Board on 31 December 2023, the Supervisory Board of the Company adopted a resolution to dismiss Krzysztof Surma – Vice President of the Management Board for Finance from the Management Board of TAURON Polska Energia S.A.

As of 6 March 2024, in connection with the appointment of the above-mentioned persons to the Company's Management Board, the Supervisory Board adopted a resolution on the termination of the temporary performance of the duties of the President of the Company's Management Board by the delegated Member of the Supervisory Board – Karolina Mucha-Kuś.

As at the date of approval of these financial statements for publication, the Management Board consisted of:

- 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,

2. Shares in related parties

As at 31 December 2023, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

No.	Company name	Registered office	Share of TAURON Polska Energia S.A. in the company share capital	Company holding direct shareholding in the share capital/ General partner
GENERATION				
1	TAURON Wytwarzanie S.A.	Jaworzno	100.00%	TAURON Polska Energia S.A.
2	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
3	TAURON Serwis Sp. z o.o.	Jaworzno	95.61%	TAURON Wytwarzanie S.A.
4	Łagisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
5	TAURON Inwestycje Sp. z o.o. ¹	Będzin	100.00%	TAURON Polska Energia S.A.
6	Energetyka Cieszyńska Sp. z o.o. ²	Cieszyn	100.00%	TAURON Ciepło Sp. z o.o.
RENEWABLE ENERGY SOURCES				
7	TAURON Ekoenergia sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
8	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Goldap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	WIND T2 Sp. z o.o.	Postomino	100.00%	TAURON Zielona Energia Sp. z o.o.
21	"MEGAWATT S.C." Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
22	TAURON Inwestycje Sp. z o.o. ¹	Będzin	100.00%	TAURON Polska Energia S.A.
23	WIND T4 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
24	WIND T30MW Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
25	FF Park PV 1 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
26	Windpower Gamów Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
27	AE ENERGY 7 Sp. z o.o.	Kępice	100.00%	TAURON Zielona Energia Sp. z o.o.

TAURON Polska Energia S.A.
Financial statements for the year ended 31 December 2023 compliant with the IFRS approved by the European Union
(in PLN million)

DISTRIBUTION				
28	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
29	TAURON Dystrybucja Pomiary Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
30	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
31	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
32	TAURON Czech Energy s.r.o.	Ostrava, Czech Republic	100.00%	TAURON Polska Energia S.A.
33	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
34	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
35	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	100.00%	TAURON Polska Energia S.A.
36	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warsaw	100.00%	TAURON Polska Energia S.A.
37	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
38	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
39	Usługi Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
40	TAURON Ubezpieczenia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.

¹The activities of TAURON Inwestycje Sp. z o.o. are classified in two segments: Renewable Energy Sources and Generation.

²After the balance sheet date, the incorporation of Energetyka Cieszyńska Sp. z o.o. by TAURON Ciepło Sp. z o.o. was registered on 3 January 2024.

Incorporation of companies: AVAL-1 Sp. z o.o., Polpower Sp. z o.o. and WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o.

The incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. On 2 October 2023, the incorporation of WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered. Until the merger date (incorporation), TAURON Ekoenergia Sp. z o.o. held 100% of the shares in the capital and in the governing body of AVAL-1 Sp. z o.o., Polpower Sp. z o.o. and WIND T1 Sp. z o.o.

Acquisition of WIND-T2 Sp. z o.o. and AE ENERGY 7 Sp. z o.o. companies by TAURON Zielona Energia Sp. z o.o.

On 5 December 2023, the subsidiary, TAURON Zielona Energia Sp. z o.o. acquired 100% of the shares in WIND T2 Sp. z o.o. On 21 December 2023, the subsidiary, TAURON Zielona Energia Sp. z o.o. acquired 100% of the shares in AE ENERGY 7 Sp. z o.o. The acquisition of the companies is aimed at implementation of the investment projects by TAURON Zielona Energia Sp. z o.o. involving the construction of a 24 MW wind farm and a 90 MW photovoltaic farm.

As at 31 December 2023, the share of TAURON Polska Energia S.A. in the capital and in the governing body of the remaining key subsidiaries and jointly-controlled companies has not changed since 31 December 2022.

As at 31 December 2023, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in the Generation segment:

No.	Company name	Registered office	Share of TAURON Polska Energia S.A. in the company capital and governing body	Company holding direct shareholding in equity
1	Elektrociepłownia Stalowa Wola S.A.	Stalowa Wola	50.00%	TAURON Inwestycje Sp. z o.o.
2	TAMEH HOLDING Sp. z o.o.	Dąbrowa Górnicza	50.00%	TAURON Polska Energia S.A.
3	TAMEH POLSKA Sp. z o.o.	Dąbrowa Górnicza	50.00%	TAMEH HOLDING Sp. z o.o.
4	TAMEH Czech s.r.o.	Ostrava, Czech Republic	50.00%	TAMEH HOLDING Sp. z o.o.

3. Statement of compliance

These financial statements have been prepared in compliance with the requirements of the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU").

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

4. Going concern

These financial statements have been prepared with the assumption of continuation of activities by the Company as a going concern in the foreseeable future, i.e. in the period not shorter than one year following the balance sheet day. As at the date of approval of these financial statements for publication, no circumstances had been identified which would indicate a risk to the Company's ability to continue as a going concern.

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The Company identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Company has full capacity to settle its liabilities as they become due. As at the balance sheet date, the Group has available funding under the financing agreements, which is described in Note 39.2 to these financial statements.

In the area of liquidity, financing and securing the continuity of operational activities, the Management Board, having analysed the financial position of the Company, does not identify any risk to the continuity of operations as a going concern in the foreseeable future, i.e. within a period not shorter than 1 year from the balance sheet day.

5. Functional and presentation currency

Polish zloty is the functional currency of the Company and the presentation currency of these financial statements. These financial statements are presented in the Polish zloty ("PLN") while all figures are provided in PLN million ("PLN M"), unless indicated otherwise.

6. Accounting principles (policy) and material values based on professional judgement and estimates

The significant accounting principles are presented in the notes to these financial statements.

When applying the accounting policy, the professional judgement of the management, along with accounting estimates, have been of key importance, affecting the figures disclosed in these financial statements and in the additional explanatory notes. The assumptions underlying the estimates are based on the Management Board's best knowledge of current and future actions and events in individual areas. In the period covered by these financial statements, no significant changes occurred in the estimates or estimation methods applied, which could affect the current or future periods, other than those described hereinafter in these financial statements.

Climate issues are an integral part of the models used in the estimation process, in particular in the scope of impairment tests performed on shares of subsidiaries and valuation of loans granted to subsidiaries and joint ventures. The impact of climate issues on these financial statements is presented in Note 9.

The uncertainty of estimated values carries the risk of significant adjustments to the carrying amounts of assets and liabilities. The items of the financial statements which are exposed to the risk of material adjustment of the carrying amounts of assets and liabilities, information regarding management's estimates and judgments, including key assumptions and sensitivity analyzes to changes in these assumptions have been presented in individual notes to these financial statements. The most significant estimates relate to the measurement of financial instruments, mainly the write-downs on shares in subsidiaries and intragroup loans and the fair value measurements of loans and derivatives, as discussed further in Notes 11, 21 and 22 of these financial statements.

Additionally, the Company applies significant estimates as regards the contingent liabilities recognised, in particular as regards litigation the Company is a party to (Note 41).

7. Standards published and amendments to standards which have not yet entered into force until the balance sheet date

The Company did not choose earlier application of any standards or amendments to standards which were published but have not entered into force by 31 December 2023.

• Amendments to standards issued by the International Accounting Standards Board which have been endorsed by the European Union but have not entered into force until the balance sheet date

As at the date of approval of these financial statements for publication, the Management Board has not yet completed its work on assessing the impact of the introduction of standards and amendments to standards on the accounting policy applied by the Company. The analyses conducted to date indicate that the following amendments to the standards will not materially affect the accounting policy applied so far:

Standard	Description of the changes to the standards and their impact on the Company's accounting policy	Date of entry into force in the EU (annual periods starting on or after that date)
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, and Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants	<p>In accordance with the amendments to IAS 1, liabilities are classified as non-current if the entity has right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The expectations of the entity do not affect the classification.</p> <p>As at the balance sheet date, the Company holds financing incurred under revolving financing agreements with Consortia of banks with a carrying amount of PLN 2 567 million. As at 31 December 2023, all tranches drawn under the revolving credit agreements are classified as non-current liabilities, based on the Company's expectation in relation to their repayment term. Starting from 1 January 2024, the classification will be based on the date of financing availability, i.e. the date of validity of the contracts, which falls in 2026-2027, therefore, in accordance with the amendments to IAS 1, the above liabilities will continue to be classified as long-term liabilities.</p> <p>Moreover, as at the balance sheet date, the Company has liabilities under hybrid bonds covering two financing periods. As at 31 December 2023, the liability due to issued hybrid bonds subscribed by the European Investment Bank with a carrying amount of PLN 775 million is classified as short-term due to the redemption intention after the first financing period, i.e. in December 2024. Redemption after the first financing period was included from the outset in the liability valuation models as the best estimate of flows in accordance with the financing terms, also taking into account the possibility of early repayment. The Company believes that the application of the amendments to IAS 1 will affect the classification of the above liabilities, because the classification will depend on the maturity date of the bonds in accordance with the terms of the issue, regardless of their planned redemption in December 2024. From January 2024, the Company will classify these bonds as long-term.</p>	1 January 2024
Amendments to IFRS 16 Leases: Liability in a Sale and Leaseback	<p>The amendments to IFRS 16 concern the method of measuring liabilities arising from sale-leaseback transactions. The implemented changes require the seller-lessee to measure the lease liability arising from a sale-leaseback in such a way as not to recognize any amount of gain or loss related to the right of use retained by the seller-lessee. In particular, this means recognizing that in the case of sale-leaseback, the obligation to pay variable leasing fees meets the definition of a leasing liability.</p> <p>As at the balance sheet date, the Company is not a party to sale-leaseback arrangements and does not identify any material impact of the amendments to IFRS 16 on its existing accounting policy.</p>	1 January 2024

• **Standards and amendments to standards issued by the International Accounting Standards Board which have not been endorsed by the European Union and have not entered into force until the balance sheet date**

As at the date of approval of these financial statements for publication, the Management Board has not yet completed its work on assessing the impact of introduction of standards and amendments to standards on the accounting policy applied by the Company. The analyses conducted to date indicate that the following amendments to the standards will not materially affect the accounting policy applied so far:

Standard	Date of entry into force by standard, not approved by the EU (annual periods starting on or after that date)
Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures: Additional disclosures on financial agreements with suppliers</i>	1 January 2024
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016*
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> as amended	the date of entry into force of the amendments has been postponed
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates: No possibility of Currency Exchange</i>	1 January 2025
IFRS 18 <i>Presentation and disclosure in financial statements</i>	1 January 2027

* The European Commission decided to refrain from launching the process of endorsement of this interim standard for use in the territory of the EU until the publication of the final version of IFRS 14 *Regulatory Deferral Accounts*.

The effective dates are the dates resulting from the content of the standards announced by the International Accounting Standards Board. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

8. Changes in accounting policies applied and changes in presentation

The accounting principles (policy) adopted for the preparation of these financial statements are consistent with those used for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2022, except for the application of the standards and amendments to the standards mentioned in Note 8.1. The Company restated the comparative data due to a change in the presentation, as described in Note 8.2.

8.1. Application of new standards and amendments to standards

Standard	Description of the changes and their impact on the Company's accounting policy and financial statements	Date of entry into force in the EU (annual periods starting on or after that date)
IFRS 17 <i>Insurance Contracts</i> ; Amendments to IFRS 17 <i>Insurance Contracts</i> : Initial Application of IFRS 17 <i>Insurance Contracts</i> Amendments to IFRS 9 <i>Financial Instruments</i> - Comparative Information	IFRS 17 defines insurance contracts as contracts under which one party (the insurer) assumes significant insurance risk from another party (the insured) by accepting the compensation of the insured for the adverse effect of a specified uncertain future event. The standard applies to all types of insurance contracts, irrespective of the nature of the business of the entity that concludes them, as well as to certain guarantees and financial instruments with discretionary profit share. At the same time, the standard provides for a number of exemptions from the application of IFRS 17 in relation to, among other things, insurance contracts under which the entity acts as the policyholder and financial guarantee contracts. Amendments to IFRS 17 and amendments to IFRS 9 were introduced in order to increase the relevance of the comparative information presented on first-time adoption of IFRS 17 and IFRS 9. The scope of this amendment comprises financial assets related to insurance liabilities that have not yet been restated in accordance with IFRS 9. The Company has carried out an analysis, as a result of which it has assessed that its contracts do not meet the definition of insurance contracts under IFRS 17 or are subject to exemptions under the standard.	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	The amendments to IAS 1 are intended to enhance the relevance of the presented disclosures related to the accounting principles (policy) by replacing the requirement for entities to disclose significant accounting policies with a requirement to disclose material accounting principles and adding guidance on how entities apply the materiality principle when making decisions concerning the disclosure of accounting principles (policy). The Company performed an analysis of its accounting policy disclosures, based on which it adjusted the disclosures to the extent necessary to comply with the revised requirements of IAS 1, in particular with regard to expanding the disclosures concerning the Company's most significant transactions in the reporting period and eliminating information that is not material to the decisions of users of the financial statements.	1 January 2023
Amendments to IAS 8 <i>Accounting policies, changes in accounting estimates and errors: Change in accounting estimates</i>	The amendments in IAS 8 clarify the distinction between changes in estimates and changes in accounting principles (policy) and corrections of errors and clarify how entities apply valuation techniques and use inputs to determine estimates. The amendment is aimed at clarification and has no material impact on the Company's accounting policies and these financial statements.	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	The amendments to IAS 12 have limited the scope of the initial recognition of assets and liabilities exception in IAS 12 so that it no longer applies to transactions that give rise to equal positive and negative temporary differences. The amendment has no impact on the Company's accounting policies and these financial statements. The Company recognised a deferred tax asset and liability each time a temporary difference was generated (in particular in respect of temporary differences arising from the initial recognition of a lease liability and the right to use assets) and did not make use of the exception for initial recognition.	1 January 2023

Amendments to IAS 12 *Income Taxes: International Tax Reform - Pillar Two Model Rules*

Amendments to IAS 12 require, among others: disclosure of information on current tax burdens related to income taxes under Pillar Two of the BEPS 2.0 Directive (concerning global minimum taxation).

The list of legislative works includes a draft act on equalization taxation of entities belonging to international and domestic groups, which assumes the introduction of a global minimum tax. The act is to be adopted by the Council of Ministers in the third quarter of 2024 year. The global minimum tax is a solution that is intended to prevent tax avoidance by the largest international companies (annual turnover of EUR 750 million) by transferring income to jurisdictions with low tax rates. According to the project, the largest groups of companies, both international and domestic, will have to check every year whether their effective level of income taxation in individual jurisdictions is not lower than 15%. As at the date of approval for publication of these financial statements, the Pillar Two Model Rules have not been implemented in Poland.

The Company will analyze the impact of changes to IAS 12 *Income Taxes: International Tax Reform - Pillar Two Model Rules* after the introduction of the Pillar Two Model Rules in Poland.

1 January 2023

8.2. Restatement of comparable data

Change in the presentation of electricity purchase and sale transactions to subsidiaries TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o.

With effect from the interim condensed financial statements for the 6-month period ended 30 June 2023, within the statement of financial position and statement of comprehensive income the Company has changed the presentation of the effects of the settlement transaction related to sales of electricity from renewable sources and co-generation to subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The change in presentation consists of recognising the effects of transactions in the financial statements on a net basis, instead of the previous presentation in a staggered array, and does not affect the profit and loss of the Company.

During the year, the Company sells electricity without source assignment and issues invoices to TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. Under the agreements concluded between the Company and TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o., at the end of the financial year the companies settle and invoice the electricity supplied by the Company during the year from renewable sources and from co-generation with simultaneous repurchase of the same volume of electricity previously supplied by the Company from the above companies and invoiced as electricity without assigning the source of origin.

As part of the settlement of the transaction in question, as at 31 December 2022, the Company recognised revenue and receivable from the sale of renewable and cogeneration electricity and expenses and liabilities for the repurchase of electricity without an assigned source of its origin.

The Company has changed the presentation of the comparable data:

- in the statement of financial position as at 31 December 2022 and on 1 January 2022, due to the legal title held as well as the intention to settle the agreement in question on a net basis, it offset the above-mentioned receivable and liability of PLN 1 830 million and PLN 583 million, respectively and recognising them on a net basis,
- in the statement of comprehensive income for the year ended 31 December 2022, due to the nature of the settlement in question, it offset income and expenses in the amount of PLN 1 789 million relating to the settlement of energy sales volumes for 2022 in the amount of PLN 1 830 million and adjusted the final settlement of energy sales volumes for 2021 in the amount of PLN 41 million.

	Year ended 31 December 2022 <i>(approved figures)</i>	Change of the presentation of settlement of electricity sales	Year ended 31 December 2022 <i>(restated figures)</i>
Sales revenue	29 334	(1 789)	27 545
Cost of sales	(28 949)	1 789	(27 160)
Profit on sale	385	-	385
Operating profit	200	-	200
Profit before tax	36	-	36
Net profit	67	-	67
Total comprehensive income	219	-	219

	As at 31 December 2022 <i>(approved figures)</i>	Change of the presentation of settlement of electricity sales	As at 31 December 2022 <i>(restated figures)</i>
ASSETS			
Non-current assets	27 329	-	27 329
Receivables from buyers	4 070	(1 830)	2 240
Current assets	8 723	(1 830)	6 893
TOTAL ASSETS	36 052	(1 830)	34 222
EQUITY AND LIABILITIES			
Equity	12 320	-	12 320
Non-current liabilities	14 822	-	14 822
Liabilities to suppliers	3 249	(1 830)	1 419
Current liabilities	8 910	(1 830)	7 080
Total liabilities	23 732	(1 830)	21 902
TOTAL EQUITY AND LIABILITIES	36 052	(1 830)	34 222

	As at 1 January 2022 <i>(approved figures)</i>	Change of the presentation of settlement of electricity sales	As at 1 January 2022 <i>(restated figures)</i>
ASSETS			
Non-current assets	27 087	-	27 087
Receivables from buyers	2 495	(583)	1 912
Current assets	4 393	(583)	3 810
TOTAL ASSETS	31 480	(583)	30 897
EQUITY AND LIABILITIES			
Equity	12 101	-	12 101
Non-current liabilities	10 245	-	10 245
Liabilities to suppliers	1 745	(583)	1 162
Current liabilities	9 134	(583)	8 551
Total liabilities	19 379	(583)	18 796
TOTAL EQUITY AND LIABILITIES	31 480	(583)	30 897

9. Climate change and its impact on the accounting principles applied

Continuing climate change and the resulting changes in the business environment have an increasing impact on the operations of TAURON Polska Energia S.A. and TAURON Group. In particular, it should be noted that combating climate change translates into a changing legal environment, including EU and national legislation gradually increasing environmental protection requirements imposed on enterprises. The above changes translate into an increase in operating costs, particularly in the area of electricity generation from conventional sources, affected in particular by rising prices of CO₂ emission allowances. Climate change issues also have an increasing impact on the ability of entities to raise funding for their operations, as well as on their ability to attract new customers and investors. The impact of climate change on the Group's operations also includes the occurrence of atmospheric phenomena and changing weather conditions and their

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impact on the ability to generate revenues and the ability to generate economic benefits through the assets owned by the Group. Customer attitudes and expectations are also changing, which has an impact on the products and services offered by the Company and the Group.

TAURON Polska Energia S.A., as the parent company of TAURON Group, holding shares in subsidiaries in the electricity sector, including companies engaged in the generation of electricity from conventional sources, and providing financing to these companies, is exposed to risks and is a beneficiary of emerging opportunities related to changes in the Company's environment as a consequence of climate change and the measures taken to counteract it, particularly through its impact on the measurement of the Company's exposure to subsidiaries.

Bearing in mind the challenges and risks generated for the Group by the changing market environment, in 2022, the *TAURON Group Strategy for the years 2022-2030 with an outlook until 2050* (the "Strategy") was adopted by the Management Board of the Company. The strategy responds to the challenges resulting from the current and projected situation in the market and the electricity sector, in particular related to the transformation of the power industry and new solutions supporting this transformation. One of the three priorities underlying the Group Strategy is sustainable operations, assuming the transition of the Group towards climate neutrality and reducing emissions and achieving climate neutrality by 2050. The Group's activities are focused on increasing the installed capacity in renewable energy and maintaining capacity volumes and improving hydroelectric power efficiency as well as withdrawal from coal-fired power generation and transforming district heating towards low- and zero-emission sources. The currently implemented Strategy and business model of the TAURON Group are consistent with the provisions of the Paris Agreement, which assumes limiting the average global temperature to below 2°C compared to the level in pre-industrial times and striving to not exceed the temperature by more than 1.5°C.

Impact of climate issues on values based on professional judgement and estimates

The climate issues affect the estimates and assumptions adopted in the Company's estimation process and the professional judgement of the management, translating into the figures reported in these financial statements. The climate issues represent an integral component of the models used in the estimation process and the assumptions made about the future. The impact of climate issues on values based on professional judgement and estimates is described in Note 6 and in the individual notes to these financial statements.

The Company believes that climate issues had the most significant impact on the financial statements for the year ended 31 December 2023 in the following scope.

Issue	Note	Description of impact
Impact of climate protection issues on the impairment tests performed on shares and the measurement of loans granted	11	<p>The Company took into account, as part of the assumptions underlying the estimation of future cash flows in the impairment tests performed, current as well as planned regulatory changes aimed at achieving the climate targets set by the European Union, including in particular the "REPowerEU" package and those included in the "FIT for 55" package: the reform of the EU ETS allowance trading market and the reform of the Market Stability Reserve. Moreover, Directive (EU) 2023/2413 of the European Parliament and of the Council on the promotion of energy from renewable sources, assuming a gradual increase in the share of renewable energy in the European Union in the heating and cooling sector by 2030, and Directive (EU) 2023/1791 of the European Parliament and of the Council on energy efficiency, obliging Member States to achieve certain levels of energy savings by 2030, entered into force in 2023.</p> <p>The regulatory changes aimed at climate protection taken into account as part of the testing assumptions translated, in particular, into the estimated levels of electricity prices, CO₂ emission allowances and coal, as well as the assumptions adopted regarding the volumes and structure of energy production by the Group's generating units. The assumptions adopted in the scope of impairment testing, including those relating to climate issues, are described in detail in Note 11 of these financial statements.</p>

<p>Implementation of investment in the RES area and changes in mix sources of generation</p>	<p>2 21.1</p>	<p>The Group implements, in the framework of the TAURON Green Turn announced in 2019 and the Strategy adopted in 2022, investment projects aimed at the sustainable transformation of the Group towards climate neutrality. In the year ended 31 December 2023, the Group commissioned the first phase of the Mysłowice-Dzieńkowice photovoltaic farm with a capacity of 37 MW, completed by the subsidiary, TAURON Inwestycje Sp. z o.o. Moreover, the Group was constructing wind farms during the year ended 31 December 2023:</p> <ul style="list-style-type: none"> • Mierzyn with a capacity of 58.5 MW (within the MEGAWATT S.C. Sp. z o.o.), • Warblewo with a capacity of 30 MW (as part of WIND T30MW sp. z o.o.), • Nowa Brzeźnica with a capacity of 19.6 MW (as part of Wind T4 sp. z o.o.), • Gamów with a capacity of 33 MW (as part of Windpower Gamów Sp. z o.o.), <p>and the construction of the Proszów photovoltaic farm (within FF PARK PV 1 Sp. z o.o.) with a capacity of 55 MW. In December 2023, TAURON Zielona Energia Sp. z o.o. acquired 100% of shares in Wind T2 Sp. z o.o., under which construction of the Sieradz wind farm with a capacity of 23.8 MW will be carried out, and 100% of shares in AE Energy 7 Sp. z o.o., under which the construction of the Postomino photovoltaic farm with a capacity of 90 MW will be carried out. The second phase of the 65 MW Mysłowice-Dzieńkowice photovoltaic farm and the implementation of the 54 MW Bałków photovoltaic farm was also launched.</p> <p>The investment projects described above are generally implemented by the Company's subsidiaries. TAURON Polska Energia S.A., as the parent company, provides financing in the form of loans granted to subsidiaries for the purpose of implementation of these investments. In the year ended 31 December 2023, an increase was recorded in the value of loans granted to companies in the Renewable Energy Sources segment for the implementation of investment projects in the form of construction of wind farms and photovoltaic farms.</p> <p>The Group aims to reduce greenhouse gas emissions as one of the intermediate targets in combating climate change, by investing in low- and zero-carbon energy sources, but also by permanently shutting down depleted conventional units or spinning them off from the TAURON Group. At the end of 2022, the Group sold the 100% shares of TAURON Wydobycie S.A. (formerly: Południowy Koncern Węglowy), what resulted in end of operations in the Mining segment. In 2023, work was performed at the Company up to implement the governmental programme of transformation of the Polish energy sector (the "NABE Programme"), which aimed to spin off coal assets from state-owned power companies and reduce the share of conventional power generation capacity in the Group's fuel mix. By the balance sheet date, the conditions precedent for the conclusion of a preliminary agreement for the sale of TAURON Wytwarzanie S.A. shares to the State Treasury had not been met. On 20 February 2024, the Management Board of the Company adopted a resolution on the closure of the Company's programme to spin off the TAURON Group's coal generation assets to NABE.</p>
<p>Funding for the purpose of investment aimed at mitigating the negative impact of the Group's activities on climate</p>	<p>31</p>	<p>The Company raises finance with the aim of investing funds to mitigate the negative impact of the TAURON Group's activities on the climate. Under the terms of some of the agreements, the Company is obliged to carry out the types of investment indicated (including the construction of new renewable energy sources), or to meet certain sustainability indicators depicting an increase in the level of energy generation from renewable sources or reduction in the Group's carbon footprint, the performance of which it confirms through the relevant reports submitted to financial institutions, and the accuracy of the calculations of the sustainability indicators is confirmed by an independent external auditor. In addition, in some financing agreements, the Company has undertaken that it will not use the funds to finance coal-fired generation activities. Notwithstanding other provisions, the Company carries out its activities in accordance with environmental, climate and social policies.</p> <p>Due to its centralised financial management policy, the Company is the main provider of external funding for the Group, including for the purpose of implementation of the sustainable development objectives. The funds are then transferred to the companies essentially through intra-group loans.</p> <p>In the Company's view, the sustainability-linked financing held by the Company does not contain embedded derivatives.</p>

10. Information on operating segments

10.1. Operating segments

In accordance with IFRS 8 *Operating Segments*, taking into account the fact that the Company also prepares consolidated financial statements for the year ended 31 December 2023, the Company presents information on operating segments in relation to the Group's operations in the consolidated financial statements.

As part of the adopted classification of the Group's operations into operating segments, the activities of the Company are classified in the Sales segment, excluding the overhead costs of the Company incurred for the Group as a whole, which cannot be directly attributed to a single operating segment and are classified under unallocated expenses, as further described in Note 12 of the consolidated financial statements of the Group for the year ended 31 December 2023.

10.2. Geographical areas of operations

The activity of the Company is mostly carried out on the territory of Poland. Revenues on sales from foreign entities in the years ended 31 December 2023 and 31 December 2022 are presented in the table below.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated figures)
Poland	33 905	26 306
Czech Republic	409	651
Germany	–	509
Belgium	–	68
Great Britain	–	11
Total	34 314	27 545

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IMPAIRMENT IN VALUE OF FINANCIAL ASSETS

11. Impairment in value of financial assets

SELECTED ACCOUNTING PRINCIPLES

Under IAS 36 Impairment of Assets, as at each reporting period end, the Company assesses shares held in subsidiaries and joint ventures for objective impairment indication regarding financial assets or asset groups.

If there is any objective indication that the assets may be impaired, the assets are tested for impairment. Shares in subsidiaries, which constitute the main financial asset of the Company, are tested. The amount of the impairment loss is determined as a difference between the carrying amount of a financial asset or group of financial assets and the recoverable amount, which is the fair value less costs of disposal or the value in use, whichever is higher. The value in use is calculated as the present value of estimated future cash flows from the operations of subsidiaries and the estimated residual value discounted using the weighted average cost of capital.

The Company recognises an allowance for expected credit losses on debt instruments measured at amortised cost in accordance with the approach described in notes 21 and 39.1.2 to these financial statements and revises the fair value for debt and equity instruments measured at a fair value for which the methodology of fair value measurement is described in note 38.1 of these financial statements. The credit risk analyses carried out as at the balance sheet day include, among others, an estimate of future cash flows that may indicate impairment due to credit risk (measurement step 3).

As at 31 December 2023 impairment tests of shares and interests in subsidiaries and joint ventures and the analyses in the scope of measurement of intragroup loans were conducted, taking into account the following premises:

- a decrease in demand for electricity in 2023 compared to 2022 by 3.4%;
- lower generation of electricity from hard coal-fired sources in 2023 compared to 2022 by 12.7%;
- a decrease in the average price of electricity for the BASE futures contract (Y+1) from PLN 1 111.69/MWh in 2022 to PLN 641.95/MWh in 2023 (-42.3%);
- a decrease in the average price of electricity on the SPOT market from PLN 785.25/MWh in 2022 to PLN 512.09/MWh in 2023 (-34.8%);
- a decrease in the average coal price in ARA ports in 2022 from the average of USD 223.40/Mg to USD 126.44/Mg in 2023 (-43.4%);
- a decrease in the average gas price for the BASE futures contract (Y+1) from PLN 605.66/MWh in 2022 to PLN 266.49/MWh in 2023 (-56%);
- increase in the average price of CO₂ emission allowances from EUR 81.31/Mg in 2022 to EUR 85.26/Mg in 2022 (+4.9%);
- persistence of negative economic sentiment, low PMI readings in Europe and NBP projections assuming lower GDP dynamics in 2024-2025 than the long-term average for the Polish economy.

In connection with the above changes and the price decline levels, an adjustment in the forecasts occurred in relation to the assumptions made in the impairment tests of shares in subsidiaries and joint ventures carried out as at 31 December 2022 in the following scope:

- a decline in forecast average BASE electricity prices in the period 2024-2026 by an average of 25.2% relative to the assumptions adopted in the impairment tests at 31 December 2022;
- a decline in forecast average coal prices for delivery in the period 2024-2026 by an average of 29.2% relative to the assumptions adopted in the impairment tests at 31 December 2022;
- a decline in projected average BASE gas prices in the period 2024-2026 by an average of 48.5% relative to the assumptions adopted in the impairment tests at 31 December 2022;
- a decline in projected CO₂ prices for 2024-2026 by an average of 3.4% for EU ETS market contracts compared to the assumptions adopted in the impairment tests at 31 December 2022.

The correction of the above forecasts translated into a decrease in the projected model margins for the years 2024-2026 by an average of 52.6% for the model 1000 MW class unit and by 134.6% for 200 MW class units compared to the assumptions adopted in the impairment tests for on 31 December 2022.

The analysis of the existing premises showed the need to carry out impairment tests on the shares in the generation companies, i.e. TAURON Ciepło Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Zielona Energia Sp. z o.o. The shares in TAURON Wytwarzanie S.A. where accounted to zero in previous years and do not identified any premises to reversal of write off.

The identified impairment premises do not apply to the shares of the company TAURON Dystrybucja S.A. due to the tariff model in place and the concomitant lack of changes to the regulations of the Energy Regulatory Office (ERO) in relation

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to the impairment tests of shares in subsidiaries and joint ventures carried out as at 30 December 2022. In the companies, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o., there are no identified premises due to the business assumption, which is based on covering costs justified in the tariff for households, and in the first half of 2024 on the functioning recompensation system in accordance with applicable legal regulations. In the case of sales of electricity to business customers, it was assumed that the purchase price was secured in futures contracts.

Shares and intra-group loans account for about 85% of the balance sheet total as at the balance sheet day.

The recoverable amount of shares in subsidiaries and joint ventures is the value in use. The calculation method has been presented below.

Tests were conducted based on the current value of estimated cash flows from operations of the key entities, based on detailed projections up till 2033 and the estimated residual value, excluding power generating and mining units for which detailed projections cover the entire period of their operation.

The reliance on projections covering a period longer than 5 years results mainly from the long-lasting investment processes in the power industry. The macroeconomic and sector-oriented assumptions underlying the projections are updated as frequently as any indications for their modification are observed on the market. The projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions in the scope of tests performed as at 31 December 2023:

The assumptions of prices, power balance and the level of electricity demand have been developed taking into account current market conditions updated in the scope of years 2024-2026. Due to ongoing changes in climate and energy policy and continued work to update key policy documents: the National Energy and Climate Plan and the Energy Policy of Poland until 2040, a full update of the long-term assumptions will follow their publication. The projected electricity prices result from long-term modelling using a 24-hour electricity market model. External sources and benchmarks were taken into account when updating the forecasts, mainly in terms of fuel and CO₂ prices.

Category	Description
Coal	In the years 2024-2026, the forecast assumes a 45.5% decline in coal prices compared to the average PSCMI1 index price calculated for 2023. For this period, an assumption was made of a stabilising demand-supply situation in global coal markets, particularly at ARA ports supported by falling natural gas and LNG prices. In connection with a falling demand caused by decreasing electricity generation from conventional sources and the need to take into account global trends in domestic coal price paths (coal mine closures) are assumed in accordance with the social agreement defining the timing of mine closures), the occurrence of a fixed coal price at a level nearly 5.4% lower than the projected average price in 2024-2026 was assumed after 2026.
Energy Electricity	The BASE electricity price forecast assumes a decrease of 25.4% for 2024 compared to the average price of the reference BASE contract (Y+1) achieved in 2023. In the period 2025-2030, the average BASE price is also 5.3% lower than the average reference price achieved in 2023. The observed change in the structure of electricity generation and the increase in the share of renewable energy sources is reducing the level of electricity prices on the wholesale market, in particular on the SPOT market. In the forward market, projected BASE price levels take into account the costs of generation from conventional sources.
CO₂	An upward trajectory for the price of CO ₂ allowances has been adopted, but for 2024, due to the observed economic downturn and short-term decrease in CO ₂ demand, the forecast assumes a price 8.8% lower than the average price recorded in 2023. In the period 2025-2030, CO ₂ prices increase by an average of 5.7% due to the maintenance of ambitious climate targets and the extended operation of the Market Stability Reserve mechanism by 2030. CO ₂ emission limits for heat generation have been adopted in line with the regulation of the Council of Ministers and adjusted by the level of free allowances.
Natural gas	In view of the observed stabilisation of the demand-supply situation on the global gas markets, a decrease of around 22.2% was assumed for the price in 2024 compared to the average price of the reference BASE contract (Y+1) obtained in 2023. A further decline in gas prices by an average of 1% was assumed in the years 2025-2040. For the period concerned, assumptions were made about the long-term filling of the demand gap for the raw material in question in Europe through stable gas flows from the Norwegian Continental Shelf and LNG supplies. Poland will import via Gas through the Baltic Pipe and two LNG terminals (the FSRU terminal in Gdańsk is scheduled for commissioning in the 2027/2028 timeframe), resulting in a high correlation of gas prices in Poland with the European indices. The price drop in the long term will be affected by the projected decline in demand, resulting from the forecast substitution of natural gas by hydrogen and further increases share of RES in the energy mix of Union European countries.

Capacity market	<p>It is assumed that payments for capacity will be maintained until 2028 for existing coal-fired units which do not meet the EPS 550 criterion (for which the unit emission performance exceeds 550 kg/MWh). For units which concluded long-term contracts by 31 December 2019 and do not meet the EPS 550 criterion, maintaining of payments until the end of the contract effectiveness period has been assumed.</p> <p>In line with the agreement reached by the European Council of 17 October 2023 regarding the reform of the energy market model, it was assumed that a derogation would be introduced regarding the validity of CO₂ emission limits for units seeking support from the Capacity Market and consequently that the period of possible support for such units would be extended from June 2025 to the end of 2028.</p> <p>The forecasts assume revenues from the Capacity Market after 2025 as a consequence of extending support until the end of 2028. Revenues from this relate to 8 units of the 200 MW class in the Jaworzno III and Łaziska Branches and units in the Siersza and Łagisza Branches in the years 2025-2028. Additionally, in 2026, revenues from the Capacity Market were assumed for 2 units in the Jaworzno II Branch. The assumed average price in the extended period is PLN 322.65/kW, with prices assumed to decline in the following years, starting from 2027, by an average of 22% y/y.</p> <p>For the extended period of operation, it was assumed that the operation of the units would be determined by the demand in the National Power System.</p>
Economic lifetime of generating units	<p>In TAURON Wytwarzanie S.A., the planned operating periods of the generating units have changed. With regard to the impairment tests of shares in subsidiaries and joint ventures and the analysis on the measurement of intragroup loans prepared as at 31 December 2022, the operation of the 200 MW class units at the Jaworzno III, Łaziska and fluidised-bed units at the Siersza Power Plant was extended. However, the service life of unit 7 at the Nowe Jaworzno Power Plant and the units that are not Centrally Dispatched Generating Units at Jaworzno II Branch was reduced. The list below shows the assumptions adopted for the impairment testing of shares in subsidiaries and joint ventures and the analysis in terms of the measurement of intra-group loans of the economic lives of the generating units:</p> <ul style="list-style-type: none"> – Jaworzno II Power Plant - units 1, 2 and 3 by the end of 2026; – Jaworzno III Power Plant - units 1, 2, 3, 4, 5 and 6 by the end of 2028; – Nowe Jaworzno Power Plant - unit 7 by 2040; – Łagisza Power Plant - unit 10 by 2035; – Łaziska Power Plant - units 9, 10, 11 and 12 by the end of 2028; – Siersza Power Plant - units 1 and 2 by the end of 2028. <p>The reduced lifetime of the 910 MW unit is due to the adverse changes for the coal-based electricity sector resulting from the European Union's Climate Policy. In the communication published on 6 February 2024, the European Commission proposed an EU-wide climate target for 2040 at a level of a 90% of reduction in net greenhouse gas emissions (relative to 1990).</p> <p>The reduction in the operating hours of the Jaworzno II Branch was determined by the unfavourable results generated at the variable cost margin level due to the heat supplies currently made from this Branch for the needs of municipal customers. The decommissioning at the end of 2026 results from the need to supply process steam for the 910 MW unit. According to the current schedule for the investment involving the construction of a new dedicated process steam source for the designated unit, the source can start production at the beginning of 2027.</p> <p>For the remaining generation companies, i.e. TAURON Ciepło Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Zielona Energia Sp. z o.o., the assumption was adopted as at 31 December 2022:</p> <ul style="list-style-type: none"> – ZW Katowice, ZW Tychy, ZW Bielsko-Biała, ZW Local Heat Plants Area, ECI Generation: generation plants until 2049; – Hydroelectric power plants by 2072; – Wind power plants by 2047; – Photovoltaic power plants by 2048.
Certificates of energy origin (MWh)	<p>The price path for certificates of energy origin and the obligatory redemption in the subsequent years have been adopted based on the provisions of the RES Act and the system balance forecast. The price forecast for green certificates assumes a decline of 49.1% for 2024 compared to the average price of the TGEozea index reached in 2023. Over the period 2025-2030, the price of green certificates is forecast to grow at an average annual rate of 14.8%. For blue certificates, a slight price increase of 0.1% was assumed for 2024 relative to the TGEozebio index price created in 2023. Over the period 2025-2030, the price of blue certificates is forecast to decline by an average of 2.7% per year. The price of white certificates is forecast to increase by 5.6% in 2024 compared to 2023. Over the period 2025-2030, the price of white certificates is forecast to grow at an average annual rate of 2.1%.</p>
RES	<p>With regard to the RES Area, existing support systems (certificate of origin scheme, auction scheme, FIT/FIP feed-in tariff system, guarantee of origin scheme) are taken into account, of which the certificate of origin scheme is the most significant. Within this system, for green energy, limited support periods were included, in line with the provisions of the RES Act defining new mechanisms for granting the support for electricity generated from this type of sources. The support period was limited to 15 years counted from the moment of first injection to the grid of electricity eligible to receive the energy origin certificate.</p>
Remuneration	<p>An increase in wages was assumed, based on an increase in the minimum wage with effect for the following years of the financial forecast.</p>
WACC	<p>A weighted average cost of capital (WACC) level of 7.37%-11.47% in nominal after-tax terms over the projection period for individual generation companies was assumed. The methodology for calculating the discount rate remained unchanged compared to the impairment test carried out at 31 December 2022.</p>
Regulatory WACC	<p>WACC adopted to calculate regulated income in 2024 amounts to 10.475% (gross), in the period of 2025-2033 and in the residual period 8.478% (gross).</p>

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Results of the tests performed

Impairment tests conducted on 31 December 2023 for shares in generating companies, i.e. TAURON Ciepło Sp. z o. o., TAURON Ekoenergia Sp. z o. o., TAURON Zielona Energia Sp. z o. o. did not indicate any impairment of the carrying amount of shares in subsidiaries.

As part of the analysis of the prerequisites for asset impairment, the possibility of impairment of the shares in TAMEH HOLDING Sp. z o.o. was identified due to the ruling issued by the Ostrava Regional Court on 19 December 2023 declaring TAMEH Czech s.r.o. insolvent. The object of activity of TAMEH Czech s.r.o. is the production of energy media for the Liberty Ostrava a.s smelter, which is the company's only customer. The declaration of insolvency is related to the failure of Liberty Ostrava a.s. to settle its liabilities to the company. The owner of 100% of the shares in TAMEH Czech s.r.o. is TAMEH HOLDING Sp. z o.o. - a joint venture of the Company in which the Company holds a 50% interest.

The shareholders' agreement provides for the operation of the special purpose vehicle TAMEH HOLDING Sp. z o. o. until 2029 with the possibility of extending its operation for subsequent years. Pursuant to the provisions of the contract, TAMEH HOLDING Sp. z o.o. pays dividends to shareholders based on the dividend plan approved by the parties to the agreement.

With regard to the impairment test of the shares in TAMEH HOLDING Sp. z o.o., a scenario analysis was carried out based on expected future dividend flows, which did not include the flows from TAMEH Czech s.r.o. due to the declaration of insolvency of the company by the Ostrava District Court. The Group recognizes that TAMEH HOLDING Sp. z o.o. has and will have the ability to pay dividends. The following scenarios were adopted in the analysis:

- Shareholders' approved dividend plan for the operation of TAMEH POLSKA Sp. Z o.o. for the years 2024-2029 and disposal of assets in 2030,
- adjusted dividend plan resulting from the gradual reduction of the company's expenditure and operations leading to the liquidation of the assets in 2030,
- Shareholders' approved dividend plan for the operation of TAMEH POLSKA Sp.z o.o. for the years 2024-2029 and the continuation of the company's operations after this period.

All of the above-mentioned three scenarios, in the Company's judgement at this point in time, have the same probability of materialisation and thus the weighting assigned to them is equal to each other.

The result of the rationale analyses and impairment tests carried out as at 31 December 2023, in accordance with IAS 36 Impairment of Assets, did not indicate an impairment of the carrying amount of shares in TAMEH HOLDING sp. z o.o.

Company	Level of discount rate (after tax) adopted as at		Recoverable value	Amount of impairment write- off on shares recognised
	31 December 2023	31 December 2022	As at 31 December 2023	Year ended 31 December 2023
TAMEH HOLDING Sp. z o.o.	10.53%	11.74%	236	(212)
Total				(212)

The creation of an impairment loss on the shares held in TAMEH HOLDING Sp. z o.o. results in particular from the failure to recognise the dividend flows of TAMEH Czech s.r.o. in the dividend forecasts due to its declaration of insolvency by the Ostrava District Court.

Results of the analyses in the scope of the measurement of loans granted

The analyses conducted with regard to the financing granted to the subsidiaries, based on the subsidiaries' future cash flows, also demonstrated the rationality of reducing the carrying amount of the loans granted by the Company to TAURON Wytwarzanie S.A. in the total amount of PLN 429 million. Total decrease in the value of loans granted to TAURON Wytwarzanie S.A. recognized during 2023 based on analyzes covering future cash flows amounts to PLN 1 217 million.

Sensitivity analysis

The tables below present the estimated impact of a change in key factors on the recoverable amount of the tested shares and interests in subsidiaries. For electricity generating from convectional sources companies, the key factor analysed is the Clean Dark Spread ("CDS") due to the fact that a change in electricity prices generally results from the changes in the price of coal and CO₂ emission allowances.

The CDS is the amount of first-step margin achieved by the CHP plants tested, calculated as a difference between the price of electricity and the model variable costs (fuel cost, CO₂ cost) associated with coal-fired electricity generation.

Parameter	Change of assumption aligning the recoverable amount with the carrying amount of shares in TAURON Ciepło Sp. z o.o.
Change in CDS over the forecast period	-41%
Change in heat prices in the forecast period	-11%
Change of WACC (net)	3.05 p.p.

For companies generating electricity from renewable sources, the key factor analyzed is the price of electricity due to its direct impact on the cash flow of a company.

Parameter	Change of assumption aligning the recoverable amount with the carrying amount of shares in:	
	TAURON Ekoenergia Sp. z o.o.	TAURON Zielona Energia Sp. z o.o.
Change in electricity prices over the forecast period	-22%	-40%
Change of WACC (net)	5.42 p.p.	17.67 p.p.

EXPLANATORY NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

12. Sales revenue

SELECTED ACCOUNTING PRINCIPLES

Revenue from contract with customers is recognised when (or as) the performance obligation is fulfilled in the form of transferring the promised goods (i.e. an asset) or providing a service to a client. The asset transfer takes place when a client obtains control over such an asset whereas in the case of sales of electricity and gaseous fuels, the revenue is recognized when electricity is sold with physical delivery on the wholesale market or energy is consumed by the final recipient (customer) at the point of consumption.

At the same time, revenue from contracts with customers is not recognized in the case of sale of energy to another energy company and simultaneous repurchase of the sold volume of energy from this company in the same settlement period (exchange), and the result of such a transaction is recognized in the statement of comprehensive income in the net amount.

Revenue should be measured in the amount the Company expects to receive for the goods and services sold, following the reduction by value added tax (VAT), excise duty and other sales taxes. Revenue includes only inflows of economic benefits received or receivable to the entity's own account. If the Company acts as an agent, the amount recognized as revenue is the commission payable to it and does not include amounts received on behalf of the principal. The company acts as an agent in the purchase, delivery and transport of coal and recognizes revenue from the intermediation service - organization of deliveries in revenues from the sale of commercial services.

In case of goods, revenues are recognised when the Company ceases to be permanently involved in the management and effective control of goods sold to the extent such function is usually implemented in relation to goods, to which the proprietary right applies.

Revenue from sales of goods includes the total positive result on transactions related to CO2 emission allowances, concluded within the trading portfolio, i.e. intended for sale and to generate short-term profit arising from market price fluctuations, including trading in emission allowances, fair value measurement of inventories as well as measurement and settlement of derivative commodity instruments related to CO2 emission allowances, covered by IFRS 9 Financial Instruments.

Revenue from sales of goods includes gains on change in measurement and on exercising derivative commodity instruments falling within the scope of IFRS 9 Financial Instruments and related to the purchase and sales of other commodities.

In revenue from sales of services, the Company also presents revenue from the fulfilment of the capacity market obligation, which involves remaining of a Capacity Market unit in the state of readiness to supply electricity to the system and committing to supply a certain amount of capacity to the system in the period of emergency. The Company, as the capacity supplier, is obliged to fulfil the capacity obligation in favour of PSE S.A., therefore it recognises revenues received from PSE S.A. on account of the fulfilment of the capacity obligation by means of Capacity Market units owned by the TAURON Group companies. The Company assesses that as the capacity supplier it exercises control over the service provided and therefore recognises revenues from the Capacity Market as a principal within the meaning of IFRS 15 Revenue from contracts with customers. At the same time, the Company recognises costs for the performance of the capacity obligation by generating units owned by subsidiaries for the needs of the Capacity Market (Note 13).

	Year ended 31 December 2023	Year ended 31 December 2022 (restated figures)
Revenue from sales of goods and materials	33 970	27 145
Electricity	28 938	23 056
CO ₂ emission allowances	3 581	2 775
Gas	1 424	1 287
Other	27	27
Rendering of services	344	400
Capacity Market	161	194
Trade services	135	167
Other	48	39
Total sales revenue	34 314	27 545

In the year ended 31 December 2023, sales revenues increased in relation to the comparable period and the main changes referred to sales revenues of the following goods:

- Electricity – an increase in revenue by PLN 5 882 million is mainly associated with electricity sales contracted at a price higher, on average, by 62% with a sales volume simultaneously lower by 22%. The higher sales prices result from market conditions and the visible increase in energy prices in 2022 for contracts concluded for delivery in 2023. The decline in the volume is a consequence of a lower volume of electricity sales to the sales companies in the Group due to their lower demand in 2023 and lower volume of sales to TAURON Wytwarzanie S.A. in connection with assigning the competence in the scope of securing the sales position in the third quarter of 2022 to this company by TAURON Polska Energia S.A. Moreover, the decrease in volume is influenced by the sale of a higher volume of electricity to Nowe Jaworzno Grupa TAURON Sp. z o.o. in 2022 in order to secure liabilities arising from concluded sales contracts, which could not be fulfilled with production from the 910 MW unit in Jaworzno as a result of its failure;
- CO₂ emission allowances – the increase in revenue is mainly due to the sale of a higher volume of allowances at a higher price in the current period. Revenues in the scope of CO₂ emission allowances in the current and comparable period were mainly related to sales to Group generation companies for the purpose of covering redemption needs resulting from electricity production. In addition, in the comparable period, due to the occurrence of a non-recurring event, namely, the failure of the 910 MW unit in Jaworzno, with a view to using the surplus allowances created due to the failure for the redemption of another Group installation for 2022 and matching the delivery date of the allowances and the cash expenditure, in 2022 the Company sold 1 717 000 EUAs with a simultaneous repurchase of this volume in the EUA MAR'23 forward product. Revenues from sale of the aforementioned allowances amounted to PLN 604 million;
- Gas – an increase in revenue by PLN 137 million is mainly associated with an increase in prices by an average of 6% and the simultaneous achievement of a higher volume of sales by an average of 4%. The higher sales volume results from a higher demand for gas from external contractors (by 48% on average), with a simultaneously lower demand in TAURON Sprzedaż Sp. z o.o. (by 28% on average).

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside the TAURON Group (in the comparable period, also from the Group, i.e. from TAURON Wydobywanie S.A., currently Południowy Koncern Węglowy S.A., which had been sold to the State Treasury and over which the Company lost control on 31 December 2022), whereas sales take place to affiliated companies, except that, as part of the implementation in 2023 year of the NABE Programme aiming to spin off coal generation assets from the Group, TAURON Polska Energia S.A. transferred to TAURON Wytwarzanie S.A. competences in purchasing fuel for own needs. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the year ended 31 December 2023, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 949 million, and for the supply organization service, the Company recognized revenue of PLN 21 million (in the comparable period PLN 3 205 million and PLN 65 million, respectively).

13. Costs by type

SELECTED ACCOUNTING PRINCIPLES

The Company presents costs by function.

Costs by function include:

- cost of goods, materials and services sold incurred during a given reporting period, including any impairment losses on property, plant and equipment, intangible assets, rights to use assets, receivables and inventories,
- total costs of sales and administrative expenses incurred in the reporting period (recognised separately in the statement of comprehensive income).

Costs of goods sold include the total negative result on transactions related to CO₂ emission allowances, concluded within the trading portfolio, i.e. intended for sale and to generate short-term profit arising from market price volatility, including trading in emission allowances, fair value measurement of inventories as well as measurement and settlement of derivative commodity instruments related to CO₂ emission allowances. Costs of goods sold include losses on change in measurement and on exercising derivative commodity instruments falling within the scope of IFRS 9 *Financial Instruments* and related to purchases and sales of other commodities.

In the cost of goods and services sold, the Company recognises the costs due to be incurred for 2023 for the write-down of the Price Difference Payment Fund, resulting from the legal obligation to provide the above write-down to Zarządca Rozliczeń S.A.

Costs that can be assigned directly to revenue generated by the Company affect profit or loss for the period which the revenue pertains to.

Costs that can only be indirectly assigned to revenue or other benefits obtained by the Company affect the profit or loss in the portion pertaining to the given reporting period, and match the revenue or other economic benefits.

	Year ended 31 December 2023	Year ended 31 December 2022 (restated figures)
Write-down for the Price Difference Payment Fund	(753)	–
Capacity Market	(160)	(193)
Employee benefits expense	(128)	(110)
Other external services	(51)	(50)
Advertising expenses	(30)	(21)
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(12)	(15)
Allowance for expected credit losses on receivables from buyers	25	(25)
Other costs by type	(10)	(13)
Total costs by type	(1 119)	(427)
Selling and distribution expenses	33	32
Administrative expenses	116	145
Value of energy sold	(28 047)	(22 936)
Value of other goods sold	(4 907)	(3 974)
Cost of sales	(33 924)	(27 160)

The costs of the write-down to the Price Difference Payment Fund in the amount of PLN 753 million result from the *Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023*, which imposed, among others, an obligation on electricity trading companies to transfer write-downs to the Price Difference Payment Fund for the purpose of paying the compensations established by the aforementioned Act.

The increase in the value (costs) of electricity sold results mainly from purchases of electricity at 57% higher average prices than in the comparable period, with the simultaneously 22% lower volume of electricity purchased. Higher purchase prices result from market conditions and price increases in 2022, which translated into prices in concluded contracts with a delivery date of 2023. The decrease in the volume of purchased electricity results from the transfer by TAURON Polska Energia S.A. to TAURON Wytwarzanie S.A. competences in securing the purchasing position in the third quarter of 2022, as well as purchasing a lower volume of electricity from the market for the purposes of implementing the concluded contracts, primarily the 910 MW unit, which were not implemented from the unit's own production as a consequence of its failure.

The increase in the value (costs) of other goods sold is a result of the recognition of a higher value of CO₂ emission allowances sold as a consequence of higher revenue from the sale of CO₂ emission allowances in 2023 and an increase in the value of gas sold, which is primarily related to a significant increase in gas purchase prices by an average of 6%, while achieving a purchase volume higher by an average of 4%.

14. Employee benefit expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	(103)	(89)
Social security costs	(16)	(14)
Costs of employee retirement plans and post-employment benefits expenses	(5)	(3)
Other employee benefits expenses	(4)	(4)
Total	(128)	(110)
Items included in cost of sales	(19)	(20)
Items included in selling and distribution expenses	(9)	(8)
Items included in administrative expenses	(100)	(82)

15. Financial revenues and costs

SELECTED ACCOUNTING PRINCIPLES

Financial revenues and costs comprising, in particular, revenues and costs related to:

- revenues from dividends;
- interest,
- revaluation of financial instruments, except financial assets measured at fair value where the effects are recognized in other comprehensive income and charged to revaluation reserve and derivative commodity instruments falling within the scope of IFRS 9 *Financial Instruments* in the case of which gains/losses on change in measurement and on exercising are presented within operating activities where gains/losses on the related trading in goods are also recognized;
- disposal/liquidation of financial assets;
- changes in the balance of a provision resulting from the nearing deadline to incur the expense (discount unwinding effect);
- foreign exchange differences resulting from transactions performed during the reporting period and balance sheet measurement of assets and liabilities at the end of the reporting period, except for differences recognized in the initial value of a fixed asset.

Transactions expressed in a foreign currency are converted to functional currency at initial recognition according to the average exchange rate determined for a given currency by the National Bank of Poland as at the day preceding such a day. As at balance sheet day:

- monetary items expressed in foreign currency are converted applying the closing exchange rate (the average exchange rate determined for a given currency by the National Bank of Poland on that day is deemed the closing exchange rate),
- non-monetary items measured at historical cost in foreign currency are converted applying the exchange rate as at the day of original transaction, and
- non-monetary items measured at the fair value in foreign currency are converted applying the exchange rate as at the day of determining the fair value.

Currency translation gains and losses arising from clearing of transactions in foreign currency and the balance sheet measurement of cash assets and liabilities expressed in foreign currency, are recognised in the financial result of the period (in the item of financial revenues (costs)). Currency translation differences representing a part of borrowing costs eligible for capitalisation, are recognised in the value of the relevant assets.

For the purpose of balance sheet valuation, the following exchange rates were applied:

Currency	Status as at 31 December 2023	Status as at 31 December 2022
EUR	4.3480	4.6899
USD	3.9350	4.4018
CZK	0.1759	0.1942

	Year ended 31 December 2023	Year ended 31 December 2022
Dividend income	475	1 797
Interest income on loans	947	544
Interest expense	(928)	(654)
Revaluation of shares	(271)	(48)
Revaluation of loans	(760)	(1 462)
Other finance income and costs, of which:	(330)	(341)
Gain/(loss) on derivative instruments	(747)	(219)
Exchange differences	314	(126)
Other interest income	55	39
The earnings on the transfer ownership of shares in subsidiaries	–	56
Commissions due to external financing	(19)	(24)
Other finance income	79	8
Other finance costs	(12)	(75)
Total, of which:	(867)	(164)
Income and costs from financial instruments	(899)	(156)
Other finance income and costs	32	(8)

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The decline in dividend income mainly results from the lack of dividends from the subsidiary, TAURON Dystrybucja S.A. The profit of TAURON Dystrybucja S.A. for 2022 was fully allocated to the company supplementary capital in order to implement the investment program, as a result of which the Company did not receive any dividends from this subsidiary in the year ended 31 December 2023. In the comparable period, the dividend revenue from the TAURON Dystrybucja S.A. company amounted to PLN 1 495 million.

The increase in the interest revenue on loans in the year ended 31 December 2023 in relation to the comparable period results mainly from an increase in the amount of loans granted to TAURON Wytwarzanie S.A., which occurred in the second half of 2022.

The increase in interest expenses results from a higher level of the average annual use of external funding and the generally higher level of base rates in the year ended 31 December 2023 in relation to the comparable period. The growth in the level of the base rates is partially offset by the concluded IRS hedging instruments. The amount of interest expenses shown in the table takes into account the above hedging effect.

The revaluation of shares results mainly from the recognition of a write-down on the value of shares in the joint venture TAMEH HOLDING Sp. z o.o. as at the balance sheet date in the amount of PLN 212 million, as a result of impairment tests carried out as at the balance sheet date, which is described in more detail in Note 11 of these financial statements.

The revaluation of loans mainly results from the decrease in 2023 of the carrying amount of loans granted to TAURON Wytwarzanie S.A. in the amount of PLN 977 million, which was mainly due to the decrease in the carrying value as a result of analyzes carried out based on future cash flows of TAURON Wytwarzanie S.A. in the total amount of PLN 1,217 million, described in more detail in note 11 to these financial statements, and a reduction in the allowance for expected credit losses on loans granted to this company as part of the cash pool service in the amount of PLN 144 million in connection with the repayment by TAURON Wytwarzanie S.A. of cash pool liabilities. At the same time, the Company recognized an increase in the fair value measurement of loans granted to subsidiaries in the amount of PLN 141 million and to the joint venture in the amount of PLN 151 million. As part of the revaluation of loans, a loss from modification of loans in terms of interest rate changes in the amount of PLN 67 million is also presented.

The loss on derivatives in the year ended 31 December 2023 is mainly associated with the appreciation of the Polish zloty exchange rate, which translated into a decrease in the valuation and the result on current settlement of FX derivatives. The strengthening of the Polish zloty exchange rate in 2023 also affected the occurrence of exchange rate gains in the current period, which are mainly related to the valuation of external financing in EUR. In the comparable period, a negative change in the valuation of the aforementioned financing occurred, which was the main reason of exchange rate losses.

16. Income Tax

SELECTED ACCOUNTING PRINCIPLES

Current Tax

Current income tax recognised in the result of the period comprises real tax burden for a given reporting period determined by the Company in accordance with the binding provisions of the Act on corporate income tax and potential adjustments of tax settlements for previous years.

Deferred Tax

The accounting policy related to deferred tax is described in Note 25 to these financial statements.

16.1. Tax expense in the statement of comprehensive income

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax	(46)	(36)
Current income tax burden	(42)	(36)
Current income tax adjustments from previous years	(4)	-
Deferred tax	45	67
Income tax expense in profit/(loss)	(1)	31
Income tax expense relating to other comprehensive income	55	(36)

16.2. Reconciliation of the effective tax rate

	Year ended 31 December 2023	Year ended 31 December 2022
Profit (loss) before tax	(637)	36
Tax at Poland's statutory tax rate of 19%	121	(7)
Current income tax adjustments from previous years	(4)	–
Non-tax revaluation of the value of shares and loans granted	(185)	(303)
Dividends	90	341
Changes in the estimate for deferred income tax assets	(10)	–
Other	(13)	–
Tax at the effective tax rate of -0.2% (2022: -86.1%)	(1)	31
Income tax (expense) in profit/(loss)	(1)	31

17. Earnings/(loss) per share

SELECTED ACCOUNTING PRINCIPLES

Net profit (loss) per share for each period is calculated by dividing the net profit (loss) attributable to ordinary shareholders for a given reporting period by the weighted average number of ordinary shares in the specific reporting period.

The calculation of diluted earnings per share is consistent with the calculation of earnings per share, however, the calculation must also take into account the existence of dilutive potential ordinary shares.

	Year ended 31 December 2023	Year ended 31 December 2022
Basic and diluted net profit (loss) per share (in PLN)	(0.36)	0.04

The figures for calculating the earnings (loss) per share presented in the statement of comprehensive income are presented below.

	Year ended 31 December 2023	Year ended 31 December 2022
Net profit (loss) attributable to ordinary shareholders	(638)	67
Number of ordinary shares	1 752 549 394	1 752 549 394

EXPLANATORY NOTE TO THE STATEMENT OF FINANCIAL POSITION

18. Investment real estate

SELECTED ACCOUNTING PRINCIPLES

The Company holds an investment property generating revenue from rental fees. The property is rented to a subsidiary. At initial recognition, the investment property is measured at acquisition costs or manufacturing costs including transaction costs. Following the initial recognition, the Company measures all investment real estates held in accordance with the model based on the purchase price or manufacturing cost described in IAS 16 Property, Plant and Equipment. This means that the Company gradually depreciates the real estate throughout the period of its useful life.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The fair value measurement of the investment real estate as at 31 December 2023 amounted to PLN 40 million.

	Year ended 31 December 2023	Year ended 31 December 2022
COST		
Opening balance	54	54
Closing balance	54	54
ACCUMULATED DEPRECIATION		
Opening balance	(35)	(30)
Depreciation for the period	(1)	(5)
Closing balance	(36)	(35)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	19	24
NET CARRYING AMOUNT AT THE END OF THE PERIOD, of which:	18	19
Buildings and other tangible assets	11	12
Perpetual usufruct right to land	7	7

The investment real estate is composed of the perpetual usufruct right to land and buildings located in Katowice Szopienice, at ul. Lwowska 23. The lease revenue in the year ended 31 December 2023 amounted to PLN 8 million.

19. Right-of-use assets

SELECTED ACCOUNTING PRINCIPLES

The right-of-use assets of the Company result mainly from concluded contracts for the lease of office and warehouse premises, car rental and the right of perpetual usufruct of land.

An agreement for rental, lease or a part thereof, or other agreement or a part of an agreement of a similar nature under which the right to control the use of an asset for a given period is transferred in exchange for remuneration is classified as a lease. Lease classification is performed at the date of commencement of the lease, based on the economic content of the agreement, not on its legal form.

At the date of commencement of the lease, a right-of-use assets is recognised for use and a liability for the lease.

A right-of-use asset is measured at cost including:

- the amount of the initial measurement of the lease liability,
- all lease payments made at or before the inception of the lease, less any amounts received in respect of the lease or costs paid by the lessor (lease incentives),
- any initial direct costs incurred by the lessee,
- an estimate of the costs of dismantling and removing the underlying asset, restoring the site on which it was located, or restoring it to the condition required by the lease terms.

however, in the valuation of right-of-use assets existing as at the balance sheet date, the Company included the amount of the initial valuation of the leasing liability, other items did not occur.

After the initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and/or amortization and impairment write-down and adjusted for the revaluation of the lease liability. Depreciation and/or amortization principles applied to assets used under leases are consistent with those applied to depreciation and/or amortization of assets owned by the Company.

PROFESSIONAL JUDGEMENT AND ESTIMATES

At the date of commencement of the lease, the Company measures an rights-of-use assets, among others, in the current value of the lease payments remaining to be paid on that date. Lease payments are discounted using the interest rate of the lease if that rate can be easily determined. Otherwise, the Company applies the marginal interest rate, in accordance with the methodology adopted for application.

In order to determine the lease period, among others, for contracts for an indefinite period, and in the relation to fixed-term contracts with an extension option, the Company makes an estimate. As at the balance sheet date, TAURON Polska Energia S.A. does not have contracts recognized in accordance with IFRS 16 Leases for an indefinite period or contracts with a specified period with an extension option, for which it has estimated the contract completion date.

If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term the asset item is fully depreciated over the shorter of the lease term or its useful life.

	Year ended 31 December 2023			Year ended 31 December 2022		
	Buildings and premises	Motor vehicles	Total	Buildings and premises	Motor vehicles	Total
COST						
Opening balance	44	1	45	44	2	46
Increase/(decrease) due to lease changes	9	1	10	–	–	(1)
Other	(1)	–	(1)	–	(1)	(1)
Closing balance	52	2	54	44	1	45
ACCUMULATED DEPRECIATION						
Opening balance	(31)	(1)	(32)	(22)	(2)	(24)
Depreciation for the period	(10)	–	(10)	(9)	–	(9)
Other	–	–	–	–	1	1
Closing balance	(41)	(1)	(42)	(31)	(1)	(32)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	13	–	13	22	–	22
NET CARRYING AMOUNT AT THE END OF THE PERIOD	11	1	12	13	–	13

20. Shares

SELECTED ACCOUNTING PRINCIPLES

Shares in subsidiaries and jointly controlled entities

Shares in subsidiaries and interests in a joint venture are shown at purchase price, less impairment allowances, if any. Impairment allowances are recognized in line with IAS 36 Impairment of Assets, where the carrying amount is compared to the higher of the fair value less costs to sell and the value in use.

Shares in other entities

Shares in entities other than subsidiaries and jointly controlled entities held at the balance sheet date are measured by the Company at a fair value through profit or loss.

PROFESSIONAL JUDGEMENT AND ESTIMATES

As at every balance sheet date the Company assesses if there is any objective indication that the Shares item may be impaired. Should material impairment indications occur, the Company is obliged to carry out impairment tests of shares and recognize an impairment loss or reverse an existing one.

Pursuant to IFRS 9 Financial Instruments, the Company classifies and measures at fair value shares in entities other than subsidiaries and jointly-controlled entities. The fair value measurement methodology is presented in Note 38.1 of these financial statements.

Change in shares for the year ended 31 December 2023

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
Consolidated subsidiaries									
1	TAURON Wytwarzanie S.A.	7 830	652	8 482	(7 830)	(652)	(8 482)	–	–
2	TAURON Ciepło Sp. z o.o.	1 928	–	1 928	(1 224)	–	(1 224)	704	704
3	TAURON Ekoenergia Sp. z o.o.	1 940	–	1 940	–	–	–	1 940	1 940
4	TAURON Zielona Energia Sp. z o.o.	600	–	600	–	–	–	600	600
5	TAURON Dystrybucja S.A.	10 512	–	10 512	–	–	–	10 512	10 512
6	TAURON Nowe Technologie S.A.	650	–	650	–	–	–	650	650
7	TAURON Sprzedaż Sp. z o.o.	614	–	614	–	–	–	614	614
8	TAURON Sprzedaż GZE Sp. z o.o.	130	–	130	–	–	–	130	130
9	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	–	41	–	–	–	41	41
10	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	–	90	(90)	–	(90)	–	–
11	TAURON Obsługa Klienta Sp. z o.o.	40	–	40	–	–	–	40	40
12	Finanse Grupa TAURON Sp. z o.o.	28	–	28	(24)	–	(24)	4	4
13	TAURON Inwestycje Sp. z o.o.	36	59	95	(36)	(59)	(95)	–	–
14	Other	5	–	5	–	–	–	5	5
Joint ventures									
15	TAMEH HOLDING Sp. z o.o.	416	–	416	–	(212)	(212)	416	204
Entities measured at fair value									
16	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	4	1	5	–	–	–	4	5
17	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	46	8	54	–	–	–	46	54
18	ElectroMobility Poland S.A.	10	–	10	–	–	–	10	10
19	Other	–	7	7	–	–	–	–	7
Total		24 920	727	25 647	(9 204)	(923)	(10 127)	15 716	15 520

The most significant changes in shareholding in the year ended 31 December 2023 resulted from the following transactions:

- share capital increase in TAURON Wytwarzanie S.A. performed in the framework of the implementation of the NABE Programme assumptions, as described in more detail in Note 49 of these financial statements. As part of the transaction, TAURON Polska Energia S.A. took up a total of 652 000 shares for the total amount of PLN 652 million. Coverage of the increase in TAURON Wytwarzanie S.A. equity was performed by setting off (converting) a part of TAURON Wytwarzanie S.A. existing debt towards the Company. The Company assesses that the total carrying amount of its exposure to TAURON Wytwarzanie S.A. shares has not changed as a result of the transaction;
- recognition of an impairment loss for shares in the joint venture TAMEH HOLDING Sp. z o. o. in the amount of PLN 212 million as a result of impairment tests carried out as at the balance sheet date (Note 11);
- an increase in the share capital of TAURON Inwestycje Sp. z o.o., where TAURON Polska Energia S.A. took up a total of 5 900 shares for the total amount of PLN 59 million. At the same time, the Company recognised an impairment loss on shares in the total amount of PLN 59 million.

Change in shares for the year ended 31 December 2022

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
Consolidated subsidiaries									
1	TAURON Wydobycie S.A.	1 342	(1 342)	–	(1 342)	1 342	–	–	–
2	TAURON Wytwarzanie S.A.	7 866	(36)	7 830	(7 830)	–	(7 830)	36	–
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	6 578	(6 578)	–	(1 764)	1 764	–	4 814	–
4	TAURON Ciepło Sp. z o.o.	1 928	–	1 928	(1 224)	–	(1 224)	704	704
5	TAURON Ekoenergia Sp. z o.o.	1 940	–	1 940	–	–	–	1 940	1 940
6	TAURON Zielona Energia Sp. z o.o.	600	–	600	–	–	–	600	600
7	TAURON Dystrybucja S.A.	10 512	–	10 512	–	–	–	10 512	10 512
8	TAURON Nowe Technologie S.A.	650	–	650	–	–	–	650	650
9	TAURON Sprzedaż Sp. z o.o.	614	–	614	–	–	–	614	614
10	TAURON Sprzedaż GZE Sp. z o.o.	130	–	130	–	–	–	130	130
11	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	–	41	–	–	–	41	41
12	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	–	90	(90)	–	(90)	–	–
13	TAURON Obsługa Klienta Sp. z o.o.	40	–	40	–	–	–	40	40
14	Finanse Grupa TAURON Sp. z o.o.	28	–	28	(24)	–	(24)	4	4
15	Bioeko Grupa TAURON Sp. z o.o.	1	(1)	–	–	–	–	1	–
16	TAURON Serwis Sp. z o.o.	1	(1)	–	–	–	–	1	–
17	TAURON Inwestycje Sp. z o.o.	–	36	36	–	(36)	(36)	–	–
18	Other	5	–	5	–	–	–	5	5
Joint ventures									
19	TAMEH HOLDING Sp. z o.o.	416	–	416	–	–	–	416	416
Entities measured at fair value									
20	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	4	–	4	–	–	–	4	4
21	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	37	9	46	–	–	–	37	46
22	Other	10	–	10	–	–	–	10	10
Total		32 833	(7 913)	24 920	(12 274)	3 070	(9 204)	20 559	15 716

21. Originated loans

SELECTED ACCOUNTING PRINCIPLES

Loans granted by the Company include term loans granted to subsidiaries, cash pool loans and loans granted to the joint venture. Loans are classified as financial assets measured at amortized cost or at fair value through profit or loss. Loans with a maturity date exceeding 12 months from the balance sheet date are classified as fixed assets and loans with a maturity date not exceeding 12 months from the balance sheet date as current assets, taking into account the expectations as regards the loan repayment as at balance sheet day (intentions regarding the maturity period extension or its refinancing).

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company makes appropriate classification and valuation of the loans granted. Loans granted with a maturity period of less than one year, for which an extension of the repayment period or roll-over is planned, are classified as long-term instruments. As at 31 December 2023, the nominal value of the aforementioned loans amounted to PLN 827 million.

In accordance with the requirements of IFRS 9 Financial Instruments, in case of loans measured at amortised cost, the Company estimates the amount of impairment losses on loans, as described in detail below and in Note 39.1.2 of these financial statements. The Company estimates the fair value of loans classified as measured at a fair value. The measurement methodology is described in Note 38.1 to these financial statements.

Loans measured at fair value include primarily loans to companies from the Renewable Energy Sources segment. In the case of loans granted to special-purpose entities, i.e. the acquired subsidiaries of the Renewable Energy Sources segment in the TAURON Group under which investment projects in the form of the construction of wind and photovoltaic farms are carried out, representing the only source of financing for the purchase of a non-financial fixed assets (the borrower's equity is intangible at the time the loan is granted) by these entities, the Company assesses that the characteristics of the contractual cash flows do not correspond only to the repayment of the principal amount and interest on the outstanding principal amount and measures such loans at fair value through profit or loss.

Loans granted to the joint venture are classified as financial assets measured at fair value through profit or loss. The Group has estimated the fair value accordingly.

Balances of loans granted by the Company as at 31 December 2023 and 31 December 2022 are presented in the table below.

	As at 31 December 2023			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	10 887	(52)	10 835	13 260	(368)	12 892
Loans granted to subsidiaries	10 001	(35)	9 966	11 093	(151)	10 942
Loans granted under cash pool agreement	886	(17)	869	2 167	(217)	1 950
Loans measured at fair value	1 576	n.a.	1 576	648	n.a.	648
Loans granted to subsidiaries	1 219	n.a.	1 219	442	n.a.	442
Loans granted to EC Stalowa Wola S.A.	357	n.a.	357	206	n.a.	206
Total	12 463	(52)	12 411	13 908	(368)	13 540
Non-current	11 307	(34)	11 273	11 321	(149)	11 172
Current	1 156	(18)	1 138	2 587	(219)	2 368

21.1. Loans granted to subsidiaries

Company	Maturity date	As at 31 December 2023				As at 31 December 2022			
		Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost		11 957	10 001	(35)	9 966	12 360	11 093	(151)	10 942
TAURON Dystrybucja S.A.	2025-2027	5 452	5 395	(21)	5 374	5 460	5 444	(27)	5 417
TAURON Wytwarzanie S.A.	2024-2030	4 881	3 068	–	3 068	5 564	4 317	(96)	4 221
TAURON Ciepło Sp. z o.o.	2024-2030	981	980	(11)	969	981	980	(17)	963
TAURON Obsługa Klienta Sp. z o.o.	2024-2025	226	226	(2)	224	96	96	(2)	94
TAURON Ekoenergia Sp. z o.o.	2025	160	158	(1)	157	160	157	(1)	156
TAURON Inwestycje Sp. z o.o.	2024-2033	83	–	–	–	7	7	(7)	–
TAURON Nowe Technologie S.A.	2024-2028	43	43	–	43	51	51	(1)	50
"MEGAWATT S.C." Sp. z o.o.	2024	43	43	–	43	6	6	–	6
WIND T30MW Sp. o.o.	2024	35	35	–	35	–	–	–	–
Windpower Gamów Sp. z o.o.	2024	34	34	–	34	–	–	–	–
Other	2024-2026	19	19	–	19	35	35	–	35
Loans measured at fair value		1 136	1 219	n.a.	1 219	452	442	n.a.	442
"MEGAWATT S.C." Sp. z o.o.	2026-2038	372	449	n.a.	449	129	139	n.a.	139
WIND T30MW Sp. z o.o.	2025-2038	213	216	n.a.	216	–	–	–	–
Windpower Gamów Sp. z o.o.	2025-2038	211	214	n.a.	214	–	–	–	–
FF Park PV1 Sp. z o.o.	2025-2034	146	146	n.a.	146	12	12	n.a.	12
WIND T4 Sp. z o.o.	2025-2038	76	78	n.a.	78	40	40	n.a.	40
TAURON Ekoenergia Sp. z o.o.*	2024-2032	48	44	n.a.	44	–	–	–	–
WIND T2 Sp. z o.o.	2026-2034	37	37	n.a.	37	–	–	–	–
Energetyka Cieszyńska Sp. z o.o.	2024-2034	33	35	n.a.	35	22	22	n.a.	22
WIND T1 Sp. z o.o.*		n.a.	n.a.	n.a.	n.a.	197	185	n.a.	185
Polpower Sp. z o.o.*		n.a.	n.a.	n.a.	n.a.	36	30	n.a.	30
Aval-1 Sp. z o.o. *		n.a.	n.a.	n.a.	n.a.	16	14	n.a.	14
Total		13 093	11 220	(35)	11 185	12 812	11 535	(151)	11 384
Non-current			10 950	(34)	10 916		11 115	(149)	10 966
Current			270	(1)	269		420	(2)	418

* In 2023, the following mergers of companies of the Renewable Energy Sources segment took place: on 11 April 2023, the incorporation of AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered and on 2 October 2023, the incorporation of WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered, as further discussed in Note 2 of these financial statements.

Loans granted to subsidiaries bear a fixed interest rate.

Valuation of loans granted to TAURON Wytwarzanie S.A. takes into account the company's future cash flows.

The main reason for the decrease in the carrying value of loans granted to TAURON Wytwarzanie S.A. was a reduction in the value of loans granted to this company by the amount of PLN 1 217 million as a result of analyzes carried out as at 31 December 2023 and 30 September 2023, taking into account the future cash flows of TAURON Wytwarzanie S.A.

The analyzes conducted as at 31 December 2023 regarding the financing granted, based on future cash flows, are described in more detail in Note 11 of these financial statements.

The increase in the value of loans measured at a fair value results mainly from granting loans to companies in the Renewable Energy Sources segment by the Company in the year ended 31 December 2023, allocated for the implementation of investment projects in the form of construction of wind farms and photovoltaic farms.

This is a translation of the document originally issued and signed in Polish

Change in loans measured at amortised cost and impairment losses

	Year ended 31 December 2023				
	Level 1: allowance equal to expected credit losses in a 12 month period (no impairment)	Level 2: allowance for expected credit losses over the life period (no impairment)	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
Gross value					
Opening balance	6 770	681	7	3 635	11 093
Loan repayment	(72)	(26)	(7)	–	(105)
Debt-to-equity conversion	–	(652)	–	–	(652)
Loan granting	283	–	–	–	283
Modification of loans	(67)	–	–	–	(67)
Loss of value	–	–	–	(567)	(567)
Interest accrued	308	22	–	453	783
Interest received	(289)	(25)	–	(453)	(767)
Closing balance	6 933	–	–	3 068	10 001
Impairment loss					
Opening balance	(49)	(95)	(7)	–	(151)
Recognition	(2)	–	–	–	(2)
Reversal	16	95	7	–	118
Utilized	–	–	–	–	–
Closing balance	(35)	–	–	–	(35)
Net carrying amount at the beginning of the period	6 721	586	–	3 635	10 942
Net carrying amount at the end of the period	6 898	–	–	3 068	9 966

	Year ended 31 December 2022				
	Level 1: allowance equal to expected credit losses in a 12 month period (no impairment)	Level 2: allowance for expected credit losses over the life period (no impairment)	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
Gross value					
Opening balance	5 275	905	–	–	6 180
Loan repayment	–	(226)	–	–	(226)
Loan granting	1 452	–	7	3 621	5 080
Loss of value	–	–	–	–	–
Interest accrued	237	45	–	188	470
Interest received	(194)	(43)	–	(174)	(411)
Closing balance	6 770	681	7	3 635	11 093
Impairment loss					
Opening balance	(18)	(65)	–	–	(83)
Recognition	(31)	(36)	(7)	–	(74)
Reversal	–	6	–	–	6
Utilized	–	–	–	–	–
Closing balance	(49)	(95)	(7)	–	(151)
Net carrying amount at the beginning of the period	5 257	840	–	–	6 097
Net carrying amount at the end of the period	6 721	586	–	3 635	10 942

21.2. Loans to joint ventures

	As at 31 December 2023		As at 31 December 2022		Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Carrying amount	Repayable principal amount and interest contractually accrued	Carrying amount		
Loans granted to EC Stalowa Wola S.A.	726	357	685	206	30/06/2033	fixed
Total, of which:	726	357	685	206		
Non-current		357		206		

As at the balance sheet date, as a result of analyzes carried out taking into account the forecast of future cash flows of the joint venture, the Company estimated that the fair value of loans granted to the joint venture of Elektrociepłownia Stalowa Wola S.A. increased to PLN 357 million.

21.3. Loans granted under the cash pool service

In order to optimise cash and liquidity management, the TAURON Group applies the cash pool service mechanism. Cash pooling is implemented under the agreement concluded with the bank for the operation of a cash management system for a group of accounts, with the effective term until 6 December 2024. As a result of the cash pool mechanism, cash is

transferred between the accounts of the service participants and the pool leader's account whose function is performed by TAURON Polska Energia S.A.

Status of receivables generated as a result of cash pool transactions as at 31 December 2023 and 31 December 2022 is presented in the table below.

	As at 31 December 2023			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool transactions	881	(17)	864	2 150	(217)	1 933
Interest receivable from cash pool transactions	5	–	5	17	–	17
Total, of which:	886	(17)	869	2 167	(217)	1 950
Current	886	(17)	869	2 167	(217)	1 950

Information concerning cash pool liabilities is presented in Note 31.4 to these financial statements.

22. Derivatives and hedge accounting

SELECTED ACCOUNTING PRINCIPLES

Derivatives

Derivative financial instruments within the scope of IFRS 9 Financial Instruments are classified as financial assets/liabilities measured at a fair value through profit or loss, except for derivatives designated as hedging instruments and covered by hedge accounting. Agreements for the purchase or sale of non-financial items that can be settled on a net basis, concluded and held for the purpose of receiving or delivering non-financial items in accordance with the entity's expected needs as excluded from the scope of IFRS 9 Financial Instruments, are not subject to measurement as at the balance sheet day.

Derivatives classified as "financial assets/financial liabilities measured at fair value through profit or loss" are measured at a fair value, taking into account their market value as at the balance sheet date. Changes in the fair value of these instruments are recognised in the result of the period (commodity derivatives in operating income/expenses, other derivatives in financial income/expenses). Derivatives are disclosed as assets if their value is positive or as liabilities if their value is negative.

Hedge accounting

The Company applies the accounting principles in relation to hedging instruments covered by hedge accounting in accordance with IAS 39 Financial Instruments: recognition and measurement.

In order to hedge the interest rate risk, the Company uses IRS (Interest Rate Swap) contracts. These instruments hedge cash flows related to the Company indebtedness. Such transactions are subject to hedge accounting.

At the inception of the hedge the Company formally designates and documents the hedging relationship as well as the risk management objective and the strategy underlying establishing of the hedge.

Cash flow hedges are accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income; and
- the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss for the period.

The gains/losses on the revaluation of a hedging instrument recognised in other comprehensive income are recognised directly in the profit or loss of the current period when the hedged item affects profit or loss of the current period or is included in the initial cost of purchasing the asset (capitalisation of external financing costs). For IRS, interest costs arising from debt are adjusted accordingly.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company estimates fair value at each balance sheet day using the methodology described in the table below. The Group tests the effectiveness of the hedge at each balance sheet date.

Instrument	Methodology for determining the fair value	Status as at 31 December 2023
Derivatives covered by hedge accounting		
IRS	The difference in discounted interest cash flows based on a floating interest rate and a fixed interest rate. The data input is the interest rate curve from the Refinitiv service.	<p>IRS (Interest Rate Swap) instruments are used to hedge a portion of the interest rate risk on the cash flows associated with the exposure to WIBOR 6M designated under the dynamic risk management strategy, i.e:</p> <ul style="list-style-type: none"> interest on a loan with a nominal value of PLN 750 million, for periods commencing, respectively from July 2020 and expiring in December 2024; interest on bonds and a loan with a total nominal value of PLN 2 920 million, for periods beginning in December 2019 expiring successively until 2029. <p>In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.</p>
Derivatives measured at a fair value through the profit and loss other than subject to hedge accounting		
CCIRS	The difference in the discounted interest cash flows of the stream paid and the stream received, in two different currencies, expressed in the valuation currency. The input data are interest rate curves, basis spreads and the NBP fixing for the relevant currencies from the Refinitiv service.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on the total nominal amount of EUR 500 million. The transaction matures in July 2027. In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a fixed interest rate in EUR. CCIRS derivatives aimed at securing the currency flows generated by interest payments on Eurobonds issued.
Commodity forward/futures	The fair value of forward transactions for the purchase and sale of CO ₂ emission allowances, electricity and other commodities is determined based on prices quoted in an active market or based on cash flows representing the difference between the price reference index (forward curve) and the contract price.	Commodity derivatives (futures, forward) comprise forward transactions for the purchase and sale of CO ₂ emission allowances and other commodities.
Currency forward	The difference in discounted future cash flows between the forward price as at the valuation date and the transaction price, multiplied by the nominal value of the contract in foreign currency. The input data comprise the NBP fixing and the interest rate curve implied from the FX swap transaction for the relevant currency from the Refinitiv service.	FX forward derivatives comprise forward transactions aimed to hedge currency flows generated from operations.

The measurement of derivatives as at the respective balance sheet dates is presented in the table below:

	As at 31 December 2023				As at 31 December 2022			
	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments
	Assets	Liabilities			Assets	Liabilities		
Derivatives subject to hedge accounting								
IRS	299	-	28	271	592	-	34	558
Derivatives measured at fair value through profit or loss								
CCIRS	-	(9)	(9)	-	21	-	21	-
Commodity forwards/futures	125	(125)	-	-	236	(232)	4	-
Currency forwards	17	(679)	(662)	-	-	(109)	(109)	-
Total	441	(813)			849	(341)		
Non-current	149	(169)			390	(10)		
Current	292	(644)			459	(331)		

The derivatives shown in the table above relate to futures contracts covered within the scope of IFRS 9 *Financial Instruments*. The derivatives acquired and held to hedge own needs as excluded from the scope of IFRS 9 *Financial Instruments* are not subject to measurement as at the balance sheet date.

23. Other financial assets

SELECTED ACCOUNTING PRINCIPLES

Other financial assets include, inter alia, bid bonds, deposits, security provided, including stock exchange settlement deposits security from settlements on foreign stock exchanges and funds contributed under the Guarantee Fund to the Izba Rozliczeniowa Gielda Towarowych S.A. in connection with transactions concluded by the Company on the Polish Power Exchange and receivables arising from income tax settlements which contains of the Tax Capital Group

PROFESSIONAL JUDGEMENT AND ESTIMATES

In accordance with the requirements of IFRS 9 Financial Instruments, the Company estimates the amount of impairment losses for expected credit losses for other financial assets measured at amortized cost.

	As at 31 December 2023	As at 31 December 2022
Bid bonds, deposits, collateral transferred	355	35
Receivables arising from income tax settlements of the TCG companies	78	–
Dividend receivables from TAMEH HOLDING Sp. z o.o.	32	–
Other	1	–
Total	466	35
Non-current	33	–
Current	433	35

The increase in security deposits, bonds and securities transferred is mainly related to the transfer by the Company to Bank Gospodarstwa Krajowego ("BGK") of a cash deposit to secure BGK's receivables, in place of the bank guarantee previously in force, under the loan agreement concluded on 8 March 2018 between the borrower Elektrociepłownia Stalowa Wola S.A. and BGK, and ORLEN S.A. (formerly: PGNiG S.A.), as discussed in more detail in Note 41 of these financial statements. As at 31 December 2023, the amount of the deposit paid reached PLN 346 million. As at the balance sheet date, the Company recognised the allowance for expected credit losses on the deposit paid in the amount of PLN 14 million.

Receivables due to income tax settlements of the Tax Capital Group are described in more detail in note 28 to these financial statements.

Based on the analyzes conducted as part of the impairment tests related to the insolvency of TAMEH Czech s.r.o., the Company assessed that as at the balance sheet date, dividend receivables from TAMEH HOLDING Sp. z o. o. in the amount of PLN 32 million are of a long-term nature.

24. Other non-financial assets

SELECTED ACCOUNTING PRINCIPLES

The Company recognizes as other non-financial assets mainly advance payments for deliveries, prepayments and settlements for taxes and fees, with the exception of income tax presented in the statement of financial position in a separate item.

Prepayments are determined at a level of expenditure incurred, determined reasonably, referring to future periods, which will result in future inflows of economic benefits to the entity. Write-downs on prepayments of costs may be applied adequately to the lapse of time or the level of benefits.

	As at 31 December 2023	As at 31 December 2022
Prepaid fee on debt	10	14
Advances for deliveries	–	598
Other	10	8
Total	20	620
Non-current	17	19
Current	3	601

The decrease in the balance of prepayments for deliveries is related to the settlement as at the balance sheet date of the deliveries of coal contracted by the Company for the needs of the Group's generating companies on the domestic and foreign markets and the partial refund of the prepayments made.

25. Deferred income tax

SELECTED ACCOUNTING PRINCIPLES

Deferred Tax

In connection with temporary differences between the value of assets and liabilities recognised in the accounts and their tax value as well as tax loss deductible in the future, the Company recognises the liability and determines assets due to deferred income tax.

The carrying amount of a component of assets due to deferred income tax is verified as at each balance sheet date. The Company decreases the carrying amount of a component of assets due to deferred income tax to the extent it is improbable to achieve taxable income sufficient for the partial or full realisation of the component of assets due to deferred income tax. Unrecognised assets due to deferred income tax are subject to verification as at each balance sheet date and recognised to the extent it becomes probable that the future taxable income will enable their realisation. The Company recognises deferred tax assets for deductible temporary differences associated with investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

Assets due to deferred income tax and the liability due to deferred income tax are measured by applying tax rates which, according to the expectations will be applied if the component of assets is realised or if the provision is reversed, adopting as a base tax rates (and tax regulations) which were legally applicable or in relation to which the legislative process has been, in principle, completed as at the balance sheet date.

Income tax relating to items recognised outside the profit or loss, i.e. items recognised in other comprehensive income or directly in equity, is recognised in other comprehensive income or equity, respectively.

The Company sets off deferred tax assets against deferred tax liabilities when it has a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax asset and liability relate to the same tax authority.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company assesses the realisability and verifies unrecognised deferred tax assets at each balance sheet date. As at the balance sheet date, the Company did not recognize a deferred tax asset in the amount of PLN 59 million due to the forecasted inability to fully realize the asset.

The Company assesses that with regard to the negative temporary differences associated with the recognition of impairment losses on shares in subsidiaries in the amount of PLN 9 915 million, the conditions for the recognition of a deferred tax asset are not met.

The Company also did not recognise a tax loss asset for 2022 from the capital gains source due to the lack of projected tax revenue allowing for its achievement.

	As at 31 December 2023	As at 31 December 2022
Deferred tax liabilities		
measurement of derivative instruments	24	49
valuation of hedging instruments	57	113
accrued interest and the valuation of loans granted	70	48
due to a different tax moment for recognizing revenues and costs of selling goods and services	1	26
other	17	12
Total	169	248
Deferred tax assets		
measurement of derivative instruments	151	65
accrued interest and the valuation of debt	45	89
provisions, accruals and deferred income	5	57
different timing of recognition of revenue and cost of sales for tax purposes	61	35
difference between tax base and carrying amount of other financial liabilities	3	18
other	49	19
Total	314	283
Unrecognized deferred tax assets	(59)	(49)
Recognized deferred tax assets/(liabilities), net	86	(14)

26. Inventory

SELECTED ACCOUNTING PRINCIPLES

As part of inventories, the Company primarily recognises acquired CO₂ emission allowances that are held for trading purposes, including sale to Group companies for redemption purposes.

Inventories of CO₂ emission allowances acquired for the purpose of selling and achieving a profit resulting from market price volatility in the short term are measured at initial recognition and at fair value at each balance sheet date.

Inventories of CO₂ emission allowances purchased for redemption purposes of the Group companies are initially recognised at a purchase price and measured as at the balance sheet day at a lower of the purchase price or the net achievable sales price. If the purchase price is higher than the net achievable sales prices, the Company recognises the relevant allowance, which is charged to operating expenses.

Disposal of purchased CO₂ emission rights is measured using the FIFO method.

	As at 31 December 2023		As at 31 December 2022		
	Gross Value	Carrying amount	Gross Value	Impairment allowances	Carrying amount
CO ₂ emission allowances	12	12	74	(2)	72

27. Receivables from customers

SELECTED ACCOUNTING PRINCIPLES

Receivables from customers are recognised and presented at the amounts originally invoiced, except where the effect of the time value of money is material, taking into account impairment due to expected future credit losses.

Impairment allowances are recognised for both overdue and current receivables based on probability-weighted credit loss to be incurred should any of the following events occur:

- a material delay in payment,
- a debtor is put in liquidation, declared bankrupt or undergoes restructuring procedures,
- the receivables are claimed at administrative or common court, or undergo enforcement.

The Company has allocated a portfolio of strategic counterparties (counterparty with a receivable value exceeding PLN 2 million) and a portfolio of other counterparties for receivables from customers.

Revaluation allowances of receivables are recognised in such cost categories which correspond to the function of the assets component, i.e. in costs of operating activity or financial costs - depending on the type of receivables the allowance refers to.

PROFESSIONAL JUDGEMENT AND ESTIMATES

For the portfolio of strategic counterparties, it is expected that the historical performance does not provide full information on the expected credit losses that the Company may be exposed to. The risk of insolvency on the part of strategic counterparties is assessed based on ratings assigned to the counterparties using an internal scoring model and appropriately restated to account for the probability of default. The expected credit loss, in line with IFRS 9 *Financial Instruments*, is calculated based on the estimated potential recoveries from security interests.

It is expected that the historical performance information concerning receivables from other counterparties may reflect the credit risk that will be faced in future periods. The expected credit losses for this group of counterparties were estimated using the receivables ageing matrix and the percentage ratios assigned to the various ranges and groups (including receivables claimed at court, receivables from counterparties in bankruptcy) allowing to estimate the value of receivables from customers expected to be outstanding.

In order to consider future factors, the Company adjusts the historical probability of default using the probability level implied by quotations of annual Credit Default Swap (CDS) instruments for each rating.

	As at 31 December 2023	As at 31 December 2022 (restated figures)
Gross Value		
Receivables from buyers	2 497	2 271
Total	2 497	2 271
Allowance/write-down		
Receivables from buyers	(7)	(31)
Total	(7)	(31)
Net Value		
Receivables from buyers	2 490	2 240
Total	2 490	2 240

As at 31 December 2023 and 31 December 2022, receivables from the subsidiary, TAURON Sprzedaż Sp. z o.o. constituted the highest balance of receivables from customers amounting to PLN 1 986 million and PLN 1 164 million, respectively.

The ageing of receivables from customers is presented below.

	As at 31 December 2023			As at 31 December 2022 (restated figures)	
	Not past due	Past due 30-90 days	Total	Not past due	Total
Value of item before allowance/write-down	2 495	2	2 497	2 271	2 271
Allowance/write-down	(7)	–	(7)	(31)	(31)
Net Value	2 488	2	2 490	2 240	2 240

Transactions with related parties and balances of settlements with these entities are presented in note 44.1 of these financial statements.

28. Income tax Receivables and Tax Capital Group

On 28 December 2022, the Tax Capital Group Agreement for the years 2023-2025 was registered by the Head of the First Tax Office for the Mazowieckie Province in Warsaw. The Tax Capital Group ("PGK") consists of the Company and selected subsidiaries.

Main companies forming the Tax Capital Group as of 1 January 2023 include: TAURON Polska Energia S.A., TAURON Dystrybucja S.A., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Ciepło Sp. z o.o., TAURON Zielona Energia Sp. z o.o., TAURON Nowe Technologie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 31 December 2023, the Tax Capital Group had income tax receivables in the amount of PLN 94 million, representing the surplus of advances paid for 2023 in the amount of PLN 432 million over the tax burden in the amount of PLN 338 million. At the same time, due to the settlement of the Company as a Representative Company with subsidiaries belonging to the Tax Capital Group, the Company had a liability to these subsidiaries due to overpayment of tax in the amount of PLN 185 million, which was presented in the statement of financial position as other financial liabilities and a receivable from the subsidiaries forming the Tax Capital Group on account of settlement of tax in the amount of PLN 78 million, recognised in other financial assets.

29. Cash and cash equivalents

SELECTED ACCOUNTING PRINCIPLES

Cash and cash equivalents presented in the statement of financial position comprise, in particular, cash in hand and at bank and short-term deposits with the original maturity period not exceeding three months and transaction deposits transferred to Izba Rozliczenia Giełd Towarowych S.A. in connection with transactions concluded by the Company on the Polish Power Exchange.

The balance of cash and cash equivalents recognised in the cash flow statement consists of cash and cash equivalents set out above, adjusted for the balances of short-term borrowings made and drawn down as part of cash pool transactions, due to the fact that they mainly serve to manage the Group's current financial liquidity and consequently do not represent cash flows from investment or financial activities. Moreover, cash and cash equivalents recognised in the cash flow statement, adjusted by the balance of the valuation of cash in foreign currencies as at the balance sheet date and by the funds, which, in the Company's opinion, do not constitute cash and cash equivalents in the cash flow statement.

	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents presented in the statement of financial position, of which:	484	1 039
restricted cash, including:	201	752
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	182	671
cash on VAT bank accounts (split payment)	19	81
Cash pool	(750)	(715)
Collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	(20)	(671)
Foreign exchange	(1)	26
Cash and cash equivalents presented in the statement of cash flows	(287)	(321)

30. Equity

SELECTED ACCOUNTING PRINCIPLES

Issued capital

In the financial statements, issued capital is presented at the amount specified in the articles of association and entered in the Company's court register.

Reserve capital

Reserve capital is created, to which at least 8% of profit for each financial year is appropriated in order to offset the loss of the Company, which is a joint stock company, until its amount equals at least one-third of the issued capital.

Revaluation reserve from valuation of hedging instruments

Revaluation reserve arising from hedging instruments is related to the measurement of Interest Rate Swaps hedging interest rate risk arising from debt. Its amount is determined as the fair value of the effective portion of cash flow hedging instruments, including deferred tax.

30.1. Issued capital

Issued capital as at 31 December 2023

Class/ issue	Type of shares	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value	Method of payment
AA	bearer shares	1 589 438 762	5	7 947	cash/in-kind contribution
BB	registered shares	163 110 632	5	816	in-kind contribution
Total		1 752 549 394		8 763	

30.2. Major Shareholders

Shareholding structure as at 31 December 2023 and as at 31 December 2022 (to the best of the Company's knowledge)

Shareholder	Number of shares	Nominal value of shares	Percentage of issued capital	Percentage of total vote*
State Treasury	526 848 384	2 634	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	911	10.39%	10.39%
Nationale - Nederlanden Otworthy	88 742 929	444	5.06%	5.06%
Fundusz Emerytalny	954 847 515	4 774	54.49%	54.49%
Other shareholders				
Total	1 752 549 394	8 763	100%	100%

*The voting rights of the shareholders holding more than 10% of the total votes in the Company have been limited in such a manner that none of them is entitled to exercise the right to more than 10% of votes at the General Shareholders' Meeting of the Company. The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company authorising to at least 25% of the total votes in the Company.

As at 31 December 2023, to the best of the Company knowledge, the value of issued capital, the number of shares, the nominal value of shares and the shareholding structure, have not changed as compared to the status as at 31 December 2022.

30.3. Reserve capital

	As at 31 December 2023	As at 31 December 2022
Amounts from distribution of prior years profits	3 076	3 009
Total reserve capital	3 076	3 009

The reserve capital of the Company up to the level of one-third of the Company issued capital, i.e. PLN 2 921 million, may be used only to cover losses.

30.4. Revaluation reserve from valuation of hedging instruments

	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance	450	299
Remeasurement of hedging instruments	(287)	187
Deferred income tax	55	(36)
Closing balance	218	450

This is a translation of the document originally issued and signed in Polish

Revaluation reserve from valuation of hedging instruments is related to the measurement of Interest Rate Swaps (IRS) hedging interest rate risk due to indebtedness, as described in more detail in Note 22 of these financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 31 December 2023, the Group recognised the amount of PLN 218 million of the revaluation reserve from valuation of hedging instruments. This amount represents an asset on account of the measurement of IRS instruments as at the balance sheet day in the amount of PLN 299 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

30.5. Retained profits / (Accumulated losses)

	As at 31 December 2023	As at 31 December 2022
Financial result for the year ended 31 December 2023	(638)	–
Financial result for the year ended 31 December 2022	–	67
Restated result for the year ended 31 December 2020	338	338
Effects of implementing IFRS 9 <i>Financial Instruments</i>	(388)	(388)
Settlement of mergers with subsidiaries	81	81
Total retained profits/ (accumulated losses)	(607)	98

30.6. Dividends paid and proposed for disbursement

In the year ended 31 December 2023 and the comparative period, the Company did not propose to pay or paid any dividends to the shareholders of the Company.

On 28 March 2023, the Management Board of the Company decided to recommend that the entire net profit for 2022 in the amount of PLN 67 million should be allocated to the reserve capital of the Company. On 10 May 2023 the Ordinary General Meeting of Shareholders the Company adopted the resolution in compliance with the recommendation of the Management Board.

31. Debt liabilities

SELECTED ACCOUNTING PRINCIPLES

Within debt obligations in the statement of financial position, the Company presents:

- Loans, borrowings, bonds issued

At initial recognition, all credits, loans and bonds issued are measured at fair value less the cost incurred to obtain a borrowings or loan as well as discounts or bonuses obtained due to the liability. After the initial recognition, interest-bearing facilities, loans and debt securities are subsequently measured at an amortised cost using the effective interest rate method.

- Lease

An agreement or part of a rental, lease or other agreement or part of an agreement of a similar nature under which the right to control the use of an asset (underlying asset) for a given period is transferred in exchange for remuneration is classified as a lease. The lease liability is measured at the present value of the outstanding lease payments, discounted using either the contractual interest rate (if determinable) or the incremental borrowing rate. Lease payments included in the measurement of the lease liability include:

- fixed lease payments less any lease incentives payable,
- variable lease payments that depend on an index or a rate, measured initially using that index or rate according to their value at the starting date.

PROFESSIONAL JUDGEMENT AND ESTIMATES

When measuring liabilities at amortized cost using the effective interest rate method, the Company estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. As at the reporting period end, early buy-back of bonds was included in the measurement of liabilities arising from issue of hybrid bonds under agreements concluded with the European Investment Bank and Bank Gospodarstwa Krajowego, in relation to the intention to buy back the bonds after the end of the first financing period. In the case of hybrid bonds with a nominal value of EUR 190 million as at the balance sheet date, the maturity date, i.e. the date of availability of financing after two financing periods, exceeds 12 months from the balance sheet date, however, the Company classifies the liability as short-term in accordance with the intention to repay the liability, i.e. after first financing period in December 2024.

In the case of a loan agreement where the drawing period of the loan tranches may be under 12 months, where the financing available under the agreement is revolving and the availability period exceeds 1 year, the Company classifies the tranches according to the intention and ability to maintain the financing under the agreement, i.e. as a long-term or short-term liability. As at the balance sheet date, the Company has available loan agreements of the nature described above, concluded in 2020 and 2022 with bank consortiums. As at the balance sheet date, drawdowns under these contracts were classified as long-term liabilities.

The lease incremental borrowing rate is estimated as a weighted average cost of the TAURON Group's debt adjusted for the Company individual rating, taking into account a breakdown by lease term. In selected leasing agreements, there is a provision on the right to purchase (purchase option), however, as at the balance sheet date, the leasing fees included in the valuation of leasing liabilities do not include the exercise price of the purchase option due to the fact that the Company does not intend to use the option.

A description of other estimates and judgments regarding the identification of leasing contracts is presented in Note 19 of these financial statements, regarding rights to use assets.

	As at 31 December 2023			As at 31 December 2022		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank loans	7 326	1 785	9 111	7 753	201	7 954
Unsubordinated bonds	3 915	210	4 125	4 253	216	4 469
Subordinated bonds	1 140	778	1 918	1 961	5	1 966
Cash pool loans received	–	1 636	1 636	–	2 882	2 882
Loan from the subsidiary	724	2	726	781	2	783
Lease	6	10	16	6	10	16
Total	13 111	4 421	17 532	14 754	3 316	18 070

The TAURON Group obtains financing for investment purposes supporting minimizing the negative impact of the TAURON Group's activities on the climate. The Company is the main entity obtaining external financing for the Group. A summary of the commitment acquired by the Group in the field of pro-climate investments is presented in point E 3.2.1. *Reports on non-financial information of the TAURON Capital Group for 2023.*

31.1. Bank loans

Borrowing institution	Interest rate	Currency	Maturity date	As at 31 December 2023	As at 31 December 2022
Consortiums of banks	floating	PLN	2024 *	2 567	3 271
Bank Gospodarstwa Krajowego	floating	PLN	2024	749	–
			2024-2033	1 001	1 001
European Investment Bank	fixed	PLN	2024	61	141
			2024-2027	103	133
			2025-2040	404	405
	floating		2025-2040	1 222	1 222
			2026-2041	1 226	–
Intesa Sanpaolo S.p.A.	floating	PLN	2024	772	775
SMBC BANK EU AG	fixed	PLN	2025	500	499
Erste Group Bank AG	floating	PLN	2026	506	507
Total				9 111	7 954

*Tranches classified as non-current liability.

As at the balance sheet date, the Company has available loan agreements entered into in 2020 and 2022 with consortiums of banks, where the drawdown period of individual loan tranches may be less than 12 months, however, the financing is revolving and the term of availability exceeds 12 months from the balance sheet date. Due to the intention and ability to maintain financing under the aforementioned agreements over a period exceeding 12 months from the balance sheet date as at 31 December 2023 and 31 December 2022, the drawdowns were classified as non-current liabilities.

In the year ended 31 December 2023, the Company carried out the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Year ended 31 December 2023	
	Drawdown	Repayment
Consortiums of banks	7 410	(8 100)
European Investment Bank	1 200	(111)
Bank Gospodarstwa Krajowego	1 500	(750)
Total, including:	10 110	(8 961)
Cash flows	7 900	(6 751)
Net settlement (without cash flow)	2 210	(2 210)

After the balance-sheet date the Company performed drawdowns under available loans in the total amount of PLN 150 million and repaid tranches in the total amount of PLN 1 050 million.

Signing loans agreements

On 16 February 2023, the Company concluded the working capital loan agreement with Bank Gospodarstwa Krajowego in the revolving loan facility for the amount of PLN 750 million. On 24 February 2023, the Company drew down all available financing, which was repaid on 2 October 2023 and the agreement expired. On 3 October 2023, the Company concluded a new working capital loan agreement with Bank Gospodarstwa Krajowego in the revolving loan facility for the amount of PLN 750 million with a repayment term of 3 October 2024. On 25 October 2023, the Company drew down all available funding.

After the balance sheet date, on 10 January 2024, the Company concluded a loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million, to be repaid in the years 2027-2032. Under the agreement, the Company

will be able to make drawdowns in a 2-year availability period and the loan can be disbursed in tranches over the availability period until 10 January 2026.

Overdrafts

In the year ended 31 December 2023, under annexes to the overdraft agreement, the amount of the overdraft limit was increased from PLN 250 million to PLN 500 million and the repayment term was extended to 2 October 2024. The Company also has available financing limit under the concluded overdraft agreements up to the amount of EUR 4 million, with the maturity date by 31 December 2024. As at 31 December 2023 and as at 31 December 2022, the Company did not have any debt under overdraft agreements.

31.2. Bonds issued

Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Maturity date	Carrying amount	
					As at 31 December 2023	As at 31 December 2022
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	500	2024-2028	501	602
			420	2024-2029	421	491
A series bonds (TPE1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 011	1 014
Eurobonds	fixed	EUR	500	2027	2 192	2 362
Unsubordinated bonds					4 125	4 469
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 ²	401	401
European Investment Bank	fixed ¹	EUR	190	2034 ²	775	851
		PLN	400	2030 ²	396	381
		PLN	350	2030 ²	346	333
Subordinated bonds					1 918	1 966
Total bonds					6 043	6 435

¹ In the case of hybrid (subordinated) bonds subscribed for by the European Investment Bank, two financing periods are distinguished. In the first period, the interest rate is fixed, while in the second period the interest rate is variable based on the base rate (EURIBOR/WIBOR) plus a fixed margin.

² In the case of subordinated bonds, the maturity date shall take into account two financing periods. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement and classification of bonds as at the balance sheet day includes earlier redemption, in connection with the intended redemption of bonds after the termination of first period of financing (in 2024, 2025 and 2026).

Non-subordinated bonds

The Eurobonds with a nominal value of EUR 500 million have been admitted to trading on the regulated market of the London Stock Exchange, while the TPE1025 bonds with a nominal value of EUR 1 000 million are listed in the Catalyst alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Subordinated hybrid bonds

The bonds subscribed by the European Investment Bank ("EIB") with a nominal value of EUR 190 million and PLN 750 million and by Bank Gospodarstwa Krajowego ("BGK") with a nominal value of PLN 400 million are subordinated, which means that in the event of bankruptcy or liquidation of the issuer, the liabilities arising from the bonds will have priority of repayment only over the receivables of the Company shareholders. This, in turn positively affects the level of the net debt/EBITDA ratio since the bonds are excluded from the calculation of this ratio which is a covenant in some financing agreements concluded by the Company. Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a beneficial effect on the rating of the TAURON Group.

The Company additionally holds financing available under the subordinated bond emission scheme which was concluded in 2021 with Bank Gospodarstwa Krajowego up to the amount of PLN 450 million, which has not been used by the Company.

31.3. Debt agreement covenants

The agreements signed with banks impose the legal and financial covenants on the Company, standard for this type of transactions. The key covenant is *the net debt/EBITDA* ratio (for long-term loans agreements and domestic bond issue schemes) which determines the debt less cash in relation to generated EBITDA. The net debt/EBITDA covenant for banks is examined on the basis of consolidated data as at 30 June and 31 December while its permissible limit value, depending on the provisions of financing agreements, is 3.5 or 4.0.

As at 31 December 2023, *the net debt/EBITDA* ratio amounted to 2.11, therefore the covenant was not maintained. At the end of the comparative period, the covenant was also met.

This is a translation of the document originally issued and signed in Polish

31.4. Loans received under the cash pool service

As at 31 December 2023 and as at 31 December 2022, the Company had current liabilities on account of cash pool transactions amounting to PLN 1 636 million and PLN 2 882 million, respectively. The liability arises from the Group's cash pool service mechanism, which is described in more detail, including the presentation of receivables arising from cash pool transactions, in Note 21.3 of these financial statements.

31.5. Loan from subsidiary

The liability of the Company amounting to PLN 726 million (EUR 167 million) as at 31 December 2023 relates to the long-term loan received from the subsidiary, Finanse Grupa TAURON Sp. z o.o. under the agreement concluded between TAURON Polska Energia S.A. and the subsidiary, Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ)). The loan agreement in the amount of EUR 167 million was concluded in 2014 and bears interest at a fixed rate while the interest is paid annually until the full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

31.6. Lease liabilities

Lease liability relates mainly to the lease of office premises and warehouses and cars as well as perpetual usufruct right to land.

Ageing of the lease liability

	As at 31 December 2023	As at 31 December 2022
Within 1 year	10	11
Within 1 to 5 years	4	4
More than 5 years	7	5
Gross lease liabilities	21	20
Discount	(5)	(4)
Present value of lease payments	16	16

32. Other financial liabilities

SELECTED ACCOUNTING PRINCIPLES

Other financial liabilities include, among others: liabilities to companies due to settlements of the Tax Capital Group, payroll liabilities, deposits, security deposits, and collateral received, which are valued at the amount due, as a result of the immaterial impact of discounting.

	As at 31 December 2023	As at 31 December 2022
Liabilities arising from income tax settlements of the PGK companies	185	–
Valuation of guarantees and financial sureties	26	74
Wages and salaries as well as other employee related liabilities	9	8
Bid bonds, deposits and collateral received	6	9
Variation margin deposits arising from stock exchange transactions	–	41
Security margin deposits arising from bank settlements	–	8
Other	14	14
Total	240	154
Non-current	6	8
Current	234	146

Liabilities due to income tax settlements of the Tax Capital Group are described in more detail in Note 28 to these financial statements.

In accordance with IFRS 9 *Financial Instruments*, the Company measures guarantees and sureties issued at the amount of expected credit losses. The granted guarantees, sureties and other securities constituting the Company's contingent liabilities are described in more detail in Note 41 of these financial statements.

33. Liabilities to suppliers

SELECTED ACCOUNTING PRINCIPLES

Current liabilities to suppliers are recognised at the amount due.

	As at 31 December 2023	As at 31 December 2022 (restated figures)
Liabilities to subsidiaries, including:	672	757
TAURON Wytwarzanie S.A.	427	520
TAURON Ciepło Sp. z o.o.	127	117
TAURON Sprzedaż Sp. z o.o.	21	66
TAURON Sprzedaż GZE Sp. z o.o.	3	7
Other subsidiaries	94	47
Liabilities to other suppliers	307	662
Total	979	1 419

34. Other non-financial liabilities

SELECTED ACCOUNTING PRINCIPLES

Other non-financial liabilities include, in particular, liabilities on account of advances received which are settled by the delivery of goods as well as tax and fee settlements which include:

- VAT settlements;
- Tax settlements related to civil law transactions;
- Personal income tax and social security settlements;
- Other public law settlements.

	As at 31 December 2023	As at 31 December 2022
VAT	680	51
Liabilities due to write-down for the Price Difference Payment Fund	317	–
Advances for deliveries	–	1 536
Social security	7	6
Other	1	4
Total	1 005	1 597
Non-current	–	4
Current	1 005	1 593

The increase in VAT liabilities is related to:

- the reinstatement as of 1 January 2023 of the 23% VAT rate on electricity, heat and gas (until 31 December 2022 the reduced rate was 5%),
- the entry into force on 1 April 2023 of legislation introducing the reverse charge of VAT on transactions in, inter alia, trading in electricity and greenhouse gas emission allowances, covering, in particular, transactions where the Company purchases electricity on the exchange, with the simultaneous obligation to charge a 23% VAT rate on intra-group transactions.

Liabilities in respect of allowances for the Price Difference Payment Fund (the "Fund") relate to the Company's recognition of the costs of write-down to the Fund, as further described in Note 13 to these financial statements, in respect of which the payment date falls after the balance sheet date.

The decline in the balance of advances received for deliveries is related to the implementation of deliveries of CO₂ emission allowances to TAURON Wytwarzanie S.A. and the lack of transactions resulting in the obligation to receive advances for successive deliveries in the year ended 31 December 2023.

35. Provision for onerous contract

SELECTED ACCOUNTING PRINCIPLES

Provision for onerous contracts

The Company creates the provision for the onerous contract since it is a party to the agreement under which unavoidable costs of fulfilling the obligation outweigh the benefits to be obtained thereunder. The Company recognises and measures the current obligation under such agreement as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding to the costs of fulfilment of the contract or costs of any damages or penalties arising for the failure to fulfil it, whichever is lower. The unavoidable costs of meeting the obligation shall be increased by the value of the interest due if it can be estimated reliably.

The costs of fulfilling the contract include costs directly related to the contract. Costs directly related to the contract include:

- incremental costs of fulfilling this contract, e.g. labour and materials,
- allocation of other costs that relate directly to fulfilling the contracts (for example, the allocation of depreciation charges to an item of property, plant and equipment used, inter alia, to fulfil this agreement).

The provision for onerous contracts was created in the Company for contracts relating to the sale of CO₂ emission allowances to subsidiaries for the needs of their redemption of allowances.

	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance	281	222
Unwinding of discount	5	13
Recognition/(Reversal) net	23	133
Utilisation	(309)	(87)
Closing balance	–	281
Non-current	–	28
Current	–	253

In the year ended 31 December 2023, in connection with the settlement of contracts with delivery dates in the first half of 2023 and the materialisation of the loss generated on the resale of allowances, the Company used the provision recognised as at 31 December 2022 for onerous contracts in the amount of PLN 281 million related to agreements for the sale of CO₂ emission allowances. The provision was recognised for onerous contracts related to CO₂ emission allowances under which, on the basis of transaction agreements concluded with subsidiaries, the unavoidable costs of fulfilling the obligation to supply CO₂ emission allowances to subsidiaries exceed the benefits to be received under these agreements. The provision was calculated as a difference between concluded transaction agreements for sales to subsidiaries and concluded contracts for the purchase of CO₂ emission allowances from the market measured at the current exchange rate.

The provision is mainly a consequence of portfolio restructuring transactions carried out in 2021 and 2022 due to the surplus of CO₂ emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. (currently TAURON Wytwarzanie S.A.), in connection with the failure and shutdown of the 910 MW unit in Jaworzno, as a result of which the Company generated a profit upon performing the transaction, i.e. in 2021 and 2022.

36. Other provisions, accruals and governmental subsidies

SELECTED ACCOUNTING PRINCIPLES

Accruals and governmental subsidies

The Company recognises accruals mainly for bonuses and unused holiday leave.

Provisions for employee benefits

In accordance with the remuneration system adopted, employees of the Company are entitled to post-employment benefits: retirement and disability severance pay and benefits from the Company Social Benefits Fund. The provision for death compensation to which the family of the deceased employee is entitled is created in accordance with the terms and in the amount included in the Labour Code.

The current value of such liabilities as at the balance sheet day is calculated by an independent actuary. The accrued liabilities are equal to discounted future payments, that will be made in the future, including employee turnover, and pertain to the time remaining until the balance sheet day. Demographic information and employee turnover data are based on historical data. Actuarial gains and losses on post-employment benefits are fully charged to other comprehensive income.

Other provisions

Provisions are recognised if the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

	As at 31 December 2023	As at 31 December 2022
Accruals and governmental subsidies, including:	24	19
<i>Accruals due to bonuses and salary changes</i>	9	9
Provision for post-employment employee benefits	7	4
Other provisions	4	3
Total	35	26
Non-current	8	4
Current	27	22

EXPLANATORY NOTE TO THE STATEMENT OF CASH FLOWS

SELECTED ACCOUNTING PRINCIPLES

The statement on cash flows is prepared according to the indirect method.

37. Significant items of the statement of cash flows

37.1. Cash flows from operating activities

Change in working capital

	Year ended 31 December 2023	Year ended 31 December 2022 <i>(restated figures)</i>
Change in receivables	(570)	(293)
Change in inventories	60	(21)
Change in payables excluding loans	(1 098)	1 063
Change in other non-current and current assets	600	(554)
Change in deferred income, government grants and accruals	3	4
Change in provisions	(282)	61
Change in collaterals transferred to IRGiT	651	(515)
Change in working capital	(636)	(255)

37.2. Cash flows from investment activities

Loan granting

	Year ended 31 December 2023	Year ended 31 December 2022
Loans granted to companies:		
"MEGAWATT S.C." Sp. z o.o.	(289)	(133)
WIND T30MW Sp. z o.o.	(247)	–
Windpower Gamów Sp. z o.o.	(244)	–
FF Park PV 1 Sp. z o.o.	(153)	(12)
TAURON Obsługa Klienta Sp. z o.o.	(130)	(95)
TAURON Inwestycje Sp. z o.o.	(83)	–
Wind T2 Sp. z o.o.	(46)	–
WIND T4 Sp. z o.o.	(43)	–
TAURON Wytwarzanie S.A.	–	(4 863)
TAURON Dystrybucja S.A.	–	(1 300)
Elektrociepłownia Stalowa Wola S.A.	–	(120)
Wind T1 Sp. z o.o.*	–	(106)
Polpower Sp. z o.o.*	–	(31)
TAURON Nowe Technologie S.A.	–	(50)
Other companies	(10)	(27)
Change in the balance of loans granted to subsidiaries under the long-term exposure cash pool agreement	–	78
Total	(1 245)	(6 659)

* In 2023, the following mergers of companies of the Renewable Energy Sources segment took place: on 11 April 2023, the incorporation of AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered and on 2 October 2023, the incorporation of WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered, as further discussed in Note 2 of these financial statements.

37.3. Cash flows from financial activities

Loans and borrowings repaid

	Year ended 31 December 2023	Year ended 31 December 2022
Repayment tranches of loans to:		
Consortiums of banks	(5 890)	(5 950)
Bank Gospodarstwa Krajowego	(750)	–
European Investment Bank	(111)	(111)
Total	(6 751)	(6 061)

Interest paid

	Year ended 31 December 2023	Year ended 31 December 2022
Interest paid in relation to loans and borrowings	(539)	(268)
Interest paid in relation to debt securities	(208)	(247)
Total	(747)	(515)

Borrowings

	Year ended 31 December 2023	Year ended 31 December 2022
The launch of financing under loan agreements:		
Consortiums of banks	5 200	7 340
European Investment Bank	1 200	1 600
Bank Gospodarstwa Krajowego	1 500	–
Erste Group Bank AG	–	500
Total	7 900	9 440

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

38. Financial instruments

SELECTED ACCOUNTING PRINCIPLES

Financial assets held by the Company under IFRS 9 *Financial Instruments* are classified into the following classes of financial instruments:

- financial assets measured at amortised cost
- financial assets measured at a fair value through profit or loss,

As at the balance sheet date, the Company had no financial assets measured at a fair value through other comprehensive income.

Financial assets in accordance with IFRS 9 *Financial Instruments* are classified upon initial recognition based on the cash flow characteristics (SPPI test) and the business model underlying the management of a given financial asset.

The equity instruments are measured at fair value through profit or loss in line with IFRS 9 *Financial Instruments*.

The Company divides the liabilities into the following classes:

- financial liabilities measured at a fair value through profit or loss;
- other financial liabilities, measured at amortised cost at each subsequent balance sheet date at amortised cost.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company makes judgements regarding classification of financial instruments.

As at each reporting period end, the Company measures the fair value of assets and liabilities classified as measured at fair value and discloses the fair value of other financial instruments. The methodology fair value measurement is presented below.

The Company recognises an impairment loss upon initial recognition of a financial asset and then remeasures the loss amount as at each reporting day. The Company recognises the allowance for expected credit losses on financial assets measured at an amortized cost, including mostly for loans granted and receivables from customers. The measurement methodology is described in Notes 27 and 39.1.2 to these financial statements.

38.1. Carrying amount and fair value of categories and classes of financial instruments

Categories and classes of financial assets	As at 31 December 2023		As at 31 December 2022 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	13 767	13 761	15 132	14 881
Receivables from buyers	2 490	2 490	2 240	2 240
Loans granted to subsidiaries	9 966	9 960	10 942	10 691
Loans granted under cash pool agreement	869	869	1 950	1 950
Other financial assets	442	442	–	–
2 Financial assets measured at fair value through profit or loss (FVTPL)	2 302	2 302	2 039	2 039
Derivative instruments	142	142	257	257
Long-term shares	76	76	60	60
Loans granted to subsidiaries and jointly-controlled entities	1 576	1 576	648	648
Other financial assets	24	24	35	35
Cash and cash equivalents	484	484	1 039	1 039
3 Derivative hedging instruments	299	299	592	592
4 Financial assets excluded from the scope of IFRS 9 <i>Financial Instruments</i>	15 444		15 656	
Shares in subsidiaries	15 240		15 240	
Shares in jointly-controlled entities	204		416	
Total financial assets, of which in the statement of financial position:	31 812		33 419	
Non-current assets	26 975		27 278	
Shares	15 520		15 716	
Loans granted	11 273		11 172	
Derivative instruments	149		390	
Other financial assets	33		–	
Current assets	4 837		6 141	
Receivables from buyers	2 490		2 240	
Loans granted	1 138		2 368	
Derivative instruments	292		459	
Other financial assets	433		35	
Cash and cash equivalents	484		1 039	

Categories and classes of financial liabilities	As at 31 December 2023		As at 31 December 2022 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	18 735	18 563	19 627	19 157
Arm's length loans, of which:	11 473	11 446	11 619	11 465
Bank loans	9 111	9 123	7 954	7 881
Liability under the cash pool loan	1 636	1 636	2 882	2 882
Loans from the subsidiary	726	687	783	702
Bonds issued	6 043	5 898	6 435	6 119
Liabilities to suppliers	979	979	1 419	1 419
Other financial liabilities	240	240	154	154
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	813	813	341	341
Derivative instruments	813	813	341	341
3 Financial liabilities excluded from the scope of IFRS 9 <i>Financial Instruments</i>	16		16	
Liabilities under leases	16		16	
Total financial liabilities, of which in the statement of financial position:	19 564		19 984	
Non-current liabilities	13 286		14 772	
Debt	13 111		14 754	
Derivative instruments	169		10	
Other financial liabilities	6		8	
Current liabilities	6 278		5 212	
Debt	4 421		3 316	
Liabilities to suppliers	979		1 419	
Derivative instruments	644		331	
Other financial liabilities	234		146	

The description of the fair value measurement methodology applied to financial instruments and fair value hierarchy levels assigned to these instruments are presented in the following table.

Classes of financial assets/liabilities	Level of the fair value hierarchy	Methodology for determining the fair value
Financial assets/liabilities measured at a fair value		
Derivatives, including:		
IRS and CCIRS	2	Financial derivative instruments were measured in accordance with the methodology described in Note 22 to the financial statements.
Forward FX contracts	2	
Commodity contracts (forward, futures)	1	
Shares	3	As a rule, the Company estimates the fair value of its shares in companies other than subsidiaries, jointly controlled entities and associates, not listed on active markets using the adjusted net assets method, taking into account its share in net assets and adjusting the value for significant factors affecting the valuation, such as such as discount for lack of control and discount for limited liquidity of the above instruments. In justified cases, the Company may adopt the historical cost as an acceptable approximation of the fair value of shares, when, in the Company's opinion, the key factors affecting the value of the shares have not changed as of the balance sheet date compared to the moment of initial recognition.
Loans granted to subsidiaries	2	The fair value of loans granted to subsidiaries classified as assets measured at fair value was measured as the present value of future cash flows generated in accordance with the repayment schedule by a given loan, discounted at the currently applicable interest rate. The input data is the interest rate curve from Refinitiv. The curve is shifted by the spread determined at the moment of financing initiation, resulting from the change from a fixed interest rate to a variable interest rate.
Loans granted to joint venture	3	The fair value of loans granted to the joint venture was measured as the present value of future cash flows, which include an estimate of the cash flows that will be generated by the borrower in the future. The discount rate is based on the cost of equity capital expected for the business profile of the borrower.
Financial liabilities for which the fair value is disclosed		
Credits, loans and bonds issued	2	Fixed interest rate debt liabilities were measured at a fair value. The fair value measurement was performed as the present value of future cash flows discounted by the currently applicable interest rate for the specific bonds, loan or credit facility, i.e. applying market interest rates.
Loans granted to subsidiaries	2	The fair value of loans granted to subsidiaries classified as measured at amortized cost was generally measured as the present value of future cash flows generated in accordance with the repayment schedule by a given loan, discounted using the interest rate currently applicable to a given borrower.
	3	In justified cases, the Company allow fair value as closed to carry value, due to the carry value take in to account discounted future cash flows as at the balce sheet day (loans granted to subsidiaries of TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o. o.)

The fair value of other financial instruments as at 31 December 2023 and 31 December 2022 (except from those excluded from the scope of IFRS 9 *Financial instruments*) did not differ considerably from the figures presented in the financial statements for individual periods for the following reasons:

- the potential discounting effect relating to short-term instruments is not significant;
- the instruments are related to arm's length transactions.

Shares in subsidiaries and jointly-controlled entities excluded from the scope of IFRS 9 *Financial Instruments* are measured at cost less any impairment allowances.

In the year ended 31 December 2023 no changes occurred in the measurement methodology applied to the above financial instruments.

Change in the balance of financial assets whose measurement to fair value is classified at the 3rd level of the fair value hierarchy

	Year ended 31 December 2023		Year ended 31 December 2022	
	Not quoted shares	Loans granted	Not quoted shares	Loans granted
Opening balance	60	206	51	99
Gains (losses) for the period recognized in financial revenue/costs	–	151	(11)	(13)
Purchased / loans granted	16	–	20	120
Closing balance	76	357	60	206

There were no transfers between levels of the fair value hierarchy in the year ended 31 December 2023 or the year ended 31 December 2022.

38.2. Revenue, expenses, gain and loss items included in the statement of comprehensive income by category of financial instruments

Year ended 31 December 2023

	Assets / liabilities measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging instruments	Financial assets / liabilities excluded from the scope of IFRS 9	Total
Dividends	-	-	-	-	475	475
Interest income/(expense)	49	954	(1 155)	227	(1)	74
Commissions	-	-	(19)	-	-	(19)
Exchange differences	24	(1)	291	-	-	314
Impairment / revaluation ¹	(290)	(1 067)	49	-	(271)	(1 579)
Gain/(loss) on realized derivative instruments ²	(164)	-	-	-	-	(164)
Net financial income/(costs)	(381)	(114)	(834)	227	203	(899)
Revaluation	(5)	25	-	-	-	20
Gain/(loss) on realized derivative instruments ²	(7)	-	-	-	-	(7)
Net operating income/(costs)	(12)	25	-	-	-	13
Remeasurement of IRS	-	-	-	(287)	-	(287)
Other comprehensive income	-	-	-	(287)	-	(287)

¹In scope of financial liabilities measured at amortized costs consist of liabilities due to guarantee issued credit losses

²The Company recognises revenues and expense from commodity derivatives in operating activities. Revenue and expenses regarding other derivatives are recognized under financial revenue/expenses.

Year ended 31 December 2022

	Assets / liabilities measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging instruments	Financial assets / liabilities excluded from the scope of IFRS 9	Total
Dividends	11	-	-	-	1 786	1 797
Interest income/(expense)	29	554	(798)	145	(1)	(71)
Commissions	-	-	(24)	-	-	(24)
Exchange differences	(21)	2	(107)	-	-	(126)
Impairment / revaluation ¹	(253)	(1 450)	(59)	-	(36)	(1 798)
Gain/loss on disposal of	-	-	-	-	56	56
Gain/(loss) on realized derivative instruments ²	10	-	-	-	-	10
Net financial income/(costs)	(224)	(894)	(988)	145	1 805	(156)
Revaluation	13	(25)	-	-	-	(12)
Gain/(loss) on realized derivative instruments ²	(18)	-	-	-	-	(18)
Net operating income/(costs)	(5)	(25)	-	-	-	(30)
Remeasurement of IRS	-	-	-	187	-	187
Other comprehensive income	-	-	-	187	-	187

¹In scope of financial liabilities measured at amortized costs consist of liabilities due to guarantee issued credit losses

²The Company recognises revenues and expense from commodity derivatives in operating activities. Revenue and expenses regarding other derivatives are recognized under financial revenue/expenses.

39. Objectives and principles of financial risk management

The financial risk is managed at the level of the TAURON Polska Energia S.A. Capital Group, which means that within the framework of financial risk management, the Company performs the functions assigned to it as a member of the TAURON Group and the management, control and monitoring functions assigned to it as the central unit.

Types of risk arising from financial instruments to which the Company is exposed in the course of its business:

- credit risk;
- liquidity risk;
- market risk, including:
 - interest rate risk,
 - exchange rate risk;
 - raw material and commodity price risk related to commodity derivative instruments.

Risks related to financial instruments which the Company and the TAURON Group are exposed to, including a description of the exposure and the risk management method are presented in the table below.

Risk exposure	Risk management	Regulation
Credit risk		
Possible loss resulting from the counterparty default on contractual obligations. The credit exposure involves a default risk (the amount that may be lost as a result of non-payment for goods or services) and a replacement risk (the amount that may be lost if a delivery is not made or a service is not provided).	<p>Credit risk management is aimed at limiting losses resulting from the deterioration of the financial situation of the TAURON Group's counterparties and mitigating the risk of credit exposures at risk of impairment.</p> <p>Commercial transactions of significant value are preceded by an assessment of the counterparty's creditworthiness, including an economic and financial analysis of the entity. Based on the assessment, the counterparty is granted a credit limit, which is a limit on the maximum credit exposure understood as the amount that may be lost if the counterparty fails to meet its contractual obligations within a specified period of time (taking into account the value of the collateral provided). Credit exposure is calculated for the current day and divided into exposure due to payment and exposure of replacement.</p> <p>The TAURON Group has a decentralised credit risk management system, which means that each risk owner is actively responsible for managing the credit risks that arise within their business scope, but control, monitoring and reporting is performed at the Company-wide level. The TAURON Group's Credit Risk Management Policy sets out the credit risk management procedures for the entire Group with the view to reduce the impact of the risk on the Group's strategic objectives.</p> <p>Based on the value of exposure and assessment of financial standing of each client, the value of credit risk to which the TAURON Group is exposed is calculated using statistical methods to determine value at risk based on the total loss probability distribution.</p>	Credit risk management policy in the TAURON Group
Liquidity risk		
Possible loss or limitation of the ability to make payments on a day-to-day basis due to an inappropriate volume or structure of liquid assets as compared to current liabilities or an insufficient level of the actual net proceeds from operating activities.	<p>The liquidity situation of the Company and the TAURON Group is monitored on an on-going basis in terms of potential deviations against the assumed plans while the availability of external sources of financing whose amount significantly exceeds the expected demand in a short term mitigates the risk of losing liquidity.</p> <p>To this end, the Company applies the rules of determining the liquidity position both of individual companies and the entire TAURON Group which helps ensure funds that would cover any potential liquidity gaps by allocating funds between companies (cash-pooling mechanism) as well as using external financing.</p> <p>The Company also manages the financing risk, understood as no capability to obtain new funding, an increase in funding costs and the risk of terminating the existing funding agreements. To mitigate the financing risk, the Company's policy assumes obtaining funding for the TAURON Group in advance of the planned time of use, i.e. up to 12 months prior to the planned demand. The key objective of such policy is to ensure flexible selection of funding source, use favourable market conditions and reduce the risk related to the necessity to contract new liabilities on unfavourable financial terms.</p>	Liquidity management policy of the TAURON Group

Market risk - interest rate and currency risks

<p>The possibility of an adverse effect on the Group's performance through fluctuations in the fair value of financial instruments or the related future cash flows, driven by changes in interest rates or foreign exchange rates.</p>	<p>The TAURON Group manages currency and interest rate risks on the basis of the TAURON Group Financial Risk Management Policy developed and adopted for use, as well as the Risk Tolerance, the Global Limit for Financial Risk and its decomposition into individual types of financial risk approved by the Management Board. The key objective of management of such risks is to minimise the cash flow sensitivity of the Company and the TAURON Group to financial risk factors and to minimise financial cost and costs of hedging under transactions with the use of derivative instruments. For interest rate risk hedging transactions and where possible and economically justified, the Company uses derivatives whose characteristics allows the application of hedge accounting.</p> <p>The financial risk management policy of the TAURON Group has also introduced hedge accounting principles which set out the terms and conditions and types of hedge accounting, along with the accounting treatment of hedging instruments and hedged items, to be applied as part of hedge accounting under IFRS.</p>	<p>Financial risk management policy for the TAURON Group</p>
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Market risk - price risk

<p>Unplanned volatility of the TAURON Group's operating result resulting from fluctuations in commodity market prices in individual areas of the TAURON Group's trading activities.</p>	<p>Effective management is ensured by a commercial risk management system linked in terms of organisation and information with the TAURON Group's strategy of hedging trading positions. The policy has introduced an early-warning system and risk-exposure limiting system in various trading areas. The basic operational measure of the market risk in the TAURON Group is the Value at Risk measure which determines the maximum allowed change in the value of the position over a given time period and with a given probability.</p>	<p>Commercial risk management policy for the TAURON Group</p>
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39.1. Credit risk

Classes of financial instruments that give rise to credit risk exposure with different characteristics are presented in the table below.

Financial asset classes	As at 31 December 2023	As at 31 December 2022 (restated figures)
Loans granted	12 411	13 540
Receivables from buyers	2 490	2 240
Cash and cash equivalents	484	1 039
Derivative instruments	441	849
Other financial assets	466	35

The credit risk related to financial assets of the Company results from the inability to make payment by the other party to the agreement and the maximum exposure to the risk is equal to the carrying amount of these instruments.

39.1.1 Credit risk related to receivables from customers

The Company monitors credit risk related to its operations on an ongoing basis, in line with the *Credit Risk Management Policy* adopted by the TAURON Group. As a result of the analysis of credit standing of counterparties with significant credit exposure, the conclusion of trading transactions resulting in an increase in credit exposure above the allocated exposure limit generally requires the establishment of a collateral.

In accordance with IFRS 9 *Financial Instruments*, the Company estimates and recognizes in the profit or loss allowances on expected credit losses. For strategic counterparties, the risk is estimated based on ratings assigned to counterparties using an internal scoring model, appropriately converted to probability of default. The Company expects that the historical performance information concerning other counterparties may reflect the credit risk that will be faced in future periods. The expected credit loss on receivables from customers is calculated upon recognition of such receivables in the statement of financial position and updated as at each subsequent reporting period end taking into account the forward looking aspect.

The exposure of the Company to credit risk related to receivables from customers, including the ageing of receivables from customers and information regarding impairment and risk concentration are presented in Note 27 to these financial statements.

39.1.2 Credit risk related to loans granted

Loans measured at amortised cost

As far as granted loans measured at amortized cost are concerned, the Company assesses the risk of insolvency on the part of the borrowers based on the ratings assigned to the counterparties using an internal scoring model, appropriately restated to account for the probability of default. The expected credit loss is calculated based on the time value of money.

For the purposes of determining the calculation horizon for expected credit losses, the potential material credit risk increases related to a certain financial asset are verified from the moment of initial recognition of such a financial asset.

Determinants for the occurrence of a significant increase in credit risk associated with an asset:

- the counterparty's internal or external rating as at the reporting period end having deteriorated by more than two rating levels compared to its rating upon initial recognition;
- the counterparty's probability of insolvency projected within one-year horizon as at the reporting period end being at least twice higher than as at the initial recognition date;
- receivables related to a given asset being overdue by more than 30 days.

If a given counterparty's receivables are overdue by more than 90 days, they are classified as bad debt, i.e. the 100% probability of insolvency is assigned to that counterparty. The loans granted by the Company as at 31 December 2023 and 31 December 2022 were not overdue.

Loans measured at a fair value

Loans classified as measured at fair value are measured using the discounted cash flow method, taking into account credit risk. The loans granted to subsidiaries are generally unsecured. The loans granted by the Company to the joint venture Elektrociepłownia Stalowa Wola S.A. are secured by blank promissory notes including promissory note declarations.

The Company's exposure to credit risk related to loans granted, including information on impairment losses as well as the classification to individual stages of creating the allowances for expected credit losses in line with the rating used in the Company, is presented below and in Note 21 to these financial statements.

Loans measured at amortised cost by ratings used in the Company

Year ended 31 December 2023

	Level 1: allowance equal to 12 monthly expected credit losses - no impairment	Level 2: allowance for expected credit losses over the life period - no impairment	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
A- do BBB-	5 861	-	-	-	5 861
BB+ do BB	1 283	-	-	-	1 283
BB- do B	675	-	-	3 068	3 743
B- do D	-	-	-	-	-
Gross value	7 819	-	-	3 068	10 887
impairment loss	(52)	-	-	-	(52)
Net value	7 767	-	-	3 068	10 835

Year ended 31 December 2022

	Level 1: allowance equal to 12 monthly expected credit losses - no impairment	Level 2: allowance for expected credit losses over the life period - no impairment	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
A- do BBB-	5 911	-	-	-	5 911
BB+ do BB	1 114	-	-	-	1 114
BB- do B	1 912	681	7	3 635	6 235
B- do D	-	-	-	-	-
Gross value	8 937	681	7	3 635	13 260
impairment loss	(265)	(96)	(7)	-	(368)
Net value	8 672	585	-	3 635	12 892

39.1.3 Credit risk related to other financial assets

Derivatives

The entities with which the Company enters into derivative transactions to hedge the risks associated with changes in interest rates and exchange rates operate in the financial sector. These banks receive investment rating. The Company diversifies banks with whom derivative transactions are concluded.

Derivatives, which basis are non-financial assets, included in IFRS 9 *Financial Instruments*, involve futures (exchange market) and forward transactions (OTC). Exchange markets apply appropriate mechanisms to protect, in the form of initial and variation margin deposits. Under variation margin deposits, the Company provides and receives cash arising from changes in the measurement of the underlying instruments on an ongoing basis, which means that as at the end of the reporting period, credit risk does not occur in relation to futures transactions.

In the case of OTC instruments there is a credit risk related to the possibility of insolvency of the other party to the agreement. Therefore, commercial transactions of significant value are preceded by the assessment of the credit standing counterparty, including the economic and financial analysis of the entity. On the basis of the assessment, the counterparty is granted a credit limit, which is a limit of the maximum credit exposure. Execution of trade transactions resulting in an increase in credit exposure above the allocated exposure limit generally requires the establishment of collateral in accordance with the *Credit Risk Management Policy in the TAURON Group*.

Cash and cash equivalents

The Company manages its cash credit risk by diversifying the banks where surplus cash can be deposited while reducing the cost of holding cash in accounts. These banks receive investment rating.

The share of the three banks where the Company holds its largest cash balances was 99% as at 31 December 2023, of which the largest part of cash was held in accounts with the leading bank - 61%.

39.2. Liquidity risk

The Company maintains a balance between continuity, flexibility and cost of financing by using various sources of funding, which enable management of liquidity risk and mitigate adverse effects of its materialisation effectively. The Company pursues a policy of diversification of financing instruments but first of all it seeks to secure and ensure financing to enable the TAURON Group companies to meet current and future liabilities in the short and long term. Liquidity risk management is connected with planning and monitoring of cash flows in the short and long term and taking actions to ensure funds for the operation of the Group companies.

The Company carries out a centralised finance management policy, allowing effective management of an area within the entire Group. Among others, the Group has adopted *Liquidity management policy for the TAURON Group*, which facilitates optimization of liquidity management of the Group, consequently reducing the risk of liquidity loss by the Group in each of the companies included in the TAURON Group. Having implemented appropriate projection standards, the TAURON Group can precisely determine its liquidity position allowing to optimize the time of obtaining funding, maturity and types of deposit instruments, as well as an appropriate level of the liquidity provision.

Additionally, in order to mitigate a possibility of cash flow disruption and liquidity risk, the TAURON Group uses the cash pooling mechanism. The cash pooling structure enables the TAURON Group companies that experience short-term shortage of funds to use cash provided by companies with cash surplus, without the need to obtain borrowings from third parties.

In the Company's opinion, the occurrence of negative net working capital as at the balance sheet date does not generate any liquidity risk, taking into account that the Company has available funding under the concluded agreements. Agreements with funding available as at the balance sheet date and the use of funds are presented in the table below.

Type of financing	Purpose of financing	Funds availability termination year	Currency	As at 31 December 2023	
				Currency limit available (PLN/EUR)	Limit drawn upon
subordinated bond issuance scheme	current and investment expenditures	2024	PLN	450	-
revolving loans	current and investment expenditures (excluding coal assets)	2027	PLN	4 000	2 400
		2026	PLN	500	160
overdraft facility	current expenditures	2024	PLN	500	-
			EUR	4	-

Funds available under financing agreements indicated in the table above can be used for investment and corporate-wide purposes, including securing the Group's current liquidity position.

After the balance sheet date:

- on 10 January 2024, the Company concluded the loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million. Under the loan agreement, the Company will be able to make drawdowns over a 2-year availability period. The funds made available under the loan agreement will be used to cover the TAURON Group's expenditures related to the financing or refinancing of expenditures in the area of renewable energy sources and the development of distribution networks (Notes 31.1 and 50);
- on 6 March 2024, the Company concluded an annex to the documentation of the programme for the issue of subordinated bonds up to PLN 450 million concluded in 2021 with Bank Gospodarstwa Krajowego. The annex extends the period allowing for performing the issue of subordinated bonds to 39 months from the date of signing of the documentation, i.e. from 11 March 2021.

The policy pursued with regard to the acquisition of financing sources enables, above all, an increase in the possibility of obtaining financing for general corporate purposes and capital expenditures, a reduction in the cost of external capital, a reduction in the amount and forms of collateral established on TAURON Group assets and covenants required by financial institutions and a reduction in administrative costs. The corporate finance model also makes it possible to acquire sources of financing that are not available to individual companies.

In 2023, the Company demonstrated full capacity to settle its liabilities on their maturity date.

The tables below show the ageing of the Company financial liabilities by non-discounted contractual payments.

Financial liabilities as at 31 December 2023

	Carrying amount	Contractual undiscounted payments	Including contractual undiscounted payments maturing during the period (from the reporting date)					
			less than 3 months	3 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Financial liabilities other than derivative instruments								
Interest-bearing loans, borrowings and bonds issued	17 516	(20 250)	(1 805)	(3 356)	(3 190)	(1 878)	(5 906)	(4 115)
Liabilities to suppliers	979	(979)	(979)	–	–	–	–	–
Other financial liabilities	240	(240)	(233)	–	(3)	(3)	–	(1)
Lease liabilities	16	(21)	(3)	(8)	(4)	–	–	(6)
Derivative financial liabilities								
Derivative instruments-commodity*	125	–	–	–	–	–	–	–
Derivative instruments-currency	679	(679)	(368)	(162)	(135)	(14)	–	–
Derivative instruments-CCIRS	9	(20)	–	(5)	(5)	(5)	(5)	–
Total	19 564	(22 189)	(3 388)	(3 531)	(3 337)	(1 900)	(5 911)	(4 122)

*The valuation of commodity derivatives on foreign exchanges is reflected on an ongoing basis in the amount of additional deposits made, which limits the value of contractual future payments.

Financial liabilities as at 31 December 2022 (restated data)

	Carrying amount	Contractual undiscounted payments	Including contractual undiscounted payments maturing during the period (from the reporting date)					
			less than 3 months	3 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Financial liabilities other than derivative instruments								
Interest-bearing loans, borrowings and bonds issued	18 054	(21 175)	(3 007)	(1 015)	(2 718)	(3 157)	(7 806)	(3 472)
Liabilities to suppliers	1 419	(1 419)	(1 419)	–	–	–	–	–
Other financial liabilities	154	(154)	(144)	–	(3)	(3)	(3)	(1)
Lease liabilities	16	(20)	(3)	(7)	(4)	–	–	(6)
Derivative financial liabilities								
Derivative instruments-commodity*	232	(92)	(69)	(23)	–	–	–	–
Derivative instruments-currency	109	(109)	(39)	(67)	(3)	–	–	–
Total	19 984	(22 969)	(4 681)	(1 112)	(2 728)	(3 160)	(7 809)	(3 479)

*The valuation of commodity derivatives on foreign exchanges is reflected on an ongoing basis in the amount of additional deposits made, which limits the value of contractual future payments.

As at 31 December 2023 and 31 December 2022, the Company had guarantees, sureties and collaterals granted to related companies for the total amount of PLN 1 061 million and PLN 1 491 million, respectively (excluding registered and financial

pledges on shares). The most important items are described in Note 41 to these financial statements. Guarantees and collaterals granted by the Company are contingent liabilities and do not significantly affect the Company's liquidity risk.

39.3. Market risk

Market risk is associated with the possibility of a negative impact on the Company's results through fluctuations in the fair value of financial instruments or future cash flows associated with them due to changes in market prices.

The Company identifies the following types of market risk it is exposed to:

- interest rate risk;
- currency risk;
- raw material and commodity price risk related to commodity derivative instruments.

39.3.1 Interest rate risk

Interest rate risk relates to the possibility of changes in cash flows generated by floating rate bearing financial assets and liabilities, including changes in the Company's cost of servicing its financing.

The Company controls interest rate risk through a system of limits relating to the maximum potential loss due to a change in interest rates on the Company's total interest rate risk exposure.

The Company is exposed to interest rate risk in connection with raising of floating interest rate capital and depositing floating interest rate cash and granting floating and fixed interest rate loans. The Company is also exposed to the materialisation of the risk of lost benefits on fixed-rate debt if interest rates fall.

The purpose of interest rate risk management is to limit negative effects of market interest rate fluctuations on the Company's cash flows to an acceptable level and to minimize finance costs.

As the Company has adopted a dynamic financial risk management strategy where the hedged item is represented by cash flows relating to the exposure to the floating WIBOR 6M interest rate related to debt in floating interest rate, the interest rate risk for a portion of interest cash flows has been reduced by the hedging IRS transactions concluded, described in detail in Note 22 hereto. IRS transactions concluded in order to hedge interest rate risk are subject to hedge accounting.

The Company enters into interest rate derivative transactions only to hedge its real risk exposure. The regulations binding in the Company do not allow it to enter into speculative transactions with regard to interest rate risk, i.e. transactions that would possibly generate additional profit resulting from a change in interest rates, while exposing the Company to the risk of incurring a loss on this account.

Financial instruments measured at a fair value are also exposed to interest rate risk: IRS, CCIRS and selected loans.

Financial instruments by interest rate type

Financial instruments	Year ended 31 December 2023			Year ended 31 December 2022		
	Fixed interest rate	Floating interest rate	Total	Fixed interest rate	Floating interest rate	Total
Financial assets						
Loans granted measured at amortized cost	9 966	869	10 835	10 942	1 950	12 892
Loans granted measured at fair value	1 576	–	1 576	648	–	648
Derivative instruments-IRS	–	299	299	–	592	592
Derivative instruments-CCIRS	–	–	–	–	21	21
Cash and cash equivalents	–	484	484	–	1 039	1 039
Financial liabilities						
Arm's length loans	1 795	9 678	11 473	1 960	9 659	11 619
Bonds issued	3 709	2 334	6 043	3 928	2 507	6 435
Derivative instruments-CCIRS	–	9	9	–	–	–
Leases liabilities	16	–	16	16	–	16

Financial liabilities bearing floating interest rates include floating-rate loans and bonds with a total nominal value of PLN 3 670 million, whose changes in cash flows from interest payments were secured by entering into an interest rate swap transaction. Accordingly, hedging transactions were also presented as floating rate instruments.

Other financial instruments of the Company, which are not included in the table above, are not interest bearing and therefore they are not subject to interest rate risk.

Analysis of sensitivity to interest rate risk

For the purposes of analyzing sensitivity to changes in market risk factors, the Company relies on the scenario analysis method. The Company relies on expert scenarios reflecting its judgment concerning the behaviour of individual market risk factors in the future. The scope of the analysis includes only those items which meet the IFRS definition of financial instruments.

In its sensitivity analysis of derivatives, the Company measures and monitors interest rate risk using the BPV (Basis Point Value) measure, which shows the change in fair value of derivatives due to a parallel shift of the yield curve by 0.01% (one basis point). In the sensitivity analysis for interest rate risk of other financial instruments, the Company applies a parallel shift of the interest rate curve by the potential possible change in reference interest rates over the horizon to the date of the next financial statements, i.e. by the average levels of reference interest rates in a given year.

The Company identifies its exposure to the risk of changes in WIBOR, EURIBOR, ESTRON and LIBOR USD interest rate, whereas as at 31 December 2023 and 31 December 2022, its exposure to changes in EURIBOR, ESTRON and LIBOR USD rates was insignificant.

The tables below present sensitivity of the gross profit/loss as well as other comprehensive income (gross) to reasonably potential changes in interest rates within a horizon until the date of the next financial statements, assuming that all other risk factors remain unchanged.

Classes of financial instruments	As at 31 December 2023		Sensitivity analysis for interest rate risk as at 31 December 2023		As at 31 December 2022		Sensitivity analysis for interest rate risk as at 31 December 2022	
	Carrying amount	Value at risk	Profit/(Loss) /Other comprehensive income*		Carrying amount	Value at risk	Profit/(Loss) /Other comprehensive income*	
			WIBOR +651 bp	WIBOR -651 bp			WIBOR +630 pb	WIBOR -630 pb
Financial assets								
Loans granted measured at amortized cost	10 835	869	57	(57)	12 892	1 950	123	(123)
Loans granted measured at fair value	1 576	1 576	(518)	954	648	648	(148)	262
Derivative instruments	441	299	1	(1)	849	613	1	(1)
Cash and cash equivalents	484	449	29	(29)	1 039	977	62	(62)
Financial liabilities								
Arm's length loans and borrowings	11 473	9 678	(630)	630	11 619	9 659	(609)	609
Bonds issued	6 043	2 334	(152)	152	6 435	2 507	(158)	158
Derivative instruments	813	9	-	-	341	-	-	-
Total			(1 213)	1 649			(729)	843

* The sensitivity of other comprehensive income applies to financial derivative instruments of the Interest Rate Swap type covered by hedge accounting, as discussed in more detail in Note 22 of these financial statements.

The risk exposure as at 31 December 2023 and as at 31 December 2022 is representative of the Company's risk exposure during the annual periods preceding these dates.

Reform of benchmarks

Pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 *on indices to be used as reference indices in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014* (the "BMR Regulation"), which imposes new legal requirements related to the development and use of reference indices, banks have been obliged to add a fallback clause to their contracts in the event of a temporary or permanent cessation of the determination of the base rate or a change in its calculation method. The provisions of the fallback clause set out an alternative base rate or method of setting it, while ensuring the continued enforceability of the contract based on the variable rate formula.

In connection with the reform of reference indices in Poland, including the introduction on the Polish market of an alternative reference interest rate index, whose input is information representing overnight transactions, the National Working Group for Reference Index Reform (NGR) was established. The NGR's work aims to ensure that the development and application of the new benchmark interest rate is credible, transparent and reliable in accordance with the BMR Regulation. In September 2022, the NGR Steering Committee decided to select the WIRON (Warsaw Interest Rate Overnight) index based on the parameters of overnight deposit transactions as an alternative interest rate benchmark for the PLN market. In February 2023, the Polish Financial Supervision Authority announced that the WIRON index had become an interest rate benchmark within the meaning of the BMR Regulation. In October 2023, the NGR Steering Committee decided to postpone the completion of the transition from WIBOR to WIRON to the end of 2027.

As at 31 December 2023, the Company has no concluded financial instruments based on WIRON.

With regard to the interest rates affected by the reform of the interest rate benchmarks, the transition to the revised benchmarks will take place at the end of 2027 at the latest, the Company identifies as at 31 December 2023 an exposure to risks associated with the planned replacement of the WIBOR reference rate. As at 31 December 2023, the Company had debt agreements bearing floating interest rates using the relevant WIBOR reference rates, for which the financing period exceeds the cut-off date for WIBOR eligibility, i.e. the end of 2027, as presented in Notes 31.1 and 31.2 of these financial statements. With regard to the financing agreements that will be in force at the cut-off date for the possibility to use the WIBOR rate, these have appropriate provisions for the use of reference rates, or the Company is currently working on the appropriate implementation of such provisions in the relevant agreements.

In addition, as at the balance sheet date, the Company has entered into IRS derivatives covered by hedge accounting, as described in more detail in Note 22 of these financial statements, whose maturity partially exceeds the cut-off date for WIBOR eligibility, i.e. the end of 2027. In the Company's assessment of the above IRS derivatives, the reform of the benchmarks will not have a significant impact on the Company's costs and hedge effectiveness, given the symmetrical change in the benchmark in the hedging and hedged instruments.

The majority of the Company's liabilities under borrowings and bonds issued have maturities falling before the reference rate replacement date (in the case of hybrid bonds, taking into account redemption after the first financing period) until the end of 2027, i.e. before the final date of transition to the new reference rates. Similarly, the majority of the IRS instruments concluded at 31 December 2023 will be settled by the end of 2027. Information on the Company's liabilities as at 31 December 2023 based on WIBOR 6M and interest rate hedging contracts in relation to WIBOR 6M, maturing after 2027, is presented in the table below.

Financial instrument	Investor / borrowing institution	Reference indicator	Currency	Maturity, repayment or exercise date after the transition date	Nominal value of the liability / IRS valuation
					As at 31 December 2023
bonds	Bank Gospodarstwa Krajowego	WIBOR 6M	PLN	2028	100
				2028-2029	140
loan	Bank Gospodarstwa Krajowego	WIBOR 6M	PLN	2028-2033	600
	European Investment Bank	WIBOR 6M	PLN	2028-2041	2 023
Total nominal value of loans and bonds maturing after 2027					2 863
Interest Rate Swaps*	Financial institutions	WIBOR 6M	PLN	2028-2029	22

*IRS instruments, the exercise of which will take place after 2027 and whose fair value measurement (in the part relating to the period after 2027) as at 31 December 2023, amounted to PLN 22 million, concern the exchange of interest payments on the total nominal value of the liability in the amount of PLN 740 million.

The Company does not hold any significant financial assets bearing a floating interest rate based on the benchmark rate covered by the benchmark reform.

Given the timing of the transition to the new reference rate (end of 2027) and the ongoing work on the appropriate implementation of contingency clauses in the relevant contracts, the risk of not being able to continue the operation of the aforementioned contracts, or the risk of additional costs affecting, among other things, liquidity risk and the risk of significant adverse changes in cash flows as a result of changes in reference rates, is assessed by the Company as low. The Company monitors the extent of the potential changes, but due to the timing of the mandatory transition will estimate the total impact on the financial statements of the Company at a later stage of progress.

39.3.2 Currency risk

The tables below present the Company's exposure to currency risk by particular classes of financial instruments as at 31 December 2023 and 31 December 2022. The Company's significant exposure relates to changes in the EUR/PLN exchange rate, mainly due to external financing incurred in EUR. The Company's exposure to other currencies is immaterial.

	As at 31 December 2023			As at 31 December 2022 (restated figures)		
	Carrying amount	EUR in currency	in PLN	Carrying amount	EUR in currency	in PLN
Financial assets						
Receivables from buyers	2 490	–	–	2 240	1	4
Derivatives	441	29	125	849	50	236
Other financial assets	466	–	1	35	–	1
Cash and cash equivalents	484	6	28	1 039	13	59
Total	3 881	35	154	4 163	64	300
Financial liabilities						
Arm's length loans	11 473	167	726	11 619	167	783
Bonds issued	6 043	683	2 967	6 435	685	3 214
Liabilities to suppliers	979	5	23	1 419	–	–
Derivatives	813	29	125	341	49	232
Other financial liabilities	240	–	1	154	9	43
Total	19 548	884	3 842	19 968	910	4 272
Net currency position		(849)	(3 688)		(846)	(3 972)

Currency risk is related to the possibility of changes in the Company's cash flows, including changes in the cost of servicing debt in foreign currency and the cost of contracting CO₂ emission allowances, as well as changes in the valuation in PLN of debt raised in foreign currency.

The Company controls currency risk through a system of limits relating to the maximum potential loss due to a change in currency exchange rates on the Company's total currency risk exposure.

As part of its currency risk management, the Company uses forward contracts. The purpose of the transactions concluded was to hedge the Company against currency risk arising in the course of its commercial activities, primarily from the purchase of CO₂ emission allowances, and in the course of investment activities related to the implementation of projects in the area of renewable energy sources, as well as to hedge the foreign exchange exposure generated by interest payments on acquired financing in EUR.

The Company enters into derivative transactions hedging currency risk only to secure its real risk exposure. The regulations binding in the Company do not allow it to enter into speculative transactions with regard to currency risk, i.e. transactions that would possibly generate additional profit resulting from a change in interest rates, while exposing the Company to the risk of incurring a loss on this account.

The fair value measurement of currency forward contracts and CCIRS contracts is exposed to the risk of changes in the EUR/PLN exchange rate. Transactions entered into to hedge against currency risk are not subject to hedge accounting.

Currency risk sensitivity analysis

The analysis of sensitivity to changes in market risk factors is conducted by means of a scenario analysis. The Company relies on expert scenarios reflecting its judgement concerning the behaviour of individual market risk factors in the future. The scope of the analysis includes only those items which meet the IFRS definition of financial instruments.

The potential changes in foreign exchange rates have been determined within a horizon until the date of the next financial statements and calculated on the basis of annual implied volatility for FX options quoted on the interbank market for a given currency pair as at the end of the reporting period or, in the absence of available quoted market prices, on the basis of historical volatility for a period of one year preceding the balance sheet date.

The Company identifies its exposure to foreign currency risk related to EUR/PLN, USD/PLN, GBP/PLN, CZK/PLN. Significant risk exposure occurs for EUR; other currencies do not generate material risk for the Company.

The table below presents sensitivity of the gross financial profit/loss to reasonably possible changes in the EUR/PLN exchange rate within a horizon until the date of the next financial statements, assuming that all other risk factors remain unchanged.

Classes of financial instruments	As at 31 December 2023		Sensitivity analysis for currency risk as at 31 December 2023		As at 31 December 2022 (restated figures)		Sensitivity analysis for currency risk as at 31 December 2022	
	Carrying amount	Value at risk	exchange rate EUR/PLN +7.35%	exchange rate EUR/PLN -7.35%	Carrying amount	Value at risk	exchange rate EUR/PLN +8.45%	exchange rate EUR/PLN -8.45%
Financial assets								
Derivatives	441	142	(2)	2	849	257	42	(42)
Other financial assets	466	1	–	–	35	1	–	–
Cash and cash equivalents	484	28	2	(2)	1 039	59	5	(5)
Financial liabilities								
Arm's length loans	11 473	726	(53)	53	11 619	783	(66)	66
Bonds issued	6 043	2 967	(218)	218	6 435	3 214	(272)	272
Liabilities to suppliers	979	23	(2)	2	1 419	–	–	–
Derivatives	813	813	495	(495)	341	341	480	(480)
Other financial liabilities	240	1	–	–	154	43	(4)	4
Total			222	(222)			185	(185)

The risk exposure as at 31 December 2023 and as at 31 December 2022 is representative of the Company's risk exposure during the annual periods preceding these dates.

39.3.3 Raw material and commodity price risk related to commodity derivative instruments

The Company concludes derivative contracts, with underlying instruments being commodities and raw materials. The exposure of the Company to price risk inherent in commodity derivative instruments is related to a risk of volatility in the fair value of the said instruments, driven by fluctuations of prices of the underlying raw materials/commodities. The Company limits price risk related to commodity derivatives by concluding offsetting transactions. The risk is limited to open long and short positions concerning a given commodity or raw material, i.e. concern unbalanced portfolio.

At 31 December 2023, the portfolio of concluded contracts is fully balanced. This minimises market risk in the commodity derivatives portfolio.

40. Operational risk

The Company is exposed to adverse effects of risks related to changes in cash flows and financial performance in the domestic currency due to changes in prices of goods in the open market position.

Commercial operational risk is managed at the level of the TAURON Group, which is discussed in more detail in Note 55 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2023. The Company manages its commercial risk following the *Commercial risk management policy* developed and adopted in the TAURON Group.

The Company's exposure to the risk of prices of goods reflects the volume of electricity and gas acquired. The volume and cost of electricity and gas acquired have been presented in the table below.

Fuel type	Unit	2023		2022	
		Volume	Purchase cost	Volume	Purchase cost
Electricity	MWh	36 015 893	29 345	45 640 428	24 725
Gas	MWh	4 478 401	1 439	4 311 642	1 306
Total			30 784		26 031

In terms of coal trading, the Company is not exposed to the price risk, as it acts as an agent generating revenue from agency services only.

OTHER INFORMATION

41. Contingent liabilities

As at 31 December 2023 and as at 31 December 2022, the contingent liabilities of the Company mainly resulted from the collaterals and guarantees granted to related parties and included:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	Validity	As at 31 December 2023	As at 31 December 2022
Corporate guarantees	Finanse Grupa TAURON Sp. z o.o.	Private placement investors	3.12.2029	730	788
	TAURON Czech Energy s.r.o.	ČEZ a.s.	31/01/2025	13	14
Registered pledges and financial pledge of shares in TAMEH HOLDING Sp. z o.o.	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG	31/12/2028	204	416
Liabilities arising from bank guarantees issued to subsidiaries	various subsidiaries	various entities	24.01.2024-28.07.2029	143	63
Liability arising from a bank guarantee issued to a jointly-controlled entity	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11/03/2024	50	300
	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	-	-	187
Surety contracts	various subsidiaries	various entities	30/12/2024	7	7
	various subsidiaries	various entities	31.12.2023-23.11.2025	46	57
Blank promissory note with a promissory note declaration ¹	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice	28/02/2025	40	40
Comfort letter ²	TAURON Czech Energy s.r.o.	PKO BP S.A., Czech Branch	28/02/2024	32	35

¹ In 2010, the Company issued a blank promissory note with a promissory note declaration to secure a loan agreement received by the subsidiary from the Regional Environmental Protection and Water Management Fund in Katowice. As at 31 December 2023, the remaining outstanding portion of the loan, amounting to PLN 2 million, is subject to a conditional redemption procedure. The security established will expire upon settlement of the conditional loan remission.

² After the balance sheet date, on 22 March 2024, the amount of security in the form of a declaration of patronage was reduced to CZK 120 million, constituting security for the framework agreement for granting bank guarantees for the period of its validity.

The most significant items of contingent liabilities include:

- The corporate guarantee granted in 2014 to secure the bonds of Finanse Grupa TAURON Sp. z o.o. (the so-called NSV). The guarantee shall be effective until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 million (PLN 730 million), while the beneficiaries of the guarantee are the private placement investors, who purchased the bonds issued. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which amounted to PLN 17 million and PLN 34 million, respectively, as at 31 December 2023 and 31 December 2022 (Note 32).
- The registered pledges and the financial pledge established under the agreement concluded in 2015 on the shares held, representing 50% of the shares in the share capital of TAMEH HOLDING Sp. z o.o., in favour of RAIFFEISEN BANK INTERNATIONAL AG. The registered pledges are pledges with the highest priority of satisfaction on shares up to the highest amount of security in the amount of CZK 3 950 million and PLN 1 370 million, respectively. The agreement for the establishment of registered pledges and financial pledge was concluded in order to secure the transaction involving the agreement for term and working capital loans, which was concluded between TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as the original borrowers, TAMEH HOLDING Sp. z o.o. as the parent company and guarantor and RAIFFEISEN BANK INTERNATIONAL AG as the agent and collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid throughout the period of the collateral period or until release by the pledgee, however, not later than on 31 December 2028.

As at 31 December 2023, the carrying amount of shares in TAMEH HOLDING Sp. z o. o. amounts to PLN 204 million. As at the balance sheet date, as a result of impairment tests, the Company recognized an impairment loss on shares in the amount of PLN 212 million (Note 11).

- The liability arising from the issuance of a bank guarantee at the request of the Company up to the amount of PLN 50 million, as a collateral for the receivables of BGK resulting from the loan agreement concluded on 8 March 2018 between the borrower, Elektrociepłownia Stalowa Wola S.A. and BGK and ORLEN S.A. (formerly: (PGNiG S.A.)), effective from 18 December 2023 to 11 March 2024. In connection with the guarantee issued, the Company recognised

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a liability in the amount of expected credit losses, which amounted to PLN 2 million as at 31 December 2023 (Note 32). In the comparable period, BGK's receivables were secured by a bank guarantee of up to PLN 300 million and a surety of up to PLN 187 million and the recognised liability in the amount of expected credit losses totalled PLN 40 million.

On 11 December 2023, the bank guarantee of up to PLN 457 million expired, in lieu of which, in order to secure BGK's receivables under the above loan agreement, pursuant to the deposit agreement of 8 December 2023 concluded between the Company and BGK, the Company provided a cash deposit of PLN 426 million on 11 December 2023. Due to the repayment of a loan instalment by Elektrociepłownia Stalowa Wola S.A. and the acceptance by BGK of a bank guarantee of up to PLN 50 million, the deposit had been partially returned by the balance sheet date. As at 31 December 2023, the amount of the deposit surrender reached PLN 346 million. Above deposit was described in Note 23 of this financial statements in scope of other financial assets.

After the balance sheet date, as part of the security for BGK's receivables arising from the above-described loan agreement, events occurred, including in particular the issuance of a bank guarantee for the amount of PLN 300 million with a validity period until 11 March 2025, as a result of which there was a further partial refund of the cash deposit in the amount PLN 325 million, conclusion of a new surety agreement with BGK up to a maximum amount of PLN 54 million valid until 11 March 2025, and transfer of an additional cash deposit to BGK in the amount of PLN 21 million.

As at the date of approval of these financial statements for publication, BGK's receivables arising from the loan agreement concluded on 8 March 2018 are secured by: a bank guarantee up to PLN 300 million, a surety up to a maximum amount of PLN 54 million and a deposit of PLN 42 million (i.e. security to the total amount of PLN 396 million).

Significant items of the Company's contingent liabilities due to court proceedings and concluded agreements:

Claims related to termination of long-term contracts

Claims relating to termination of long-term contracts against subsidiary Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.

In 2015, companies belonging to the Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising claims for damages and contractual penalty claims related to contract termination, or file separate claims for compensation.

As at the date of approval of these financial statements for publication, the amount of damages claimed in the lawsuits amounts to: Polenergia Group companies - PLN 136 million (including Amon Sp. z o.o. - PLN 90 million, Talia Sp. z o.o. - PLN 46 million); Wind Invest group companies - PLN 533 million.

In the case filed by Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued (judgement of 25 July 2019 in the Amon Sp. z o.o. lawsuit and judgement of 6 March 2020, supplemented by the court on 8 September 2020 in the Talia Sp. z o.o. lawsuit), in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term agreements concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and those concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Talia Sp. z o.o. for the purchase of electricity and property rights resulting from certificates of origin are ineffective and do not produce legal effect in the form of termination of both agreements, as a result of which the agreements after the notice period, i.e. after 30 April 2015, remain in force in respect of all provisions and are binding on the parties. Moreover, the courts also recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages justified as to the merits, without, however, prejudging the amount of potential damages. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgments. In both the Amon Sp. z o.o. and Talia Sp. z o.o. actions, the Courts of Appeals dismissed the appeals of the company Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The judgements of the Courts of Appeals, and consequently the judgements issued by the courts of first instance, are final. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimants. Disagreeing with the judgements of the Courts of Appeals, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed cassation complaints in both cases. In the case brought by Talia Sp. z o.o., the Supreme Court accepted the cassation appeal for hearing on 28 February 2023. On 29 September 2023, a closed session of three-judge Supreme Court was held, but no ruling was issued and the proceedings were adjourned without indicating a date. In the case brought by Amon Sp. z o.o., the Supreme Court accepted the case for hearing on 26 September 2023.

The above-mentioned final, partial and preliminary judgements in the Talia Sp. z o.o. and Amon Sp. z o.o. lawsuits do not change the Group's assessment that the chances of ultimately losing the case for damages in favour of Talia Sp. z o.o. and Amon Sp. z o.o. are not higher than the chances of winning it, and therefore no provision is created for the related costs.

On 31 March 2023, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed a lawsuit for payment against Amon Sp. z o.o. with the Regional Court in Gdańsk. The subject matter of the claim is the payment by Amon Sp. z o.o. to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. the total amount of PLN 62 million, including statutory interest for delay and legal costs, consisting of a demand for payment of contractual penalties in the amount of PLN 56 million, calculated on the basis of an agreement for the sale of property rights resulting from certificates of origin which confirm the generation of electricity in a renewable energy source - Wind Farm in Łukaszów, and a demand for payment of compensation in the amount of PLN 6 million for failure to perform the agreement for the sale of electricity generated in a renewable energy source - Wind Farm in Łukaszów, concluded between Amon Sp. z o.o. and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on 23 December 2009. The filing of the lawsuit by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. results from the fact that after the date of the judgement of the Court of Appeals in Gdańsk, i.e. after 17 November 2022 dismissing the appeal of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., Amon Sp. z o.o., despite being summoned by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., has not fulfilled the obligation resulting from the final judgement by entering into the above-mentioned contracts with Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. Pursuant to the decision of 2 May 2023, the Regional Court in Gdańsk decided to leave the claim of Polska Energia-

Pierwsza Kompania Handlowa Sp. z o.o. without further proceedings. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has taken and plans to take further legal action against this court decision, which the company believes was issued without legal basis. None of the rules of civil procedure provides for leaving a properly filed and paid claim, from which a demand for the resolution of a dispute of a civil nature is expressly made, without any further action being taken. Pending proceedings.

On 28 December 2023, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed a lawsuit against Talia Sp. z o.o. before the Regional Court in Warsaw for payment of a total amount of PLN 75 million with statutory interest for delay. This amount includes contractual penalties in relation to the contract for the sale of so-called green certificates, in the total amount of PLN 42 million for Talia Sp. z o.o.'s failure to transfer property rights obtained in connection with the production of electricity from June 2019 to April 2023. The amount claimed also includes contractual indemnity in respect of the electricity sales contract, in the total amount of PLN 33 million for the damage suffered due to the failure to sell electricity to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. in the period from 21 December 2021 to 30 April 2023. The claims of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are related to the non-performance of contracts by Talia Sp. z o.o. despite the final judgement of the Court of Appeals of 20 December 2021. A copy of the lawsuit has not yet been served on Talia Sp. z o.o.

In the case filed by Pękanino Wind Invest Sp. z o.o. for the provision of security for claims for determining that the terminations of long-term contracts submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are ineffective, the Court of Appeals in Warsaw on 6 November 2019 partially granted the application for security by ordering Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform the provisions of the contracts in their entirety on the existing terms and conditions, in accordance with their content, until the proceedings from the suit of Pękanino Wind Invest Sp. z o.o. are legally concluded against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the Regional Court in Warsaw. The decision regarding the security is final. This decision does not prejudice the merits of the action, which can only take place in a binding judgement, but only temporarily regulates the parties' relations for the duration of the proceedings.

Other cases are held at first instance courts (including one remanded for re-examination to the first- instance court by a second-instance court).

Taking into account the current status of the lawsuits and the circumstances surrounding them, the Group believes that the chances of losing the remaining lawsuits related to both declarations of ineffectiveness of termination of agreements and claims for damages are not higher than the chances of winning the lawsuits in question, and therefore it does not recognise a provision for related costs.

Claims relating to termination of long-term contracts against TAURON Polska Energia S.A.

In 2017 and 2018, companies belonging to the Polenergia and Wind Invest groups filed actions against TAURON Polska Energia S.A. regarding payment of damages and determining liability for potential future losses resulting from tort, including unfair competition. According to the plaintiffs notices of termination submitted by the subsidiary Polska - Energia Pierwsza Kompania Handlowa Sp. z o.o. regarding long-term contracts for the purchase of power and property rights related to energy certificates allegedly directed by TAURON Polska Energia S.A., provided the factual basis for these claims.

As at the date of approval of these financial statements for publication, the amount of damages claimed in the lawsuits amounts to: Polenergia Group companies - PLN 180 million, Wind Invest group companies - PLN 351 million.

Moreover, in their claims, the plaintiff companies indicate the following values of estimated damages that may arise in the future: Polenergia Group companies - PLN 265 million, Wind Invest Group companies - PLN 1 119 million.

The District Court in Katowice has jurisdiction to hear the lawsuits. All cases are held before the first instance courts. The proceedings filed by Wind Invest group companies are held in camera. As at the date of approval of these financial statements for publication, the Group's chances of obtaining a favourable resolution of the disputes should be assessed positively, i.e. the chances of losing are not higher than the chances of winning.

Claim towards Polskie Elektrownie Jądrowe Sp. z o.o. (formerly: PGE EJ 1 Sp. z o.o.)

TAURON Polska Energia S.A. as a former shareholder holding 10% of shares in the share capital of Polskie Elektrownie Jądrowe Sp. z o.o. until the date of sale, i.e. 26 March 2021, jointly with the other former shareholders of the company (PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.), is a party to the agreement with Polskie Elektrownie Jądrowe Sp. z o.o. regulating the issues of potential liabilities and benefits of the parties resulting from the future, potential settlement of the dispute between Polskie Elektrownie Jądrowe Sp. z o.o. and the consortium composed of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter: "WorleyParsons consortium").

In 2015, the WorleyParsons consortium, which is the research contractor for the investment process related to the construction of a nuclear power plant by Polskie Elektrownie Jądrowe Sp. z o.o., submitted claims against Polskie Elektrownie Jądrowe Sp. z o.o. for the total amount of PLN 92 million in a call for payment and then filed a lawsuit for approximately PLN 59 million, extended in 2017 and 2019 to the amount of approximately PLN 128 million.

In accordance with the agreement, the shareholders in proportion to their previously held number of shares in Polskie Elektrownie Jądrowe Sp. z o.o. are responsible for liabilities or proportionally entitled to benefits potentially arising as a result of the settlement of the dispute with the WorleyParsons consortium up to the maximum level of claims including interest set as at 26 March 2021, amounting respectively to PLN 140 million for claims asserted by the WorleyParsons consortium against Polskie Elektrownie Jądrowe Sp. z o.o. and PLN 71 million for claims asserted by Polskie Elektrownie Jądrowe Sp. z o.o. against the WorleyParsons consortium.

To the best of the Group's knowledge, Polskie Elektrownie Jądrowe Sp. z o.o. has not acknowledged the claims filed against it and considers potential adjudication by the court to be unlikely. The Group does not create a provision in relation to the above-mentioned events.

Claims filed by Huta Łaziska S.A.

In connection with the merger of the Company with Górnośląski Zakład Elektroenergetyczny S.A. ("GZE"), TAURON Polska Energia S.A. became the party to the court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the President of the Energy Regulatory Office.

By the statement of claim of 12 March 2007 Huta demands from GZE and the State Treasury - the President of the Energy Regulatory Office (in solidum) to adjudicate the amount of PLN 182 million including interest accrued from the date of filing the statement of claim to the date of payment as compensation for the alleged damage caused by the failure of GZE to implement the decision of the ERO President of 12 October 2001 concerning the resumption of deliveries of electricity to Huta.

In this case, the courts of the first and second instance passed judgements favourable for GZE; however, in its judgement of 29 November 2011 the Supreme Court overruled the judgement of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the decision of the Regional Court and remanded the case for re-examination by the latter. By judgement of 28 May 2019, the Regional Court in Warsaw dismissed Huta's claim in its entirety and ruled that Huta reimbursed each of the defendant for the costs of the proceedings. Huta appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company. By the judgement of 9 February 2022, the appeal lodged by Huta was dismissed and the Company was awarded, among others, the costs of the appeal proceedings. The judgement is legally binding. On 13 October 2022, Huta filed a cassation appeal with the Supreme Court. Both the Company and the State Treasury lodged replies to this action emphasising, in the first instance, the lack of grounds for its acceptance for examination by the Supreme Court. Until the date of approval of these financial statements, the Company has not been served with an order of the Supreme Court accepting or refusing to accept the cassation appeal of Huta for examination.

Based on the conducted legal analysis of the claims as well as taking into account the aforementioned judgement, the Group believes that they are unjustified and the risk that they must be satisfied is remote. Consequently, the Company did not create a provision for costs associated with those claims.

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, and currently before the Court of Appeal in Katowice, refers to the payment of the amount of PLN 17 million including the statutory interest accrued from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in connection with possible errors in the determination of the aggregated measurement and settlement data by ENEA Operator Sp. z o.o. constituting the basis for settlements between ENEA and the Company and Polskie Sieci Elektroenergetyczne S.A. on account of imbalance on the Balancing Market in the period from January to December 2012. In the course of the proceedings at the request of ENEA additional sellers were summoned, for whom TAURON Polska Energia S.A. acted as an entity responsible for trade balancing, including the Company's subsidiaries, i.e. TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The claim for payment by the above subsidiaries amounting in total to PLN 8 million, including the statutory interest, was lodged by the claimant in the event the action against TAURON Polska Energia S.A. is dismissed.

On 22 March 2021, the Regional Court in Katowice dismissed the claim of ENEA in its entirety and ruled on ENEA's obligation to reimburse the costs of the proceedings to the Company. The judgement is not legally binding. ENEA has filed an appeal against the above ruling. Until the date these financial statements were authorised for publication, the Company had not been served with a notice setting a date for an appeal hearing.

The Company did not recognise any provision as, in the opinion of the Company, the risk of losing the case is below 50%.

42. Collaterals for repayment of liabilities

As part of its operations, the Company uses a number of instruments to hedge its own liabilities under the concluded agreements and transactions. The main types of collateral, in addition to the collateral for the Group's transactions concluded on the Polish Power Exchange, described due to their materiality later in this note, are presented below.

Collateral	As at 31 December 2023	As at 31 December 2022
Declarations of submission to enforcement*	18 119	16 050
Bank account mandates	1 670	600
Bank guarantees	66	109
Blank promissory notes	4	4

*As at 31 December 2023, the item comprises collaterals relating to agreements for which, as at the balance sheet day, the liabilities were repaid in the total amount of PLN 2 285 million.

Collateral for transactions concluded on the Polish Power Exchange [Towarowa Giełda Energii S.A.] in TAURON Group

Type of collateral	Description
Declarations of submission to enforcement	<p>On 15 June 2023, a declaration of submission to enforcement was signed to secure the obligations of the Company to Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") up to the amount of PLN 6 000 million, with the effective term until 30 June 2027.</p> <p>The liabilities of the subsidiary, TAURON Wytwarzanie S.A. to the IRGiT were secured by a declaration of submission to enforcement signed by TAURON Wytwarzanie S.A. up to the amount of PLN 2 000 million, with the effective term by 30 June 2025.</p>
Bank guarantees	<p>As at 31 December 2023 and 31 December 2022, bank guarantees totalling PLN 280 million and PLN 176 million, respectively, were in force.</p> <p>After the balance sheet date, annexes to bank guarantees and new bank guarantees were issued in favour of the IRGiT as the security for the Company liabilities. As at the date of approval of these financial statements for publication, bank guarantees in the total amount of PLN 95 million are in force, with the validity dates falling maximum until 12 May 2024.</p>
Agreement for setting off the margins	<p>Pursuant to the Agreement defining the principles for the establishment of financial collateral concluded with the IRGiT, TAURON Group applies a mechanism for setting off the margins. In terms of the transactions performed, the margins required by the IRGiT are calculated against the positions offset within the Group, which translates into the reduction in the funds involved on a Group-wide basis in maintaining the collateral required by the IRGiT.</p>
Transfer of CO₂ emission allowances	<p>The transfer of CO₂ emission allowances to the IRGiT is established in order to cover the Company's liabilities on account of the security deposit payments due. As at 31 December 2023, the Group had no CO₂ emission allowances deposited in the IRGiT account.</p> <p>After the balance sheet day, the following events took place:</p> <ul style="list-style-type: none"> on 4 January and on 28 February 2024, the Company deposited the CO₂ emission allowances it holds in the total amount of 28 000 tons and 340 000 tons, respectively, on the IRGiT account; on 1 February 2024, pursuant to the above-described agreement defining the principles of establishing financial security for the Group and the agreement concluded between the Company and the subsidiary TAURON Wytwarzanie S.A., TAURON Wytwarzanie S.A. transferred the rights owned by it in the total amount of 1 105 000 tons to the IRGiT to secure the Company's liabilities for the due security deposit payments. <p>As at the date of approval of these financial statements for publication, the total amount of CO₂ emission allowances deposited by the Group on the IRGiT account is 1 473 000 tons.</p>

43. Investment liabilities

As at 31 December 2023 and as at 31 December 2022 the Company did not have any material investment liabilities.

44. Related party disclosures

44.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties, as presented in Note 2 to these financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's majority shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length terms.

The total value of transactions with the aforementioned entities and the balances of receivables and liabilities have been presented in the tables below.

Revenues and costs

	Year ended 31 December 2023	Year ended 31 December 2022 (restated figures)
Revenue from subsidiaries	33 638	27 044
Revenue from operating activities	32 210	24 440
Dividend income	443	1 729
Other finance income	985	875
Revenue from jointly-controlled entities	244	1 000
Revenue from State Treasury companies	591	784
Costs incurred with relation to transactions with subsidiaries	(5 430)	(8 121)
Costs of operating activities	(5 249)	(7 995)
Finance costs	(181)	(126)
Costs incurred with relation to transactions with jointly-controlled entities	(487)	(518)
Costs incurred with relation to transactions with State Treasury companies	(830)	(1 292)

Receivables and liabilities

	As at 31 December 2023	As at 31 December 2022 (restated figures)
Loans granted to subsidiaries and receivables from subsidiaries	16 373	16 852
Loans granted to subsidiaries	13 033	12 792
Loans granted under cash pool agreement	886	2 167
Receivables from buyers	2 359	1 893
Receivables arising from the TCG	78	–
Other financial assets	17	–
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	760	744
Receivables from State Treasury companies	92	109
Liabilities to subsidiaries	3 208	5 939
Loans received under cash pool services	1 621	2 859
Loans from the subsidiary	726	783
Liabilities to suppliers	672	757
Liabilities arising from the Tax Capital Group	185	–
Other financial liabilities	4	4
Other non-financial liabilities	–	1 536
Liabilities to jointly-controlled entities	38	28
Liabilities to State Treasury companies	47	228

The loans and receivables presented in the table above represent values before write-offs for expected credit losses or the measurement to the fair value.

Revenues from subsidiaries presented in the table include revenues from the sale of coal to TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., which are presented in the statement of comprehensive income, net of acquisition costs, at the surplus value representing intermediation fees, as described in Note 12 of these financial statements.

In the year ended 31 December 2023, the revenues from the State Treasury companies result, to a large extent, from transactions executed by the Company with Polskie Sieci Elektroenergetyczne S.A. - 98% of total revenue from State Treasury-owned companies.

In terms of costs incurred in connection with transactions with State Treasury-owned companies in the year ended 31 December 2023, the largest counterparties of TAURON Polska Energia S.A. were Polska Grupa Górnicza S.A., Polskie Sieci Elektroenergetyczne S.A. and Południowy Koncern Węglowy S.A. (formerly: TAURON Wydobywanie S.A.) - 87% of the total costs incurred in purchase transactions with the State Treasury companies.

The Company conducts material transactions on the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. Due to the fact that this entity only arranges stock exchange trading, the purchase and sale transactions performed through it are not treated as related party transactions.

The above tables do not include transactions with banks under the control of the State Treasury, which, in accordance with IAS 24 *Related Party Disclosures*, as providers of finance, are not treated as related parties.

44.2. Remuneration of the executives

The amounts of remuneration and other benefits paid or payable to the Management Board, Supervisory Board and other key executives of the Company in the year ended 31 December 2023 and in the comparative period have been presented in the table below.

	Year ended 31 December 2023	Year ended 31 December 2022
Management Board	10	7
Short-term benefits (with surcharges)	9	6
Termination benefits	1	1
Supervisory Board of the Company	1	1
Short-term employee benefits (salaries and surcharges)	1	1
Other key management personnel	15	13
Short-term employee benefits (salaries and surcharges)	14	12
Termination benefits	–	–
Other	1	1
Total	26	21

The table above takes into account the amounts paid and payable by 31 December 2023. In accordance with the accounting policy adopted, the Company recognises the provisions for benefits on account of termination of management contracts due to members of the Management Board and other key management personnel that may be paid or due in subsequent reporting periods.

There are no transactions in the Company in respect of loans from the Company Social Benefits Fund (ZFŚS) granted to members of the Management Board, members of the Supervisory Board and other members of the key management staff.

In case of termination of the management contract, Members of the Company's Management Board are entitled, under the conditions specified therein, to severance pay, provided that they have held the position for at least twelve months before the termination of the management contract. Moreover, after ceasing to serve on the Company's Management Board, Members of the Management Board who served for at least six months are entitled to compensation for compliance with the non-competition clause.

45. Finance and capital management

Finance and capital management is carried out at the level of TAURON Polska Energia S.A. Capital Group. During the period covered by these financial statements, there were no significant changes in the objectives, principles and procedures of capital and financial management. Capital and finance management at the Group level is discussed in more detail in Note 59 of Additional Explanatory Notes to the Consolidated Financial Statements for the year ended 31 December 2023.

46. Structure of employment

The following note presents the average headcount for the annual periods ended 31 December 2023 and 31 December 2022.

	Year ended 31 December 2023	Year ended 31 December 2022
Administration	367	332
Sales	73	91
Total	440	423

The above table does not include persons covered by contracts for the provision of management services.

47. Fee of the certified auditor or the entity authorized to audit financial statements

Information on the statutory auditor's remuneration is presented in section 6, Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2023.

48. Structure of financial statements broken down by business activity type in line with Article 44 of the Energy Law

In accordance with Article 44.2 of the Act of 10 April 1997, *Energy Law* (the "Act"), TAURON Polska Energia S.A., as the energy company, is obliged to disclose specific items of the balance sheet and the statement of profit or loss broken down by individual types of business activity in notes to these financial statements.

In accordance with Article 44(2) of the Act, the Company has identified the two types of business activities, i.e.: trade in gaseous fuels and other activity.

The principles of preparing a statement of comprehensive income (statement of profit or loss) broken down by type of business activity

The Company keeps accounting records which enable separate calculation of expense and revenue and the profit/loss for individual types of activities.

The Company directly distinguished revenues from sales and own cost of goods, materials and services sold related to particular types of business.

Costs of sales related to the entire sales process carried out by the Company have been divided on a pro rata basis against the revenue on sales generated by the Company.

Other operating and financing activities have been identified as those related to other business activities of the Company.

Administrative expenses of the Company are incurred for the benefit of the entire TAURON Group, hence they have been recognized in the statement of comprehensive income as unallocated items and are not directly attributable to a specific business activity, as such attribution would be unjustified. Also CIT charged to profit or loss has been presented under unallocated items.

Statement of comprehensive income by type of activity for the financial year 2023

	Gas	Other activity	Unallocated items	Total
Sales revenue	1 431	32 883	–	34 314
Cost of sales	(1 439)	(32 485)	–	(33 924)
Profit on sale (loss)	(8)	398	–	390
Selling and distribution expenses	(1)	(32)	–	(33)
Administrative expenses	–	–	(116)	(116)
Other operating income and expenses	–	(11)	–	(11)
Operating profit (loss)	(9)	355	(116)	230
Dividend income	–	475	–	475
Interest income on loans	–	947	–	947
Interest expense on debt	–	(928)	–	(928)
Revaluation of shares	–	(271)	–	(271)
Revaluation of loans	–	(760)	–	(760)
Other finance income and costs	–	(330)	–	(330)
Profit (loss) before tax	(9)	(512)	(116)	(637)
Income tax expense	–	–	(1)	(1)
Net profit (loss)	(9)	(512)	(117)	(638)

Statement of comprehensive income by type of activity for the financial year 2022 (restated figures)

	Gas	Other activity	Unallocated items	Total
Sales revenue	1 294	26 251	–	27 545
Cost of sales	(1 315)	(25 845)	–	(27 160)
Profit on sale	(21)	406	–	385
Selling and distribution expenses	(1)	(31)	–	(32)
Administrative expenses	–	–	(145)	(145)
Other operating income and expenses	–	(8)	–	(8)
Operating profit (loss)	(22)	367	(145)	200
Dividend income	–	1 797	–	1 797
Interest income on loans	–	544	–	544
Interest expense on debt	–	(654)	–	(654)
Revaluation of shares	–	(48)	–	(48)
Revaluation of loans	–	(1 462)	–	(1 462)
Other finance income and costs	–	(341)	–	(341)
Profit (loss) before tax	(22)	203	(145)	36
Income tax expense	–	–	31	31
Net profit (loss)	(22)	203	(114)	67

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The principles of preparing a statement of financial position (balance sheet) broken down by type of business activity

The Company directly separated receivables from customers and liabilities to suppliers, other receivables and liabilities as well as derivatives related to individual types of business activities carried out by the Company.

Equity, provisions for employee benefits, cash, receivables and liabilities relating to taxes and charges and deferred tax asset / liability have been presented as unallocated items in the statement of financial position.

The remaining assets and liabilities are related to other activities of the Company.

Statement of financial position as at 31 December 2023 by type of activity

	Gas	Other activity	Unallocated items	Total
ASSETS				
Non-current assets, of which:	1	27 021	86	27 108
Shares	–	15 520	–	15 520
Loans granted	–	11 273	–	11 273
Derivative instruments	1	148	–	149
Other financial assets	–	33	–	33
Deferred tax assets	–	–	86	86
Current assets, of which:	117	4 251	578	4 946
Receivables from buyers	114	2 376	–	2 490
Income tax receivables	–	–	94	94
Loans granted	–	1 138	–	1 138
Derivative instruments	1	291	–	292
Other financial assets	2	431	–	433
Other non-financial assets	–	3	–	3
Cash and cash equivalents	–	–	484	484
TOTAL ASSETS	118	31 272	664	32 054
EQUITY AND LIABILITIES				
Equity	–	–	11 450	11 450
Non-current liabilities, of which:	2	13 286	6	13 294
Debt	–	13 111	–	13 111
Derivative instruments	2	167	–	169
Other financial liabilities	–	6	–	6
Other provisions, accruals, deferred income and government grants	–	2	6	8
Current liabilities, of which:	22	6 598	690	7 310
Debt	–	4 421	–	4 421
Liabilities to suppliers	21	958	–	979
Derivative instruments	1	643	–	644
Other financial liabilities	–	234	–	234
Other non-financial liabilities	–	315	690	1 005
Other provisions, accruals, deferred income and government grants	–	27	–	27
TOTAL EQUITY AND LIABILITIES	24	19 884	12 146	32 054

Statement of financial position as at 31 December 2022 (restated figures) by type of activity

	Gas	Other activity	Unallocated items	Total
ASSETS				
Non-current assets, of which:	7	27 322	–	27 329
Shares	–	15 716	–	15 716
Loans granted	–	11 172	–	11 172
Derivative instruments	7	383	–	390
Current assets, of which:	14	5 761	1 118	6 893
Receivables from buyers	9	2 231	–	2 240
Income tax receivables	–	–	79	79
Loans granted	–	2 368	–	2 368
Derivative instruments	4	455	–	459
Other financial assets	1	34	–	35
Other non-financial assets	–	601	–	601
Cash and cash equivalents	–	–	1 039	1 039
TOTAL ASSETS	21	33 083	1 118	34 222
EQUITY AND LIABILITIES				
Equity	–	–	12 320	12 320
Non-current liabilities, of which:	7	14 811	4	14 822
Debt	–	14 754	–	14 754
Derivative instruments	7	3	–	10
Other financial liabilities	–	8	–	8
Other non-financial liabilities	–	4	–	4
Other provisions, accruals, deferred income and government grants	–	–	4	4
Current liabilities, of which:	44	6 977	59	7 080
Debt	–	3 316	–	3 316
Liabilities to suppliers	40	1 379	–	1 419
Derivative instruments	4	327	–	331
Other financial liabilities	–	146	–	146
Other non-financial liabilities	–	1 534	59	1 593
Other provisions, accruals, deferred income and government grants	–	22	–	22
TOTAL EQUITY AND LIABILITIES	51	21 788	12 383	34 222

49. Other material information

Implementation of the Government Programme of the Transformation of the Polish Electricity Sector

In the year ended 31 December 2023, the TAURON Group carried out work with the aim to implement the government programme for the transformation of the Polish electricity sector (the “NABE Programme”) launched in April 2021 by the Ministry of State Assets (MAP). The programme aimed to separate coal assets from State Treasury-owned energy companies under the terms and conditions set out by the MAP in the document entitled “*The transformation of the electricity sector in Poland. Separation of coal generation assets from the companies with the State Treasury shareholding*”.

The NABE programme stipulated the acquisition of all assets related to the generation of energy in coal and lignite-fired power plants, including service companies providing services to them by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. In order to implement the transaction, an internal reorganisation was carried out in the TAURON Group to integrate the assets to be separated into a single entity, i.e. TAURON Wytwarzanie S.A.

All reorganization activities were carried out in the TAURON Group, ensuring full operational capacity of the companies that were intended to be separated from the structures of the TAURON Group, in accordance with the assumptions of the NABE Program.

On 14 July 2023, as part of the implementation of the NABE Programme the Company received from the State Treasury, represented by the Minister of State Assets, a proposal for a non-binding document (the “Document”) summarising the terms of the transaction for the acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A.

In particular, the Document includes a proposal for the purchase price of TAURON Wytwarzanie S.A. shares, the key economic and legal terms and conditions of conducting the transaction, including the key provisions of the preliminary sale agreement and the promised sale agreement, as well as the proposed mechanism for the settlement of TAURON Wytwarzanie S.A. debt to the Company. The value of the enterprise of TAURON Wytwarzanie S.A. (Enterprise Value) was determined according to a locked-box mechanism as at 30 September 2022. The Document received did not constitute an offer or commitment to enter into any contract. The value of the transaction in the Document consisted of two elements: the price for TAURON Wytwarzanie S.A. shares ("Sale Price") at a level of PLN 1 and the value of TAURON Wytwarzanie S.A. debt towards the Company as at the date of acquisition of the shares by the State Treasury ("Closing Date"), which was subject to repayment.

Due to the fact that the Document received by the Company provided for the reduction of TAURON Wytwarzanie S.A. debt to the level assumed in the transaction, an increase in the share capital of TAURON Wytwarzanie S.A. by PLN 7 million was registered on 18 August 2023, carried out through the issue of 652 000 shares of PLN 10 value and an issue price of PLN 1 000 per share. Coverage of the increase in the share capital of TAURON Wytwarzanie S.A. was effected by setting off (converting) a part of the existing debt of TAURON Wytwarzanie S.A. to the Company in the amount of PLN 652 million, which is described in more detail in Note 20 of these financial statements.

On 10 August 2023, the Company and the State Treasury signed a document (the "Term Sheet") summarising the key terms and conditions of the transaction of acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A. in order to establish the NABE. The key boundary conditions contained in the signed Term Sheet coincided with the terms of the Document, as described above. The Term Sheet also set out the conditions determining the conclusion of the preliminary agreement for the sale of TAURON Wytwarzanie S.A. shares to the State Treasury.

By the balance sheet date, the conditions precedent allowing the conclusion of the preliminary agreement had not been fulfilled. On 16 February 2024, the Government Legislation Centre announced the completion and withdrawal of the draft Act on the principles of granting guarantees by the State Treasury for NABE liabilities, which is of key importance in terms of ensuring the future financing of NABE and constitutes one of the conditions precedent for the signing of the promissory agreement for the sale of TAURON Wytwarzanie S.A. shares. On 20 February 2024, the Management Board of the Company adopted a resolution on closing the Company's program of separating the TAURON Group's coal generation assets to NABE.

As at 31 December 2023 and as at the date of approval of these financial statements for publication, the Company believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the shares of TAURON Wytwarzanie S.A. held by the Company as disposable assets classified as held for sale.

As at the balance sheet date, the Company shares in TAURON Wytwarzanie S.A. are fully written down and their carrying amount is PLN 0. The carrying amount of loans granted to TAURON Wytwarzanie S.A. and cash pool receivables as at 31 December 2023 amounts to the total of PLN 3 068 million.

Signing the agreement to the Letter of Intent concerning Elektrociepłownia Stalowa Wola S.A.

On 25 July 2023, an agreement (the "Memorandum of Understanding") was signed to the letter of intent concluded in August 2021 regarding Elektrociepłownia Stalowa Wola S.A. The Memorandum of Understanding was concluded between the Company, the subsidiaries, TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o.o. (current owner of 50% of shares in Elektrociepłownia Stalowa Wola S.A.), Orlen S.A. (legal successor of the previous party to the letter of intent, i.e. Polskie Górnictwo Naftowe i Gazownictwo S.A.) and PGNiG TERMIKA S.A. (an entity now part of Orlen Group).

The intention of the parties to the Memorandum of Understanding was to confirm the intention to continue (after the recent ownership changes) the talks planned in the letter of intent concerning a potential transaction of the sale by the TAURON Group to Orlen Group of its equity involvement in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. by the Company, including a potential development of a method of carrying out the potential transaction and its settlement acceptable to the parties. The Memorandum of Understanding excluded TAURON Wytwarzanie S.A. from the talks, included TAURON Inwestycje Sp. z o.o. and adjusted the principles of cooperation to the new legal and actual situation. The Memorandum of Understanding further indicates that the method of settlement of the potential transaction to be worked out by the parties may take into account, for example, the potential sale of 100% of the shares in PGNiG TERMIKA Energetyka Przemysłowa S.A. with its registered office in Jastrzębie Zdrój belonging to PGNiG TERMIKA S.A. to the company or companies in the TAURON Group.

Impact of the COVID-19 pandemic on the operations of the Group

In the year ended 31 December 2023, no significant impact of the COVID-19 pandemic on the TAURON Group was observed, including on the level of demand for electricity, the developments in prices on the markets of electricity and related products and trends in the level of overdue receivables of the Group's customers.

The situation related to the COVID-19 pandemic in the year ended 31 December 2023 did not affect the operations of individual Business Areas of TAURON Group.

The epidemiological emergency state caused by SARS-CoV-2 virus infections was lifted in Poland on 1 July 2023.

Impact of the aggression of the Russian Federation against Ukraine on the current and future activities of TAURON Group

Recognising the scale of the risks associated with the current situation, the TAURON Group continuously monitored the impact of the war in Ukraine and undertook measures to mitigate the potential effects of risk materialisation as well as to maintain the continuity of critical infrastructure operations.

The TAURON Group did not have assets located in Ukraine, Russia and Belarus, therefore, TAURON Group did not identify any direct effects of the war on its own business operations. In the scope of financial and liquidity risks, as at the date of approval of these financial statements for publication, the Group held sufficient financial resources enabling it to settle its current liabilities as well as to carry out the investment activities it had started.

According to the TAURON Group's assessment, the indirect consequences of the war that affected or could have affected the TAURON Group in the year ended 31 December 2023 are as follows:

- implementation of national regulations in 2022 for 2023, with the aim of limiting electricity demand, introducing mechanisms to limit increases in electricity prices for end users, introducing margin restrictions for electricity generators and trading companies, including further regulatory interventions in the scope of support for electricity consumers proceeded in 2023. Mitigating activities in the scope of shaping draft regulations were carried out through consultations, among others within industry organisations. Actions were also taken to adapt the TAURON Group's commercial strategy to changes in the regulatory environment and to implement the technical and operational solutions imposed by these regulations,
- a decrease in the volume of energy sales and distribution as a result of reduced economic activity of Polish entrepreneurs in its part resulting from the occurrence of the war on the Ukrainian territory. In terms of risk mitigation, the Group took measures in the commercial aspect (balancing the sales position and product changes aimed at reducing the impact of changes in demand on the TAURON Group),
- an increase in trade receivables resulting mainly from a nominal rise in electricity selling prices relative to the situation observed in 2022,
- a change in the costs incurred and revenues generated from the production and sale of electricity in the TAURON Group, among others, as a result of the crisis observed in the energy fuel market in 2022 partly due to the occurrence of the war in the Ukrainian territory, including in particular those resulting from the volatility of fuel prices and, consequently, the volatility of electricity prices.

The above consequences and the follow-up market changes have been translated and included in the assumptions as part of the Company's most recent impairment tests as at 31 December 2023. The increase in receivable balances and risks in terms of customer solvency were taken into account in the measurement of receivables.

The situation associated with the war on the territory of Ukraine and its impact on the market and regulatory environment is highly volatile and its future consequences are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the war, further developments including the potential escalation of hostilities as well as their impact on the condition of the economy in Poland and worldwide. In connection with the war in Ukraine, the impact of the risks identified may also depend on further regulatory actions at the European Union level and at the national level in terms of implementing intervention measures as well as shaping the future energy market.

50. Events after the balance sheet date

Signing of the loan agreement

After the balance sheet date, on 10 January 2024, the Company concluded a loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million, to be repaid in the years 2027-2032. Under the loan agreement, the Company will be able to make drawdowns over a 2-year availability period. The Company will be able to utilise the funds once the

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standard conditions precedent for this type of financing have been met, and all of the funds made available under the loan agreement will be used to cover the TAURON Group's expenses related to the financing or refinancing of expenses in the area of renewable energy sources and the development of distribution networks.

As at the date of approval of these financial statements for publication, the Company has not drawn down available financing under the loan agreement.

Information on the acceptance of the offer by the leading shareholder of the ArcelorMittal Group, i.e. AM Global Holding S.à r.l., to acquire the shares in TAMEH HOLDING Sp. z o.o.

Subsequent to the balance sheet date, on 2 January 2024, the Company's representative, in the presence of the bailiff recording the act of service, left at the registered office of the ArcelorMittal Group's lead shareholder, i.e. AM Global Holding S.à r.l. with its registered office in the Grand Duchy of Luxembourg (the "Lead Shareholder") a declaration that the Company had accepted the Lead Shareholder's offer to purchase of all shares owned by the Company, i.e. 3 293 403 shares in TAMEH HOLDING Sp. z o.o, which is a joint venture between the Company and the ArcelorMittal Group, for the amount of PLN 598 million (the "Sale Price"), pursuant to the shareholders' agreement between TAURON Group companies and ArcelorMittal Group companies concluded on 11 August 2014 (the "Shareholders' Agreement"). In the Shareholders' Agreement, the parties submitted irrevocable offers to each other to buy and sell shares in TAMEH HOLDING Sp. z o.o. and each party had the right to accept the irrevocable purchase offer made by the other party in the situations and under the conditions set out in the Shareholders' Agreement. The declaration was submitted in connection with the materialisation on 31 December 2023 of one of the prerequisites indicated in the Shareholders' Agreement, which authorises the Company to take advantage of the purchase offer made to it in the Shareholders' Agreement. Pursuant to the Shareholders' Agreement, the transfer of ownership of the shares shall take place when the bank account designated by the Company is credited with an amount equal to the Sale Price, which shall take place no later than the 30th business day following the acceptance of the offer by the Company, i.e. from the date of submission of the declaration to the Lead Partner.

On 4 January 2024, the Company received a message sent on behalf of the Lead Partner indicating that the Lead Partner challenges the effectiveness of the delivery of the Company's statement accepting the Lead Partner's offer to purchase the shares in TAMEH HOLDING Sp. z o.o.

On 9 January 2024, the Company received a letter from the Lead Partner, which the Lead Partner believes is intended to be a statement of acceptance of the Company's offer to purchase all of the shares in TAMEH HOLDING Sp. z o.o. owned by the ArcelorMittal group companies for the amount of PLN 598 million.

On 12 January 2024, the Company sent a letter to the Lead Partner accepting the entry into negotiations as set out in the Shareholders' Agreement.

Management Board

Katowice, 16 April 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

Oliwia Tokarczyk – Executive Director for Accounting and Taxes

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REPORT OF THE MANAGEMENT BOARD

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

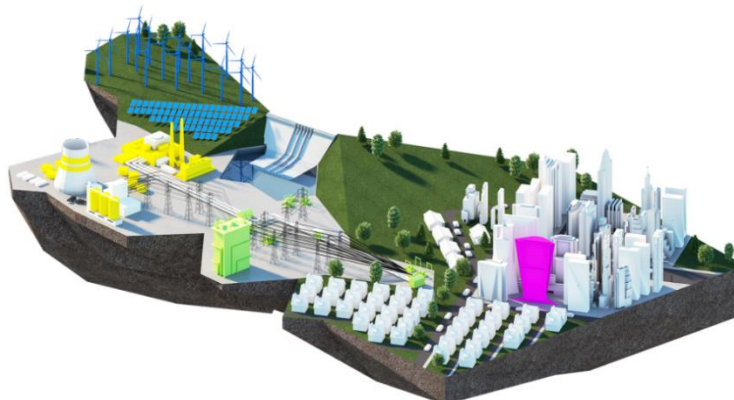
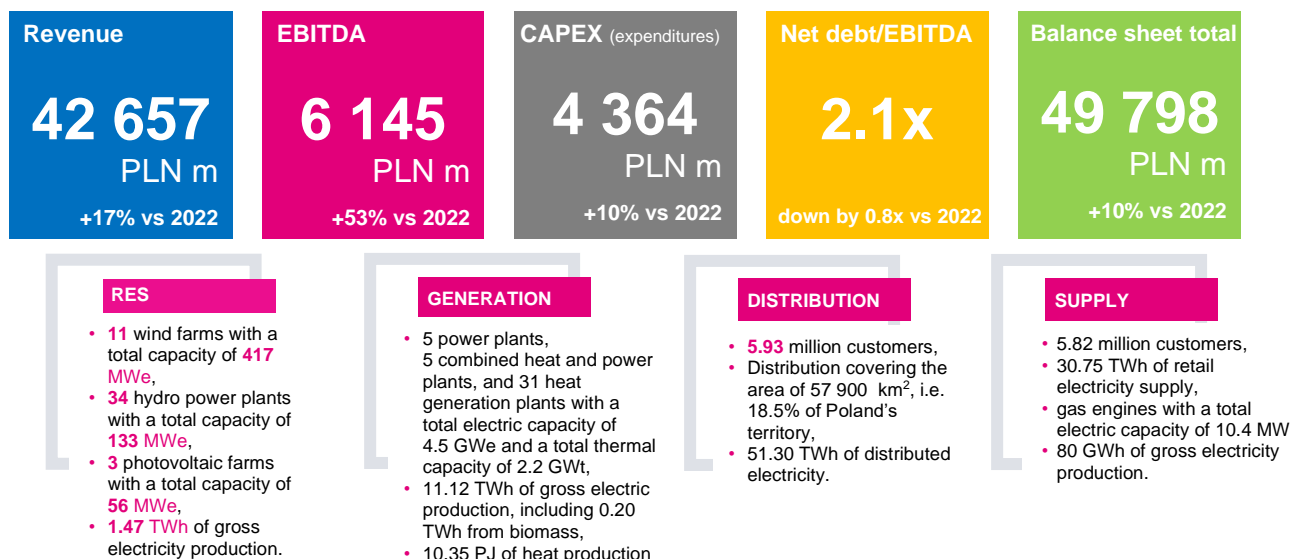
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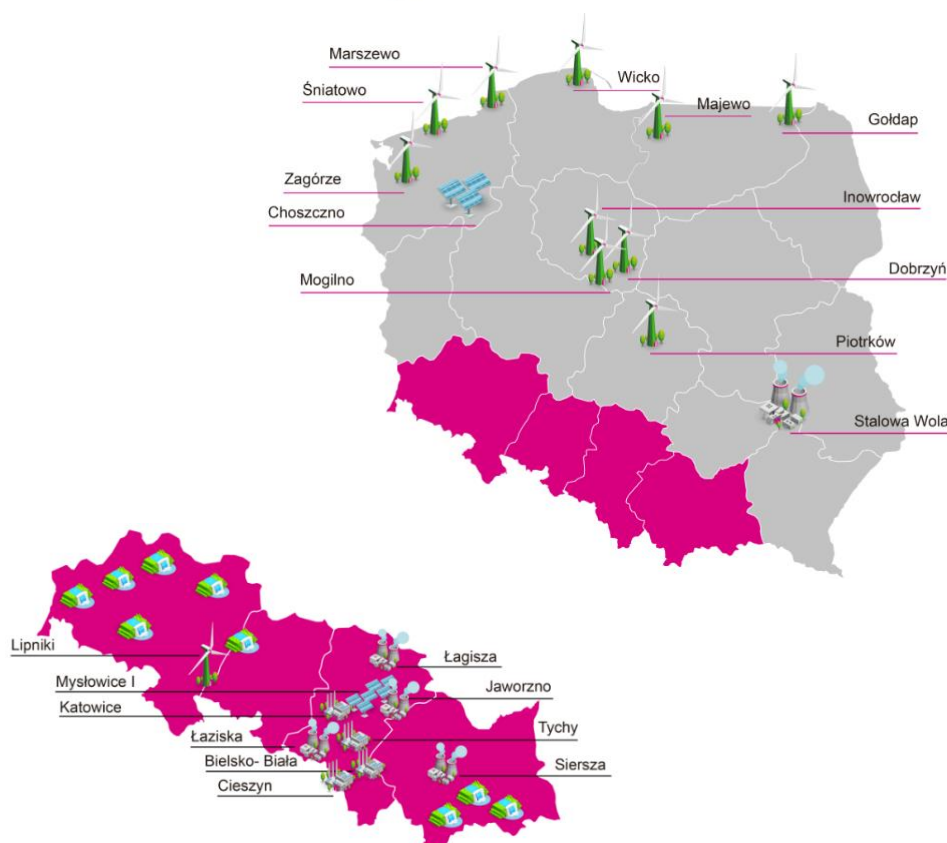
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TAURON Group in numbers



Key assets of TAURON Group



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 CO₂ 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

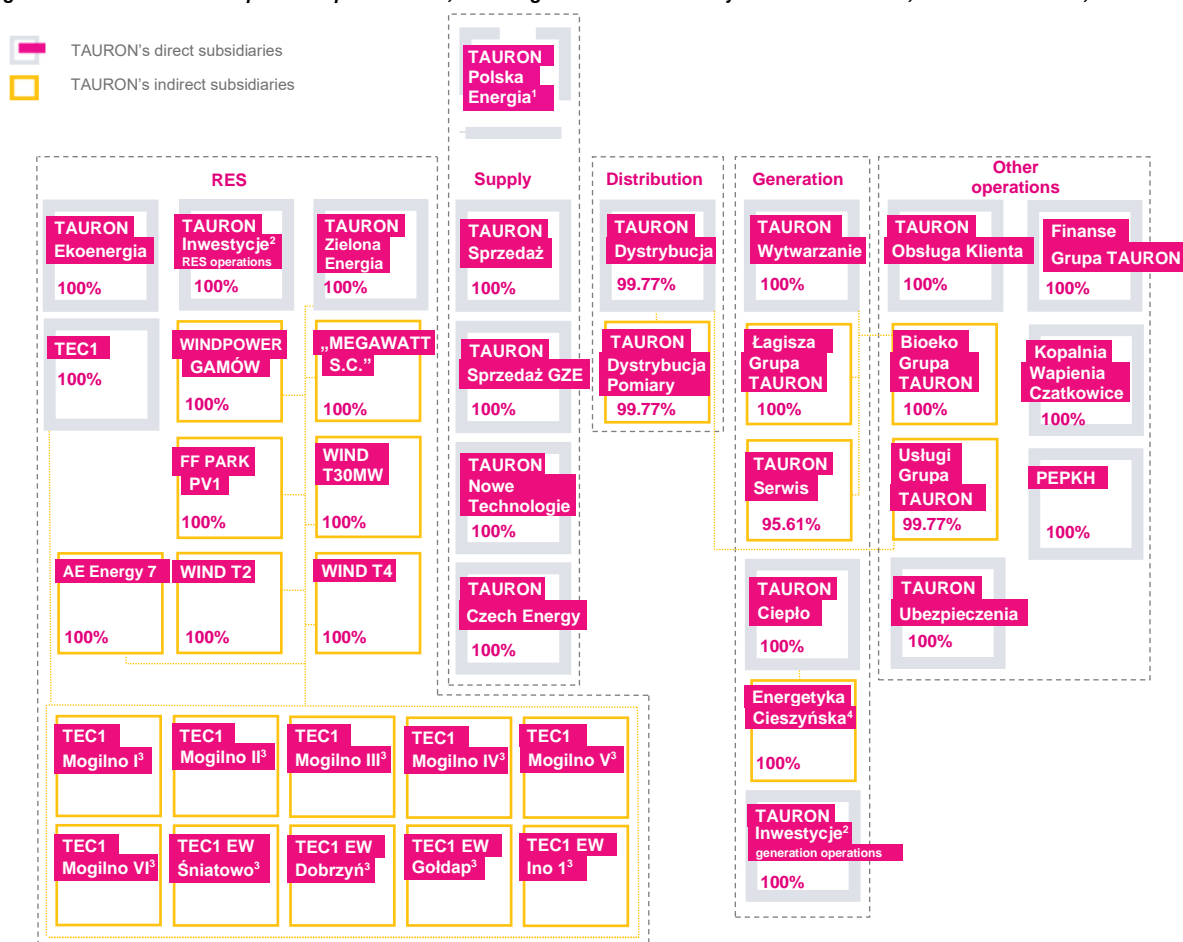
As of December 31, 2023, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 39 subsidiaries subject to consolidation that are listed below. In addition, the Company held, directly or indirectly, shares in the other 33 companies.

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



¹TAURON is included in the Supply Segment.

²company'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

³TEC1 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.

⁴incorporation 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 9th 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 9th 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 8th 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-subsiaries) 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-subsiaries) 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. ¹	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%
	34 582	EEC Ventures 2	1 021		EEC Ventures 2 2.94%
4. EEC Magenta 2 ASI	1 693 500	PFR NCBR CVC FIZAN	16 935	22.11.2023	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%

¹former 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

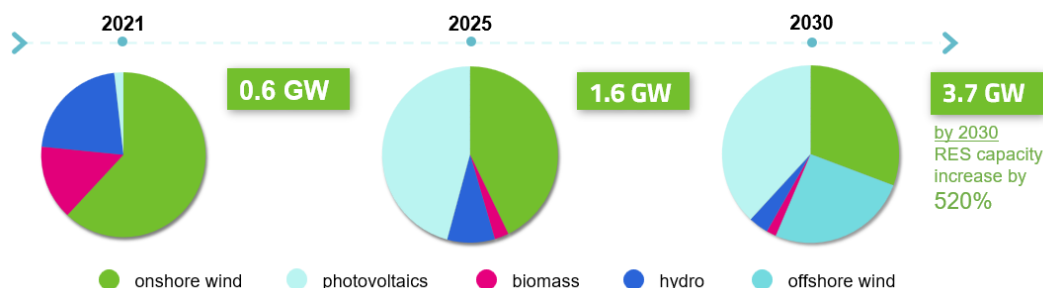
The Strategy, approved in 2022, assumes a number of actions to achieve the goals set for TAURON Capital Group. The key strategic objectives identified as part of the implementation of TAURON Group's priorities include:

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 CO₂/MWh in 2025 and below 160 kg CO₂/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 CO₂ 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.

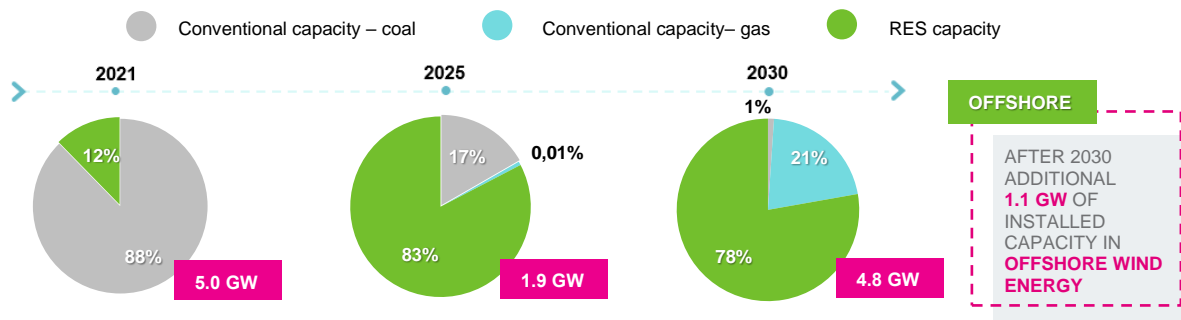
Figure no. 3. TAURON Group's renewable energy installed capacity growth ambitions outlined



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.

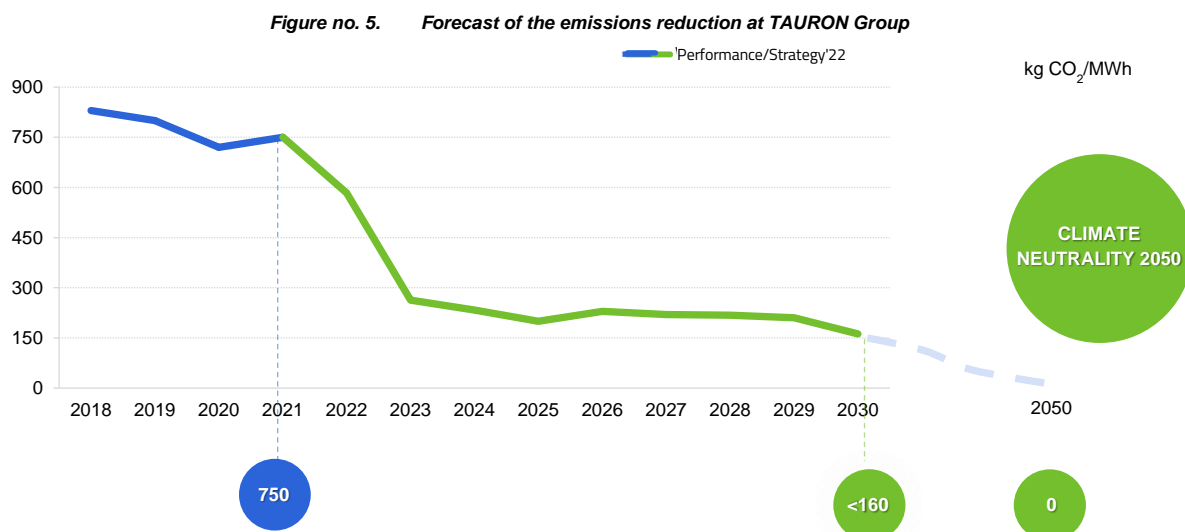
The below figure presents the assumed change in TAURON Group's energy mix.

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



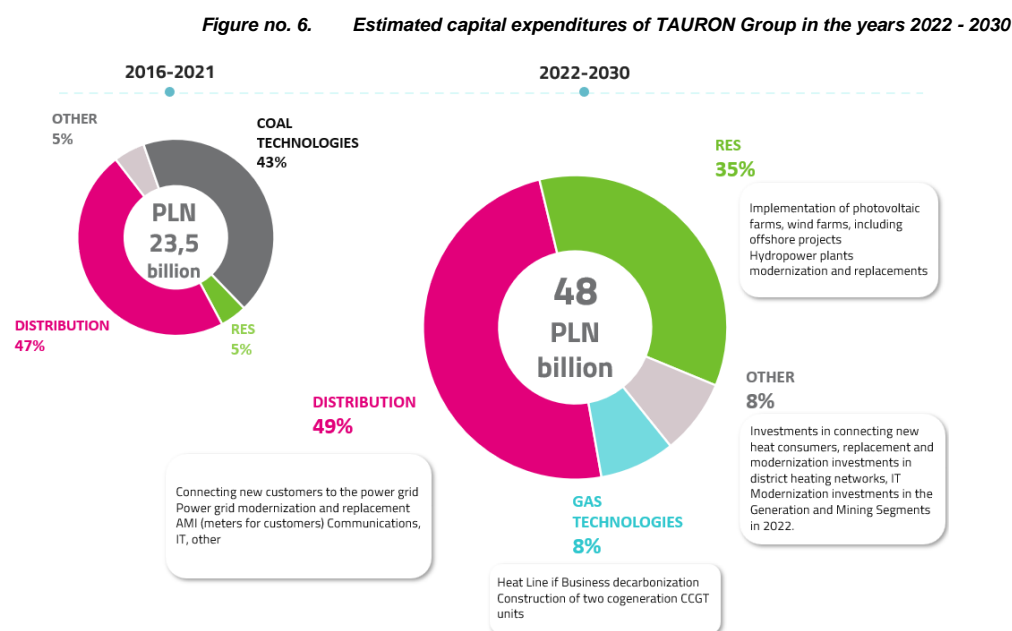
Sustainable investments, first and foremost, an increase in the capacity in renewable energy sources and the reduction of the heat generation emissions, along with a simultaneous decarbonization of TAURON Group, will allow for a significant reduction of the CO₂ emissions in the time frame up to 2030, 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
RES Segment	

Strategic goals

Growth prospects



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 CO₂/MWh in 2025 and below 160 kg CO₂/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 > 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"> 1. An offering based on a diversified, attractive basket of the products and services, 2. Modern, integrated sales and customer service channels, the simplified procedures, 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, 4. Removal of the barriers, introduction of the facilities that guarantee a high quality of service for the customers with the disabilities, 5. Ensuring a high level of security for the IT systems and the customer data. 	<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 Myslowice 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 CO₂/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 ₂ /MWh in 2025 < 160 kg CO ₂ /MWh in 2030	720 kg CO ₂ /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>Contractor: 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>The unit had been commissioned on November 13, 2020.</p> <p>Expenditures incurred: PLN 6 115. million (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)</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 alteration 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>Contractor: Contractors are being selected to carry out specific work (project) stages</p> <p>Project completion date: December 2023</p> <p>Work progress: 100%</p> <p>Expenditures incurred: 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>Contractor: Consortium of EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q4 2024</p> <p>Work progress: 88%</p> <p>Expenditures incurred: 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>Contractor: E-Wind S.A.</p> <p>Planned project completion date: Q2 2025</p> <p>Work progress: 26%</p> <p>Expenditures incurred: 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>Contractor: E-Wind S.A.</p> <p>Planned project completion date: Q4 2024</p> <p>Work progress: 50%</p> <p>Expenditures incurred: 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>Contractor: Consortium of EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q4 2024</p> <p>Work progress: 49%</p> <p>Expenditures incurred: 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>Contractor: Mostostal Warszawa</p> <p>Planned project completion date: Q2 2024</p> <p>Work progress: 68%</p> <p>Expenditures incurred: 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&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>Contractor: Erbud Industry sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q2 2024</p> <p>Work progress: 98%</p> <p>Expenditures incurred: PLN 43.0 million</p>	<p>The construction and the installation works with respect to the instrumentation and control (I&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>Contractor: TAURON Serwis sp. z o.o. (Ltd.) (TAURON Serwis)</p> <p>Project completion date: November 2023</p> <p>Work progress: 100%</p> <p>Expenditures incurred: 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 Proszów 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>Contractor: INTEC EU sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q2 2024</p> <p>Work progress: 88%</p> <p>Expenditures incurred: 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>Contractor: Consortium of: Mega S.A. and EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q4 2025</p> <p>Work progress: 1%</p> <p>Expenditures incurred: 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>Contractor: GoldbeckSolar Sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q4 2025</p> <p>Work progress: 1%</p> <p>Expenditures incurred: 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>Contractor: EI Professional sp. z o.o. (Ltd.) and P.U.H. EI Professional Mariusz Maszota</p> <p>Planned project completion date: Q4 2025</p> <p>Work progress: 1%</p> <p>Expenditures incurred: 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)
Distribution	
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
Generation	
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
RES	
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
Supply and Other Operations	
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.	National Research and Development Center (Narodowe Centrum Badań i Rozwoju - NCBR)
2. Development of the industrial design of the carbonate fuel cells and ceramic electrolyzers enabling an integration with the power-to-gas installations.	
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 ₂ 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)	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.
5. Flexible Distribution	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.
6. Hydrogen Poland	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.
7. Battery based Energy Storage Facilities – Capacity Market	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.
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"> 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. 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). 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. 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.

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. Green CEnergy Sp. z o.o. 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>	TAURON Progres
2. Reliability Solutions sp. z o.o. 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.	
3. Take Task S.A. 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.	
4. Sinterit S.A. 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.	
5. Challengerocket sp. z o.o. 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.	
6. ICsec S.A. 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.	EEC Magenta- Companies in the investment portfolio of the CVC type EEC Magenta fund
7. Cash Director S.A. 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.	
8. Waste24 Sp. z o.o. that is offering a platform for an effective management of the municipal waste, which is addressed to the enterprises and municipalities	
9. DBR77 Sp. z o.o. 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.	
10. Lekta Sp. z o.o. 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.	
11. GeoFusion Sp. z o.o. 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.	
12. Glopack Sp. z o.o. 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.	
13. Solwena Sp. z o.o. 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%.	
14. SmokeD Sp. z o.o. 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.	
15. Woonti Sp. z o.o. 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	

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.

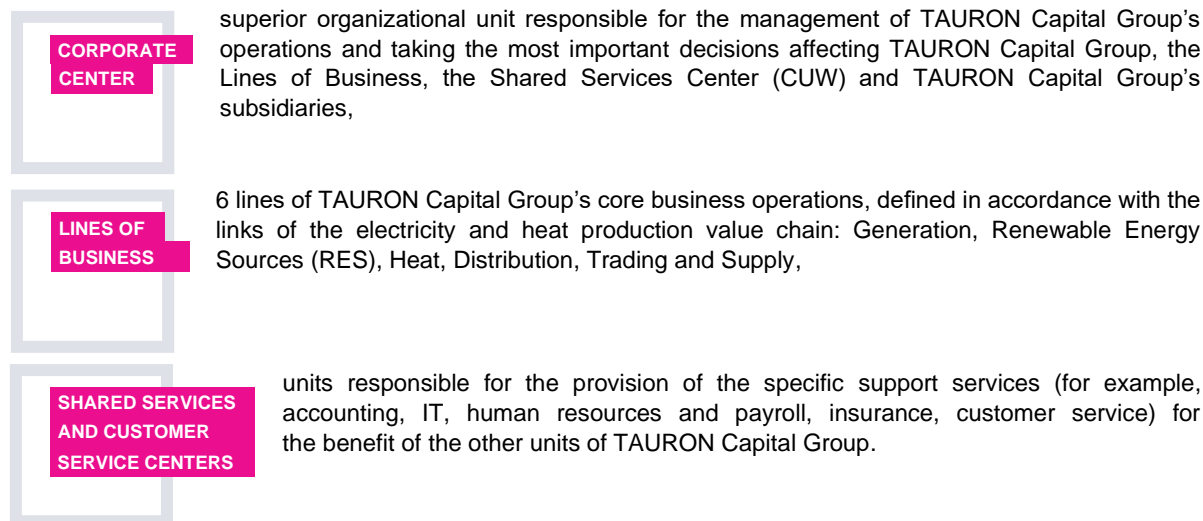
Assumptions of TAURON Group's Business and Operational Model

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.

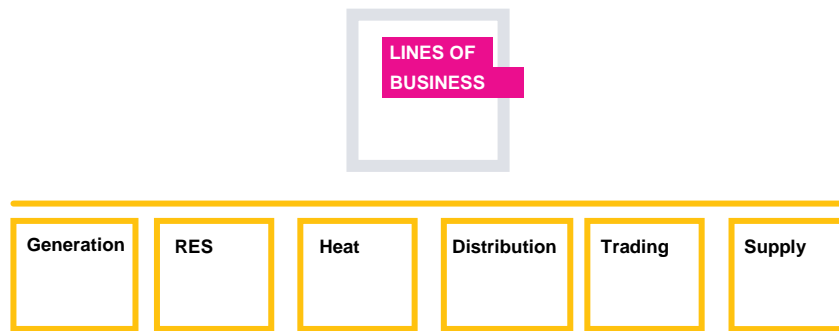
TAURON Group units

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:



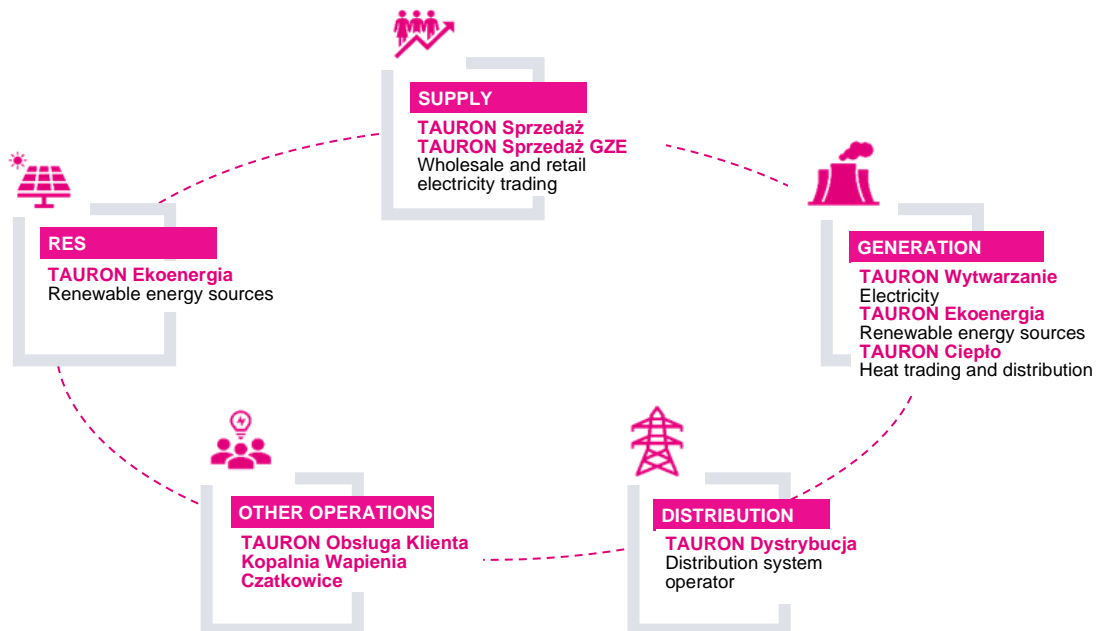
The below figure presents the structure of TAURON Capital Group's Lines of Business in 2023.

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:

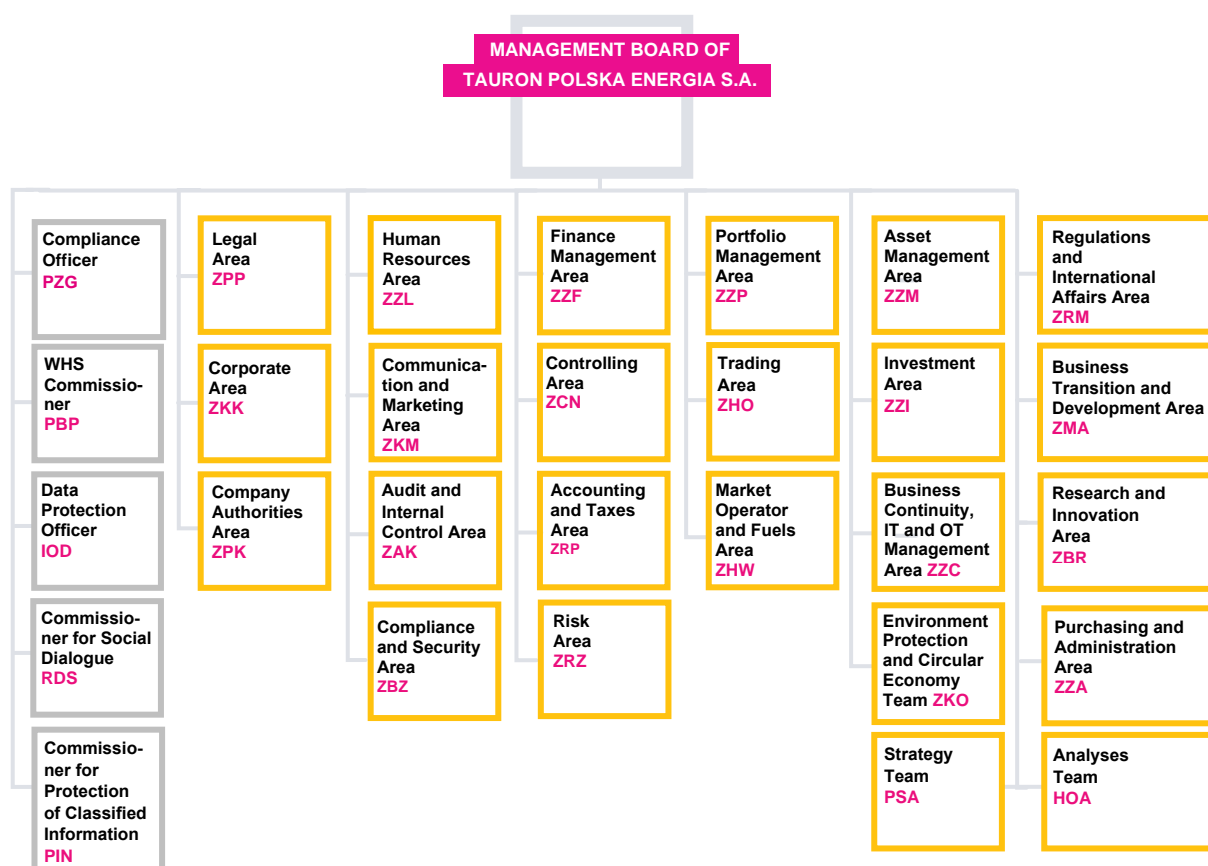
1. separate organizational units (business units):
 - 1) Business Areas, comprising independent work positions and organizational units (business units) reporting directly to the Executive Directors. The work of the Executive Directors is managed (supervised) by the Members of the Company's Management 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:

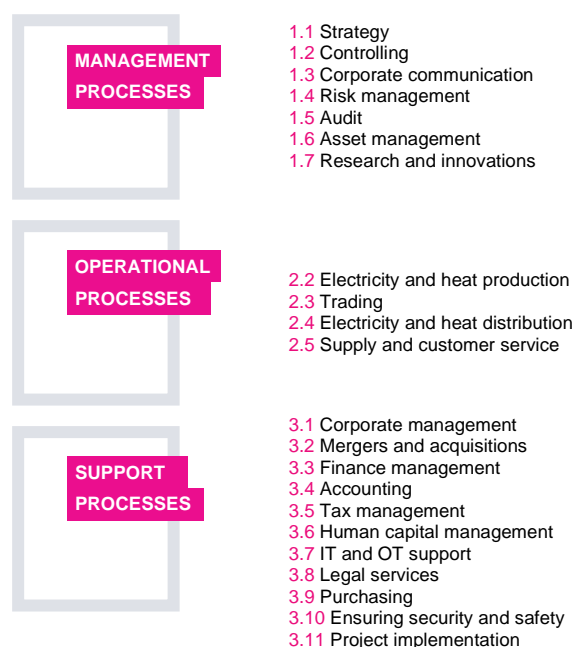
1. Investment Committee,
2. Risk Committee,
3. TAURON Group's Liquidity Committee,
4. Sponsoring Committee,
5. TAURON Group's ESG Committee.

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, CO₂ emission allowances and the Guarantees of Origin (GOs) of energy (energy certificates),
2. management of the portfolio of electricity, CO₂ 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 CO₂ 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 CO₂ 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' CO₂ 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:

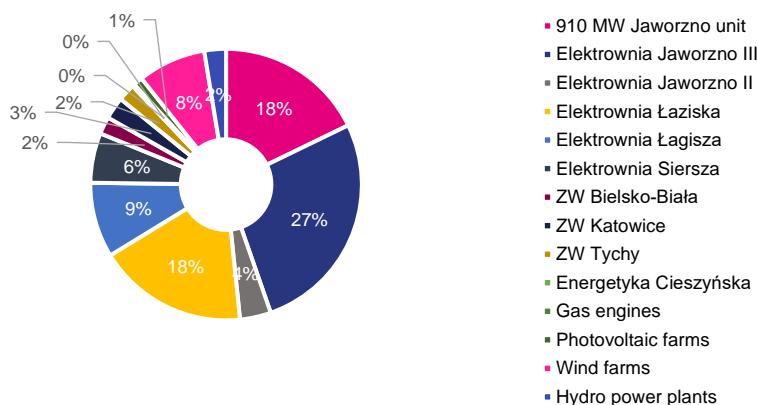
1. hard coal fired and biomass burning power plants and combined heat and power plants,
2. hydroelectric power plants,
3. wind farms,
4. photovoltaic farms,
5. gas engines.

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.

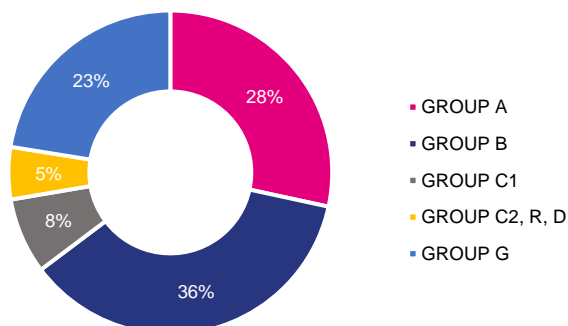
The regulated market on which TAURON Dystrybucja is operating includes the operations of 5 large electric utilities dealing with the electricity distribution and 183 other smaller enterprises of such type. The operations in the field of the electricity distribution are carried out under the conditions 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 km², 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 Giełda 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 Towarów - 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	-
Supply Segment	30.7	5 815

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.

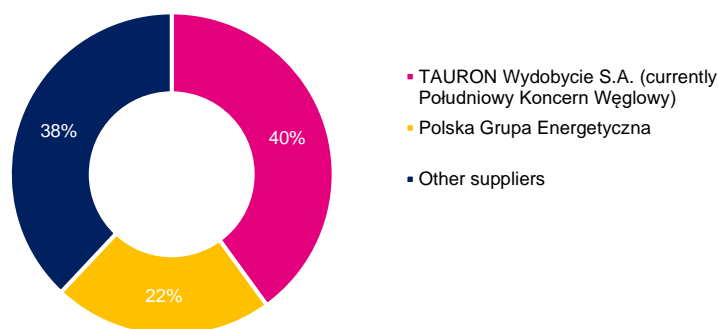
40% of the hard coal supplies used for the electricity and heat generation in 2023 had been met with the hard coal from TAURON Wydobycie (currently Południowy Koncern Węglowy S.A.), which had accounted for 2.264 million Mg. The remaining part of the demand had been met based on the agreements concluded with other suppliers¹, 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 %).

¹Suppliers' 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 CO₂ 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 CO₂ 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 CO₂ 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,

2. 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:

1. macroeconomic environment,
2. market environment,
3. regulatory environment,
4. 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 ¹	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 ²	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 ³	112.15	167.72	-55.57 (-33.1%)
2) the neighboring countries (on the example of Germany)	EUR/MWh ³	95.18	235.46	-140.28 (-59.6%)

¹ Including the industrial power plants.

² A positive value of the balance denotes imports, while a negative value of the balance denotes exports.

³ 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 Wyłaty 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.

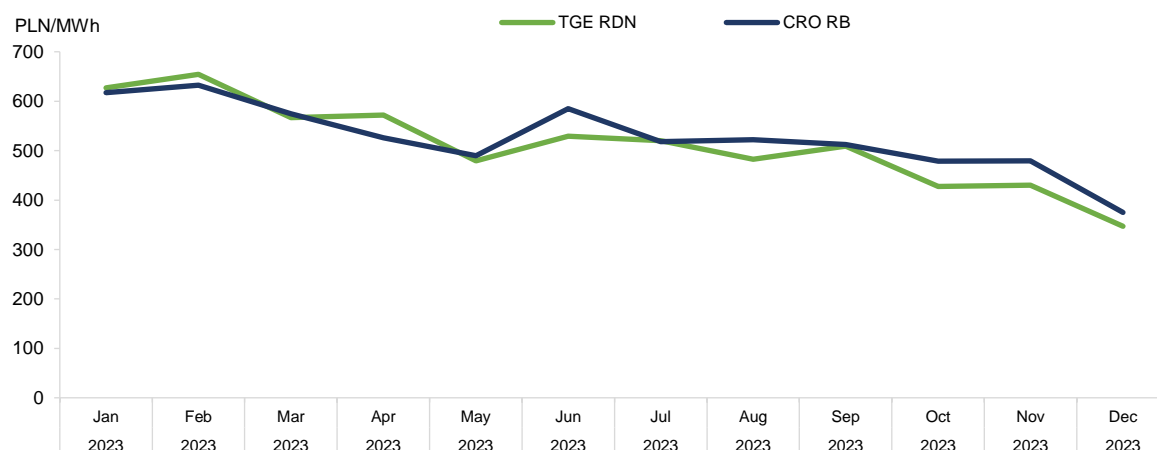
The detailed information on the amounts of the charges (allowances) to the fund booked by TAURON Group's subsidiaries in 2023 within the individual Segments is presented in Section 2.6 of this report.

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



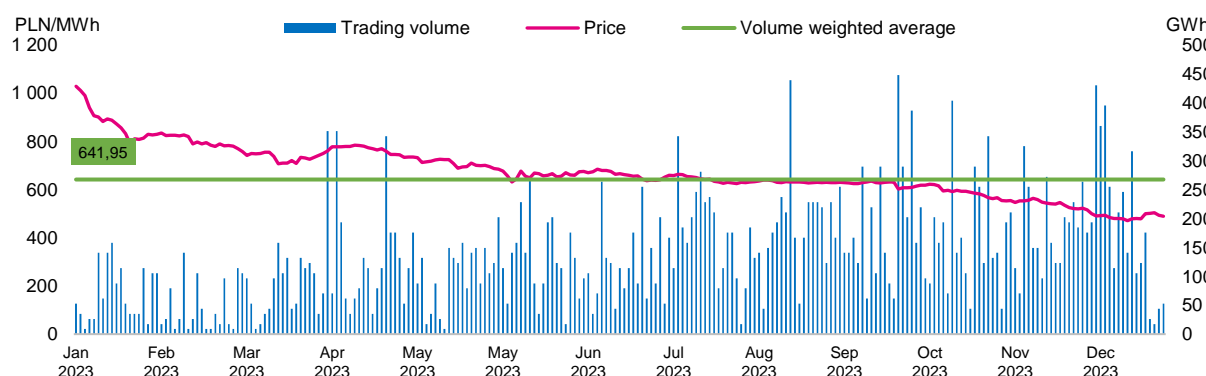
The price of the benchmark base load contract with the delivery in 2024 (BASE_Y-24) had been in a downward trend on the Polish electricity market in 2023, fluctuating within the range between approx. 1 000 PLN/MWh at the beginning of the year and 470 PLN/MWh in December. The changes in the price levels had been in line with the trends in the price changes on the related markets, in particular those of the CO₂ 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 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.

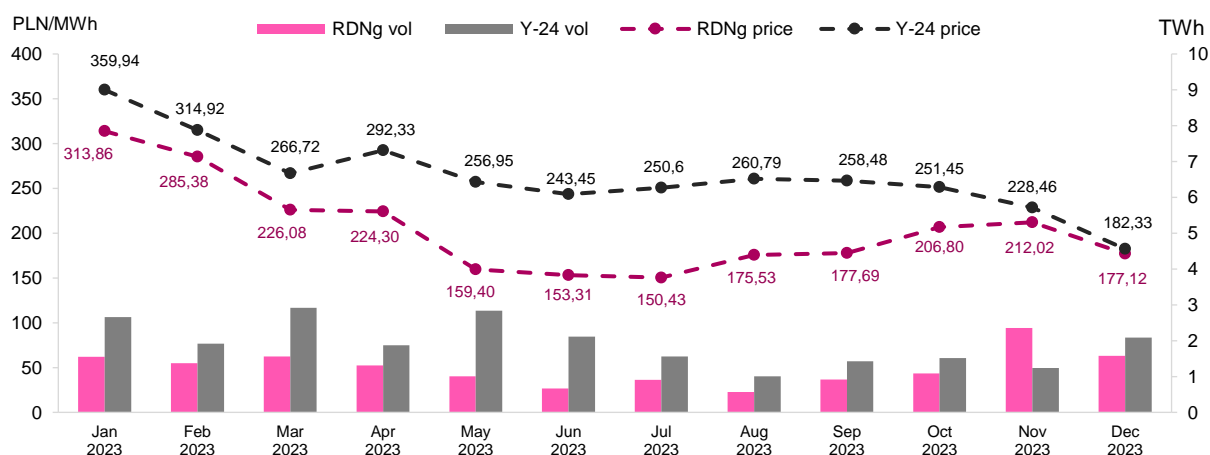
The lowest aggregate trading volume on the futures market had been recorded in June 2023, clocking in at the level of approx. 6.8 TWh, while the highest trading volume had been reported in November 2023, coming in at the level of approx. 12.2 TWh. The volume weighted average price of the benchmark one 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 m³ 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



CO₂ emission allowances

The settlement prices for the CO₂ 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 CO₂ 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 CO₂ 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.

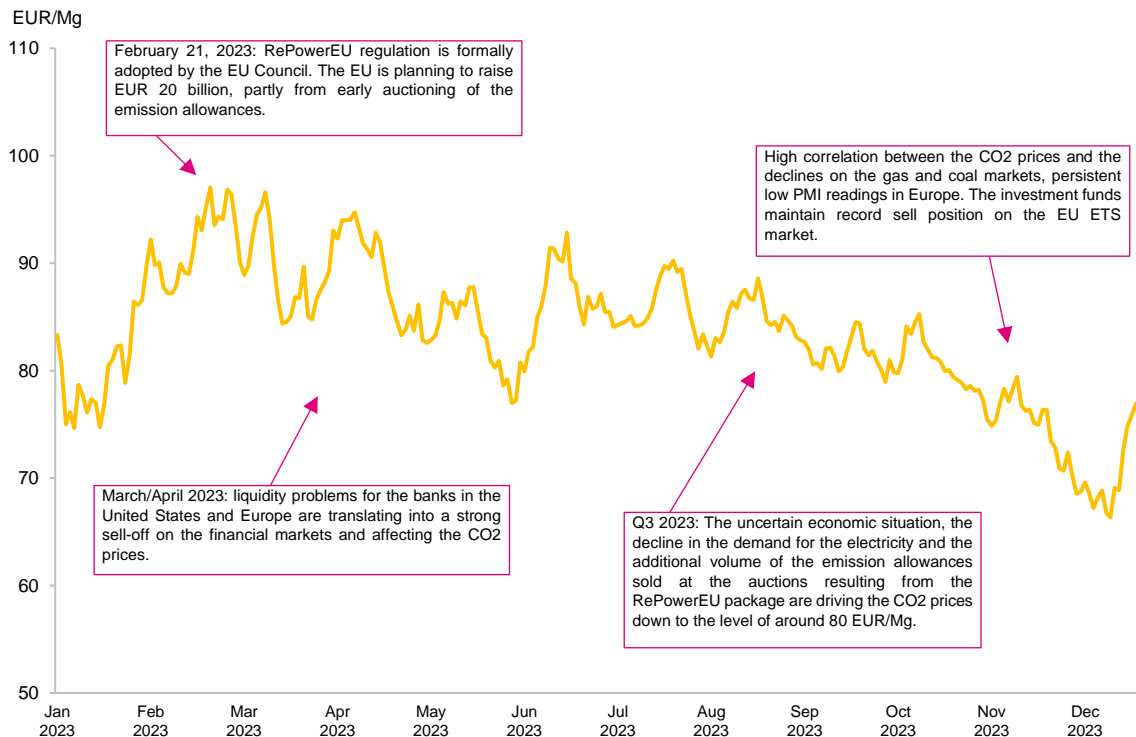
The reported price declines had also been related to the short term rebalancing of the EU ETS market. In the first quarter of 2023, the work on the implementation and financing of the RePowerEU package had been under way. Finally, as of July 2023, the supply of the allowances at the auctions had been 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 CO₂ emission allowances, according to the current MIFID2 directive, are the financial instruments, so the observed continued volatility and the CO₂ 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 CO₂ 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%,

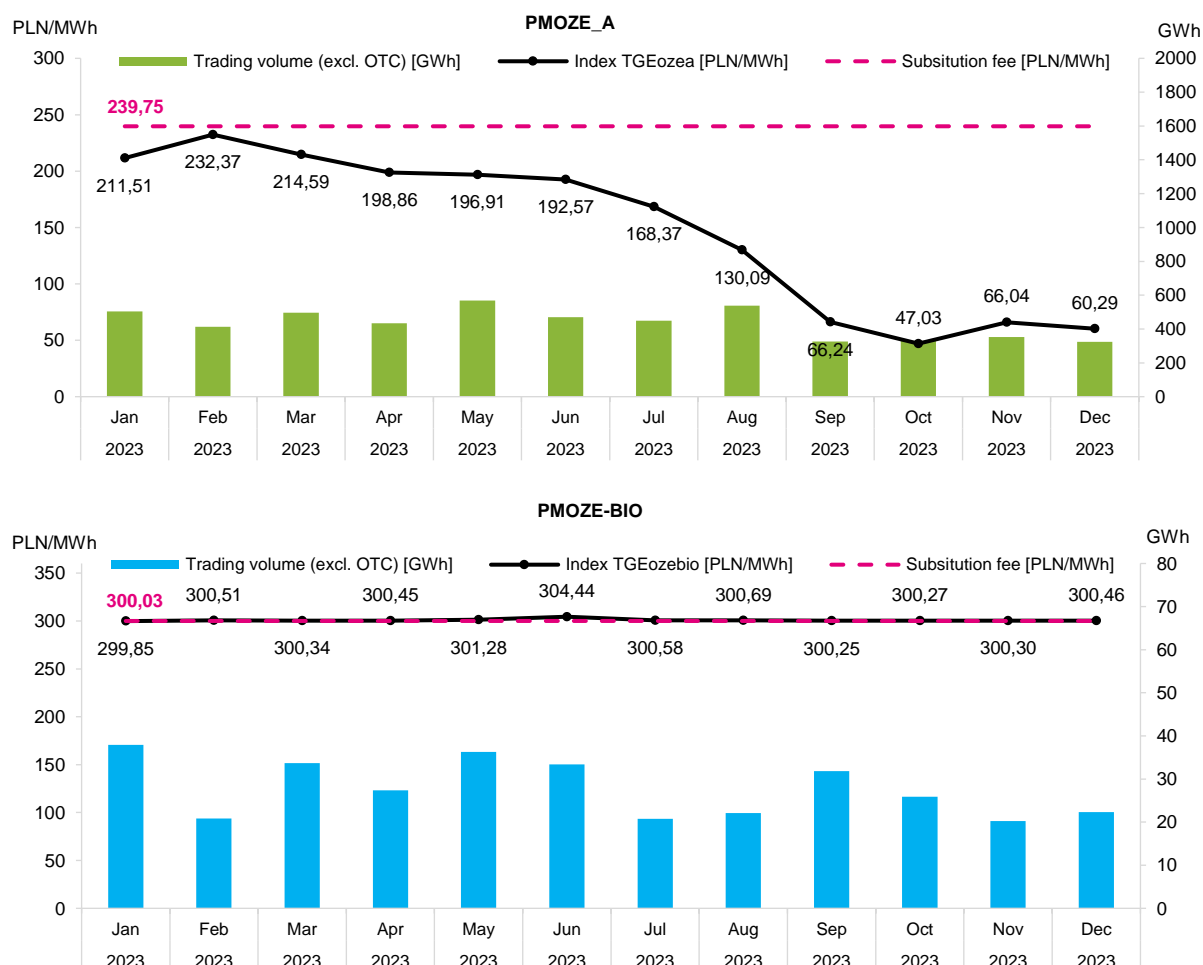
The prices of the certificates confirming the generation of electricity from the agricultural biogas PMOZE-BIO (blue certificates), for which the level of the obligation in the years 2023 – 2024 stands at 0.5%, had invariably been stable. The TGEozebio index had traded close to the substitution fee, 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 PMEF_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 PMEF-2022 register, while in the case of the PMEF-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 PMEF-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 <i>Fit for 55</i> 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 <i>Fit for 55</i> 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 CO₂ 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"> 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), 2. introducing of the measures aimed at making it easier to invest in the renewable energy sources (RES), 3. raising of the 2030 energy consumption reduction target from 9% to 13% as compared to the projections presented in the 2020 benchmark scenario, 4. increasing of the share of the solar energy used in the buildings. <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
	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.		
Directive 2010/75/EU on the industrial emissions (integrated pollution prevention and control)	<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>	The stage of the inter - institutional negotiations has been completed; the political agreement has been reached at the EP and the Council levels	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.
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>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>	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.
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	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	The decision had been approved by the Council in December 2023	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.



Name of the regulation	Description of the regulation	Status as of December 31, 2023	Impact on TAURON Capital Group
	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.		
	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.		







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>	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. 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.	February 15, 2023 – the entry into force	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). 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.	
<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>	The act introduces: 1. a change of the rules of the functioning of the so-called 10H rule (distance of the wind turbines), 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, 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, 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.	April 23, 2023 – the entry into force	The adoption of the act: 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, 2. has made it easier to conduct the investment consultation process.	
<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>	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: 1. the 1st - 3rd class agricultural land and forest land, 2. the 4th class agricultural land in the case of the installations with an installed electrical capacity greater than 150 kW or used for	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
	the business operations with respect to the generation of electricity, 3. other land in the case of the installations with an installed electrical capacity greater than 1000 kW.			
<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: 1. the possibility of concluding of the agreements with the dynamic pricing mechanisms 2. the changes in the rules of concluding and terminating of the agreements for the sale of electricity, 3. the shortening of the time required to switch the electricity retail suppliers down to 24 hours, 4. the changes with respect to the direct power lines, 5. the introduction of the legal framework for the citizen energy communities, the active consumers and the aggregators of the electricity market, 6. the introduction of the regulations on the system services, the flexibility services, 7. the mechanism for a non-market based curtailment of the generation by the RES installations and the compensation for taking such measures, 8. the changes with respect to the Charge (Allowance) to the Fund	September 7, 2023 – the entry into force	The adoption of the act will, first and foremost: 1. increase the possibility of using the direct power lines, 2. introduce a number of changes in TAURON Group's regulatory environment.	
<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: 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, 2. the mechanism of the solidarity contribution system for the large entities operating in the hard coal mining and coke production sector, 3. the changes in the regulations with respect to the Charge (Allowance) to the Fund	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: 1. the cable pooling solutions - the possibility to connect two or more RES installations, belonging to one or more entities, to the electricity grid, 2. a change of the energy cluster definition, 3. a change of the hybrid RES installation definition, 4. a change of the energy cooperative definition, 5. the transposition of RED II (district heating and cooling, guarantees of origin, National Contact Point, RES, energy trading based on a partnership), 6. possibility of extending the support mechanisms for the RES installations whose 15 year support system is due to expire, 7. the solutions for biogas and biomethane, 8. increasing of the number of the auctions related to the offshore wind energy.	October 1, 2023 – the entry into force	The act in question, first and foremost: 1. introduces the material changes for the DSOs, related to the energy clusters, 2. provides for the possibility of obtaining of the support for the RES installations whose 15 year support system is due to expire, 3. increases the possibility of connecting the additional RES capacity owing to the cable pooling solutions, 4. introduces a number of the material changes to the TAURON Group's regulatory environment.	
<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: 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	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
	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, 2. the sources of the funding for the benefits (entitlements).			
<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>	The act includes: 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, 2. extension of the compensation system to cover the first half of 2024, 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	December 31, 2023 – the entry into force	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.	
<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>	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.	February 3, 2023 – the entry into force	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.	
<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>	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).	August 9, 2023 – the entry into force	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,	
<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>	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%.	August 30, 2023 – the entry into force	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.	
<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>	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. The new regulations have exempted the consumers from the charges for the over-contracted consumption of the reactive (passive) energy and for exceeding the	September 19, 2023 – the entry into force	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. <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>	

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.	
 TAURON Group  Supply Segment  RES Segment  Distribution Segment				

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"> 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, 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, an increase in the installed capacity and production from the RES is expected, in particular: <ol style="list-style-type: none"> offshore – 18 GW, onshore wind energy – 20 GW, PV – 45 GW. 	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: 1. the working capital loans that had been supposed to be granted by the domestic banks, the credit institutions or the foreign banks, 2. 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.	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: 1. 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; 2. 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; 3. the benchmark (reference) volume of the electricity sales for the hybrid renewable energy source installations	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: 1. 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, 2. 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, 3. the method to be used to convert the volume of the heat or cold generated into the energy expressed in MWh, 4. 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.	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: 1. installations producing energy from the renewable sources, including the cogeneration based on the energy from the renewable sources, 2. installations for the production of the biofuels, biogas, bioliquids and the fuels from the biomass, 3. renewable hydrogen production installations, 4. storage installations	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.	



TAURON Group



Supply Segment



RES Segment



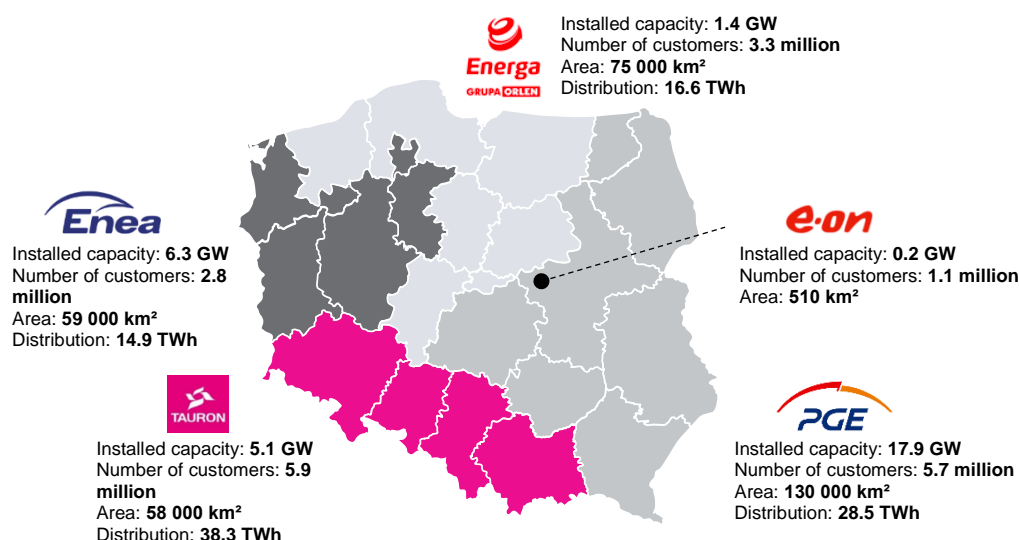
Distribution Segment

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

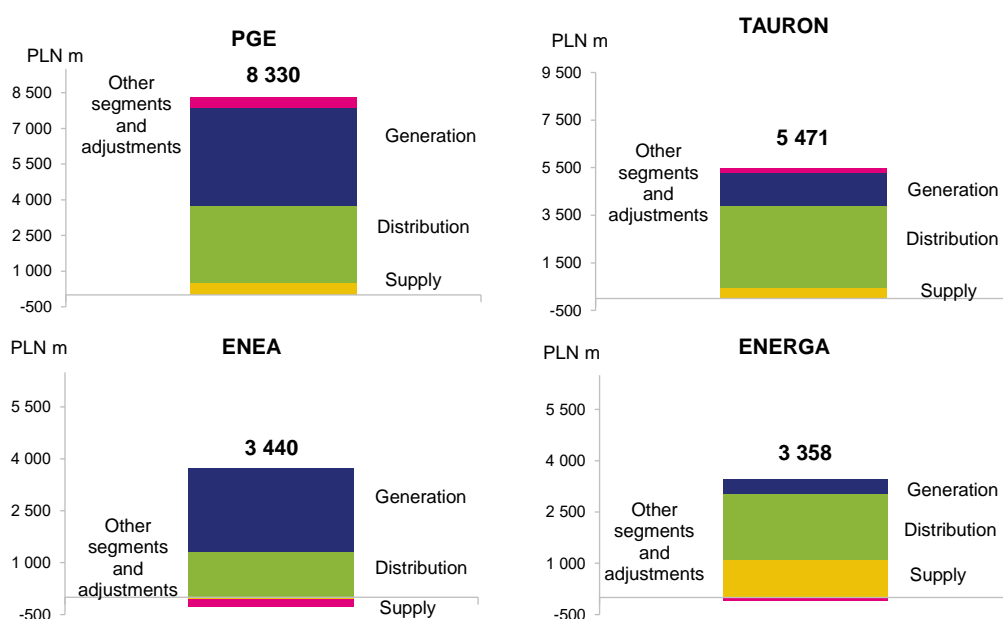


According to the data for the first three quarters of 2023, the consolidated energy groups (PGE, TAURON, Enea, Energa) had held an approximately 62% market share in the electricity generation sub-sector.

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 ¹



¹In 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

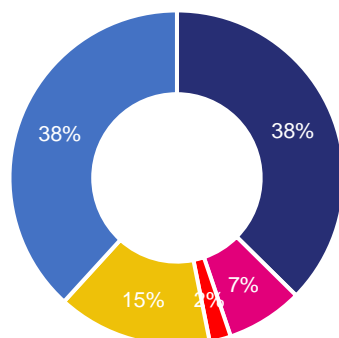
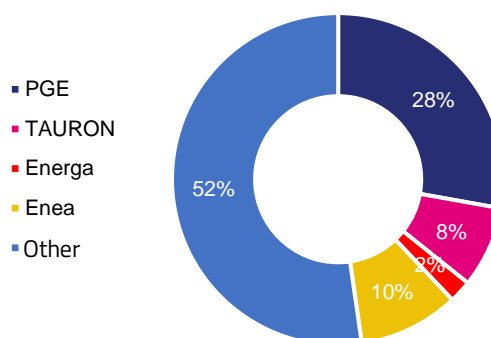


Figure no. 23. Installed capacity - estimated market shares in the first three quarters of 2023



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

Distribution



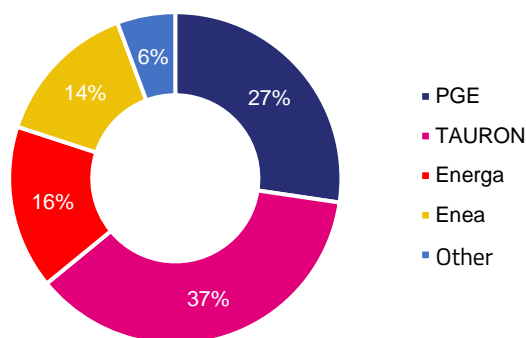
TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed

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

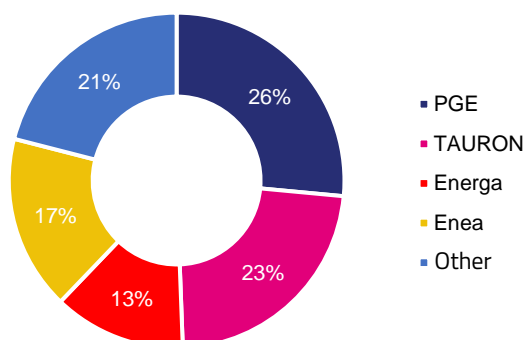
TAURON Capital Group holds a 23% share in the market of the electricity supply to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group had come in at 30.75 TWh in 2023. The number of the customers served by TAURON Capital Group's Supply Segment stands at 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 ¹		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 ¹		Distribution		Supply	
	GW	%	TWh	%	TWh	%	TWh	%
Total	64.7	100	120.8	100	104.2	100	98.6	100

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

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 ₂ 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 CO₂ 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

JANUARY FEBRUARY	<ol style="list-style-type: none"> 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. 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. 3. Signing by TAURON of a loan agreement with Bank Gospodarstwa Krajowego (BGK) for the amount of PLN 750 million.
MARCH APRIL	<ol style="list-style-type: none"> 1. Publishing of the financial results of TAURON and TAURON Capital Group for 2022 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. 3. Merger of TAURON Ekoenergia with AVAL-1 and "Polpower".
MAY JUNE	<ol style="list-style-type: none"> 1. Ordinary General Meeting of TAURON. 2. Publishing of the financial results of TAURON and TAURON Capital Group for the first quarter of 2023 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.
JULY AUGUST	<ol style="list-style-type: none"> 1. Publishing of the Integrated Annual Report for 2022. 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. 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.

	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.
SEPTEMBER OCTOBER	<ol style="list-style-type: none"> 1. Publishing of the financial results of TAURON and TAURON Capital Group for the first half of 2023 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>.
NOVEMBER DECEMBER	<ol style="list-style-type: none"> 1. Publishing of the financial results of TAURON and TAURON Capital Group for the third quarter of 2023. 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 CO₂ 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 "Pątnów-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 Business 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.

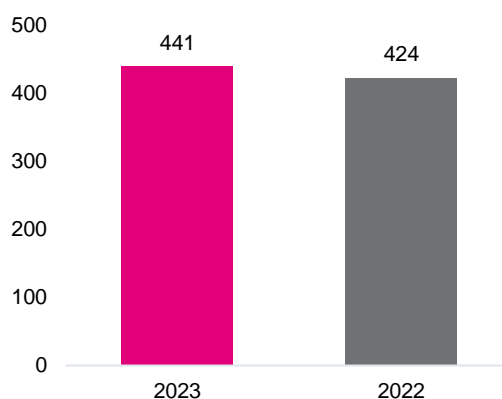
2.8. Employment information

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



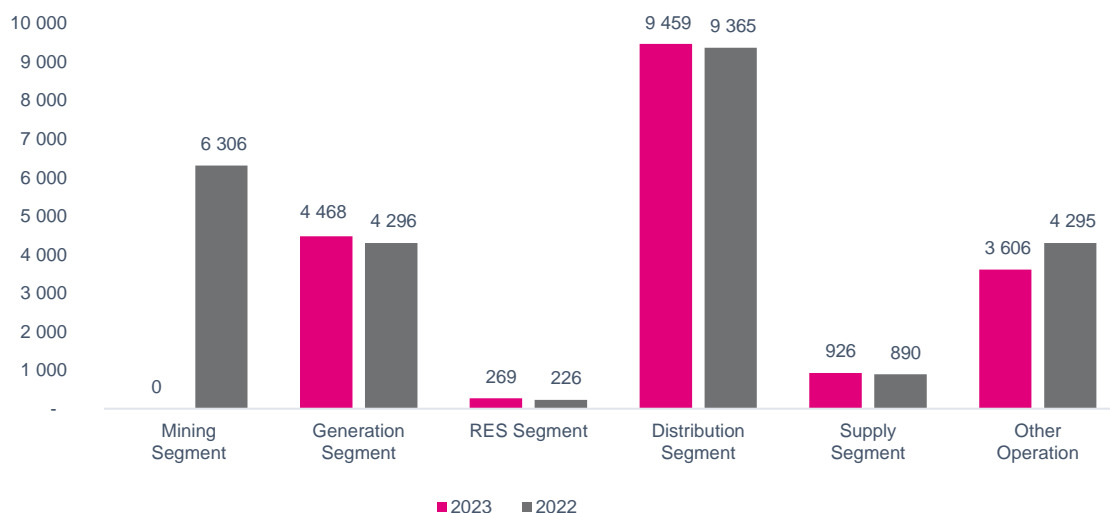
TAURON Capital Group's average headcount clocked in at 18 728 FTEs in 2023, which meant a decrease by 26.2% as compared to the headcount in 2022, when the average employment level stood at 25 378 FTEs.

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 - 2022¹



¹Starting 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 ¹
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 ²	916 ²
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%

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

² 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) ¹
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

¹The 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.

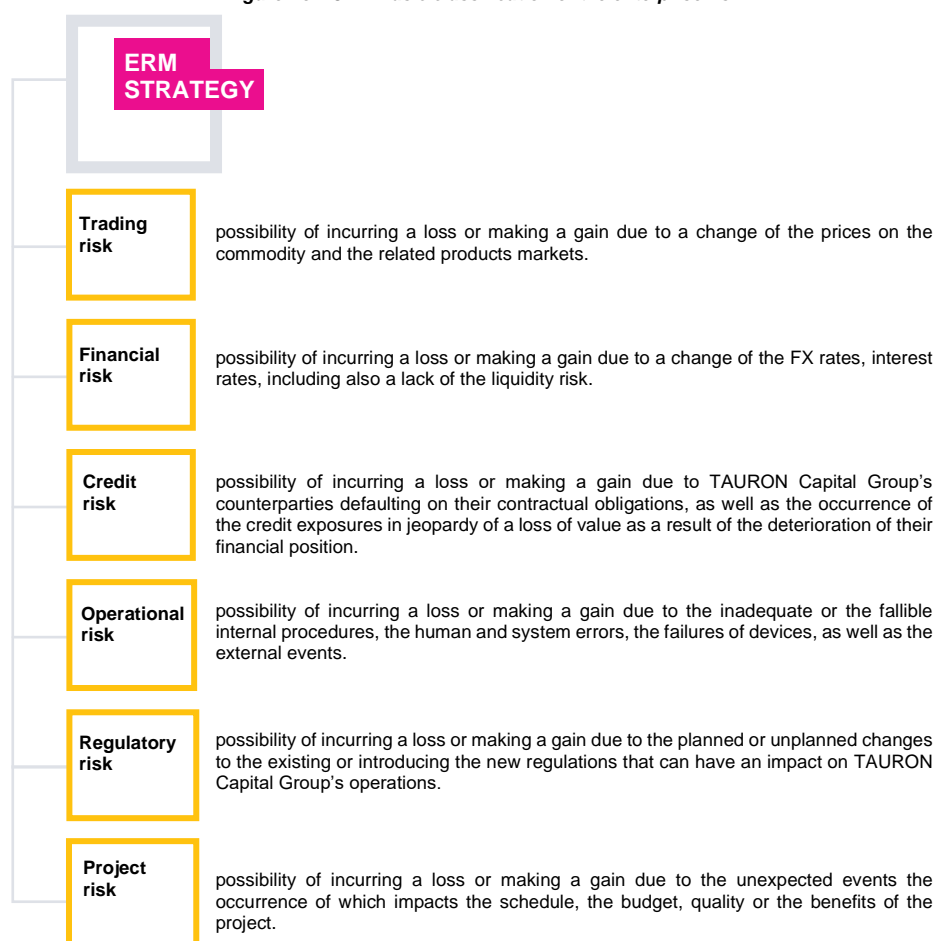
The Enterprise Risk Management System (ERM System) is governed by *TAURON Group's Enterprise Risk Management Strategy* that defines the organization's corporate risk management framework and rules, and its goal is to ensure the consistency of managing the individual risk categories that are detailed 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

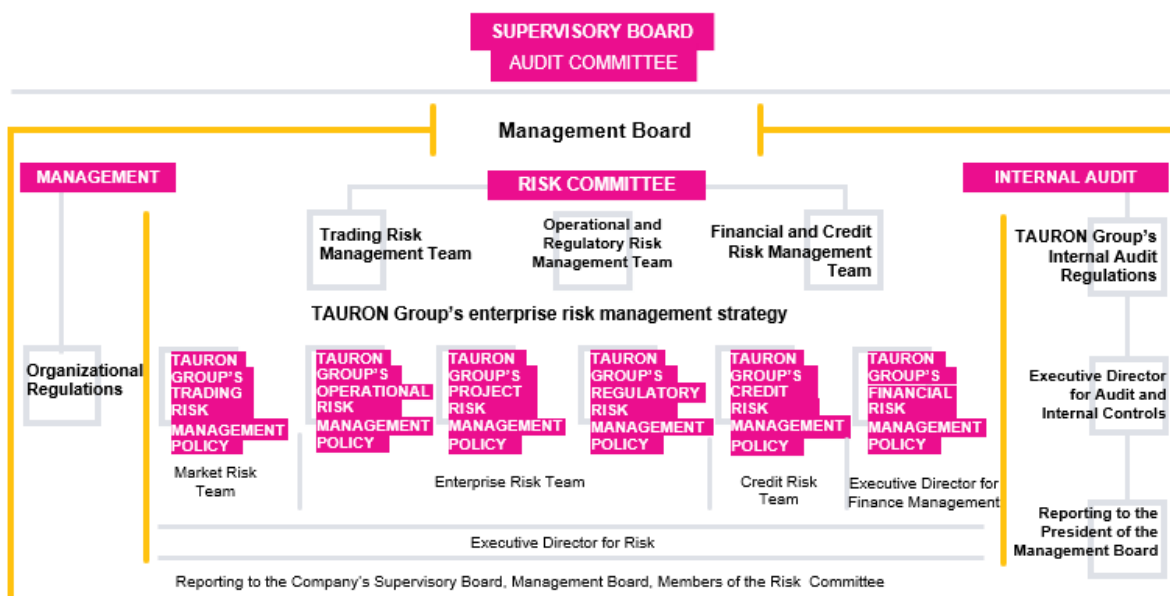


The key assumption of the ERM System is a clear and precise split of the tasks and responsibilities, ensuring no conflict of interest would arise. In particular, the system guarantees the independence of the risk taking function from the risk control and monitoring. This is achieved through the centralization 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>Generation</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>RES</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="194 629 300 651">Distribution</p> 	<p data-bbox="352 192 1382 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 1382 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="352 378 1382 425">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="352 434 1382 616">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="352 624 1382 694">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="352 703 1382 840">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="352 848 1382 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="352 974 1382 1041">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="194 1402 258 1424">Supply</p> 	<p data-bbox="352 1059 1382 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 1113 1382 1252">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 1382 1467">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 1476 1382 1568">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 1576 1382 1783">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 1792 1382 1861">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="194 1877 331 1933">Other Operations and Risks</p> 	<p data-bbox="352 1877 1382 1989">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 CO₂ 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
Trading risk		
<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 ₂ 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.	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Independent monitoring of the trading positions and of the use (consumption) of the risk limits. 2. Daily control (checking) of the compliance with the limits - Value at Risk. 3. Daily control (checking) of the volume of the open positions, broken down into all of the assets and the aggregate. 4. Applying of the Stop Loss limits allowing for protecting (locking in) the generated result. 5. The use of the futures (forward) products allowing for the hedging of the future exposure to the trading risk. 6. Applying of the tolerances allowing for the flexible reaction to the changing market conditions with a limited level of the risk incurred. 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. 8. Centralization of the trading activities at TAURON Capital Group allowing for taking advantage of the synergy effects. 9. Product changes adjusted to the current market situation.
Financial and credit risk		
<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.	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Ongoing monitoring of the risk exposure in order to minimize the negative impacts of the changes to the interest rates. 2. Use of the risk limits for TAURON Capital Group's operational FX position (Value at Risk). 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>.
<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.	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Ongoing monitoring of the risk exposure vulnerable to the FX rate risk. 2. Use of the risk limits for TAURON Capital Group's operational FX position (Value at Risk). 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>.
<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).	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 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. 2. Analyzing the market and the availability of the sources of financing. 3. Ongoing communications with the financial institutions. 4. Arranging of the financing agreements ahead of the time the funding is needed. 5. Monitoring of the financial liquidity and planning of the use of the available sources of financing. 6. Introduction of a liquidity control system (the spending limits). 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.
<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"> 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). 2. The use of the instruments without the financial covenants and limiting the number of the conditions that breach such covenants. 3. Ongoing communications with the financial institutions. 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. 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. 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. 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.
<i>Tax risk</i>		
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"> 1. Activities in accordance with the legal regulations (Corporate Income Tax Act). 2. Issuing of the opinions (providing feedback) with respect to the economic (business) events by TAURON Capital Group's tax advisors. 3. Jointly agreeing upon the positions at the TAURON level. 4. Applying of the uniform accounting principles for the companies (subsidiaries) within the PGK (Tax Capital Group). 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.
<i>Credit risk</i>		
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"> 1. Applying of the assessment of the counterparties (assigning of the ratings and the credit limits) at TAURON Group's individual subsidiaries. 2. The use of the credit collaterals for the customers with an unacceptable risk exposure. 3. Monitoring of the status (level, balance) of the Company's overdue accounts receivable. 4. Investigative (fact finding) and preventive actions in case of exceeding the indicators (ratios, metrics). 5. The use of the continuous monitoring of the financial standing of the counterparties (business partners, contractors). 6. Conducting of the debt collection processes. 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. 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. 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.
Risks related to the environment (stakeholders)		
<i>Reputational risk</i>		
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"> 1. Continuous monitoring of the Company's external and internal threats (risks). 2. Media monitoring, developing the network of the contacts and the relationships with the media within TAURON Capital Group. 3. Preparing of the procedures for the Company's communications with the external and internal environment (stakeholders). 4. Striving to change the business profile to zero and low emission (zero and low carbon). 5. Application of: <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination</i>, <i>TAURON Group's Anti-corruption Policy</i>, <i>TAURON Group's Corporate Social Responsibility Code of Conduct</i>, <i>TAURON Group's Diversity Policy</i>, <i>TAURON Group's Respect for Human Rights Policy</i>.
<i>License risk</i>		
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"> 1. Ongoing control (checking) of the correct fulfillment of (compliance with) the licensing obligations. 2. Monitoring of the changes to the legal acts with respect to the licensing obligations. 3. Legal support for the process related to the obtaining of a license or to the extending thereof.
<i>Macro economic risk</i>		
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"> 1. Diversification of the revenue sources. 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. 3. Actions taken as part of the response plans with respect to the individual risks at TAURON Group

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 ₂ emission allowances, the decline of the demand for the products offered by TAURON Capital Group's subsidiaries.	□ ■	<ol style="list-style-type: none"> 1. Application of TAURON Group's Climate Policy. 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. 3. Update of TAURON Group's Strategic Research Agenda. 4. Adaptation of TAURON Group's Investment Strategy to the guidelines stemming from TAURON Group's Climate Policy. 5. Active participation in the works of the teams issuing the opinions (providing feedback) on the projects and proposing the optimal solutions. 6. Active searching for the technical and organizational solutions that would minimize the impact of TAURON Capital Group's operations on the climate change. 7. Promoting of the eco-mobility or the climate-neutral mobility. 8. Cooperation with the business partners and the social partners (workforce) with respect to the adaptation to the climate change.
Risks related to the technology, infrastructure and security (safety)		
<i>Environmental risk</i>		
<p>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.</p> <p>The risk is also related to the following circumstances:</p> <ol style="list-style-type: none"> 1. environmental decisions are not up to date, 2. depositing of the waste at the sites not intended for this purpose or in contravention of the operating conditions of the facilities intended for this purpose, 3. use of the waste in contravention of the approved destination or without a permission, 4. release of the hazardous substances into the environment, 5. cumulative impact of the Group's business operations, which has an excessive (above the applicable standards) impact on or makes it impossible to use the environmental resources, 6. occurrence of a crisis situation: for example, a fire, a displacement of the earth masses, the extreme phenomena, 	□ ■	<ol style="list-style-type: none"> 1. Application of TAURON Group's Environmental Policy. 2. Conducting of the business operations that have an impact on the environment in accordance with the principles of the sustainable development. 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), 4. Seeking to maximize the utilization of the generated post production waste at all of TAURON Group plants. 5. Striving for the optimal management of the water resources 6. Ongoing supervision over the compliance with the conditions of the environmental decisions. 7. Maintaining of the required efficiency of the devices reducing the emissions of the pollutants. 8. Frequent evaluation of the compliance of the activities with the legal requirements with respect to the environment protection. 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. 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.

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>	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 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. 2. Monitoring and analysis of the new technological solutions curtailing the impact of the adverse weather conditions on the volume of the electricity produced. 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. 4. Continuous monitoring of the wind conditions and the icing on the wind farms' blades. 5. Continuous technical oversight over the operation of the individual wind farms carried out by the subsidiaries operating the wind farms. 6. Upgrading (refurbishing) of the hydro electric structures aimed at optimizing the utilization of the hydro resources.
<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>	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Optimizing of the capital expenditures on the asset replacements, the ongoing monitoring of the condition of the machines, devices and the installations. 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. 3. Insuring of the assets against the fortuitous events. 4. Raising of the professional qualifications and the work culture of the personnel by organizing of the courses and the training. 5. Responding to the emergency situation by the technical personnel and the automatic process safety interlocks (safeguards). 6. Introducing of the IT tools with respect to improving of the monitoring and managing the failure indicators (rates, ratios). 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. 8. Updating of TAURON Capital Group's maintenance (overhaul) shutdowns schedules. 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. 10. Optimizing of the trading position.

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"> 1. Developing and maintaining of the plans aimed at ensuring the continuity of the IT / OT infrastructure's operation. 2. Periodic identifying and categorizing of the IT / OT resources based on the service restoration targets. 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). 4. Planning and conducting of the training courses with respect to the IT / OT infrastructure's continuity of the operation and security. 5. Storing and protecting of the back up data.
<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"> 1. Monitoring of the implementation of the developed plans to protect the facilities that are subject to the mandatory protection. 2. Maintaining and updating of the contingency procedures / plans. 3. Oversight over the compliance with the information security rules in force. 4. Regular personnel training with respect to the security procedures in force. 5. Application of the provisions of TAURON Group's Physical Security Policy.
<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"> 1. Maintaining of the statutorily required levels of the hard coal inventory in the stockpiles, 2. Securing of the additional hard coal volume under the SPOT contracts and, as a volume option, purchasing of the imported hard coal. 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). 4. Ongoing monitoring of the performance of the volumes specified in the contracts. 5. Long term hedging of TAURON Group's fuel position taking into account the current economic conditions. 6. Negotiations with the hard coal suppliers. 7. Searching for the new direction of the supply.
Risks related to the workforce and the organizational culture		
<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"> 1. Conducting public consultations regarding planned changes. 2. Conducting a policy of dialogue with the social partners (workforce). 3. Preparing and implementing motivational solutions for the personnel. 4. Standardizing tasks and requirements towards the personnel. 5. Developing organizational culture based on the PRO values. 6. Conducting active internal communications on personnel related matters.
<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"> 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). 2. Implementation of <i>TAURON Group's Principles of Recruitment</i>. 3. Implementation of <i>TAURON Group's Human Capital Management Policy</i>, 4. Implementation of <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination</i>. 5. Taking care of developing the competences of the personnel, including through the participation in the development training courses. 6. Holding of the consultations with the social (workforce) organizations operating at TAURON Group's subsidiaries. 7. Application of the provisions of the <i>Diversity Policy</i> 8. Application of the provisions of the <i>Respect for Human Rights Policy</i>.
<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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Application of <i>TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy</i>. 2. Systematic periodic employee training. 3. Analysis of the recurring cases of the errors and mistakes of the employees, taking of the systemic remedial actions. 4. Implementation of the Internal Control (Audit) System and the control (audit) mechanisms for the processes conducted at TAURON Capital Group.
<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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Monitoring of the state of the epidemiological threat at TAURON Capital Group. 2. Collecting information on the threats and identification of potential threats to the security and safety of the workforce of TAURON Capital Group. 3. Developing and recommending of the solutions aimed at reducing the level of the threat to the resources of TAURON Capital Group. 4. Ongoing monitoring of the risk related to availability of the employees and services provided by TAURON Capital Group's subsidiaries. 5. Recommending solutions aimed at curbing the effects of the materialization of the threat to the resources of TAURON Capital Group. 6. Preparing and providing feedback on the content of the messages to be disseminated at the level of the Company and TAURON Capital Group. 7. Use of screening tests. 8. Preparing contingency plans in the event of the loss of the key employees of TAURON Capital Group. 9. Developing backup (contingency) business continuity plans.
<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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Prioritizing the safety and security of the employees, customers, contractors and stakeholders in the business activities undertaken. 2. Application of <i>TAURON Group's WHS Policy</i>. 3. Conducting active monitoring of the labor conditions and the compliance of the organization of the work with WHS principles. 4. Raising employees' qualifications with respect to improving the labor safety. 5. Conducting training courses, implementing and improving the WHS management system in TAURON Group.
<i>Risk of Communication</i>		
Risk related to providing of inaccurate, untrue information or lack of information disclosure at a specific time.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Developing the <i>Communications Strategy for TAURON Capital Group</i>. 2. Building relationships with the social partners (workforce) at TAURON Capital Group and close cooperation with the Commissioner for Social Dialogue (Ombudsman). 3. Use and development of the available communications tools to provide the relevant information to the employees of TAURON Capital Group. 4. When providing the relevant information – organizing face to face meetings between the management team and the employees. 5. Ongoing monitoring of the situation and events at TAURON Capital Group's subsidiaries that may cause social discontent. 6. Regular periodic meetings with the representatives of the subsidiaries dealing with the internal communications in order to exchange the information.
Risks related to the lack of compliance		
<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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 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. 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 http://www.tauron.pl/. 3. Conducting of the investigative (fact finding) probes by the Compliance Officer or the Compliance Coordinators. 4. Building of the organizational culture based on TAURON Capital Group's values and principles. 5. Implementation of TAURON Group's Anti-Corruption Policy. 6. Application of the principles stemming from TAURON Group's Corporate Social Responsibility Code of Conduct. 7. Application of the provisions of TAURON Group's Rules for accepting and giving gifts.
<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	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 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. 2. Application of the provisions of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries.

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"> Inclusion of the anti-corruption clauses in the contracts with the contractors (counterparties). Application of the provisions of TAURON Group's Anti-Corruption Policy. 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 http://www.tauron.pl/. Monitoring of the cooperation with the contractors (counterparties) and testing (vetting) of their credibility at TAURON Group. 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. Building and promoting of the organizational culture based on TAURON Group's values and principles.
<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"> Developing of the organizational culture based on TAURON Group's values and principles. 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>. 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. Raising of the awareness of the employees through the training and the information campaigns with respect to the ethical behavior 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 http://www.tauron.pl/.
<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"> 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. Implementation of the required changes to the internal regulations and the intra-corporate regulations. Setting up of the working groups tasked with the preparation and the implementation of the required changes stemming from the legal environment. Continuous cooperation with the authorities (regulators) overseeing the energy market and the capital market. Consultations with the organizational units with respect to the planned key regulations for the area of compliance. Training of the personnel with respect to getting to know the legal regulations and the internal regulations.
<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"> Updating and adapting of the contract templates to the legal changes. Monitoring of the complaints and proceedings of the Energy Regulatory Office (URE) / Office of Competition and Consumer Protection (UOKiK). Optimization of the processes.
<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"> Identifying and implementing of the adequate technical or organizational measures to ensure the adequate level of the security of the personal data. Monitoring of the compliance with the legal regulations related to the personal data protection. Raising of the level of awareness of the workforce with respect to the personal data protection, in accordance with the applicable regulations. 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. Providing of the information and the advice on the personal data protection to the employees of the organization.
Risks related to the customers and the counterparties (business partners, contractors)		
<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"> Monitoring and analyzing of the external customer satisfaction indicators (metrics) and the indicators (metrics) related to the complaints. Continuous raising of the customer service standards. 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). Undertaking of the additional measures, for example, introducing of the new internal regulations, in order to improve the customer service standards.

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>		
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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Concluding of the agreements with the contractors and the subcontractors in accordance with TAURON Capital Group's standards. 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. 3. Evaluating of the financial standing and the credibility of the contractors and the subcontractors.
<i>Volume and margin risk</i>		
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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Ongoing updating of the offering, launching of the sales of the multi package type products. 2. Conducting of the marketing campaigns, acquiring of the new customers. 3. Activities focused on the retaining of the existing customers and acquiring of the new customers (expansion oriented activities).
<i>Purchasing process risk</i>		
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.	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Application of the provisions of the <i>Code of Conduct for Contractors (Counterparties) of TAURON Group's subsidiaries</i>. 2. Application of the provisions of <i>TAURON Group's Anti-Corruption Policy</i>. 3. Inclusion of the anti-corruption clauses in the contracts with the contractors (counterparties). 4. Application of the provisions of <i>TAURON Group's Respect for Human Rights Policy</i> 5. Standardization of the rules of conducting the proceedings in the purchasing process and the transparency thereof. 6. Building of the long lasting relationships with the contractors (counterparties) based on the trust and the mutual respect. 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. 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.
Risks related to the regulations		
<i>Regulatory risk</i>		
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	<div> <div></div> <div></div> </div>	<ol style="list-style-type: none"> 1. Continuous monitoring of the regulatory environment and the changes to the legal regulations. 2. Active participation in the consultations with respect to the planned regulations (the industry organizations, the government agencies). 3. Active measures aimed at creating a regulatory environment in a manner favorable to TAURON Group. 4. Continuous cooperation with the authorities (regulators) overseeing the energy market and the capital market. 5. Consultations with the organizational (business) units with respect to the proposed regulations. 6. Internal consultations.

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.		
<div><div></div>Low materiality</div>	<div><div></div>Moderate materiality</div>	<div><div></div>Medium materiality</div> <div><div></div>High materiality</div>

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)
Sales revenue	34 314	27 545	125%
Own cost of goods, materials and services sold	(33 924)	(27 160)	125%
Gross profit (loss) from sales	390	385	101%
Cost of sales	(33)	(32)	103%
Overhead costs	(116)	(145)	80%
Other operating revenue and costs	(11)	(8)	138%
Operating profit (loss)	230	200	115%
<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%
Pre-tax net profit (loss)	(637)	36	-1769%
<i>Pre-tax net profit margin (%)</i>	<i>-1.9%</i>	<i>0.1%</i>	<i>-1420%</i>
Income tax	(1)	31	-3%
Net profit (loss)	(638)	67	-952%
<i>Net profit margin (%)</i>	<i>-1.9%</i>	<i>0.2%</i>	<i>-764%</i>
Other net comprehensive income	(232)	152	-153%
Total comprehensive income	(870)	219	-397%
EBITDA	240	218	110%
<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, CO₂ 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)
Total revenue	36 477	30 000	122%
Sales revenue	34 314	27 545	125%
Revenue from sales of goods and materials:	33 970	27 145	125%
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%
Revenue from sales of services:	344	400	86%
Trading services sales	135	167	81%
Other	209	233	90%
Revenue from other operations	1	1	62%
Revenue from financial operations	2 162	2 454	88%
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 CO₂ 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 CO₂ 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)
Total costs	(37 114)	(29 965)	124%
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)
ASSETS			
Fixed assets	27 108	27 329	99%
Interests and shares	15 520	15 716	99%
Bonds and loans granted	11 273	11 172	101%
Current assets	4 946	6 893	72%
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%
TOTAL ASSETS	32 054	34 222	94%
EQUITY AND LIABILITIES			
Equity	11 450	12 320	93%
Long term liabilities	13 294	14 822	90%
Liabilities due to debt	13 111	14 754	89%
Short term liabilities	7 310	7 080	103%
Liabilities due to debt	4 421	3 316	133%
Liabilities towards suppliers	979	1 419	69%
TOTAL EQUITY AND LIABILITIES	32 054	34 222	94%

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)
CASH FLOW FROM OPERATING ACTIVITIES			
Pretax profit / (loss)	(637)	36	- 1769%
Adjustments	217	(218)	-100%
Net cash from operating activities	(420)	(182)	231%
CASH FLOW FROM INVESTING ACTIVITIES			
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%
Net cash from investing activities	233	(472)	-49%
CASH FLOW FROM FINANCING ACTIVITIES			
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%
Net cash from financing activities	221	2 652	8%
Increase / (decrease) in net cash and equivalents	34	1 998	2%
Net FX differences	27	(26)	-104%
Cash opening balance	(321)	(2 319)	14%
Cash closing balance	(287)	(321)	89%

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, CO₂ 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.

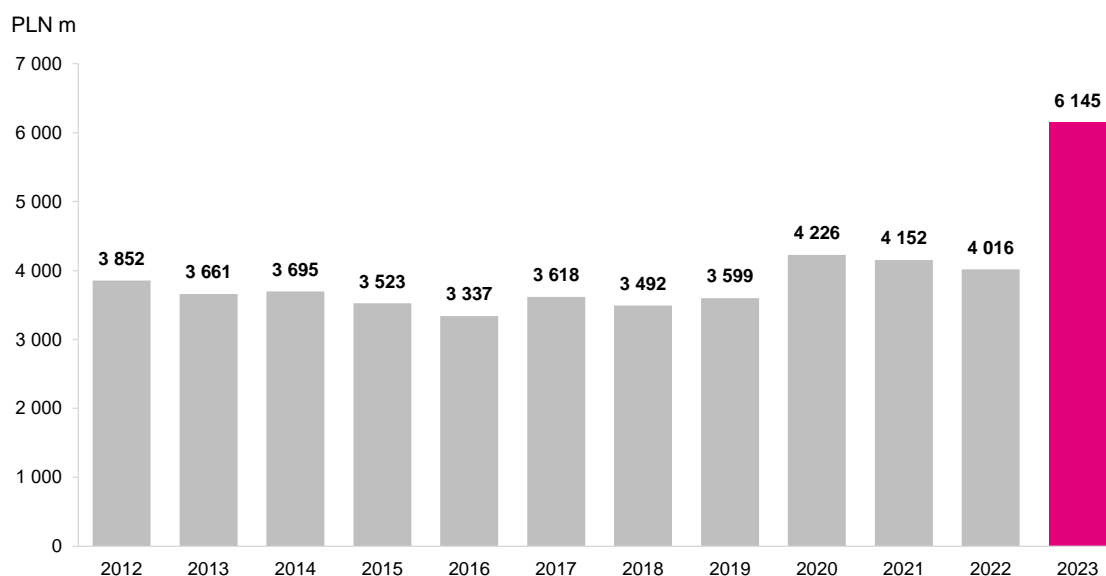
The accounting principles (policy) adopted for drawing up of the Financial Statements of TAURON are presented in the individual notes to the Financial Statements of TAURON.

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



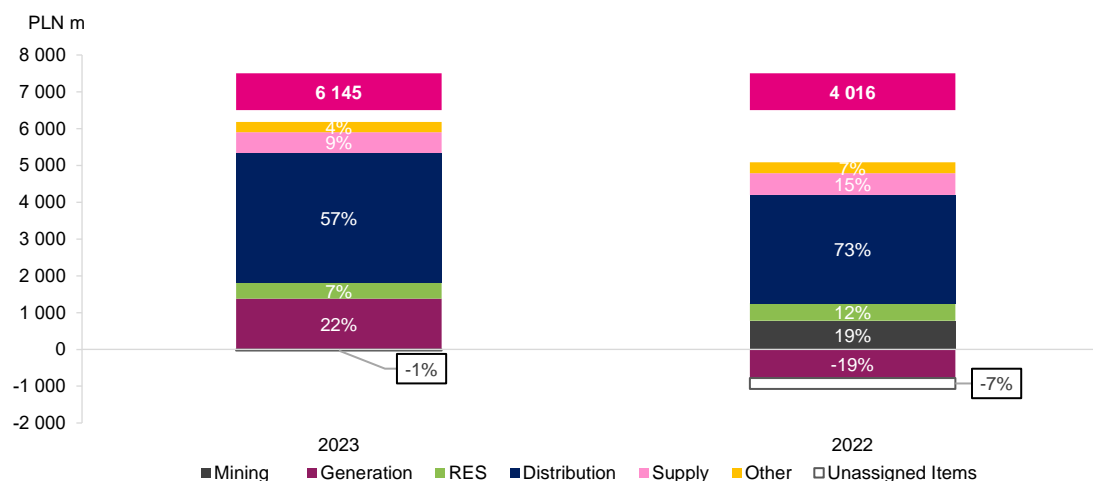
The below table presents TAURON Capital Group's 2023 - 2022 EBITDA broken down into the individual lines of business (segments of operations). The data for the individual segments does not include the consolidation exclusions.

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
EBITDA from continuing operations	6 145	3 215	191%	2 930
<i>Discontinued operations</i>				
Mining	-	781	-	(781)
Consolidation adjustments/ Unassigned items	-	20	-	(20)
EBITDA from discontinued operations	-	801	-	(801)
EBITDA total from discontinued and continuing operations	6 145	4 016	153%	2 129

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

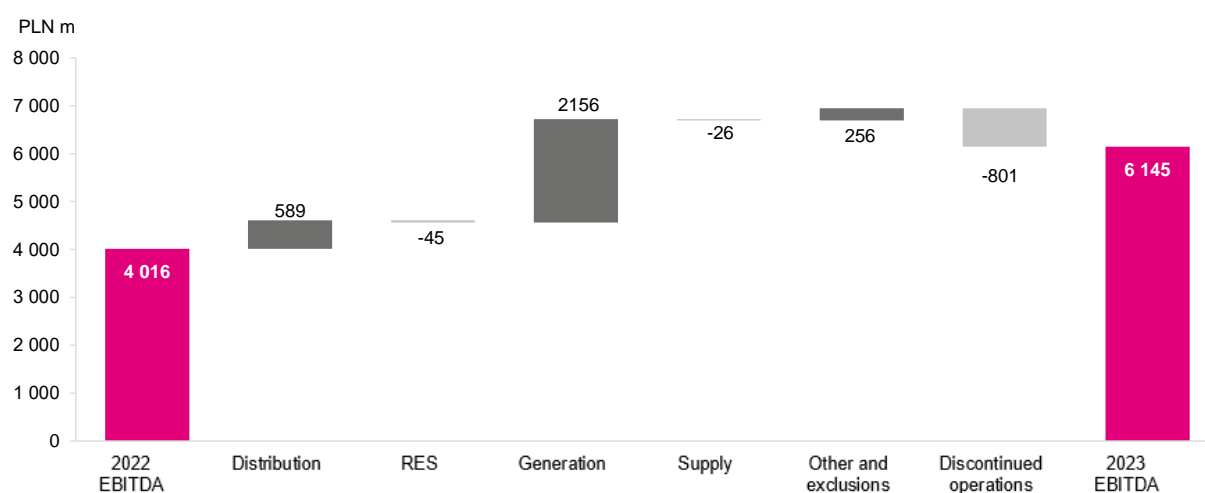
Figure no. 31. TAURON Capital Group's 2023 - 2022 EBITDA structure



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)
Sales revenue	13 325	11 126	120%	2 199
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)
EBIT	347	(1 307)	-	1 654
Depreciation and impairment charges	1 030	528	195%	502
EBITDA	1 377	(779)	-	2 156

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 CO₂ 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:

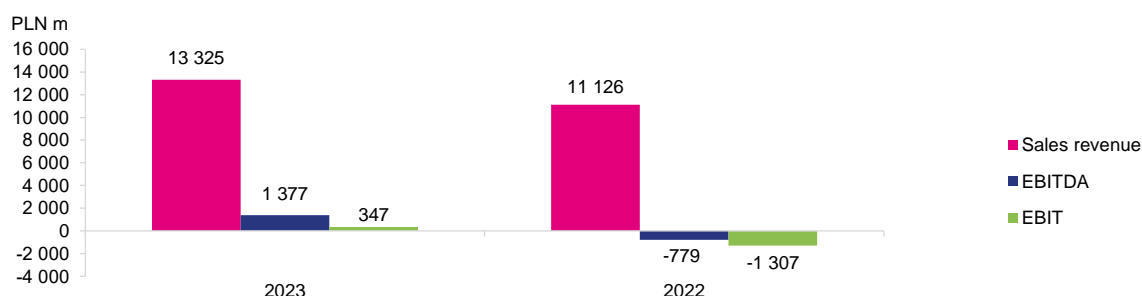
1. a higher margin on the sales of electricity as a result of, among other things, an increase of the prices of the electricity on the market which is the result of the turmoil caused by the conflict in Ukraine and the disruption of the energy fuel supply chain. A consequence of these events also include the rising prices of the thermal coal and of the CO₂ 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 CO₂ emission allowances,
3. completion of the transaction related to the CO₂ 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 CO₂ 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.

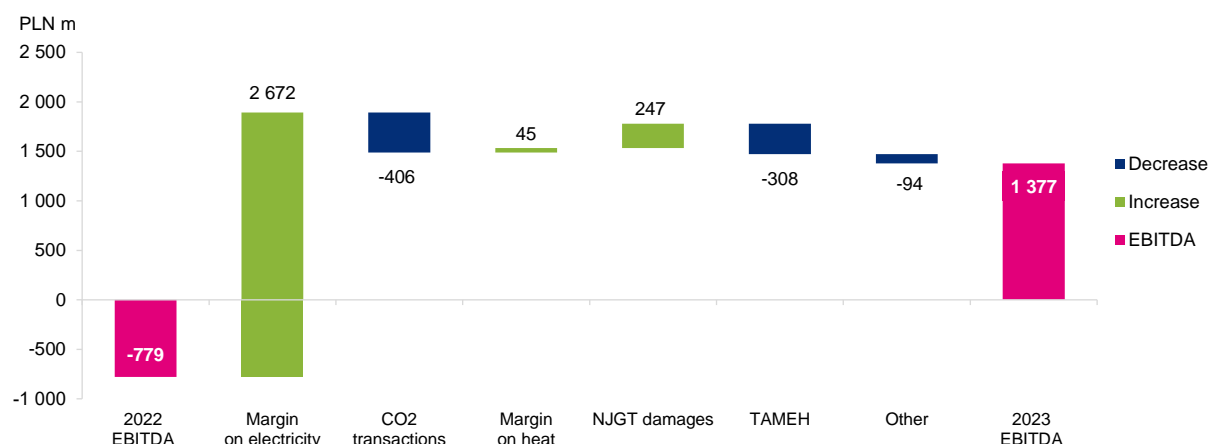
The below figure presents the Generation Segment's financial data for the years 2023 - 2022.

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

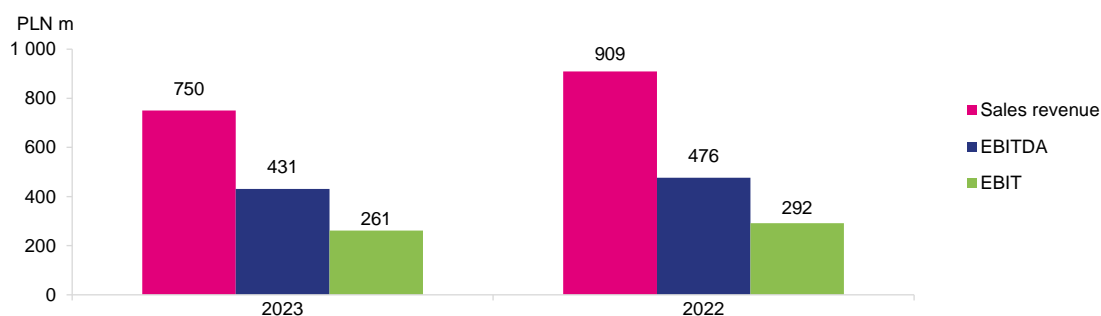
Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
Sales revenue	750	909	83%	(159)
Electricity	481	547	88%	(66)
valuation of the guarantees of origin of electricity	117	147	80%	(30)
sales of the guarantees of origin of electricity	137	198	69%	(61)
other revenue	15	17	88%	(2)
EBIT	261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

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 Myslowice 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 Brzeznica 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)
Sales revenue	11 734	7 611	154%	4 123
Distribution services ¹	11 353	7 273	156%	4 080
Other revenue	381	337	113%	44
EBIT	2 197	1 679	131%	518
Depreciation and impairment charges	1 331	1 260	106%	71
EBITDA	3 528	2 939	120%	589

¹ including an upward adjustment of the electricity purchase

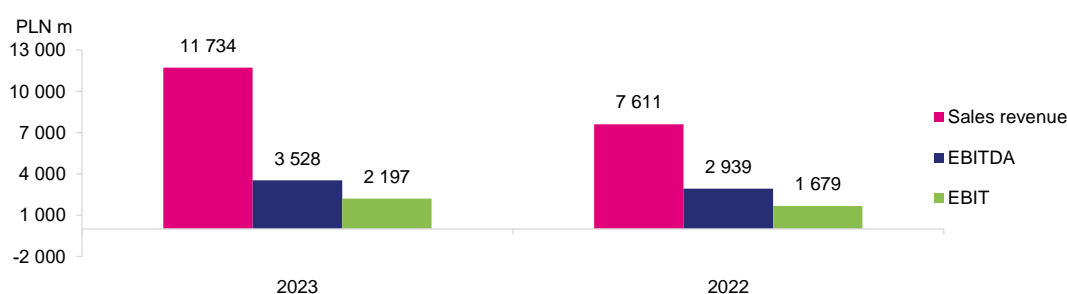
The Distribution Segment had reported an increase of the sales revenue by 54% in 2023, as compared to 2022, mainly as a consequence of an increase in the distribution tariff as compared to 2022.

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.

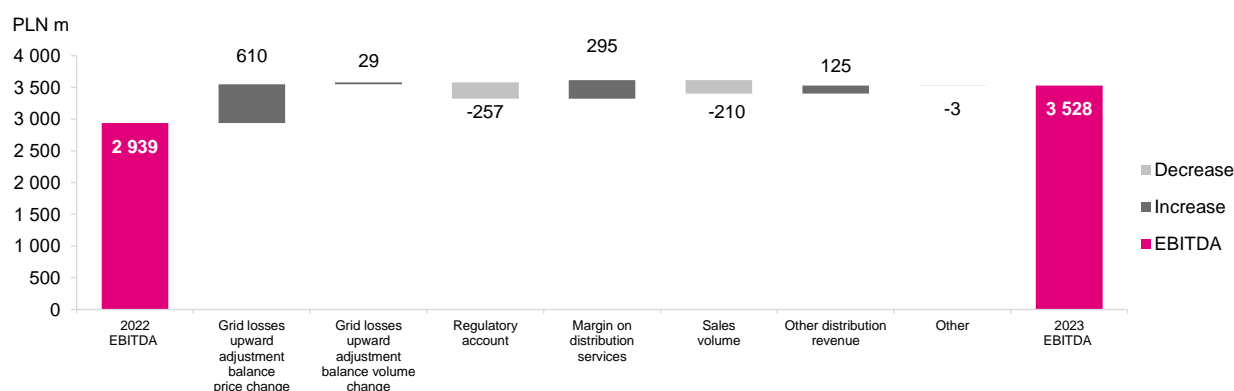
The below figure presents the Distribution Segment's financial data for the years 2023 - 2022.

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)
Sales revenue	35 803	35 491	101%	312
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
Compensation payments	6 937	482	1439%	6 455
EBIT	522	550	95%	-28
Depreciation and impairment charges	46	44	105%	2
EBITDA	568	594	96%	-26

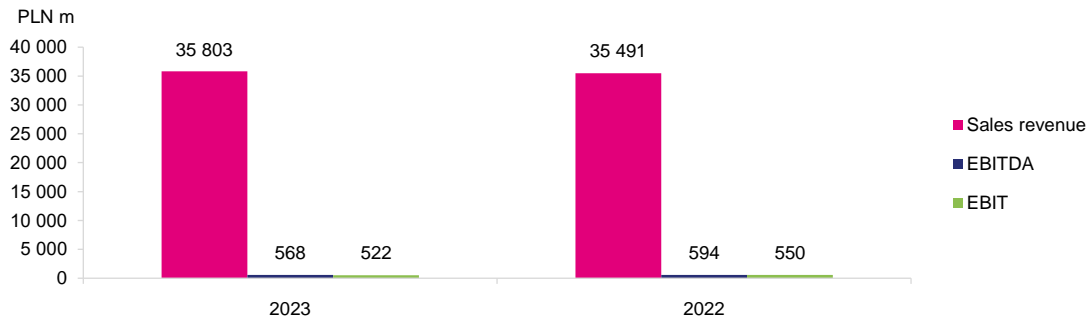
The Supply Segment's sales revenue had come in slightly, i.e. by 1%, higher in 2023 than the revenue generated in 2022. The above mentioned change is the result of obtaining the higher revenue from the sales of the electricity by 4%, the CO₂ emission allowances by 32%, the electricity distribution service 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 CO₂ 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.

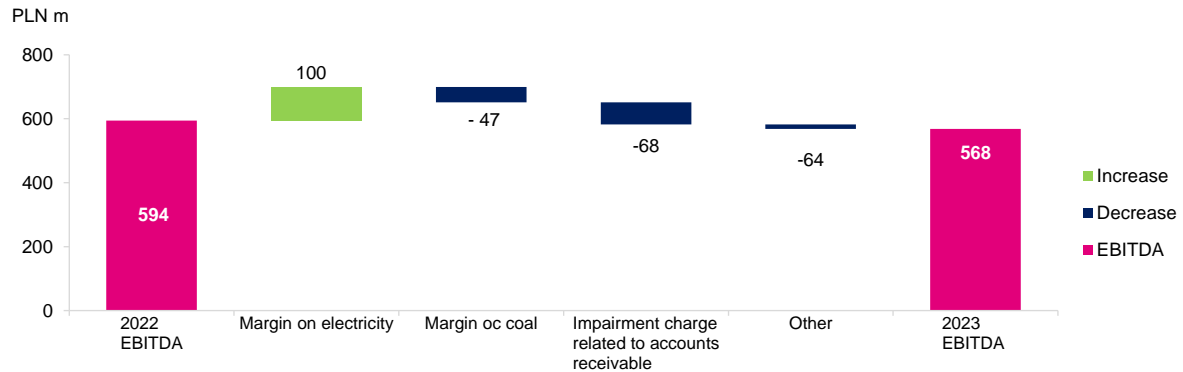
The below figure presents the Supply Segment's financial data for the years 2023 - 2022.

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.

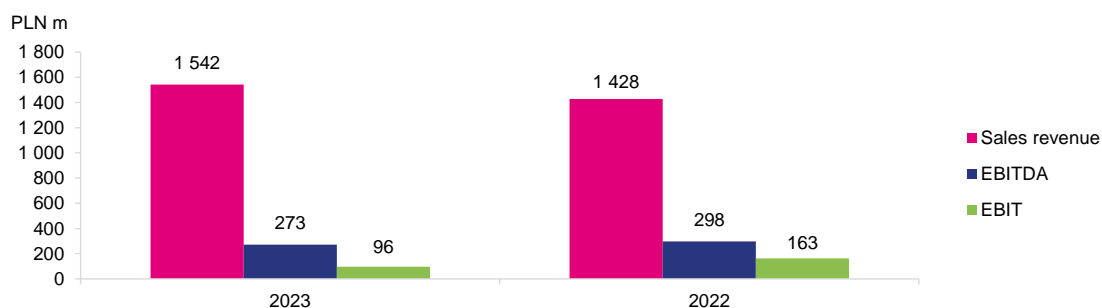
Table no. 37. Other Operations Segment's results in the years 2023 - 2022

Item (PLN m)	2023	2022	Change in % (2023 / 2022)	Change (2023 - 2022)
Sales revenue	1 542	1 428	108%	114
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
EBIT	96	163	59%	-67
Depreciation and impairment charges	177	135	131%	42
EBITDA	273	298	92%	-25

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
Sales revenue	2 680
Hard coal – large and medium size lump coal	1 116
Thermal coal	1 421
Other revenue	143
EBIT	490
Depreciation and impairment charges	291
EBITDA	781

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
ASSETS		
Fixed assets	75.0%	77.3%
Current assets	25.0%	22.7%
TOTAL ASSETS	100.0%	100.0%
EQUITY AND LIABILITIES		
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
Total equity	36.1%	36.7%
Long term liabilities	35.3%	40.8%
Short term liabilities	28.7%	22.5%
Total liabilities	63.9%	63.3%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%
Financial liabilities	14 057	13 266
Net financial liabilities	12 973	11 588
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

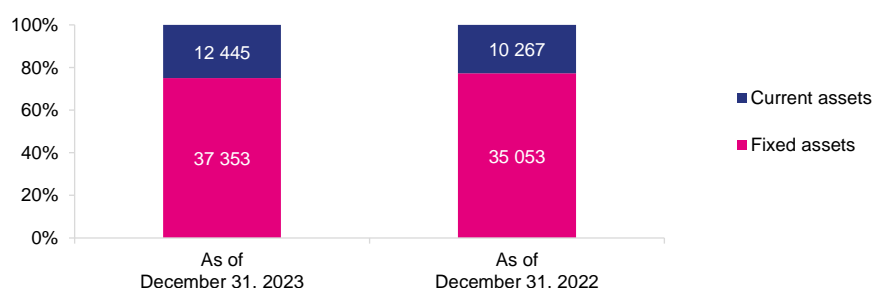
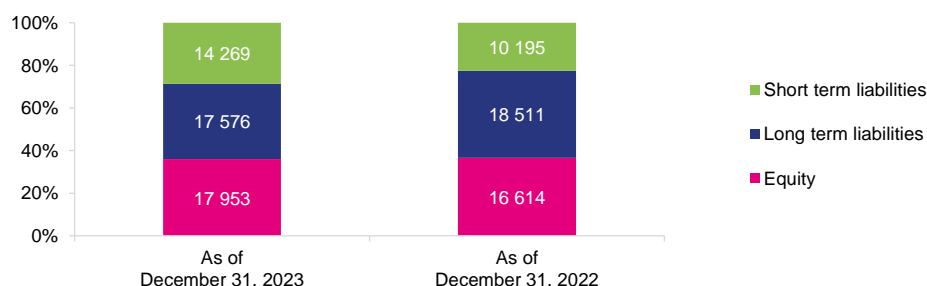


Figure no. 43. Structure of equity and liabilities



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:

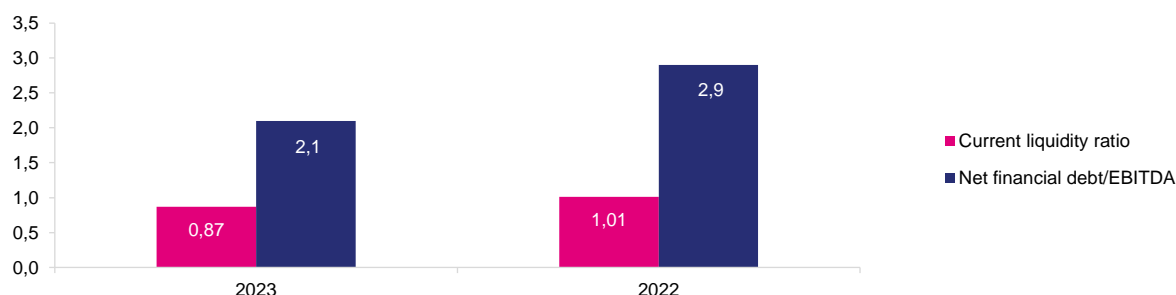
1. the accounts receivable due to the compensation payments, which is related to the way they are accounted for (settled) as defined in the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market* (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) ¹

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

¹ 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

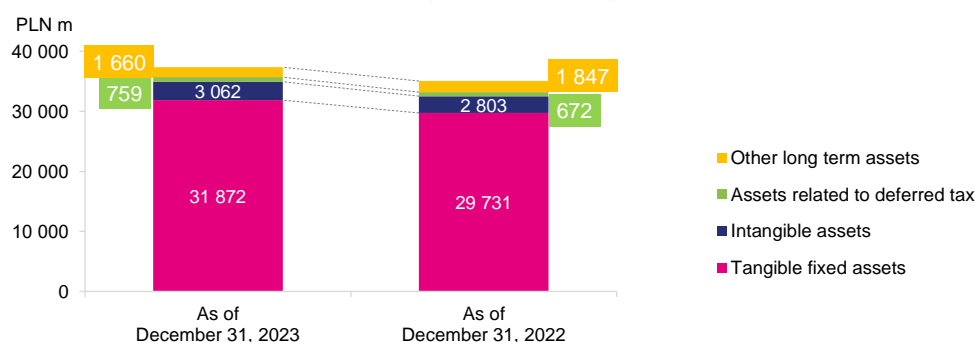
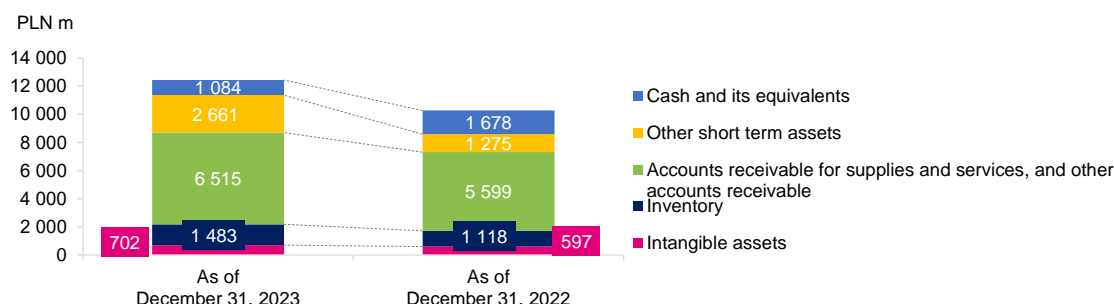


Figure no. 46. Change in current assets



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 CO₂ 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 CO₂ emission allowances to be redeemed (retired), which is the result of:
 - 1) the purchase of the CO₂ 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 CO₂ 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) ¹

Statement of financial position (PLN m)	As of December 31, 2023	As of December 31, 2022	Change in % (2023 / 2022)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	17 915	16 581	108%
Non-controlling stakes	38	33	115%
Total equity	17 953	16 614	108%
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%
Total liabilities	31 845	28 706	111%
TOTAL EQUITY AND LIABILITIES	49 798	45 320	110%

¹ 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

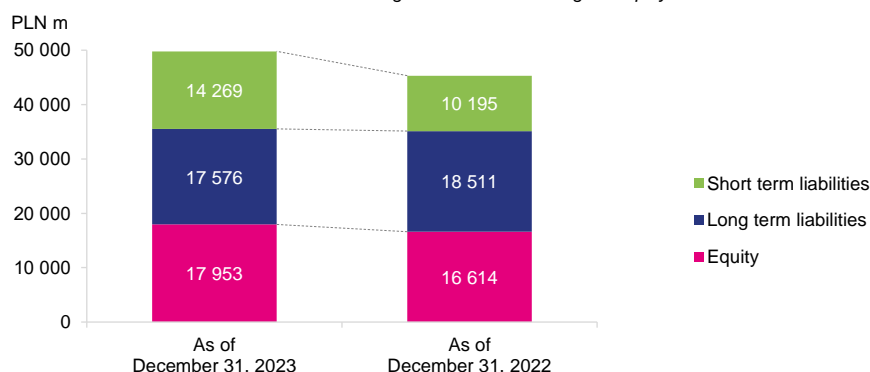
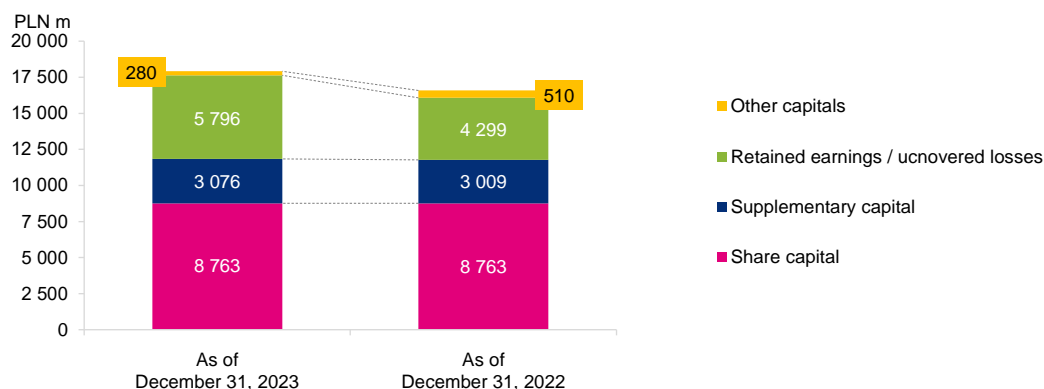


Figure no. 48. Change in equity attributable to majority shareholders



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

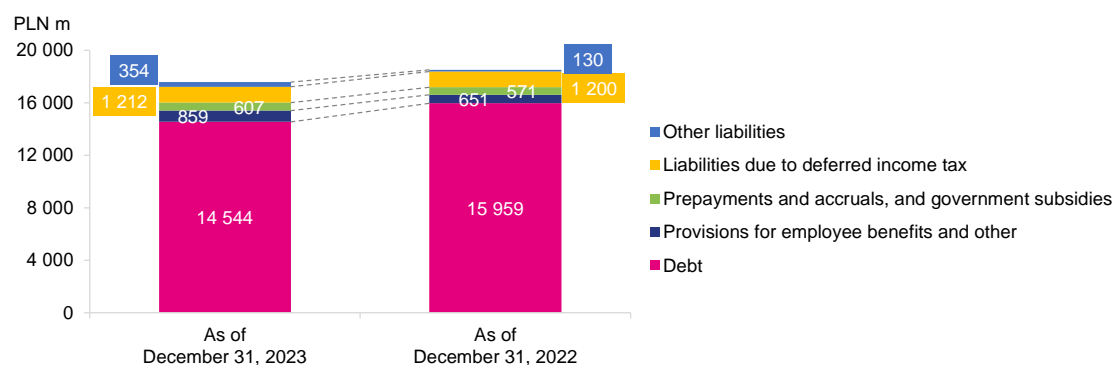
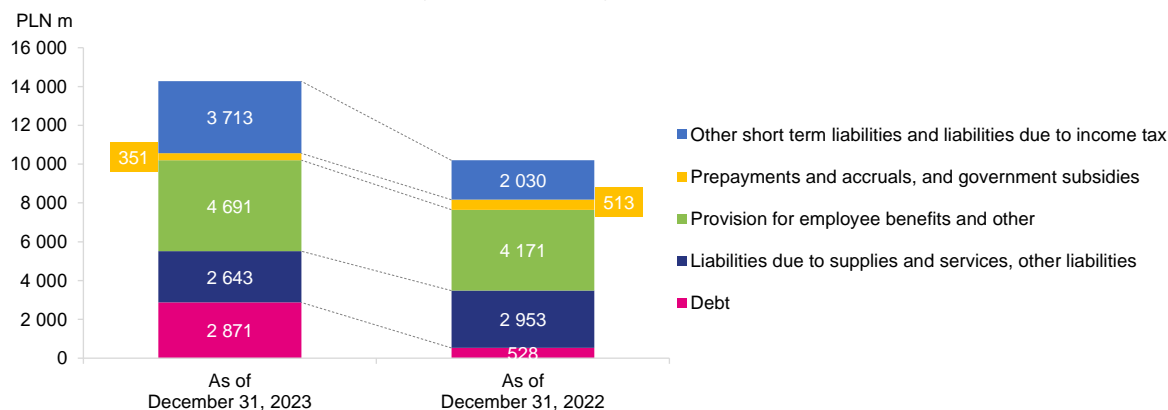


Figure no. 50. Change in short term liabilities



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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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.

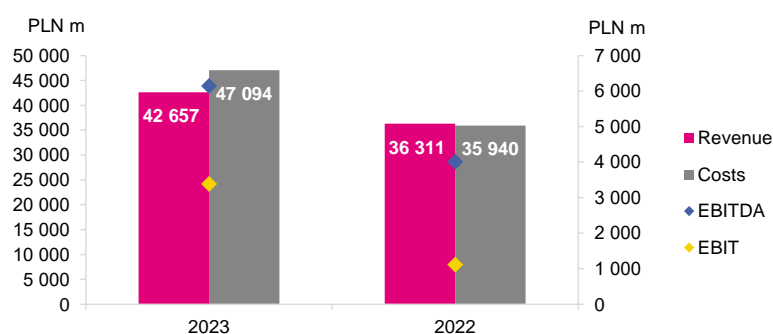
Table no. 42. Annual consolidated statement of comprehensive income for the years 2023 – 2022 ¹

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	-
Operating profit	3 394	1 069	317%
Cost of interest on debt	(797)	(591)	135%
Other financial revenue and costs	(295)	(368)	80%
Pretax profit / loss	2 302	110	2 093%
Income tax	(624)	(319)	196%
Net profit / loss from continuing operations	1 678	(209)	-
Net profit / loss from discontinued operations	-	75	-
Net profit (loss) for the period	1 678	(134)	-
Total income for the period	1 339	108	1 240%
Net profit / loss attributable to:			
Shareholders of the parent entity	1 673	(134)	-
Non-controlling stakes (interests)	5	-	-
EBIT and EBITDA			
EBIT	3 394	1 119	303%
EBITDA	6 145	4 016	153%

¹ 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 ¹



¹ 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:

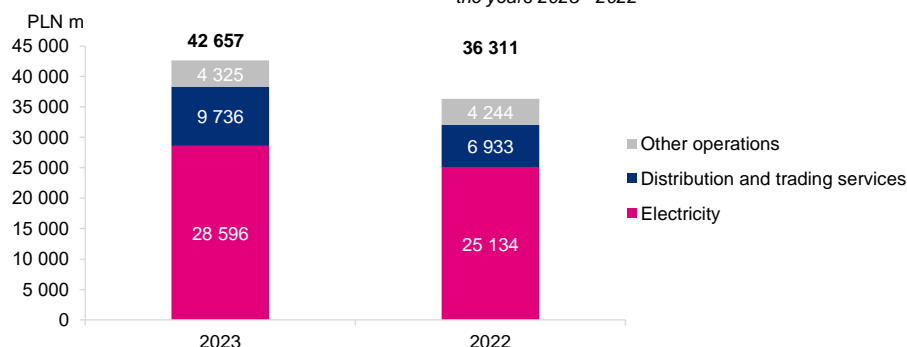
- 1) *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market* (Journal of Laws of 2023, item 1704, as subsequently amended),
- 2) *Act of October 27, 2022, on the emergency measures to cap the electricity 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 CO₂ 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 ¹



¹ 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.

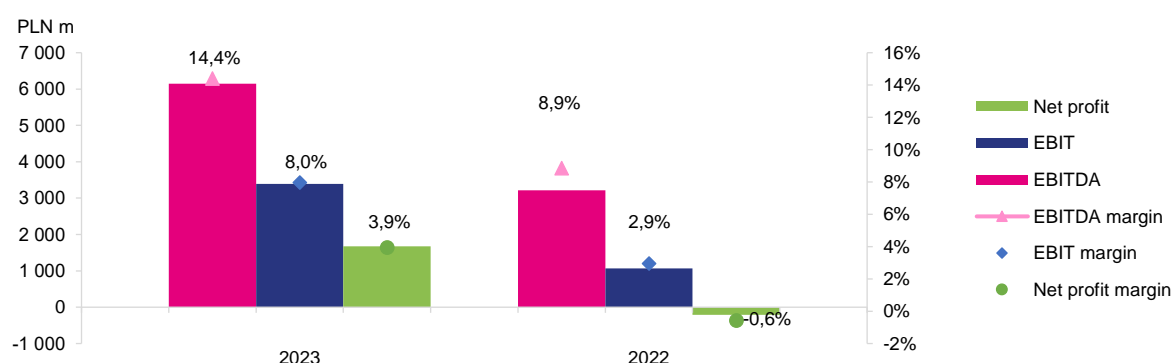
The operating costs of TAURON Capital Group's continuing operations (operating expenses) had come in at PLN 47 094 million in 2023, i.e. they had been higher by 31% than the costs incurred in 2022, which is the result of the following factors:

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 CO₂ 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 ¹



¹ 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

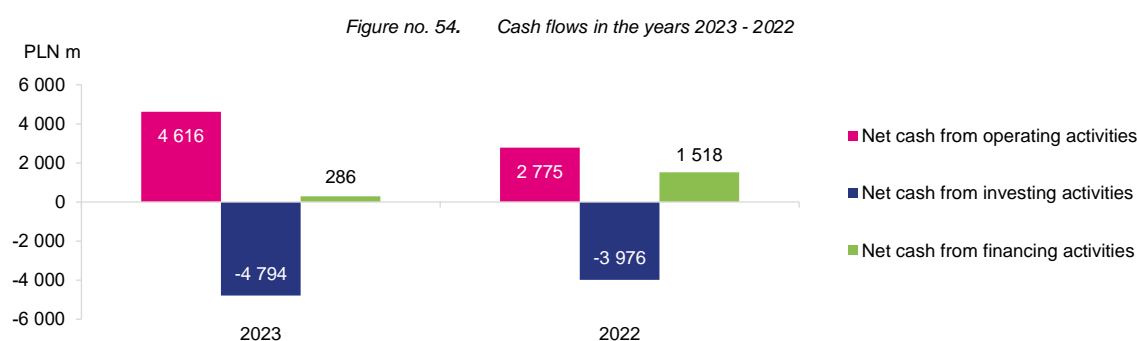
The below table presents the statement of cash flows.

Table no. 43. Statement of cash flows (material items) in the years 2023 – 2022 ¹

Statement of cash flows (PLN m)	Year ended on December 31, 2023	Year ended on December 31, 2022	Change in % (2023 / 2022)
CASH FLOW FROM OPERATING ACTIVITIES, including:			
Pre-tax profit / (loss) from the continuing and discontinued operations	2 302	133	1 731%
Adjustments	2 314	2 642	88%
Net cash from operating activities	4 616	2 775	166%
CASH FLOW FROM INVESTING ACTIVITIES, including:			
Purchase of tangible fixed assets and intangible assets	(4 841)	(3 879)	125%
Net cash from investing activities	(4 794)	(3 976)	121%
CASH FLOW FROM FINANCING ACTIVITIES, including:			
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%
Net cash from financing activities	286	1 518	19%
Increase / (decrease) in net cash and equivalents	108	317	34%
Cash opening balance	940	623	151%
Cash closing balance	1 048	940	111%

¹ 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:

- the generated EBITDA in the amount of PLN 6 145 million,
- a negative change of the working capital in the amount of PLN 1 180 million, which is the result of:
 - 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 CO₂ 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 CO₂ 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 CO₂ 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.

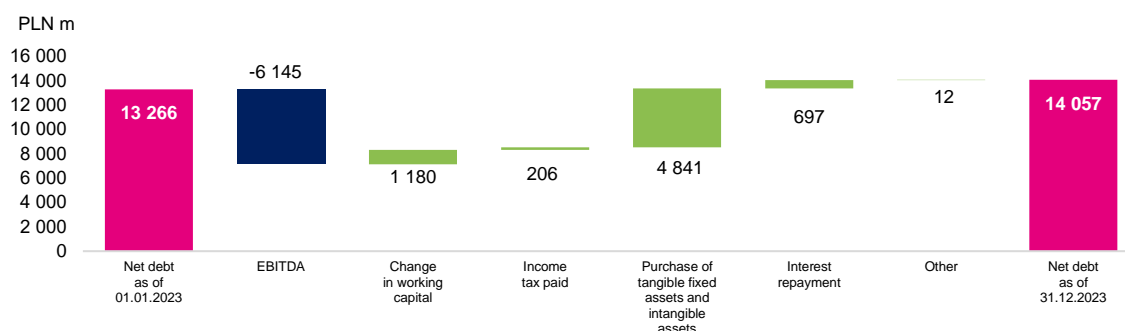
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, and they had come in at PLN 4 841 million in the reporting period and they had been higher by PLN 962 million than the outlays incurred in 2022. The largest expenditures 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 ¹

Ratios	Definition	2023	2022
PROFITABILITY			
EBIT margin ¹	Operating profit / Sales revenue	8.0%	3.0%
EBITDA margin ¹	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%
LIQUIDITY			
Current liquidity ratio	Current assets / Short term liabilities	0.87	1.01
DEBT			
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
OTHER RATIOS			
Earnings per share (EPS)	Net result attributable to shareholders of the parent entity / Number of ordinary shares	0.95	(0.08)

¹ 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
Cash and its equivalents	(1 084)	(1 678)
Long term financial debt	12 037	12 806
Long term credits and loans, and other	7 392	7 765
Long term liabilities due to the unsubordinated bonds issued	4 645	5 041
Short term financial debt	2 020	460

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
Total financial debt	14 057	13 266
Contingent liabilities treated as equivalent to debt in the financing documentation	-	187
Net financial debt	12 973	11 775

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
Net profit (loss) from continuing operations	1 678	(209)
Income tax charged to the financial result	624	319
Costs of interest on debt	797	591
Financial revenue and other financial costs	295	368
EBIT from continuing operations	3 394	1 069
EBIT from discontinued operations	-	50
EBIT from continuing and discontinued operations	3 394	1 119
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
EBITDA from continuing and discontinued operations	6 145	4 016

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 ¹

Key information	unit	2019	2020	2021	2022	2023	Dynamics (2023 / 2022)
STATEMENT OF COMPREHENSIVE INCOME							
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%
STATEMENT OF FINANCIAL POSITION							

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%
CASH FLOW ACCOUNT							
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%
RATIOS							
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	-
OPERATING DATA							
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%

¹ 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 ¹

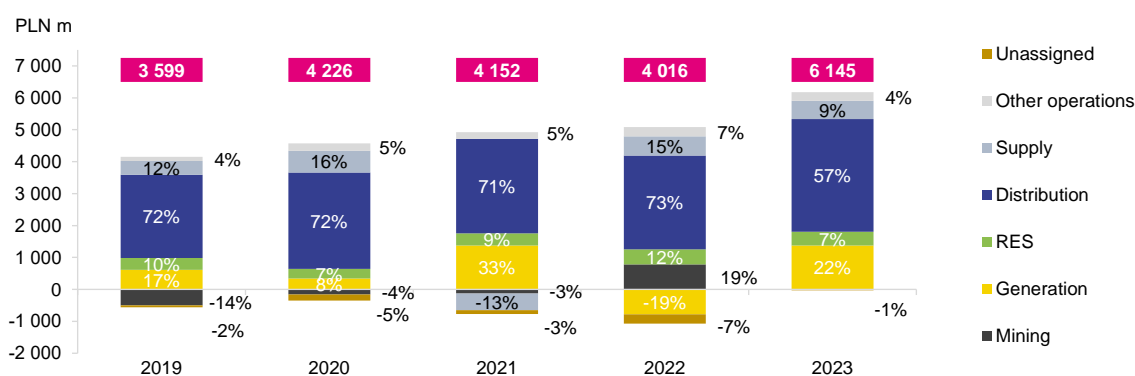
EBITDA (PLN m)	2019	2020	2021	2022	2023	Change in % (2023 / 2022)	Change (2023 - 2022)
Continuing operations							
Mining	(500)	(157)	-	-	-	-	-
Generation	438	344	1 375	(779)	1 377	-	2 156
RES	368	297	376	476	431	91%	(45)
Distribution	2 606	3 023	2 967	2 939	3 528	120%	589
Supply	429	683	(524)	594	568	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)
EBITDA from continuing operations	3 599	4 226	4 268	3 215	6 145	191%	2 930
<i>Discontinued operations</i>							
Mining			(130)	781	-	-	(781)
Consolidation adjustments / Unassigned items			14	20	-	-	(20)
EBITDA from discontinued operations			(116)	801	-	-	(801)
EBITDA total from discontinued and continuing operations	3 599	4 226	4 152	4 016	6 145	153%	2 129

¹The 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

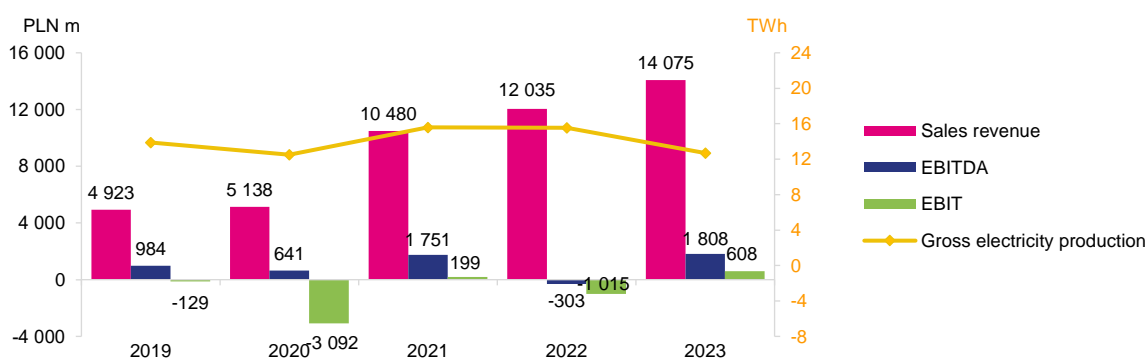


Figure no. 58. Distribution Segment's data for the years 2019 - 2023

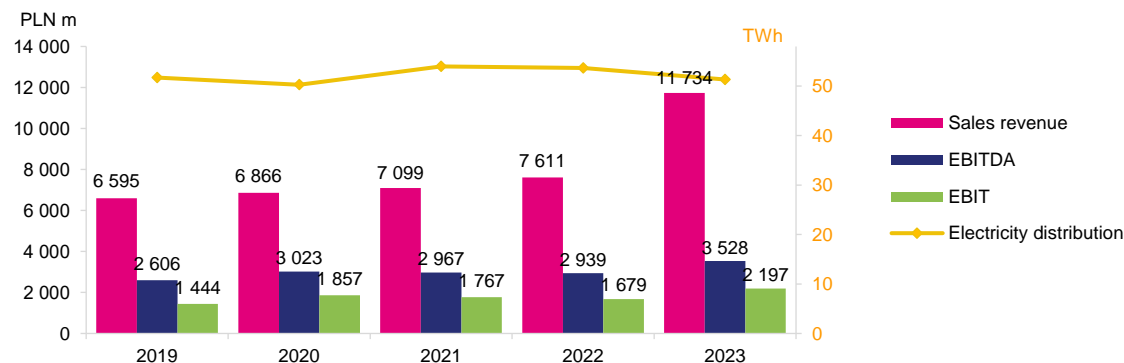


Figure no. 59. Supply Segment's data for the years 2019 - 2023

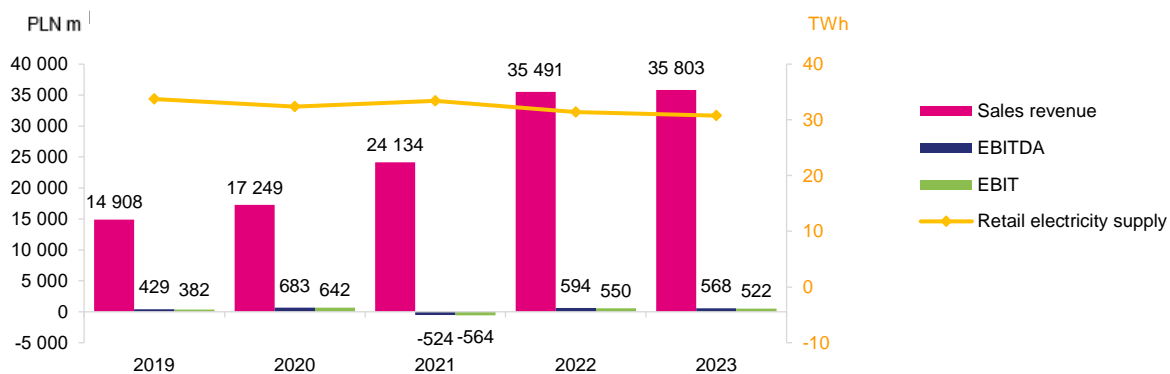
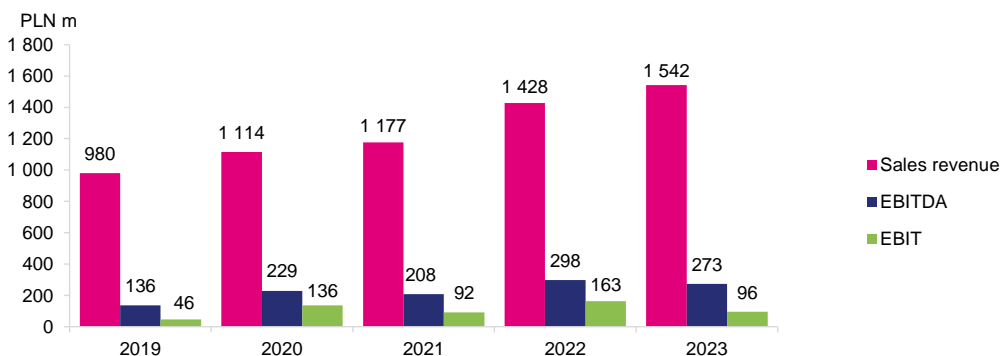


Figure no. 60. Other Operations Segment's data for the years 2019 - 2023



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 ¹	1 566 ²

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
Total		3 043	2 987

¹ 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.

² 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 CO₂ 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 CO₂ emission allowances. Such a method of hedging the positions allows for minimizing the risk of the CO₂ costs not being covered by the contracted electricity price. The basis for determining the CO₂ sales price for the emission allowances volume defined this way is the CO₂ price on the exchange from the time when the CO₂ 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.

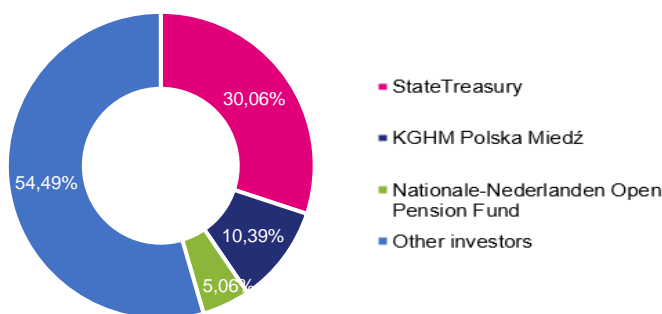
8. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

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 418¹, § 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 418¹, § 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 418¹, § 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 ¹ (%)	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

¹ 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

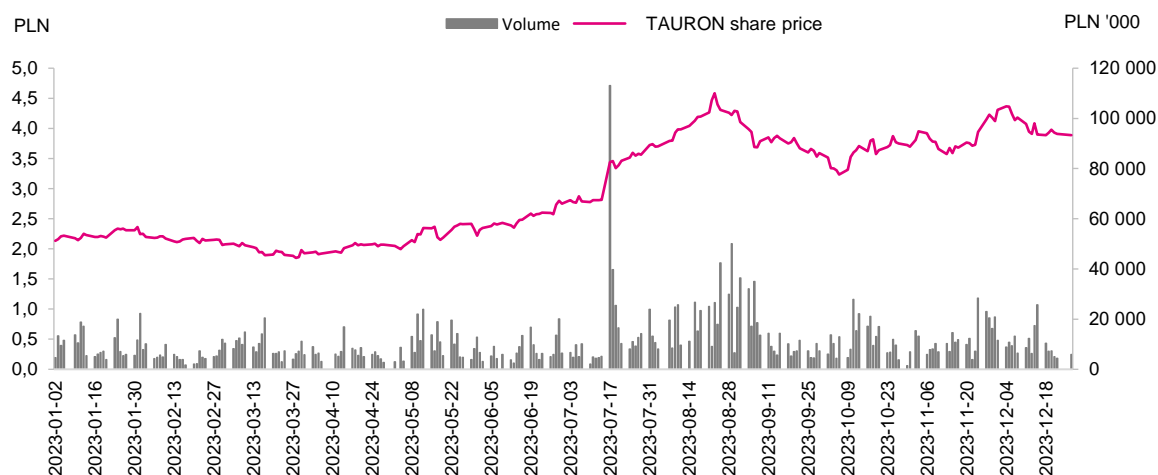


Figure no. 63. TAURON share price and trading volumes since the market debut until December 31, 2023

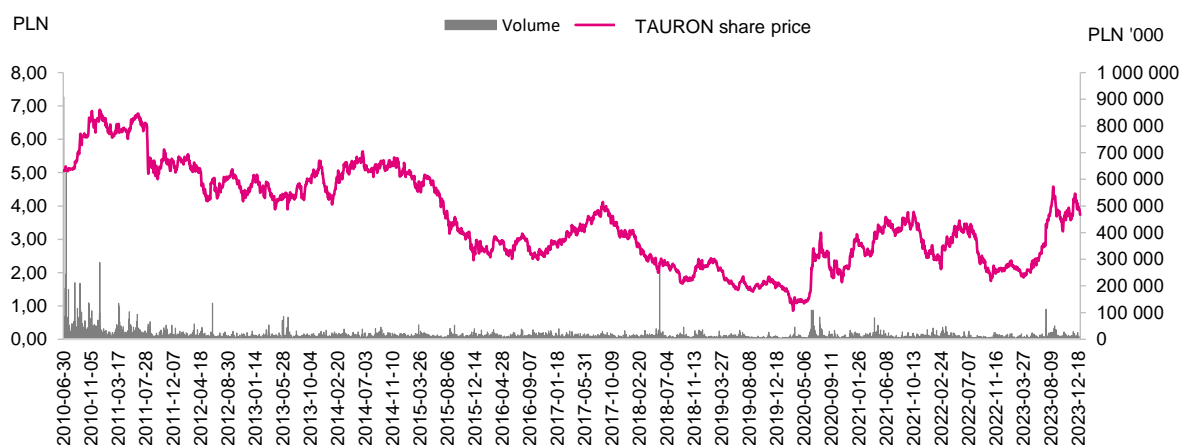


Figure no. 64. TAURON share price (in PLN) versus WIG20 and WIG-Energia indices since the market debut until December 31, 2023

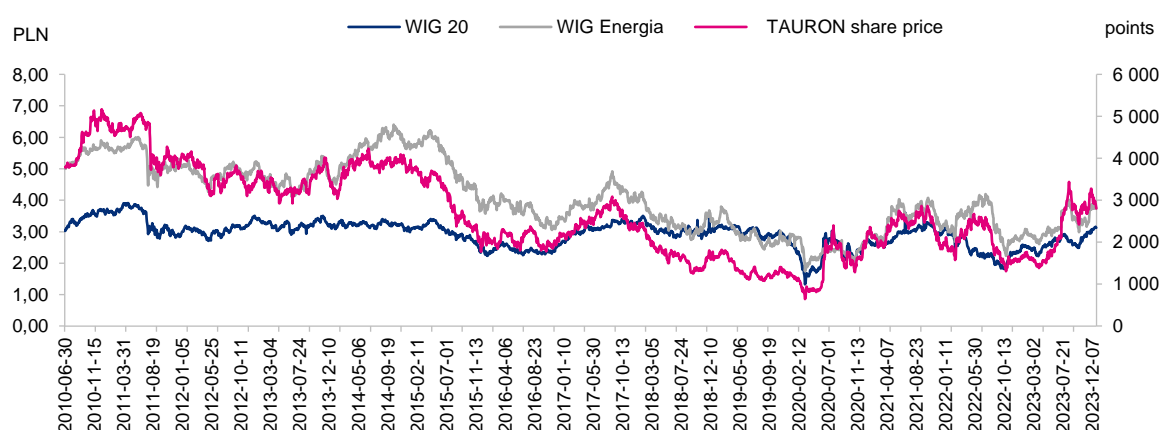
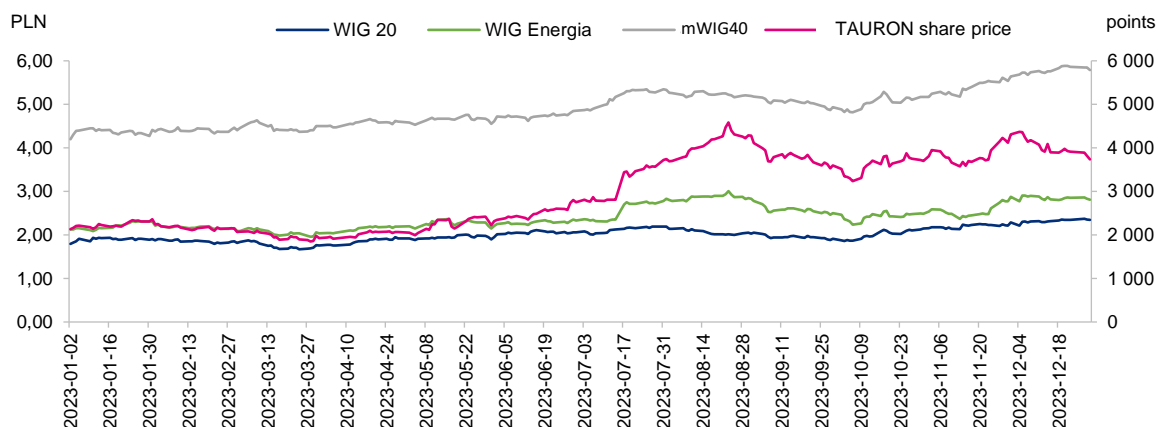


Figure no. 65. TAURON share price versus WIG20, mWIG40 and WIG-Energia indices in 2023



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:



10

"buy" recommendations



0

"hold" recommendations



0

"sell" recommendations

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.

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.

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 380¹, § 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 380¹, § 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, § 3¹ 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 390¹, § 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,

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 Dęmski - 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 Szczepielniak - 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 Szczepielniak 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 7th 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 Górnośląski 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.

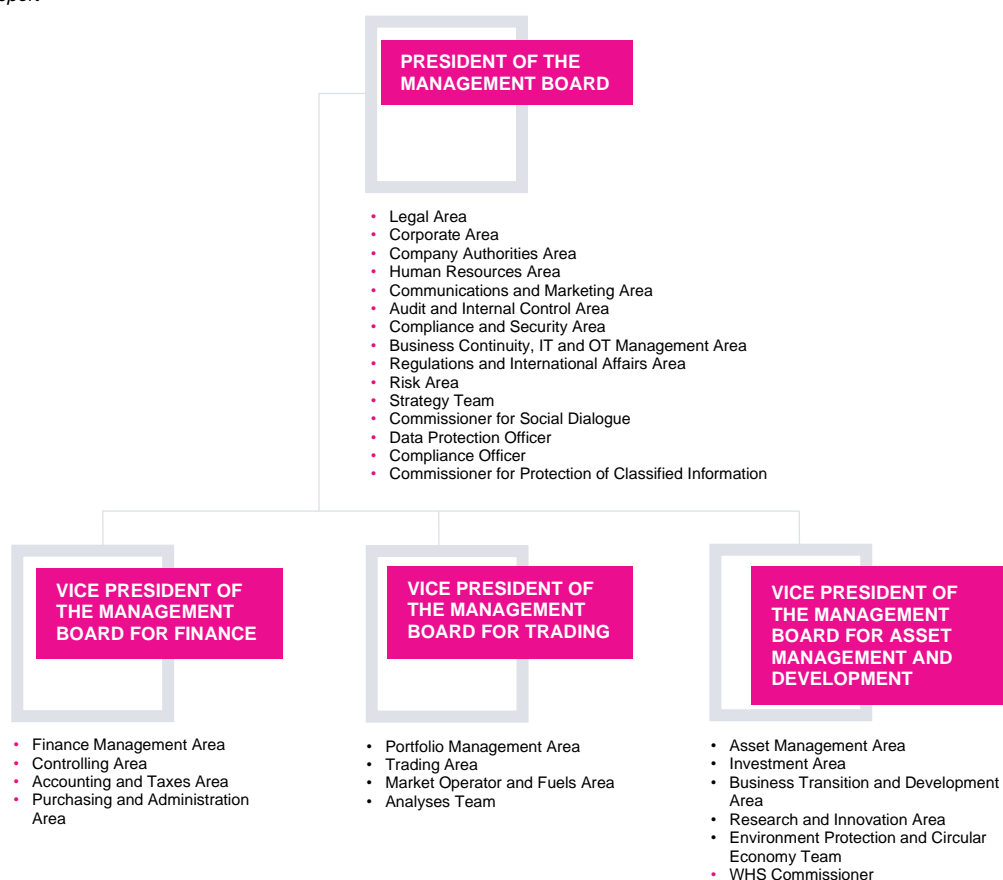
The resolutions of the Management Board shall be passed by an absolute majority of the votes in the presence of at least the majority of the Members of the Management Board. In case of an equal number of the votes the President of the Management Board shall have a casting vote. A Member of the Management 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/o-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 Koziorowski | – 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 Koziorowski | – Member of the Supervisory Board, |
| 7. Katarzyna Masłowska | – 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 Koziorowski (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 Masłowska, 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 Koziorowski 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 Koziorowski 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 Kisielevska	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 Górnośląski 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 (Millennium 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 Kisiełewska – 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 Kisiełewska 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, KPMG 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 § 38¹ 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 Koziarowski – 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 Kisiełowska – 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 Koziarowski 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 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 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 Kisiełowska, 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 Koziorowski – 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 Koziorowski 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 Koziorowski 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">1. Recommending to the Supervisory Board of a recruitment (qualification) procedure for the positions of the Members of the Company's Management Board,2. Evaluating of the candidates for the Members of the Management Board and providing the Supervisory Board with the opinions in this respect,3. Recommending to the Supervisory Board of a form and content of the agreements to be concluded with the members of the Management Board,4. Recommending to the Supervisory Board of a compensation and bonus system for the members of the Management Board,5. Recommending to the Supervisory Board of the need to suspend a member of the Management Board for important reasons,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

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">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,

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 ¹ (PLN '000)	Fixed compensation (PLN '000)	Variable compensation ² 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 ³	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 ³ 30 DMS ⁴	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 ⁴	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 ³ 2 Training ⁵	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 ³ 28 DMS ⁴	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 ³	1 513
Total⁶		7 711	4 492	3 219	375	8 087

¹ total of the fixed compensation and the variable compensation.

² variable compensation had been paid in the full amount due (100% of all of the set management objectives had been accomplished).

³ PPE – Employee Pension Program (Pracowniczy Program Emerytalny – PPE).

⁴ DMS – Housing allowance for the company accommodation.

⁵ Individual training sessions.

⁶ 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
Total¹		625

¹The 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
Proceedings involving TAURON	
<p>1. Plaintiff: Huta Łaziska (Łaziska Steel Works)</p> <p>Defendants: TAURON (as a legal successor to GZE) and the State Treasury represented by the President of the Energy Regulatory Office (ERO)</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 182 060 000.00</p> <p>Initiation of the proceeding: the lawsuit of March 12, 2007</p> <p>Company's position: 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.</p> <p>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. Authority conducting the audit: 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>Party: TAURON</p>	<p>Object of litigation: 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>Value of the object of litigation (the deducted VAT amount): with respect to the transaction with Castor Energy sp. z o.o. (Ltd.) – PLN 52 494 672.</p> <p>Date of initiating the proceeding: October 2014, August 2016</p> <p>Company's position: 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. Plaintiff: Enea</p> <p>Defendant: TAURON</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 17 085 846.49</p> <p>Initiation of the proceeding: the lawsuit of December 10, 2015</p> <p>Company's position: 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>
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)	
<p>4. Plaintiff: Dobiesław Wind Invest sp. z o.o.(Dobiesław Wind Invest)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: a lawsuit for the payment of the damages and the determination of the liability for the future.</p> <p>Value of the object of litigation: PLN 72 217 997.00</p> <p>Initiation of the proceeding: 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, Dobiesław 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 Dobiesław 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 Dobiesław 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 Dobiesław 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 Dobiesław Wind Invest's claims in their entirety, both in the principle, as well as in the amount.</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>5. Plaintiff: Gorzyca Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 150 069 533.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: 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 Jarosław 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. Plaintiff: Pękanino Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 44 817 060.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: 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 Jarosław 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. Plaintiff: Nowy Jarosław Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 83 600 774.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: 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>
8. Co-participation on the plaintiff's side: Amon sp. z o.o. (Ltd.) (Amon) and Talia sp. z o.o. (Ltd.) (Talia) Defendant: TAURON	<p>Object of litigation: 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>Value of the object of litigation: Amon – PLN 107 873 696.42; Talia – PLN 72 405 047.22</p> <p>Initiation of the proceeding: the lawsuit of April 30, 2018</p> <p>Company's position: 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>
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)	
9. Plaintiff: Gorzyca Wind Invest sp. z o.o. (Ltd.), Pękanino Wind Invest sp. z o.o. (Ltd.), Dobiesław Wind Invest sp. z o.o. (Ltd.) Defendant: PEPKH	<p>Object of litigation: 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>Value of the object of litigation: 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>Initiation of the proceeding: 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>Company's position: 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"> 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, 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. <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>
10. Plaintiff: Dobiesław Wind Invest sp. z o.o. (Ltd.) Defendant: PEPKH	<p>Object of litigation: a plea to award damages and the liquidated damages.</p> <p>Value of the object of litigation: PLN 159 427 682.00</p> <p>Initiation of the proceeding: the lawsuit of June 14, 2017</p> <p>Company's position: 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>
11. Plaintiff: Nowy Jarosław Wind Invest sp. z o.o.(Ltd.) Defendant: PEPKH	<p>Object of litigation: 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>Value of the object of litigation: PLN 105 128 834.11</p> <p>Initiation of the proceeding: the lawsuit of June 3, 2015</p> <p>Company's position: 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>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>12. Plaintiff: Amon Defendant: 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.</p> <p>The case is pending in the first instance.</p> <p>Object of litigation: 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>Value of the object of litigation: PLN 40 478 983.22</p> <p>Initiation of the proceeding: the lawsuit of May 22, 2015</p> <p>Company's position: 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"> 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, 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. <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. Plaintiff: Amon Defendant: PEPKH</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 49 096 783,00 29</p> <p>Initiation of the proceeding: August 20, 2019</p> <p>Company's position: 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. Plaintiff: Talia Defendant: PEPKH</p>	<p>Object of litigation: 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>Value of the object of litigation: PLN 46 078 047.43</p> <p>Initiation of the proceeding: the lawsuit of May 21, 2015</p> <p>Company's position: 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"> 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, 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. <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
	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.
15. Plaintiff: PEPKH Defendant: Amon	<p>Object of litigation: 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>Value of the object of litigation: PLN 61 576 284.89</p> <p>Initiation of the proceeding: 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>
16. Plaintiff: PEPKH Defendant: Talia	<p>Object of litigation: 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>Value of the object of litigation: PLN 75 334 631.53</p> <p>Initiation of the proceeding: 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 649¹ 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 Wydobycie 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 Wydobycie (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 Wydobycie 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 Wydobycie (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 Wydobycie (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 ₂ 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: green - guarantees of origin of electricity (energy certificates) from RES, blue - guarantees of origin of electricity (energy certificates) generated from agricultural biogas. white - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) yellow - guarantees of origin of electricity (energy certificates) generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, red - guarantees of origin of electricity (energy certificates) from co-generation (CHP certificates - Combined Heat and Power), violet - 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 (gielda 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 CO2 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 CO2 Emission Allowances.
34. EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO2) 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) (Gielda 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	Górnślaski 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 CO2 emission allowances are traded.
44. IRGiT (Warsaw Commodity Exchange Clearing House)	Izba Rozliczeniowa Gield 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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NON-FINANCIAL REPORT

**of TAURON Capital
Group for 2023**

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LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-22

Dear Shareholders,
Ladies and Gentlemen,

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Yours respectfully

A handwritten signature in blue ink, appearing to read 'Grzegorz Lot'.

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

1. Information on TAURON Capital Group's Report

1.1. Legal Basis, Methodology and Standard of the Report

Table of indicators:

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

The presented Non-financial Report for 2023 contains the data and the indicators regarding TAURON Capital Group (hereinafter alternatively referred to as the Group, TAURON Group and TAURON), as well as TAURON Polska Energia S.A., which is the parent company in TAURON Capital Group. (hereinafter alternatively referred to as TAURON Polska Energia, the Company). The Company, with its registered office in Katowice at ul. Ks. P. Ściegiennego 3, was registered in the National Court Register on January 8, 2007, under the name: Energetyka Południe S.A. The change of the Company's name to its current name, i.e. TAURON Polska Energia S.A., was registered on November 16, 2007. TAURON Polska Energia's shares have been listed on the Warsaw Stock Exchange (WSE) since 2010. TAURON is operating as a joint stock company (publicly listed corporation), its share capital stands at PLN 8 762 746 970.00 and is split into 1 752 549 394 shares. The main shareholders include the State Treasury 30.06%, KGHM Polska Miedź S.A. 10.39%, Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund) 5.06%. The other shareholders hold 54.49% of the shares. TAURON Group is conducting its operations in Poland and on a small scale in the Czech Republic (TAURON Czech Energy's share in the Group revenue stands at approximately 2.3%).

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

- Article 49b, clause 1-8 and art. 55, clause 2b-e of the Act of September 29, 1994, on accounting (Journal of Laws 2023.0.120, the consolidated text), which implements the regulations of the Directive of the European Parliament and of the Council 2014 / 95 / EU of October 22, 2014, as regards the disclosure of the non-financial information,
- Article 8 of Regulation (EU) 2020 / 852 of the European Parliament and of the Council of June 18, 2020, on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019 / 2088 and its delegated acts,
- Communication from the European Commission dated 20.06.2019. "Guidelines for reporting non-financial information: Supplement on reporting climate related information" (2019 / C 209 / 01),
- Directive (EU) 2022 / 2464 of the European Parliament and of the Council of December 14, 2022, amending Regulation (EU) No. 537 / 2014, Directive 2004 / 109 / EC, Directive 2006 / 43 / EC and Directive 2013 / 34 / EU with regard to corporate sustainability reporting,
- Commission Delegated Regulation (EU) 2023 / 2772 of July 31, 2023, supplementing Directive 2013 / 34 / EU of the European Parliament and of the Council with regard to sustainability reporting standards – the ESRS standards
- GRI Standards,
- 10 principles of the Global Compact,
- WSE guidelines with respect to the ESG reporting,
- AA1000 Stakeholder Engagement Standard - 2015 Edition (the so-called AA1000 SES standard),
- European Commission Communication on Reporting Non-Financial Information (Non-Financial Reporting Methodology) (2017 / C 215 / 01),
- ICMM (International Council on Mining & Metals), Stakeholder Research Toolkit, based substantively on the Johnson & Scholes methodology to illustrate the impact and involvement of different stakeholder groups.

In addition, the report includes the proprietary indices as well as the information and the data that relate to the expectations of the international ESG ratings. The GRI indicators and other indices are included in the final section of the document. The business model, the key non-financial performance indicators, the policies and the due diligence procedures applied, as well as the potential risks and the risk management system, are presented in this Report from the point of view of the entire TAURON Group and are provided on a consolidated basis. The selection

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

The subject matter scope of the Report has not changed significantly as compared to 2022. The Report covers the following subsidiaries: TAURON Polska Energia, TAURON Wytwarzanie, TAURON Ciepło, TAURON Ekoenergia, TAURON Zielona Energia, TAURON Dystrybucja, TAURON Nowe Technologie, TAURON Dystrybucja Pomiary, Bioeko Grupa TAURON, TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Obsługa Klienta, Kopalnia Wapienia „Czatkowice”, TAURON Serwis, Energetyka ”Cieszyńska”, TAURON Inwestycje, Usługi Grupa TAURON, TAURON Ubezpieczenia, TAURON Czech Energy, the special purpose vehicles set up to manage the RES assets and projects (special investment vehicles) and other subsidiaries that do not conduct business operations (Polska Energia PKH, Finanse Grupa TAURON and Łagisza Grupa TAURON). This collection of the subsidiaries, also included in the Financial Statements, is representative for all of the Group's lines of business. This report does not include the former subsidiary TAURON Wydobycie which has been a joint stock company with the State Treasury as its sole shareholder since January 2023 and has been operating outside the capital structures of TAURON Group since that time. The Report does not include any entities over which TAURON Group does not have control.

TAURON Capital Group's non-financial reporting process takes place on an annual basis, and the publication date coincides with the publication of the financial statements. The contact details for the stakeholders are available on the website at the address: <https://www.tauron.pl/tauron/o-tauronie/kontakt>. Due to the growing importance of the non-financial data, once again in the history of TAURON Group the Non-Financial Report has been prepared as an independent, autonomous document. The previous Non-Financial Reports are available on the website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/raporty-okresowe>.

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

1.1.2. Stages of the Report preparation process

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

- materiality analyses of the topics to be covered in the Report - analysis of the documents, market and industry trends, a survey of the internal and external stakeholders,
- update of the stakeholders mapping – a workshop with the stakeholders,
- determination of the important aspects to be included in the Report – the consultations within the organization and the reporting team,
- collecting the data illustrating the implementation of the policies with respect to the business model, Strategy and the corporate social responsibility goals, as well as the due diligence and risk management principles and the way they are managed at TAURON Group,
- verification of the data and drawing up of the Report.

1.1.3. Data verification

Table of indicators:

GRI – general	2-5, 2-14
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In view of the growing interest in the non-financial data that allows for understanding the organization in a broader context, this Report presents the content that can be used by the stakeholders interested in the value creation process by TAURON Group, including, in particular, investors, shareholders, analysts, financial institutions, employees, Customers, suppliers, business partners, local communities, legislators, regulatory bodies (regulators) and decision makers.

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

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

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

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

1.2. Key stakeholders

Table of indicators:

GRI – general	2-28, 2-29
WSE	I-M5

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

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

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

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

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

Recipients/users of the information related to the sustainable development

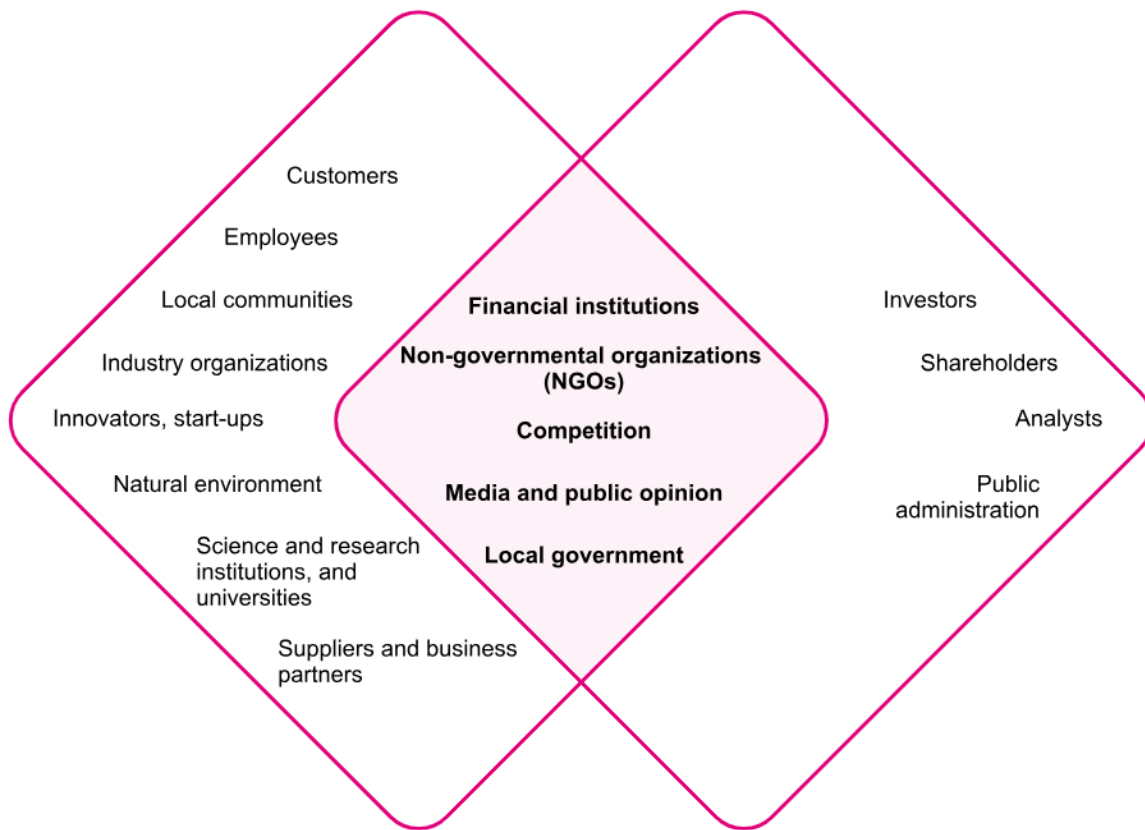


Figure no. 1. Updated map of TAURON Group's stakeholders in 2023 in accordance with ESRS

Dialogue with TAURON Group's stakeholders

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

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

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

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

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

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

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

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

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

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

1.3. Material aspects of the reporting

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

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

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

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

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

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

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

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

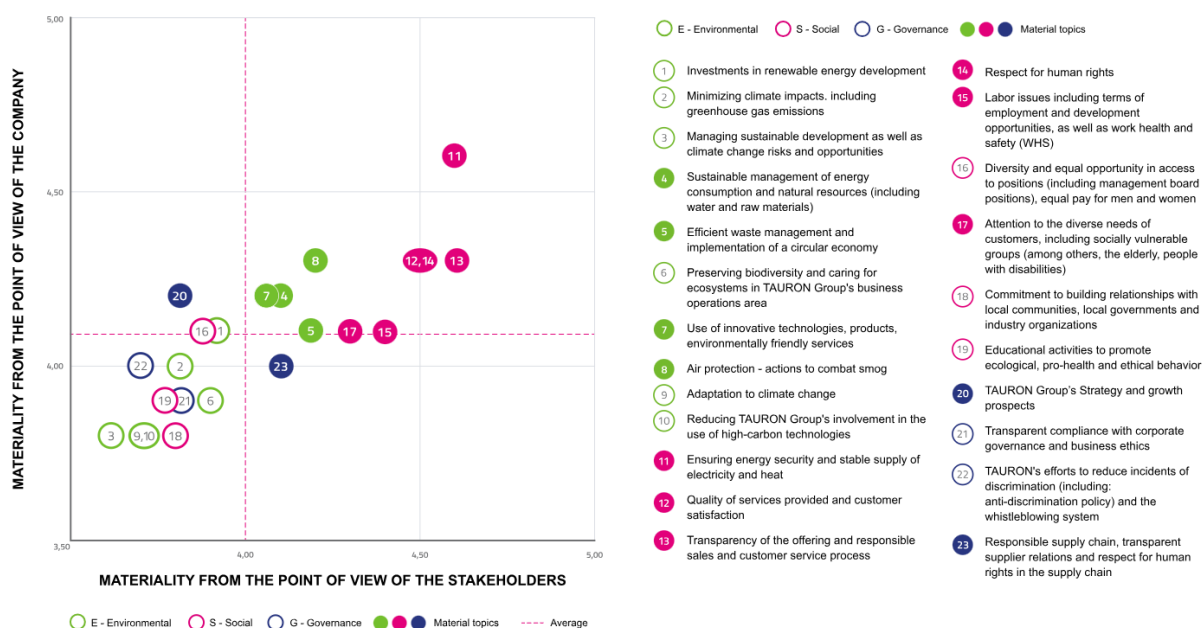


Figure no. 2. The level of materiality of the individual non-financial topics (issues) for TAURON Group and its stakeholders

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

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

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

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

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

SOCIAL (S)

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

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

GOVERNANCE (G)

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

1.4. Management of material topics

Table of indicators:

GRI – general 3-3

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

The ways the material topics are managed:







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

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

2. General information on TAURON Group

2.1. TAURON Group in 2023 in numbers

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

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

2.2. General information on TAURON Group

Table of indicators:

GRI – general 2-1, 2-6

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

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

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

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

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

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



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

2.3. TAURON Group’s structure and organization

Table of indicators:	
GRI – general	2-1

TAURON Group's organization should be considered in three aspects:

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

2.3.1. Process based organization

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

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

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

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

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

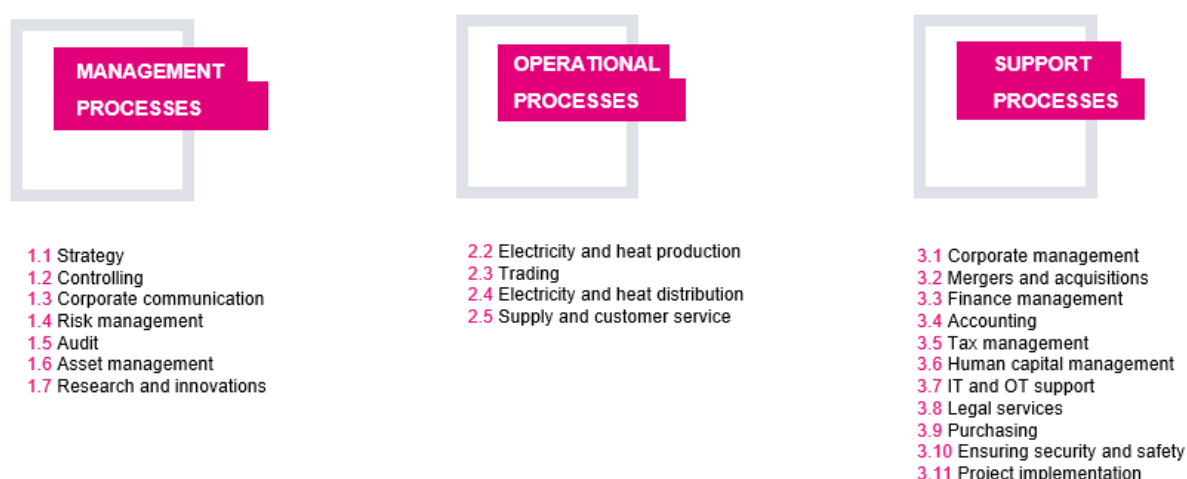


Figure no. 4. TAURON Group's mega processes in place in 2023

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

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

2.3.2. Organization based on the Lines of Business

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

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

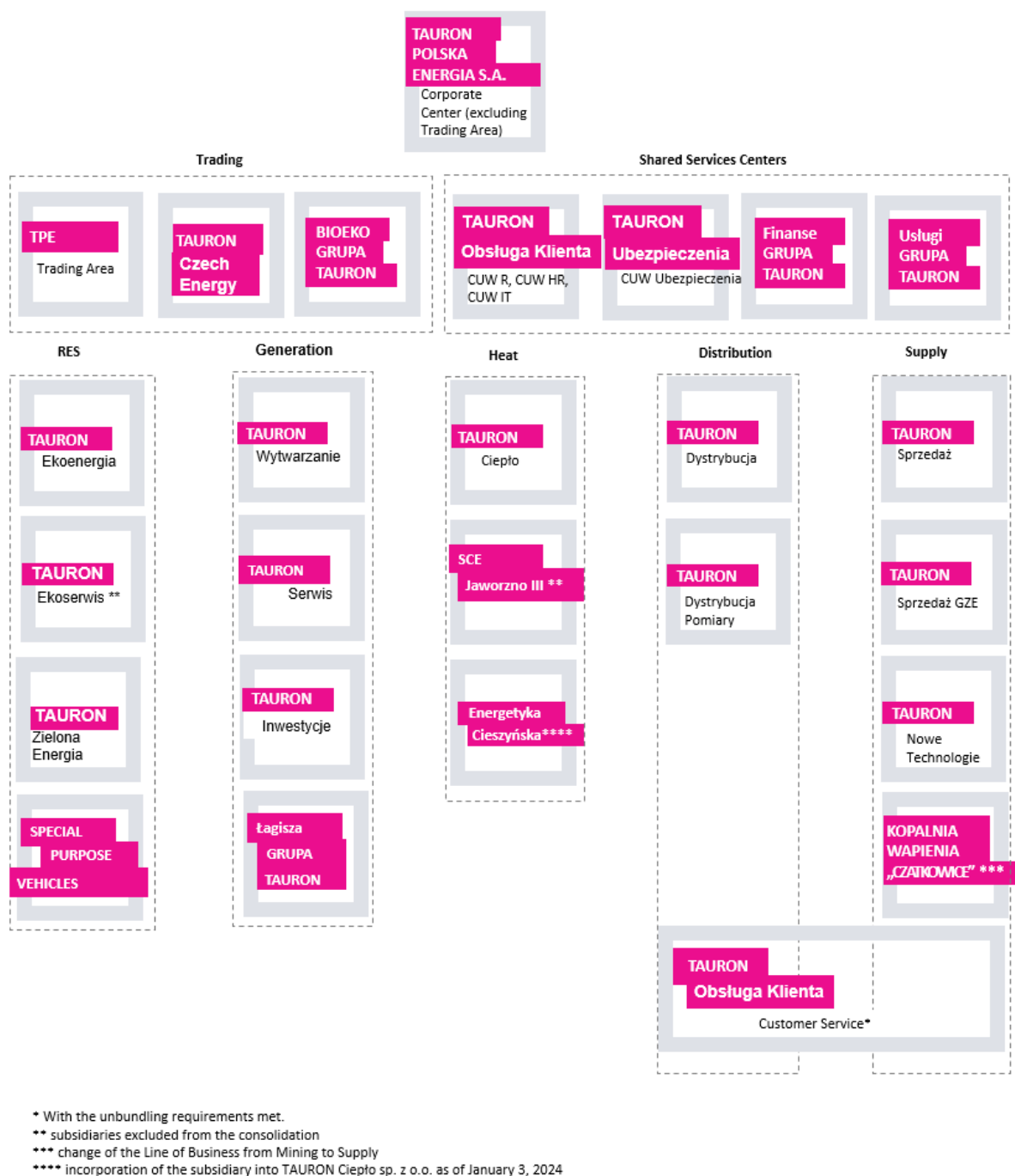


Figure no. 5. Assignment of TAURON Group's subsidiaries to the Lines of Business and the Shared Services Center (CUW) in 2023

2.3.3. Formal and legal organizational structure

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

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

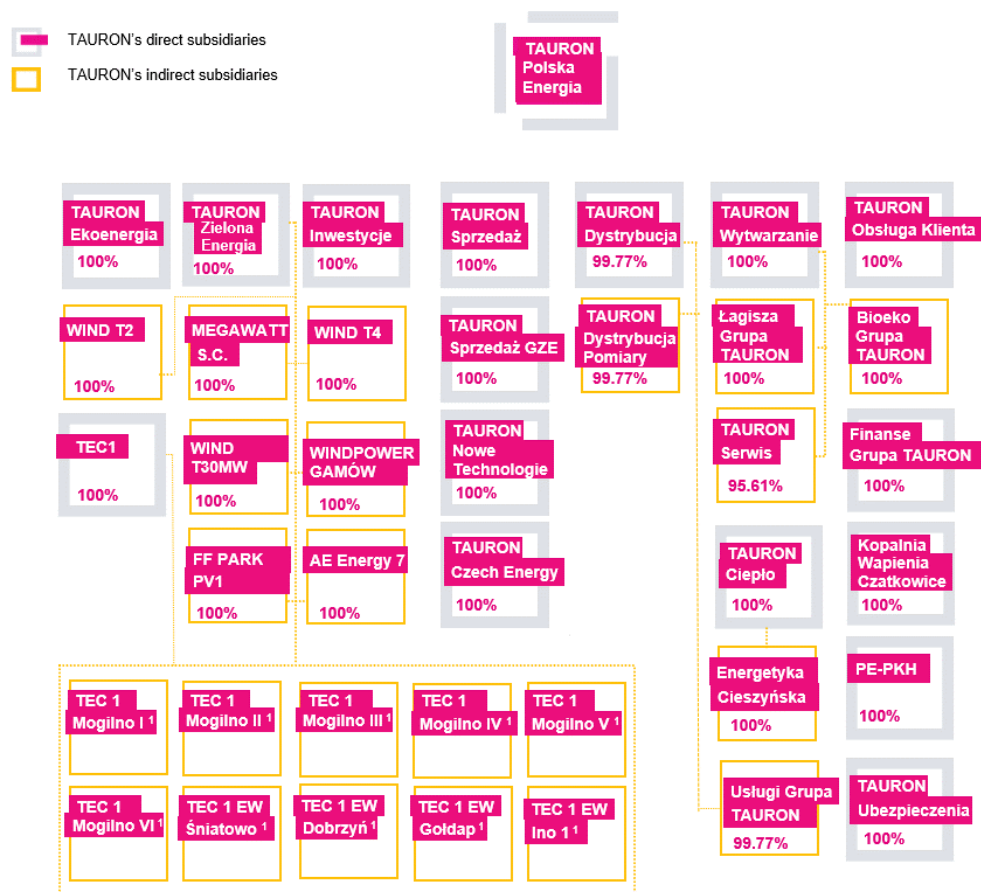


Figure no. 6. TAURON Group's structure, including the subsidiaries subject to the consolidation, as of December 31, 2023

2.4. TAURON Polska Energia company management principles

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

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

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

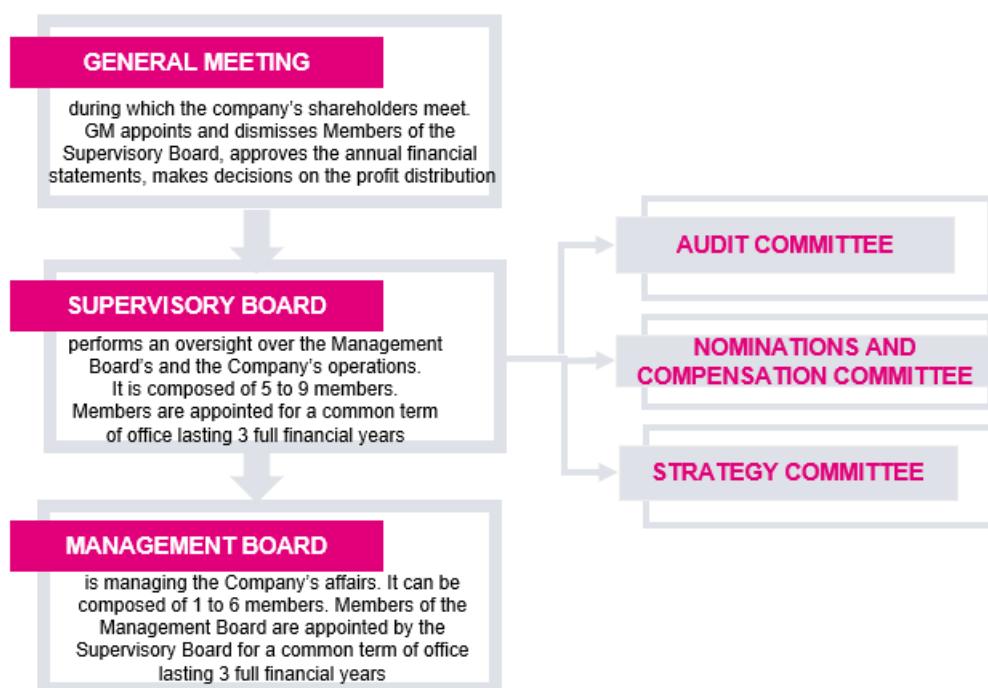


Figure no. 7. TAURON Polska Energia's simplified governance structure

2.4.1. Shareholding structure of TAURON Polska Energia

Table of indicators:

GRI – general 2-1

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



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

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

2.4.2. General Meeting of TAURON Polska Energia

A General Meeting shall be convened by way of a notice posted on the Company's website and in a manner defined for providing the current information (disclosures, regulatory filings) by the public companies. In the case a General Meeting is convened by an entity or a body other than the Management Board on the basis of the regulations of the

Code of Commercial Companies (KSH), and as the convening of a General Meeting requires the Management Board's cooperation, the Management Board shall be obliged to perform any activities defined by the law in order to convene, organize and conduct a General Meeting that takes place either at the Company's registered office or in Warsaw.

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

A General Meeting shall pass resolutions irrespective of the number of the shares represented at the Meeting, unless the regulations of the Code of Commercial Companies (KSH), as well as the provisions of the Company's Articles of Association state otherwise. A General Meeting may order a break in the meeting by the majority of two thirds of the votes. The breaks shall not exceed 30 days in total.

The competences of the General Meeting of TAURON Polska Energia, the description of the shareholders' rights and the way they are exercised as well as the rules for amending the Articles of Association of TAURON Polska Energia, along with the information on amending the Company's Articles of Association in 2023, are provided in detail in section 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2023.

2.4.3. Supervisory Board of TAURON Polska Energia

Table of indicators:

GRI – general	2-10
WSE	G-M1, G-M2, G-M3

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

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

- | | |
|-----------------------|--|
| 1. Piotr Tutak | – Chair of the Supervisory Board, |
| 2. Teresa Famulska | – Vice Chair of the Supervisory Board, |
| 3. Marcin Wawrzyniak | – Secretary of the Supervisory Board, |
| 4. Dariusz Hryniów | – Member of the Supervisory Board, |
| 5. Leszek Koziorowski | – 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 Koziorowski | – Member of the Supervisory Board, |
| 7. Katarzyna Masłowska | – Member of the Supervisory Board, |
| 8. Karolina Mucha-Kuś | – Member of the Supervisory Board, |
| 9. Krzysztof Tkaczuk | – Member of the Supervisory Board. |

Information on changes in the composition of the Supervisory Board that had taken place in 2023 and 2024 until the date of drawing up this Report, as well as the descriptions of the experience and competences of the Members of the Supervisory Board are described in detail in section 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the operations of TAURON Capital Group for the financial year 2023.

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

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

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

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

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

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

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

The Supervisory Board shall make decisions in the form of the resolutions. The Supervisory Board's resolutions shall be passed mainly during the meetings thereof. The Supervisory Board shall pass its resolutions if at least half of its members are present at the meeting and all of its members have been invited in an adequate manner defined in the Regulations of the Supervisory Board. Subject to the absolutely mandatory legal regulations in force, including the Code of Commercial Companies (KSH) and the provisions of the Company's Articles of Association, the Supervisory Board shall pass its resolutions by an absolute majority of votes, where the absolute majority of votes shall be understood as more votes cast "for" than "against" and "abstain". Resolutions shall not be passed on the matters not included in the agenda unless all of the Members of the Supervisory Board are present and nobody raises an objection. This shall not apply to the resolutions on excusing a Supervisory Board's Member's absence at a meeting. The resolutions shall be voted on in an open ballot. A secret ballot shall be ordered only in the cases stemming from the provisions of the law.

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

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

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

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

3. Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. (Strategy Committee).

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

The information on the composition of the committees of the Supervisory Board of TAURON Polska Energia S.A. and the changes thereof that had taken place in 2023 and 2024 until the date of drawing up this report, as well as the description of their competence and activities are provided in section 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

The competences of the Company's Supervisory Board are presented in detail in section 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

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

The Supervisory Board of the Company shall be composed of 5 to 9 persons, appointed for a common term of office lasting 3 full financial years, except for the first term that had lasted 1 year. The term of office (mandate) of a Member of the Supervisory Board shall expire, at the latest, as of the date of holding the General Meeting which approves the financial statements for the last full financial year of the term of office of the Member of the Supervisory Board. In accordance with the Company's Articles of Association, the members of the Company's Supervisory Board shall be appointed and dismissed by the General Meeting (GM), subject to the following:

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

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

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

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

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

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

The information on the compliance by the Members of the Supervisory Board of the Company with the independence criteria, as well as on the existence or the non-existence of the actual and the material ties to a shareholder holding at least 5% of the total number of the votes in the Company is posted on the Company's website at the address: <https://www.tauron.pl/tauron/o-tauronie/wladze-spolki>, and is presented in detail in section 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

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

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

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

2.4.4. Management Board of TAURON Polska Energia

Table of indicators:

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

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

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

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

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

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

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

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

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

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

Two Members of the Management Board or a single Member of the Management Board together with a proxy shall be entitled to make valid statements on behalf of the Company. In the case that the Management Board includes a single person, one Member of the Management Board or a proxy shall be entitled to make valid statements on behalf of the Company.

The meetings of the Management Board shall be convened by the President of the Management Board or a Vice President of the Management Board designated thereby. The meetings of the Management Board shall be chaired by the President of the Management Board or a Vice President of the Management Board designated thereby. The Management Board shall vote in an open ballot, unless otherwise provided for in the legal regulations. The result of the ballot shall be recorded in the minutes of the meeting.

The resolutions of the Management Board shall be passed by an absolute majority of the votes in the presence of at least the majority of the Members of the Management Board. In the case of an equal number of the votes the President of the Management Board shall have a casting vote. A Member of the Management Board shall inform the Management Board of any conflict of interest that has arisen or the possibility of the arising thereof and shall not take part in the reviewing of the matter or in the voting on a resolution in the matter in which a conflict of interest may arise in relation thereto.

The internal division, among the Members of the Management Board, of the tasks and the responsibilities for the individual business areas of the Company's operations, as defined in the *Organizational Regulations of TAURON Polska Energia S.A.* and including the independent (autonomous) work positions, as well as the organizational units (business units) reporting directly to the Executive Directors, whose work is managed (supervised) by the Members of the Company's Management Board, shall be defined by the Company's Management Board Resolution no. 118/VII/2024 of April 11, 2024 amending Resolution No. 59/VII/2024 of March 7, 2024 regarding the assignment of individual organizational units of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A.

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

The competences and the description of the activities of the Company's Management Board are provided in detail in section 9 of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

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

The Management Board of the Company shall be composed of 1 to 6 persons, including the President and the Vice President. The Members of the Company's Management Board shall be appointed and dismissed by the Company's Supervisory Board for a common term of office lasting 3 full financial years, except for the 1st term that had lasted 2 years. The term of office (mandate) of a Member of the Management Board shall expire, at the latest, on the date of holding the General Meeting which approves the financial statements for the last full financial year of the term of office of the Member of the Management Board. In accordance with the Company's Articles of Association, each of the Members of the Company's Management Board can be dismissed or suspended in office by the Company's Supervisory Board or the Company's General Meeting.

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

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

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

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

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

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

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

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

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

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

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

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

2.4.5. Performance evaluation of the top management body

Table of indicators:

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

The overarching objectives of the Compensation Policy include:

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

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

In particular, the general management objectives include:

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

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

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

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

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

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

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

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

2.4.6. Organization of the Company TAURON Polska Energia

Table of indicators:

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

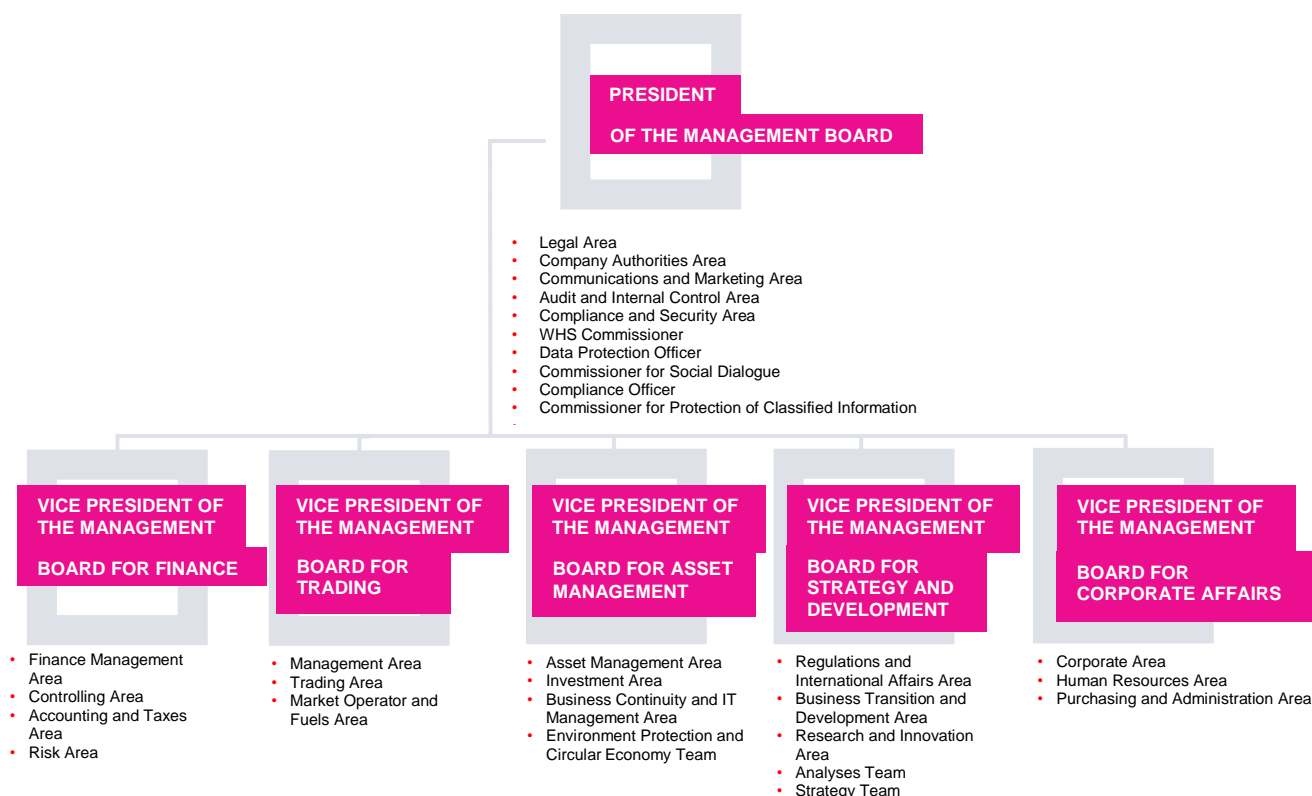


Figure no. 9. The diagram showing the division of the responsibilities of the Members of the Management Board of TAURON Polska Energia as of December 31, 2023

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

The Company TAURON Polska Energia shall carry out its tasks through:

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

2.5. Principles of TAURON Group's management

Table of indicators:

GRI – general	2-6
WSE	I-M1

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

Code of TAURON Group

The management of TAURON Group is based on the leading role of the corporate center, i.e. the parent company - TAURON Polska Energia which manages the subsidiaries that are a part of the Lines of Business and the shared service centers. The relations with respect to making decisions are regulated by the Code of the Group which is the core regulatory act of TAURON Group. The Code of the Group regulates its operations, ensuring the implementation of the goals through tailored solutions with respect to the management of TAURON Group's entities, enabling achieving of the effects assumed in the Strategy.

TAURON Group's Business and Operational Model document

The Business and Operational Model document is a response to the needs and the goals set out in TAURON Group's Strategy. This document defines the Group's management model, defines the high level architecture of the processes as well as the functions and the tasks of the Corporate Center, Lines of Business and the other units. In order to ensure flexibility, resilience and adaptation of TAURON Group to the changes in the environment, in particular those resulting from climate change, the current Business and Operating Model of Taron Group takes into account the ESG issues (as an increasingly important tool of the communications with the environment (stakeholders)). TAURON Group's Business and Operational Model also includes comprehensive provisions indicating the independence (unbundling) of the operations conducted by the Distribution System Operator.

The key assumptions of TAURON Group's Strategy in force include, among other things, the spin off of the coal assets outside TAURON Group, the development of the renewable energy capacity, as well as the digitalization and ensuring information security. These issues were taken into account in the update of the Business Model.

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

The foundations of the Business and Operational Model include:

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

The Business Model introduces the division of the roles and responsibilities, based on the assignment of the process competences among the Corporate Center, the Lines of Business and the Shared Service Centers. This division is shown in Figure no. 10.

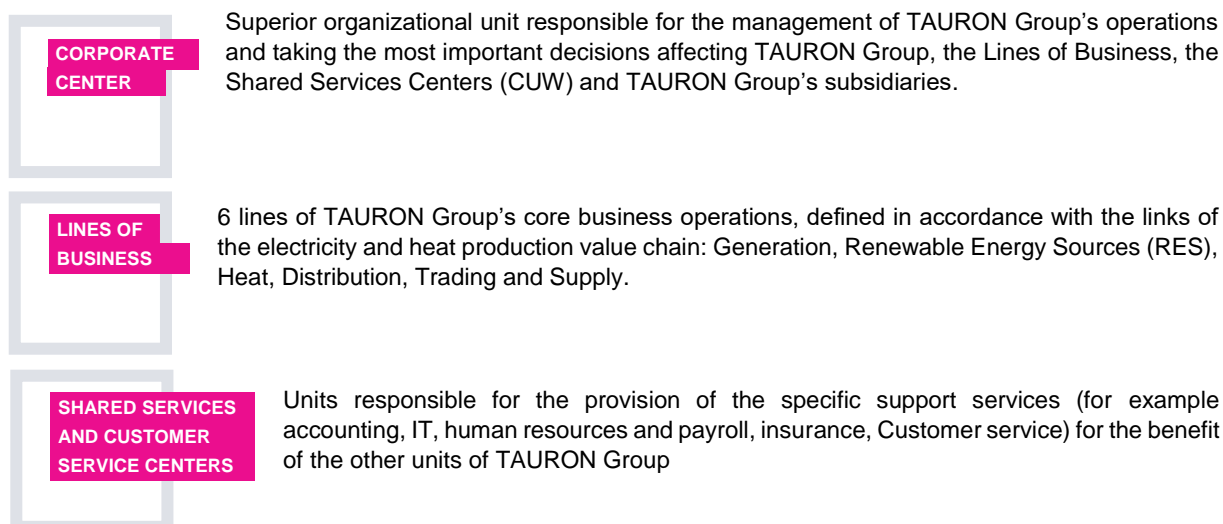


Figure no. 10. The division of obligations (duties) and responsibilities under TAURON Group's business model in 2023

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

Table of indicators:

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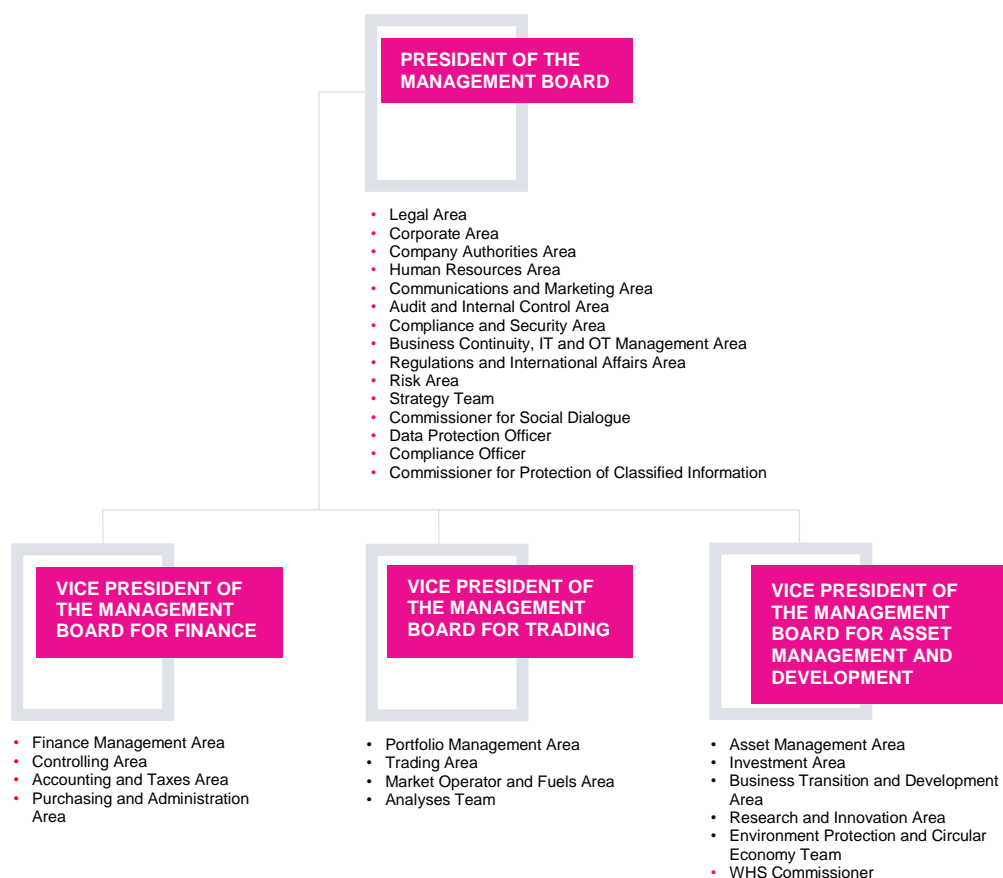
Changes to the principles of the Company's management

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

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

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

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



Changes to the principles of TAURON Group's management

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

2.7. Group's Business Model

Table of indicators:

GRI – general	2-6
WSE	I-M1

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

TAURON Polska Energia

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

Lines of Business

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

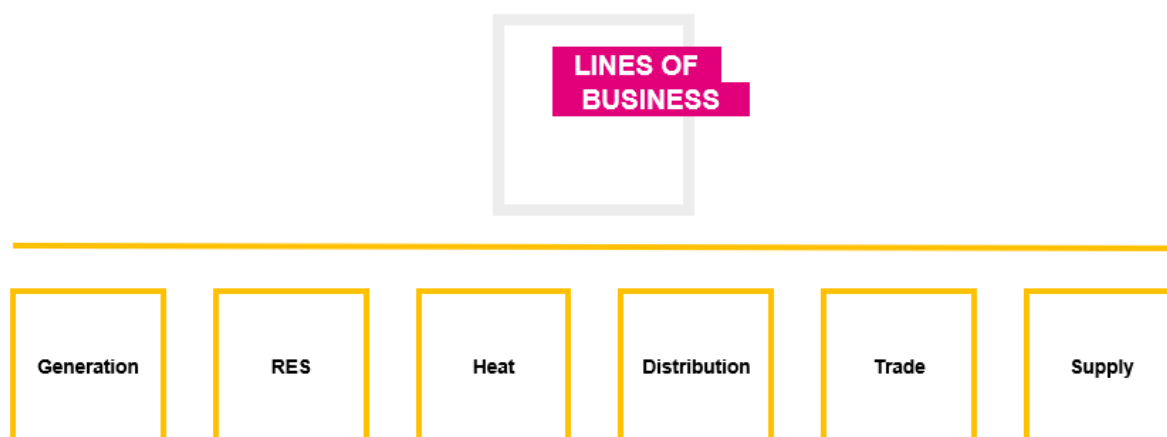


Figure no. 12. TAURON Group's Lines of Business in 2023.

Shared Services and Customer Service Centers

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

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

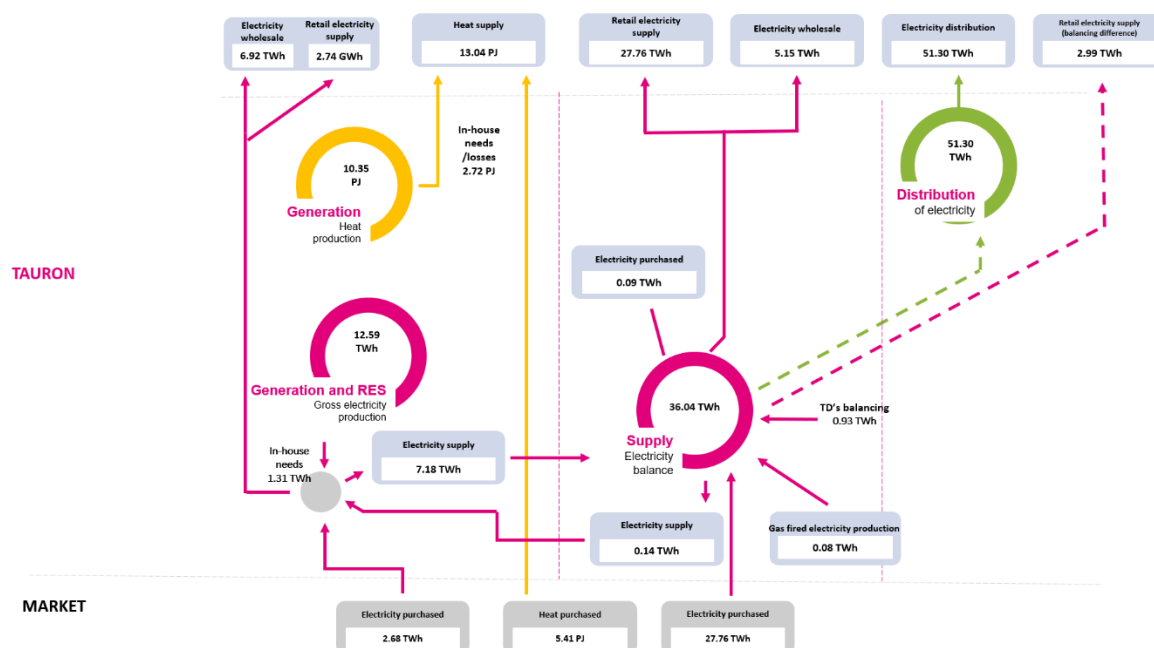


Figure no. 13. The business model in TAURON Group's core lines of business in 2023

2.7.1. Value chain and business relations

Table of indicators:

GRI – general	2-6
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Generation Line of Business

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

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

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

Heat Line of Business

It comprises the generation, distribution, as well as the supply of heat from the generation sources, including the co-generation sources, as well as maintaining the production capabilities of the Line of Business in the adequate condition. The heat generation is carried out by 5 combined heat and power plants, with the total capacity of approx. 0.35 GWe and 1.2 GWt, located in the following cities: Katowice, Tychy, Bielsko-Biała, Czechowice-Dziedzice and Cieszyn, as well as by the local boiler houses. The co-generation units are using hard coal and biomass for their production, while the heat generation units are also using oil and gas. The fuels used to generate heat are sourced on the market. The district heating operations are conducted by the TAURON Ciepło, SCE Jaworzno III and Energetyka Cieszyńska (incorporated by TAURON Ciepło in 2023) subsidiaries, that are, in total, operating more than 1 thousand kilometers of the distribution district heating networks on the territory of, among others, Katowice, Dąbrowa Górnicza, Sosnowiec, Będzin, Chorzów, Siemianowice Śląskie, Jaworzno, Mysłowice and Cieszyn, including 976 km of TAURON Ciepło's own networks (including Energetyka Cieszyńska), and 119 km of SCE Jaworzno III's own networks.

Renewable Energy Sources Line of Business

It comprises the generation of electricity using the renewable energy sources, except for the biomass burning, which, according to the Business Model, is carried out as part of the Generation and Heat Lines of Business. The production of electricity from biomass is also classified as a renewable energy at TAURON Group. This line of business is managing 34 hydroelectric power plants with the total capacity of 133 MW, located primarily in the south of Poland, 11 wind based power plants with the total capacity of nearly 417 MW, located mainly in the north of Poland, and a photovoltaic power plant with the capacity of 14 MW. The operations of this Line of Business are conducted by TAURON Ekoenergia, TAURON Zielona Energia, special purpose vehicles set up to build new RES sources as well as TAURON Ekoserwis (a subsidiary providing the support and maintenance services for the hydro power assets).

Distribution Line of Business

It comprises the distribution of electricity using the distribution grid located in the south of Poland. TAURON Group distributes electricity on the territory of the following regions (provinces): Małopolska, Lower Silesia, Opole and Silesia, and partly also Świętokrzyskie, Podkarpackie, Łódzkie, Wielkopolska and Lubuskie. The operations are conducted by the TAURON Dystrybucja subsidiary that performs the function of the DSO. The operational functions are carried out by 11 branches located in Będzin, Bielsko-Biała, Częstochowa, Gliwice, Jelenia Góra, Cracow, Legnica, Opole, Tarnów, Wałbrzych and Wrocław. The operations of TAURON Dystrybucja are supported by the TAURON Dystrybucja Pomiary subsidiary.

Trading Line of Business

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

Supply Line of Business

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

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

Shared Services

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

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

2.7.2. Capitals and the value creation model

Table of indicators:

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

Value creation model

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

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

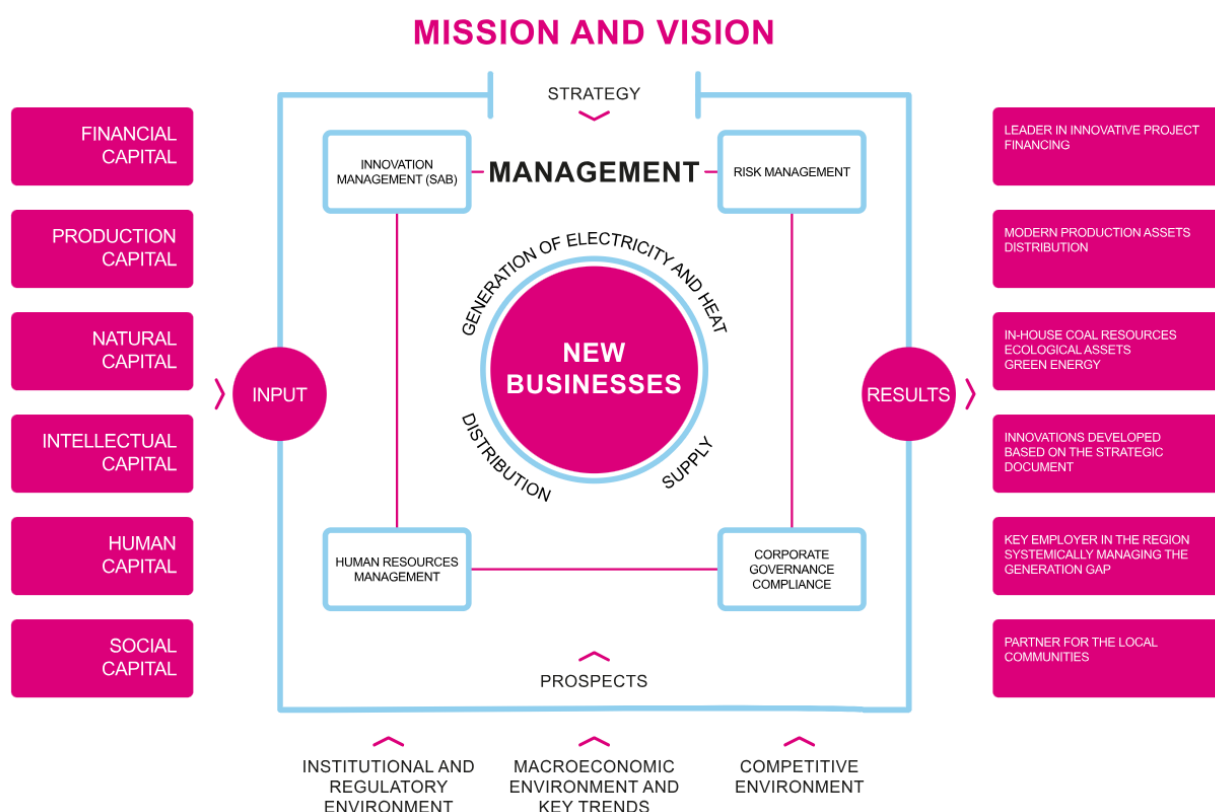


Figure no. 14. TAURON Group's value creation model

Financial capital

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

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

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

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

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

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

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

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

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

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

* From the continued and the discontinued operations.

Financial capital versus the other capitals

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

Natural capital

The natural capitals used by the Group - non-renewable: fossil fuels (hard coal, oil, gas) and limestone (fossil) and renewable: hydro, biomass, wind or solar energy - are used throughout its entire business chain. The Group's aspiration is to use the natural capitals in a responsible manner while minimizing the negative impact on the environment and climate. The deposits of the non-renewable resources are exploited in a responsible, rational, regulated, systematized and sustainable manner.

The changes in the way the natural capital is used in the perspective of the subsequent years of TAURON Group's business operations will be implemented in such a way as to ensure the certainty of the electricity supply to the Customers. Thanks to having guaranteed an adequate volume of the fuel supplies, mainly from the domestic hard coal mining entities, the stable power generation during the periods of the volatile or extreme weather conditions that negatively affect the security of the power system was ensured.

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

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

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

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

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

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

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

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

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

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

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

Natural capital versus the other capitals

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

Production capital

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

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

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

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

The largest contribution to TAURON Group's economic performance (earnings) comes from the Distribution Line of Business, in which the largest capital expenditures are also incurred. The changing environment, in particular the development of the renewable energy sources, including also the prosumer energy sources, has a large impact on the need to upgrade and expand, as well as adapt the existing grid infrastructure.

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

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

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

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

** From the continued and the discontinued operations.

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

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

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

Production capital versus the other capitals

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

Human capital

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

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

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

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

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

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

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

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

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

Human capital versus the other capitals

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

Intellectual capital

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

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

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

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

Intellectual capital versus the other capitals

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

Social capital

TAURON Group is conducting a good neighbor policy, as part of which it aims to improve the living conditions of the local communities and cooperates with the local government authorities. In addition, the Group is getting involved in a number of the undertakings for the benefit of the stakeholders (environment), both via the Group's subsidiaries, as well as through the TAURON foundation, such as the charity and education activities, a cooperation with the academic centers, employee volunteering and providing the support for a number of important sports and cultural events.

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

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

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

Social capital versus the other capitals

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

2.8. Group's sustainable development management

Table of indicators:

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

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

ESG in TAURON Group's Strategy and the ESG Committee

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

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

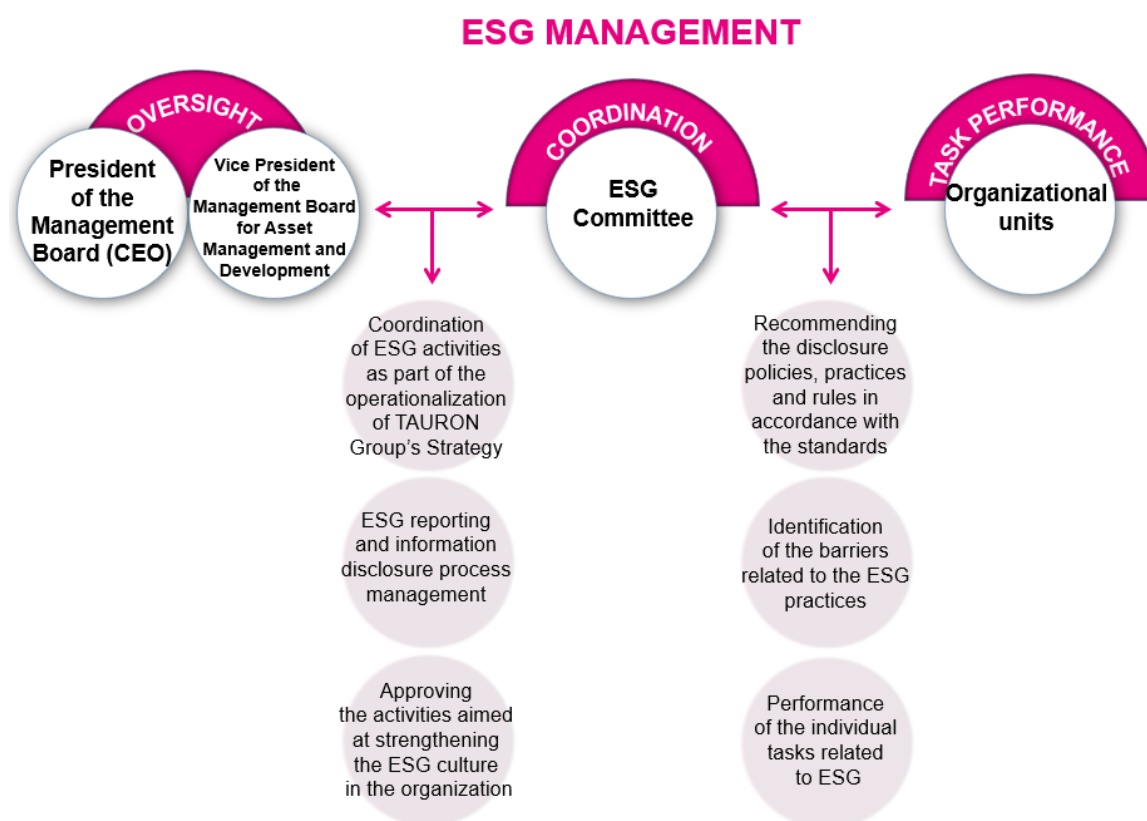


Figure no. 15. TAURON Group's ESG management structure

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

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

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

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



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

The specific tasks of the ESG Committee include:

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

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

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

ESG education of the Management Board and the employees

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

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

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

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

United Nations Global Compact

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

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

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

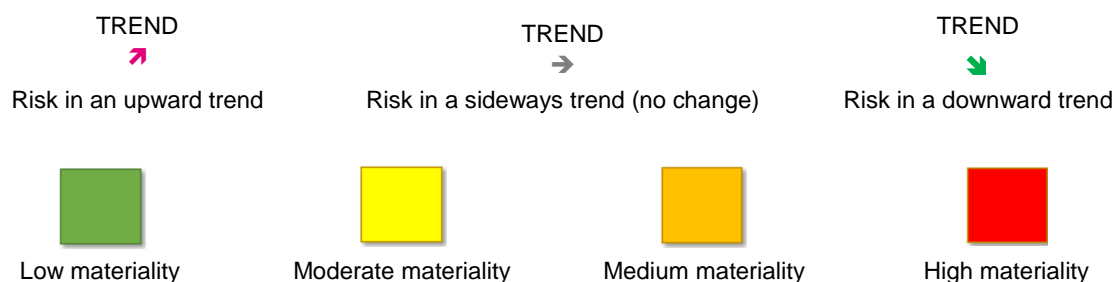
Risks and opportunities related to the sustainable development of TAURON Group

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

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

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

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



ESG Documents supporting the ESG management process

Various Policies, Codes and Principles have been adopted for use at TAURON Group, the main purpose of which is to systematize the activities carried out, as well as to precisely define the objectives and periodically monitor the degree of the implementation thereof. TAURON Group is increasingly including the environmental, social and corporate governance issues in its internal regulations. The selected internal documents supporting the ESG management are presented in Table 16.

Table no. 16. GRI 2-23, GRI 2-24. Selected internal documents supporting the ESG management

Public documents	Internal documents	Comments	Competency based supervision within the Management Board
TAURON Group's Corporate Social Responsibility Code of Conduct <a href="https://www.tauron.pl/tauron/o-
tauronie/kodeks-odpowiedzialnego-
biznesu">https://www.tauron.pl/tauron/o- tauronie/kodeks-odpowiedzialnego- biznesu			President of the Management Board
	TAURON Group's Human Capital Management Policy	Internal document, a policy summary is available at: <a href="https://www.tauron.pl/tauron/o-
tauronie/raportowanie-esg">https://www.tauron.pl/tauron/o- tauronie/raportowanie-esg	President of the Management Board
TAURON Group's Environmental Policy <a href="https://www.tauron.pl/tauron/o-
tauronie/tauron-dla-
otoczenia/polityka-srodowiskowa-
grupy-tauron">https://www.tauron.pl/tauron/o- tauronie/tauron-dla- otoczenia/polityka-srodowiskowa- grupy-tauron			Vice President of the Management Board for Asset Management and Development
TAURON Group's Climate Policy <a href="https://www.tauron.pl/tauron/o-
tauronie/tauron-dla-">https://www.tauron.pl/tauron/o- tauronie/tauron-dla-			Vice President of the Management Board for Asset Management and Development

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

TAURON Group's Business Continuity Management Policy	President of the Management Board
IT Support Management Policy	President of the Management Board
TAURON Group's OT Management Policy	President of the Management Board
TAURON Group's Diversity Policy	President of the Management Board
TAURON Group's Recruitment Principles	President of the Management Board
TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination	President of the Management Board
TAURON Group's PROClient Social Policy	President of the Management Board

The documents listed in Table no. 16 provide the support for TAURON Group in the implementation of the sustainable development and they constitute a formal basis for the reporting of the actions taken. They also represent an important part of conducting a transparent policy of the communications with the numerous stakeholders of TAURON Group who may familiarize themselves with the annually published reports on the implementation thereof.

Each of the above mentioned documents contains an exhaustive description of the actions taken by TAURON Group's subsidiaries in order to achieve the intended goals in the given area. The following sections of the Report present the main principles, methods and the tools implemented by TAURON Group according to the individual documents (policies) and the results of the application thereof in 2023.

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

Table of indicators:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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








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

Table of indicators:

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

3.1. TAURON Group's Strategy in numbers

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

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

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

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



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



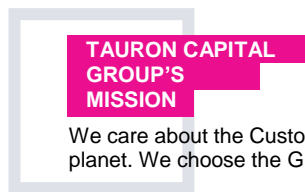
- social impacts, requiring companies to be particularly sensitive and have the ability to respond to the needs of various types of audiences: Customers, employees, local communities,
- labor issues, respect for the human rights, business ethics, access to education,
- ensuring adequate working conditions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



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

3.3. TAURON Group's Mission, Vision, Values

3.3.1. Mission, vision



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

3.3.2. Corporate values

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

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



PARTNERSHIP

- We are partners for Customers and each other in achieving shared goals.
- We are building lasting relationships, based on trust and mutual respect.
- We are getting involved in what is important to our Customers and the Group.



DEVELOPMENT

- We are innovative - we break down barriers, set trends and create change.
- We are constantly developing competences, skills and knowledge.
- We are looking for better and better solutions - we meet the current and future needs of Customers, continuously improving the quality of our services.



BOLDNESS

- We speak boldly and openly about problems and the most daring ideas.
- We are determined to implement what we believe in to achieve shared goals.
- We face the challenges of a changing environment with commitment and passion.

3.4. TAURON Group's Strategic Directions and Goals

3.4.1. TAURON Group's Strategy and its assumptions

Table of indicators:

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

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



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

Source: proprietary compilation

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

- EBITDA of PLN 4.5 billion in 2025 and more than PLN 6.5 billion in 2030,
- maintaining the net debt to EBITDA ratio at a safe level,
- increase in installed RES capacity to 1.6 GW in 2025 and to 3.7 GW in 2030,
- reducing emissions to 200 kg CO₂/MWh in 2025 and below 160 kg CO₂/MWh in 2030 (Scope 1),
- implementation of smart metering - 100% smart meters by 2030,
- new connections of Customers to the district heating network – approx. 450 MWt by 2030,
- maintaining high Customer service standards - First Time Resolution (FTR) rate > 90% in 2030.

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

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

TAURON Group's renewable energy installed capacity growth ambitions outlined by 2030 are shown in Figure no. 18.

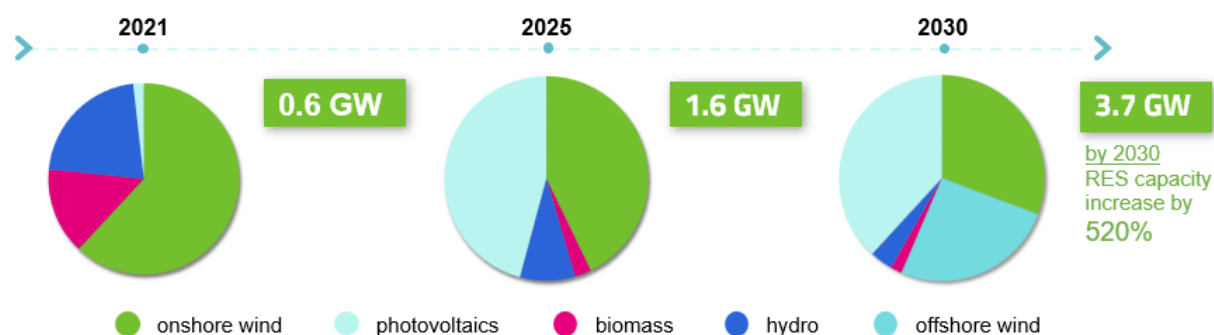


Figure no. 18: Growth of TAURON Group's installed capacity in renewable energy by 2030

Source: proprietary compilation

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

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

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

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

Implementation of TAURON Group's Strategy:

Priority #1 Sustainable operations

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

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

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

Works were also continued to develop a comprehensive program to modernize and improve the efficiency of TAURON's hydroelectric power plants, including the construction of a small 2 MW hydroelectric power plant in Rożnów and the installation of a turbine at the Lubachów Hydroelectric Power Plant.

A priority initiative undertaken in 2023 was also the implementation of the Program to spin off TAURON Group's coal fired generation assets and transfer them to the National Energy Security Agency (NABE Program) In order to implement the assumptions of the government document entitled The Transition of the Power Sector in Poland.

With respect to the transition of the district heating towards the low and zero emission sources, the works related to the energy transition of the Generation Plant (Zakład Wytwarzania - ZW) Katowice are under way, involving, among other things, the construction of a 140 MWt gas fired boiler, and the works related to the energy transition of the Generation Plant (Zakład Wytwarzania - ZW) Bielsko-Biała are under way, involving, among other things, the construction of a PV farm along with the energy storage facility for the needs of Zakład (Plant) EC1 and the construction of a gas fired peaking and back up boiler plant at Zakład (Plant) EC-2.

TAURON is also committed to the development of the Circular Economy through the implementation of TAURON Group's Environmental Policy and the actions taken with respect to the utilization of the combustion by-products and the mining by-products. Among other things, in 2023, the by-product status was obtained for the ash and slag mixtures at Elektrownia Nowe Jaworzno (Nowe Jaworzno Power Plant) and for the aggregates produced at the Janina Coal Mine (launched on the market by the Bioeko subsidiary). A procedure is nearing completion to expand the possibility of launching on the market the ash waste from the Cieszyn Heat Plant as the combustion by-products. New products were also developed through certification and industry feedback, among other things, a new road substructure production plant based on ash and slag mix was launched in Stalowa Wola. The Group's activities include engaging in efforts aimed at rehabilitating land to minimize negative impacts and maximize benefits. For more on TAURON Group's environmental policy, see Section "E 3.1. Environmental Policy".

The Strategy identifies conducting works on the innovative solutions to support the Group's transition as one of the directions of its further growth. TAURON is working on the development and implementation of the new technologies through the performance of the projects related to, among other things:

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

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

Priority #2 Growth based on the largest Customer base

Ensuring the security of energy supply and the quality of electricity and heat, as basic services, is the key strategic direction pursued by the Distribution and Heat Lines of Business. The most important actions taken in the Distribution Line of Business affecting the improvement of quality parameters include:

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

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

- improving the diagnostics of the operating status of the MV and LV grids through the use of the smart substation metering technology and the digitalization of the metering databases (more than 19% of the Customers are equipped with the remote readout meters; almost 92% of the transformer substations have remote readout meters installed)

With respect to the district heating market development, the Ligota Project – the expansion of the Katowice South district heating market and the Low Emission Elimination Program – the construction and alteration of the transmission heating networks and the district heating networks, including for the needs of connecting the heat consumers, in order to replace coal fired furnaces, are being implemented

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

Priority #3 An organization that keeps up with change

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

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

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

3.4.2. Risks and opportunities related to the energy transition

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

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

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

- high cost of the social and economic transformation of the mining regions,
- reduction of the jobs in the coal mining related sectors and in the associated industries,
- rising energy costs for the public,
- lack of offerings that meet the changing Customer expectations.

Related to the regulatory environment:

- a lack of stability of the legal regulations and the modifications thereof that make long term planning difficult,
- a misinterpretation and a failure to meet the new environmental standards,
- formal restrictions and requirements delaying the implementation of the investment projects.

- easier access to the business operations financing.

Benefits for the economy and for the public:

- reduction of the electricity costs,
- flexibility related to the diversity of the energy sources,
- an increase of the independence of the consumers through the use of their own generation sources,
- energy sources, and, as a consequence, the local government units will play a leading role in securing the energy needs of the energy consumers,
- availability of the funds and the tax benefits (at the national and the EU level),
- curtailing of the air pollution,
- new jobs.

3.5. TAURON Group's sustainable development

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

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

Environment:

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

Social:

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

Governance:

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

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



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

Source: Proprietary compilation

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

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

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

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

Short term outlook

The European Union's energy and climate policy sets the course for the trajectory of the development of the energy industry. In accordance with the main objective of the European Green Deal, the EU is to achieve climate neutrality by 2050. Russia's aggression against Ukraine has accelerated legislative work aimed at achieving energy independence of the EU economy based on the low and zero carbon sources.

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

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

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

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

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

The offshore wind farms are a promising investment direction. In accordance with the investors' declarations, the production of electricity from the first wind farm in the Polish zone of the Baltic Sea will start as early as 2025. The most advanced works are carried out by PGE, PKN Orlen and Polenergia. According to PEP 2040, the offshore capacity will stand at approx. 0.7 GW by 2025.

It should be emphasized that despite the growing number of renewable energy installations, coal will continue to be the primary fuel responsible for more than half of electricity production in the national power industry, until 2025.

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

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

The digitization of the sales processes, in terms of acquiring, quickly processing and utilizing data, will become very important. Accelerating transformation, changing work styles, automating as well as simplifying payments and product purchase paths are just some of the factors that further accelerate changes in the supply line of business. The environmental awareness of the Customers and the rise of the importance of the ecological products are the factors that are now playing a major role.

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

- implementation of the government solutions for the coal energy,
- European and national regulations accelerating the power sector's decarbonization, including the amendment of the distance act for the wind farms,
- options and costs of financing the investments in the gas based assets,
- integration of the European energy market and the reduction of the importance of the local markets in favor of the regional markets, the rising capabilities for the physical cross border flows,
- further growth of the capacity of the photovoltaic installations.

Medium term outlook

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

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

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

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

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

Long term outlook

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

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

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

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

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

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

3.7. TAURON versus competition

3.7.1. TAURON Group against the European power market backdrop

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

Figure no. 20 and Table no. 20 present a comparison of the generation mix and installed capacity among the selected largest energy groups in Europe.

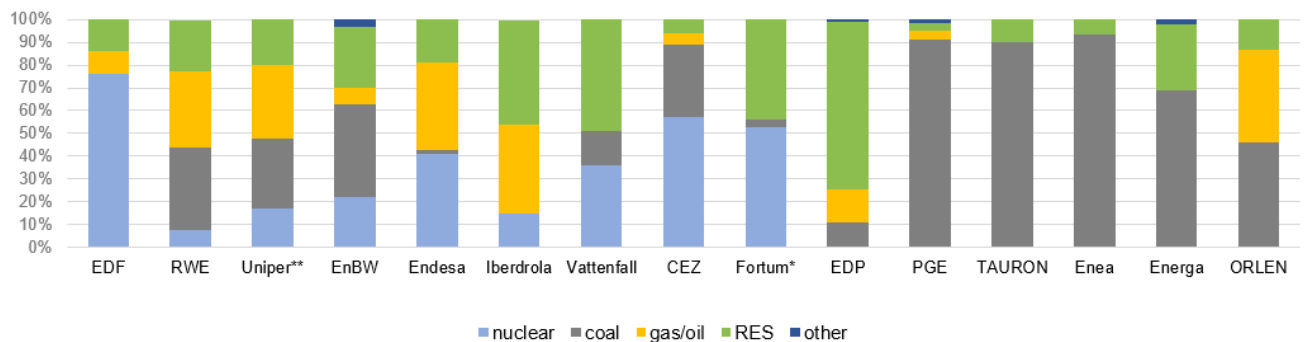


Figure no. 20. Comparison of the generation mix among the selected energy groups in Europe in 2022

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

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

Total installed capacity as of the end of 2021 and 2022																
2021																
GW	EDF	RWE	Uniper	EnBW	Endesa	Iberdrola	Vattenfall	CEZ	Fortum	EDP	PGE	TAURON	Enea	Energa	ORLEN	
total	117.3	36.1	31.6	12.7	21.1	58.3	29.2	11.8	47.1	24.7	17.8	5.0	6.3	1.4	3.3	
RES	34.8	11.2	3.7	5.1	8.4	38.1	13.2	3.1	8.5	19.6	1.1	0.6	0.4	0.5	0.6	
solar	n.a.	0.5	n.a.	0.0	1.1	3.3	0.1	0.1	0.0	0.6	0.0	0.0	0.0	0.0	0.0	
wind	n.a.	b.d.	n.a.	2.0	2.5	20.7	4.0	0.7	b.d.	11.8	0.7	0.4	0.1	0.2	n.a.	
hydro	n.a.	0.5	3.7	2.5	4.7	14.1	8.9	2.3	8.4	7.1	0.4	0.1	0.1	0.2	n.a.	

2022

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

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

* Excl. the operations in Russia.

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

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

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

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

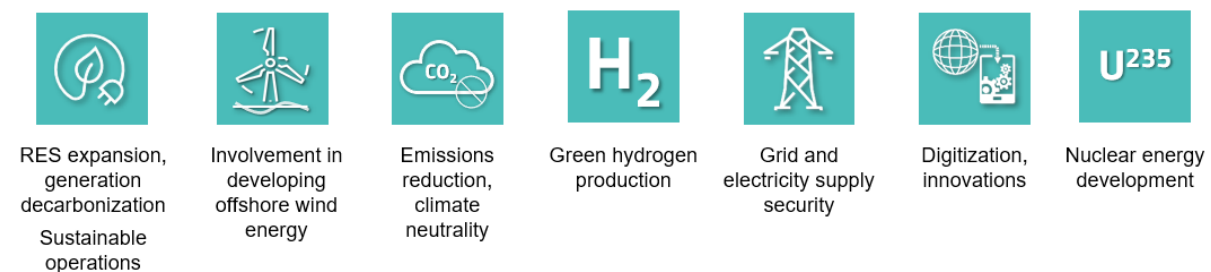


Figure no. 21. Summary of the strategic directions most often set by the selected energy groups in Europe

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

The European energy groups increasingly emphasize the social issues and the sustainable development aspects in their strategies, referring to the adopted UN Sustainable Development goals and the EU regulations. In their core business operations, they take into account the broadly understood concept of climate care, i.e. the development of the renewable energy sources, the reduction of emissions, the abandonment of electricity generation based on the coal fuel and the reduction of the carbon footprint. Striving for climate neutrality, the energy groups expand their offering by adding the so-called ecological services and products. Another direction is ensuring the security of energy supply and the quality of distributed electricity, in view of an increase in the number of the unstable (intermittent) renewable energy sources (RES) and the number of prosumers. In addition to the development of the renewable energy sources, the activities related to the security of electricity supply, the infrastructure upgrades and the process digitalization or electromobility are important. The investments in the new hydrogen burning gas capacity and the development of the nuclear energy related operations (including the ERP and the SMR units) are gaining in their importance.

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

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

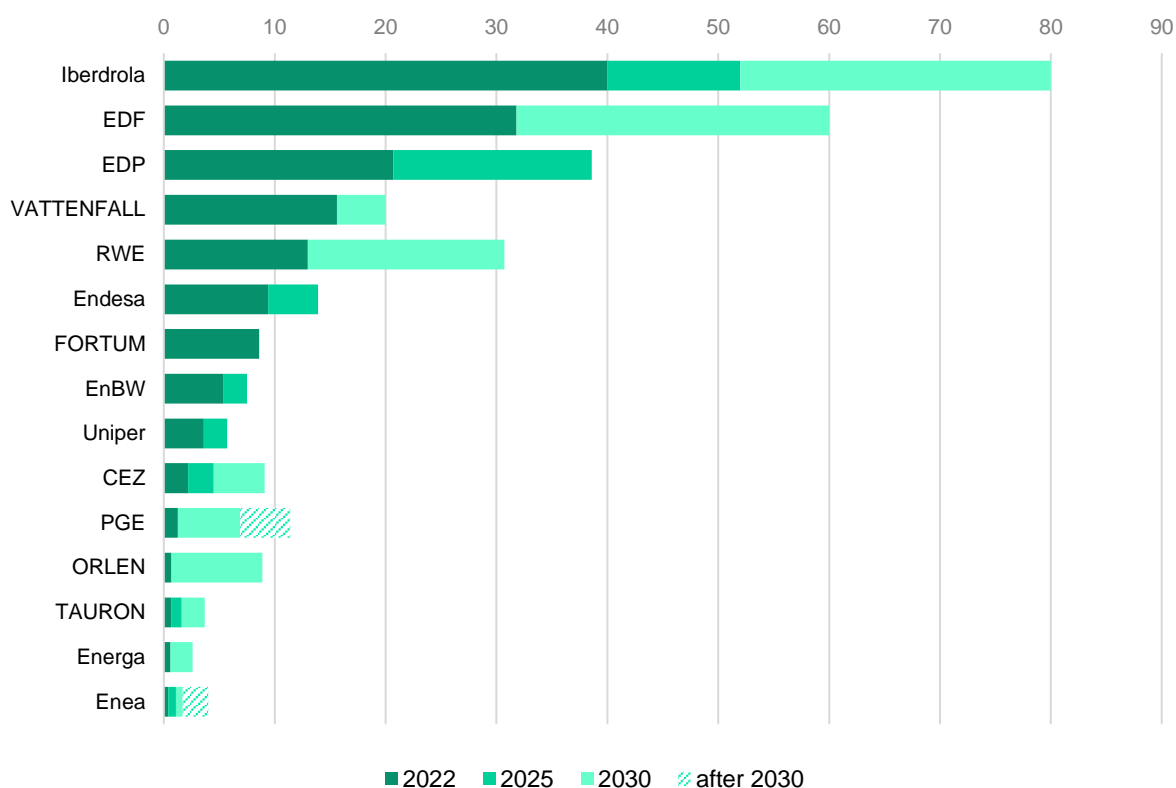


Figure no. 22. Declarations of the European energy companies regarding the capital expenditures and expansion, in the coming years, with respect to the new generation capacity based on the RES assets

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

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

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

CO₂ emission reductions – the declarations of the energy groups

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

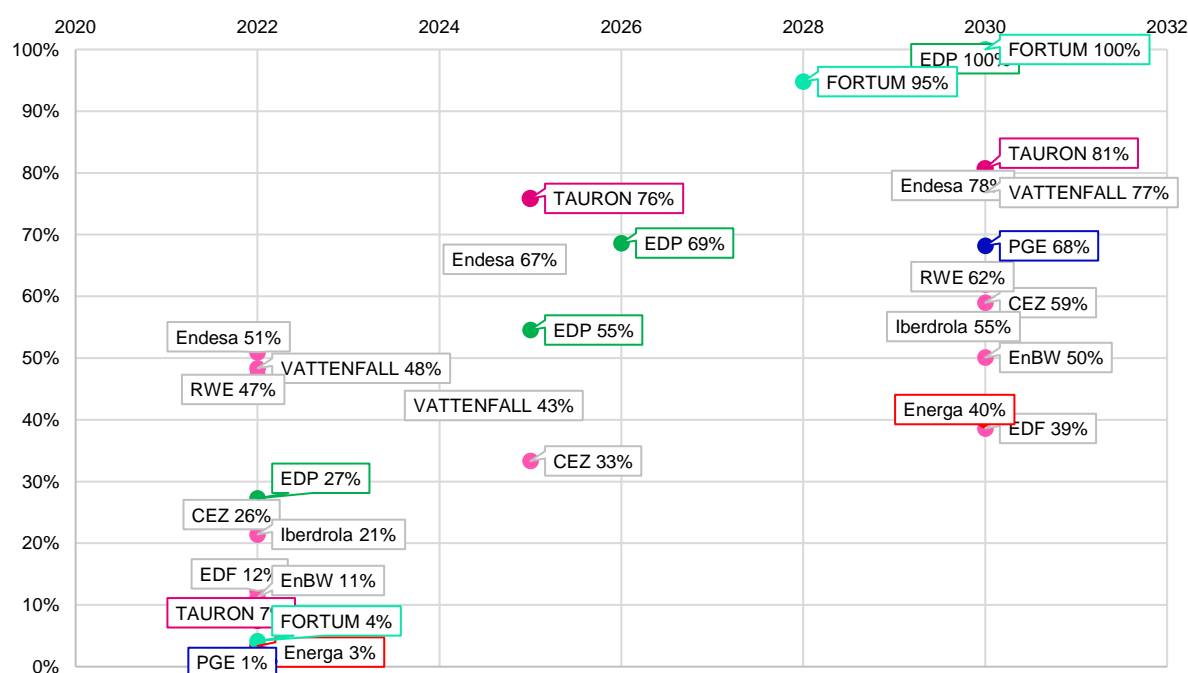


Figure no. 23. CO₂ emission reduction of the European energy companies as compared to the level of emissions as of 2018

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

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

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

3.7.2. TAURON Group against the Polish energy market backdrop

In addition to TAURON Group, 3 large, vertically integrated energy groups: PGE, ENEA and ENERGA as part of Orlen Group, are currently operating on the power market in Poland. The consolidated energy groups (PGE, TAURON, ENEA, ENERGA) had a 62% market share in the electricity generation sub-sector.

Generation

TAURON Group is one of the main producers of electricity in Poland. The Group's share in the domestic electricity generation market, measured by the gross electricity production, came in at approx. 7% in the first 9 months of 2023. The Group is the third largest electricity generator on the Polish market. The Group's gross electricity production clocked in at 11.65 TWh in 2023.

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



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

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

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

Distribution

TAURON Group is a leader on the Polish market in terms of the number of distribution Customers and the volume of electricity distributed. The Group's share in the distribution of electricity to the final consumers stood at approx. 37% in the first three quarters of 2023. TAURON Capital Group's distribution grids cover more than 18% of the country's territory. Figure no. 26 presents the estimated Polish market shares of the individual energy groups with respect to the distribution of electricity according to the data for the first three quarters of 2023. TAURON Group's electricity distribution volume came in at 51.30 TWh in 2023.

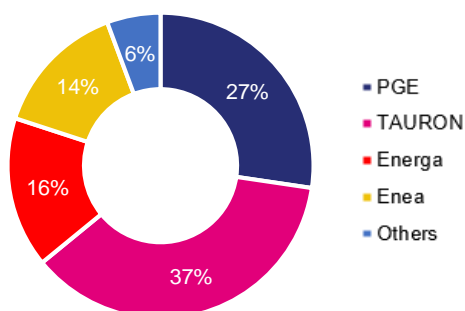


Figure no. 26. Electricity distribution in Poland – the estimated market shares in the first 9 months of 2023

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

Supply

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

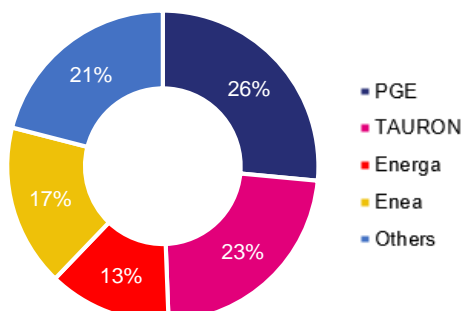


Figure no. 27. Electricity supply to the final consumers in Poland – the estimated market shares in the first 9 months of 2023





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

E – ENVIRONMENTAL

(Environment and Climate)

E 1. Environmental area in numbers

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

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

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

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

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

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

Table of indicators:

GRI – general	305-4
WSE	E-M1, E-M3

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

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

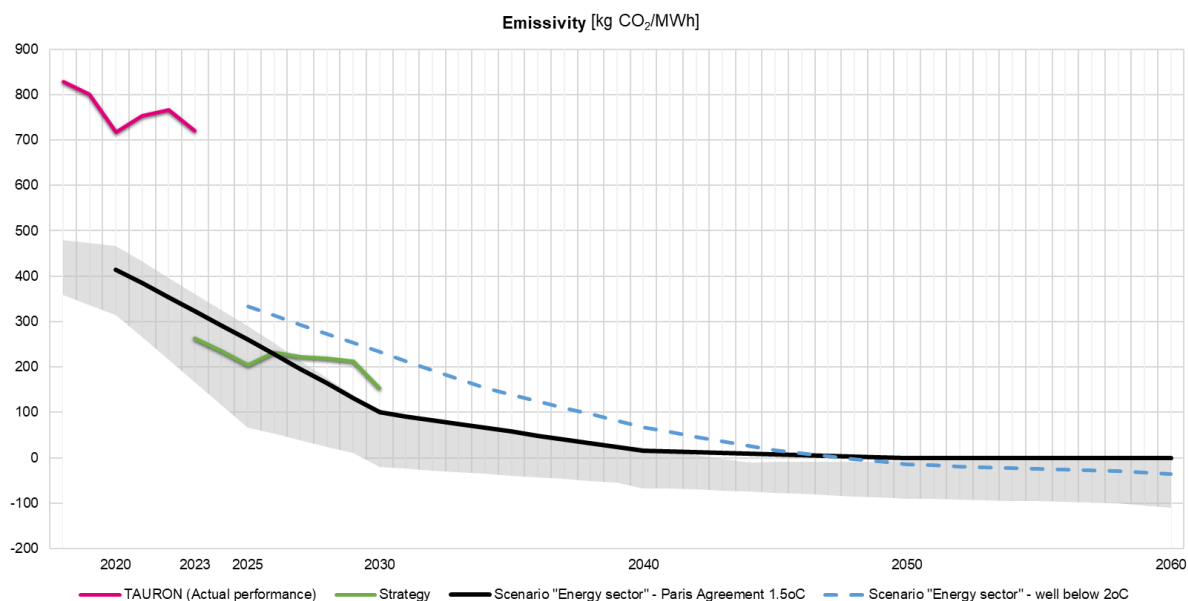


Figure no. 28. GRI 305-4. TAURON Group's commitments are reflected in the direct CO₂ emissions planned to be achieved by 2030 against the backdrop of the climate scenarios*.

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

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

TAURON Group's currently implemented Strategy and its business model are in line with the implementation of the terms of the Paris Accord, assuming the capping of the average global temperature to a value below 2°C in relation to the level of the pre-industrial era as well as striving not to exceed the temperature increase rate of more than 1.5°C. In the case the expected curbing of the temperature increase does not materialize, the measures and actions taken will have to be more radical, and their implementation will be significantly accelerated.

Based on the scenario assuming the global warming at a maximum rate of 2°C, the changes in the external environment will be evolutionary as a result of the growing awareness of the society and the businesses and the ever increasing availability of the new technologies. If it is not possible to stop the temperature rise by acting this way, then the changes in the external environment, in particular with respect to the regulations, organization of the power (energy) system and the power (energy) production model, as well as the Customer awareness and behaviors will be deeper and more rapid.

The Group's opportunity will be related to the growing energy awareness of the public, coupled with the rising cost of energy, which will result in a growing interest in the energy efficiency, energy conservation (saving) and the production of the electricity from the renewable energy sources (RES). The social pressure and the regulations are causing Poland to introduce the increasingly more stringent environmental standards and restrictions for the fossil fuels, including the rising costs of the CO₂ emissions (the charges for the CO₂ emissions). Such a high cost is also associated with the use of the regulatory mechanisms leading to the reduced supply thereof. The EU's commitments to reduce the emissions by 55% in 2030 will be implemented through the supply controls – that is why the development of the low- and zero emission energy sources is so important. TAURON Group's strategy responds to these challenges by increasing its capacity in the renewable energy sources, investing in the distribution grids, the remote readout meters, the digitization and the cyber security, as well as the lowering of the CO₂ emission levels.

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

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

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








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

E 2.2. Striving for climate neutrality by 2050

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

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

Table no. 22. "Road map" and intermediate targets (2025) in the pursuit to achieve climate neutrality by TAURON Group by 2050

Activity	2021-2025 Intermediate Target	2022 Results	Status	ESG Topics	Sustainable Development Goal (SDG)
Direct GHG (CO ₂) emissions unit (specific) reduction Scope 1	-76% in 2025 as compared to the base year 2018 (Target 200 kgCO ₂ /MWh) (1)	-13.3% as compared to the base year 2018 (2023 result 720 kgCO ₂ /MWh) (1)	ACTIVE	E G	
Renewable generation sources' capacity expansion plan	+1.0 GW of the new RES capacity (2)	+0.037 GW of the new RES capacity (2) +0.429 GW (under construction and at the development stage)	ACTIVE	E G (I)	 
Low emission and zero emission generation sources' heat (thermal) capacity expansion / change plan	+0.261 GW of the low emission and the zero emission heat (thermal) capacity (3)	0 GW of the new low emission and zero emission heat (thermal) capacity (3) +0.216 GW (under construction)	ACTIVE	E G (I)	
Sustainable development: EBITDA* from the sustainable operations of the RES segment / Group's EBITDA		7.0%* - share of EBITDA from the sustainable operations of the RES operating segment	ACTIVE (2023 achievement) PLANNED (2025 target definition)	E G	
Sustainable financing - better use		-	PLANNED (2025 target definition)	G	  

* Share of EBITDA from the sustainable operations in the Group's EBITDA in 2023 is presented in relation to the RES operating segment, which generates more than 80% of the EBITDA from the sustainable operations. The Distribution operating segment is not included in the calculations.

(1) Direct CO₂ emissions indicator in kgCO₂/MWh calculated in relation to the electricity production (TAURON Group's subsidiaries included: TAURON Wytwarzanie, TAURON Inwestycje, TAURON Ciepło, TAURON Ekoenergia as well as the company's subsidiaries or the entities managed

by the company, TAURON Zielona Energia, TAURON Nowe Technologie). The intermediate 2025 target value corresponds to the graphical data - Figure no. 28 TAURON Capital Group's commitments are reflected in the direct CO₂ emissions level planned to be achieved by 2030 against the backdrop of the climate scenarios.

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

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

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

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

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

The above is a step supplementing the direction of actions, adopted as part of TAURON Group's Climate Policy, aimed at limiting the global warming and not exceeding the temperature rise of 1.5 °C in the long term, in line with the Paris Accord and the goals of the United Nations (UN) according to the 2030 Agenda for the Sustainable Development.

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

Energy transition

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

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

Electrification, digitization and the creation of the new development platforms

By promoting the electrification and an increase in the consumption of the electricity from RES, TAURON Group is seeking to expand its range of the products and services. One of the goals in this regard is an expansion of the network of the electric vehicle charging stations, as well as the strengthening (hardening) of the grid infrastructure.

In addition, taking into account the role of the infrastructure, in particular for the decarbonization purposes, the planned steps include the goal of increasing the flexibility and resilience of the grid infrastructure by investing in the digitization and in raising of the quality and the efficiency of the services provided, also with the use of the new development platforms. The main goals set for 2025 include maintaining of the CTP and CP electricity delivery indicators (the duration of an interruption and the frequency of the interruptions), as well as installing the remote readout meters at all of the final consumers by 2030 and the utilization of the data as part of the new development platforms.

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

E 3.1. Environmental Policy

Table of indicators:

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

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

TAURON Group's Environmental Policy defines the Group's approach to the management of the issues related to the impact that its business operations have on the natural environment, including the direction of its environmental activities and the principles that should be followed in the environment related matters. The Environmental Policy is the benchmark for assessing all of the activities of TAURON Group's subsidiaries in the area of environment protection and environmental management.

The Environmental Policy includes the general principles, values and vision followed by TAURON Group in order to limit the impact on the natural environment, both as part of the direct, as well as the indirect impacts throughout the entire value chain. The document also presents the principles of the responsible communications related to the environmental issues, ensuring a clarity and an understanding of the business operations of TAURON Group that may have an impact on the environment, as well as of the activities undertaken for the benefit of the environment.

Due diligence procedures and the internal regulations

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

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

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

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

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

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

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

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

Some of TAURON Capital Group's subsidiaries have implemented a certified environment management system in accordance with the ISO 14001 standard. TAURON Wytwarzanie subsidiary, representing a conventional electricity generation, has additionally received the certificate of the European Community's Eco-Management and Audit Scheme (EMAS) that is issued as part of the EU's environmental certification system and is aimed at creating a sustainable development culture in an organization and an efficient management of the available resources and energy, operating pursuant to Regulation (EC) No 1221 / 2009 of the European Parliament and of the Council of November 25, 2009, on voluntary participation by organizations in the European Community's Eco-Management and Audit Scheme.

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

Through the implemented Eco-Management and Audit Scheme (EMAS), TAURON Group communicates the environmental management issues to the internal and the external stakeholders, evaluates and improves the environmental performance in one of its largest lines of business (power generation). The operational processes implemented by TAURON Group are subject to an external and internal auditing as part of the systems and certifications maintained in accordance with the certificates listed in the table below. The purpose of the

environmental management systems in place within TAURON Group is to ensure a continuous improvement of the organization in the environmental matters and minimize a negative impact on the natural environment by identifying the areas for improvement, creating and implementing the activities aimed at improving the quality, increasing the efficiency of the business operations and minimizing the negative impact on the environment, while the certifications obtained as part of the environmental management systems in place confirm that TAURON Group ensures the high quality of its production processes, products and the services and meets the requirements of the Customers and all of the stakeholders, while implementing the measures aimed at protecting the environment and ensuring the work (occupational) health and safety. Table no. 24 presents the environmental management system, while Table no. 25 presents the quality as well as the security and safety management systems in place at TAURON Group in 2023.

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

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

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

** The waste / by-product mass criterion.

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

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

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

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

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

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

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

Actions taken and the results achieved

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

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

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

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

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

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

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

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

Ligota project:

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

Katowice Generating Plant (Zakład Wytwarzania Katowice):

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

Tychy Generating Plant (Zakład Wytwarzania Tychy):

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

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

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

Local district heating plants:

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

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

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

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

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

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

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

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

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

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

E 3.1.1. Emissions into the atmosphere

Table of indicators:

GRI – topic	305-7
WSE	E-M2

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

The ad hoc retrofitting work is currently being carried out on the air protection equipment at the sources burning the solid fossil fuels. Any further reduction of the polluting substances will follow the planned successive change in the Group's fuel mix.

As part of its operations related to the environmental management TAURON Group is conducting an ongoing monitoring of the levels of the emissions of the NO_x, SO₂ compounds and the dusts into the atmosphere, and the levels of the emissions in 2023 and 2022 are presented in Tables no. 28, 28-a and 28-b.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E 3.1.2. Water resources management

Table of indicators:

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

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

The 910 MW power generation unit, TAURON Wytwarzanie's Łagisza Power Plant in Będzin and TAURON Ciepło's Bielsko-Biała Generation Plant (Zakład Wytwarzania Bielsko-Biała) meet the highest quality requirements for the combined (steam and water) cycles and are equipped with the water conditioning (treatment) installations based on the modern membrane techniques.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[m³ / year]	TAURON Wytwarzanie		TAURON Ciepło		Kopalnia Wapienia „Czatkowice”		Energetyka Cieszyńska*		TAURON Ekoenergia		TAURON Dystrybucja		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023**	2022	2023	2022
Surface water (rivers, lakes) including the water from the wetlands														
Rivers	12 193 036	44 720 350	329 551	485 005	25 570	45 137	0	0	0	0	0	-	12 548 157	45 250 492
Wetlands	0	0	0	0	0	0	0	0	0	0	0	-	0	0
Other:														
Ground water	2 764 580	689 838	0	0	141	109	0	0	401	461	128	-	2 765 250	690 408
Rain water collected directly and stored	0	339 196	0	0	0	0	0	0	0	0	-	-	0	339 196
Water from the municipal network	1 664 321	2 390 316	1 144 130	1 493 038	7 273	6 574	39 700	8 616	1 277	1 451	100 490	-	2 957 191	3 899 995
Other	16 757 664	18 922 889	591 673	642 461	0	0	0	0	0	0	0	-	17 349 337	19 565 350
Total volume of the water consumed from all of the sources taken into account	33 379 601	67 062 589	2 065 354	2 620 504	32 984	51 820	39 700	8 616	1 678	1 912	100 618	-	35 619 935	69 745 441

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

** The first disclosure by TAURON Dystrybucja for 2023.

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

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

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

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

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

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

Waste water dump site taking into account the emergency heat dumps (discharges)	Waste water volume [m³]													
	TAURON Wytwarzanie		TAURON Ciepło		Kopalnia Wapienia „Czatkowice”		Energetyka Cieszyńska**		TAURON Ekoenergia		TAURON Dystrybucja		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023***	2022	2023	2022*
Waste water discharged into the sewage system (municipal companies)	82 422	203 970	374 935	422 532	0	0	37 802	7 910	1020	1 115	106 772	-	602 952	635 527
Waste water discharged by means of transportation to the waste water treatment plant	0	0	0	0	0	0	0	0	102	135	328	-	430	135
Waste water discharged to the surface water:														
Rivers	16 467 671	16 532 273	96 718	131 944	24 373	22 071	0	0	398	452	0	-	16 589 160	16 686 740
Other	0	0	0	0	0	0	0	0	0	0	0	-	0	0
Total waste water volume	16 550 093	16 736 243	471 653	554 476	24 373	22 071	37 802	7 910	1 520	1 702	107 100	-	17 192 542	61 292 032

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

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

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

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

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

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

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

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

E 3.1.3. Waste management program

Table of indicators:

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

TAURON Group is undertaking numerous measures aimed at minimizing its negative impact on the environment by minimizing the waste generated from the processes and the business operations within the entire value chain.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

** TAURON Group does not generate the radioactive waste.

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

	Weight of hazardous waste [Mg]													
	TAURON Wytwarzanie		TAURON Ciepło		TAURON Dystrybucja		Energetyka Cieszyńska*		Kopalnia Wapienia „Czatkowice”		TAURON Ekoenergia		Total	
	2023	2022	2023	2022	2023	2022	2023	2022**	2023	2022	2023	2022	2023	2022
Re-use	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling	4.0	2.9	0.0	0.0	462.7	352.0	0.0	0.0	0.0	0.0	0.0	0.0	466.7	354.9
Recovery (including energy recovery)	225.0	105.1	7.5	26.1	83.0	166.9	0.2	0.0	0.0	0.0	0.0	0.0	315.7	298.1
Neutralization	2.5	0.8	0.7	0.0	81.1	103.4	0.5	0.0	0.0	0.0	0.0	0.0	84.8	104.2
Storage	0.8	2.0	0.8	0.6	3.1	10.4	0.0	0.0	0.0	0.0	0.0	0.0	4.7	13.0
Other**	0.0	0.0	0.0	0.0	21.2	0.9	0.0	0.0	41.7	27.1	5.5	1.0	68.4	29.0
Total waste weight	232.4	110.8	9.0	26.7	651.1	633.6	0,7	0.0	41.7	27.1	5.5	1.0	940	799

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

** TAURON Group does not generate the radioactive waste.

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

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

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

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

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

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

E 3.1.4. Circular economy

Table of indicators:

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

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

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

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

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

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

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

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

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

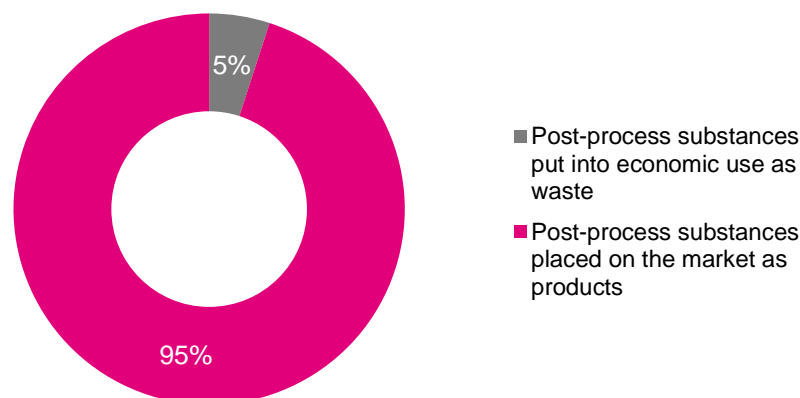
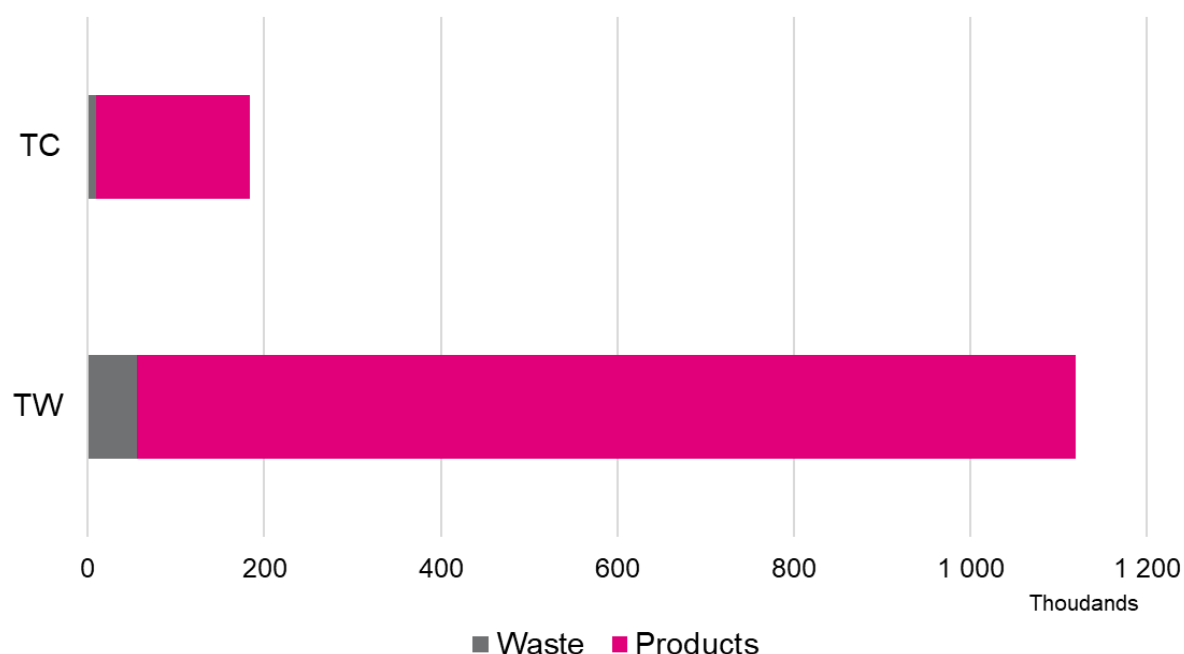


Figure no. 29. Structure (composition) of the ashes, slag and gypsum generated by TAURON Group and placed on the market in 2023

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

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

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



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

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

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

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

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

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

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

E 3.1.5. Land rehabilitation

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

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

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

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

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

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

E 3.1.6. Biodiversity

Table of indicators:

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

TAURON Capital Group has knowledge of the areas that are valuable from the nature point of view, whose locations are subject to its impact, including the NATURA 2000 network areas, which is presented in Table no. 36 and Table no. 36-a.

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

Location of the generation assets	Natura 2000 habitats	Natura 2000 birds
	Symbol and name	Symbol and name
TAURON Ekoenergia Hydro power plants*		
EW Wrzeszczyn	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)	
EW Olszna		PLB020005 Bory Dolnośląskie (Lower Silesian Forests)
EW Pilchowice I	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)	
EW Pilchowice II	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)	
EW Czchów	PLH120085 Dolny Dunajec (Lower Dunajec River)	
EW Kuźnice	PLC120001 Tatry (Tatra Mountains)	PLC120001 Tatry (Tatra Mountains)
EW Janowice		PLB020002 Grądy Odrzańskie (Odra River Grądy)
EW Głębinów		PLB160002 Zbiornik Nyski (Nysa Reservoir)
EW Otmuchów		PLB160003 Zbiornik Otmuchowski (Otmuchów Reservoir)
EW Turawa		PLB160004 Zbiornik Turawa (Turawa Reservoir)
TAURON Ekoenergia Wind farms		
Zagórze		PLB320009 Zalew Szczeciński (Szczecin Lagoon)

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

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

Location of generation assets	Natura 2000 habitats		Natura 2000 birds	
	Distance (km)	Symbol and name	Distance (km)	Symbol and name
TAURON Wytwarzanie				
El. Jaworzno III	6.70	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
El. Jaworzno II	5.62	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
El. Nowe Jaworzno	5.62	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
El. Łaziska			19.76	PLB240001 Dolina Górnej Wisły (Upper Vistula River Valley)
El. Siersza	7.27	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)		
TAURON Ciepło				
Zakład Wytwarzania Katowice	14.37	PLH240037 Lipienniki w Dąbrowie Górniczej (Lipienniki in Dąbrowa Górnicza)		

Zakład Wytwarzania Tychy			9,96	PLB120009 (Ponds in Brzeszcze)
Zakład Wytwarzania Bielsko EC1	2.59	PLH240005 Beskid Śląski (Silesian Beskid)		
Zakład Wytwarzania Bielsko EC2			4.30	PLB240001 Dolina Górnej Wisły (Upper Vistula River Valley)
Ciepłownia Zawiercie heat plant site	6.03	PLH240009 Ostoja Środkowojurajska (Mid-jurassic Refuge)		
Ciepłownia Olkusz heat plant site	3.58	PLH120006 Jarosławiec		
Ciepłownia Kamienna Góra heat plant site	1.48	PLH020011 Rudawy Janowickie		
TAURON Ekoenergia Hydro power plants				
EW Kraszowice	5.55	PLH020077 Żerkowice-Skała		
EW Bobrowice I	2.30	PLH020095 Góra Wapienna		
EW Bobrowice II	2.00	PLH020054 Ostoja nad Bobrem (Refuge on the Bóbr River)		
EW Bobrowice IV	2.80	PLH020095 Góra Wapienna		
EW Bystrzyca	3.57	PLH020019 Pasma Krowiarki (Krowiarka Range)		
EW Leśna	0.08	PLH020013 Sztolnie w Leśnej (Adits in Leśna)		
EW Lubachów	0.02	PLH020071 Ostoja Nietoperzy Gór Sowich (Owl Mountains Bat Refuge)		
EW Ławica	1.34	PLH020043 Przełom Nysy Kłodzkiej koło Morzyszowa (Nysa Kłodzka River Gorge near Morzyszów)		
EW Opolnica	0.58	PLH020062 Góry Bardzkie (Bardzkie Mountains)		
EW Szklarska Poręba I			0.24	PLB020009 Góry Izerskie (Jizera Mountains)
EW Szklarska Poręba II	0.44	PLC020001 Karkonosze	0.44	PLC020001 Karkonosze
EW Włodzice	1.90	PLH020077 Żerkowice-Skała		
EW Rożnów	0.17	PLH120020 Ostoje Nietoperzy okolic Bukowca (Bat Refuges near Bukowiec)		
EW Dąbie	3.96	PLH120069 Łąki Nowohuckie (Nowa Huta Meadows)		
EW Przewóz	4.31	PLH120069 Łąki Nowohuckie (Nowa Huta Meadows)		
EW Olcza	1.60	PLC120001 Tatry (Tatra Mountains)	1.60	PLC120001 Tatry (Tatra Mountains)
EW Marszowice	2.49	PLH020036 Dolina Widawy (Widawa River Valley)		
EW Wały Śląskie	0.34	PLH020036 Dolina Widawy (Widawa River Valley)		
EW Wrocław I	4.56	PLH020017 Grądy w Dolinie Odry (Grądy in the Odra River Valley)		
EW Wrocław II	4.62	PLH020017 Grądy w Dolinie Odry (Grądy in the Odra River Valley)		
EW Brzeg			0.31	PLB020002 Grądy Odrzańskie (Odra River Grądy)

EW Kopin			0.05	PLB020002 Grądy Odrzańskie (Odra River Grądy)
EW Nysa	0.62	PLH160001 Forty Nyskie (Nysa Forts)		
TAURON Ekoenergia Wind farms				
Lipniki			5.43	PLB160003 Zbiornik Otmuchowski (Otmuchów Reservoir)
Wicko	3.59	PLH220045 Górkowski Las (Górkowski Forest)		
Marszewo	1.63	PLH320068 Jezioro Wicko i Modelskie Wydmy (Wicko Lake and Model Dunes)		
Dobrzyń			5.68	PLB040005 Żwirownia Skoki (Skoki Gravel Pit)
Inowrocław	12.54	PLH040007 Jezioro Gopło (Lake Gopło)	12.54	PLB040004 Ostoja Nadgoplańska (Gopło Lake Refuge)
Mogilno	15.31	PLH040028 Ostoja Barcińsko - Gąsawska (Barcin - Gąsawa Refuge)		
Śniatowo			3.66	PLB320001 Bagna Rozwarowskie (Rozwarów Marshlands)
Goldap	6.40	PLH280005 Puszcza Romincka (Romincka Forest)		
Piotrków	12	PLH100026 Lubiaszów w Puszczy Pilickiej (Lubiaszów in Pilicka Forest)	46	PLB140003 Dolina Pilicy (Pilica River Valley)
Majewo	5	PLH280029 Doliny Erozyjne Wysoczyzny Elbląskiej (Erosional Valleys of the Elbląg Highlands)	12	PLB280010 Zalew Wiślany (Vistula Lagoon)
TAURON Ekoenergia Photovoltaic farms				
Choszczno I	2.10	PLH320004 Dolina Iny koło Recza (The Ina Valley near Recz)	7.50	PLB320016 Lasy Puszczy nad Drawą (Woods of the Drawa Forest)
Choszczno II	2.30	PLH320004 Dolina Iny koło Recza (The Ina Valley near Recz)	7.30	PLB320016 Lasy Puszczy nad Drawą (Woods of the Drawa Forest)
TAURON Inwestycje				
PV Mysłowice-Dzieńkowice	7.50	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)	13.60	PLB120009 Stawy w Brzeszczach (Ponds in Brzeszcze)
PV Jaworzno	2.70	PLH240042 Łąki w Jaworznie (Meadows in Jaworzno)	16.30	PLB120009 Stawy w Brzeszczach (Ponds in Brzeszcze)

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

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

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

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

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

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

Changes in the status of biodiversity

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

1. Chiropterofaunal monitoring - bat study

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

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

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

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

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

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

At the Church in Krzeszowice, despite the provision of the habitat conditions, no recolonization of the attic by the spotted (perched) nightjar and the greater nightjar has been observed. The bat trapping and field acoustic monitoring conducted indicate that in the areas where the tree plantings have been carried out, the bat activity and their species richness are relatively high.

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

Comparing the results of the monitoring obtained in the years 2016 - 2023, it can be concluded that the changes of the species composition are relatively small from year to year, with the number of species associated mainly with an open terrain and the areas covered with the lower bushy vegetation remaining within the 30 – 40 range. These species are characteristic of the fringes of the tree stands, logging, forest crops, and they include, among others, reed warbler, thrush, stickleback. During the 2023 breeding season, due to the growth of the tree stand and an increase of its compactness, the withdrawal of the species that need the larger open areas, including fields and meadows, such as corncrake, red-backed shrike, barred warbler, was evident, but also the reduction in the number of the tree pipit. The compacting of the tree stands has increased the abundance of the songbird. In places with the older trees and bordering the woodland areas, the forest (park) species, such as blackbird, chaffinch, nettle and woodpeckers, are also appearing. It is expected that over the next few years, the bird species associated with the older aged trees will begin to dominate the wooded strip (zone) area. An increase in the number of finches and thrushes is expected.

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

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

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

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

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

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

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

Preventive measures with respect to protecting the biodiversity

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

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

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

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

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

Promoting conservation of nature, and in particular the biodiversity

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

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

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

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

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

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

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

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

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

E 3.1.7. Chemical substance management

Table of indicators:

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

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

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

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

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

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

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

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

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

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

E 3.1.8. Environmentally friendly services and the fight against smog

Table of indicators:

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

Environmentally friendly services

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

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

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

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

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

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

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

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

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

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

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

Fight against smog

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

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

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

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

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

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

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

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

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

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

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

E 3.2. Climate Policy

Table of indicators:

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

TAURON Group's pro-climate activities had begun before the announcement of the Communication 2019/C 209/01 and the attachments related thereto (the first documents announcing pro-climate legislation for enterprises in the European Union). In November 2019, the Management Board of TAURON Polska Energia adopted to be applied the document titled: TAURON Group's Climate Policy, which is updated on an ongoing basis. Effectively counteracting the climate change and the adaptation thereto are the two main objectives of the Policy, and the pro-climate activities constitute an integral part of TAURON Group's Strategy.

The goal of the Policy is to set the directions for counteracting the climate change, as well as the sustainable development of the Group's Lines of Business, through a just transition towards achieving climate neutrality in the future. The Policy constitutes the basis for TAURON Group to manage its operations in such a way so as to mitigate the risks associated with the climate, reduce the Group's negative impact on the climate and maximize the positive effects of the climate change throughout the entire value chain

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

- measures that enable reducing the global warming,
- measures with respect to TAURON Group's adaptation to the climate changes underway.

Due diligence procedures and the internal regulations

TAURON Group's due diligence with respect to counteracting the climate change is related to the declaration of the support for the measures aimed at reducing the global warming by maintaining the rate of the temperature rise below 2 °C, as well as striving to limit the temperature increase rate to not more than 1.5 °C in relation to the pre-industrial levels.

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

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

The Policy is applicable to all of the Group's subsidiaries, although each of the Group's subsidiaries has different detailed goals and tasks stemming from the Policy. Table 41 identifies and classifies the determining areas related to climate in TAURON Group's business operations, which are both positive (highlighted in pink) and negative (highlighted in gray).

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

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

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

** Transmission Loss Rate.

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

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

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

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

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

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

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

- identification of the options available to reduce the so-called Scope 1 direct emissions in the conditions where it is necessary to provide the services to the NPS,
- rejection, at the current stage of the transition, of the rationale for the focusing of the activities on the reduction of the Scope 3 indirect emissions as part of activities related to the initiatives created throughout the value chain,
- review and revision of the short and medium term decarbonization targets related to the emissions reduction in the generation line of business (electricity and heat),
- defining of the indicators (metrics) and the monitoring thereof with respect to increasing the share of EBITDA from the sustainable activities in the entire value chain,
- defining of the indicators (metrics) and the monitoring thereof with respect to the growth of the capital expenditures / CAPEX for the sustainable activities throughout the entire value chain,
- developing of the initiatives for the more efficient use of the natural resources, in particular with respect to the energy management,
- integration at the Group level of the superior (master) environmental efficiency monitoring system and implementation of the universal indicators (metrics) to be monitored,
- development of the environmental guidelines for the liquidated (decommissioned) activities and for the use of the industrial sites for the new functions,
- development of the sustainable products and services.

Actions taken and the results achieved

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

TAURON Group received the following ratings in 2023:

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

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

E 3.2.1. Adaptation to climate change

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

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

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

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

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

Installed capacity in MWs by the fuel type used	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		TAURON Inwestycje		TAURON Nowe Technologie		Kopalnia Wapienia „Czatkowice”		Energetyka Cieszyńska		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Hard coal	4120 MWe 693 MWt	4120 MWe 693 MWt	307 MWe 796 MWt	307 MWe 796 MWt	-	-	-	-	-	-	-	-	5 MWe 37 MWt	5 MWe 71 MWt	4 432 MWe 1 526 MWt	4 432 MWe 1 560 MWt
Natural gas and coke oven gas as well as other energy production related gases (gas from the hard coal mine de-methanization)	-	-	164 MWt	164 MWt	-	-	-	-	11 MWe	11 MWe	1 MWt	1 MWt	-	-	11 MWe 165 MWt	11 MWe 165 MWt
Biomass	50 MWe 91 MWt	50 MWe 91 MWt	40 MWe 70 MWt	40 MWe 70 MWt	-	-	-	-	-	-	-	-	-	-	90 MWe 161 MWt	90 MWe 161 MWt
Heating oil	140 MWt	140 MWt	129 MWt	129 MWt	-	-	-	-	-	-	-	-	5 MWt	-	274 MWt	269 MWt
Wind energy	-	-	-	-	417 MWe	417 MWe	-	-	-	-	-	-	-	-	417 MWe	417 MWe
Hydro power	-	-	-	-	133 MWe	133 MWe	-	-	-	-	-	-	-	-	133 MWe	133 MWe
Solar energy	-	-	-	-	-	-	42 MWe	5 MWe	-	-	-	-	*-	*-	56 MWe	19 MWe

MWe - Electric installed capacity.

MWt - Thermal installed capacity (MWt).

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

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

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

MWe - Electric installed capacity.

MWt - Thermal installed capacity (MWt).

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

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

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

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

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

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

Also when taking the decisions on the new operations or investment projects, the risks associated with the climate change are taken into account, as an additional criterion for the assessment thereof. These are, in particular, the physical risks, when placing (siting) the new investment projects.

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

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

The consequences of the extreme weather conditions are most strongly felt by the TAURON Ekoenergia and TAURON Dystrybucja subsidiaries.

At TAURON Ekoenergia, the hydrological drought and uneven precipitation, resulting in longer periods with no rainfall, intermittent abrupt precipitation (torrential rains) periodically lead to the inability to generate electricity by the hydro power plants. For these reasons, the incorporation of the water scarcity into the regular risk assessments and the detailed reporting of the risks arising from the water scarcity or a lack thereof has become a necessity for a company like TAURON Ekoenergia, whose model is based largely on the power generation by the hydro power plants. However, due to the fact that it has reservoir based hydro power plants and not just the run-of-river hydro plants, TAURON Ekoenergia is not critically exposed to the water shortage risks. The number of days on which the electricity production did not take place at TAURON Ekoenergia due to the too low or too high water level in the rivers, is presented in Table no. 44.

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

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

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

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

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

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

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

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

* Formerly SAIFI (System Average Interruption Frequency Index), replaced with the area related indicators: CPmd, CPmp, CPm, CPw. The methodology used to calculate the CPmd, CPmp, CPm, CPw indices is the same as the methodology used to calculate the SAIFI index. SAIFI (System Average Interruption Frequency Index) – an indicator of the average system frequency of the long and very long interruptions, representing the number of the consumers exposed to the effects of all these interruptions within a year divided by the total number of the consumers served. There are no cities with the number of their residents greater than 1 million in the area of TAURON Dystrybucja's business operations.

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

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

* Formerly SAIDI, replaced with the area related indicators: CTPmd, CTPmp, CTPm, CTPw. The methodology used to calculate the CTPmd, CTPmp, CTPm, CTPw indices is the same as the methodology used to calculate the SAIDI index. SAIDI (System Average Interruption Duration Index) - the indicator of the average system duration of a long and very long interruption, expressed in minutes per consumer per year, which is the sum of the products of its duration multiplied by the number of the consumers exposed to the effects of this interruption within a year divided by the total number of the consumers served. There are no cities with the number of their residents greater than 1 million in the area of TAURON Dystrybucja's business operations.

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

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

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

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

The consequences of the more frequent temperature extremes and an occurrence of the milder winters are also felt by TAURON Ciepło, however these are not only the adverse effects.

According to the data and analyses, the winters have been much milder in the area served by TAURON Ciepło (Silesia and Dąbrowa metropolitan area, as well as Zawiercie and Olkusz) over the last few years. This fact, of course, translates into a reduction in the demand for the heat supply for the purpose of heating the apartments and buildings.

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

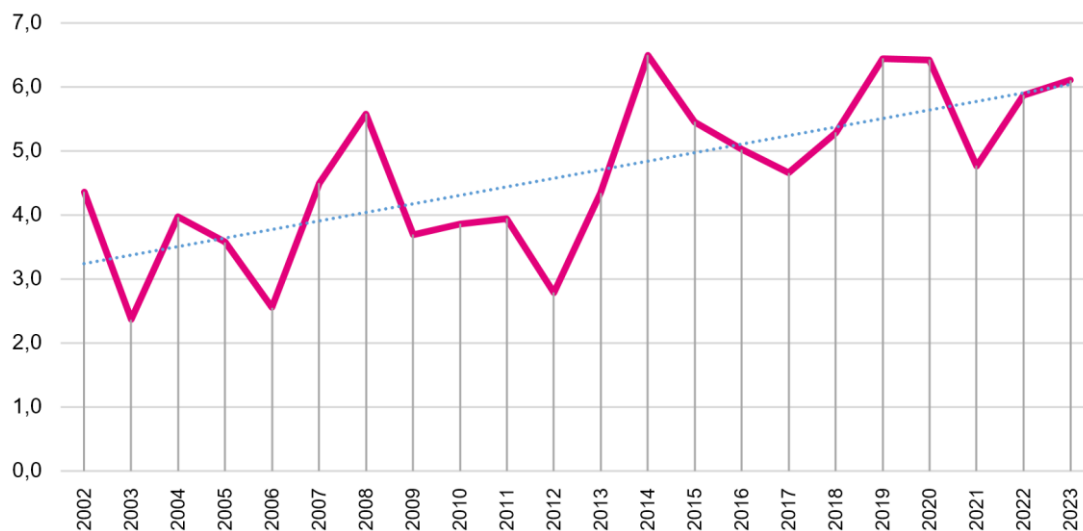


Figure no. 31. Chart of the weighted average air temperature in Poland during the heating season - trend of the changes in 2011 - 2023 [°C].

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

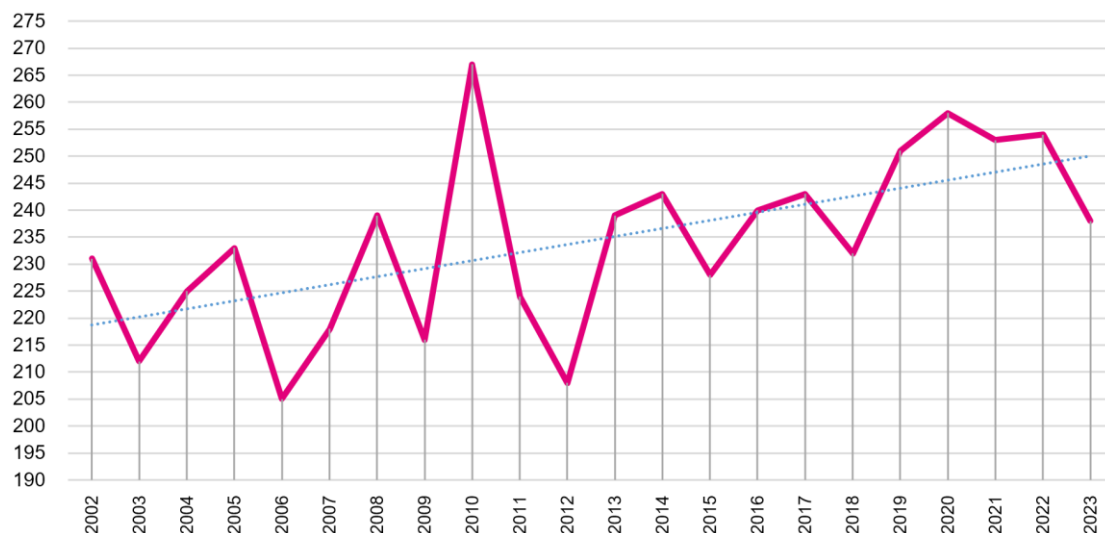


Figure no. 32. Length of the heating season in the years 2002 - 2023. The data is applicable to PEC Katowice in the years 2002 - 2011 and TAURON Ciepło in the years 2011 - 2023 [days].

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

Climate related opportunities

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

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

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

Sales of the selected EKO Line Products and Services		Metric type	Percentage change (+ / -)
EKO product line	EKO Premium	Change in the volume of the Guarantees (Certificates) of Origin issued – year on year	-6.9%
	EKO Biznes		
	EKO Standard		
EKO electricity (EKO prąd) for an individual Customer		Change in the number of the Customers choosing the product at the end of the period – year on year	+31.8%
Photovoltaics		Change in the quantity of the installations sold	-16.3%
Passive Power Compensation		Change in the quantity of the services sold at the end of the period (incrementally) – year on year	+28.9%
Enterprise Energy Audit		Change in the quantity of the services sold at the end of the period (incrementally) – years on year	+0.6%
Implementation of the replacement of the street lighting with the low energy lighting		pcs. (2023 vs. 2022)	26 942 pcs. vs. 32 611 pcs.

Cooperation with the partners to counter the climate change

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

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

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

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

Both assuming a global warming at the level of at most 2 °C, as well as seeking not to cause a global warming by more than 1.5 °C, translate into TAURON Group's business model and its Strategy. However, their expected consequences may be different over time. The so-called electricity generation mix will have to undergo a gradual change. The Sustainable Development Indices that will reflect the transition process include: the RES Capacity Growth Index (shown in Table no. 50) and the Emissions Reduction Index (shown in Table no. 51).

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

Sustainable Development Index in the given calendar year										
Sustainable Development Index		2020 target			2025 target		2027 target		2030 target	
RES Capacity Growth Index		8%			8%		8%		8%	
Result achieved	2020	2021	2022	2023	-		-		-	
	27%	19%	18%	16%						

RES Capacity Growth Index denotes the index of the average annual increase of installed capacity in RES, calculated as follows:

$$JWZM_{OZE_r} = \frac{WM_{OZE_r}}{(r - 2018)}$$

where:

$JWZM_{OZE_r}$ [%] denotes the unit index of increasing the RES capacity in year r ,

WM_{OZE_r} [%] denotes the installed capacity change index,

r denotes a calendar year,

2018 is the base year (the calculation was adopted following the adoption of the Climate Policy in November 2019, i.e. before the settlement of the year 2019 as defined by the emissions trading scheme).

The installed capacity change index is calculated as follows:

$$WM_{OZE_r} = \frac{M_{OZE_r} - M_{OZE_{2018}}}{M_{OZE_{2018}}}$$

where:

WM_{OZE_r} [%] denotes the installed capacity change index,

M_{OZE_r} [MW_e] denotes the installed capacity of the RES units in year r , excluding the biomass fired units, and the units of TAURON Ciepło,

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

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

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

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

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

where:

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

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

$WE_{CO_2, 2018}$ [MgCO₂/MWh] denotes the CO₂ emission index (carbon intensity factor) in year r , accounted for under the Community Emissions Trading System,

r denotes a calendar year r ,

2018 is the base year (the calculation was adopted following the adoption of the Climate Policy in November 2019, i.e. before the settlement of the year 2019 as defined by the emissions trading system)

The CO₂ emissions index is calculated as follows:

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

where:

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

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

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

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

Possibilities of financing the investments in the energy sector

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

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

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

Financing entity	Financing Instrument	Loan amount under the contract	Nominal debt as of December 31, 2023	Purpose of the financing
European Investment Bank	subordinate bonds	EUR 190 000 000	EUR 190 000 000	Financing of the investment projects aimed at expanding and upgrading the power grid infrastructure in Poland in 2016 - 2020 in accordance with its strategic investment plan
European Investment Bank	subordinate bonds	PLN 350 000 000	PLN 350 000 000	Financing of the investment projects in the electricity distribution grid in the south and the southwest of Poland in 2018 – 2022
European Investment Bank	subordinate bonds	PLN 400 000 000	PLN 400 000 000	Financing of the investment projects in the electricity distribution grid in the south and the southwest of Poland in 2018 – 2022
European Investment Bank	loan	PLN 295 000 000	PLN 103 250 000	Financing of an investment project composed of two Components with respect to expanding the electricity distribution grid, implementing a smart metering program, as well as a modernization and repairs of the existing small hydro power plants
European Investment Bank	loan	PLN 900 000 000	PLN 61 363 637	Financing of the implementation of a 5 - year investment program (2011 - 2015), aimed at strengthening, modernizing and expanding the electrical grids of the Tauron Dystrybucja subsidiary
European Investment Bank	loan	PLN 2 800 000 000	PLN 2 800 000 000	Financing of the investment program with respect to the electricity distribution grids in the south and the southwest of Poland in 2022 – 2026
Intesa Sanpaolo S.P.A. operating via Intesa Sanpaolo S.P.A. Spółka Akcyjna (Joint Stock Company) Oddział w Polsce (Branch in Poland)	loan	PLN 750 000 000	PLN 750 000 000	Financing the expenses related to the implementation of the investment projects or groups of the investment tasks of TAURON Group covering (i) the broadly understood power generation based on the renewable energy sources and (ii) the distribution of electricity including, among other things, the expansion and upgrade of the grid, and also connecting of the new Customers, as well as refinancing of the existing Financial Debt

A series bond issue (TPE1025)	bonds	PLN 1 000 000 000	PLN 1 000 000 000	<p>The proceeds from the Bond issue may be used to: (i) finance the RES projects construction / acquisition costs, (ii) finance the Group's distribution operations as well as the general corporate activities related to RES or the zero emission energy transition, and (ii) refinance the Group's debt taken on to finance the above mentioned projects.</p> <p>The proceeds from the Bond issue cannot be used to finance the new and the existing hard coal fired units, as well as the business operations of TAURON Wydobycie (in case of the projects other than those indicated in the paragraph above)</p>
Erste Group Bank AG	loan	PLN 500 000 000	PLN 500 000 000	<p>Financing or refinancing the development with respect to the renewable energy sources, improving the energy efficiency and expanding the e-mobility infrastructure, the funding objectives must be in line with the criteria set out in the European Union taxonomy for determining whether and to what extent an economic activity qualifies as environmentally sustainable</p>
Consortium of the banks: BHW, PKO, Pekao, CaixaBank, Erste, ICBC, Santander, CCB	loan	PLN 4 000 000 000	PLN 2 400 000 000	<p>Funds obtained under the Loan may be used for: (i) refinancing of the Existing Syndicated Loan, (ii) financing of TAURON Group's capital expenditures, including in the RES segment, excluding the financing of any hard coal asset related projects, or (iii) financing of TAURON Group's general corporate expenses, including the refinancing of TAURON Group's debt, excluding the expenditures related to the hard coal assets</p>
Consortium of the banks: Intesa Sanpaolo, CCB	loan	PLN 500 000 000	PLN 160 000 000	<p>General corporate expenses of the Loan Taker and the Group, excluding the financing of any new projects related to the hard coal assets.</p>
NFOŚiGW (National Environment Protection and Water Management Fund)	repayable funding - TI	PLN 82 500 000	PLN 82 488 206	<p>Construction of a photovoltaic farm at the site of the recultivated furnace waste dump of the Jaworzno III power plant in Mysłowice - Dzieńkowice along with the construction of a 110kV cable line and a 110 / 20kV substation</p>
NFOŚiGW (National Environment Protection and Water Management Fund)	2 loans - TNT	PLN 22 517 487	PLN 0	<p>Modernization of the lighting infrastructure</p>
WFOŚiGW (Regional Environment Protection and Water Management Fund)	loan TI	PLN 11 318 300	PLN 5 428 000	<p>Construction of a photovoltaic farm in Jaworzno</p>
WFOŚiGW (Regional Environment Protection and Water Management Fund)	Loan - EC	PLN 7 000 000	PLN 4 901 000	<p>Alteration of the district heating networks along with the construction of the connections and district heating substations (nodes)</p>

E 3.2.2. TAURON Group's climate impact

Table of indicators:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Indirect greenhouse gas emissions [tCO ₂ eq; Mg CO ₂ eq]		
	2023	Explanatory notes
Indirect emissions related to the use of the purchased electricity and the losses (balancing difference) related to electricity distribution		It includes all of the electricity purchased by the Group's subsidiaries and the amount of electricity related to the losses (balancing difference) in connection with the business operations conducted by TAURON Dystrybucja
Market-based *	960 233	
Location-based **	1 322 129	
Total indirect emissions (Scope 2) Market-based	960 233	
Total indirect emissions (Scope 2) Location-based	1 322 129	

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

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

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

Indirect greenhouse gas emissions [tCO ₂ eq]		
Category according to GHG Protocol Scope 3	2023	Explanatory notes
Indirect emissions related to the purchasing of the materials and the products, including the processing thereof, and the services for the Group's needs (Category 1. Purchased goods and services)	317 307	It includes the purchasing of the majority of the goods, materials and the services for the needs of conducting the business operations and the provision of the services of the Group's subsidiaries (process additives, chemicals, selected consumables of the modernization and repair management, for example, cables, pipes)
Indirect emissions related to the use of the electricity sold by the final consumer (Category 3. Emissions related to the electricity and fuels)	14 049 400	It includes all of the electricity sold by the Group's supply subsidiaries* The supply volume to the final consumer that was generated from the sources of the Group's subsidiaries is not included
Indirect emissions related to the transportation of the fuels (including the biomass) and from the services purchased with respect to the transportation of the products and waste from the major production processes (Category 4. Upstream – Transportation and Distribution)	132 756	It includes the transportation of the hard coal and biomass to the TAURON Wytwarzanie, TAURON Ciepło subsidiaries** and the transportation of the products, raw materials and the supplies for the needs of the major production processes carried out by the external entities as well as by and for the benefit of the Bioeko Grupa TAURON subsidiary
Indirect emissions from the business travel (Category 6. Business travel)	3 745	It includes the Group's selected subsidiaries. The calculations based on the fuel consumption
Indirect emissions from the commuting of the employees to the work place (Category 7. Commuting of the employees to the work place)	25 808	The calculations based on the number of the employees and the distance index for the commuting to the work place
Indirect emissions related to the transportation of the products and the waste from the major production processes (Category 9. Downstream - Transportation and Distribution)	4 656	It includes the transportation of the by-products and the waste from the major production processes carried out by Bioeko Grupa TAURON and the external entities
Indirect emissions related to the use of the gas fuel sold by the final consumer (Category 11. The use of the products sold)	781 120	It includes the volume of the gas fuels sold by the Group's supply subsidiaries*
Total indirect emissions (Scope 3)	15 314 792	-

* The indicator (metric) used to calculate the indirect GHG emissions related to the use of the electricity purchased based on the underlying data of TAURON Group's supply subsidiaries. For the gas fuel and the hard coal mine gas from the Brzeszcze Coal Mine's de-methanization the indicator

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

** The indicators (metrics) used to calculate the indirect GHG emissions related to the transportation of the materials are adopted in accordance with the underlying data: "Guidelines for Measuring and Managing CO₂ Emission from Freight Transport Operations. A. McKinnon (UK)" respectively:

- transportation by trucks on the roads - 62 g CO₂e / ton-km (the mean value for two data sources) and the total number of ton kilometers calculated based of the actual weights of the fuel and product loads as well as the averaged length of the road routes,
- transportation by rail - 22 g CO₂e/ton-km and the total number of ton-kilometers calculated on the basis of the actual weights of the fuel and product loads as well as the averaged length of the railway routes.

Ton - kilometers take into account the weight of the materials transported from the place of an initial fuel loading to the destination (the Group's subsidiaries), including the imports. For the fuel imports, the sea freight and a rate to calculate the indirect GHG emissions of 7 g CO₂e / ton-km had been adopted.

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

The transports commenced at the end of 2022 are not taken into account.

Table no. 53-d. GRI 305-1, 305-2, 305-3. TAURON Group's carbon footprint for 2023 due to its business operations (The total greenhouse gas emissions in [tCO₂e; Mg CO₂e] for Scope 1 – the direct GHG emissions and for Scope 2 and 3 – the indirect GHG emissions)

TAURON Capital Group's carbon footprint for 2023 [tCO ₂ e; Mg CO ₂ e]	
Emissions related to electricity generation	9 139 312
Emissions related to heat generation	954 974
Emissions from the gas leaks, including those associated with an occurrence of a failure	7 375
Emissions related to the transportation of the materials, products and waste	17 308
Total direct emissions (Scope 1)	10 118 969
Indirect emissions related to the use of the purchased electricity and the losses (balancing difference) related to the electricity distribution	
Total indirect emissions (Scope 2) Market-based*	960 233
Total indirect emissions (Scope 2) Location-based**	1 322 129
Indirect emissions (Scope 3) (Category 1. Purchased goods and services)	317 307
Indirect emissions (Scope 3) (Category 3. Emissions related to electricity and fuels)	14 049 400
Indirect emissions (Scope 3) (Category 4. Upstream – Transportation and Distribution)	132 756
Indirect emissions (Scope 3) (Category 6. Business travel)	3 745
Indirect emissions (Scope 3) (Category 7. Commuting of the employees to the work place)	25 808
Indirect emissions (Scope 3) (Category 9. Downstream – Transportation and Distribution)	4 656
Indirect emissions (Scope 3) (Category 11. Use of the products sold)	781 120
Total indirect emissions (Scope 3)	15 314 792
Aggregate (Scope 1 + Scope 2 + Scope 3) Market-based*	26 393 994
Aggregate (Scope 1 + Scope 2 + Scope 3) Location-based**	26 755 890
Biogenic emissions	292 515

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

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

E 3.2.3. Improving energy efficiency and energy management

Table of indicators:

GRI – topic	301-1, 302-1, 302-3
WSE	E-M4

TAURON Group established its Energy Management Policy in 2023, the main goals of which include an efficient energy management by identifying and controlling the energy intensive areas of its business operations, a continuous monitoring of the operation of the assets in order to take the optimization measures in a systemic manner, an ongoing improvement of the processes and the pro-efficiency measures, and spreading the awareness and the culture of the energy management among TAURON Group's employees. As part of the process of implementing the Policy, a project titled "The Implementation of the Energy Management System at TAURON Group's Subsidiaries" was launched, which was related to the implementation of the Energy Management System at TAURON Group's subsidiaries covered by the mandatory performance of the Enterprise Energy Audits based on the ISO 50001 standard every 4 years. The goal of the project is to strive for a continuous improvement of the energy result, an optimization of the operation of the assets, as well as implementing and maintaining of a systemic approach to energy efficiency at TAURON Group.

The actions taken for the benefit of the climate are also reflected in the various types of investment projects carried out by TAURON Group's subsidiaries, for example, a modernization of the thermal insulation of the administrative buildings, a modernization of the lighting system in the administrative and production buildings, a modernization of the technology process lines, installations and the replacement of the district heating networks with the use of the pre-insulated technology. They have a directly and an indirect impact on the reduction of a unit consumption of the fuels and energy as well as of the emissions of gases into the atmosphere related thereto. Their goal is to improve the energy efficiency, which is reflected in the implementation, at the operational level of asset management, of the measures aimed at supporting a preliminary energy efficiency audit for the planned initiatives related to the modernization or the replacement of the production assets. As a result of these activities, the investment tasks will be evaluated with respect to their estimated potential for acquiring of the property rights, the so-called "white certificates," in an aggregate amount of minimum 10 toe. The Group's subsidiaries with the highest potential for the primary energy savings are getting ready to implement an energy management system.

The preparation and adaptation of the infrastructure taking into account the need to adapt to the climate change is one of the significant items of TAURON Group's capital expenditures. As part of these activities, among other things, the alterations and the replacements of the grid (including an adaptation to the RES grid connections), the modernization of the sub-stations in order to increase the efficiency thereof, the replacement of the lighting systems with the energy saving solutions, the construction of the "e-mobility" infrastructure and the smart distribution infrastructure were carried out. The financial outlays on the projects related to the climate change adaptation are presented in Table no. 62-b (the EU Environmental Taxonomy - aligned capital expenditures).

The TAURON Nowe Technologie subsidiary, dedicated to the operation and maintenance of the street lighting on the territory of the Group's area of business operations, had continued, in 2023, its program to replace the lighting systems with an energy efficient solution (approximately 26 900 pieces), which will allow for the annual savings in the final energy consumption by the consumers (more than 20 municipalities) in the estimated amount of approx. 6 400 MWh / year.

TAURON Dystrybucja is implementing a long term program of replacing the electricity meters with a new type of a "smart- metering" solution. The number of the "smart-metering" type meters had stood at approx. 1.1 million units in 2023.

TAURON Ekoenergia's business operations (along with the business operations of the companies it is managing or its subsidiaries), which are based entirely on the production of electricity from the renewable energy sources, have a positive impact on the climate. As a result of the optimization of the wind farms related production assets and the favorable conditions at the sites where the wind farms are located, very good results have been achieved, both in the form of a significant reduction in the rate of the in-house (household) needs (efficiency), as well as in an increase of the renewable energy produced. Tables no. 54 and no. 54-a present the volume of the electricity produced by TAURON Group's units in 2023, broken down by the main sources thereof.

Table no. 54. Net electricity and heat volume generated by TAURON Group, broken down into the main energy sources in 2022 and 2023

	Electricity [GWh]		Heat [TJ]	
	2023	2022	2023	2022
Hard coal	9 769	12 360	7 485	8 428
Hard coal in the form of the sludge product	146	177	441	464
Liquid fuels	83	118	380	422
Natural gas and coke oven gas as well as other energy production related gases (gas from the Brzeszcze Coal Mine's de-methanization)	80	83	228	59
Biomass	185	340	974	452
Wind energy	973	854	0	0
Hydro power	435	317	0	0
Solar energy	21	15	0	0
Total	11 692	14 264	9 508	9 825

Table no. 54-a. Net electricity [GWh] and net heat [TJ] volumes generated by TAURON Group, broken down into main energy sources, per subsidiary in 2022 and 2023

	TAURON Wytwarzanie				TAURON Ciepło				TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof				TAURON Inwestycje				TAURON Nowe Technologie				Energetyka Cieszyńska*				Total			
	Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]		Electricity [GWh]		Heat [TJ]	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Hard coal	8 902	11 373	2 207	2 492	847	979	4 902	5 783	-	-	-	-	-	-	-	-	-	-	-	-	20	8	375	153	9 769	12 360	7 484	8 428
Hard coal in the form of the sludge product	83	100	132	149	63	77	309	315	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	146	177	441	464
Liquid fuels	81	116	279	317.5	2	2.5	88	104	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	0	83	118	381	422
Natural gas as well as other energy production related gases	-	-	-	-	-	-	228	59	-	-	-	-	-	-	-	-	80	83	0	0	-	-	0	0	80	83	228	59
Biomass	13	145	4	79	172	195	970	373	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185	340	974	452
Wind energy	-	-	-	-	-	-	-	-	973	854	-	-	-	-	-	-	-	-	-	-	-	-	-	-	973	854	0	0
Hydro power	-	-	-	-	-	-	-	-	435	317	-	-	-	-	-	-	-	-	-	-	-	-	-	-	435	317	0	0
Solar energy	-	-	-	-	-	-	-	-	15	10	-	-	6	5	-	-	-	-	-	-	-	-	-	-	21	15	0	0
Total	9 078	11 733	2 622	3 038	1 084	1 254	6 497	6 634	1 423	1 181	-	-	6	5	-	-	80	83	0	0	20	8	389	153	11 692	14 264	9 508	9 825

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

The steps taken by TAURON Group aimed at implementing and certifying the Energy Management System are at the same time a response to the changes in Directive (EU) 2023/1791 of the European Parliament and of the Council of September 13, 2023 on energy efficiency and amending Regulation (EU) 2023/955. The directive imposes an obligation to implement the Energy Management System by October 11, 2027, at the enterprises whose average annual energy consumption over the past three years, taking into account all energy carriers, exceeded 85 TJ. In accordance with its provisions, the Energy Management System must be certified. TAURON Group's subsidiaries that will be subject to the Energy Management System implementation project exceed the energy consumption level cited in the regulation.

The detailed information on the various categories of the energy consumption and sales, as well as the total energy consumption taking into account all of the energy carriers for TAURON Group, is presented in Tables no. 55 - 59.

Table no. 55 GRI 302-1. Total consumption of energy from the non-renewable sources (in-house and purchased) in GJ (the gross chemical energy of the fuels) at TAURON Group in 2022 and 2023

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Hard coal	90 598 643	117 937 237	11 240 913	13 384 332	-	-	-	-	-	-	622 892	218 840	102 462 448	131 540 409
Natural gas as well as other energy production related gases	-	-	260 427	91 481	-	-	48 075	70 769	541 633	736 897	-	-	850 135	899 147
Hard coal in the form of the sludge product	999 531	1 200 174	749 079	837 442	-	-	-	-	-	-	-	-	1 748 610	2 037 616
Heating oil	1 178 680	1 583 158	120 759	135 780	-	-	-	-	-	-	19 254	-	1 318 693	1 718 938
Liquid fuels	23 390	22 467	11 898	12 981	2 379	1 846	55 878	58 695	-	-	-	-	93 545	95 989*
TOTAL	92 800 244	120 743 035	12 383 076	14 462 016	2 379	1 846	103 953	129 464	541 633	736 897	642 146	218 840	106 473 431	136 292 099*

* The data reported in the previous edition for 2022 had also included the TAURON Wydobycie subsidiary, for which the non-renewable energy consumption had come in at 24 523 GJ. This company was outside of TAURON Group in 2023.

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

Table no. 56. GRI 302-1. Total consumption of energy from the renewable sources in GJ (the gross chemical energy of the fuels) at TAURON Group in 2022 and 2023, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Biomass	128 633	1 566 681	2 567 793	2 559 783	-	-	0	0	-	-	-	-	2 696 426	4 126 464
Wind energy	-	-	-	-	124 294	122 661	0	0	-	-	-	-	124 294	122 661
Hydro power	-	-	-	-	21 531	16 709	0	0	-	-	-	-	21 531	16 709
Solar energy	-	-	-	-	248	52 911	-	-	-	-	-	-	248	52 911
TOTAL	128 633	1 566 681	2 567 793	2 559 783	146 073	192 281	0	0	-	-	-	-	2 842 499	4 318 745

Table no. 57. GRI 302-1. Total energy consumption (purchased and in-house) by type in GJ (the electricity purchased and generated, used for the household needs of the organization - heating, cooling, electricity, steam) at TAURON Group in 2022 and 2023, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Electricity	3 775 825	4 631 200	693 503	784 376	157 135	150 798	66 480	90 422	11 307	4 773	16 312	4 807	4 720 562	5 666 376*
Thermal energy (heat)	702 425	695 060	217 865	229 954	934	996	4 723	5 384	-	-	9 165	3 746	935 112	935 140*
TOTAL	4 478 250	5 326 260	911 368	1 014 330	158 069	151 794	71 203	95 806	11 307	4 773	25 477	8 553	5 655 674	6 601 516*

* The data reported in the previous edition for 2022 had also included the TAURON Wydobywcze subsidiary, for which the energy consumption (electricity and thermal energy) had come in at 1 147 801 GJ. This company was outside of TAURON Group in 2023.

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

Table no. 58. GRI 302-1. Energy supply in GJ (net less the in-house needs) at TAURON Group in 2022 and 2023, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska*		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Electricity	32 052 518	41 588 734	3 902 884	4 515 880	5 139 796	4 251 498	0	0	287 823	298 337	55 508	24 186	41 438 529	50 678 635
Thermal energy (heat)	2 621 906	3 038 459	6 496 654	6 634 071	-	-	0	0	-	-	389 066	130 282	9 507 626	9 802 812
TOTAL	34 674 424	44 627 193	10 399 538	11 149 951	5 139 796	4 251 498	0	0	287 823	298 337	444 574	154 468	50 946 155	60 481 447

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

Table no. 59. GRI 302-1. Total energy consumption in GJ at TAURON Group in 2022 and 2024, per subsidiary

[GJ]	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia, TAURON Zielona Energia and the subsidiaries thereof		Kopalnia Wapienia „Czatkowice”		TAURON Nowe Technologie		Energetyka Cieszyńska**		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total energy consumption by the organization	62 732 703	82 986 317	5 462 699	6 886 178	-4 833 275	-3 905 577	175 156	225 270	265 117	443 333	223 049	72 925	64 025 449	86 708 446 *

* The data reported in the previous edition for 2022 had also included the TAURON Wydobywcze subsidiary, for which the total energy consumption had come in at 1 172 324 GJ. This company was outside of TAURON Group in 2023.

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

The Group is also monitoring the rate of energy consumption (intensity) related to its business operations on an ongoing basis, as shown in the indices in Table no. 60.

Table no. 60. GRI 302-3. Energy consumption (intensity) at TAURON Group in 2022 and 2023, per subsidiary

	TAURON Wytwarzanie		TAURON Ciepło		TAURON Ekoenergia		TAURON Ekoenergia TAURON Zielona Energia and the subsidiaries thereof		Energetyka Cieszyńska**	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Energy consumption rate [%] (energy consumption for in-house needs / gross energy production)	11.44%	10.67%	8.52%*	8.62%*	3.85%	5.02%	0.84%	0.83%	4.80%	4.74%
Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production)	10.87%	10.41%	17.36%	15.98%	3.85%	5.02%	0.84%	0.83%	21.81%	17.24%
Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production)	17.83%	14.09%	3.25%*	3.35%*	-	-	-	-	2.01%	2.45%

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

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

TAURON Group has inventoried, during the inventory energy audits, the potential tasks related to reducing the energy consumption (intensity). The targets related to the energy consumption have been set based on such measures, as shown in Tables no. 61-a, no. 61-b and no. 61-c.

Table no. 61-a. GRI 302-3. Targets, and the results achieved, with respect to energy consumption set to be achieved by TAURON Group by 2030, per subsidiary

Index		TAURON Wytwarzanie				TAURON Ciepło			
		2020	2023	2025	2030	2020	2023	2025	2030
Energy consumption rate [%] (energy consumption for in-house needs / gross energy production)	Target	10.9%	-	11.1%	9.1%	8.88%*	-	8.44%*	8.73%*
	Result achieved		11.44%				8.52%*		
Energy consumption rate - electricity [%] (electricity consumption for in-house needs / gross electricity production)	Target	10.7%	-	10.8%	10.5%	15.61%	-	17.09%	15.05%
	Result achieved		10.87%				17.36%		
Energy consumption rate - heat [%] (heat consumption for in-house needs / gross heat production)	Target	12.6%	-	13.9%	9.2%	2.98%*	-	2.89%*	2.77%
	Result achieved		17.83%				3.25%*		

Targets have been set assuming the average annual load of the generation unit above 70% of the nominal rated capacity. The targets for 2025 and 2030 will be subject to a revision in the next reporting year.

* It does not take into account the replenishment of the heat carrier losses in the district heating networks. The fluctuations of the index for the TAURON Ciepło subsidiary in the 2025 and 2030 time frames are due to the changes: the planned increase in the demand for heat by approximately 1.6 TJ and the commissioning of the new gas fired heat generation sources that will complement the existing infrastructure of the high efficiency coal fired co-generation (the unit emission indices will be reduced).

The values of the energy consumption rates for the TAURON Wytwarzanie and TAURON Ciepło subsidiaries achieved in 2023 were higher than the values assumed on the path to reaching the set targets (the 2020 – 2025 targets) in terms of the energy consumption (intensity) rates for the electricity production. The following reasons can be identified in this case:

- need to operate TAURON Wytwarzanie units as centrally controlled (dispatched) generation units that stabilized the power system in the south of Poland in the highly volatile energy flow conditions, also with respect to the international trade (imports / exports). This resulted in the operation of the units at the sub-optimal operating points (the high volatility of the efficiency of the individual generating units),
- much more frequent than assumed numbers of the start-ups and shutdowns of TAURON Wytwarzanie's generating units,
- much lower heat production combined with the curtailing of the operation in the condensation mode at TAURON Ciepło's conventional generating units translated into worse energy consumption (intensity) rates for the heat production and for the electricity production than the values assumed in the multi year results plan.

Table no. 61-b. Target, and the result achieved, for the transmission losses set to be achieved by TAURON Dystrybucja in 2023

Index name		2020	2023	2025	2030
Value of the balancing difference index*	Target	4.14%	-	3.96%	3.90%
	Result achieved	3.88%			

* Index calculated as of December 31 for the last 12 months, as the quotient of the energy lost in the grid to the value of the energy fed into the grid.

Table no. 61-c. GRI 302-3. Targets, and the results achieved, with respect to the energy consumption (intensity) set to be achieved by Kopalnia Wapienia „Czatkowice” (Czatkowice Limestone Mine) by 2030

Index name		2020	2023	2025	2030
Electricity consumption rate [kWh/t]	Target	22.7	-	21.1	20.0
	Result achieved	22.6	25.4		

Eco-efficiency program in IT

With respect to the obligations stemming from TAURON Group's Environmental and Climate Policies, as a result of the consultations and analyses completed, the environmental efficiency criteria had been adopted in 2023 in order to refine and improve the environmental efficiency indicators. The list of the criteria adopted to be improved will be subject to the periodic reviews, updates and additions as the environmental efficiency of TAURON Group's IT Shared Service Center (Centrum Usług Wspólnych IT) is improving. As part of the environmental efficiency improvement efforts, the following activities had been carried out in the IT area in 2023:

- remote readout meters had been installed at the Data Processing Centers, and the monitoring of the electricity consumption had been commenced in order to identify and replace, as soon as possible, the hardware that had been consuming the most energy,
- it had been agreed that in order to prevent waste and apply the reuse and recycling processes, the rules would be developed in order to measure the average life cycle of the IT hardware in order to extend the Economic Useful Life.

Customer Eco-Efficiency Programmes

TAURON Group's subsidiaries are implementing a wide range of the energy efficiency program activities at the Customers' premises (downstream activities). These programs are aimed at a broad range of the Customer segments, including the residential Customers, the manufacturing industry or the local government units. These activities are designed to engage the Customers in the process of a conscious use of a product or a service. The examples of these activities include

A wide range of energy efficiency program activities are being implemented through the energy programs conducted by TAURON Group's subsidiaries. These programs are targeted at a number of Customer segments, including residential Customers, industry, and local governments. These include:

- educational campaigns, IT guide books and tools to promote the energy efficiency at TAURON Sprzedaż, TAURON Dystrybucja and TAURON Ciepło,
- energy audit of enterprises,
- implementation of the replacement of the street lighting with the energy efficient lighting, also providing an option to control the intensity of the light stream.

The examples of the Customer eco-efficiency programs include:

“Ogrzej się z TAURONEM” (Heat yourself with TAURON)

As part of the program, the owners of the buildings can apply for a subsidy for the elimination of an old solid fuel fired boiler and its replacement with a heat pump. The program is addressed to the residents of the Lower Silesia, Opole, Silesia and Małopolska provinces.

“Bezpieczniki TAURONA” (TAURON fuses)

An educational and informational program that targets the various audiences (children and youth, adults, seniors, as well as the renovation and construction companies). The program covers the topics related to, among other things, the transition and it is implemented through:

- Scenarios of lessons the subjects of which are related to the energy conservation as well as the rational energy use and the formation of a user and consumer awareness. They included the following topics: "Eco-methods for saving the electricity", "Energy labels and electro waste", "We are the guardians of energy", "Renewables - life-giving", "Photovoltaic cell and light sources", "Green energy gives the power", "Green energy and electricity saving", "Sources of electricity" or "Work and power of electricity. Electricity transitions".
- Guide books covering the following topics: "How to use the household appliances in an energy saving manner?", "Smart home or how to control the house?", "How to take care of the electrical system?", "Electrical installations in the house", "How to save electricity?", "Electro waste? There will be a use for them," "Label matters," "How to become a prosumer?" or "How to calculate how much energy electrical appliances consume?".
- Online games, for example, "Throw away the electro waste", "Collect green energy", "Young eco-advisor (energy labels)", or "Electro treasure (electro-waste) finders".
- Videos, for example, "Green electricity. How to produce it and save it?", "Sources of electricity", "How to read the energy labels?", "Where to trash the electro waste?", "Energy from the sun", "Fuses" or "How much energy do household electrical appliances consume?".



Eco-efficiency program for the Customers in agriculture

Kopalnia Wapienia „Czatkowice” (Czatkowice Limestone Mine), together with the Małopolska Agricultural Advisory Center in Karniowice (Małopolski Ośrodek Doradztwa Rolniczego w Karniowicach), was the organizer of the educational meetings / training sessions for the farmers. The training meetings were addressed mainly to the farming community from the Małopolska, Silesia and Podkarpackie provinces. The main message of the trainings was to promote the knowledge of the effective and natural solutions to the problems of soil acidification in Poland, the effects of a proper liming of the soils, as well as the impact of the liming on the crop yields in the changing climatic conditions. The limestone mine's product, the Gruntcal fertilizer lime, had also been presented during the training sessions.

The Customers interested in the subject can use a liming calculator, available on the company's website, to help solve the lime dosage issues. After selecting the type and the pH of the soil, the calculator determines the needed dosage of the Gruntcal lime (number of tons / hectare).

E 4. Activities in terms of environmental taxonomy

E. 4.1. Information on the so-called Taxonomy - eligible activities (Regulation 2020/852)

By preparing its non-financial report for 2023 TAURON Group is fulfilling its obligation to make the disclosures demonstrating to what extent the Group's operations can be considered environmentally sustainable. Such a requirement stems from Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088, as well as the regulations issued under the Delegated Acts on the establishment of a framework to facilitate sustainable investments (referred to as the "Taxonomy").

Pursuant to Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by clarifying the content and presentation of the information on environmentally sustainable business activities to be disclosed by companies subject to Article 19a or 29a of Directive 2013/34/EU, and specifying the method for fulfilling this disclosure obligation - pursuant to Art. 10 of the aforementioned Delegated Act (EU), for the period from January 1, 2023 to December 31, 2023, non-financial

companies shall only disclose the percentage share of the taxonomy - eligible ("Taxonomy") business activities divided into activities aligned with and non-aligned with the taxonomy (Taxonomy) and taxonomy – not eligible business activities in the total Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx), as well as the necessary contextual information. The mandatory disclosures related to the "Taxonomy" are applicable to the key performance indicators and the accompanying information, as defined within the framework of Annexes I, II and XII of Commission Delegated Regulation (EU) 2021/2178. In addition, to assess whether the Group's activities, and in what proportion, are environmentally sustainable in accordance with the Taxonomy, a classification of the activities against the Criteria for making a significant contribution to an accomplishment of at least one of the environmental goals and against the Criteria related to the "do no significant harm" (DNSH) principle is carried out.

For the preparation of the Taxonomy related disclosures for 2023, in all of the operating segments (lines of business) of TAURON Group's business operations, as well as within TAURON Group's subsidiaries, an analysis of the activities conducted by TAURON Group had been carried out, as a result of which the Taxonomy eligible activities had been identified, in line with the description of the activities according to the Commission Delegated Regulation (EU) 2021/2139 and 2023/2485 and shown in Annex I (Climate Change Mitigation) or Annex II (Climate Change Adaptation). TAURON Group has qualified its activities based on the description of the activities included in Annex I and II for the Technical Qualification Criteria and, in a subsidiary manner, using the NACE codes included therein.

TAURON Group has also interpreted the ambiguous provisions with respect to the Taxonomy, and the assumptions and the interpretations made are presented in the explanatory notes and the footnotes to the Methodology for the information provided in Tables 62 a-c. and 2023/2485

In addition, fulfilling the information disclosure obligation under Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023. supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical qualification criteria for determining the conditions under which an economic activity qualifies as making a significant contribution to the sustainable use and conservation of water and marine resources, to the transition to a circular economy, to the pollution prevention and control, or to the protection and the restoration of the biodiversity and the ecosystems, as well as determining whether these business activities do not cause serious harm to any of the other environmental objectives, and amending Commission Delegated Regulation (EU) 2021/2178 with regard to public disclosure of specific information with respect to these business activities - TAURON Group does not carry out activities that qualify for the application of Commission Delegated Regulation (EU) 2023/2486 and thus does not determine the levels of the sustainable Revenue, CapEx and OpEx for the other four environmental goals of the EU Environmental Taxonomy, i.e. in terms of a significant contribution: to the sustainable use and protection of water and marine resources (Objective 3), in the transition to a circular economy (Objective 4), in the pollution prevention and control (Objective 5) and in the protection and restoration of biodiversity and ecosystems (Objective 6).

E 4.2. Environmental taxonomy

Step 1 – Division of the activities carried out by TAURON Group's subsidiaries.

The business operations of TAURON Group's subsidiaries are organized within the operating segments, in line with the consolidated breakdown in the financial reporting. TAURON Group's operations had been organized in 2023 based on five operating segments (in accordance with TAURON Group's consolidated 2023 Financial Statements): Generation, Renewable Energy Sources, Distribution, Supply and Other (Other Operations).

Step 2 – Identification of the economic activities included in the Taxonomy.

The selection of activities carried out within the TAURON Group's operating segments that qualified for the Taxonomy in 2023 was pursuant to:

1. Annexes I and II, supplementary to Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021:
 - 4.1. Electricity generation using photovoltaic technology,
 - 4.3. Electricity generation from wind power,
 - 4.5. Electricity generation from hydropower,
 - 4.9. Transmission and distribution of electricity,
 - 4.15 Distribution in district heating systems,
 - 4.20. Cogeneration of heat/cool and electricity power from bioenergy (biomass),
 - 6.15. Infrastructure enabling low-carbon road transport and public transport,
 - 7.3. Installation, maintenance and repair of energy efficiency equipment,
 - 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings),
 - 7.6. Installation, maintenance and repair of renewable energy technologies.

2. Annex I to Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, amending Delegated Regulation (EU) 2021/2139:

- 4.29. Electricity production from fossil gaseous fuels,
- 4.31. Production of heat/cool from fossil gaseous in an efficient heating and cooling system.

The above classification also takes into account the Commission Delegated Regulation (EU) 2021/2178 with regard to public disclosure of specific information with respect to these economic activities. This is a delegated act that takes into account, among other things, gas and nuclear energy, in the Taxonomy. TAURON Group does not carry out the activities eligible to be applied under Commission Delegated Regulation (EU) 2023/2486.

Step 3 – Determination of the indicators related to the activities that are Taxonomy – eligible

In the next step, TAURON Group's individual operating segments are assigned to two categories:

- category I (A.1 + A.2) – grouping TAURON Group's activities that are Taxonomy - eligible, (A.1 – Taxonomy - aligned and A.2 – Taxonomy non-aligned),
- category II (B.) – grouping TAURON Group's activities that are Taxonomy non-eligible.

In the cases where the activities carried out as part of the business operations of the given operating segment of TAURON Group included both, the Taxonomy – eligible activities (the environmental Taxonomy - aligned and non-aligned activities – category I), as well the Taxonomy non-eligible activities (the Environmental Taxonomy non-eligible activities - category II), an additional division within the given operating segment has been introduced, allowing for classifying the segment type as being partially Taxonomy - eligible.

Accounting principles

In order to calculate the proportions of the Environmental Taxonomy eligible Turnover ("Revenue"), Capital Expenditures (CapEx) and Operating Expenses (OpEx), the same accounting principles that apply to the drawing up of TAURON Group's consolidated annual financial statements have been adopted. The flows occurring between the operating segments, used in the preparation of the financial statements, have been taken into account.

The relevant definitions in the Commission Delegated Regulation (EU) 2021/2178 have been applied to identify the amounts (expressed in the monetary units) associated with the recognized activities meeting first the definitions related to the key performance indicators: turnover ("Revenue"), capital expenditures (CapEx) and operating expenditures (OpEx), which constitute the denominator of each of these three indicators, and then the allocation of the amounts (expressed in the monetary units) from all of these three values to the categories found to be Taxonomy - eligible and Taxonomy - aligned (category I, A.1.), Taxonomy - eligible and Taxonomy non-aligned (Category I, A.2.), which, in turn, constitute the numerator of each of the three indicators and Taxonomy non-eligible (Category II, B.).

Turnover ("Revenue")

The net sales revenue recognized in accordance with IAS 1, clause 82, letter a), as defined in Article 2, clause 5 of Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013, which states: "net sales revenue" denotes the amounts derived from the sales of the products and the provision of the services after the deduction of the rebates and the value - added tax and other taxes directly related to the turnover." The consolidated net sales revenues have been taken into account in this way, and the corresponding amounts are included in the Group's consolidated financial statements.

Capital expenditures (CapEx)

The investment outlays defined as increases in the property, plant and equipment and the intangible assets, the right-of-use related assets and the investment properties, including those resulting from the combining of the business units, as defined in the relevant IAS / IFRS:

- IAS 16 Property, plant and equipment,
- IAS 38 Intangible assets,
- IAS 40 Investment property,
- IFRS 16 Leases.

The consolidated increases in the property, plant and equipment, the intangible assets and the right-of-use related assets have been taken into account in this way, and the corresponding amounts are included in the Group's consolidated financial statements.

Operating Expenses (OpEx) – as defined by the Environmental Taxonomy

Operating Expenses (OpEx) – as defined by the Environmental Taxonomy understood as the direct, non-capitalized expenses:

- related to research and development work,
- related to building renovation activities,
- related to short term leases,
- related to maintenance and repairs,
- any other direct expenses related to the day to day operation of property, plant and equipment by a company or a third party outsourced to carry out the activities necessary to ensure the continuous and efficient operation of such assets.

In the case of the Operating Expenses (OpEx) indicator, due to its specific definition in the Environmental Taxonomy, it has not been possible to refer directly to the Group's Consolidated Financial Statements. The Group's highest Operating Expenses (OpEx) are the costs classified as "Maintenance and repair services" of the Distribution operating segment.

The analysis of the technical classification criteria and the "do no significant harm" principles and an assessment with respect to the physical climate risks

The analysis of the technical classification criteria and the "do no significant harm" principles has been conducted using an expert method based on a review of the business model of the operations of the Group's subsidiaries, and as a result of this analysis, the review of the Environmental Taxonomy eligibility of the operations of the Group's subsidiaries was carried out. The analysis also included checking of the conditions under which an activity qualifies as making a significant contribution to the climate change mitigation or adaptation, and whether the activity complies with the conditions set for it under the "do no significant harm" principles against any of the other environmental goals. Given the assignment of the Environmental Taxonomy aligned activities to the climate change mitigation goal, a precondition for complying with the "do no significant harm" principle was also to complete an assessment of the climate risk and of the exposure to this risk based on the classification included in Appendix A to Commission Delegated Regulation (EU) 2021/2139. The risk and the exposure assessment performed using the expert method demonstrated that the majority of the risks were rated as "low."

Analysis of the Minimum Safeguards (MS)

The analysis of the compliance of the business activities conducted in 2023 with the Minimum Safeguards (MS), as defined in Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council, is presented in section "2.9. TAURON Group's due diligence and the minimum safeguards (MS) related to Taxonomy". Compliance with the Minimum Safeguards (MS) set out in the Taxonomy Act has been confirmed.

Description of the Taxonomy - eligible and the Taxonomy – aligned activities and the contextual information

The proportion of the Taxonomy - eligible and the Taxonomy – non-eligible business activities in the total Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx – as defined by the Environmental Taxonomy) for TAURON Group for 2023 (and for the previous year) is presented in the following tables (Table no. 62-a, 62-b and 62-c) and in Figure no. 33.

– **Turnover (Revenue), Capital Expenditures (CapEx) and Operating Expenses (OpEx – as defined by the Environmental Taxonomy)** that are Taxonomy - aligned come from the following activities:

- CCM 4.1. Electricity generation using photovoltaic technology,
- CCM 4.3. Electricity generation from wind power,
- CCM 4.5. Electricity generation from hydropower,
- CCM 4.9. Transmission and distribution of electricity,
- CCM 4.15. Distribution in district heating systems,
- CCM 4.20. Cogeneration of heat/cool and power from bioenergy (biomass),
- CCM 6.15. Infrastructure enabling low-carbon road transport and public transport,
- CCM 7.3. Installation, maintenance and repair of energy efficiency equipment,
- CCM 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings),
- CCM 7.6. Installation, maintenance and repair of renewable energy technologies.

– **Turnover (Revenue), capital expenditures (CapEx) and operating expenses (OpEx – as defined by the Environmental Taxonomy)** that are Taxonomy - eligible, but are not taxonomy - aligned, come from the following activities:

- CCM 4.5. Electricity production from hydropower,
- CCM 4.9. Transmission and distribution of electricity,

- CCM 4.29. Electricity generation from fossil gaseous fuels,
- CCM 4.31. Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system.

Turnover (Revenue),

- After analyzing all types of the activities described in the Environmental Taxonomy, it has been determined that:
 - Taxonomy - eligible and Taxonomy - aligned net turnover (revenue) accounts for 16.1% (PLN 6 869 million),
 - Taxonomy - eligible and Taxonomy - non-aligned net turnover (revenue) accounts for 0.3% (PLN 115 million),
 - Taxonomy - non-eligible net turnover (revenue) accounts for 83.6% (PLN 35 673 million) of the Group's total net revenue from the operating activities in the financial year 2023.
- The predominant Taxonomy - aligned activity is activity 4.9 Transmission and distribution of electricity. Ac Electricity transmission and distribution, which accounts for approximately 83% of the value of the numerator of the key performance indicator related to the turnover. The second most Taxonomy - aligned activity is activity 4.15 Distribution in district heating / cooling systems, which accounts for approximately 9% of the value of the numerator of the key performance indicator related to the turnover.
- The denominator of the net turnover (revenue) indicator stands at PLN 42 657 million.

Capital Expenditures (CapEx)

- After analyzing all types of the activities described in the Environmental Taxonomy, it has been determined that:
 - Taxonomy - eligible and Taxonomy - aligned capital expenditures (CapEx) account for 79.6% (PLN 3 472 million),
 - Taxonomy - eligible and Taxonomy - non-aligned capital expenditures (CapEx) account for 1.1% (PLN 50.7 million),
 - Taxonomy - non-eligible capital expenditures (CapEx) account for 19.3% (PLN 841 million) of all of the capital expenditures (CapEx) from the operating activities in the financial year 2023.
- The predominant Taxonomy - aligned activity is activity 4.9 Transmission and distribution of electricity, which accounts for approximately 79.6% of the value of the meter of the key performance indicator related to the capital expenditures (CapEx). The next most Taxonomy - aligned activities are activities 4.1 Electricity production using photovoltaic technology and 4.3 Electricity production from wind from the “Renewable Energy Sources” operating segment, which account for approximately 8.1% and approximately 8.6%, respectively, of the value of the numerator of the key performance indicator related to capital expenditures (CapEx).
- The denominator of the capital expenditures indicator (CapEx) stands at PLN 4 364 million.

Operating Expenses (OpEx – as defined by the Environmental Taxonomy)

- After analyzing all types of the activities described in the Environmental Taxonomy, it has been determined that:
 - Taxonomy - eligible and Taxonomy - aligned operating expenses (OpEx - as defined by the Environmental Taxonomy) account for 62.1% (PLN 275 million),
 - Taxonomy - eligible and Taxonomy - non-aligned operating expenditures (OpEx - as defined by the Environmental Taxonomy) account for 1.7% (PLN 7.4 million),
 - Taxonomy - non-eligible Operating expenses (OpEx - as defined by the Environmental Taxonomy) account for 36.2% (PLN 160 million) of all of the Operating expenses (OpEx - as defined by the Environmental Taxonomy) from the operating activities in the financial year 2023.
- The predominant Taxonomy - aligned activity is activity 4.9 Transmission and distribution of electricity, which accounts for approximately 84% of the value of the numerator of the key performance indicator related to the operating expenses (OpEx - as defined by the Environmental Taxonomy).
- The denominator of the operating expenditures indicator (OpEx - as defined by the Environmental Taxonomy) stands at PLN 443 million.

Table no. 62-a. EU environmental taxonomy. The disclosure regarding the percentage share of the Turnover (Revenue) from the products or services related to the Taxonomy - aligned business activities – the disclosure is for 2023

Financial year / Year 2023				Substantial contribution criteria						DNSH criteria (“Does Not Significantly Harm”) (4)											
Economic Activities Business operations (Business activity)	TAXONOMY – Code or codes	Turnover "Revenue" (absolute value) 2023 (1)	Proportion of turnover "Revenue" 2023 (2)	Climate change mitigation (3)	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Minimum Safeguards (MS) (5)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 2022	Category ("enabling activity") (6)	Category ("transitional activities") (6)		
		PLN m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Electricity generation using photovoltaic technology	CCM 4.1.	1.7	0.004%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.4%				
Electricity generation from wind power	CCM 4.3.	86	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y					
Electricity generation from hydropower	CCM 4.5.	23.1	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y			Y	Y					
Transmission and distribution of electricity	CCM 4.9.	5 716	13.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	9.8%	E			
Thermal energy storage	CCM 4.11.	0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.0%				
Distribution in district heating systems	CCM 4.15.	633	1.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	1.1%				
Cogeneration of heat/cool and power from bioenergy (biomass)	CCM 4.20.	344	0.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.8%				
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15.	12.0	0.03%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-				
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. (d)	8.6	0.02%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	0.01%	E			
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	10.8	0.03%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E			
Installation, maintenance and repair of renewable energy technologies	CCM 7.6. (a,f)	33.3	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E			
Turnover ("Revenue") of environmentally sustainable activities (Taxonomy-aligned) (A.1.).		6 869	16.1%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y							12.2%				
Of which enabling		5 769	13.5%	13.5%	0.0%	0.0%	0.0%	0.0%	0.0%								9.81%	E			
Of which transitional		0	0.0%	0.0%													0.0%		T		

Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Electricity generation from hydropower	CCM 4.5.	14.7	0.03%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Transmission and distribution of electricity	CCM 4.9.	14.9	0.03%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.03%
Electricity generation from fossil gaseous fuels	CCM 4.29.	43.6	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM 4.31.	41.3	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Turnover ("Revenue") of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		115	0.3%	0.3%						-
Turnover of Taxonomy-eligible activities Total (A.1. + A.2.)		6 984	16.4%							12.2%
B. TAXONOMY NON - ELIGIBLE ACTIVITIES										
Turnover ("Revenue") of Taxonomy- non-eligible activities (B.)		35 673	83.6%							
Total (A. + B.)		42 657	100.0%							

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective,
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective,
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of turnover / Total turnover		
	Taxonomy-aligned per objective	Taxonomy- eligible per objective
CCM	16.1%	16.4%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

According to Commission Delegated Regulation (EU) 2023/2486 the Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

Table no. 62-b. EU environmental taxonomy. Disclosure regarding the percentage share of capital expenditures (CapEx) due to products or services related to business activities aligned for the taxonomy – the disclosure is for 2023

Financial year / Year 2023				Substantial contribution criteria						DNSH criteria (“Does Not Significantly Harm”) (4)									
Economic Activities Business operations (Business activity)	TAXONOMY – Code or codes	Capital expenditures CapEx (absolute value) 2023 (1)	Proportion of Capital expenditures CapEx 2023 (2)	Climate change mitigation (3)	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Minimum Safeguards (MS) (5)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx, year N-1 2022	Category (“enabling activity”) (6)	Category (“transitional activities”) (6)
		PLN m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using photovoltaic technology	CCM 4.1.	281	6.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	11.6%		
Electricity generation from wind power	CCM 4.3.	298	6.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y			
Electricity generation from hydropower	CCM 4.5.	9.0	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y		Y	Y	Y			
Transmission and distribution of electricity	CCM 4.9.	2 762	63.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	53.9%	E	
Thermal energy storage	CCM 4.11.	0.0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.0%		
Distribution in district heating systems	CCM 4.15.	56.6	1.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.3%		
Cogeneration of heat/cool and power from bioenergy (biomass)	CCM 4.20.	10.0	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.1%		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15.	1.3	0.03%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. (d)	22.7	0.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	0.9%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	5.0	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6. (a,f)	26.6	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		3 472	79.6%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y							66.8%		
Of which enabling		2 816	64.5%	64.5%	0.0%	0.0%	0.0%	0.0%	0.0%								54.8%	E	
Of which transitional		0	0.0%	0.0%													0.0%		T

A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)										
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	
Electricity generation from hydropower	CCM 4.5.	5.3	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Transmission and distribution of electricity	CCM 4.9.	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.0%
Electricity generation from fossil gaseous fuels	CCM 4.29.	0.1	0.002%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM 4.31.	45.3	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		50.7	1.1%	1.1%						-
CapEx of Taxonomy- eligible activities Total (A.1. + A.2.)		3 523	80.7%							66.8%
B. TAXONOMY NON - ELIGIBLE ACTIVITIES										
Capital expenditures CapEx of Taxonomy-non-eligible activities (B.)		841	19.3%							
Total (A. + B.)		4 364	100.0%							

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective,
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective,
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of CapEx / Total CapEx			
	Taxonomy-aligned per objective		Taxonomy- eligible per objective
CCM	79.6%		80.7%
CCA	0%		0%
WTR	0%		0%
CE	0%		0%
PPC	0%		0%
BIO	0%		0%

According to Commission Delegated Regulation (EU) 2023/2486 the Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

Table no. 62-c. EU environmental taxonomy. Disclosure regarding the percentage share of operating expenses (OpEx) due to products or services related to business activities aligned for the taxonomy – the disclosure is for 2023

Financial year / Year 2023				Substantial contribution criteria						DNSH criteria (“Does Not Significantly Harm”) (4)									
Economic Activities Business operations (Business activity)	TAXONOMY – Code or codes	Operating expenses OpEx (absolute value) 2023 (1)	Proportion of Operating expenses OpEx 2023 (2)	Climate change mitigation (3)	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Minimum Safeguards (MS) (5)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N-1 2022	Category ("enabling activity") (6)	Category ("transitional activities") (6)
		PLN m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using photovoltaic technology	CCM 4.1.	0.9	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	3.5%		
Electricity generation from wind power	CCM 4.3.	25.5	5.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y			
Electricity generation from hydropower	CCM 4.5.	8.3	1.9%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y			Y	Y			
Transmission and distribution of electricity	CCM 4.9.	231	52.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	54.7%	E	
Thermal energy storage	CCM 4.11.	0.3	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y			Y	Y	Y	0.1%		
Distribution in district heating systems	CCM 4.15.	5.2	1.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.9%		
Cogeneration of heat/cool and power from bioenergy (biomass)	CCM 4.20.	0.9	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y		Y	Y	0.2%		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15.	0.4	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. (d)	1.4	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	0.1%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	0.5	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6. (a,f)	0.7	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y		Y			Y	-	E	
Operating expenses OpEx due to the environmentally sustainable activities (Taxonomy - aligned) (A.1.).		275	62.1%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	Y							59.5%		
Of which enabling		234	52.8%	52.8%	0.0%	0.0%	0.0%	0.0%	0.0%								54.8%	E	
Of which transitional		0	0.0%	0.0%													0.0%		T

A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL		
Electricity generation from hydropower	CCM 4.5.	6.1	1.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-	
Transmission and distribution of electricity	CCM 4.9.	0.2	0.05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.02%	
Electricity generation from fossil gaseous fuels	CCM 4.29.	0.9	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-	
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM 4.31.	0.2	0.05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	-	
Operating expenses OpEx due to the activities that are Taxonomy - eligible, but are not environmentally sustainable (Taxonomy non aligned activities) (A.2.)		7.4	1.7%	1.7%						-	
OpEx of Taxonomy eligible activities Total (A.1. + A.2.)		282	63.8%							59.5%	
B. TAXONOMY NON - ELIGIBLE ACTIVITIES											
Operating expenses OpEx of Taxonomy-non-eligible activities (B.)		160	36.2%								
Total (A. + B.)		443	100.0%								

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective,
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective,
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of OpEx / Total OpEx			
	Taxonomy-aligned per objective		Taxonomy- eligible per objective
CCM	62.1%		63.8%
CCA	0%		0%
WTR	0%		0%
CE	0%		0%
PPC	0%		0%
BIO	0%		0%

According to Commission Delegated Regulation (EU) 2023/2486 the Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water and Marine Resources: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

Footnotes to the Methodology from Tables no. 62 a-c:

Table no. 62-a. EU environmental taxonomy. The disclosure related to the percentage share (proportion) of the turnover (Revenue) due to the products or services related to the taxonomy – aligned business activities – the disclosure is related to 2023

(1) Turnover "Revenue" (absolute value): revenue from each individual activity. If an activity is present in both A.1 as well as A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B. For the activities carried out within the same operating segment of TAURON Group, the division of the revenues among the individual activities in accordance with the Group's consolidated revenue reporting rules.

A.2. this item represents: i. "4.9." the new connections to the distribution grid of the Group's subsidiary (during the period of the last five years) for which the GHG emissions intensity exceeds the threshold of 100 gCO₂eq/kWh and which have been excluded from A.1., ii. "4.5." hydroelectric power generation for which no confirmation of the compliance with the DNSH principle with respect to an upstream and a downstream migration of fish has been carried out, iii. "4.29 i 4.31." facilities based on the fossil gaseous fuels commissioned and operated before the date of the publication of the Environmental Taxonomy, hence it is not possible to retroactively analyze some of the criteria.

The most significant assumptions made for the disclosure related to 2023: Close to 100% of the share of the Taxonomy - aligned activities (A.1.) have been attributed to the business operations of the TAURON Distribution subsidiary. With regard to the cogeneration of the thermal (heat) / cooling energy and electricity from the bioenergy (biomass), a corresponding separation (split off) of the Turnover ("Revenue") was made within the Generation operating segment. Similarly, a partial separation (split off) of the Turnover ("Revenue") was made for the TAURON Nowe Technologie subsidiary with respect to the installation, maintenance and repair of: the energy efficiency improving equipment; the electric vehicle charging stations in buildings (and in parking lots at buildings); renewable energy technology systems and for TAURON Ciepło with respect to the heat distribution (revenue for the contracted capacity). The revenues from the activities involving thermal (heat) energy storage are not shown.

The sales between TAURON Group's individual operating segments were not taken into account in determining the total revenue for the Taxonomy alignment analysis.

(2) Proportions of Turnover "Revenue": the percentage share of the Revenue of each individual business activity in the Group's total revenue (A. + B.).

(3) Substantial contribution to climate change mitigation: refers to the share of revenue from each individual economic activity (indicated in the column "Revenue") that contributes to climate change mitigation. This is the only objective of the EU taxonomy regulations alignment analysis shown in the table, as it is considered more relevant as compared to the climate change adaptation objective.

The criteria related to the other 4 environmental objectives have been checked and they are not applicable to the business activities of TAURON Group.

Table no. 62-b. EU environmental taxonomy. The disclosure related to the percentage share (proportion) of the capital expenditures (CapEx) due to the products or services related to the taxonomy – aligned business activities – the disclosure is related to 2023

(1) Capital expenditures CapEx: CapEx for each individual activity. If an activity is present in both A.1 as well as A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B. The most significant assumptions used for the disclosure related to 2023: 100% of the CapEx financial outlays as part of the business operations in the Distribution operating segments has been designated as the Taxonomy aligned activities.

A.2. this item represents: i. "4.9." the new connections to the distribution grid of the Group's subsidiary (during the period of the last five years) for which the GHG emissions intensity exceeds the threshold of 100 gCO₂eq/kWh and which have been excluded from A.1. and ii. "4.5." hydroelectric power generation for which no confirmation of the compliance with the DNSH principle with respect to an upstream and a downstream migration of fish has been carried out. A.2. also covers The CapEx financial outlays with respect to the currently built generating units based on the fossil gaseous fuels assigned to the activity "4.31. Production of thermal energy / cooling energy from gaseous fossil fuels in an efficient district heating and cooling system" and assigned to the activity "4.29. Electricity production from gaseous fossil fuels" have also been included as part of item A.2.

(2) Proportion of capital expenditures CapEx: the percentage share of the capital expenditures of the individual types of activity (business activities) in the Group's total capital expenditures.

(3) Substantial contribution to climate change mitigation: refers to the share (proportion) of the "capital expenditures" (CapEx) for each individual economic activity (indicated in the column "capital expenditures") that contributes to the climate change mitigation. This is the only objective of the EU taxonomy regulations alignment analysis shown in the table, as it has been considered to be the most relevant as compared to the climate change adaptation objective. Although a part of the expenditures is also related to the contribution to an adaptation of the assets to the climate change, it has not been identified as substantial.

The criteria related to the other 4 environmental objectives have been checked and they are not applicable to the business activities of TAURON Group.

Table no. 62-c. EU environmental taxonomy. The disclosure related to the percentage share (proportion) of the operating expenses (OpEx) due to the products or services related to the taxonomy – aligned business activities – the disclosure is related to 2023

(1) Total OpEx: OpEx for each individual activity. If an activity is present in both A.1 as well as A.2 or B, the figure refers to the proportion of the activity that corresponds to A.1, A.2 or B.

A.2. this item represents: i. "4.9." the new connections to the distribution grid of the Group's subsidiary (during the period of the last five years) for which the GHG emission intensity exceeds the threshold of 100 gCO₂eq/kWh and which have been excluded from A.1. ii. "4.5." hydroelectric power generation for which no confirmation of the compliance with the DNSH principle with respect to an upstream and a downstream migration of fish has been carried out, iii. "4.29 i 4.31." facilities based on the fossil gaseous fuels commissioned and operated before the date of the publication of the Environmental Taxonomy, hence it is not possible to retroactively analyze some of the criteria.

(2) Proportion of OpEx: the percentage share of the OpEx for each individual business activity in the total ordinary operating expenses required by the environmental Taxonomy at the Group level.

(3) Substantial contribution to climate change mitigation: refers to the share (proportion) of the ordinary operating expenses for each individual economic activity (indicated in the operating expenses column) that contributes to the climate change mitigation. This is the only objective of the EU taxonomy regulation alignment analysis shown in the table, as it has been considered to be the most relevant as compared to the climate change adaptation objective. Although a part of the expenses is also related to the contribution to an adaptation of the assets to the climate change, it has not been identified as substantial.

The criteria related to the other 4 environmental objectives have been checked and they are not applicable to the business activities of TAURON Group.

OpEx include, in accordance with the definition of Commission Delegated Regulation (EU) 2021/2178, the direct, non-capitalized expenses related to the research and development efforts, the activities related to the renovation of buildings, short term leases, maintenance and repairs, as well as any other direct expenses related to the day-to-day operation (maintenance) of the property, plant and equipment assets by a company or a third party that has been commissioned, pursuant to an outsourcing contract, to perform the activities necessary to ensure a continuous and efficient operation of those assets.

(4) DNSH: the environmental objectives meeting the DNSH "do no significant harm" criteria" are specified for each activity.

(5) Minimum Safeguards (MS): indicates whether the Minimum Safeguards (MS), as defined by the environmental Taxonomy, are complied with for each individual activity listed in the table.

(6) Category: specifies whether an activity makes a direct contribution to the climate change mitigation or is an enabling or transitional activity.

The activity "CCM 4.5. Electricity production from hydro" in terms of the Technical screening criteria – a material contribution to the climate change mitigation meets one of the required criteria, with the criterion "the level of the life cycle greenhouse gas emissions from the production of electricity from hydro is below 100 g CO₂ eq /kWh" having been verified and met in the applicable cases, however, without a confirmation by a third party.

The environmental Taxonomy aligned Turnover (revenues), CapEx and OpEx have not been audited.

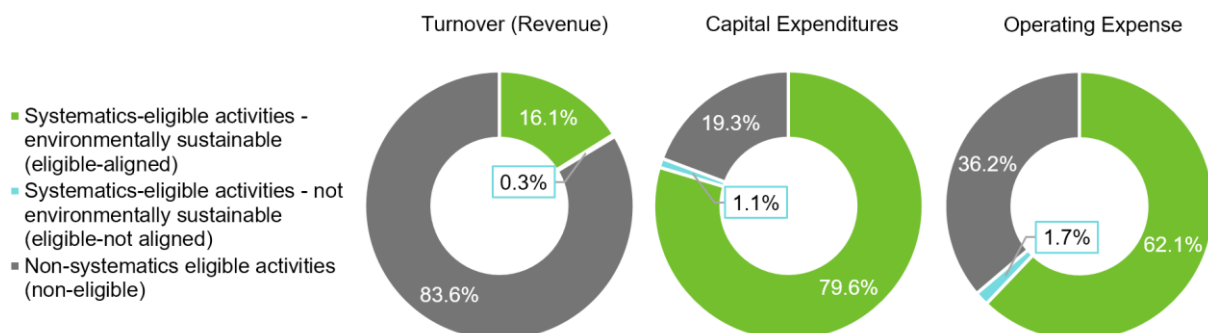


Figure no. 33. Share (proportion) of the environmentally sustainable and non-sustainable, Taxonomy - eligible and Taxonomy non - eligible activities in the turnover (revenue), operating expenses (OpEx) and capital expenditures (CapEx) for TAURON Group in 2023.

Turnover (revenue) - nuclear and fossil gas related activities

Table no. 62-d. Nuclear and fossil gas related activities (according to template 1)

Nuclear energy related activities		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	YES

Table no. 62-e. Taxonomy - aligned economic activities (denominator)¹⁾ (according to template 2)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	6 869	16.1%	6 869	16.1%	0	N/D
8	Total applicable KPI	42 657	100.0%	42 657	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-f. Taxonomy - aligned economic activities (numerator)¹⁾ (according to template 3)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	6 869	100%	6 869	100%	0	N/D
8	Total amount and proportion of taxonomy - aligned economic activities in the numerator of the applicable KPI	6 869	100%	6 869	100%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-g. Taxonomy - eligible but not taxonomy - aligned economic activities (denominator)¹⁾ (according to template 4)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.29.	43.6	0.1%	43.6	0.1%	0	N/D
5	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.31.	41.3	0.1%	41.3	0.1%	0	N/D

7	Amount and proportion of other taxonomy - eligible but not taxonomy – aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	29.6	0.06%	29.6	0.06%	0	N/D
8	Total amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activities in the denominator of the applicable KPI	115	0.3%	115	0.3%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-h. Taxonomy non - eligible economic activities ¹⁾ (according to template 5)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	35 673	83.6%	35 673	83.6%	0	N/D
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI¹	35 673	83.6%	35 673	83.6%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Capital Expenditures (CapEx) - nuclear and fossil gas related activities

Table no. 62-i. Nuclear and fossil gas related activities (according to template 1)

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	<u>NO</u>
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	<u>NO</u>
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	<u>NO</u>

Row	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	<u>YES</u>
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	<u>NO</u>
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	<u>YES</u>

Table no. 62-j. Taxonomy - aligned economic activities (denominator)¹⁾ (according to template 2)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	3 472	79.6%	3 472	79.6%	0	N/D
8	Total applicable KPI	4 364	100.0%	4 364	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-k. Taxonomy - aligned economic activities (numerator)¹⁾ (according to template 3)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	3 472	100.0%	3 472	100.0%	0	N/D

8	Total amount and proportion of taxonomy - aligned economic activities in the numerator of the applicable KPI	3 472	100.0%	3 472	100.0%	0	N/D
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* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A. 1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-l. Taxonomy - eligible but not taxonomy - aligned economic activities (denominator)¹⁾ (according to template 4)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.29.	0.1	0.002%	0.1	0.002%	0	N/D
5	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.31.	45.3	1.0%	45.3	1.0%	0	N/D
7	Amount and proportion of other taxonomy - eligible but not taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	5.3	0.1%	5.3	0.1%	0	N/D
8	Total amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activities in the denominator of the applicable KPI	50.7	1.1%	50.7	1.1%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A. 1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-m. Taxonomy non - eligible economic activities ¹⁾ (according to template 5)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28.	0	0%	0	0%	0	N/D

4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	841	19.3%	841	19.3%	0	N/D
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI'	841	19.3%	841	19.3%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A. 1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Operating Expenses (OpEx) - nuclear and fossil gas related activities

Table no. 62-n. Nuclear and fossil gas related activities (according to template 1)

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	<u>NO</u>
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	<u>NO</u>
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	<u>NO</u>
Row	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	<u>YES</u>
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	<u>NO</u>
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	<u>YES</u>

Table no. 62-o. Taxonomy - aligned economic activities (denominator)¹⁾ (according to template 2)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D

7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	275	62.1%	275	62.1%	0	N/D
8	Total applicable KPI	443	100.0%	443	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-p. Taxonomy - aligned economic activities (numerator)¹⁾ (according to template 3)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - aligned economic activity referred to in Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	275	100.0%	275	100.0%	0	N/D
8	Total amount and proportion of taxonomy - aligned economic activities in the numerator of the applicable KPI	275	100.0%	275	100.0%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-q. Taxonomy - eligible but not taxonomy - aligned economic activities (denominator)¹⁾ (according to template 4)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.29.	0.9	0.2%	0,9	0.2%	0	N/D

5	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activity referred to in Section 4.31.	0.2	0.05%	0.2	0.05%	0	N/D
7	Amount and proportion of other taxonomy - eligible but not taxonomy - aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	6.3	1.45%	6.3	1.45%	0	N/D
8	Total amount and proportion of taxonomy - eligible but not taxonomy - aligned economic activities in the denominator of the applicable KPI	7.4	1.7%	7.4	1.7%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

Table no. 62-r. Taxonomy non - eligible economic activities ¹⁾ (according to template 5)

Row	Economic activities*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount (PLN m)	%	Amount (PLN m)	%	Amount (PLN m)	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26.	0	0%	0	0%	0	N/D
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27.	0	0%	0	0%	0	N/D
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28.	0	0%	0	0%	0	N/D
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29.	0	0%	0	0%	0	N/D
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30.	0	0%	0	0%	0	N/D
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31.	0	0%	0	0%	0	N/D
7	Amount and proportion of other taxonomy - non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	160	36.2%	160	36.2%	0	N/D
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI¹⁾	160	36.2%	160	36.2%	0	N/D

* As referred to in Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI.

¹⁾ Any differences between the sum of the individual monetary amounts and the percentages from the rows in a given subgroup of the table (for example, in the subgroup "A.1 Types of environmentally sustainable activities (taxonomy aligned)") and a single monetary amount or the percentage representing their total in a given subgroup result only from rounding to thousands of PLN (monetary amounts) and to two decimal places (percentages).

E 5. Description of the opportunities and risks and their impact on the Group's operations

E 5.1. Threats and opportunities related to the climate change

Table of indicators:

GRI – topic	201-2
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An effective fight against the climate change and the sustainable development are one of the main assumptions implemented as part of the Green Turn of TAURON concept. Taking the above into account and being aware of climate change under way, the risks (both the threats as well as the opportunities) associated with the climate change have also been identified as part of the Risk Model. They include:





- physical risk - resulting from the physical effects of the climate change having an adverse impact on the operations of TAURON Group's subsidiaries, in particular as a consequence of the specific weather related incidents (storms, floods, heat waves), the climate change leading to the temperature changes or the hydrological drought,
- risk related to the transition - including the risks resulting from the transition to the low emission economy and resilient against the climate change; for example, the regulatory, financial, social, technological risks.

The climate related risks and opportunities are selected from among the corporate risks that are identified, prioritized and periodically evaluated by the risk owners as part of the corporate risk management process, in accordance with the assumptions of TAURON Group's Enterprise Risk Management Policy. These risks, like other types of the corporate risks, are subject to the ongoing and the periodic monitoring and reporting. The mitigating actions are taken with respect to all of the risk categories.

E 5.1.1. Physical risk related to the climate change

Table no. 63 presents the Physical Risk related to the climate change identified at TAURON Group. In accordance with the Risk Model described in section G.4.3.3., the Physical Risk related to the climate change is classified in the categories: Operational Risk / Environment; Operational Risk / Technology and infrastructure; Operational Risk / Customers and contractors (counterparties); Trading (commercial) Risk / Trading.

Table no. 63. GRI 201-2. Physical Risk related to the climate change identified at TAURON Capital

Each of the risks is assigned a trend and a materiality level, as indicated below:			
TREND ↗ Risk in an upward trend	TREND → Risk in a sideways trend (no change)	TREND ↘ Risk in a downward trend	
			
Low materiality	Moderate materiality	Medium materiality	High materiality
Short term physical risk (acute risk) TREND → MATERIALITY ■	THREATS <p>The risk is related to:</p> <ul style="list-style-type: none"> • a frequent occurrence of extreme temperatures, a greater rainfall intensity that can cause the floods at any time of the year, an uneven rainfall resulting in the longer periods of no rainfall, the intermittent abrupt rainfall (the torrential rains), • an increase in the frequency and the intensity of the hurricanes, strong winds, incidentally accompanied by the tornadoes and the lightnings causing the machinery and the equipment failures, the distribution grid failures (electricity, heat), more frequent drought occurrences and the water restrictions related thereto, as well as an increased risk of the fires. <p>The consequences of the materialization of the risk may include, among other things:</p> <ul style="list-style-type: none"> • increased costs of the maintenance of the transmission systems resulting from the costs of fixing of the failures, a decrease in the volume of the electricity and heat supply, a decrease in the volume of the production, a deterioration of the electricity distribution quality indicators affecting the regulated revenue, • sharp fluctuations of the market prices due to the occurrence of the extreme temperatures affecting the levels of the demand and the ability to satisfy such a demand by the supply side. <p>The factors related to the physical risk are identified in the enterprise risk category, among other things, in the environmental risk (in the context of an excessive impact on the climate), the weather risk, the company assets related risk and the market risk.</p>		

<p>Long term physical risk</p> <p>TREND</p> <p>➔</p> <p>MATERIALITY</p> <p>■</p>	OPPORTUNITIES	<p>The actions carried out as part of the risk response allow for gradually achieving of an independence from the extreme weather incidents by developing the technology, improving of the employee competences, applying of the innovative solutions.</p>
	RESPONSES	<ul style="list-style-type: none"> • applying of TAURON Group's Climate Policy, • planning and implementing of the projects that are aligned with the sustainable development activities, • applying of TAURON Group's Strategic Asset Management Plan, • supporting of the innovative technologies with the potential for the significant energy savings, • conducting of the business operations that have an impact on the climate in accordance with the sustainable development principles, • maintaining of the required level of the pollution reduction devices' efficiency (performance), • a frequent assessment of the compliance of the activities with the legal requirements regarding the climate impact, • active search for the technical and the organizational solutions that would minimize the impact of TAURON Group's activities on the climate change, the gradual adaptation of the production assets to the consequences of the extreme weather occurrences and the volatility of the weather conditions, in particular in the Lines of Business sensitive to these factors, • optimization of the investment outlays allocated for the asset replacement, an active monitoring of the condition of the machinery, the equipment and the installations, • raising of the professional qualifications and the work culture of the employees by organizing of the training courses and sessions, • responding to an emergency situation by the technical operational personnel and the automated protection systems, • property insurance against the fortuitous events (excluding the underground assets), • introduction of the IT tools with respect to improving of the monitoring and the management of the failure rate indicators.
	THREATS	<p>The risk is related to:</p> <ul style="list-style-type: none"> • a decrease in the volume of the sales of the products offered by TAURON Group's subsidiaries, in particular as a result of a temperature deviation from the planned values, resulting, first and foremost, in a loss of the revenues in the individual segments of TAURON Group's operations as a consequence of the reduced demand, • a drop, in particular during the summer, of the water levels in the rivers and the water reservoirs, and an increase in the temperature thereof, which generates a decrease in the efficiency rates of the generating units and a decline in the dispatchability *availability rate) of the units during the peak electricity demand periods. The above may lead to a blackout in an extreme scenario, • a change of the market conditions for the operations of TAURON Group's subsidiaries, in particular as a result of the changes in the weather conditions resulting in a drop of the margin in the Generation Line of Business (CDS / volume) and, in general, an increase of the costs and a decrease of the profitability rate, • an increased failure rate of the machines and the devices constituting the assets of TAURON Group's subsidiaries due to the continuous climate changes - such as, for example, the prolonged droughts, the global warming. <p>The risk includes the risks identified and managed by TAURON Group: the volume and the margin risk, the company assets related risk and the market risk</p>
	OPPORTUNITIES	<ul style="list-style-type: none"> • investments developing the production of the energy from the RES (wind, solar), • investments in the modernization of the distribution grid affecting its greater reliability and at the same time enabling a further development of the RES, in particular of the prosumer market - increasing the possibility of the energy take off and storage, • expanding of the product offering by generating an increase in the volume of the production of the green energy, • attracting of the new Customers interested in purchasing of the green energy only, • reducing of the fluctuations in the market factors affecting the cost of the energy production, • gradually moving away from the fossil fuels as the main energy fuel, • building of the Group's image as a company placing more and more weight on the Green Turn of TAURON, thereby protecting the environment and countering the climate change.
	RESPONSES	<ul style="list-style-type: none"> • ongoing updating of the offering, launching of the multi packet type products for sale, • conducting of the marketing activities, acquiring of the new Customers, • activities focused on retaining of the current Customers and recovering of the lost ones, • daily measuring and reporting of the portfolio positions, • optimization (streamlining) of the investment outlays allocated for the asset replacement, an active monitoring of the condition of the machinery, the equipment and the installations, • introduction of the IT tools with respect to improving of the monitoring and the management of the failure rate indicators, • gradual adaptation of the production assets to the consequences of the extreme weather occurrences and the volatility of the weather conditions, in particular in the Distribution Line of Business.

E 5.1.2. Risk related to the transition

In line with the definition of the risk adopted at TAURON Group of risk (as discussed in Section G.4.2. of this Report), the climate change related issues as well as the processes and the behaviors related thereto observed in the environment and the market trends, as well as the pursuit of the climate neutrality by 2050 target, also create the business opportunities for TAURON Group in the medium term and in the long term. TAURON Group's strategic lines of business can be developed in a sustainable manner, in particular by pursuing the concept of the Green Turn of TAURON towards the energy transition to the zero carbon power generation in the long term. The climate neutrality target is also conducive to the creation of the new dedicated products, and in the medium term, and also in the long term it may allow for an increase of the revenue and an added value creation across TAURON Group's

entire business chain. Taking these factors into account, the description of the transition risks includes both the threats, as well as the opportunities identified by TAURON Group in this regard.

Table no. 64 presents the Climate Risk related to the transition identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Climate Risk related to the transition is classified in the categories: Operational Risk / Environment; Regulatory Risk / Regulations; Operational Risk / Customers and Contractors (Counterparties); Trading (commercial) risk / Trading; Financial and Credit Risk / Finance and Credit.

Table no. 64. GRI 201-2. Risk related to the transition identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:	
<p>TREND</p> <p>↗</p> <p>Risk in an upward trend</p>	<p>TREND</p> <p>→</p> <p>Risk in a sideways trend (no change)</p>
	<p>TREND</p> <p>↘</p> <p>Risk in a downward trend</p>
<p>Low materiality</p> <p>Moderate materiality</p> <p>Medium materiality</p> <p>High materiality</p>	
<p>Risk related to the transition</p> <p>TREND</p> <p>↗</p> <p>MATERIALITY</p> <p>■</p>	<p>THREATS</p> <p>The risk related to the tightening of the European Union's climate policy, the tightening of the environmental requirements stemming from the climate change, the growing awareness of the Customers with respect to the climate change, the activities supporting the energy efficiency (a further support for the growth of the prosumers, the support for the thermal insulation, the construction of the in-house electricity and heat sources, a departure from the use of the hard coal as a fuel), a change in the conditions of TAURON Group's operations (the need to adapt the company to the challenges of the changes stemming from the climate change, including the technological adaptation to the global low emission solutions).</p> <p>The consequences of the materialization of the risk include the reputation, technology, policy and regulatory issues, as well as the market issues. In particular, the effects of the risk may include:</p> <ul style="list-style-type: none"> • a decrease in the volume of the sales of the products offered by TAURON Group's subsidiaries, in particular as a result of the development of the energy efficiency, the insulation of the buildings, the growth of the prosumers, resulting primarily in a loss of the revenue in the individual segments of TAURON Group's business operations as a consequence of the reduced demand, • a change of the market conditions for the business operations of TAURON Group's subsidiaries, in particular as a result of the tightening of the European Union's climate policy, the growing ecological awareness of the public, the activities supporting the energy efficiency (a departure from the use of the hard coal as a fuel, the growth of the prosumers, the support for the thermal insulation and the construction of the in-house electricity and heat sources) resulting in a drop of the margin in the Generation Line of Business (CDS / volume) and, in general, an increase of the costs and a decrease of the revenues, • difficulties or an increase in the cost of raising of the capital to finance the business operations based on the fossil fuels, • a loss of the reputation due to the dealing with the fossil fuels, • implementation of the transition of the assets currently under way and, as a consequence, the need to incur the additional expenses as a result of the climate change, • difficulty to insure or an increase in the insurance costs for the assets based on the fossil fuels, • an increase in the costs of the environmental charges and the need to incur the additional investment outlays to adapt the assets to the environmental requirements, • a further increase in the price of the CO₂ emission allowances and, as a consequence, a decrease in the margin in the conventional electricity segment, • a decrease in the demand for the electricity as a result of the energy efficiency and the growth of the prosumers energy segment, • a decrease of the demand for the products offered thus far by TAURON Group's subsidiaries, • a loss of the profitability and the curtailing or the discontinuing of the operations based on the fossil fuels, • the need to restructure the employment resulting from a change in the business operations profile, • impediments to the administrative procedures involving the public by the non-governmental organizations (NGOs), • a decline in the company value in the part related to the generation of the electricity from the fossil fuels, • inability to meet the market expectations as a result of the lack of the expected products in the portfolio. <p>The risk includes the risks identified and managed by TAURON Group: the climate change risk, the reputation risk, the regulatory risk, the volume and the margin risks, the market risk, the risk of obtaining of the financing, the company assets risk, the human resources related risk.</p>
	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • the demand for the electricity is materially affected by the outdoor temperature, the fluctuations of which have a direct impact on TAURON Group's operations, including on the demand for the electricity and the heat, and as a consequence, on the amount of the revenue, • the intensification of the implemented Green Turn of TAURON Strategy and the transition to the low- and zero emission economy in the medium term and in the long term – the expansion of the investments and the expectations of the higher return on the invested capital, • changes in the functioning of the energy market, and as a consequence, in the level and the volatility of the prices on the commodity and the financial markets, • evolution of the energy mix – an increase in the share of the renewable energy sources, the changes in the demand for the electricity among the retail Customers, the development of the electric vehicles market. • the widespread electrification of the industries providing the opportunities for the development of the energy and the energy related products and services, • greater investment opportunities with respect to the development of the new electric technologies dedicated to the households and the residential housing as well as to the electric transportation, • changes in the Customer behavior and awareness that allow for an expansion of the product offering, • decarbonization in the medium term and in the long term, • widespread electrification of the industries creating the additional growth opportunities for the Group,

	<p style="text-align: center; writing-mode: vertical-rl; transform: rotate(180deg);">RESPONSES</p> <ul style="list-style-type: none"> • applying of TAURON Group's Climate Policy, • defining, updating and implementing of TAURON Group's Strategy, • update of TAURON Group's Strategic Research Agenda, • alignment of TAURON Group's Investment Strategy with the guidelines stemming from the Climate Policy, • ongoing analysis of the draft regulations and laws, • active participation in the work of the teams providing the opinions on the projects and proposing the optimal solutions, • a gradual adaptation of TAURON Group's production assets and the energy mix to the renewable energy generation as well as the zero- and the low carbon power generation technologies, • a gradual phasing out of the anthropogenic sources of the greenhouse gas emissions coming from the fossil fuels through the development of the renewable energy as well as the zero- and the low carbon electricity generation technologies, • actively seeking of the technical and the organizational solutions that would minimize the impact of TAURON Group's business operations on the climate change, • disseminating of the green or the climate neutral mobility, • cooperating with the business and the social partners with respect to the adaptation to the climate change, • technological diversification and the direction of the Group's development towards the low and the zero emission economy mean that the impact of the changes (the positive and the negative ones) in the climate variable is positive / mitigated at the business level throughout the entire supply chain. In order to ensure that its operations always account for the weather and the climate phenomena, the Group adopts a number of the practices, such as for example the weather forecasting, the real time monitoring and the long term climate scenarios, • planning and implementing of the projects that are aligned with the sustainable development related activities, • conducting of the business operations that affect the climate in accordance with the sustainable development principles, • optimization and the growth of the investment outlays for the sustainable operations and the low and the zero emission generation assets, • gradual adaptation of the production assets to the consequences of the weather phenomena and the volatility of the weather conditions, in particular in the Distribution Line of Business, • updating of the number and the range of the products offered to the Customers by the Group's subsidiaries, • looking for the opportunities and the possibilities (options) through a steadfast development of the Group's strong position in the new businesses and in the "smart" services, • taking into account the energy transition scenarios, the Group is evaluating the impact of the trends in the share of the renewable energy sources, the electrification and the growth of the electric vehicle sales, etc. in order to estimate their potential impact on its future business operations conducted.
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E 5.2. Environmental risk

Table of indicators:

GRI – topic	201-2
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Table no. 65 presents the Environmental Risk identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Environmental Risk is classified in the category: Operational Risk / Technology and infrastructure.

Table no. 65. GRI 201-2. Environmental Risk identified at TAURON Group








Each of the risks is assigned a trend and a materiality level, as indicated below:			
<div>TREND ↗ Risk in an upward trend</div>	<div>TREND → Risk in a sideways trend (no change)</div>	<div>TREND ↘ Risk in a downward trend</div>	
<div><div></div><div>Low materiality</div></div>	<div><div></div><div>Moderate materiality</div></div>	<div><div></div><div>Medium materiality</div></div>	<div><div></div><div>High materiality</div></div>
<div>Environmental risk</div> <div>TREND →</div> <div>MATERIALITY <div></div></div>	<div>THREATS</div> <div><p>The risk related to the impact of the business operations conducted on the natural environment and the use (consumption) of its resources, including, in particular, a loss of the control over the process that would make it impossible to prevent the excessive (above the applicable standards) pollution, damage, disruptions or the failures of the installations or the equipment that would have a negative impact on the environment.</p><p>The risk also involves the possibility of:</p><ul style="list-style-type: none">• a lack of the valid environmental decisions,• depositing of the waste in the places not intended for this purpose or not in accordance with the operating conditions of the facilities designated for such a purpose,• use of the waste not in accordance with the authorized intended purpose or without a permit,• releases of the hazardous substances to the environment,• the cumulative impact of the Group's business operations which affect in an excessive manner (above the applicable standards) the natural environment resources or prevent the use of the natural environment resources,• an occurrence of a crisis situation: for example, a fire, a displacement of the earth masses, extreme weather phenomena,• use of the waste not in accordance with the authorized intended purpose,• a lack of the adequate safeguards reducing the negative impact of TAURON Group's business operations on the environment – a destruction of a valuable natural habitat, object (site) or an area,• a release of the hazardous substances to the environment, a contamination of the sources of the water in a manner that would prevent the use thereof,• social protests (unrest).<p>The consequence of the materialization of the risk is the degradation of the natural environment and the penalties for a failure to comply with the environmental requirements, the need to fix the deficiencies, a curtailment of the production, the delays in the implementation of the investment projects, a pollution of the water sources in a way that prevents the use thereof, a destruction of a valuable natural habitat, object (site) or an area – an environmental (nature) compensation, the restrictions on a further business development, a loss of TAURON Group's image, a restriction on the ability to use the financial assistance programs. The risk also includes an increase in the environmental requirements stemming from the tightening of the European Union's climate policy.</p></div>	<div>OPPORTUNITIES</div> <div><ul style="list-style-type: none">• building of a positive image of TAURON Group brand that does not cause an environmental degradation, but actually contributes to the improvement thereof,• economic use of the waste and changing of the status of the waste to the by-products can generate an additional revenue instead of the previous cost of the storage / recycling,• reduction of the use of the natural resources (for example, a lower consumption of the raw materials, supplies, water).</div>	<div>RESPONSES</div> <div><ul style="list-style-type: none">• applying of TAURON Group's Environmental Policy,• conducting the business operations that affect the environment in accordance with the sustainable development principles,• conducting and intensifying of the activities aimed at increasing of the utilization of the UPS (Combustion By-products/ UPW (Mining By-products) waste,• striving to maximize the management (utilization) of the post- production waste generated at all of TAURON Group's coal mines,• striving for the optimum management of the water resources,• ongoing supervision over the compliance with the conditions of the environmental decisions,• maintaining of the required level of the pollution reduction devices' efficiency (performance),• frequent assessment of the compliance of the activities with the legal requirements with respect to the environment protection,• implementation of the investment projects with respect to the environment protection in order to minimize the consequences of an adverse impact of the mining and the processing operations on the environment and the climate,• active search for the technical and the organizational solutions that would minimize the impact of TAURON Group's operations on the climate change</div>

S – SOCIAL

(Social responsibility)

S 1. Social area in numbers

Table no. 66. Non-financial and financial key performance indicators related the social area in 2023

	Key performance indicators	2023	
	Number of TAURON Group's employees (employed under the labor contracts)	Women Men	5 089 persons 13 857 persons
	Average number of training course hours per employee	Women	20
		Men	21
		Management personnel	35
		White collar staff	18
		Blue collar workers	20
	Percentage share of women in the Management Board and among the Directors	23%	
	Employee accident rate	Number of fatal accidents	0
	Non-compliance of TAURON Group's products and services	with respect to information and labelling	0
		with respect to marketing communications	0
	Number of Customers	Distribution	5.9 million
		Supply	5.8 million
	Cooperation with the school and academic community	Cooperation with 11 partner universities and 40 schools	
	Educational activities aimed specifically at disadvantaged (disfavored) groups:		
	TAURON without barriers	Expanding of the Customers' awareness with respect to the facilities introduced by TAURON for the people with the disabilities, as well as for the seniors	
		Alignment with the WCAG (Web Content Accessibility Guidelines) 2.1.AA standards	
	TAURON speaks the way humans do	Simplifying of the formal and legal documents, messages and the letters addressed to the Customers. Promoting of the simple communication among TAURON Group's employees.	
		Close to 700 documents and 1 000 messages have been simplified up to now.	

S 2. TAURON Group's commitments to the social environment (stakeholders)

Table of indicators:

GRI 3-3	Ensuring energy security and stable supply of electricity and heat
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Due to their strong impact on the public, the social aspects of the Group's operations have a very high priority. This is reflected, among other things, in the results of the stakeholder survey conducted as part of the process of drawing up this Report. It indicated as many as six material topics in this area. From the point of view of the adopted business strategy and the sustainable development goals, one of the most important activities of the Group is to ensure energy security and a stable supply of electricity and heat to the Group's Customers.

Ensuring energy security and a stable supply of electricity and heat, as well as access to basic services

TAURON Group's most important activity is to ensure access to basic services that include access to electricity and heat. More than 5.8 million Customers located on approximately 18% of Poland's territory use such services.

The TAURON Dystrybucja subsidiary performs the duties (role) of the Distribution System Operator (DSO), thereby taking on the burden of ensuring the uninterrupted electricity supply for the manufacturing industry, households, hospitals, educational centers, local government institutions, etc. With respect to ensuring the non-discriminatory access to the grid, the DSO not only meets the requirements of the law, but also takes the broader measures aimed at providing the Customers with support in the implementation of the grid connection procedures and in the selection of an electricity supplier. The most important activities undertaken in the Distribution Line of Business include: maintaining a high level of the quality parameters of electricity supply, increasing the degree of automation, upgrading the existing grids by installing the insulated overhead lines and the cable lines, adapting the grid to the increased power flows in both directions, use of the smart metering technology.

In accordance with the law, the Customers select their electricity supplier. The free market supply of electricity is carried out by the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries. TAURON Sprzedaż is also acting as a supplier of last resort, providing, in the designated area of operations, the comprehensive services to the household consumers who do not exercise their right to choose a supplier. The subsidiary is also acting as a standby supplier, which means that in the event that another supplier selected by the Customer is unable to carry out the electricity supply (for example, in the event of a bankruptcy), the provision of the electricity supply is automatically taken over by TAURON Sprzedaż, ensuring the uninterrupted contracting of the electricity supply to the consumers. The energy crisis and the significant rapid shifts in the energy and fuel markets have contributed to the bankruptcy of the electricity supply companies. Thanks to TAURON Sprzedaż, the continuity of the electricity supply for more than a dozen thousand consumers has been maintained. Through these actions, the organization protects the interests of the energy consumers and consolidates its position as an entity that cares about ensuring the continuity of basic services at an acceptable price.

TAURON Sprzedaż supports its Customers with respect to improving the efficiency of energy consumption, by offering the educational activities and the advisory services, and by selling energy efficient equipment, as well as the automation and intelligent (smart) systems, thanks to which the Customers are able to save energy.

In its operations TAURON Group pays a lot of attention to the implementation of all of the regulations and provisions that protect the users of the energy utilities in the market. The regulations included in the so-called Solidarity Shield had been implemented in 2023 to protect the Customers against the excessive price increases.

The obligations to inform the consumers of their rights, including on how to file the complaints and resolve the disputes, as well as the obligations to post on the website the information on the electricity and gas fuel sales prices, as well as the terms and conditions of their application, are implemented on a continuous basis.

TAURON Sprzedaż holds the title of a Certified Electricity and Gas Supplier, which is granted by the Association of Energy Trading (Towarzystwo Obrotu Energią) following an audit that verifies whether the audited electricity supplying company meets the requirements of the "Good Practices of Electricity and Gas Fuel Suppliers." These include both the supply standards, as well as the Customer service standards. The certificate confirms the reliability in the area of supply, as well as taking actions aimed at eliminating the unfair practices in the energy market.

The TAURON Ciepło subsidiary is engaged in the production of the system heat (district heating) and its distribution, among others, on the territory of the Silesia and Dąbrowa metropolitan area, but also in the markets of such cities as Jaworzno, Bielsko-Biała, Czechowice-Dziedzice, Zawiercie, Olkusz, Cieszyn, Kamienna. Providing of the thermal comfort in the buildings and urban infrastructure facilities is undoubtedly a basic service that allows a local community to function - ensuring the supply of the hot water and heat that heats the buildings is a guarantee of

thermal safety, even in the event of the extreme weather conditions. TAURON produces and supplies the heat for more than 800 000 residents. The access to the system heat (district heating) ensures certainty and comfort of use, ensures the stability of the heat prices and promotes the elimination of the low emissions (i.e. the emissions of dust and harmful gas from the small boiler plants, including the households). The cost of heating the flats and buildings, thanks to the efficiency of the heat production and distribution process and the tariffs, is kept at a reasonable level. The most important activities undertaken in the Heat Line of Business include the investments in the modernization and expansion of the district heating network and the construction of the new low carbon heat sources.

The development of the civilization and the widespread digitization in all walks of life means that basic services include the broadband internet access. The lock down experience during the COVID-19 pandemic increased the demand for all of the services of this type and at the same time forced an increase in their availability with the use of the IT channels. This applies to the ability to deal with the official matters, education, commerce, access to information and all of the other services. In order to take advantage of the options offered by the digitization, access to the Internet connections is required. Providing access to the broadband Internet is a measure aimed at reducing the digital exclusion and is one of the basic services in today's world.

TAURON Obsługa Klienta (Customer Service), as an Access Network Operator, is implementing the "Fiber from TAURON" (Światłowód od TAURONA) program, i.e. expanding and providing the Internet access in the areas with a lower degree of urbanization. In a number of areas where there was a shortage of the fiber optic network, the lines were built to provide the broadband access for more than 100 000 households and approximately 430 public facilities. These activities were implemented using the aid funds and reduced the digital exclusion of the population living in the areas deprived of the Internet access.

As an accompanying activity, some of the Group's plants provide the municipal wastewater treatment service (Łagisza Power Plant in Będzin) or the drinking water supply service (for example, Siersza Power Plant in Trzebinia, Łaziska Power Plant in Łaziska Górne) for the local residents.

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

Emergency Response Program

Some of TAURON Group's subsidiaries, as the operators of the critical infrastructure, are legally obliged to prepare for and respond to the crisis situations. As part of this process, the Group's subsidiaries take part in the crisis management tests conducted by the relevant public administration authorities.

TAURON Dystrybucja is obliged to prepare for and respond to an occurrence of the crisis situations in accordance with the legal regulations governing the tasks and responsibilities of the Distribution System Operator, the Key Service Operator, the Critical Infrastructure Operator and with respect to the performance of the defense related tasks. The subsidiary has adequate internal regulations in place with respect to the above responsibilities and a Crisis Response Team. The representatives of the subsidiary also take part in the work and meetings of the crisis management teams of the relevant administrative authorities. In the case of a crisis situation, there are management rules in place at the subsidiary with respect to, among other things, the exercising of the powers and tasks arising from the role of the Crisis Situation Management Coordinator, as well as those related to the functioning of the Crisis Response Staff. An ongoing mode of information exchange and reporting with the public administration authorities responsible for the crisis management has been implemented. The dedicated channels for the information exchange are maintained, using e-mail and other means of communication.

In addition, the Company cooperates with the emergency management centers based on the agreements concluded with the public administration authorities performing the emergency management tasks. The subject of the agreements is the scope, form and means of exchanging the information between the relevant public administration authority and the Company in order to carry out the tasks related to detecting threats and warning the population. The information provided by the Company is related in particular to the security of the operation of the power distribution system, the continuity of electricity supply, including the significant failures resulting in the prolonged interruptions in the supply of electricity to the consumers, and establishes the frequency of the information exchange. In the case of the catastrophic events, the Company shall electronically transmit the data and information on the magnitude of the failure and the expected time it will take to fix it to the relevant public administration authorities. The information is then used to create and send the messages to the residents in the area affected by the incident.

TAURON Ciepło and TAURON Wytwarzanie are not the entities obliged to carry out the civil planning tasks on their own, within the meaning of the Act on the Crisis Management. However, a permanent channel of telephone and

radio communication is maintained between the Dispatcher on Duty and the Emergency Management Staffs of the cities supplied with heat by TAURON Group. The exchange of the information takes place in two directions and most often involves the large failures resulting in a lack of the heat supply. The exchange of the information between TAURON Group's power plants and the combined heat and power plants with the Crisis Management Staffs of the cities on the territory on which they are located is carried out in a similar way. In this case, the exchange of the information is related to the potential threats to the operation of the facility and the residents of the city. In the event of an occurrence of the extraordinary incidents and threats, these companies provide the information for the needs of the activities of the Department of Security and Crisis Management of the Silesian Provincial Office to the extent provided for in the specific regulations, i.e.:

- fuel management planning,
- planning of the restrictions on the heat or electricity supply in the case of an occurrence of emergency situations.

Monitoring of the threats and the preparation of the response to the potential emergency situations is also carried out within the framework of the implemented business continuity management system, where the Business Continuity Plans and the Recovery Procedures have been drawn up for the key industrial automation systems. The support for the proper response to the potential emergency situations is also ensured through the establishment of a permanent Security Incident Response Team and Crisis Staff at TAURON Ciepło and TAURON Wytwarzanie. The communication in the crisis situations is carried out in accordance with TAURON Group's Crisis Communication Principles, which provide for an immediate notification of the spokesperson of the major failures affecting the supplies to the Customers. The main channel of the communication with the Customers is the 24 hour telephone number of the Heat Emergency Service and the Internet search engine for the messages on the current supply interruptions and disruptions.

TAURON Ekoenergia is an owner and operator of 11 reservoir power plants. In five cases it owns the hydrotechnical structures that form the reservoirs providing the flood retention function. As a result, the company is required by law to maintain certain damming levels and to inform the crisis management authorities of any situation involving exceeding of the permitted water levels. The safety of tens of thousands of the residents in a number of towns and cities located below the dams depends on the correct response. The company, having in mind the burden of the supreme social responsibility it is shouldering, incurs the high expenditures on maintaining the hydrotechnical structures and the discharge facilities to enable the passage of large quantities of water in a good technical condition.

More information on the Business Continuity Management Policy and the implemented Business Continuity Plans, is provided in section G.3.10.

S 3. TAURON Group's internal Policies and Regulations, as well as actions taken and the results achieved

S 3.1. Human Capital Management Policy

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-7, 2-8, 2-19, 2-20, 2-21, 2-24, 2-30
GRI – topic	401-1, 403-6, 404-1, 404-2
WSE	S-M1, S-M2, S-M3, S-M4, S-M5, S-M6, S-M7

TAURON Group's Human Capital Management Policy is a document that indicates the main directions in the human capital management area and provide support for the implementation of TAURON Group's strategic objectives. In 2023, following the changing needs and expectations of both the internal, as well as the external environment of the organization, the 2020 document was updated.

The goal of the Policy is to provide support for the managers and the employees in creating a culture of dialogue and development. The Policy defines TAURON Group's mission and vision with respect to human capital management, which read as follows:

Mission

With passion and commitment we are creating and implementing solutions shaping the organizational culture and work environment that provide support for the implementation of the goals defined in the Strategy.

Vision

We are a partner for the Management Team and Workforce in building an efficient company, based on clear rules and modern solutions.

TAURON Group ensures the unconditional application of the labor laws in the labor relations and the implementation of the amendments to the law in accordance with the changing regulations. TAURON Group's Human Capital Management Policy defines the strategic areas of activities relating to the employee (labor) issues, such as the organization's development, performance management and the management of the competences and the organization. In each of these areas, specific goals and supporting activities have been identified. Their description is provided in Table no. 67.

Table no. 67. GRI 3-3. Strategic areas of activities defined by TAURON Capital Group's Human Capital Management

Area: Organization development		Process
Goal: Implementing and promoting organizational culture that supports TAURON Group's development		
Strengthening employee engagement and creating a safe and inspiring work environment:		Employee Opinion Survey Employee communication Initiatives as part of Employer Branding Management by objectives
<ul style="list-style-type: none"> openness to communication with the employees, obtaining and providing feedback, engaging employees in improving the work environment. 		
Building the image of TAURON Group as an attractive employer - both inside the organization as well as outside the organization by:		Employee Opinion Survey Employee communication Initiatives as part of Employer Branding Cooperation with the school and academic community
<ul style="list-style-type: none"> surveying the opinion of the employees, creating tools that allow to ensure easy and efficient communication with the employees, cooperating with universities and schools. 		
Ensuring an efficient flow of information and creating conditions for a partner dialogue with the workforce:		Social dialogue Implementation of the development initiatives and projects Cooperation with the school and academic community
<ul style="list-style-type: none"> strengthening the cooperation among areas and among generations, creating an environment that is friendly to the exchange of knowledge and experience, promoting knowledge sharing. 		
Building relationships with the Customers and strengthening awareness with respect to environment protection, climate change and commitment to promoting the Green Turn of TAURON		Initiatives as part of Employer Branding
Supporting TAURON Group in the process of changes through access to knowledge and market solutions:		Employee development Implementation of the development initiatives and projects
<ul style="list-style-type: none"> designing the development programs and providing knowledge, monitoring the market trends and solutions. 		
Area: Organization efficiency management		Process
Goal: Focus on the organization efficiency		
Clear and consistent defining of the roles, tasks and required authorizations at work positions.		Position evaluation system Job description book
Creating clear compensation rules, based on the market conditions, that motivate people to work efficiently:		Employment (hiring), wages and benefits management Management by objectives Social dialogue
<ul style="list-style-type: none"> supporting the implementation of tasks and goals that stem from the Strategy, creating performance related employee compensation systems, building tools that support management by objectives. 		
Minimizing the risk associated with human capital management.		TAURON Group's risk management system
Ensuring compliance with the principles of ethics and diversity:		Regulations related to diversity, ethics and counteracting mobbing and discrimination
<ul style="list-style-type: none"> conducting educational activities, taking care of an environment that is free from mobbing and discrimination. 		
Optimizing, standardizing and digitizing the Human Capital Management Area processes, increasing the flexibility and efficiency of the organization.		Human Capital Management Mega-process
Area: Competences and development management		Process
Goal: Supporting the development of competences		
Development of the employee competences for the needs of the changing energy sector:		Implementation of the development initiatives and projects Recruitment
<ul style="list-style-type: none"> developing the competences that prepare for change management, focusing on acquiring the new qualifications and improving the employees' competences. 		
Creating a culture based on self-development:		Employee development
<ul style="list-style-type: none"> supporting employees through various individual development tools. 		
Ensuring the continuity of the competences for the energy sector by educating pupils and students.		Cooperation with the school and academic community

<p>Taking care of the employee retention:</p> <ul style="list-style-type: none"> • creating the opportunities for the development for the employees and ensuring a motivating atmosphere at work, • implementing the pro-employee solutions. 	<p>Employee induction Development initiatives</p>
<p>Ensuring the transfer of knowledge between the generations:</p> <ul style="list-style-type: none"> • implementing the development programs, • implementing the internal training programs, • ensuring the exchange of experiences between the generations. 	<p>Implementation of the development initiatives and projects Cooperation with the school and academic community</p>
<p>Ensuring the development of the leadership competences of the management personnel.</p>	<p>Employee development</p>
<p>Creating and improving the tools for the development, motivation and the evaluation of the employees' potential.</p>	<p>Employee development</p>

Tables no. 68-71 present the key data with respect to the area of the human resource management, including the number of the employees by gender, age and type of a labor contract, as well as the percentage of the employees covered by the collective bargaining agreements.

Table no. 68. GRI 2-7. Number of TAURON Group's employees by type of contract (labor contract) and gender as of December 31, 2023, per subsidiary

NUMBER OF EMPLOYEES	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia "Czatkowice"	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
LABOR CONTRACTS																					
TOTAL NUMBER OF EMPLOYEES UNDER LABOR CONTRACTS, INCLUDING:	18 946	449	2 465	216	8 099	136	1 475	337	13	13	2 670	1 430	294	3	210	443	64	48	469	100	12
women	5 089	217	441	48	1 298	49	291	176	9	6	1 927	252	45	3	46	36	31	16	177	14	7
men	13 857	232	2 024	168	6 801	87	1 184	161	4	7	743	1 178	249	-	164	407	33	32	292	86	5
INCLUDING:																					
FOR A DEFINITE PERIOD OF TIME (including for a trial period and as a sub):	1 618	24	127	43	497	8	63	51	1	-	426	77	43	-	93	61	8	3	86	7	-
women	567	12	29	10	73	3	15	22	1	-	321	17	9	-	18	8	4	2	22	1	-
men	1 051	12	98	33	424	5	48	29	-	-	105	60	34	-	75	53	4	1	64	6	-
FOR AN INDEFINITE PERIOD OF TIME:	17 328	425	2 338	173	7 602	128	1 412	286	12	13	2 244	1 353	251	3	117	382	56	45	383	93	12
women	4 522	205	412	38	1 225	46	276	154	8	6	1 606	235	36	3	28	28	27	14	155	13	7
men	12 806	220	1 926	135	6 377	82	1 136	132	4	7	638	1 118	215	-	89	354	29	31	228	80	5

The data provided presents the headcount level in persons (FTEs) as of December 31, 2023, and it had been collected with the use of TAURON Group's IT systems. The 26% reduction in headcount is first and foremost a consequence of the changes that had taken place in the Mining Segment and in the Other Operations Segment. As of the end of 2022, the Mining Segment and the Wsparcie Grupa TAURON subsidiary (Other Operations Segment) were spun off out of TAURON Group in their entirety.

Table no. 69. GRI 2-7. Number of TAURON Group's employees broken down by the type of the permanent labor contract by gender as of December 31, 2023, per subsidiary

NUMBER OF EMPLOYEES	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia „Czatkowice”	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
WORKING UNDER A LABOR CONTRACT, INCLUDING:																					
FULL TIME EMPLOYEES:	18 833	443	2 461	214	8 069	134	1 472	330	5	11	2 654	1 427	293	3	208	443	63	47	449	95	12
Women	5 011	213	439	47	1 279	48	289	170	2	4	1 913	251	45	3	46	36	31	15	160	13	7
men	13 822	230	2 022	167	6 790	86	1 183	160	3	7	741	1 176	248	-	162	407	32	32	289	82	5
PART TIME EMPLOYEES:	113	6	4	2	30	2	3	7	8	2	16	3	1	-	2	-	1	1	20	5	-
women	78	4	2	1	19	1	2	6	7	2	14	1	-	-	-	-	-	1	17	1	-
men	35	2	2	1	11	1	1	1	1	-	2	2	1	-	2	-	1	-	3	4	-

Table no. 70. GRI 2-8. Number of TAURON Group's associates working under other contracts than a labor contract by gender and type of labor contract as of December 31, 2023, per subsidiary

NUMBER OF ASSOCIATES	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia „Czatkowice”	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
ASSOCIATES WORKING UNDER CONTRACTS OTHER THAN A LABOR CONTRACT																					
TOTAL NUMBER OF EMPLOYEES EMPLOYED UNDER CONTRACTS OTHER THAN A LABOR CONTRACT:	769	18	56	12	17	14	36	13	-	1	330	13	19	7	9	45	6	13	149	6	5
women	448	4	14	3	6	1	14	1	-	-	281	-	6	1	1	8	2	7	95	2	2
men	321	14	42	9	11	13	22	12	-	1	49	13	13	6	8	37	4	6	54	4	3
PERSONS UNDER MANAGEMENT CONTRACTS:	58	6	5	3	5	4	3	4	-	-	5	4	2	1	3	2	3	3	3	1	1
Women	8	-	1	1	-	-	1	-	-	-	2	-	-	-	-	-	1	1	1	-	-
men	50	6	4	2	5	4	2	4	-	-	3	4	2	1	3	2	2	2	2	1	1
SELF EMPLOYED PERSONS:	7	-	-	-	1	-	-	5	-	-	-	-	-	-	-	1	-	-	-	-	-
women	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
men	6	-	-	-	1	-	-	4	-	-	-	-	-	-	-	1	-	-	-	-	-
AGENCY WORKERS	353	-	-	-	1	-	29	-	-	-	323	-	-	-	-	-	-	-	-	-	-
Women	290	-	-	-	-	-	13	-	-	-	277	-	-	-	-	-	-	-	-	-	-
Men	63	-	-	-	1	-	16	-	-	-	46	-	-	-	-	-	-	-	-	-	-
PERSONS ON POSTGRADUATE INTERNSHIPS:	6	2	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Women	5	1	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Men	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PERSONS PROVIDING SERVICES UNDER A CIVIL LAW AGREEMENT	277	3	46	4	3	5	-	-	-	-	-	4	12	6	1	37	3	5	146	1	1
Women	125	2	13	-	2	-	-	-	-	-	-	-	4	1	-	6	1	2	94	-	-
Men	152	1	33	4	1	5	-	-	-	-	-	4	8	5	1	31	2	3	52	1	1
MEMBERS OF THE SUPERVISORY BOARD	68	7	5	5	3	5	4	4	-	1	2	5	5	-	5	5	-	5	-	4	3
Women	19	1	-	2	-	1	-	-	-	-	2	-	2	-	1	2	-	4	-	2	2
Men	49	6	5	3	3	4	4	4	-	1	-	5	3	-	4	3	-	1	-	2	1

Table no. 71. GRI 2-30. Percentage of TAURON Group's employees covered by collective bargaining agreements as of December 31, 2023, per subsidiary

	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia „Czatkowice”	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
Total number of persons employed (from 2-7)	18 946	449	2 465	216	8 099	136	1 475	337	13	13	2 670	1 430	294	3	210	443	64	48	469	100	12
Total number of employees covered by collective bargaining agreements	17 848	-	2 465	216	8 081	117	1 471	337	13	-	2 670	1 409	293	-	210	-	-	-	467	99	-
Percentage of employees covered by collective bargaining agreements	94.2%	0.0%	100.0%	100.0%	99.8%	86.0%	99.7%	100.0%	100.0%	0.0%	100.0%	98.5%	99.7%	0.0%	100.0%	0.0%	0.0%	0.0%	99.6%	99.0%	0.0%

The overwhelming majority of TAURON Group's subsidiaries apply the Company Collective Bargaining Agreements (CBAs). Depending on the specific solutions adopted at some of the Group's Subsidiaries, the top management staff (N-1 level) is excluded from the Collective Bargaining Agreements, and the terms of their employment are regulated in the labor contract. At the subsidiaries where the Collective Bargaining Agreement (CBA) is not applied, the salaries and the terms of employment are regulated by applying the Compensation Regulations and the Labor Regulations, the content of which is consulted with the social partners (workforce).

Due diligence procedures and the internal regulations

The documents supporting the implementation of the goals of TAURON Capital Group's Human Capital Management Policy include:

- TAURON Group's Compensation Principles,
- TAURON Group's Recruitment Principles,
- Principles for improving the qualifications of the employees, in place at TAURON Group's individual subsidiaries,
- TAURON Group's Competency Model,
- TAURON Group's Regulations of the Internal Trainers Academy,
- Talent and Mentoring Programs in place at TAURON Group's individual subsidiaries,
- TAURON Group's Employee Referral Program,
- Principles of the Cooperation with Schools and Universities,
- Regulations of the "Join" (Przylączyć się) Program – TAURON's internship PROgram.

The Human Capital Management Policy also takes into account the Employee compensation issues. TAURON Group has put in place TAURON Group's Compensation Principles. TAURON Group implements the simple and transparent compensation principles based on the market conditions and aiming to motivate the staff to work efficiently. The compensation system at each of TAURON Group's subsidiaries is defined in the Company's Collective Bargaining Agreement or in the Compensation Regulations. The level of the compensation reflects the value, type and quality of labor, the level of competence of the employee and it is determined based on the tariff rates that are related to the value assigned to the individual positions.

The social partners (workforce) are involved in the process of assigning the values to the individual jobs and introducing changes to the compensation systems as well as determining the level of the wage increases, both at the Group level through TAURON Group's Social Council (Board), as well as at the level of the individual subsidiaries.

TAURON Group is guided in its actions by the principle of equal treatment of the employees and does not tolerate the discrimination on any basis, in particular, based on age, gender, race, nationality, religion, sexual orientation, appearance, fitness or a difference of opinion. The measures are taken and the procedures and the mechanisms are implemented to protect the employees against the discrimination and the unequal treatment, and to ensure the detection and elimination of the cases of prohibited practices. We provide all of the employees, regardless of gender, with opportunities for promotion, as well as for professional development through a wide range of the internal and specialized training, as well as the industry conferences, seminars and workshops. The salary range for the given position is determined based on the job position valuation, i.e. an objective and reliable method of determining the importance of each position in relation to the other positions at the given subsidiary.

Table no. 72 presents TAURON Group's wage equality ratio (according to the WSE's ESG Reporting Guidelines, S-M5), which indicates the ratio of the men's wages to the women's wages. It reflects the nature of the energy industry and the resulting employment structure. In 2023, 78% of the workforce was male, while the figure for the executive positions stood at 95%.

Table no. 73 (GRI 2-21) presents the ratio of the salaries of the highest paid person in 2023 to the median salary of all of the employees (excluding the top earner) and the change as compared to the previous year.

Table no. 72. S-M5. TAURON Group's wage equality index in 2023 (index level in %)

Position group	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia "Czatkowice"	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
Managerial positions	-9.33	8.84	-7.90	-21.58	-16.12	24.58	-10.23	17.52	37.30	109.55	13.73	-24.33	6.48	n/a	-11.70	7.96	14.69	-18.37	-3.92	-3.31	-6.68
White collar employees	24.11	23.30	18.59	42.93	20.84	9.18	5.12	16.23	19.33	-8.25	28.52	22.14	3.78	n/a	2.58	20.80	30.73	-1.24	8.36	26.25	18.02
Executive positions	39.31	n/a	20.91	n/a	31.39	n/a	7.15	n/a	n/a	n/a	n/a	10.97	6.27	n/a	9.15	44.46	n/a	n/a	44.08	22.72	n/a
Total	13.18	29.38	12.85	7.03	15.63	15.80	5.16	19.83	25.53	126.08	29.56	6.06	-5.97	n/a	-7.07	2.02	18.80	-0.71	16.49	-0.11	14.65

* Index calculated on the basis of wages paid in relation to the average headcount in 2023.

** n/a – lack of employment in a given position group or lack of employment of both men and women in a given position group.

Table no. 73. GRI 2-21. Wage levels on an annual basis

	TOTAL	TAURON Polska Energia	TAURON Wytwarzanie	TAURON Ekoenergia	TAURON Dystrybucja	TAURON Nowe Technologie	TAURON Dystrybucja Pomiary	TAURON Sprzedaż	TAURON Sprzedaż GZE	TAURON Czech Energy	TAURON Obsługa Klienta	TAURON Ciepło	Kopalnia Wapienia "Czatkowice"	PE PKH	Bioeko Grupa TAURON	TAURON Serwis	TAURON Zielona Energia	TAURON Inwestycje	Usługi Grupa TAURON	Energetyka Cieszyńska	TAURON Ubezpieczenia
Ratio of the annual total compensation of the highest paid person in the organization to the median annual total compensation of all of the employees (excluding the highest paid person)	6.89	4.35	3.70	2.64	3.84	3.87	2.74	2.66	2.45	3.90	4.15	3.50	2.83	1.20	2.76	3.29	3.42	2.40	3.90	2.30	1.66
Ratio of the percentage increase in the annual total compensation for the highest paid person in the organization to the median percentage increase in the annual total compensation for all employees (excluding the highest paid person)	1.54	0.92	0.71	0.43	0.31	0.17	0.36	0.66	0.64	6.60	0.16	0.24	0.89	0.94	-0.39	-0.17	2.42	1.38	1.47	0.00	1.09

Actions taken and the results achieved

1. Digitalization and remote work

Using the digital technologies, the hybrid work model is being effectively implemented. The remote work allows the employees greater flexibility in organizing their time, in line with the idea of a work-life balance. In turn, maintaining the traditional form of work at the employer's site, ensures that the social contacts and a sense of identity with the company are maintained.

TAURON is optimizing the HR and the payroll processes, first and foremost focusing on the greater automation of the HR activities and the widely developed digitalization. The digitalization of the activities in the area of human capital management, is a permanent item on the map of the priorities. The preparation and the implementation of the IT solutions with respect to, among other things, the use of the domain signature and the qualified signature, the access to some of the functionality of the employee portal via the mobile devices, an electronic recruitment application, the functionality for managing the work time and the work exits, the remote work - these are just a few of the many improvements that TAURON Group has implemented and is continuously working on.

2. Dialogue with the social partners (workforce)

TAURON Group is placing a particular emphasis on the constructive and open dialogue with the social partners (workforce). As part of the discussions under way, the issues relating to the terms and conditions of employment and the compensation of the employees are resolved, as well as any changes to the internal regulations, such as, among other things, the Labor Regulations, the Compensation Regulations or to the Company Collective Bargaining Agreements. In 2023, in the cooperation with the social partners (workforce), the changes in the regulations stemming from the amendments to the Labor Code related to, among other things, the remote work and the issues arising from the *work-life balance* directive had been implemented. In addition, thanks to the negotiations between the representatives of the Management Board and the trade unions, the wage agreements shaping the compensation policy for the given year are being developed at the Group wide level.

306 meetings of the employers with the trade union organizations were held at TAURON Group's subsidiaries in 2023. In total, the trade union organizations had about 10 900 members among TAURON Group's employees (i.e. 58% of the total number of the employees) as of the end of 2023.

During the regular meetings and consultations the representatives of the workforce are also informed about the issues related to:

- TAURON Group's economic and financial condition,
- transition of the power sector,
- implementation of the strategic initiatives,
- issues related to the employee matters at the Group.

3. Employee opinion survey

The 2023 survey under the theme #TwójGłosMaMOC (#YourVoteHasPOWER) was conducted from November 13 to November 24. Its goal was to understand how the employees perceived their work environment – the management team, the supervisors, the development opportunities, the compensation system, etc. More than 9 000 employees from 16 of TAURON Group's subsidiaries took part in the survey. Due to a change in the methodology, the results of the latest survey cannot be compared to the historical data. As part of the survey the key performance indicators such as engagement and communication were measured. The results are summarized below:



- engagement scored 53%,
- communication 62%
- people management was given a score of 68%, which demonstrated that the employees rated highly both the expectations set by the superiors, as well as the provision of feedback in a team effort aimed at achieving the goals,
- 67% positively rate the respect for the employees' individual feelings and opinions,
- 74% believe that the Group attaches great importance to the safety of the employees at the workplace.

The Employee Opinion Survey is carried out at TAURON Group on a biennial basis by an external company. As a result of the survey the actions leading to the identification of the priorities and the strategic improvement initiatives

in the areas that will contribute to the improvement of the individual processes will be taken.

4. Actions for a just transition

TAURON Group has undertaken a number of activities aimed at preparing the workforce for the energy transition process. The actions have been taken with respect to the potential use of such funding sources as:

- National Just Transition Plan,
- National Recovery Plan,
- Modernization Fund,
- Just Transition Fund.

The submitted project initiatives include, among other things:

- retraining, financing of the training for the employees,
- support in setting up one's own business entity,
- matching skills and qualifications to the job offers available on the market,
- preparation for the recruitment processes (CV, cover letter, job interview),
- analysis of the labor market and the sought after (scarce) professions / competences,
- analysis of the impact of the outplacement program dedicated to the power plant's workforce (supporting the layoffs process) on the level of the commitment and satisfaction as well as the employability of the employees in order to achieve the highest possible effectiveness in finding a new job,
- relocation of the employees to other branches or other subsidiaries of TAURON Group – the relocation package – a reimbursement of the accommodation and travel costs in the form of a monthly lump sum based on a periodic calculation taking into account the applicable prices,
- programs dedicated to the persons acquiring an entitlement to the pre-retirement benefits or acquiring up to 5 years of the retirement rights – an additional severance pay, paid employee absenteeism ("Fixed term leaves").

The green economy labor market in the Silesian Voivodeship

TAURON Group's active expert role participation in the panel study related to the labor market in the green economy of the Silesian voivodeship (region) – its status and prospects, aimed at diagnosing the competence needs, especially with respect to energy transition.

The results of the study, commissioned by the Regional Labor Office in Katowice, demonstrate that in the time frame until 2027, one in four employers declared the creation of the jobs that would involve performing of the tasks contributing to the improvement of the environment. In addition, 15% of the employers declare a change in their production / services model in favor of the environment protection and expect to become entirely pro-ecological by 2027.

The participation of a representative of TAURON Group on the panel has a direct impact on the development of the regional labor market policies. Based on the results of the survey, the regional labor market institutions and the educational institutions will define the priorities and the courses of action aimed at stimulating the development of the education and the multifaceted measures leading to an increase in the competencies related to the green jobs, which in the long term will contribute to securing the competencies desired at TAURON Group.

Industry Skills Center in the field of electricity at the Vocational Training Center in Wrocław

In August 2023, a partnership agreement related to the project was signed between the city of Wrocław, as the body running the Vocational Training Center, the Polish Electricity Transmission and Distribution Society (an industry organization), TAURON Dystrybucja (the primary partner) and the Institute of the Power Systems Automation (the secondary partner). The main objective of the project is to improve the qualifications in the field of metering and diagnostics of the electrical equipment and installations, as well as the electric shock protection. The agreement calls for the establishment of the Industry Skills Center in the field of electricity by the end of 2024, with the goal of training, by 2026, of 300 participants, including 90 pupils, 180 adults (including the employees of TAURON Dystrybucja) and 30 instructors.

5. Employee development and training

The development and improvement of the employees are permanently inscribed in the Group's Strategy, and the implementation of the development initiatives is carried out on the basis of the principles of improving the qualifications of the employees developed at the individual subsidiaries, taking into account the specifics of each subsidiary. The development activities at TAURON Group are implemented in accordance with the effective learning principle, the so-called 70-20-10 principle, according to which:

Zasada 70-20-10		
70%	20%	10%
Nauka w praktyce poprzez DOŚWIADCZENIE	Uczenie się w RELACJI, uczenie się od innych	Formalnie aktywności edukacyjne i SZKOLENIOWE

70% of the development activities are related to the gaining of the experience and acquiring of the skills in the position, among other things, by delegating the new or the additional tasks to an employee and expanding the scope of his / her empowerments, broadening the scope of his / her responsibility, the participation in the task or project teams,

20% of the development activities are based on learning from others, which involves the ongoing support and the regular feedback from one's direct superior and colleagues,

10% of the development activities involve the participation in the various forms of the educational and training activities (internal and external).

TAURON Group's employees have an option to take part in a number of various development initiatives, such as the internal and external training (including the specialist and e-learning training), the industry conferences, seminars, workshops or language courses.

Table no. 74. GRI 404-1. Key data on the employee training at TAURON Group as of December 31 in the years 2021 - 2023

Key data on the employee training	TAURON Group		
	2023	2022	2021
1. Average number of the training hours per employee by job (position) group, including:	21	16	15
1) Management Board	31	40	40
2) Directors	47		
3) Management position	34	26	24
4) Administrative staff (white collar positions)	18	10	10
5) Blue collar position	20	17	17
2. Average number of the training hours per employee by gender, including:			
1) women	20	12	-
2) men	21	16	-
3. Number of the training hours per employee by gender, including:	389 574	397 857	383 796
1) women	103 763	70 058	65 794
2) men	285 811	327 743	318 002

Initiatives that support employee development:

We Inspire Development

In order to provide the employees with a continuous development opportunity, a "Training and Development" tab has been set up in the intranet, where the inspiring materials as well as the information on the development initiatives are posted. The employees can also take advantage of the special Mediateka, where the links to the interesting webinars, webcasts, podcasts and the articles prepared by the HR staff are provided. In 2023, once a quarter on average, the articles (related to, for example, stress, mindfulness, the impact of the cognitive distortions on decisions) were published, the interesting websites (related to, for example, the psychological blogs, the personal development portals) were provided, and the e-books, related to, for example, the *design thinking* and stress, were posted.



Development Conversation

A development conversation is one of the tools supporting the process of management by objectives. The essence of the development conversation lies in the development of an employee in relation to the goals pursued by him / her, based on the competence model in place at TAURON Group. The result of the development conversation is an employee development plan drawn up for the given year.

Through the development talks, the TAURON Group supports:

- development of the employees and building their commitment,
- definition of the needs and expectations of the employee and the superior related to the accomplishment of the goals,
- implementation of the goals,
- mutual exchange of the ongoing feedback,
- building of a culture of dialogue.

In 2023, further subsidiaries of the Group had implemented a development conversation, including TAURON Dystrybucja, where the workshops for the management personnel were held to prepare them to conduct the development conversations with their employees.

Survey of the digital competencies

In 2023, we launched an effort at TAURON Group aimed at measuring the level of the digital competences of TAURON Group's employees. The project, which had been initiated at TAURON Polska Energia, can be divided into 4 stages:

- diagnosing and identifying the key digital competencies for TAURON Group in 5 dimensions;
 - information and data literacy,
 - communication and collaboration,
 - digital content creation,
 - security,
 - problem solving.
- conducting a pilot study at TAURON Polska Energia,
- launching of the proper survey at the other subsidiaries of TAURON Group,
- analysis of the results in order to develop an action plan with respect to TAURON Group's digital transformation.

In 2024 TAURON will move on to the 4th stage.

TAURON Group Open University (Uniwersytet Otwarty Grupy TAURON - UOGT)

TAURON Group's employees have an opportunity to take part in the lectures conducted as part of the TAURON Group Open University. The initiative provides a platform for the exchange of the views and experiences, as well as an opportunity to gain knowledge and additional competencies. More than 40 lectures have been conducted as part of the UOGT since 2014. Two lectures, which were related to the development of the digital competences (Radek Kotarski - "The world in a moment") and building a culture of developing passions (Alina Markiewicz - "Upside down"), were held in 2023. The lectures were attended by 970 of TAURON Group's employees.

Internal Trainers (Coaches) Program / Internal Trainers (Coaches) Academy

The goal of the initiative is to provide support for the development of the employees using the internal resources, as well as to promote the concept of the lifelong learning and knowledge sharing. This development takes place in two ways. An internal trainer improves his or her coaching skills by preparing and conducting the training sessions for the employees on a topic of his or her choice, while the participants gain the new competencies without having to use the solutions offered on the external market. An employee wishing to become a trainer can take part in the recruitment process for the program during which he or she has to demonstrate his / her knowledge of the selected topic and the ability to conduct a training / workshops. TAURON also assists in the didactic preparation of the internal trainers to conduct trainings.

The Internal Trainers (Coaches) Program / Internal Trainers (Coaches) Academy is in place at 4 of TAURON Group's subsidiaries. 72 employees with the status of an internal trainer had conducted a total of 210 trainings for 2 946 of TAURON Group's employees in 2023.

Development Squared

The webinar series under the name Development Squared, initiated at TAURON Polska Energia, is conducted in four thematic areas: development, knowledge sharing, cooperation and health. The participants of the project are all of TAURON Group's employees with an access to the Intranet (close to 18 000 people took part in 2023).

5 webinars, conducted by 4 trainers, on such topics as, among other things, "Situational leadership in practice", "Intergenerational communication and cooperation", "Self-criticism and Perfectionism" were held in 2023. More than 1 000 employees took part in the initiative.

Training Catalogue

Training Catalogue is a periodic initiative of TAURON Polska Energia, as part of which every month the employees are able to participate in the training courses of their choice, thus developing their skills and the specialized knowledge in accordance with their individual development plan. In the catalog the training is divided thematically into four modules: expert knowledge, managerial competencies, personal development and tools. In 2023, a new module - training on demand - was added, which allowed the employees and the managers to submit their own training proposals for their teams or areas, in accordance with the perceived need to improve competence in a particular field.

10 editions of the initiative had been carried out in 2023, as part of which 40 different training courses had been offered to the employees. As many as 356 employees had taken part in the training courses carried out as part of the Training Catalogue, including the new training on demand module. The completed training courses were related, to the largest degree, to the development of the digital competencies and the analytical tools, such as Power BI, MS Access, VBA or Python, as well as the soft competences, in particular with respect to the self-presentation or the difficult negotiations.

E-learning



In addition to the training courses carried out using the traditional method, TAURON Group provides its employees with a continuous access to the trainings offered on the e-learning platform. The advantages of this form of education include the flexibility with respect to its implementation by

adjusting it to the individual pace of the knowledge absorption of the given employee. The employees have a continuous, unlimited access to the trainings available on the special e-learning platform. It includes both the training courses on the Group wide regulations in force, the specialist training courses on the IT systems, as well as the training courses developing the leadership and the interpersonal competences.

TAURON Group's employees updated their knowledge of the cyber security and information security issues through the e-learning training in 2023. TAURON Group's individual subsidiaries also benefited from the training to provide support for the employees' skills with respect to responding to the difficult situations that arise during Customer service and the professional approach to serving the Customers with various forms of disabilities. 16 800 persons had access to the platform and more than 18 000 trainings were carried out in 2023.

Manager Zone

Manager Zone is a space on the Intranet dedicated to the managers at TAURON Polska Energia. The management personnel has permanent access to the specialized articles on the broadly understood management topics, the tools supporting team management, the events organized online (Mediateka) and the recommended books. The Manager Zone newsletter is sent out to the managers in which we provide information on the new solutions available in the Zone and cover the most up to date topics. These included, among other things, the management of a

distributed team, as well as comfort at work. The articles published included, among other things, "The crew (workforce) is the foundation," "Autonomy - the key to the job satisfaction," "The art of relaxing," and "The culture of empowerment."

#wzMOCnij się (POWER yourself up)

This is an initiative whose goal is to provide the skills and the knowledge for the leaders at TAURON Polska Energia. The topics of the 2024 webinars were focused mainly on the remote work, in view of the entry into force of the new regulations governing this issue. The managers participated in three webinars demonstrating the role of the supervisor in the non-stationary work reality. The topics were focused on the manager's behavior that builds the team commitment, as well as goal setting, delegating, monitoring, appreciating and enforcing a task completion in a hybrid team. In the second half of the year, the #wzMOCnij project's topics were focused on managing diversity in the context of discovering the team's potential and drawing on it. A total of 282 managers took part in all of the webinars.

Innovation Manager Academy (Akademia Menadżera Innowacji - AMI)

A training and consulting program implemented by the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości), is focused on the acquisition by a company and its employees of the competencies required to manage innovations in the company. This program is based on the technical specification CEN/TS 16555, for managing innovations at the companies. It is based on 6 main thematic areas: innovation culture, business understanding, strategy, organizational structure, potential and resources, processes. A contest type procedure was conducted for the participation in the Academy, as a result of which two of TAURON Group's subsidiaries (TAURON Dystrybucja and TAURON Polska Energia) qualified for the 6th edition of this program. The Academy was attended by 4 employees of TAURON Polska Energia and 4 employees of TAURON Dystrybucja. In the course of the project, the *Innovation Health Check* survey was carried out as well as training and workshops were held.

Academy of Strategic and Specialized HR

A comprehensive program for the development of the competencies of the HR Areas at TAURON Group 2023-2024, whose goal is to develop the strategic and specialized competencies that would increase the efficiency of the human resources management in a changing, unpredictable business environment. Both of the Academy programs are attended by 42 of TAURON Group's employees.

ESG Week

As part of the ESG week, all of TAURON Group's employees had an opportunity to learn about the Group's approach to managing these issues, get to know the targets and initiatives, and how ESG targets are used to evaluate executive performance. Each day was dedicated to a different issue enabling an overall understanding of the importance of these issues and linking them to the Group's strategy.

Compliance Academy

As part of the organized Compliance Academy, which is a training program for employees, the Group's workforce and the management personnel, including the top management, were trained on the ESG issues. More information on this event is provided in section "G 3.6 Compliance Policy".

6. Work-life balance and the pro-health activities

Two hours for the Family and the Children's Day



TAURON Group has been a participant in the global social movement "Two Hours for the Family" since 2012 (<https://2godzinydlarodziny.pl/>), organized by the Humanites Institute (Instytut Humanites), as part of which the companies are encouraged to shorten the working day from 8 to 6 hours. The employees can spend the time thus saved with their loved ones.

Apart from a one time shortening of the work time, TAURON Group carried out a one week long campaign under the slogan: Family Mega Power – "The Power of the Family Passions" (Rodzinna MegaMoc – "Moc rodzinnych pasji"). Each day there was a different event and the lecture under the title "Upside Down" was listened to by close to 300 people. More than 18 000 employees were able to actively participate in all of the events. The initiative was granted an honorable

mention from the organizer of the campaign - the Humanites Institute (Instytut Humanites), for the best implemented campaign.



The continuation of the Family Mega Power (Rodzinna MegaMoc) was the Children's Day. The children took part in two workshops to develop the thinking and design skills: "Robots in Motion" and "Riddles and Puzzles." In a contest to build a Lego structure thematically related to the green energy and to put its elements in motion - "Move your head – set the building blocks in motion" dozens of works were judged. More than 350 children took part in the workshop.

Health week and pro-health webinars

TAURON Group has consistently implemented a number of health-promoting campaigns. In October 2023, on the occasion of World Heart Day, free cardiac examinations were organized for employees in cooperation with the Upper Silesian Medical Center. The Health Week initiative was also continued, promoting healthy lifestyles and preventive examinations among TAURON Group employees. In the past year, Health Week was dedicated to colon and prostate cancer prevention, and 3 webinars capturing well-being in the broader context of physical and mental health were held: "Effectively manage your emotions," "Take care of yourself in all dimensions," and "Your healthy brain." In total, nearly 1,600 participants attended the lectures

TAURON Group has consistently implemented a number of the health promoting campaigns. In October 2023, because of the World Heart Day, the free cardiac examinations were organized for the employees in the cooperation with the Upper Silesian Medical Center (Górnosławskie Centrum Medyczne). The Health Week initiative had also been continued, promoting the healthy lifestyles, as well as the preventive examinations (testing) among TAURON Group's employees. In the past year, the Health Week had been dedicated to the colon and prostate cancer prevention, and 3 webinars capturing the well-being in the broader context of the physical and mental health had been held: "Effectively manage your emotions," "Take care of yourself in all of the dimensions," and "Your healthy brain." In total, close to 1 600 participants attended the lectures

7. Awards for the social capital management

Top Quality HR

In 2023, TAURON Polska Energia, TAURON Obsługa Klienta and TAURON Wytwarzanie subsidiaries took part in a survey organized by the Polish Human Resources Management Association (Polskie Stowarzyszenie Zarządzania Kadrami) under the title: the Top Quality HR. Particularly appreciated was the Katowice, the City of the Professionals initiative - a project aimed at demonstrating and promoting the industry (vocational) and technical education among the elementary school pupils, as well as increasing the level of the knowledge and public awareness of the dual education system. The pupils had an opportunity to learn about the specifics and the work conditions of such professions as an electrician, electrical technician, electromechanics technician, power engineer, electrical power technician, welder. In the 2023 / 2024 edition, a total of 6 visits were made to the Katowice Combined Heat and Power Plant (Elektrociepłownia Katowice).



The positive result of the survey led to the awarding of the Top Quality HR Certificate for all of these subsidiaries for 2023.



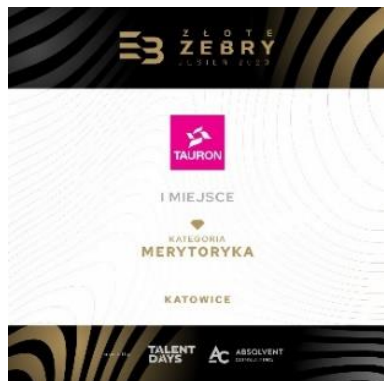
Friendly Workplace for TAURON Polska Energia and TAURON Wytwarzanie

TAURON Polska Energia was awarded a special prize from the editorial board of the Markapracodawcy.pl portal - the Friendly Workplace emblem and a statuette. TAURON's efforts aimed at creating a friendly organizational culture based on the open relations with the employees had been appreciated. TAURON was recognized for going far beyond the standards, steadfastly introducing the innovative development programs. The company's vision, rooted in a long term plan to develop and improve its staff, was highly praised.

The development initiatives such as TAURON Group's Open (University Uniwersytet Otwarty Grupy TAURON) and Development Squared, which testify to a deep commitment to the employee education, received the special recognition. Also appreciated were the initiatives that allow the employees to maintain a work-life balance, such as "Two Hours for the Family," the equivalent work time system or the flexible remote work opportunities, confirming that TAURON cares about the work comfort. Particularly highly rated was the care for a healthy and safe work environment

Responsible Employer. HR Leader

TAURON Polska Energia was awarded the prize "Responsible Employer. HR Leader". This is a program whose goal is to promote the adequate activities in the field of the human capital management. The program's board paid special attention to TAURON Polska Energia's activities in the following areas: the creation of the attractive jobs, the broadly understood training and development activities, the activities of TAURON Group's Open University, an attractive incentive system for the employees, the company's involvement in the charitable and the educational activities, as well as the social initiatives and projects in the field of sports.



Golden Zebra for TAURON Polska Energia

TAURON Group's stand was the winner in the "Most Substantive Employer" category during the Absolvent Talent Days job fair. At TAURON Group's booth, it was possible to get acquainted with the job offers intended for the students and the graduates, while the current employees helped dispel the doubts about the recruitment process. The voters also appreciated the value of one-on-one meetings with a recruiter to discuss a potential career path offered by the company.

Honorable mention for the implementation of the initiatives within the framework of the Two Hours for the Family campaign. For the Human Being

Once again, the initiative, which is organized every year under the slogan Family Mega Power (Rodzinna MegaMoc), was highly appreciated and recognized by the organizers of the campaign „Two Hours for Family. For the Human Being” - the Humanites Institute (Instytut Humanites). On October 3, 2023, during the conference "Fighting for talent and the employee well-being in the age of AI", which had been held in Warsaw, the diplomas had been presented to the employers that had been awarded prizes in the competition. The initiative, organized by TAURON Polska Energia and carried out in May at all of the Group's subsidiaries, is becoming more and more popular every year, and the competitions and lectures that we prepare for the employees as part of the Family Mega Power campaign will be included in the Book of Good Practices, which will soon be published by the Humanites Institute (Instytut Humanites).



Bridge to the future – the award for TAURON Dystrybucja

TAURON Dystrybucja was among the laureates of the prizes awarded to the companies and the entrepreneurs actively supporting the education of the students of Cracow's vocational and technical schools. The name of the prize - "Bridge to the Future", symbolically demonstrates the role that the companies play in the lives of the students - they are becoming a bridge that connects the school world with the professional world and facilitates the entry of the graduates into the labor market.

Employer supporting vocational education – the award for TAURON Dystrybucja

Once again TAURON Dystrybucja was awarded the prize, which is awarded annually to the employers who have been exceptionally committed to the development of Częstochowa, by taking part in the educational process conducted at the technical and the vocational schools and in creating the positive image thereof. The impact of TAURON's activities on the shaping of the labor market which is becoming a market of the socially sensitive employers who care about their employees, was appreciated.

S 3.2. Recruitment Principles

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-24

As of the end of 2023, TAURON Group had 18 946 employees, including 1 444 of the employees that had been newly hired. The details of the personnel employed are presented in Table no. 68 in Section “S 3.1 Human Capital Management Policy”. The document that sets the standards for the recruitment, selection and the adaptation process at TAURON Group is TAURON Group’s Recruitment Principles. They define the consistent and uniform assumptions for the selection of the candidates to ensure that the employees with the required competencies are hired

Due diligence procedures and the internal regulations

The due diligence procedures employed based on the Principles include, first of all, the following forms of recruitment:

- internal recruitment within a given subsidiary – in order to find the job candidates from among the personnel of the given TAURON Group’s subsidiary. The announcement (classified ad) informing about the recruitment process being under way is made known to all of the employees of the subsidiary,
- internal recruitment within TAURON Group – involves finding the job candidates to fill the vacancies from among the personnel of other TAURON Group’s subsidiaries. The recruitment announcement (classified ad) is distributed to the employees of the Group’s subsidiaries via the internal channels, i.e. intranet, internal recommendations (referrals),
- external recruitment – in order to find the job candidates from outside TAURON Group using a variety of the communication methods and channels, including, among other things, the announcements (classified ads) posted on the industry portals, in the social media, through a referral program, at schools and universities. If necessary, TAURON Group utilizes its cooperation with the personnel agencies and other external companies specializing in the employee recruitment. The form of the external recruitment contributes to the possibility of building and recognizing the employer’s brand in the labor market, the so-called *employer branding*.

A priority is given to the internal sources for recruiting the job candidates at TAURON Group. This makes it possible to make the wider use of the potential of the current employees who have an opportunity to develop their careers and gain the new experience not only within a particular subsidiary, but also within entire TAURON Group. 107 employees took advantage of this opportunity in 2023.

The recruitment process is composed of three main phases: recruitment, selection and adaptation of the new employee. All of these phases are preceded by a thorough analysis of the needs related to the specifics of the given position in consultation with the manager of the given area, a budget analysis and the selection of an adequate method.

In order to achieve the best recruitment results with the most optimal cost approach possible, the selection of employees at TAURON Group is based on the following assumptions and principles:

- selecting the employees based on the long term employment and staff development plans, taking into account planned personnel changes (promotions, transfers, layoffs, etc.),
- integration with TAURON Group’s Human Resources Management Policy in place,
- standardization of the criteria used in the selection of the employees for the specific positions and an objective comparison of the individual candidates within a single recruitment process,
- reliability (integrity), impartiality and professionalism applicable to all of the participants in the selection process without any exceptions;
- maintaining the high standards with respect to contacting and communicating with the candidates (the specific rules, among other things, with respect to inviting the candidates for interviews, the form and scope of providing the feedback),
- ethical behavior towards the candidates, including, for example, meeting the deadlines, providing information on the results of the recruitment process by the deadline indicated earlier to the candidate,
- ensuring the confidentiality of the recruitment process for the candidates at all the stages thereof.

Actions taken and the results achieved

A system to support the recruitment processes

TAURON Group uses the ATS (Applicant Tracking System) recruitment process support system. This tool allows for designing the entire process of acquiring an employee - divide it into the stages, conduct the full communication with the candidate through the platform.

The additional improvements to the functioning of the ATS recruitment system were made in 2023, including, among other things: the ability to generate the reports in both the graphic, as well as the tabular form, and also the additional measures to ensure the security of the administered data, guarantee the transparency of the published disclosure clauses, as well as to make it easier to manage the clauses at each stage of the recruitment process at the individual subsidiaries of the Group. The system is continuously being developed and upgraded.

The priority and standard set at the TAURON Group level is the high quality of the activities undertaken, including those in the area of recruitment. In order to uphold this approach, it is important to keep improving the knowledge and the skills of recruiters, as a result of which various types of training have been introduced to enable the employee development.

"Recruit with passion"

A series of meetings in order to strengthen the competence of the recruiters at TAURON Group was launched in 2023. The series had begun with a training course called "Recruit with Passion," developed by an external company. The purpose of the workshop was to present the current situation on the labor market and the data on the creation of the recruitment announcements (classified ads). The meeting was attended by 33 recruiters from 11 of TAURON Group's subsidiaries. The consequence of the meeting was the preparation of a schedule of the trainings planned for the following months. Through the scheduled improvement initiatives, TAURON Group's recruiters are increasing their commitment, productivity and efficiency, which provides the support for the implementation of the recruitment projects. By improving the employees' competencies and familiarizing them with the current trends, TAURON Group increases its competitiveness in the labor market.

Employee Referral Program

The Employee Referral Program had been continued by TAURON Group in 2023. It is a recruitment strategy used to attract the new employees through the recommendations from the current employees. The employee referral program helps to increase the employee engagement, reduce the recruitment costs by reducing the recruitment time and reach the most suitable candidates from the market. The total number of the recruitment processes that involved the employee referrals came in at 138 in 2023, resulting in 97 candidates applying as part of such processes. 12 persons were hired under this program.

Following the trend of digitization, a new functionality in the form of the QR codes (*Quick Response Code*) was introduced into the employee referral module of the ATS recruitment system in 2023. This enhancement makes it quicker and easier to share a job announcement with a selected person or persons, via the private communication channels. The potential candidates gain immediate access to the detailed information about the job offer, which streamlines the application process. The use of the QR codes will significantly optimize the recruitment process. Following the introduction of the QR codes, the Group's Employee Referral Program Rules have been updated.

Employee onboarding process

A culture of knowledge sharing is being built at TAURON Group's subsidiaries also as part of the employee induction (onboarding) process. In 2023, a total of 1 116 of the induction (onboarding) meetings were held for the new employees. The functioning of the employee induction (onboarding) process is associated with a number of benefits that include a reduction in the perceived stress of the new hires, a reduction in the time required to achieve the independence at work and the promotion of identifying oneself with the company. The periodic meetings between the employees of the subsidiary and the newly hired staff allow for a more efficient introduction of the newcomers to the key aspects related to the Group's functioning. These include: TAURON Group's strategy, information protection (security), compliance and the opportunities for development within the organization.

At the same time, from the first days of employment, the employee gains access to the new employee zone on the Intranet, where he or she can find the information necessary for the proper onboarding (induction) thereof. As part of the onboarding (induction) process, the direct supervisor and the employee's designated mentor prepare an onboarding (induction) plan, and then are responsible for the implementation thereof. The survey evaluating the onboarding (induction) process, which is posted in the new employee's zone on the intranet, was updated in 2023. It was supplemented with the additional questions allowing for capturing more data that would enable a more in-

depth analysis of the onboarding (induction) process and introducing of the potential improvement measures. The questionnaire has been made available in the same versions for entire TAURON Group.

Cooperation with the educational and academic community

TAURON Group focuses on the process of the practical (hands-on) training of the future professionals, promoting the organization and the energy industry among the pupils, students and the graduates. The projects undertaken with the schools and the universities (the cooperation with 11 partner universities and 40 schools) are under way and 2 711 pupils and students took part in the study visits, presentations, vocational lessons, lectures and seminars organized by TAURON Group's employees. The scholarships had also been awarded to 53 pupils.

The educational offer dedicated to the energy industry is supported by TAURON Group through, among others:

- modeling of the didactic processes, the organization of the training courses, the educational meetings both for the students of the school, as well as for its teaching staff,
- scholarships for the best students of the patronage classes,
- participation of TAURON Group's employees in the conducting of the qualification exams,
- possibility for the students to participate in the subject matter lectures / workshops conducted by TAURON Group's employees,
- possibility for the students to participate in the lectures / subject matter workshops aimed at developing the students' interpersonal skills,
- organizing of the practical classes, as well as the apprenticeships and the internships in the real working conditions,
- equipping of 32 school laboratories with the equipment required to conduct the experiments related to electricity.

Examples of the actions taken:

- continuation of the activities related to the dual education (the practical training at the workplace combined with the vocationally oriented classes at school) at the Complex of Energy and Service Schools in Łaziska Górne (Zespół Szkół Energetycznych i Usługowych w Łaziskach Górnych),
- Katowice, the City of the Professionals project – the students had the opportunity to get to know the specifics and the working conditions of such professions as an electrician, electrical technician, electromechanics technician, power engineer, electrical power technician, welder. As part the 2023 / 2024 edition, a total of 6 visits were made to the Katowice Combined Heat and Power Plant (Elektrociepłownia Katowice),
- MegaPower of Knowledge (MegaMoc Wiedzy) - as part of the cooperation with the Silesian University of Technology (Politechnika Śląska), a large group of students (from the management faculty), together with their lecturers, had an opportunity to take part in a seminar specially prepared by Taron Polska Energia on the business model of an energy company under the conditions of energy transition,
- Magenta Meetings - a mentorship program to which the TAURON Dystrybucja subsidiary invites the female students of the electrical engineering and power engineering faculties. This year's edition was attended by 7 female students of the AGH University of Science and Technology (Akademia Górniczo Hutnicza), as well as 7 employees of TAURON Dystrybucja,
- Involvement in the regional educational and business initiatives – the 7th Silesian Festival of Science (VII Śląski Festiwal Nauki) – the participation of TAURON Group as a key employer in the voivodeship (region). The presentation / lecture on the Green Turn of TAURON.

TAURON Dystrybucja has been appreciated for its active support of the students of the technical schools which is reflected in the "Employer supporting vocational education" prize awarded to the Company's Częstochowa Branch and the "Bridge to the Future" honorable mention awarded to the Company's Cracow Branch.

In addition, TAURON Group is seeking to have a real influence on the shape of the activities and the projects in the field of education in Poland, through its active participation in a number of projects in the field of education, for example, by joining the working groups as part of the implementation of the "Sector Agreement for the Development of the Offshore Wind Energy in Poland" or the partnership with the Cracow University of Economics (Uniwersytet Ekonomiczny w Krakowie) in connection with the development of a project under the working title "UEK for the Key Sectors of the Economy".

Apprenticeships and internships

The student and graduate internships and apprenticeships are carried out at TAURON Group on a continuous basis. In 2023:

- 366 students and pupils received unpaid internships under contracts or tripartite agreements with schools, universities,
- 18 interns completed graduate internships,
- 16 interns acquired competencies within the framework of the internship program "Join in".

As a result of the internship or apprenticeship, 6 persons had been hired by TAURON Group.

The cooperation with the University of Silesia (Uniwersytet Śląski) with respect to the implementation of the project was continued in 2023 - One University - Multiple Opportunities – the internships were provided to the male and the female students from all of the areas of education offered at the University, which provides the support for bridging the gap in the access to the practical forms of education between the STEM (Science, Technology, Engineering, Mathematics) and the natural sciences on one hand and the humanities, liberal arts and social sciences as well as the faculty of art, on the other hand.

Job (Career) Fairs and Absolvent Talent Days

A permanent element of TAURON Group's promotional activities conducted in the academic community is the participation in the Job (Career) Fairs, organized by the universities, high schools, local government units and other entities. This form of the *employer branding* activities provides an opportunity to conduct an initial interview with the potential candidates, as well as to promote the organizational culture, the attitudes and the values that the Group is guided by in its activities.

In 2023, TAURON Group's employees were present at one of the largest events of its kind in Poland, i.e. the Absolvent Talent Days attended by 3 478 students, graduates and young professionals. It was an initiative to recruit from diverse talent. During the event, an in-house trainer from TAURON Polska Energia gave a lecture on the competencies of the future in the renewable energy. Meanwhile, the recruiters from the TAURON Polska Energia, TAURON Wytwarzanie and TAURON Obsługa Klienta subsidiaries held the preliminary interviews with the candidates for the positions intended for the young specialists (professionals). As a result of these interviews, one person took a job. TAURON Group was appreciated by the participants of the event and awarded the Golden Zebra 2023 prize in the subject matter category.

Implementation doctorate

TAURON Group is cooperating with the universities based on the three-party agreements signed with the Silesian University of Technology (Politechnika Śląska), the AGH University of Science and Technology (Akademia Górniczo-Hutnicza), the University of Silesia (Uniwersytet Śląski), the Wrocław University of Technology (Politechnika Wrocławska), the Jagiellonian University (Uniwersytet Jagielloński) and the Warsaw School of Economics (Szkoła Główna Handlowa). As a consequence, 20 employees from the entire Group continue the studies as part of the implementation doctorate program, and three doctoral dissertations have resulted in the defense of the theses and the awarding of the doctoral degrees. The main assumptions of the program include the creating of a platform for the three-party cooperation of the universities, the company and the doctoral student, as well as the carrying out of the research, the results of which will be used in solving the challenges facing the company. The doctorate theses will cover the research spectrum in the field of the humanities (liberal arts), social sciences, as well as the STEM (Science, Technology, Engineering, Mathematics) sciences. Six of TAURON Group's subsidiaries are taking part in the project - TAURON Polska Energia, TAURON Dystrybucja, TAURON Wytwarzanie, Kopalnia Wapienia „Czatkowice”, TAURON Ekoenergia and TAURON Sprzedaż.

S 3.3. Work Health and Safety (WHS) Policy

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-24
GRI – topic	403-1, 403-5, 403-6, 403-9
WSE	S-A1

TAURON Group's Work Health and Safety (WHS) Policy is a collection of the regulations aimed at ensuring the continued improvement of the work (occupational) health and safety standards. By applying the provisions provided therein TAURON Group is steadfastly seeking to eliminate the work related accidents as well as to minimize the occurrence of the occupational diseases and the number of the potentially accident prone incidents.

TAURON Group's WHS policy defines the principles of operation, as well as the rules of conduct that are to serve the implementation of TAURON Group's four primary goals with respect to the work health and safety (WHS), i.e.:

- eliminating the accidents at work of all of the persons employed by and working for the benefit of TAURON Group's subsidiaries and any other persons finding themselves at the place where the subsidiaries are conducting their operations,
- ensuring the optimal working conditions for all of the persons employed by and working for TAURON Group
- raising the qualifications of the employees of TAURON Group, aimed at increasing the competences with respect to improving their safety and the safety of their associates as well as the persons who find themselves at the place of their work,
- improving an effective work health and safety (WHS) management system.

Due diligence procedures and the internal regulations

TAURON Group's Work Health and Safety (WHS) Policy is the overarching, and binding for all of the entities present at TAURON Group's plant sites, document and it constitutes one of the foundations of the uniform work (occupational) health and safety (WHS) system. As part of ensuring the due diligence with respect to the compliance with the work (occupational) health and safety regulations and rules, the following guidelines apply at TAURON Group's individual subsidiaries:

- regulations tailored to the profile and the type of work performed at TAURON Group, including, among other things: internal regulations, procedures, work health and safety (WHS) instructions and equipment operation manuals. At the subsidiaries whose business operations profile includes production and distribution, there is an extensive system of safety, control of working conditions and the compliance with the work health and safety (WHS) regulations and rules at the individual work stations,
- internal normative acts regarding the emergency and accident situations, for example the instructions (manuals) or the documents with respect to: protection against explosion, fire safety of the facilities, safe operation of the equipment and the procedures for proceeding in the event of an occurrence of an accident at work,
- internal audits (in particular at the subsidiaries with the generation profile, for example at TAURON Wytwarzanie), which regularly assess the functioning of the internal safety management system,
- internal inspections at TAURON Group's individual subsidiaries are carried out mainly by the work (occupational) health and safety (WHS) service and they take place depending on the needs at the respective subsidiary. The results of these audits (inspections) are included in the reports in the form of an analysis of the status (condition) of the work (occupational) health and safety (WHS) for the given year that are forwarded to the top management at the individual subsidiaries. These reports are, to a large extent, the basis for developing the plans aimed at improving the work conditions and setting the work (occupational) health and safety goals within a specific time frame,
- internal audits (inspections) of the external entities regarding the monitoring of the safety status of the contractors,
- contractual provisions for the entities performing work at the Group's subsidiaries regarding the compliance with the applicable work (occupational) health and safety (WHS) procedures and rules, in particular with regard to the required training, qualifications and the medical examinations.

As part of the continuous monitoring of the state of the work (occupational) health and safety (WHS) and in order to improve the work (occupational) safety, the annual management goals (KPIs) related to ensuring the work (occupational) safety are set for the individual subsidiaries. The overarching goal in this area is to improve the accident frequency rate and to maintain zero fatal accidents.

Actions taken and the results achieved

TAURON Group is seeking to develop its own best practices aimed at strengthening the safety culture among the employees, Customers, contractors, visitors and the other stakeholders. As part of the monitoring of the state of safety (in particular by the work health and safety (WHS) and the fire protection services), among other things, the following activities were carried out:

- 1 481 inspections, including 714 inspections by the external companies at TAURON Wytwarzanie,
- 13 935 inspections, including 1 764 inspections by the external companies at TAURON Dystrybucja,
- 239 inspections, including 94 inspections by external companies at TAURON Ciepło,
- 4 396 inspections, including 8 inspections by the external companies at TAURON Dystrybucja Pomiary,
- 58 inspections, including 8 inspections by the external companies at TAURON Ekoenergia.

TAURON Group's selected subsidiaries that deal with the particularly hazardous work have introduced additional training and the work health and safety standards for the external entities.

In order to improve the labor safety of the workforce and strengthen the WHS culture at TAURON Group's individual subsidiaries, the following projects had been carried out in 2023:

- as part of the cooperation with the Central Institute for Labor Protection (Centralny Instytut Ochrony Pracy), TAURON Group's employees had an opportunity to become familiar with the educational and training materials for half a year (videos raising the employees' awareness with respect to the work health and safety (WHS) when operating the machines and the ergonomics of the work station),
- numerous health related training and webinars were held, including those on the prevention of cancer, emotion and stress management,
- employees were allowed to take advantage of the free tests based on a blood sample taken – the oncology packages,
- Work Health and Safety Open Days and the Work Health and Safety Week were organized to promote the knowledge of the work health and safety (WHS) regulations,
- training in first aid (including on the use of the AED), evacuation and fire protection was conducted,
- "Your safety in your hands" campaign was carried out, the main goal of which was to familiarize the employees with the issues related to the development of the occupational risk assessment,
- activities undertaken as part of the Minute for the Work Health and Safety (WHS) campaign were continued, with their goal to popularize and raise the employees' awareness with respect to the work health and safety (WHS),
- educational and training campaigns aimed at increasing the employees' awareness of the threats (risks) at the work station were carried out,
- training for the management staff in the field of the work health and safety (WHS) was conducted,
- competitions with respect to the knowledge of the work health and safety (WHS) regulations and principles were conducted,
- participation in the ZUS (Social Security Office) competition under the title "Co-financing of the social security premium payer's activities aimed at improving the work health and safety" which resulted in the co-financing of the equipment for working at heights,
- training for the employees with respect to the principles of the safe conduct of the work at heights for the blue collar workers and the supervisory personnel was organized,
- training for the employees driving the company cars with respect to the safe and economical driving techniques (in order to improve the safety and efficiency of the employees' driving, impact the number of the road collisions, impact the environmental protection by following the principles of the economical driving) was conducted,
- training with respect to the handling of the difficult and perilous situations in the relations (contact) with the Customer was conducted,
- an occupational safety audit with respect to preparing the employees to perform the tasks related to the operation of the measurement (metering) systems at TAURON Dystrybucja Pomiary was carried out,
- work health and safety (WHS) newsletters were made available via Tauronet,
- regular work health and safety (WHS) and fire protection inspections were carried out,
- training with respect to the conducting of the evacuation, fire fighting, providing the premedical first aid, as well as the work health and safety (WHS) at the power devices, including the drafting of the operating instructions (manuals), was organized.

TAURON Group is also conducting the activities aimed at promoting the well-being among its employees, including, among other things: by enabling the use of the subscription cards for the sports and recreation services, as well as providing the extra medical care.

Accident statistics

There were 84 accidents at TAURON Group's subsidiaries affecting their own workforce in 2023, leading to the total of 85 persons getting injured. This means as many as 96 fewer accidents as compared to 2022. It should be mentioned that no fatal accident among TAURON Group's workforce had been reported.

The accident frequency rate came in at 4.5 in 2023 and it was lower than the accident frequency rate reported in 2022 (6.6). A similar positive trend can be observed with respect to the accident severity index, which dropped to the level of 51.6 in 2023 (it had clocked in at 59.0 in 2022).

The work related accident statistics are presented in Tables no. 75 and 76.

Table no. 75. GRI 403-9. Employee accident rates at TAURON Group in the years 2021 - 2023

	2023	2022	2021
Accident frequency rate*	4.5	6.6	7.9
Accident severity rate**	51.6	59	60

* Accident frequency rate = (number of accidents at work / average headcount in a given) x 1000.

** Accident severity rate = The total number of days of incapacity for work of the employees injured in the accidents at work / The number of persons injured in the accidents at work (excluding the persons injured in the fatal accidents).

Table no. 76. GRI 403-9. Work accident statistics, along with the number of persons injured as a result of the accidents, broken down by gender, at TAURON Group in 2023

	2023
TOTAL NUMBER OF ALL PERSONS INJURED IN ACCIDENTS	85
Women:	8
Men:	77
NUMBER OF PERSONS INJURED IN FATAL ACCIDENTS AT WORK	0
Women:	0
Men:	0
NUMBER OF PERSONS INJURED IN MINOR ACCIDENTS AT WORK	85
Women:	8
Men:	77
NUMBER OF PERSONS INJURED IN MAJOR (SEVERE) ACCIDENTS AT WORK	0
Women:	0
Men:	0

The activity that was most frequently performed by the injured person at the time of the accident in 2023 was "walking, running, getting on, getting off" (Code 61 under Item 21 of the Statistical Accident Card). The injuries that were the most common ones in the reporting period were classified as sprains and strains (tears).

Assessment of the occupational risk

TAURON Group identifies the hazards and estimates the occupational risks at the work stations and takes the necessary preventive measures aimed at ensuring the best possible health protection for its employees. Due to the steadfast pursuit of a reduction in the number of the accidents, the activities promoting the safe behavior at the work station are continuously intensified. TAURON Group's employees take part in the mandatory work health and safety (WHS) training courses that are tailored to the their work place and their work conditions. In addition, the training sessions for the employees of the contractor and the subcontractors performing work for TAURON Group's subsidiaries are conducted. The percentage of the external companies' employees trained in 2023 is presented in Table no. 77.

Table no. 77. Percentage of the employees employed by the contractors and the subcontractors that have undergone the WHS training

2023	TAURON Serwis	TAURON Ciepło	TAURON Wytwarzanie	TAURON Dystrybucja Pomiary	TAURON Inwestycje
Percentage of the employees employed by the contractors and the subcontractors that have undergone the above WHS training	100%	64%	24%	100%	100%

Cooperation with the external companies

10 accidents at work among the employees of the external companies were reported in 2023, including a single fatal accident.

When the employees of the external companies are hired by TAURON Group's individual subsidiaries, they are required to have the up to date medical examinations in place, the adequate qualifications and the authorizations (certificates) for the work to be performed. The persons admitted to perform the work take part in the work (occupational) health and safety training and are informed of the threats (risks) present in the work zone and in the direct vicinity thereof, as well as of the methods to be applied to safely perform their work. In addition, if necessary,

a coordinator is appointed to cooperate with the employees of the third party company who oversees their compliance with the work (occupational) health and safety regulations. TAURON Group's individual subsidiaries, at which the particularly hazardous work is performed, have introduced the extra work (occupational) health and safety (WHS) training and standards to be applicable with respect to the external entities.

Occupational diseases

TAURON Group's individual subsidiaries monitor and take actions aimed at preventing the occupational diseases. The information on the number of the occupational diseases is included in the internal work (occupational) health and safety (WHS) reports.

S 3.4. Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination

Table of indicators:

GRI 3-3	Labor issues including terms of employment and development opportunities, as well as work health and safety (WHS)
GRI – general	2-24
GRI – topic	406-1

TAURON Capital Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination defines the rules for reporting the violations of the Principles of Ethics, Mobbing and Discrimination, as well as the tasks, the powers and responsibilities of the Ethics Committee.

There are two sub-committees within the Ethics Committee:

- Internal Sub-committee, whose members are appointed and dismissed by the Management Board of the given subsidiary, that at the same time appoints the Chair of the Subcommittee;
- Group Sub-committee, composed of twelve members, appointed from among the representatives of the trade unions operating at TAURON Group and twelve representatives of the employers, appointed by the Management Board of TAURON Polska Energia.

An employee is given a choice which Subcommittee he or she would like to turn to in order to have his or her notification (report) reviewed.

Due diligence procedures and the internal regulations

The main assumptions applied as part of TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination include:

- ensuring compliance with the Principles of Ethics with respect to preventing the employee rights violations and the conflicts among the employees,
- defining the principles of counteracting the cases of mobbing and discrimination at the workplace and in connection with the performance of the work, ensuring the implementation of the labor law provisions,
- undertaking intervention measures and mitigating the effects of the identified cases of violations of the Principles of Ethics, in particular the cases of mobbing and discrimination,
- taking the disciplinary measures against the persons committing the violations of the Principles of Ethics, in particular the cases of mobbing or discrimination,
- strengthening of the positive relations among the employees.

TAURON Group's Corporate Social Responsibility Code of Conduct is a regulation supporting the Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination, and it includes the Group's corporate values and the principles of conduct in three areas: employee, natural environment and stakeholders (environment). All of the regulations related to countering mobbing (bullying) and discrimination are kept updated on an ongoing basis.

Actions taken and the results achieved

TAURON Group's employees had filed 7 reports of the potential ethics violations, discrimination and mobbing (bullying) cases with the Ethics Committee in 2023. TAURON Group considers mobbing, discrimination and any ethics violations as the highly reprehensible behaviors worthy of the condemnation, any form of which is not tolerated. All of the employee reports were thoroughly and objectively investigated, and as a result of the Ethics Committee's work, one of the reports filed was confirmed and the adequate corrective measures were implemented.

TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination is implemented through the e-learning training courses. They are mandatory for all of the newly hired employees. The other employees are reminded of the Policy principles through the information campaigns and the content available on the Group's intranet website.

TAURON Group's operations are based on the unconditional compliance with the labor laws and ensuring a safe work place for all of the employees. The human and family oriented activities are also carried out at TAURON through a series of the special campaigns dedicated to strengthening the family and the general human values. In this way, the social capital is built by strengthening the social relations and the mutual trust among the employees, which guarantee not only the development of the company, but first and foremost, of each employee.

TAURON Group is striving to create the flexible conditions for the development of knowledge and skills and to create a work environment based on the cooperation and partnership. The employee opinion surveys are carried out and their results are the basis for developing and implementing the action plans aimed at increasing the employee commitment and creating an attractive work place, while taking into account the compliance with the standards for adherence to the principles of ethics, the respect for diversity and counteracting mobbing (bullying) and discrimination.

A voluntary training on the "Business Ethics" was offered to the employees in 2023. A webinar was held for the managers on the topic of the respect for diversity - "A leader towards diversity". As part of the Compliance Academy, the voluntary training sessions were held on "Mobbing, discrimination, harassment - HR compliance in a nutshell" attended by 284 participants and the "Respect for human rights in the organization" attended by 100 participants.

All of TAURON Group's employees are required to familiarize themselves with the Principles of Ethics and Counteracting Mobbing and Discrimination and to submit a statement.

S 3.5. Respect for Human Rights Policy

Table of indicators:

GRI 3-3	Respect for human rights
GRI – general	2-23, 2-24
WSE	S-M7, S-M8, S-M9
Proprietary indicators	Description of actions taken to respect human rights

TAURON Group supports and respects all of the internationally recognized human rights as defined by, among other things, in the International Charter of Human Rights, the Universal Declaration of Human Rights, the European Convention on Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, which formed the basis for the creation and implementation of the internal human rights regulations, including TAURON Group's Respect for Human Rights Policy.

TAURON Group prevents the situations in which the human rights would be directly or indirectly violated, and strives to respect and understand the values of the local communities.

The internal regulations set forth the policies dedicated to respecting and protecting the human rights, including, among other things:

- right to privacy,
- right to equality before the law, equal protection under the law, and the right to non-discrimination,
- right to work,
- right to enjoy the fair and favorable working conditions, including the prohibition of the harassment and discrimination, and the right to the safe and healthy working conditions,
- right to form and join the trade unions and the right to strike,
- right to family life,
- right to participate in the cultural life, to benefit from the progress of science, and to protect the material and moral rights of the authors and the inventors,
- right to live in a clean, healthy and environmentally sound environment,
- prohibition of the harassment, violence and exploitation,
- prohibition of the slavery and forced labor,
- prohibition of the child and underage labor,
- counteracting the cases bearing the hallmarks of the human rights violations.

TAURON Group's Respect for Human Rights Policy indicates the principles of the activities and behaviors related to the human rights at TAURON Group, dedicated to all of the stakeholders, in particular the employees, counterparties (contractors) and the business partners. Our stakeholders are expected to comply with the generally

applicable laws, the provisions of TAURON Group's internal and intra-corporate regulations, as well as the ethical standards in the conduct of their activities, including those activities that affect the local communities.

The policy applies to all organization of the activities and business relationships.

Due diligence procedures and the internal regulations

TAURON Group's human rights protection system, in addition to TAURON Group's Respect for Human Rights Policy, also includes TAURON Group's Corporate Social Responsibility Code of Conduct and TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination, and the regulations on the work (occupational) health and safety, as well as the respect for diversity.

TAURON Group is striving to identify any human rights violations occurring or likely to occur throughout the entire value chain. As a result, the obligation to comply with the national and the international human rights legislation expressed in the compliance clause has become an integral part of the contracts concluded with the counterparties (contractors), and the issues relating to, among other things, the work (occupational) health and safety, as well as the prohibition of the discrimination and the unequal treatment are included in the content of TAURON Group's Code of Conduct for Contractors (Counterparties).

In addition to the reporting channels described in Section "G 2.2. Whistleblowing Mechanism", the persons having the suspicions of the harassment or the discrimination may file a report directly - at their discretion - to the Ethics Committee's internal subcommittee or the Ethics Committee's group subcommittee. Upon receipt of a report, an investigation is conducted and the adequate corrective and remedial measures are taken to eliminate any human rights violations by the organization.

Actions taken and the results achieved

In June 2023, a report on the respect for the human rights at TAURON Group was published, containing the data and the information on the human rights as seen within the Group's operations. The issues presented therein include an assessment of the impact of TAURON Group's activities on the human rights and the identification of the risks related to the respect for the human rights. The report is publicly available on TAURON's website (<https://www.tauron.pl/tauron/o-tauronie/zgodnosc-compliance>).

As part of the management of the human rights issues at TAURON Group, the periodic monitoring of the reports of the suspected mobbing (bullying), discrimination, harassment and other manifestations of the unethical behavior is carried out.

Two training sessions on the human rights were conducted in 2023 as part of the "Compliance Academy" project. The employees are provided with the ongoing access to the human rights regulations and the information on the mechanisms for reporting abuses through the organization's internal intranet. The principles related to the respect for the human rights are included in the content of the regular communications from the Compliance Team and are covered in TAURON Group's e-learning training programs.

Right of association

Respecting of the employees' right of association and conducting of an active social dialogue is an important element at TAURON Group. The cooperation with the trade unions is based not only on the Act on the Trade Unions but also on the existing Agreement on the Cooperation as part of the Social Dialogue dated September 13, 2016 in force. The main assumptions of this Agreement concluded with TAURON Group's Social Council, are:

- will to cooperate on a permanent, reliable basis, i.e. in good faith and with respect for the rights and the interests of the Parties, as well as to act with the due professional diligence, within the limits set by the legal regulations,
- protection of the labor and the trade union rights, arising from the autonomous sources of the labor law as well as the generally applicable legal regulations,
- continuous consulting and providing the feedback on the fundamental social and economic issues existing at TAURON Group,
- implementing the obligations stemming from the agreements concluded as part of the Social Dialogue,
- ensuring the correct representation of the employees' interests, including guaranteeing that the implemented organizational transformations should take place while ensuring the respect for the interests of the employees,
- appointing a Commissioner for the Social Dialogue (Ombudsman) in order to coordinate the cooperation with respect to the Social Dialogue, carry out the tasks related to the Social Dialogue, monitor the implementation of the arrangements and the decisions adopted by the Social Council and the Management Board of TAURON Polska Energia.

In addition, an Employee Board has been in place at TAURON Polska Energia since 2019, which operates on the basis of an Agreement between the Employee Board and the employer with respect to the matters related to the

changes in the structure and the level of employment, as well as with respect to the activities resulting in the significant changes in the organization of the work. One consultation stemming from the changes in the organizational structure was carried out in 2023, and the information on the level of employment at the company was presented periodically (once every six months).

S 3.6. Diversity Policy

Table of indicators:

GRI 3-3	Respect for human rights
GRI – general	2-24, 2-30
GRI – topic	401-3, 405-1
WSE	S-M1, S-M4, S-M7, G-M3

In accordance with TAURON Group's Diversity Policy (hereinafter: the Diversity Policy), the diversity and the openness are an integral part of the business operations. The Group has in place a policy of equal treatment regardless of the age, gender, appearance, disability, views or beliefs and ensuring equal opportunities in terms of the compensation or the professional development, and is striving to ensure the diversity with respect to all of the employees. Through its activities in this regard, TAURON Group provides support for the implementation of the United Nations Global Compact's sixth principle related to countering the discrimination with respect to employment. The Diversity Policy is also applied with respect to the cooperation with the external partners of the Group, i.e. the companies, universities, schools or other business entities.

Due diligence procedures and the internal regulations

The due diligence procedures in place as part of the Diversity Policy include, first and foremost, the activities aimed at:

- developing the work environment based on the respect, openness, reliability (integrity) and the fairness (justice),
- respecting the diversity, in particular in terms of the gender, education, age and the professional experience,
- building the organizational culture open to the diversity, based on the corporate values: Partnership, Development and Boldness (PRO),
- preventing the discrimination by fostering an adequate work atmosphere as well as building and strengthening the positive relationships among the personnel,
- supporting the employee initiatives related to the equality practices at the Group's subsidiaries,
- promoting of the initiative making it easier to achieve the work-life balance,
- ensuring the equal treatment of the employees in the hiring process and the prohibition of the discrimination.

As part of the employee related issues, supporting the implementation of the directions set by the Diversity Policy, there are regulations in place with respect to the organization of the work and the compensation, e.g.

1. TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination,
2. Policy of Respect for Human Rights defining the principles of the respect for the human rights and the actions taken to prevent the violation thereof and promote an atmosphere of the dignity and mutual respect,
3. training and competence development programs that encourage and support the creation of an atmosphere for the development of each employee,
4. regulations to ensure the fairness and the objectivity in the organization of the work and the compensation, including, among other things:
 - TAURON Group's Compensation Principles,
 - TAURON Group's Human Capital Management Policy,
 - regulations with respect to the benefits (entitlements),
 - flexible forms of the work time and the ability to work remotely, as well as the solutions dedicated for women, ensuring the equal opportunities for them and the support in combining the professional life with private life, for example the reduced working time for the pregnant women.
5. TAURON Group's Recruitment Principles,
6. TAURON Group's Competence Model.

Actions taken and the results achieved

In 2023, the work was begun on updating the Policy to create an even more diverse work environment, with the use of a variety of the viewpoints, experiences and the ideas. TAURON Group is implementing a number of initiatives including the training and guidance regarding diversity. The most important of these include:

- trainings and lectures for the employees, conducted by the experts, dedicated to the gender differences (for example, "UNIKAT, or why each of us is unique", "Men and emotions" - Men's Day at TAURON Group),
- thematic weeks, for example, the week of the generations - dedicated to the intergenerational cooperation (during the week the webinars on the generations had been conducted, the articles and contests for the ideas on the intergenerational cooperation had been published), or the week of the art of communication - presenting the role of the good and effective communication (interpersonal communication, non-violent dialogue, empathetic language, tips on improving the communication),
- webinars as part of the "Development Squared" initiative, for example, "self-criticism and perfectionism" – presenting the individual differences in the functioning in the daily work environment, as the support for the better cooperation,
- program related to the accessibility - "TAURON without Barriers", within the framework of which the initiatives are implemented on an ongoing basis aimed at eliminating the accessibility barriers for the people with the special needs, both in the context of our employees, as well as the Customers,
- #WzMOcnijsię (POWER yourself up) – the training for the managers "Leader versus the diversity. How we understand the diversity in the today's world, what leadership attitudes make the best use of the diversity, what tools a male leader / a female leader can use to act in the spirit of a diverse, equitable and inclusive culture,
- promoting the passions of TAURON Group's employees as part of displaying the respect for the human rights, respect for the diversity and counteracting the discrimination. Since June 2022, a special supplement has been published weekly in the regional newspapers and on the Intranet, describing the activities, passions, experiences as well as a lifestyle and a life philosophy of the Group's employees,
- "Mom Works" program which targets the women employed by TAURON Group whose children are under the age of six and the pregnant women. The persons who join the program have an opportunity to undertake the work responsibilities outside of their work place. In addition, for the period of the pregnancy, a woman can shorten her working hours by two hours a day, while maintaining her salary. There is also a possibility of taking advantage of an individual work time schedule, depending on the nature of the tasks performed in the given position. The moms who are still on a parental or a child rearing leave receive a newsletter containing the information on the life of the company, allowing them to stay in touch with the work place. The goal of the program is to increase the work comfort level of the future and the current mothers, as well as to make it easier for them to return to the active professional work. The program is expected to increase the number of women returning to work after the child birth, allowing them to adjust their working hours more flexibly to their needs. It is also intended to ensure that women do not lose touch with the organization during their absence due to a maternity or a child rearing leave. The percentage of women returning to work after a parental leave, as well as the retention rate, is presented in Table no. 78.,
- bridging the gaps in the access to the profession - more and more traditionally male jobs are being performed by women,
- social dialogue and the active cooperation with the trade unions, as well as the Agreement on the Cooperation as part of the Social Dialogue dated September 13, 2016 in force, concluded with TAURON Group's Social Council. The number of the meetings with the trade union organizations at the Group's subsidiaries and the percentage of the employees covered by the collective bargaining agreements are presented in Table no. 79.

Table no. 78. GRI 401-3. Parental leave at TAURON Group in 2023

	TAURON Group's total	Women	Men
Percentage of returns to work	71.5%	48.9%	84.0%
Retention rate following a parental leave	64.3%	39.3%	79.8%

Table no. 79. GRI 2-30 Number of meetings with the trade union organizations functioning at the Group's subsidiaries and percentage of employees covered by the collective bargaining agreements

Results achieved	2023	2022	2021
Number of meetings with the trade union organizations functioning at the Group's subsidiaries	306	291	315
Percentage of employees covered by the collective bargaining agreements	94.2%	95.3%	95.7%

Tables no. 80 and no. 81 present TAURON Group's employees and its Management Board broken down by the age and gender.

Table no. 80. GRI 405-1. Composition of TAURON Group's workforce broken down by age and gender as of December 31, 2023

	TAURON GROUP			MANAGEMENT BOARD AND DIRECTORS			HIGHER AND LOWER LEVEL MANAGEMENT PERSONNEL			OTHER ADMINISTRATIVE STAFF (WHITE COLLAR POSITIONS)			BLUE COLLAR POSITIONS		
	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <
TOTAL	18 946			176			1 878			9 169			7 723		
NUMBER OF EMPLOYEES	1 843	8 202	8 901	0	75	101	28	882	968	925	4 738	3 506	890	2 507	4 326
women	497	2 904	1 688	0	25	15	7	277	141	472	2 510	1 370	18	92	162
men	1 346	5 298	7 213	0	50	86	21	605	827	453	2 228	2 136	872	2 415	4 164
SHARE IN PERCENTAGE (in reference to all of the company's employees)	100%			1%			10%			48%			41%		
SHARE IN PERCENTAGE (in reference to the number of employees in the given employment category)															
TOTAL	10%	43%	47%	0%	43%	57%	1%	47%	52%	10%	52%	38%	12%	32%	56%
women	3%	15%	9%	0%	14%	9%	0%	15%	8%	5%	27%	15%	0%	1%	2%
men	7%	28%	38%	0%	28%	49%	1%	32%	44%	5%	24%	23%	11%	31%	54%

Table no. 81. GRI 405-1. Composition of the Management Boards of TAURON Capital Group's subsidiaries as of December 31, 2023, broken down by gender and age

TAURON GROUP			
	≤ 30 i.e. up to 30 years (inclusive)	above 30 up to 50 years (inclusive)	above 50 years <
NUMBER OF THE MANAGEMENT BOARD EMPLOYEES	59		
TOTAL	0	26	33
women	0	4	4
men	0	22	29
COMPOSITION OF THE MANAGEMENT BOARD IN PERCENTAGES BROKEN DOWN BY AGE AND GENDER [%]			
TOTAL	0%	44%	56%
women	0%	7%	7%
men	0%	37%	49%

Diversity policy towards the Management Board and the Supervisory Board

The company does not have in place a diversity policy towards the Management Board and Supervisory Board with regard to the minority participation in the respective body at a level of not less than 30% (in accordance with the Summary of the Best Practices for the Companies Listed on the WSE 2021). This is due to the solutions in accordance with the Act of December 16, 2016, on the Principles with respect to the Management of the State Assets, according to which the appointment of the members of the Management Board is possible after a qualification procedure has been completed, the purpose of which is to check and evaluate the qualifications of the candidates and select the best one. In the case of appointing the members of the Supervisory Board, the minister competent to exercise the rights stemming from the State Treasury shares has the statutory right to appoint a majority of the members of the Supervisory Board.

The General Meeting, with a view to striving to ensure the differentiation with regard to women and men in the composition of the Supervisory Board, adopted the amendments to the Regulations of the Company's General Meeting by, among other things, adding in § 24, section 5, the following provision: "The persons making the decisions on the appointment of the members of the Supervisory Board should ensure the comprehensiveness of this body by appointing as its member the persons that would ensure the diversity, allowing, among other things, for the achievement of the target ratio of the minimum minority participation set at not less than 30%."

S 3.7. PRO Client Social Policy

Table of indicators:	
GRI 3-3	Transparency of the offering and responsible sales and Customer service process Quality of services provided and Customer satisfaction Attention to the diverse needs of Customers, including socially vulnerable groups (among others, the elderly, people with disabilities)
GRI – general	2-24
GRI – topic	417-2, 417-3
WSE	I-M5
Proprietary indicators	The most important educational activities targeted at all of the Customers carried out by TAURON Group The most important educational activities targeted at the disfavored (disadvantaged) groups carried out by TAURON Group Description of actions to build Customer trust Results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers Adaptation of services to the needs of socially vulnerable groups

TAURON Group, in line with the Strategy, wants to respond to the Customers' expectations and needs, and the key strategic objective is to maintain the high standards of the Customer service.

In accordance with the assumptions, by 2030:

- more than 90% of the Customer cases will be resolved during the first contact with the Customer,
- full digitalization of the service will be introduced and the paper documents will be abandoned,
- all of the Customer service channels will be adapted to the needs of the people with the disabilities.

The Management Board of TAURON Polska Energia adopted TAURON Group's PRO Client Social Policy to be applied in 2017. The document is aimed at developing the adequate organizational and business conditions

required to achieve the strategic goals of TAURON Group with respect to the Customer and market environment relations.

The policy is a collection of the main assumptions applied in the sales and Customer service process. The number of TAURON Group's Customers is presented in Table no. 82.

Table no. 82. Number of TAURON Group's individual and business Customers as of December 31, 2023

Sales group type	Supply Line of Business	Transmission and Distribution
Individual	5 414 571	10 273
Business (including institutions)	400 693	203 828
Total	5 815 264	214 101

Due diligence procedures and the internal regulations

The assumptions of the PRO Client Social Policy are implemented by TAURON Group based on the following principals:

- making sure the highest standards are met in the relationships with the Customers, based on the transparency, mutual respect and the trust,
- continuous bi-directional communications, based on a dialogue,
- surveying the Customer opinions (feedback), experiences and expectations,
- responding to the Customer needs through a clear offering, satisfying their needs and meeting their expectations.

Marketing research

The due diligence procedures implemented as part of the PRO Client Social Policy include, first and foremost, the periodic surveys. Their goal is to get to know the Customers so as to be able to even more fully respond to their needs. The monitoring of the marketing communications is carried out in the cooperation with the market analysts. The results of the 2023 survey allowed TAURON Group to adjust its product and service offerings (the current ones and the planned ones), as well as its services and sales related activities to the Customers' expectations. The surveys also provided the information on the effectiveness of the performed activities aimed at developing the awareness with respect the products and the services offered, as well as TAURON's Customer service outlets. The summary of such surveys conducted in 2023 is presented in Table no. 83.

Table no. 83. Surveys carried out by TAURON Group in 2023 as part of the due diligence procedures

Subject of the survey	Time when the survey was conducted
Surveys on products / services:	
Survey on the Mój TAURON (My TAURON) product	06.2023
Survey on the thermal comfort management (zarządzanie komfortem termicznym - ZKT)	07.2023
Survey on the request for amendment (wniosek o zmianę - WOZ) product	08.2023
Survey on the heat pump product for the business Customers	08.2023
Survey on the prepaid meter (licznik przedpłatowy - LPP) product	11.2023
WCAG survey	11.2023
Monitoring of the consistency and the transparency of the marketing communications, including in particular the communications related to the new products and offerings, including:	
Survey on the effectiveness of the "Let's make a deal to save money (Umówmy się na oszczędności)" campaign	07.2023

Mystery shopper research at Customer Service Centers and Partner Outlets (4 waves)	Q1, Q2, Q3, Q4.2023
Survey on the familiarity with the TAURON offering	12.2023
Survey on the awareness of the functioning of the Partner Outlets	12.2023

Educational activities addressed to the Customers

As part of the due diligence procedures also the educational activities targeted at the Customers and the disfavored (disadvantaged) groups (including the Customers vulnerable to the electricity prices and the seniors) were conducted. The summary of such activities and their quantities are presented in Table no. 84 and no. 85.

Table no. 84. The most important educational activities targeted at all of the Customers carried out by TAURON Group in 2023

Information campaigns	Activities conducted as part of the campaign
<p>Educational materials on the green (ecological) heat and energy sources</p> <p>In 2023, TAURON ran a campaign to promote guide books (tutorials) on the benefits of installing photovoltaics and replacing heat sources with eco-friendly ones.</p> <p>Guides: "Heat Pumps. All you need to know" and "Photovoltaics. All you need to know" are comprehensive sources of information in which TAURON experts explain why investing in renewable energy sources is not only profitable, but also ecological. They also explain the principles of support programs such as "My Current 5.0" and "Clean Air", as well as "Ogrzeź się z TAURONEM" for individual investors interested in investing in renewable energy sources.</p>	<p>The guidebooks (tutorials) were made available free of charge. They can be downloaded from the website: tauron.pl/ebook oraz tauron.pl/ebook-ogrzewanie</p> <p>Wide ranging on-line campaign</p> <p>Promotion of the subsidy program and the guide book (tutorial) on the LEPIEJ (BETTER) blog</p> <p>Data: 3007 downloads of the guide book (tutorial)</p> <p>More than 61 000 page views of the websites with the guide books (tutorials)</p> <p>More than 44 000 unique users</p> <p>2 000 copies of the guide book (tutorial) distributed in printed form during the events</p>
<p>Information materials to promote the green (ecological) activities on a daily basis</p> <p>In view of the market situation and rising energy prices, as well as the need to increase consumer awareness of ecology, including energy and heat conservation, TAURON continued its educational activities in this area in 2023. Prepared and promoted were:</p> <ul style="list-style-type: none"> a series of videos on the Energy Conservation topic (the materials made available on YouTube and on the website lepiej.tauron.pl), guidance articles on energy conservation, efficient heating of homes and apartments, as well as inspiration on how to increase environmental concern in everyday activities, guide book "Eco-friendly tricks in your home" - a collection of eco-friendly inspiration, tips and recipes that can be used on a daily basis. The guide includes answers to such questions as how to reduce electricity consumption, what to do to use less heat for heating, how to reduce food waste, or how to prepare eco-friendly cleaning products and cosmetics. 	<p>Materials published on the blog lepiej.tauron.pl</p> <p>Promotional activities in the social media</p> <p>Press materials promoting the green (ecological) content.</p>
<p>Webinar "How to make photovoltaics more profitable"</p> <p>An educational campaign aimed at current and future prosumers. How to plan an investment in a photovoltaic system for your home? Is photovoltaics a viable energy source? How does the net-billing system work? How is the market price of energy calculated? During the webinar, TAURON experts provided answers to these and other questions from participants.</p>	<p>A video of the webinar is available on the blog lepiej.tauron.pl</p> <p>Webinar with the experts from the TAURON Sprzedaż subsidiary 1058 people registered 121 leads acquired</p> <p>Promotion of the webinar on-line</p> <p>Information campaign in the media, including in the social media</p>

Information campaigns	Activities conducted as part of the campaign
<p>Lectures for children and young people "Renewable energy sources as a key to a sustainable future"</p> <p>The Energetyczny Association, with the support of TAURON Ekoenergia, held a series of the ecological lectures at three educational institutions in the Lower Silesia:</p> <ul style="list-style-type: none"> • Zespół Szkół Technicznych (Complex of Technical Schools) "Mechanik" in Jelenia Góra, • Elementary School no. 7 in Jelenia Góra, • Elementary School no. 10 in Jelenia Góra. <p>The topics covered during the lecture topics focused on the important role of renewable energy sources in achieving climate neutrality goals, in line with TAURON's Green Turn strategy.</p>	<p>3 educational institutions from the Lower Silesia</p> <p>More than 90 students attended the lectures</p>
<p>"Bezpieczniki TAURONA" (TAURON Fuses) series educational programs for the Customers:</p> <ul style="list-style-type: none"> • Turn on for the sake of the child, • Turn on for nature, • Turn on at work. <p>Customer education covered such topics as, among other things, electro waste and energy labels, safe lighting for the holidays, electricity saving, tree planting near the power lines and caring for the trees already planted, safety of the works, including the agricultural works, performed near the power lines, first aid in case of an electric shock.</p> <p>The campaign is carried out in the media (online, television, radio, press, social media), in the direct communications with the local government units, schools, regional education authorities (boards of education), chambers of commerce, as well as during events.</p>	<p>Promotional activities in the social media</p> <p>Promotional activities on the industry and local portals</p> <p>Promotional activities in the social media</p> <p>Close to 3.5 million web users watched our educational videos</p>
<p>The activities of the TAURON Dystrybucja subsidiary for the benefit of the environment as part of its core business</p> <p>TAURON Dystrybucja takes care of promoting, among the stakeholders, the knowledge of:</p> <ul style="list-style-type: none"> • the energy industry, including the popularization of the energy profession - e.g., what are the duties of an electrician, under what conditions does he work, and how power engineers help educate future power engineers, • teaching rational behavior - e.g. what to do when there is no electricity check information on outages, • current regulations on the energy industry - for example, about freezing energy prices, • specifics of operation and formal issues related to the use of photovoltaics, • basic technical knowledge - such as separation of electrical installations in the facility, • tools that allow Customers to make informed choices e.g. energy consumption calculators, • information on strategic projects, for example AMIplus. 	<p>Condensed information to be downloaded on the website and popularized on social media and through proxy activities among local governments</p> <p>Close to 2 million viewers of the short videos popularizing the knowledge of the energy industry published in the social media</p>
<p>Integration picnic #Be FIT with Special Olympics</p> <p>The #Be FIT team-building picnic took place in May 2023 at the Forest Adventure Park in Radlin, bringing together Special Olympics athletes and TAURON employees. The program provided a number of activities and attractions: high ropes park trails, pendulum, obstacle course for toddlers, inflatables, as well as integration, dance and sports games and activities.</p>	<p>200 young athletes of all sports clubs from 4 provinces: Silesian, Opole, Wielkopolska and Lubuskie</p> <p>24 TAURON employees with their children, who won invitations to the picnic in a knowledge quiz about the availability of</p>

Table no. 85 The most important educational activities targeted at the disfavored (disadvantaged) groups carried out by TAURON Group in 2023

Information campaigns	Activities conducted as part of the campaign
<p>Educational campaign "While on the web, make gifts to your loved ones, not to the scammers"</p> <p>The goal of this campaign was to educate Internet users about safe online payments in particular. The campaign was conducted in December, a period of intensive online shopping. The educational materials included detailed information on the methods of fraudsters on the Internet, as well as instructions on how to protect oneself from the actions of cybercriminals and how to recognize their methods.</p>	<p>For the needs of the campaign, the tauron.pl/bezpieczenstwo website was updated, as well as a number of the educational materials: articles, a guide book (tutorial) and the infographics</p> <p>Campaign ad reach: 6.6 million</p> <p>Close to 3 000 downloads of the guide book (tutorial)</p> <p>Activities conducted online, with the emphasis on the social media</p>

TAURON without barriers campaign

Campaign ad reach: 8.1 million

The campaign promoted the TAURON without barriers initiative, which supports people with disabilities and facilitates their access to TAURON services. The main objective of the activities was to expand Customer awareness of facilities for people with disabilities and seniors. In addition, the aim of the campaign was to promote and encourage participation in a survey aimed at people with disabilities about Customer service. The campaign was conducted in November and December.

Close to 23 000 sessions on the tauron.pl/bezbarier website and more than a thousand of the completed surveys

Educational films for the children with the disabilities available with such watching enabling facilities as: sign language, audio description and the subtitles for the deaf

As part of the educational program for children, "TAURON's Safeguards. Turn on for the good of the child" videos are available in versions for people with disabilities - there are a total of 22 in each category.

The videos, in addition to the educational platform for the participants of the program, are also available to everyone on TAURON's YouTube channel

Educational materials adapted for the people with the disabilities

Promotion of the publication in the industry (trade), the national (online and press) and the local (radio) media

Promotional activities in the social media

Customer service through the highest quality sales and service channels

TAURON Group attaches great importance to the quality of its services and the Customer service (care), which is why the following internal regulations have been adopted:

- quality standard of the sales process and services at the stationary Customer service outlets,
- quality standard of the sales process and services provided via the sales hotline.

The quality standards are a set of the good practices that are a guideline for the persons who are involved in selling TAURON's services and providing Customer service. The employees who work with the Customers have undergone a series of the training sessions in order to become familiar with the quality standards and learn how to apply them.

The TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries, both in 2022, as well as in 2023, passed an audit conducted by an independent entity - TUV Rheinland - and were granted a certificate that confirms their compliance with the requirements of the "Good Practices of the Electricity and Gas Fuel Suppliers of the Association of Energy Trading."

Actions taken and the results achieved**Customer Experience Management (Customer Satisfaction Index)**

Customer experience is understood by TAURON Group as the sum of the interactions with the Customer, not only while providing the Customer service, but also at all of the other points of contact (interaction) with the company. The research on the Customer experience has been carried out since 2019 in the areas where the Customer most often meets (faces) the company, i.e. in the process of handling the grid connections, contracts, settlements (billing), debt collection and when filing a complaint. The research is conducted every month by way of the online surveys and in-depth research in the form of the interviews conducted quarterly via a hotline.

TAURON Group surveys the Customers who have passed through one of the above mentioned processes and collects the information on their level of loyalty (*Net Promoter Score - NPS*), examines how much effort the Customer has put into the handling of their case (*Customer Effort Score - CES*), as well as the satisfaction (*Client Satisfaction Index - CSI*), i.e. the Customer's satisfaction with the Customer care received or the service provided thereto.

The survey's results can be interpreted based on the indicator's value:

- NPS – a good score can vary depending on the industry and the market, but it is generally accepted that a score above 0 is positive,

- CES – the lower the value of the indicator, the more effort the Customer had to put into dealing with his case, while the higher the value, the easier the process was for the Customer,
- CSI – the lower the value of the indicator, the greater the Customer's overall dissatisfaction with the given aspect of the product or the service, and the higher the value, the greater the Customer's overall satisfaction level.

The results of the Customer service quality survey were impacted in 2023 by the actions that were beyond TAURON Group's control, regarding the introduction of the government's anti-inflation shield, which resulted in a significant increase of the traffic in the Customer service channels. The Customers awaited the clarifications with respect to the new regulations, and the eligible persons were submitting the additional statements on the increased electricity consumption limit. In addition, the results of the Customer service quality survey were affected by

- suspension of the service and the sending of the invoices due to the scheduled migration of the Customers to a new billing system,
- delays in the implementation of the grid connections (the subcontractors were not interested in participating in the tenders for the performance of the grid connection related work).

The below graph no. 34 presents the results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers in the years 2021 - 2023. As part of the survey the Customers are asked what improvements and changes TAURON Group should introduce to meet their expectations.

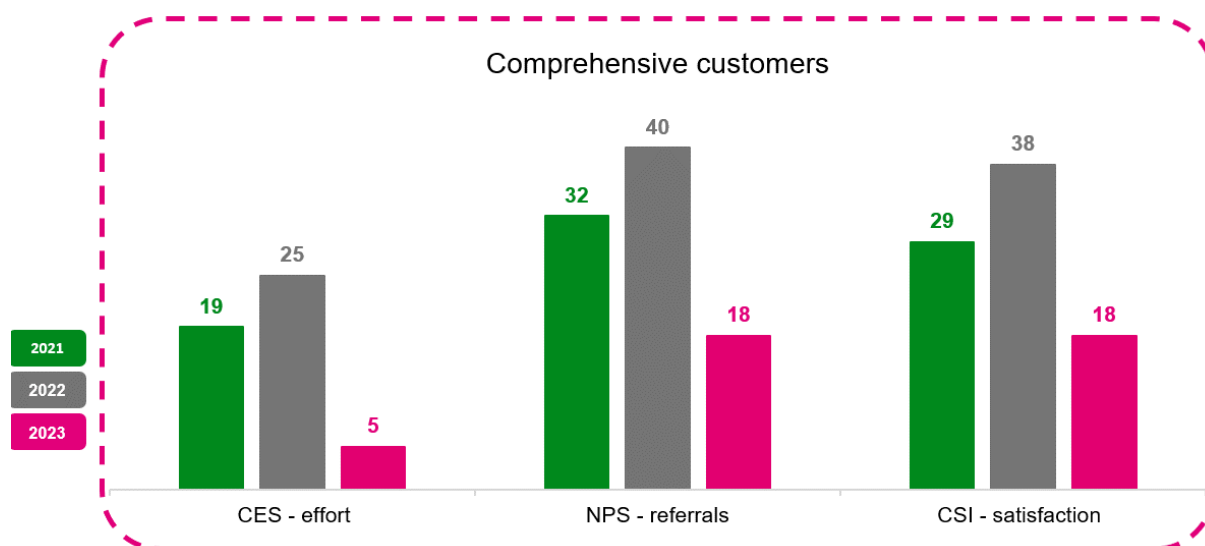


Figure no. 34. Results of the loyalty (NPS), effort (CES) and satisfaction (CSI) survey among TAURON Group's household Customers in the years 2021 - 2023

TAURON without barriers (TAURON Bez Barier)

Since 2021 TAURON Group has been implementing the TAURON Without Barriers program in order to build an inclusive environment for the Group's operations. The goal of the project is to increase the accessibility of TAURON's services for the people with the disabilities, the seniors, the sick or the socially or digitally excluded persons. It is a comprehensive program aimed at removing the communication, architectural and digital barriers, as well as improving the accessibility for both the employees, as well as the Customers. As part of the program, we also deal with developing and promoting a culture of openness towards the people with the special needs.

The information on the implemented facilities (aids), targeted at both the people with the disabilities as well as the senior citizens, is provided on the tauron.pl/bezbarier website.

One of the latest solutions include the Customer service desks equipped with the induction loops based hearing aid systems that have been implemented at all of TAURON's Customer service outlets. The activities undertaken also include the training of the consultants serving the Customers at the Customer service outlets (centers) and via the hotlines (at the call centers) or the compiling of the "First agreement (contract) with TAURON" guide book, which is adapted to enable its use by the blind people, in accordance with the Web Content Accessibility Guidelines (WCAG). The Customers can also watch the videos with the Polish sign language translation to help them use the My TAURON (Mój TAURON) service.

The most important solutions implemented at TAURON Group as part of the program:

- confirmation has been obtained, following an audit by the FADO Cooperative, that the websites: tauron.pl, tauron-dystrybucja.pl as well as the My TAURON and TAURON Dystrybucja services meet the WCAG 2.1. AA digital accessibility standard,
- one time powers of attorney (proxies) have been implemented in the services provided - i.e., a family member or friends can, with the consent of a person with a disability, assist in dealing with an issue (including during a call to TAURON's hot line),
- a service desk with a hearing amplification system, i.e. an induction loop, has been launched at TAURON's Customer service outlets. This increases the comfort of the hard of hearing people and the seniors who use the hearing aids,
- magnifying glasses to magnify the text to be read and the Customer signature boxes have been introduced at TAURON Customer service outlets. This makes it easier for the visually impaired persons and the seniors to read and sign the documents,
- a separate queue for the seniors has been introduced as part of the hot line service, with the most experienced consultants assigned to provide such services,
- a sign language Migam pilot project was conducted at the Customer service outlet in Zabrze. The implementation of the service with the use of a sign language interpreter at all of the Customer service outlets is under way, as well as of the service enabling, via the website, the remote service with a sign language interpreter,
- an intuitive e-book First TAURON Agreement has been drawn up, which guides the Customer through all of the formalities. The e-book is accessible to the people with the disabilities, including those who are blind or visually impaired, and are able to use, for example, the text readers or the vocalizers,
- notifications of the scheduled outages have been launched in the new outage finder (search engine) on the website tauron-dystrybucja.pl and a newsletter for the scheduled outages,
- My TAURON service activation was implemented within the sales services standards at the Customer service outlets, so that a person with the disabilities can easily use the self-service option,
- a survey with respect to the needs of the people with the disabilities was carried out, which will enable an optimization of the Customer service process and provide the Customers with a better service quality,
- an audit of the architectural accessibility of the Customer service outlets was carried out. Based on the post audit conclusions, a Plan to improve the architectural accessibility will be drawn up,
- parking spaces for the people with the disabilities located close to the entrance to the building have been provided,
- free access, ramps and the ability to move around the buildings at the Customer service outlets have been provided,
- evacuation procedures that take into account the needs of the people with the disabilities have been developed, and the evacuation coordinators have been trained in the new procedures. Across the entire TAURON Group, the health and safety training has been expanded to include the information on evacuating the people with the disabilities,
- an alteration of the building in Tarnów has been completed. As part of the investment project, the elevators and a ramp have been installed.

In addition, the activities are being implemented to develop the awareness and education, which are targeted at both the Customers, as well as the employees. Among other things, they include such initiatives as:

- videos and articles about the accessibility and the solutions implemented,
- activities that develop awareness: "Accessibility Week," "ABC of the Accessibility Series," accessibility knowledge testing quizzes,
- webinars for the employees on how to communicate with the people with the special needs, the annual meetings with the Special Olympics athletes,
- accessibility workshops for the employees involved in the initiatives,
- a practical guide book to savoir-vivre towards the people with the disabilities,
- an inclusive picnic #Be FIT in the Forest Park in Radlin with the Special Olympics participation.

“TAURON speaks the way humans do”

“TAURON speaks the way humans do” (TAURON mówi po ludzku - TMPL) initiative has been conducted at TAURON for 6 years. It consists in simplifying the formal and the legal documents, communications (messages), as well as the letters addressed to the Customers. Within its framework, the simple communication is promoted among TAURON Group's employees.

To date, we have managed to:

- simplify nearly 700 documents and 1 000 messages,
- train 15 trainers and 110 plain language consultants,
- appoint coordinators of the initiative at the subsidiaries who look after the expansion of TAURON Speaks the Way Humans Do (TAURON mówi po ludzku - TMPL) project,

- launch a sub-page at tauron.pl/tmpl, demonstrating the effects of the activities conducted to date,
- introduce Stylobuk, i.e. a set of the rules for the use of the plain (simple) language that are applicable at TAURON,
- introduce the prerequisite to agree all of the new documents, messages, marketing materials, before sending them out to the Customers or publishing them, with the plain language consultants.

The International Day of Simple Language, which falls on October 13, was celebrated, already for the third time, in 2023. As part of the celebration:

- 362 Group employees took part in a quiz to test their knowledge of the rules of plain language and the TAURON Speaks Human initiative,
- 450 employees participated in a webinar hosted by Tomasz Piekot - "How is the Polish language changing?".

The above mentioned activities are conducive to the development of the processes of providing the reliable and comprehensible information on the products and services offered.

As a result, in 2023, similar as in the previous years (2019-2022), no cases of the non-compliance of the products and the services with respect to the information and the labeling thereof, as well as no cases of the non-compliance related to the marketing communications had been reported in the entire TAURON Group. In accordance with the principles stemming from the PRO Client Social Policy, the marketing message sent by TAURON Group is not only in line with the provisions of the law, but also with the good practices.

S 3.8. Intellectual property protection and research and development activities

Table of indicators:

GRI 3-3	Use of innovative technologies, environmentally friendly products and services Ensuring energy security and stable supply of electricity and heat
GRI – general	2-24
Proprietary indicators	Research and investment projects in 2023 aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group

In connection with its functioning as part of a continuously developing economy based on knowledge and the new technologies, TAURON Group, as a conscious owner of the innovative solutions is shaping its corporate policy with respect for the intellectual property rights in mind, in particular through the adequate regulations aimed at the various groups of the recipients, i.e.:

- TAURON Group's Intellectual Property Policy - a non-group regulation targeted at our external counterparties,
- TAURON Group's Intellectual Property Management Principles - an intra-corporate regulation governing the intellectual property issues at the Group level.

TAURON Group's Intellectual Property Policy defines the uniform principles and standards of conduct with respect to the management of the intellectual property at TAURON Group, and it constitutes a set of the good practices which the counterparties (contractors) and collaborators are expected to adhere to. The provisions of TAURON Group's Intellectual Property Policy assume the compliance with the legal regulations governing the intellectual property issues, as well as indicate the directions and actions that the Group's subsidiaries should take in this regard, as part of their business operations.

TAURON Group's Intellectual Property Management Principles contain the provisions, common to all of the processes and instructions of conduct (operating procedures) related thereto, dealing with the subject of the protection and management of the intellectual property at TAURON Group (for example, the definitions and the directional guidelines). It is the overarching documentation with respect to two specific processes:

- process of filing for the registration of the inventions, the utility models or the industrial designs,
- employee rationalization process, i.e. the ideas related to the improvements of a technical and technological nature that originate from the employees.

The issues related to obtaining the protection for the inventions, as well as other technical objects of the industrial property, are regulated by TAURON through an adequate process entitled the "Filing for registration of the Inventions, the Utility Models or the Industrial Designs" and a manual (instruction, procedure) related thereto. These documents indicate a specific scheme of the procedures and define the templates of the agreements necessary for the proper acquisition of the rights and the protection of the industrial property objects.

On the other hand, the employee rationalization process and the instruction (manual, procedure) on dealing with the rationalization ideas at TAURON Group related thereto, regulate the rules related to the acquisition and the remuneration for the innovations originating from the employees (internal innovations). In accordance with the above mentioned Group's regulations, the rationalization ideas are any ideas for an improvement of a technical and technological nature that originate from the employees of TAURON Group.

TAURON is managing the Group's intellectual property in a conscious and responsible manner with its goal to provide the protection of the intellectual property rights (IPR) that is carried out, in particular, through the proper acquisition of the intellectual property rights, as well as their licensing, the protection of the corporate (trade) secrets and combating the unfair competition.

The measures have been taken at TAURON Group aimed at enabling TAURON Group's subsidiaries to securely share the information obtained in the course of their research and development work as part of a shared know-how base.

Actions taken and the results achieved

The protection of the intellectual property is an important element of TAURON Group's research, development and innovation (R&D&I) activities. The activities, the importance of which is highlighted in TAURON Group's Strategy, are reflected in the Strategic Research Agenda (Strategiczna Agenda Badawcza - SAB). Thanks to the applied comprehensive portfolio management of the R&D projects, it is possible to implement the innovative solutions that provide the support for TAURON Group's transition towards climate neutrality.

SAB is a document that precisely describes the directions for the development of the innovations and provides a more detailed elaboration of the Strategy of TAURON Group. The document is composed of four research portfolios:

- Customer and his or her needs,
- smart distribution,
- green energy,
- sustainable heat.

Each portfolio sets the directions for the research and development projects, as part of which the subjects (topics, issues) are defined for the selected research areas. Such a structure of the SAB supports the selection of the best projects when taking into account the Group's expansion prospects.

Due diligence procedures and the internal regulations

The implementation of the SAB takes place on several levels, forming the so-called innovation ecosystem, including in the pro-climate context. The procedures and the good practices applied, reinforcing the synergies of the various elements of the ecosystem, are deployed in accordance with the technical qualification criteria indicated in the EU regulations. In this way, TAURON Group's contribution to the climate change mitigation is made in harmony with the Group's development, while ensuring the respect for the "do no significant harm" principle.

In addition to the traditionally understood research and development activities (the research and development projects, the cooperation with the scientific units and the innovative business partners), the Group is expanding the cooperation with the start-ups. TAURON is conducting a proprietary accelerator program called TAURON Progress that enables innovative companies (startups) to carry out the pilot implementation of the new solutions in the real world conditions. The best ideas submitted are tested on TAURON's infrastructure, as well as offered support from the subject matter experts and the analysts. The cooperation with the startups is also an opportunity to further develop the project portfolio of the Corporate Venture Capital (CVC) type fund - EEC Magenta.

The research and investment projects aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group are illustrated in Table no. 86.

Table no. 86. Research and investment projects in 2023 aimed at ensuring the reliability of the electricity supply and promoting the sustainable development within the Group and by TAURON Group

Investment project categories	Investment project type – investment project name (broken down into categories in the table)	Investment project description and objective	Costs (incurred in conjunction with the implementation of the investment project) PLN
Renewable energy technologies	Ultra-fast forecasting of the generation and the regulation (control) capacities of the photovoltaic sources	Carrying out of the industrial research and the development works aimed at developing a unique system for the ultra-fast forecasting of the electricity production from the photovoltaic installations, allowing for the forecasting of the electricity production over a time frame of less than one hour, using a combination of monitoring of the current weather conditions by the measuring devices and the high quality HD cameras as well as the numerical weather forecasts.	1 446 914
	Ultra-fast forecasting of the wind generation	Developing an ultra-fast forecasting system for wind generation sources. The solution will be used to improve the procedures for managing the renewable energy sources and minimize the cost of the deviations from the production plans. In addition, the system under development can be integrated with the Virtual Power Plant (VPP) system, which will contribute to the more effective coordination of the in-house generation sources and the increased revenues resulting from the increased sales of the electricity volumes	31 264
	Local efficient district heating system based on the RES and the waste heat	Examining, on the basis of a heat pump demonstration plant installation built as part of the project, operating under the actual heat distribution conditions, as well as the supply of the solar energy and the bottom source of the energy for the pump, the possibility of converting the small island district heating systems powered by the fossil fuel based sources to the systems that meet the criteria of the energy efficient systems.	86 982
TOTAL COSTS IN THE CATEGORY			1 565 160
Electricity distribution	Distributed energy 2.0 operating model - self-balancing areas of the power grid - optimizing the operation of the Microgrid for its commercialization	Gaining of the experience related to the operation of the Microgrid installation and the proper balancing of the energy production in the offered target solutions for the Customers, taking into account the analysis of the benefits stemming from the ability to switch the installation ON-GRID =>OFF GRID depending on the market conditions, with a particular emphasis on the operation of the Energy Storage Facility. The designed Microgrid Management System is being subjected to the optimization project, and it is also being expanded with the additional modules related to the management of the Microgrid components and, in particular, the Energy Storage Facility based on the Energy Market.	15 820
	Flexible Distribution - a prototype of a simulation tool	A compendium of the knowledge on the flexibility services and a case study in a selected pilot area are being developed, including an assessment of the effectiveness of the possible purchase of the flexibility services in relation to the planned expenses for the grid upgrades and the possible timing of such upgrades. There is also an audit under way of the data availability in the IT systems and its usefulness for identifying the needs with respect to acquiring the flexibility services and assessing the economic efficiency of this process. The end product of the project will be a prototype of a decision support tool for the purchasing of the flexibility services, based on the analytical and the forecasting methods produced as part the project.	581 540

	Developing of a tool to analyze the risks related to the grid assets for the various investment scenarios	Developing of an IT tool that would enable to determine the impact of the analyzed investment scenarios on the amount of the risk associated with TAURON Dystrybucja's assets, and to support the investment planning process with the use of an investment efficiency indicator based on the analysis of the risk in the individual groups of assets. The implementation of the scope will take place through the development of the functioning IT tool ASP (<i>Asset Strategy Planning</i>).	5 040
TOTAL COSTS IN THE CATEGORY			602 400
Transmission and distribution technologies	Integrated cable grid diagnostics system	A prototype of an IT tool to support the management of the MV cable lines is being developed, based on the technical and statistical data, as well as the results of the measurements and the diagnostic tests carried out at the Tauron Dystrybucja subsidiary. The developed algorithms should determine the degree of the risk and the probability of a failure, as well as enable other analyses in order to facilitate the taking of the pre-emptive actions while maintaining an optimal technical and economic balance.	444 312
	Verification of the validity and possibility of using the method proposed by the TAURON Ciepło subsidiary to detect the location of the leaks from the district heating networks	Obtaining of a clear, unequivocal answer, on the basis of the developed intelligent mathematical algorithm and the tests conducted, as to whether the method proposed by TC can be used to detect the location of the leaks in the district heating networks. The results of the project will become the guidelines for the further activities on the entire district heating system of TC.	532 635
TOTAL COSTS IN THE CATEGORY			976 947
Advanced technologies (storage, recovery, etc.)	Development of the industrial grade design of the carbonate fuel cells and the ceramic electrolyzers enabling the integration with the power-to-gas installations	Improving of the chemical energy storage process (a substitute for the natural gas - SNG), mainly based on the higher efficiency of the high temperature electrolysis and the use of the carbonate fuel cells for the CO ₂ capture from the flue gases, which does not require the supply of the electricity from the power plant to the capture system. In addition, both of the innovations introduced enable their integration on the heat and electricity generation side.	287 269
	Energy storage systems for the needs of the DSOs	Construction of a stationary energy storage system based on the electrochemical cells. The installation of the energy storage system takes place at the point of the connection to the distribution grid of the renewable energy sources, making it possible to use this measure to increase the ability to connect such sources to the grid and mitigate the impact of the rapid changes in the generated power on the electricity quality parameters.	543 459
	Developing and testing an adaptive energy storage system based on the second life of the batteries coming from the electric vehicles (Second Life ESS).	Building and testing of a prototype of an innovative electricity storage system reusing the batteries coming from the electric transportation (EVs), usually with the lithium-ion cells. There are many benefits to using the reused batteries in an electricity storage system, including, among other things that it will reduce the cost of the storage to a level acceptable to the potential user	1 585 253
	Battery Energy Storage Facilities – Capacity Market	Examining the scope and the feasibility of constructing of the battery energy storage facilities to utilize the storage in the Group's operations and as a potential source of the new opportunities arising from the participation in the Capacity Market and in the Balancing Market.	6 829 000

	Use of the air source heat pumps in the hybrid heat exchange nodes (substations) in the context of the sustainability and the energy efficiency	Conducting of the research work with respect to verifying of the validity and the feasibility of implementing an air source heat pump at the two locations within TAURON Ciepło's district heating network, operating under the actual heat consumption conditions. The project is aimed at preparing TAURON for the future changes in regulations related to the emissions and the energy efficiency.	630 000
TOTAL COSTS IN THE CATEGORY			9 874 981
Innovative related services (e.g. remote meters)	Development of the advanced technology for the monitoring and the predictive analysis of the technical condition of the boiler in order to increase the reliability of the boiler unit	The origin of the project is associated with the need to improve the availability (dispatchability) of the 460 MWe unit. The technologies being developed should definitely increase the efficiency and reduce the costs of the diagnostics of the heat exchange surface inside the boiler, leading to an improvement of its availability and increasing the economic efficiency of its operation. The goal of the project is to develop two complementary technologies / tools for the advanced diagnostics of the wear of the heat exchange components inside the boiler. The first solution would be used for the precise (detailed) monitoring of the technical condition of the heat exchange components inside the boiler, which could operate at the high temperatures, while the second solution would be used for the analysis and interpretation of the results obtained in the context of the prediction of the erosive wear of the heating surfaces of the boiler's furnace chamber and the required repairs (overhauls).	213 063
	Development and demonstration of a computer system for the operation control and the management of the availability (dispatchability) and the reliability of the industrial infrastructure based on the artificial intelligence algorithms	Developing of a prototype modular computer system based on the artificial intelligence algorithms in order to increase the reliability of TAURON Group's generation infrastructure. The goal will be achieved through the creation of a hybrid IT infrastructure, which will include the adaptive predictive and prescription models interoperating with the control systems, the optimization algorithms, the numerical models, the databases and the algorithms controlling the health condition of the energy devices	1 537 293
	Internet of Things (IOT)	Developing and implementing of an IT architecture for collecting and managing the data from the selected areas of a smart city, the implemented solution assumes scaling in terms of the number of the sensor devices and the functional areas served. The project focuses on, among other things, the air quality monitoring, the waste management, the smart street lighting as well as the parking spaces management and the traffic monitoring in the city. The developed IT environment, along with the recommendations, will be the basis for developing and offering of the ultimate (target) product to the cities and municipalities.	8 270
	Developing a tool to support the cooperation with the energy clusters with respect to the sharing and processing of the metering data	Designing, testing and implementing of an ecosystem of the eMeter functionality in order to meet the needs of a new segment of the Customers – the energy clusters and the energy communities	238 409
	Utilization of the next generation hydrogen technologies for the stationary energy and transportation applications, based on a circular economy (HYDROGEN POLAND)	The industrial scale demonstration of a hydrogen based economy, which will include a full value chain. The project includes the production of the green hydrogen using the renewable energy and its further conversion, distribution and use. In parallel, it also assumes the use of the non-recyclable waste and its conversion into an alternative fuel – the decarbonized synthetic natural gas.	672 799
	Small Wind Turbines	The development (installing) and testing of the small wind turbines with the capacity of up to 50 kW based on the various technologies in the real conditions, and the development of a dedicated	70 000

Project carried out as part of the HEMS (Home Energy Management System) program	tool to match the turbines' parameters to the Customer's needs, taking into account the specific construction site, and the development of a new product / service.	
Energy storage facility for the PV Installations		
Project carried out as part of the HEMS (Home Energy Management System) program	The project includes the implementation of the development of an energy storage (30 kW, 65 kWh) cooperating with a PV installation (50kW) and the analysis of data on the client's energy production and consumption profile (during the year before and after the storage installation).	2 205
Developing Customer Energy Characteristics by analyzing their energy behavior based on the data obtained from the AMI meters		
Project carried out as part of the HEMS (Home Energy Management System) program	The development of a method of transmitting the data from the AMI meters and to verify the quality of the data and the efficiency of its transmission, in the context of the possibility of creating the new products and services for the Customers.	21 600
Use of the AMI meters in the prepaid energy billing by the supplier		
Project carried out as part of the HEMS program	The testing of the Customer demand for the AMI prepayment meter based products, determining of the functionality of the new product and the possibility of commercializing the product to generate the revenue.	22 000
TOTAL COSTS IN THE CATEGORY		2 785 639
TOTAL AGGREGATE COSTS		15 805 127

S 3.9. Principles of Conducting Corporate Social Responsibility (CSR) projects

Table of indicators:

GRI – general	2-24
GRI – topic	403-6

In accordance with TAURON Group's Strategy and based on the Good Practices of the Companies Listed on the WSE 2021, TAURON Group has been steadfastly pursuing a policy of corporate social responsibility (CSR). Within its framework, a number of projects are implemented in order to take into account the social interest, the respect for the stakeholders and the ethical principles, with a particular attention being paid to the transparency of the operations and the open communication in the spirit of the dialogue and trust. The main document regulating the issues of TAURON Group's responsibility towards the public is TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) Projects adopted by the Management Board of TAURON Polska Energia in 2020 and updated in 2023. The regulations contained in the document specify what constitutes an activity that is a part of CSR scope at TAURON Group, what its objectives and dimensions are, the scope, as well how the CSR projects are to be planned and implemented in order to ensure their transparency and the compliance with commonly applicable provisions of the law, the internal and the intra-corporate regulations, as well as the best practices.

The projects carried out by the Group support the local communities and institutions, create a friendly workplace and, above all, support the education and the development of the children and young people. The initiatives and the campaigns are focused on several levels: pro-social, educational, sports, environmental and cultural.

With respect to the CSR projects addressed to the external stakeholders, TAURON Group focuses on the initiatives aimed at promoting the social and economic development that include:

- TAURON's proprietary "TAURON's Green Laboratories" (Zielone Laboratoria TAURONA) project as part of which TAURON Group provides the support for the elementary and the secondary school students in the process of their education, and enables the teachers to conduct the classes in the modern, well equipped classrooms. By creating the innovative and the learning-friendly spaces, we motivate the students to deepen their knowledge and strengthen their competencies and skills. The task set before the participants of the project is to create a visualization of the science laboratory in its new appearance using any technique, along with a cost estimate and a description of the planned activities. The amount of the funding covers selected 4 schools from the provinces of Silesia, Lower Silesia, Opole and Lesser Poland. 238 schools (193 elementary schools and 45 secondary schools) joined the project in the second edition that took place in 2023. More information is available on the website: <https://laboratoria.tauron.pl/>,
- cooperation with the Family Rehabilitation HOME for Children with Cerebral Palsy Foundation (Fundacja DOM Rodzinnej Rehabilitacji Dzieci z Porażeniem Mózgowym), where the common goal is to help the people with the disabilities. TAURON is a partner in a number of events organized by the Foundation, such as, among other things, the Carnival Ball for the children, the Colorful Procession or the Christmas Song Contest for the children from the Center. Together we break down the social barriers and stereotypes,
- cooperation with the ISKIERKA (SPARK) Foundation, which involves the support for the treatment of the children with cancer. The activities include renovating the children's hospital rooms, organizing the concerts for the children from the Foundation, the carnival balls or the family picnics,
- cooperation with the Red Noses Foundation (Fundacja Czerwone Noski). TAURON is the first energy company in Poland to carry out a joint project with the Foundation aimed at bringing the smiles and humor to the sick children and their families. Several times a year, the hospitalized children with the varying degrees of the neurological and motor disabilities participate in the theater and circus workshops organized by the Red Noses. The participating children determine the shape of the project, co-create the script for the show, musicalize the final show and are also the main actors on the stage. These activities have a proven scientific therapeutic effect,
- cooperation with the Association for Assistance to Children and Youth "House of the Guardian Angels," (Stowarzyszenie Pomocy Dzieciom i Młodzieży „Dom Aniołów Stróżów”), which changes the reality of the children from post mining areas and annually involves TAURON Group's employees in the employee volunteering. TAURON organizes the collections of the food, stationery, chemicals, cosmetics and medicines for the children from the House of the Guardian Angels,
- organizing of the pro-social campaigns together with the Mountain Volunteer Rescue Service (Górskie Ochotnicze Pogotowie Ratunkowe) with the goal to promote the active lifestyles and the safe behavior in the mountains. These activities contribute to the raising of the awareness of the threats arising from the

inadequate preparation for a mountain hike, as well as from navigating the trails and the slopes. The 2023 events included, among other things, RoweLove Karkonosze - a cycling expedition for TAURON Group's employees in the cooperation with the Karkonosze National Park (Karkonoski Parkiem Narodowy) and GOPR Karkonoska Group (GOPR Grupą Karkonoska),

- leveling of the playing field and eliminating of the barriers by supporting a group of the volunteers, the so-called Sherpas who enable the people with the disabilities (the Treasures) to climb the mountain peaks. Thanks to this innovative, trail blazing campaign, the Treasures have a chance to achieve what had seemed impossible just yesterday - to conquer a mountain. Some are carried up the mountain in the special carriers, others on the stretchers, while still others complete the route on their own feet with the full belief of the Sherpas of the Hope,
- TAURON the Giants of the Volleyball (TAURON Giganci Siatkówki) is one of the largest pre-season volleyball tournaments in Europe. These tournaments are an excellent opportunity to promote a sport that is so dear to the Polish people, and at the same time to engage in the campaigns for those in need. This is an event where the spirit of the sports rivalry is fueled by the will to offer help. The proceeds from the ticket sales go entirely to the children in need,
- providing a patronage support to the sports clubs, such as the Inter-school Pupils Sports Club "Kępczanin" (Uczniowski Międzyszkolny Klub Sportowy "Kępczanin") and the Stal Nysa Volleyball Academy Association (Stowarzyszenie Akademia Siatkówki Stal Nysa), which conduct the training sessions for the children and the young people,
- cooperation with the Karkonosze National Park (Karkonoski Parkiem Narodowy) under the name #NaturalniBohaterowie (#NaturalHeroes), which aims to develop the responsibility among the Group's employees for the existing protected areas,
- financial and non-financial assistance for the citizens of Ukraine through, among other things, the creation of the special service channels and a dedicated website (<https://www.tauron.pl/dla-ukrainy>), the in-kind assistance aimed at ensuring the maintenance and the proper operation of the energy infrastructure in Ukraine or the financial support provided by the TAURON Foundation in the form of, for example, the humanitarian aid, the purchase of the generators or the subsidies for the school starter kits for the refugee children from Ukraine,
- "TAURON's Storks" (Bociany TAURONA) campaign, which aims to make sure that the electricity supply is failure free, and thus the Customers have comfort and safety, as of the storks which are building the nests on the power grid poles in the increasing numbers. More than 2 200 stork nests are located on the power grid poles and more than 5 000 storks have been ringed as part of the campaign in the company's area of operation. The power engineers take care of the nests, in winter in particular, through the cleaning procedures or relocating them to the special platforms.

With respect to the projects aimed at the internal stakeholders, the Group focuses on the initiatives that support the developing of a friendly work environment, fostering the interpersonal relations and the long lasting ties with the local communities, through the implementation of the proprietary projects

The trainings, the thematic webinars and the workshops for TAURON Group's employees with respect to health, active lifestyle, well-being practices or safety in the mountains and on the tourist trails are conducted in the cooperation with TAURON Group's partners.

As part of the vacation Thursdays, under the title #MocRelacji (#PowerRelationships), the following events were held:

- webinars with the physiotherapists who talked about the prevention in sports and the healthy diet, among other things,
- webinars with the Karkonosze National Park (Karkonoski Park Narodowy), during which the specialists in the predator and ornithofauna monitoring talked about, among other things, the most valuable species found in the Karkonosze mountains,
- webinars for the employees related to the secondary prevention of the heart attacks, under the title "How to avoid another heart attack – an effective treatment of hypercholesterolemia" and related to the stroke under the title "How to recognize and properly assess the life threatening conditions",
- training with respect to the cardiopulmonary resuscitation with the Upper Silesian Medical Center (Górnośląskie Centrum Medyczne),
- free cardiology examinations and consultations conducted by the specialists from the Upper Silesian Medical Center (Górnośląskie Centrum Medyczne) because of the World Heart Day,
- individual meetings with a psychologist and a child pedagog were held for the interested employees.

As part of the "Rodzinna MegaMoc" (Family MegaPower) campaign, the following events were held:

- "Zero Waste" webinar on the issue of the climate change and its impact on our future and the application of the zero waste ideas at home and in the company, making the well thought through purchasing decisions and taking care of our planet and health at the same time,
- zero waste competition for the employees under the title: "Show off your idea for an ecological picnic with your loved ones",
- yoga classes for TAURON Group's employees,
- webinar with Mountain Volunteer Rescue Service (Górskie Ochotnicze Pogotowie Ratunkowe - GOPR under the title the "Family Expedition to the Mountains",
- workshops for the employees' children related to the energy use combined with a photo contest.

As part of the "#Love for Physical Activity" (#Zamłowanie do aktywności fizycznej) campaign, the following periodic events are held:

- sports games for TAURON Group's employees in five disciplines, discovering the sports capabilities and potential of the Group's employees and integrating the internal community,
- TAURON Group's employees' skiing competition,
- TAURON Group's employee volleyball championships.

Awards for the corporate social responsibility activities:

Leader of the Corporate Social Responsibility in the category Good Company 2023

TAURON was awarded the title of the Leader of the Corporate Social Responsibility in the category Good Company 2023. The Leaders of the Corporate Social Responsibility program is a competition organized by the Business Forum, whose goal is to distinguish the companies and the institutions operating in Poland that are guided by the principles of the Corporate Social Responsibility and the leaders with respect to the implementation of the CSR assumptions. The numerous criteria were taken into account in selecting the winners, including, among other things, the degree of the company's involvement in the charitable activities, the Corporate Social Responsibility (CSR) and the implemented policy of the company as an employer. The competition's board appreciated TAURON Group's activities related to its commitment to the dissemination of the CSR principles, in particular in the context of the activities for the benefit of the local communities, through the implementation of the numerous projects focused on the pro-social, educational, sports, environmental and the cultural levels.

ESG Leaders – the silver prize in the "Education Program" category

TAURON was awarded a silver prize in the Education Program category in the "ESG Leaders" competition, organized by the Warsaw Stock Exchange (WSE) and PWC Poland. Its goal is to recognize the companies that offer the innovative products and services that support the environment protection or the social sustainability, implement the ESG strategy and conduct the effective information and promotion campaigns in the area of the sustainable development. The award is given in three categories: Strategy, Innovation and Education Program. The competition's board appreciated TAURON Group's activities in the educational area and its proprietary project called TAURON's Green Laboratories, whose goal is to support the youngest generations with respect to the access to science, knowledge and the new technologies, as well as giving the primary and secondary school students a chance to create the modern classroom of their dreams.

Ranking of the Responsible Companies

The Ranking of the Responsible Companies is a list of the largest companies in Poland, evaluated in terms of the quality of their corporate social responsibility (CSR) management. The 17th edition of this event had been held in 2023. Seventy four organizations had taken part, answering the questions from a questionnaire on the scope of environmental, social and corporate governance criteria. TAURON's position at the top of the ranking confirms that the corporate social responsibility and the sustainable development are our greatest value and an inseparable element. The steps taken by TAURON Group in the area of the corporate social responsibility, create the image of an ethical and trustworthy company.

S 3.10. Principles of sponsorship

Table of indicators:

GRI – general	2-24
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TAURON Group's sponsorship activities are carried out in accordance with TAURON Group's Sponsorship Strategy for the years 2018-2025, updated in 2019. The main document regulating the sponsorship activities at TAURON Group is the document entitled the TAURON Group's Principles of Conducting Sponsoring Activities. The regulations provided in the document specify what constitutes a sponsorship activity at TAURON Group, what its objectives and dimensions are, and how the sponsorship projects should be planned and implemented to ensure their transparency, accomplishment of the objectives set and the compliance with the generally applicable legal regulations, the internal and the intra-corporate regulations, as well as the good practices.

The most important projects include the titular sponsorship titular (naming rights holder) of TAURON Arena in Cracow and the cooperation with the Polish Volleyball League (Polska Liga Siatkówki). TAURON is the titular sponsor (naming rights holder) of the Women's Volleyball League, as well as of the Men's Volleyball League's 1st Division, the Women's and Men's Volleyball Poland Cup and the strategic sponsor of the Volleyball PlusLiga and the Polish Women's and Men's Volleyball Poland Super Cup tournaments. Thanks to its cooperation with the Polish Volleyball League, TAURON Group has the opportunity to support one of the sports disciplines most loved by the Polish people.

In December 2023, an agreement was signed, for the third time already, with TAURON Arena Kraków. The agreement will remain in effect until 2028. Pursuant to the agreement TAURON will continue to be the titular (naming rights holder) sponsor of the facility. TAURON has been a sponsor titular (naming rights holder) of the facility since its inception.

TAURON, as part of the "TAURON without barriers" (TAURON bez barier) initiative, is the General Sponsor of the Special Olympics - a nationwide organization that supports the athletes with the intellectual disabilities. The sports provide an opportunity for the participants of the Special Olympics to break down their own barriers, build self-esteem, and develop both athletically, as well as socially. On the other hand, the project breaks down the stereotypes, contributes to the better understanding and acceptance of the people with the intellectual disabilities.

In 2023, a four-year agreement was signed with the Polish Olympic Committee (PKOl), under which, in addition to sponsoring the Olympic team, TAURON became a strategic sponsor of sports associations:

- Polish Roller Sports Association (Polski Związek Sportów Wrotkarskich),
- Polish Aeroclub (Aeroklub Polski),
- Polish Gymnastics Association (Polski Związek Gimnastyczny).

and the Title Partner (naming rights holder) of the Polish Hockey League.

The cooperation with the Soundscape Foundation was added to the thus far supported cultural projects, i.e. TAURON Nowa Muzyka Festival in Katowice and the Snow Fest Festival in Szczyrk, The cooperation with the Soundscape Foundation. Soundscape is a foundation from the Silesia region, whose main goal is to create the platforms for the cooperation of the creative communities and the popularization of the culture. The foundation deals with the scientific approach to the sound, its use in the music, visual arts and in the public space. As part of this cooperation, a multimedia laboratory - TAURON Lab - was established, located on the campus of the Academy of Fine Arts in Katowice (Akademia Sztuk Pięknych w Katowicach), providing the so far unprecedented creative opportunities.

TAURON Group is among the TOP 3 brands in the energy industry that engage in the sponsorship activities (in accordance with the Sponsorship Monitor 2023 – the Syndicated Research Report by ARC Market and Opinion, Warsaw 2024).

S 4. Description of opportunities and risks and the impact thereof on TAURON Group's operations

S 4.1. Human Capital Management Risk

Table no. 87 presents the Human Capital Management Risk identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Human Capital Management Risk is classified in the category: Operational Risk / Employees and organizational culture.

Table no. 87. Human Capital Management Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:	
<p>TREND ↗ Risk in an upward trend</p>	<p>TREND → Risk in a sideways trend (no change)</p>
<p>TREND ↘ Risk in a downward trend</p>	
<p>Low materiality</p>	<p>Moderate materiality</p>
<p>Medium materiality</p>	<p>High materiality</p>
<p>Human Capital Management Risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	<p>THREATS</p> <p>Risk related to the employee issues, including diversity, participation, employment and working conditions, relations with the trade unions and respect for the right of freedom of association, human capital management, career path and recruitment management, training systems, health and safety at work as well as, in the long run, the need to restructure employment due to climate change, forcing a change of the business operations profile. The materialization of the risk may result in the interruptions or disruptions in the operational work, employee complaints, collective labor disputes, strikes, loss of specialized staff and difficulties in reproducing it.</p> <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • stabilization of employment, fewer staff fluctuations, • decrease in the cost of recruiting and training of the new employees, • higher level of competence of the persons employed, higher productivity. <p>RESPONSES</p> <ul style="list-style-type: none"> • adoption and implementation of TAURON Group's Recruitment Principles, • implementation of TAURON Group's Policy of Compliance with Ethics Principles and Counteracting Mobbing and Discrimination, • care for the development of the employees' competences, including through the participation in the development training courses, • conducting consultations with the social organizations operating at TAURON Group, • implementation of TAURON Group's Human Capital Management Policy based on the Competence Model and the applicable compensation and labor law regulations (Compensation Regulations, ZUZP, Labor Regulations), • health promotion by providing the employees with access to private medical services, and health care, • applying the provisions of the Diversity Policy, • implementation of the provisions of the Respect for Human Rights Policy.

S 4.2. Internal Communication Risk

Table no. 88 presents the Internal Communication Risk identified at TAURON Group. In accordance with the Risk Model adopted at TAURON Group, the Internal Communication Risk is classified in the category: Operational Risk / Employees and organizational culture.

Table no. 88. Internal Communication Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:		
<p>TREND ↗ Risk in an upward trend</p> <p>TREND → Risk in a sideways trend (no change)</p> <p>TREND ↘ Risk in a downward trend</p>	<p>Low materiality</p> <p>Moderate materiality</p> <p>Medium materiality</p> <p>High materiality</p>	
<p>Communication Risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	Risk related to providing inaccurate (unreliable), untrue information or a failure to provide the information within a certain time frame
	OPPORTUNITIES	<ul style="list-style-type: none"> • faster resolution of the disputes between the workforce and the Management Board, • reducing / eliminating the costs of the possible shutdowns during the labor protests.
	RESPONSES	<ul style="list-style-type: none"> • developing the relationships with TAURON Group's workforce and the close cooperation with the Social Dialogue Ombudsman, • the use and the development of the available communication tools in order to provide the relevant information to the employees of TAURON Group, • when providing the relevant information - organizing face to face (direct) meetings of the management team with the workforce, • ongoing monitoring of the situations and events occurring at TAURON Group's subsidiaries that may cause social unrest, • regular periodic meetings with the representatives of the subsidiaries, that deal with the internal communication, in order to exchange information, • applying the provisions of TAURON Group's Communications Strategy.

S 4.3. WHS Risk

Table no. 89 presents the WHS Risk identified at TAURON Group. In accordance with the Risk Model adopted by TAURON Group, the WHS Risk is classified in the category: Operational Risk / Employees and organizational culture.

Table no. 89. WHS Risk identified at TAURON Group






Each of the risks is assigned a trend and a materiality level, as indicated below:		
<p>TREND ↗ Risk in an upward trend</p> <p>TREND → Risk in a sideways trend (no change)</p> <p>TREND ↘ Risk in a downward trend</p>	<p>Low materiality</p> <p>Moderate materiality</p> <p>Medium materiality</p> <p>High materiality</p>	
<p>WHS Risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	Risk related to ensuring health and safety at work. The materialization of the risk results in an employee injury, loss of health or excessive exposure of an employee to factors harmful to health, compensation paid out for damage to health.
	OPPORTUNITIES	<ul style="list-style-type: none"> • building a positive image of the TAURON Group as an entity taking care of the health and safety issues, creating safe working conditions for its employees, • decrease in the number of accident events, the lower costs resulting from the consequences of accident events.

	RESPONSES	<ul style="list-style-type: none"> prioritizing the safety of the employees, Customers, contractors and stakeholders in the business operations undertaken, applying the provisions of TAURON Group's Work Health and Safety (WHS) Policy, ensuring the optimal work conditions, conducting active monitoring of the working conditions and the correctness of the work organization, raising the employees' qualifications with respect to improving work safety, conducting the training courses, implementing and improving the WHS management system.
Pandemic Risk	THREATS	Risk related to the occurrence of the state of pandemic causing the disruptions to the country's economic and administration system, as well as bringing about the material changes in the market environment, impacting the operating conditions of TAURON Group's subsidiaries. The increase in the number of infection cases leads to a reduction of the business activity, which affects the level of the demand for the products offered by TAURON Group's subsidiaries, including, in particular, the electricity distribution and supply volumes.
TREND →	OPPORTUNITIES	Early detection and response to an increase in the number of the infection cases curbs the spread of the disease, which leads to the faster control of the situation and the control of the effects of the pandemic reducing the time of the incapacity to perform work, in order to maintain the continuity of the Group's operations, curtailing any potential losses in the business operations.
MATERIALITY ■	RESPONSES	<ul style="list-style-type: none"> monitoring of the state of the epidemiological threat (risk) at TAURON Group, collecting the information on the threats (risks) and identifying the potential threats (risks) to the safety of the employees of TAURON Group's subsidiaries, developing and recommending the solutions aimed at reducing the level of risk to TAURON Group's resources, ongoing monitoring of the risk of the availability of the employees and the services provided by TAURON Group's subsidiaries, recommending solutions aimed at reducing the effects of the materialization of the threat (risk) on TAURON Group's resources, preparing and providing feedback on the content of the messages disseminated at the level of TAURON Group and TAURON Polska Energia, use of the screening tests, preparing the contingency plans in the event of a loss of the Group's key employees, development of the backup business continuity plans.

S 4.4. Social Risk

Table no. 90 presents Social Risk identified at TAURON Group. In accordance with the Risk Model adopted by the Group, the Social Risk is classified in the category: Operational risk / Employees and organizational culture. The corporate social responsibility area management risk and the risk of reputation management by shaping the brand image are classified in the category: Operational Risk / Environment (Stakeholders).

Table no. 90. Social Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:			
TREND ↗ Risk in an upward trend	TREND → Risk in a sideways trend (no change)		TREND ↘ Risk in a downward trend
			
Low materiality	Moderate materiality	Medium materiality	High materiality
Social Risk	THREATS	The risk includes the risk of the non-compliance with the standards of the Customer service, the supply contract performance, the external communications and the marketing activities, as well as the risk related to the protection of the personal data. The result of the materialization of the risk is a loss of the reputation and the trust of the Customers, the disputes with the Customers, a failure to meet the targets, including the sales targets, as well as the potential penalties for the non-compliance with the legal requirements with respect to the protection of the personal data.	
TREND →		OPPORTUNITIES	Acquiring of the new Customer groups and the development of the product offerings based on the current trends and the Customer needs, the consolidation of the positive image of TAURON Group's brand.
MATERIALITY 			







	RESPONSES	<ul style="list-style-type: none"> • applying of the PRO Client Social Policy, • conducting of the dialogue with the Customers, including the Customer satisfaction surveys, tailoring the product offerings to their needs, ensuring the high quality of the Customer service, • developing of the relationships with the Customers and with the market environment (stakeholders), • responsibility for the product, including for the quality and the security of the supply, tailoring of the product offerings to the Customer expectations, • protection of the privacy and the security of the Customers' personal data, • deploying of the tools supporting the implementation of the client social policy, • standardization of the draft contracts (contract templates) with the Customers and their adaptation to the changes in the legal regulations as well as the optimization of the sales and service processes, • implementation of the promotional activities in accordance with the adopted TAURON Brand Strategy and TAURON Group's Sponsorship Strategy for the years 2018 - 2025, taking into account the respect for the human rights and conducting of the responsible marketing activities.
<p>Corporate social responsibility area management risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	Risk related to the involvement of TAURON Group in the activities that do not constitute a response to the needs of the stakeholders resulting in a loss of confidence on the part of the various stakeholder groups, a loss of the credibility and the messages generated by the company in the society.
	OPPORTUNITIES	Acquiring of the new Customer groups and the development of the product offerings based on the current trends and the Customer needs, the consolidation of the positive image of TAURON Group's brand.
	RESPONSES	<ul style="list-style-type: none"> • implementation and performance of the CSR projects plan, which specifies all of the activities, including the justification thereof, • applying of the document entitled: TAURON Group's Principles of Conducting Corporate Social Responsibility (CSR) projects, • approval of the key activities by the authorized areas.
<p>Risk of reputation management by shaping the brand image</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	Risk includes the risk of a failure to meet the standards of the Customer service, the supply contract performance, the external communications and the marketing activities, as well as risk related to the personal data protection. The effect of the materialization of the risk is loss of the reputation and the trust of Customers, the disputes with Customers, a failure to meet targets, including the sales targets, and the potential penalties for the non-compliance with the legal requirements with respect to the protection of the personal data.
	OPPORTUNITIES	Acquiring of the new Customer groups and the development of the product offerings based on the current trends and the Customer needs, the consolidation of the positive image of TAURON Group's brand.
	RESPONSES	<ul style="list-style-type: none"> • supervising of the process of establishing the methodology for conducting the promotional and the sponsorship campaigns, approving of the key activities by the authorized areas, • implementing of the Visual Identification System, appointing a Team responsible for assessing and approving the image building projects.

G – GOVERNANCE

(Corporate Governance)

G 1. Governance area in numbers

Table no. 91. Non-financial and financial key performance indicators related to the corporate governance area in 2023

	Key performance indicators	2023
	Conducted training sessions on the topics related to the respect for human rights, a conflict of interest, counteracting corruption, the proposed changes in the area of the sustainable development, and TAURON Group's other internal regulations with respect to Compliance	21
	Identified material cases of non-compliance with the laws and regulations	0
	Material penalties for non-compliance with the laws and regulations	No sanctions imposed on TAURON Group
	Participation in the preparation of the document "Anti-Corruption Standard for Business" published in December 2023 at the registered office of the Warsaw Stock Exchange Joint Stock Company (Giełda Papierów Wartościowych w Warszawie S.A.), which provides the guidelines for an implementation of an anti-corruption program at organizations	
	Number of TAURON Group's employees trained with respect to the Corporate Social Responsibility Code of Conduct and the Compliance Management System at TAURON Group by the end of 2023	13 000 employees
	Identified critical incidents as defined by the Act of July 5, 2018, on the National Cyber Security System	0

G 2. TAURON Group's corporate governance commitments

TAURON Group ensures a transparent compliance with the corporate governance and business ethics. As part of its operations and business relations, the Group implements the commitments adopted in the internal policies with respect to the corporate social responsibility, including counteracting corruption, countering money laundering, ensuring a respect for the human rights and the protection of the personal data. The commitments with respect to the corporate governance are rooted in the Group's corporate values, which are the determinants for the shaping of the organizational culture and are the starting point for the rules of conduct. The key document relating to the corporate governance commitments is the Corporate Social Responsibility Code of Conduct and the comprehensive whistleblowing system related to that document.

G 2.1. Corporate Social Responsibility Code of Conduct

Table of indicators:

GRI – general	2-23
WSE	G-M4

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

The Code contains a clear and comprehensible combination of TAURON Group's mission, vision and corporate values. The Code also defines the most important values and principles of conduct to be followed by employees and stakeholders of TAURON Group in the areas related to the issues concerning employees, the natural environment and the stakeholders. The Code also describes TAURON Group's Whistleblowing (Fraud Reporting) System, which is discussed in more detail in the "Whistleblowing System" section.

The Code regulates, among other things, the issues related to:

- compliance with labor rights,
- prohibition of discrimination and unequal treatment,
- diversity,
- conflict of interest,
- countering corruption,
- environment protection,
- stakeholder relations,
- fair competition,
- safety and security,
- information protection.

The Code provides the basis for the detailed policies and procedures related to the above mentioned topics.

The issues related to the topics indicated in the Code are included in the periodic reports with respect to the scope of the tasks performed, submitted quarterly to the Audit Committee and semi-annually to the Supervisory Board of TAURON Polska Energia. After the end of the calendar year, the Compliance Officer draws up an annual Compliance Report on the functioning of the Compliance Management System at TAURON Group.

The Compliance Officer conducts monthly monitoring of the reports of abuse (whistleblowing reports) at TAURON Group and takes appropriate measures in the event a violation has been confirmed, including actions aimed at minimizing the likelihood of the risk of abuse occurring in the future.

TAURON Group employees are required to complete training on the issues identified in the Corporate Social Responsibility Code of Conduct. These topics also constituted the content of the online training as part of the "Compliance Academy" project implemented in 2023.

G 2.2. Whistleblowing system

Table of indicators:

GRI – general	2-25, 2-26, 2-27
WSE	G-M6

TAURON Group's Corporate Social Responsibility Code of Conduct specifies how to report abuse at TAURON Group. Using the Whistleblowing System it is possible to report (whistle blow) activities that are in breach of the commonly applicable law, violations of the internal regulations and other doubtful matters - including the concerns about the way the organization conducts its business operations. They can be reported through the communications channels adopted at TAURON Group, i.e.:

- in person to the Compliance Officer,
- in writing, to the following address: Compliance Officer, ul. Ks. Piotra Ściegiennego 3, 40-114 Katowice,
- by phone: + 48 32 774 22 22,
- via e-mail: compliance@tauron.pl,
- via the Abuse (Fraud) Reporting Form available at: <https://www.tauron.pl/tauron/o-tauronie/formularz-zgloszenia-naduzycia/>,
- at TAURON Group's subsidiaries, the employees are also able to report abuse (fraud) in person, by phone or in writing to the Compliance Coordinator. The contact details of the Compliance Coordinators are available in the intranet.

In addition, it is possible to contact the Ethics Committee in case of reporting cases of mobbing (bullying) or discrimination. The procedure for receiving reports by the Ethics Committee is described in more detail in Section "S 3.4. Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination".

The Abuse (Fraud) Reporting Form allows for the possibility of submitting information anonymously. The communication channels indicated above allow employees and external parties (including suppliers and other stakeholders) to safely report potential violations. If one's identity is disclosed, the confidentiality of the whistleblower's data and the information provided is ensured. TAURON Group provides protection against any form of retaliation to those who report incidents of abuse (fraud).

Reports of violations are verified for veracity and reported to the Risk Area. Investigations are conducted to verify the report. In case a violation is confirmed, actions are taken to offset the negative effects of the violation and the preventive measures are implemented. Adequate recommendations are issued in connection with each confirmed case of violation, based on the circumstances of the given case.

TAURON Group is taking measures aimed at improving the process of receiving (handling) the reports of violations, including taking into account the circumstances indicated by users of the channels used to report the violations. It also conducts educational and informational campaigns on the rules for reporting corrupt activities or other abuses at TAURON Group.

Case reporting statistics

A total of 86 potential cases of irregularities were reported at TAURON Group in 2023, with the follow-up actions having been taken for all of them.

During the period covered by the report, no material cases of non-compliance with the laws and regulations had been identified, and no material penalties for a failure to comply with the laws and regulations or any non-financial sanctions for the non-compliance were imposed on TAURON Group.

In order to build awareness with respect to countering irregularities, training sessions were organized in 2023, with a constant part thereof being a reminder to participants of the mechanisms for reporting fraud (whistle blowing) at TAURON Group. As part of the Compliance Day 2023 event, training sessions on ESG were held with a special focus on the topics related to corporate governance and the role of HR and Compliance Teams in the face of the upcoming changes with respect to the reporting of the non-financial information.

G 2.3. Responsible supply chain, supplier relations and human rights in the supply chain

Table of indicators:

GRI 3-3	Responsible supply chain, transparent supplier relations and respect for human rights in the supply chain
GRI – general	2-6
WSE	G-M6
Proprietary indicators	Description of actions in the field of building responsible supply chain, transparent supplier relations and respect for the human rights in the supply chain

Ensuring sustainability and social responsibility at the company and within its supply chain is one of the priorities for TAURON Group's business operations. The document that regulates social issues within the supply chain is the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries, which has been in effect at TAURON Group since 2017 (the document is available on TAURON Group's procurement platform).

Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries

The document sets the standards of conduct for TAURON Group's contractors (counterparties), particularly with respect to the employees (including work health and safety, discrimination, personnel policy, forced labor, employment of children and minors), the natural environment (environmental protection, responsible resource management, climate care), relations with the stakeholders (including fair competition, combating fraud, information security and protection, investor relations).

TAURON Group expects to cooperate with contractors (counterparties) who respect human rights and act in compliance with the legal regulations, ensure safe and dignified working conditions, and apply not only the highest ethical standards, but also care for the natural environment and climate.

The Code constitutes a binding standard that promotes responsibility among the stakeholders and encourages suppliers to implement responsible practices, including the compliance with the environmental standards contained in the legally binding supplier agreements. TAURON Group does not cooperate with contractors (counterparties) that act in violation of the law, the provisions of TAURON Group's internal and intra-corporate regulations, or ethical standards, standards of good conduct or good business practices.

The Code is applied in relations with the contractors (counterparties) of TAURON Group's subsidiaries and is applicable to all of the employees, the members of the management board and supervisory bodies of the subsidiaries, as well as proxies and powers of attorney.

The Code is linked to other documents in force at TAURON Capital Group:

- TAURON Group's Corporate Social Responsibility Code of Conduct,
- TAURON Group's Policy of Respect for Human Rights,
- TAURON Group's Anti-Corruption Policy,
- The procedure for assessing (vetting) the credibility of TAURON Polska Energia's contractors (counterparties),
- TAURON Group's rules for organizing ventures in cooperation with external entities,
- TAURON Group's Purchase Order (Contract) Award Regulations.

Before commencing cooperation with a counterparty, it is necessary to carry out a verification (vetting) in accordance with the Procedure for Assessing (Vetting) the Credibility of the Contractors (Counterparties), which is described in more detail in section "G 3.2. The Procedure for Assessing (Vetting) the Credibility of TAURON Group's Contractors (Counterparties)". The verification to be carried out relates to, among other things, the counterparty's legal and financial characteristics, capital and personal ties, information on its experience and history, as well as the determination of the real beneficiary, the subject and area of business operations, and it being subject to international sanctions.

Each contractor (counterparty) that takes part in the proceedings organized by TAURON Group subsidiaries is obliged to submit a statement confirming its familiarity with TAURON Group's Corporate Social Responsibility Code of Conduct and the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries as well as the compliance with its provisions.

G 3. Internal policies and regulations, as well as actions taken and the results achieved by TAURON Group

G 3.1. Corporate Purchasing Policy

Table of indicators:

GRI – general	2-24
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TAURON Group's Strategy formulates expectations for the purchasing area - it is a continuation of the actions taken to improve the efficiency of the purchasing processes in place. TAURON Group's Corporate Purchasing Policy sets the priorities and goals for the Group's purchasing areas, in particular with respect to:

- consolidating the most material purchasing processes,
- standardizing the purchasing procedures and processes,
- increasing the level of digitalization of the purchasing processes.

Due diligence procedures and the internal regulations

Due diligence procedures with respect to the Corporate Purchasing Policy include all actions aimed at the continuous improvement of the purchasing processes, both with regard to acquiring goods as well as the operational purchase order processing. In order to be able to more fully achieve the above objective, the Purchase Order (Contract) Award Regulations and the Purchasing Strategy document, whose sample constitutes an appendix to the Corporate Purchasing Policy, have been implemented.

Purchase Order (Contract) Award Regulations

A single common purchasing regulations have been in place at TAURON Group for a number of years, along with the tender documentation templates. The regulations define the principles of planning, preparation and the manner of proceeding and awarding the Purchase Orders (Contracts), and ensure the transparency thereof.

The functionality of TAURON Group's Purchasing Platform, using which the purchasing processes are conducted, was updated in 2023 to include electronic declarations, making it faster and easier for contractors to submit bids in the proceedings by checking (ticking) the relevant content of the declarations without having to fill out additional documents.

The purchasing area is cooperating closely with the organizational units responsible for compliance, audit and internal control, personal data protection and taxes in order to improve the purchasing process.

11 254 proceedings had been conducted at TAURON Group in 2023, as a result of which 30 815 bids had been submitted.

Contractors bidding for purchase order (contracts) shall submit statements confirming the following, otherwise their bids shall be rejected:

- having become familiar with TAURON Group's Corporate Social Responsibility Code of Conduct and complying with the provisions thereof. The above statement is posted on the Company's web site at the following address:
<https://swoz.tauron.pl/swoz2/platform/application?MPaction=publicFilesList&folder=000f0003&MPmodule=main>,
- not being in arrears with the payment of taxes, fees or the social and health insurance premiums,
- not having been convicted with a legally binding judgement for an offence committed in connection with the purchase order (contract) award proceeding, an offence against the rights of persons performing paid work, an offence against the environment, a bribery offence, an offence against business trading operations or any other offence committed for a financial gain, as well as a fiscal offence or an offence involving a participation in an organized group or association aimed at committing an offence or a fiscal offence.

The principle of equal treatment of contractors associated with the public procurement law does not allow for the exclusions of contractors from the supply chain due to the carbon footprint generated by the operations thereof and the negative impact on climate. An engagement with suppliers to improve environmental efficiency (performance) in the current state of the law is done on a voluntary basis on the part of suppliers that can grant a non-binding consent to disclose information on the impact of their operations on the environment and climate.

A provision has been introduced in the Regulations to promote and take into account environmentally friendly solutions, mitigating the impact on the environment and the climate change, in the description of the subject of the purchase order (contract). Also, the possibility of including the best available technologies, in terms of their environmental impact, the solutions that mitigate the impact on the climate change as well as the greenhouse gas emissions in the criteria for the evaluation of the tenders has been introduced,

Purchasing Strategy

A Purchasing Strategy is developed for selected purchasing categories, which presents an action plan aimed at optimizing purchasing and reducing the risk of a given purchase, as well as gaining access to the information on the solutions proposed and the innovations implemented by the suppliers.

Actions taken and the results achieved

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

In addition, a metric called the "monitoring of purchasing processes" has been introduced in the KPI system, which verifies the course of the purchasing processes at 14 of TAURON Group's Subsidiaries. It is aimed at improving the quality of the data recorded in the IT systems, based on which reports are generated for internal and external purposes.

G 3.2. The Procedure for Assessing (Vetting) the Credibility of TAURON Group's Contractors (Counterparties)

Table of indicators:

GRI – general	2-24
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TAURON Group has implemented the Procedure for Assessing (Vetting) the Credibility of Contractors in order to provide protection against the risk of entering into cooperation with entities acting in contravention of the law, standards of good conduct and business practices, and in particular in order to reduce the risk stemming from:

- participation in the tax fraud and money laundering activities,
- commencing cooperation with entities placed on the sanctions lists, subject to the financial sanctions or specific restrictive measures,
- an occurrence of the corruption risk,

The assessment of the credibility of contractors (counterparties) is made on the basis of:

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

Due diligence procedures and the internal regulations

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

The verification to be carried out includes, among other things, the identification of the counterparty's beneficial owner, the type of the business operations it conducts and the geographic area within which it operates, and the counterparty's history of corruption or violations of law of a similar nature.

Actions taken and the results achieved

The Compliance Area issued a total of 913 counterparty credibility examination (vetting) reports in 2023.

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

As part of the "Compliance Academy" training series, a training course entitled "Find out who your counterparty is, i.e. the overview of the procedures for vetting the credibility of the counterparties at TAURON Group" was held to familiarize the employees with the principles of verifying the counterparties at TAURON Group. These training sessions were voluntarily attended by 103 employees.

G 3.3. Internal audit principles and internal control principles

TAURON Group's internal audit and internal control process is organized in such a way as to ensure broadly understood security and safety of the Group's operations, while supporting the implementation of the Strategy's objectives.

The main goals of the Audit and Internal Control Area at TAURON Polska Energia include planning and implementation of the audit and control tasks within, creating and coordinating of the principles of the functioning of the audit and internal control, as well as providing support for the organization in maintaining an effective internal control system.

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

The teams of the Audit and Internal Control Area at TAURON Polska Energia are conducting scheduled and ad hoc audit tasks both at TAURON Polska Energia, as well as at TAURON Group's subsidiaries. The audit activities are governed by the document entitled "TAURON Group's Internal Audit Principles". The Audit Teams, based on the Annual Audit Plan for the given calendar year, while performing process based audit tasks, assess the current level of the individual risks and of the effectiveness of the management thereof. The correctness of the audited processes as well as the adequacy and the implementation of the control mechanisms in the audited processes are also verified. If any irregularities are identified, the auditors recommend taking adequate corrective actions (remedies). The implementation of the recommendations is the responsibility of the management of the audited entities, and the degree of the implementation of the audit recommendations is verified on an ongoing basis.

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

The Audit and Internal Control Area at TAURON Polska Energia carried out 20 scheduled and ad hoc tasks in 2023.

In addition, a model for the periodic Evaluation of the Internal Control System is in place at TAURON Group, with its goal being to provide the Management Board of TAURON Polska Energia and the Audit Committee of the Company's Supervisory Board with independent and objective information on the functioning of the control mechanisms in the business processes. The evaluation of the Internal Control System for 2023 was carried out according to the above mentioned model and consisted of both a Self-Assessment of the individual lines of business, as well as the tests of the adequacy, implementation and effectiveness of the selected control mechanisms related to the risks assessed as relevant to the Internal Control System.

The most important aspects related to the internal controls and risk management with respect to the process of drawing up financial statements and consolidated financial statements are described in the Management Board's Report on the Operations of TAURON Polska Energia and TAURON Group for the 2023 financial year in Section 9.3 The main features of internal control and risk management systems in relation to the process of drawing up financial statements and consolidated financial statements.

G 3.4. Anti-corruption Policy

Table of indicators:

GRI – general	2-24
GRI – topic	205-1, 205-2, 205-3
WSE	G-M5

TAURON Group has implemented an Anti-Corruption Policy, pursuant to which it prevents, identifies risk areas and clarifies the suspected cases of corruption in accordance with the zero tolerance approach to corruption. TAURON Group also has other intra-corporate regulations covering the anti-corruption issues, i.e., among other things, TAURON Polska Energia S.A. Capital Group's Accounting Policy, Principles of Circulation, Control and Approval of Purchase Documents at TAURON Group's Subsidiaries and the Rules for Entering Bank Accounts into the Suppliers' and Customers Files in the Financial and Accounting Systems. The provisions of the above mentioned regulations outline the operating guidelines addressing record keeping, approval procedures and appropriate behavior aimed at counteracting corruption.

The Policy applies to all of the employees, members of the management board and the supervisory authorities, as well as the proxies and the powers of attorney of the subsidiaries. TAURON Group also requires compliance with the standards of behavior set out in the Policy by the external entities.

The areas susceptible to the risk of corruption or other fraud related to the operations of TAURON Group include in particular:

- purchasing (procurement) proceedings,
- cooperation with the external entities,
- implementation of the investment processes,
- transactions with related entities,
- expenses related to business trips or entertainment,
- representation and advertising expenses, including invitations and gifts,
- expenditures related to the marketing and consulting services,
- cash transactions,
- donations and sponsorship agreements.

Due diligence procedures and the internal regulations

TAURON Group's employees shall be obliged to prevent and report potential cases of corruption. The Group's subsidiaries provide adequate communication channels that allow employees and external parties to safely (including anonymously) report potential violations and any inquiries regarding the anti-corruption area. Reporting channels are further described in Section "G 2.2. Whistleblowing System".

Corruption risk is one of the identified operational risks assigned to the Compliance unit. As part of risk monitoring, the Compliance Officer obtains information on reported suspected cases of corruption at TAURON Group, as well as on pending court cases and their outcomes. A gift register is also maintained for each of the Group's subsidiaries. TAURON Group takes adequate measures in response to incidents of corrupt activities, including notifying the law enforcement agencies of the suspected offenses.

Each employee shall be obliged to study the provisions of TAURON Group's Anti-corruption Policy, to strictly comply with its content and to sign a relevant statement on having familiarized himself/herself with the regulation.

TAURON Group's subsidiaries include an anti-corruption clause in the agreements to be concluded, through which the contractor declares that it counteracts all of the corrupt practices and other frauds (abuses), as well as undertakes to prevent such cases in the performance of the contract to be concluded.

Actions taken and the results achieved

As part of the working group under the United Nations Global Compact initiative, of which TAURON Polska Energia is a member, work was undertaken in 2023 to draft an Anti-Corruption Standard for Business, which would provide guidelines for implementing an anti-corruption program at various organizations. The standard is intended to serve both the organizations that are just introducing the anti-corruption programs, as well as the organizations that face the challenge of monitoring and reporting on the effectiveness of the anti-corruption system they have implemented. The document was published in December 2023 at the head office of the Warsaw Stock Exchange.

A key element of TAURON Group's anti-corruption system is raising awareness of the employees in this respect by conducting regular training on bribery and corruption. Four voluntary training courses had been conducted for TAURON Group's employees in 2023, attended by 442 persons.

By the end of 2023, more than 13 000 of TAURON Group's employees (70% of the work force) had completed the "Compliance Management System" e-learning training course covering the content related to anti-corruption activities.

Table no.92. Confirmed cases of corruption at TAURON Group in 2023

Indicator	Number
Number of internally confirmed cases of corruption	1*
Number of public prosecutions against the organization or its employees with respect to corruption	1**
Number of confirmed cases in which employees have been dismissed or punished with disciplinary measures in connection with corruption	0

*Substantiated suspicion of an offense of active corruption having been committed against an employee of a TAURON Group's Subsidiary. The employee filed the report. The notice of a suspicion of the offense having been committed was filed with the prosecutor's office.

**By way of the judgement of the second instance court a case of corruption at a TAURON Group's Subsidiary involving the acceptance of financial benefits in connection with the performance of a public function from 2008 to 2014 was determined to have occurred. The case is currently under the cassation proceedings. The case involves a former employee of a TAURON Group's Subsidiary.

G 3.5. Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism

Table of indicators:	
GRI – general	2-24

TAURON Group's Procedure for Counteracting Money Laundering (Anti-Money Laundering) and Financing of Terrorism regulates the issues related to the exchange and protection of information within TAURON Group and covers all of the Group's subsidiaries.

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

Due diligence procedures and the internal regulations

TAURON Group's subsidiaries that are obligated institutions (in accordance with the Act on *Anti-Money Laundering* – AML) have their own internal procedures for counteracting money laundering and financing of terrorism and are obliged to file a report on the implementation of such procedures with TAURON Polska Energia every six months. The obligated institutions regularly update the AML documentation (including collecting the relevant statements) and prepare transaction statements (summaries), based on which they assess Customers with respect to money laundering and terrorist financing risks.

Actions taken and the results achieved

The Compliance Officer, together with the Compliance Team, every year organize a training on the AML (*Anti-Money Laundering*) for the employees of TAURON Group's subsidiaries that are obligated institutions.

As part of the due diligence procedures, the employees of the obligated institutions are obliged to complete an e-learning training course titled "Counteracting Money Laundering (Anti-Money Laundering) and the Financing of Terrorism".

G 3.6. Compliance Policy

Table of indicators:	
GRI – general	2-24

TAURON Group, seeking to meet the market standards, has introduced and is developing a Compliance Management System aimed at reducing the risk of sanctions, financial losses, as well as reputational damage, while contributing to building and consolidating TAURON Group's positive image. TAURON Group's corporate governance is rooted in the commonly applicable laws, in particular in the "Code of Commercial Companies" as

well as the compliance management standards and best practices. The internal and intra-corporate regulations of an open nature are published on TAURON's website. These documents, as well as the other regulations, are also available to TAURON Group's employees on the corporate intranet.

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

TAURON Group's Compliance Management System is composed of: Compliance Officer at TAURON Polska Energia, Compliance Coordinators at TAURON Group's subsidiaries and the Ethics Committee.

Due diligence procedures and the internal regulations

TAURON Group's Compliance Policy along with TAURON Group's Corporate Social Responsibility Code of Conduct constituted the basis for the adoption and application of a number of policies and procedures detailing the specific compliance issues, for example TAURON Group's Respect for Human Rights Policy, TAURON Group's Rules for Accepting and Giving Gifts.

As part of the risk status monitoring activities, the monthly compliance risk monitoring is carried out, in which the data on fraud, unethical behavior, non-compliance with the laws and regulations and corruption is aggregated and then reported. If an occurrence of a violation is confirmed, adequate steps are taken in order to minimize the impact of the risk and reduce the likelihood of the risk materializing in the future.

TAURON Group's due diligence is manifested, among other things, through the ongoing monitoring of the changes in the laws and regulations, identification of the issues related to the organization's operations and the introduction or updating of the adequate internal regulations. Within the framework of the implemented due diligence procedures, TAURON Group's employees can take advantage of the possibility to file a non-compliance report with respect cases of non-compliance with the law and any other violations.

Actions taken and the results achieved

TAURON Group applies the principle of caution by taking preventive measures aimed at preventing the occurrence of violations. As part of the ongoing compliance tasks the implementation training courses for the new employees and the regular training courses on the selected compliance management issues are conducted. A series of the online training courses called: "Compliance Academy" had been conducted in 2023. Within the framework of this project the Compliance Team conducted 21 training courses. All of the events conducted as part of that project were attended by 2 877 of TAURON Group's employees.

By the end of 2023, more than 13 000 of TAURON Group's employees had attended the e-learning training courses ended with the knowledge verifying tests with respect to TAURON Group's Corporate Social Responsibility Code of Conduct and TAURON Group's Compliance Management System.

In terms of the initiatives aimed at developing a compliance culture at TAURON Group, the publication of the quarterly Compliance Newsletters had been continued and the publication of the Compliance Alerts had been launched, through which TAURON Group's employees had been informed of the changes to the law and the trends in the compliance management.

G 3.7. Principles of counteracting a conflict of interest

Table of indicators:	
GRI – general	2-15, 2-24

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

Due diligence procedures and the internal regulations

The Principles (Rules) of Counteracting a Conflict of Interest are in force at TAURON Group. A conflict of interest occurs when, while acting in his/her own interest or in the interest of any entity, an employee simultaneously acts against the interests of the Group.

The purpose of the adopted rules is to:

- identify circumstances that constitute a conflict of interest or may cause it to arise,
- define the rules for preventing, identifying and managing a conflict of interest,
- increase the level of awareness among employees in terms of identifying, avoiding and disclosing a conflict of interest.

Each employee shall be obliged to immediately report to his/her immediate superior and to TAURON's Compliance Officer, and, at the subsidiaries other than TAURON, to the Compliance Coordinator, the possibility of a potential or actual conflict of interest occurring. These rules shall also apply with respect to the members of the management boards of TAURON Group's subsidiaries.

With regard to the Members of the Management Board of TAURON Polska Energia an obligation to avoid undertaking professional or non-professional activities that could lead to the arising of a conflict of interest has been introduced. The verification of the above obligation is carried out, among other things, through the identification of the affiliations for the purposes of the Procedure for the Identification of Affiliates of TAURON Group's subsidiaries, as part of which the organizational, capital (equity) and personal affiliations are identified.

In the articles of association of TAURON Group's subsidiaries and in the agreements on the provision of the management services concluded with the members of the management boards, the provisions stemming from the Act on the Principles of the Management of State Assets have been implemented, according to which:

- a member of the subsidiary's Management Board may not be a person whose social activities or income generating activities give rise to a conflict of interest in relation to the operations of TAURON Group's subsidiary,
- a person who does not perform activities that would be in conflict with his/her responsibilities as a member of the supervisory body or that could give rise to a suspicion of partiality or self-interest or give rise to a conflict of interest in relation to the operations of TAURON Group's subsidiary may be appointed to be a member of the Supervisory Board.

In the Regulations (By-laws) of the Management Board and the Regulations (By-laws) of the Supervisory Board of TAURON Polska Energia, provisions have been introduced whereby the members of the Management Board or the Supervisory Board shall inform the Management Board or the Supervisory Board, respectively, of any existing conflict of interest or the possibility of the occurrence thereof, and shall not take part in the consideration of a matter in which a conflict of interest may arise in relation to them.

In addition, a member of the Management Board may not, without a consent of the Supervisory Board (or TAURON Polska Energia or the Shareholders' Meeting at the subsidiaries where there is no Supervisory Board), engage in competitive interests or participate in a competitive company as a partner in a civil partnership, a partnership or as a member of an authority of a corporation, or participate in another competitive legal entity as a member of its authority.

Actions taken and the results achieved

The conflict of interest registers are maintained in order to document the circumstances or events that cause or may cause conflicts of interest at the subsidiaries.

Both, the candidates for the members of the Management Board and the Supervisory Board of TAURON Group's subsidiaries, as well as the members of the Management Board and the Supervisory Board of TAURON Polska Energia shall submit statements on the absence of conflicts of interest.

One voluntary training course on preventing conflicts of interest at TAURON Group was conducted in 2023, which was attended by 98 employees.

G 3.8. Security Management System Policy

Table of indicators:

GRI – general	2-16, 2-24
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TAURON Group's Security Management System Policy had been implemented in July 2018 and it was updated in the second quarter of 2023. It is in force at all of TAURON Group's subsidiaries.

The Security Policy and the specific regulations related thereto form a unified, consistent and comprehensive Security Management System that:

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

The Policy defines the standards, rules of conduct and the organizational structures with respect to security (safety) within TAURON Group, including the assignments of competences and responsibilities. Among other things, new rules for conducting security audits and the security requirements for third parties were implemented. Special attention is paid at TAURON Group to the Cyber Security aspects, which are regulated in a number of internal documents related to the security system, providing a Specific Cybersecurity Program.

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

1. Security Management System.
2. Information security.
3. IT/OT systems security.
4. Physical security.
5. Security incidents.

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

The Security Management System is based on the international standards with respect to information security management, such as ISO 27000 and the NIST standards.

Due diligence procedures and the internal regulations

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

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

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

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

Communication of the critical incidents

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

An optimization of the security incident management process had been implemented in 2023 through the creation of a dedicated incident reporting form and a tool for recording and handling the Security Incidents. No critical incidents had been identified in 2023.

Actions taken and the results achieved

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

- mandatory introductory training in basic security and safety aspects for the newly hired employees,
- training on the classifying and handling of Information for TAURON Group's employees, including on the use of the dedicated technical solutions through a series of more than a dozen dedicated video tutorials,
- substantive (subject matter) related training for the employees responsible for various aspects of security (information security, IT/OT security, handling of the Security Incidents, Security Audits),
- promoting the principles in force according to the Policy through information (outreach) campaigns and content available on the Group's intranet site,
- alerts and security and safety information (bulletins) as reactions to current and emerging threats for TAURON Group.

TAURON Group is undertaking a number of activities to ensure the security and safety of TAURON Group's infrastructure by, among other things:

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

TAURON Group is undertaking a number of activities aimed at ensuring security and safety, as well as raising awareness of TAURON Group's Customers, including, among other things, by:

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

G 3.9. Personal Data Protection Policy

Table of indicators:

GRI – general	2-24, 2-27
GRI – topic	418-1
WSE	G-A1

The privacy of the individuals whose personal data we are processing is very important to us. The protection of the private individuals in this context is one of the basic rights, and we therefore take various measures to ensure the security of the data we are processing by implementing adequate technical and organizational measures.

TAURON Group has a personal data protection management system in place, established by the Personal Data Protection Policy for TAURON Group's entities. The goal of the Policy is to minimize the risk of violating the rights and freedoms of the private individuals whose data is processed. The document defines the manner and the principles of the implementation of personal data protection, while respecting the obligations imposed by law, including the roles and tasks of the individual units and the employees of the Group. The personal data protection

system introduced by the Policy is an element of TAURON Group's extensive information security management system.

TAURON Group's business entities operate as part of a group of enterprises. The Policy takes this circumstance into account, respecting their formal and legal separateness. The role of TAURON Polska Energia as a dominant entity (parent company) and the requirement to separate (unbundle) the operations of an electricity distribution system operator from those of the electricity supplier were also taken into account when developing the Policy.

The generally applicable acts of law, as well as the opinions and guidelines issued by the authorized bodies were taken into account when developing the Policy.

Due diligence procedures and the internal regulations:

In order to ensure due diligence with respect to personal data protection, the Policy regulates in particular:

- principles related to the processing of personal data,
- legal basis for the processing of personal data,
- designing of the processing of personal data,
- risk analysis and data protection impact assessment (*Data Protection Impact Assessment – DPIA*),
- security measures,
- raising awareness,
- issuance of authorizations,
- personal data protection audits,
- personal data protection management and monitoring structure,
- transfers of personal data,
- implementation of data subjects' rights,
- management of personal data protection violations,
- dealing with the supervisory authority audits,
- responsibility of the employees.

Actions taken and the results achieved

In connection with the evolving jurisprudence (rulings, case law) with respect to personal data protection and the decisions of the supervisory authorities, as well as the changing factual situation related to the processing of personal data at TAURON Group, a new Personal Data Protection Policy for TAURON Group's Entities had been adopted in 2023.

The new Policy is an element of the extensively undertaken activities aimed at continuously increasing the level of security of the adopted organizational and technical measures for processing broadly understood information including personal data. In connection with the above, the following activities, among other things, had been carried out in 2023:

1. Update of the internal regulations with respect to personal data protection (update to the Policy and of the accompanying processes).
2. Keeping the technical and organizational solutions used for processing the information up to date.
3. Undertaking actions to ensure that the persons involved in the information processing process hold the applicable authorizations and participate in this process to an extent adequate to the tasks and duties carried out thereby to ensure information security.
4. Promptly changing the authorizations in the event of a change in the tasks of the persons referred to in item 4 (review of user rights).
5. Providing training for the persons involved in the information processing process, with particular regard to such issues as:
 - a. requirements for the proper processing of personal data and the reduction of the security risks of its processing,
 - b. consequences of violating information security rules, including the legal liability,
 - c. use of measures to ensure information security, including devices and software that minimize the risk of human errors.
6. Ensuring the protection of the information processed against theft, unauthorized access, damage or interference thereof, by:
 - a. monitoring of access to the information (review of user rights),
 - b. activities aimed at detecting unauthorized information processing activities,
 - c. providing measures to prevent unauthorized access at the level of operating systems, network services and applications.
7. Establishment of and compliance with the basic principles guaranteeing security of work in case of mobile processing and remote work.

8. Securing the personal data in a manner that prevents its disclosure, modifications, deletion or destruction by an unauthorized person.
9. Including, in the support services agreements signed with third parties, of the provisions guaranteeing an adequate level of information security by meeting certain requirements to ensure the confidentiality of the entrusted personal data (personal data processing entrustment agreement). as well as carrying out the prior assessment of the data processors (data processing entities) in terms of providing sufficient guarantees for the security of personal data processing.
10. Setting the rules for dealing with the information that minimize the risk of a theft of information and the information processing means, including the mobile devices.
11. Implementation of an adequate level of security in the ICT systems, involving, in particular:
 - a. taking care of software updates,
 - b. minimizing the risk of information loss as a result of a failure,
 - c. protection against errors, loss, unauthorized modification,
 - d. use of the cryptographic mechanisms by the users in a manner adequate to the threats or the requirements of a legal provision,
 - e. ensuring the security of the system files,
 - f. promptly taking actions after noticing the undisclosed vulnerabilities of the IT systems to the possibility of security breaches.
12. Implementation of a system for promptly reporting of the incidents, enabling the identification and analysis of the breaches of personal data protection security, so that corrective action can be taken quickly.

There had been a single case of a justified Customer privacy breach complaint received from the regulatory authorities in 2023. The total number of the identified leaks, thefts or incidents of a loss of Customer data went up by 103 incidents in 2023 to reach 809. This is a 14.6% increase in the number of the breach incidents as compared to the same period in 2022.

Despite the overall significant increase in the number of the processing operations performed on personal data, there had been a positive change in the number of the legitimate complaints regarding breaches of the Customer privacy received from external parties and acknowledged by TAURON Group's subsidiaries. It went down by 24 cases as compared to 2022 (this represents approximately 31%).

The violations had mainly been caused by a human error, and as a consequence measures are being taken to improve the technical and the organizational solutions aimed at curtailing the errors. The above mentioned issue will be one of the priorities for TAURON Group's data protection area in 2024.

Material complaints regarding the breaches of Customer privacy and a loss of Customer data at TAURON Group in 2023 is presented in Table no. 93.

Table no. 93. GRI 418-1. Substantiated complaints regarding breaches of Customer privacy and loss of Customer data at TAURON Group in 2023

Material data on Customer privacy in 2023	
Total number of data leakage, theft or loss of Customer data cases found ¹	809
Number of substantiated (justified) complaints regarding breaches of Customer privacy received from third parties and acknowledged by the organization ²	54
Number of substantiated (justified) complaints regarding breaches of Customer privacy received from the regulatory authorities ³	1
Total number of substantiated (justified) complaints regarding breaches of Customer privacy ⁴	55

¹ Understood as: the total number of the personal data breaches as defined in Article 4, clause 12 of Regulation (EU) 2016/679 of the European Parliament and of the council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation) (GDPR).

² Understood as: the total number of the complaints of the natural persons (data subjects) with respect to the personal data protection that were deemed as substantiated (legitimate) by the organizations.

³ Understood as: the total number of letters, filings, proceedings with respect to the personal data protection received from the Office for Personal Data Protection, with the exception of the complaints related to the cases of the natural persons (data subjects) referred to in item 2.

⁴ Understood as: the total number of the complaints referred to in items 2 and 3.

G 3.10. Business Continuity Management Policy

Table of indicators:

GRI – general	2-16, 2-24
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Ensuring availability, reliability and quality of the product and service delivery to the Customer and maintaining business continuity is a priority for TAURON Group, which is in line with its Strategy. TAURON Group, as the entity responsible for providing the key services such as the electricity and heat generation and distribution, had continued the implementation of the Business Continuity Management System in 2023 at selected Subsidiaries of the Group, i.e. TAURON Polska Energia, TAURON Ciepło, TAURON Dystrybucja, TAURON Obsługa Klienta and TAURON Wytwarzanie.

Due diligence procedures and the internal regulations

At all of the above mentioned Subsidiaries:

- Business Continuity Policies in line with TAURON Group's Business Continuity Management Policy were implemented,
- processes and services that are key (critical) to ensuring business continuity were identified, as well as the *Business Impact Analysis (BIA)* was conducted. As part of the *Risk Analysis (RA)* – the analysis and assessment of the risks (threats) to these processes and services were completed,
- Business Continuity Officers and Business Continuity Coordinators were appointed, as well as the resources and means necessary to maintain the business continuity of the key processes and services were secured,
- Business Continuity Plans and the Disaster Recovery Plans were developed to ensure the uninterrupted operation of the processes and services that are key (critical) to ensuring business continuity. These plans were also tested, at most of the Subsidiaries, in accordance with the requirements of the "Business Continuity Policy" of the given subsidiary in order to determine their effectiveness.

Actions taken and the results achieved

As part of the awareness building in 2023:

- specialized training entitled: "Internal Auditor of the Business Continuity Management System according to ISO 22301: 2019" had been conducted,
- periodic meetings of the Business Continuity Coordinators had been held as part of the Business Continuity Forum

At the same time, in the second half of 2023, two more of TAURON Group's Subsidiaries (i.e. TAURON Ekoenergia and TAURON Nowe Technologie) took the decisions to implement the Business Continuity Management System - they are currently at the initial stage of the implementation thereof, i.e. a "Business Continuity Policy" is under development.

G 4. TAURON Group's Risk Management Principles

Table of indicators:

GRI – general	2-24
WSE	I-M4

G 4.1. Three Line Defense Model

In order to ensure the broadly understood safe functioning of the organization, the so-called Three Line Defense Model is in place at TAURON Group and it constitutes an internal control system. It includes:

as part of the first line of defense – the functional control performed by:

- lower and middle level management,
- the Group's other personnel,

as part of the second line of defense – the independent control performed by the following functions:

- risk management,
- compliance assurance,
- safety assurance,

as part of the third line of defense: the institutional control performed by the internal audit.

The results of the activities of the above indicated functions performer as part of the 2nd and 3rd lines of defense are reported directly to the senior level management, as well as to the Audit Committee and the Supervisory Board. The way the so-called Three Line Defense Model is organized is illustrated in Figure no. 35.



Figure no. 35. TAURON Group's three line defense model

G 4.2. Risk Management Objective and Principles

At TAURON Group risk is understood as an uncertain occurrence or a group of occurrences that, in case of materializing, will have an impact on achieving by TAURON Group of its defined strategic goals, both a negative one (threat), as well as a positive one (opportunity).

In order to ensure the implementation of its Strategy in force, TAURON Polska Energia is managing the risk related to the operations of TAURON Group. The primary goals of risk management include providing the broadly understood security of the operations, which is to ensure an increased predictability of the Group achieving its strategic goals, including the sustainable generation of its financial results and the protection of the Group's current economic value (preventive function), as well as the support for the decision making processes.

TAURON Group's risk management:

1. is based on the risk management process that provides comprehensive and consistent rules for identifying, measuring, planning and responding to risk as well as communications among the process participants,
2. covers all elements of the value chain,
3. provides centralized risk measurement, monitoring and control functions, as well as the ability to evaluate the full risk profile in the organization and the consistent risk management principles,
4. ensures independence of the risk taking function from its control and monitoring,
5. ensures a clear split of the competences and responsibilities, in particular by introducing the risk ownership function,
6. oversees the Risk Committee as an expert team that initiates, analyzes, monitors, controls and supports the functioning of the risk management system at TAURON Capital Group on a permanent and continuous basis,
7. is a pro-active process, focused on an adequately early identification of the threats, allowing for taking the preventive measures,
8. is a systematic and continuously improved process which allows for aligning it on an ongoing basis to TAURON Group's specifics and organizational structure, as well as to the changing environment,
9. places a strong emphasis on developing awareness, training and encouraging the personnel to use the knowledge of the risks in the daily activities,

10. co-creates TAURON Group's internal audit system, constituting, along with the compliance assurance and the security management functions, an element of the Three Line Defense Model,
11. uses the tools that allow for an effective implementation of the process, i.e. the risk card, the risk register, the risk response plan, the volatility models, the scoring models and the risk limits,
12. is based on a risk model that defines a consistent classification of the risks, enabling their uniform and comprehensive recognition at TAURON Group's level.

G 4.3. Risk Management Strategy

The Enterprise Risk Management System (ERM System) is governed by TAURON Group's Enterprise Risk Management Strategy that defines the organization's enterprise risk management framework and rules, and its goal is to ensure the consistency of managing the individual risk categories that are detailed in the separate regulations, aligned to the specifics of the individual groups of threats.

Specific Risks are understood as a group of risks that constitute a direct detailing of the Enterprise Risk in terms of their specifics, for which the detailed rules for dealing with the given group of risks are developed in the form of the Specific Risk Management Policies. As part of the ERM System, the Specific Risks are identified, for which the separate Policies tailored to the nature and the specifics of the given group of risks are defined:

The basic classification of the enterprise risk is presented in Figure no. 36.

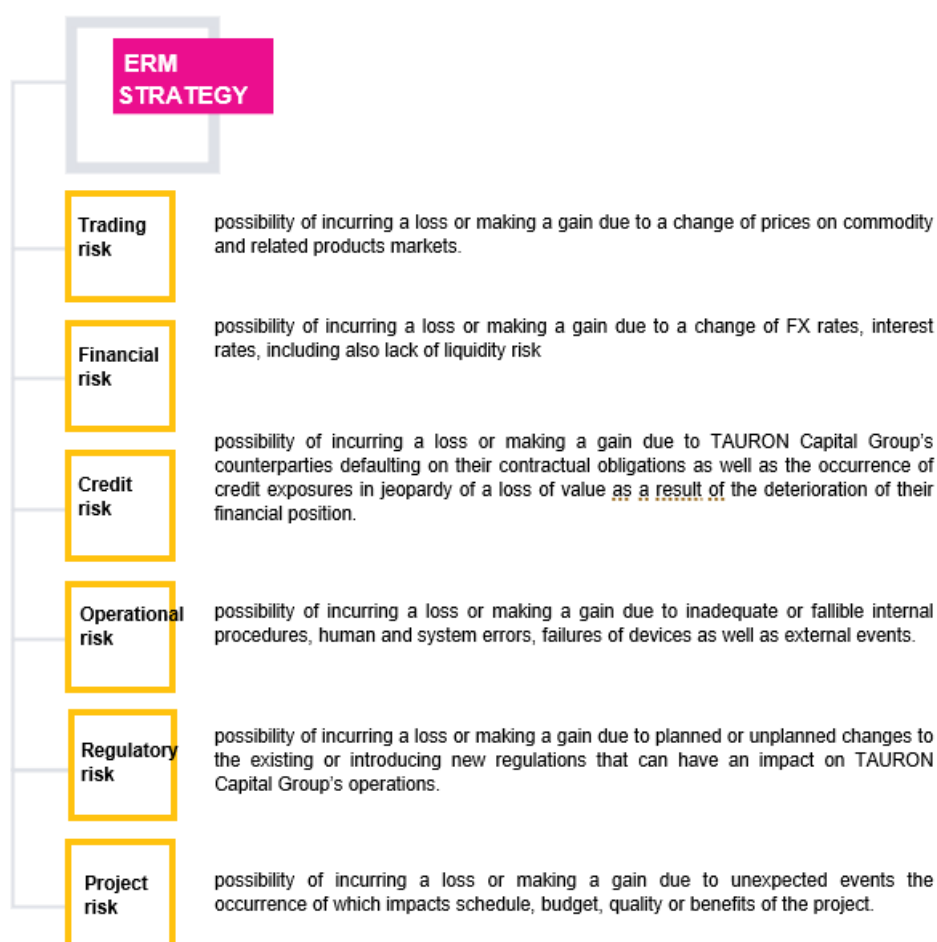


Figure no. 36. Description of TAURON Group's specific risks in the ERM system

The Business Continuity Management System is a component of the ERM System whose task is to identify the most critical processes for the business operations, identify threats to Business Continuity and build the mechanisms aimed at mitigating the disruptions as well as to develop TAURON Group's resilience.

G 4.3.1. Roles and Responsibilities of the Risk Management System's Participants

The key assumption of the ERM system is a clear and precise split of the tasks and responsibilities, ensuring no conflict of interest arises. In particular, the system guarantees independence of the risk taking function from the risk control and monitoring. This is achieved through the centralization of the control function at the Parent (Holding) Company level, while maintaining the organizational and functional separation of the risk taking function.

As part of the ERM process the roles and responsibilities of all of the participants of TAURON Group's risk management system are defined in detail, as presented in Figure no. 37.

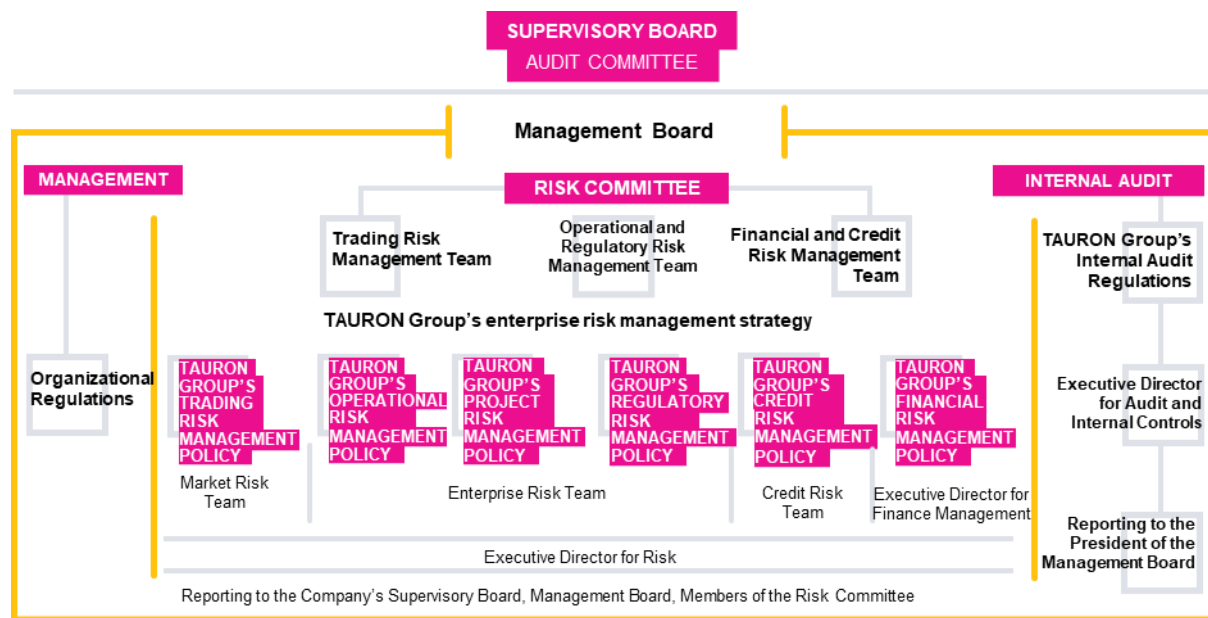


Figure no. 37. The links between the various roles in the context of the ERM Strategy and the documents regulating the ERM System in detail

All of the above mentioned specific risks take into account climate opportunities and risks.

G 4.3.2. Risk Management Tools

The basic risk control tool is the Risk Appetite, approved by the Company's Management Board and the Risk Tolerance that specifies TAURON Group's maximum permitted risk exposure value. The Risk Tolerance level is expressed in the form of a set of metrics and boundary conditions limiting the risk exposure to a value acceptable for TAURON Group, necessary for conducting safe business operations.. The Risk Tolerance represents a practical translation of the Risk Appetite, in particular taking into account the division into the key categories of the Specific Risks and the Global Limits related thereto. Based on their values the Risk Committee approves the sets of the Operational Limits dedicated to the individual risks or the groups thereof.

As part of the Risk Management Process (ERM), estimates are made of the probability and impact of the risks (both threats as well as opportunities), placing a value (valuation) on the impact of the individual risk factors on the planned level of EBITDA or other economic data that is material from the point of view of TAURON Group's operations.

G 4.3.3. Risk Model

Risk model defines a consistent risk classification, enabling a consistent and comprehensive capturing of the risk across entire TAURON Group. Each risk identified is assigned to the specific categories and sub-categories. The main risk categories and sub-categories, in accordance with TAURON Group's Risk Model in place, include:

1. Operational risk, within which the following risks are identified:
 - environment – the risks determining the impact of the external environment (stakeholders) on the implementation of TAURON Group's goals,
 - technology, infrastructure and security - all events having an adverse effect on the security of the employees, information as well as the generation, transmission, mining or IT infrastructure,

- employees and organizational culture – the risks related to the employee issues and the organizational culture as well as the pandemic risk,
 - Compliance Risk – the risks related to the non-compliance, internal and external abuse (fraud), as well as the unethical behavior,
 - Customers and contractors (counterparties) – the risks related to the volatility of the supplies/services market, a failure of the Customer/contractor (counterparty) to meet their contractual obligations and the adverse changes or the terminations of the commercial contracts by the Customers, affecting both the volume as well as the margin.
2. Financial and credit risk, within which the following risks are identified:
 - finance and credit, within which the specific risks are identified:
 - financial risk – the risks related to the changes in exchange rates and interest rates,
 - credit risk – the risk of TAURON Group's contractors (counterparties) defaulting on their contractual obligations due to the deterioration of their financial condition.
 3. Trading (commercial) risk, within which the following risks are identified:
 - trading – the risks related to the market volatility of the electricity and the related products market prices to which the enterprise is exposed, as well as the risks related to the changes in the volumes of purchases and sales of energy carriers.
 4. Regulatory risk, within which the following risks are identified:
 - regulations - risks determining the adverse impact of changes in the legislation at the national and the European level having a direct impact on the operations of TAURON Group.
 5. Project risks – the possibility of incurring a loss or obtaining a gain due to the unforeseen events, the occurrence of which has an impact on the schedule, budget, quality or benefits of the Projects (this includes the risks indicated in items 1 - 4, which may occur during the implementation of investment projects).

G 5. Description of the opportunities and risks and their Impact on TAURON Group's Operations

Table of indicators:

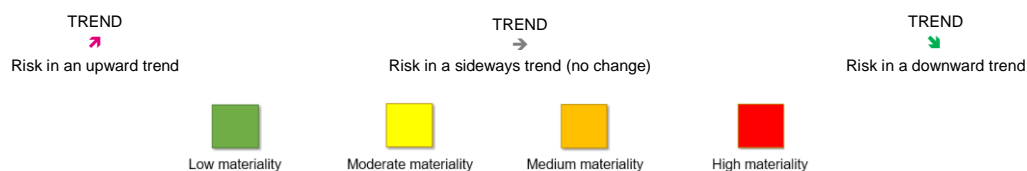
WSE	I-M4
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G 5.1. Regulatory Risk

Table no. 94 presents the Regulatory Risk identified at TAURON Group. In accordance with the Risk Model adopted by TAURON Group, the Regulatory Risk is classified as a separate category.

Table no. 94. Regulatory Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:



Regulatory Risk	TREND 	THREATS	The possibility of incurring a loss or gaining a benefit due to the planned or unplanned changes to the existing Regulations or the enactment of the new Regulations that may have an impact on TAURON Group's operations (at the national and European levels).
		OPPORTUNITIES	Taking full advantage of the legal regulations, including the emerging opportunities that have a positive impact on TAURON Group's business operations.
MATERIALITY 			

	RESPONSES <ul style="list-style-type: none"> • continuous monitoring of the regulatory environment and changes to the legal regulations, • active participation in the consultations with respect to the planned regulations (industry organizations, government agencies), • active measures aimed at creating the regulatory environment in a way that is favorable for TAURON Group, • continuous cooperation with the authorities performing oversight of the energy market and the capital market, • consultations with the organizational units with respect to the planned regulations, • internal consultations.
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G 5.2. Legal Risk and Compliance Risk

Table no. 95 presents the Legal Risk and the Compliance Risk identified at TAURON Group. In accordance with the Risk Model adopted by TAURON Capital Group, the Compliance Risk is classified in the category: Operational Risk / Compliance Risk.

Table no. 95. GRI 2-23. Legal Risk and the Compliance Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:		
	<p>TREND</p> <p>↗ Risk in an upward trend</p> <p>→ Risk in a sideways trend (no change)</p> <p>↘ Risk in a downward trend</p>	
	<p>MATERIALITY</p> <p>Low materiality Moderate materiality Medium materiality High materiality</p>	
Legal Risk TREND → MATERIALITY ■	THREATS	Risk related to the non-compliance with the legal regulations, wrong interpretation of the new laws and regulations, requirements imposed by the regulator and the oversight authorities. The consequences of the materialization of risk may include financial penalties, criminal and civil law liability, damage to the Group's image.
	OPPORTUNITIES	Taking full advantage of the legal regulations, including the emerging opportunities that have a positive impact on TAURON Group's business operations.
	RESPONSES	<ul style="list-style-type: none"> • continuous monitoring of the regulatory environment and the changes to the legal regulations, including with respect to the social issues, respect for human rights, counteracting corruption, environment protection and the employee issues, • implementation of the required changes to the internal and intra- corporate regulations, • establishing working groups tasked with the preparation and the implementation the changes required due to the legal environment, • continuous cooperation with the authorities performing oversight of the energy market and the capital market, • consultations with the organizational units with respect to the planned key regulations in the area of compliance, • training of the employees with respect to the knowledge of the legal regulations and the internal regulations.
Internal abuse (fraud) risk TREND → MATERIALITY ■	THREATS	Risk related to the appropriation or use of the Company's assets, its devastation, theft, use of an official position for a personal gain resulting in the financial losses, penal and administrative sanctions, criminal and civil law liability.
	OPPORTUNITIES	Developing standards for the Group's operations, where abuse (fraud) is incidental, and any potential manifestations thereof are detected and eliminated at an early enough stage. This allows for building the organizational culture based on integrity and transparency.
	RESPONSES	<ul style="list-style-type: none"> • education and training activities among the employees, including the mandatory e-learning training with respect to the values and standards defined, among other things, in TAURON Group's Corporate Social Responsibility Code of Conduct, • effective functioning of the whistleblowing system in the organization, enabling TAURON Group's employees to report potential cases of fraud (abuse) to their direct superior, the Ethics Committee, the Compliance Officer / Compliance Coordinator, or via the abuse (fraud) notification (reporting) form available on the website http://www.tauron.pl/, • conducting of the fact finding investigations by the Compliance Officer or the Compliance Coordinators, • building an organizational culture based on TAURON Group's values and principles (policies), • implementation of TAURON Group's Anti-Corruption Policy, • applying of the principles stemming from TAURON Group's Corporate Social Responsibility Code of Conduct, • implementation of the provisions of TAURON Group's Rules for accepting and giving gifts.

<p>External abuse (fraud) risk</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	Risk related to an occurrence of the external abuse (fraud) that has an impact on the operations of TAURON Group through: a disclosure of information to the unauthorized persons, a loss of information, commercial espionage, terrorist assault and hacker attacks, tax fraud, theft, vandalism, counterfeiting, dirty money laundering.
	OPPORTUNITIES	Building the Group's image as a potential partner where clear rules of business cooperation are in place, the principles of fair competition are observed, the data transferred is properly secured and any suspected violations in this regard are dealt with accordingly.
	RESPONSES	<ul style="list-style-type: none"> raising the employee awareness through training and information campaigns on the existing threats (risks) of external abuse (fraud), including the Compliance Management System in place at TAURON Group, implementation of the provisions of the Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries, implementation of the anti-corruption clauses in the contracts with the contractors (counterparties), implementation of the provisions of TAURON Group's Anti-Corruption Policy, effective use of the whistleblowing system in the organization, enabling reporting of the potential cases of abuse (fraud), the system also allows for reporting of the abuse (fraud) by the external entities through the abuse (fraud) reporting form available on the website: http://www.tauron.pl/, monitoring of the cooperation with the contractors (counterparties) and checking (vetting) their credibility at TAURON Group, promoting the best practices, improving the procedures, conducting the training courses and applying TAURON Group's Corporate Social Responsibility Code of Conduct, Code of Ethics and functioning of the abuse (fraud) reporting (whistleblowing) system, building and spreading an organizational culture based on TAURON Group's values and principles.
<p>The risk of unethical behavior and mobbing</p> <p>TREND →</p> <p>MATERIALITY ■</p>	THREATS	The risk includes the occurrence of the unethical behavior resulting, in particular, in a lack of cooperation, bad atmosphere in the team, mobbing, harassment, insults, the discrimination of the employees.
	OPPORTUNITIES	The use of the responses indicated is related to building a positive image of the TAURON Group as a desirable and sought after employer. TAURON Group is against any manifestation of the unethical behavior and takes adequate reactions to the cases where such risks materialize, which, as a consequence, has an impact on building the organization's culture.
	RESPONSES	<ul style="list-style-type: none"> developing an organizational culture based on TAURON Group's values and principles, conducting information activities in order to familiarize the work force with TAURON Group's standards of conduct and corporate values defined in TAURON Group's Corporate Social Responsibility Code of Conduct, TAURON Group's Respect for Human Rights Policy, TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination, promoting knowledge with respect to the principles of social coexistence, moral standards and principles of equity adopted for use in the society, raising the employee awareness through training and the information campaigns on the ethical behavior, effective use of the whistleblowing system in the organization, enabling reporting of the potential cases of abuse (fraud), the system also allows for reporting of the abuse (fraud) by the external entities through the abuse (fraud) reporting form available on the website: http://www.tauron.pl/.

G 5.3. Purchasing Process Risk

Table no. 96 presents the Purchasing Process Risk identified at TAURON Group. In accordance with the Risk Model adopted by TAURON Capital Group, the Purchasing Process Risk is classified in the category: Operational Risk / Customers and Contractors (Counterparties).

Table no. 96. Purchasing Process Risk identified at TAURON Group

Each of the risks is assigned a trend and a materiality level, as indicated below:		
<p>TREND Risk in an upward trend</p> <p>TREND Risk in a sideways trend (no change)</p> <p>TREND Risk in a downward trend</p>	<p>Low materiality</p> <p>Moderate materiality</p> <p>Medium materiality</p> <p>High materiality</p>	
<p>Purchasing Process Risk</p> <p>TREND →</p> <p>Materiality ■</p>	THREATS	The risk related to the purchasing proceedings conducted, the erroneous implementation thereof, an unplanned increase in the purchase costs (budget overruns), taking into account the methods employed to prevent a violation of human rights by the business partners, counteract the corruption and abuse (fraud) in the purchasing process as well as to ensure compliance with the ethical and moral standards during the implementation thereof. The consequences of the materialization of the risk include unfavorable purchase agreements, the need to cancel the tender proceedings, damage to the image of TAURON Group and a loss of credibility with the stakeholders. The risk of a lack of environmental and climate responsibility on the supply chain side.
	OPPORTUNITIES	Building TAURON Group's position as a responsible business partner paying attention not only to the economic issues, but also to the sources of the origin of the goods and services sold, as well as to the contractors' (counterparties') compliance with the high social standards.
	RESPONSES	<ul style="list-style-type: none"> • implementation of the provisions of the Code of Conduct for the Contractors (Counterparties) of TAURON Group's Subsidiaries, • applying of TAURON Group's Anti- Corruption Policy, • applying of the anti-corruption clauses in the contracts with the contractors (counterparties), • implementation of the Respect for Human Rights Policy, • standardization of the principles (rules) of conducting the proceedings in the purchasing process and the transparency thereof, • developing long lasting relationships with the contractors (counterparties) based on trust and the mutual respect, • expecting the contractors (counterparties) to comply with the legal regulations, the ethical standards and the good commercial practices, including the work health and safety rules, the principles of counteracting the discrimination and unequal treatment, the respect for human rights and the dignity of the employees, the transparent personnel policy, the environment protection, fair competition, prevention and countering of fraud, as well as the information security and protection, • applying of the standard contract forms (drafts, templates) and the standard clauses in the contracts regarding the respect for human rights by TAURON Group's business partners.

GRI content index, ESG indicators (acc. to WSE) and Global Compact Principles

Statement of use	TAURON Capital Group has reported in accordance with the GRI Standards for the period of January 1 - December 31, 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI Standard Name	Disclosure	Section
General disclosures		
GRI 2: General Disclosures	1. The organization and its reporting practices	
	2-1 Organizational details	1.1. Legal Basis, Methodology and Standard of the Report 2.2. General information on TAURON Group 2.3. TAURON Group's structure and organization 2.4.1. Shareholding structure of TAURON Polska Energia
	2-2 Entities included in the organization's sustainability reporting	1.1. Legal Basis, Methodology and Standard of the Report
	2-3 Reporting period, frequency and contact point	
	2-4 Restatements of information	
	2-5 External assurance	
	2. Activities and workers	
	2-6 Activities, value chain, and other business relationships	2.2. General information on TAURON Group 2.5. Principles of TAURON Group's management 2.7. Group's Business Model 2.7.1. Value chain and business relations 2.7.2. Capitals and the value creation model G 2.3. Responsible supply chain, supplier relations and human rights in the supply chain
	2-7 Employees	2.7.2. Capitals and the value creation model S 3.1. Human Capital Management Policy
	2-8 Workers who are not employees	S 3.1. Human Capital Management Policy
	3. Governance	
	2-9 Governance structure and composition	2.4.4. Management Board of TAURON Polska Energia 2.4.6. Organization of the Company TAURON Polska Energia 2.8. Group's sustainable development management
	2-10 Nomination and selection of the highest governance body	2.4.3. Supervisory Board of TAURON Polska Energia 2.4.4. Management Board of TAURON Polska Energia 2.4.6. Organization of the Company TAURON Polska Energia
	2-11 Chair of the highest governance body	2.4.4. Management Board of TAURON Polska Energia 2.4.6. Organization of the Company TAURON Polska Energia 2.6. Changes to the principles of the management of TAURON Polska Energia and TAURON Group

2-12 Role of the highest governance body in overseeing the management of impacts	2.8. Group's sustainable development management
2-13 Delegation of responsibility for managing impacts	3.4.1. TAURON Group's Strategy and its Assumptions E 3.2. Climate Policy
2-14 Role of the highest governance body in sustainability reporting	1.1.3. Data verification 2.8. Group's sustainable development management
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Katowice, April 16, 2024

Grzegorz Lot

– President of the Management Board

Piotr Gołębiowski

– Vice President of the Management Board

Michał Orłowski

– Vice President of the Management Board

Krzysztof Surma

– Vice President of the Management Board



REPRESENTATIONS

of the Management Board
of TAURON Polska Energia S.A.



REPRESENTATION

of the Management Board of TAURON Polska Energia S.A. on the accuracy of the annual financial statements of TAURON Polska Energia S.A. and of the Management Board's report on the operations of TAURON Polska Energia S.A. and TAURON Capital Group

Management Board of TAURON Polska Energia S.A. represents that, to the best of its knowledge, the annual financial statements of TAURON Polska Energia S.A. and comparable figures were prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of TAURON Polska Energia S.A.

Management Board of TAURON Polska Energia S.A. also certifies that the Management Board's annual report on the operations of TAURON Polska Energia S.A. and TAURON Capital Group includes a fair review of the development and performance of the business and the position of TAURON Polska Energia S.A. and TAURON Capital Group, together with a description of the principal risks and uncertainties that TAURON Polska Energia S.A. and TAURON Capital Group face.

Members of the Management Board:

1. Grzegorz Lot - President of the Management Board
2. Piotr Gołębiowski - Vice President of the Management Board
3. Michał Orłowski - Vice President of the Management Board
4. Krzysztof Surma - Vice President of the Management Board

April 16, 2024
date



INFORMATION

of the Management Board of TAURON Polska Energia S.A. on the appointment of the audit firm to conduct the audit of the annual financial statements of TAURON Polska Energia S.A. in accordance with the applicable regulations

Management Board of TAURON Polska Energia S.A., pursuant to the representation of the Supervisory Board, informs of the appointment of the audit firm to conduct the audit of the annual financial statements of TAURON Polska Energia S.A. in accordance with the applicable regulations, including the regulations related to the appointment and the procedure for appointment of auditor and indicates that:

- a) the audit firm and members of the team performing the audit met the conditions for preparing an impartial and independent report (opinion) on the audit of the annual financial statements of TAURON Polska Energia S.A. in accordance with the applicable regulations, professional standards and professional code of ethics,
- b) applicable regulations related to the rotation of the audit firm and the key certified auditor as well as the mandatory rotation periods (engagement term limits) are complied with,
- c) TAURON Polska Energia S.A. has a policy in place with respect to the appointment of auditor and a policy with respect to the provision, for the benefit of TAURON Polska Energia S.A., by the audit firm, an entity related to the audit firm or a member of its network, of additional non-audit services, including services that are conditionally exempt from the ban on the provision of non-audit services by the audit firm.

Members of the Management Board:

- 1. Grzegorz Lot - President of the Management Board
- 2. Piotr Gołębiowski - Vice President of the Management Board
- 3. Michał Orłowski - Vice President of the Management Board
- 4. Krzysztof Surma - Vice President of the Management Board

April 16, 2024
date



REPRESENTATION

of the Supervisory Board
of TAURON Polska Energia S.A.



REPRESENTATION

of the Supervisory Board of TAURON Polska Energia S.A. on the Audit Committee

Supervisory Board of TAURON Polska Energia S.A. represents that the regulations related to the appointment, composition and operations of the Audit Committee are complied with, including the regulations related to the fulfillment by the members thereof of the independence criteria and of the requirements with respect to the knowledge and skills (qualifications) related to the industry TAURON Polska Energia S.A. is operating in, as well as in the field of accounting or auditing financial statements.

Supervisory Board of TAURON Polska Energia S.A. also certifies that the Audit Committee performed the tasks of an audit committee as set forth in the applicable regulations.

Members of the Supervisory Board:

- | | | |
|----|--------------------------|---------------------------------------|
| 1. | Sławomir Smyczek | - Chair of the Supervisory Board |
| 2. | Natalia Klima-Piotrowska | - Vice Chair of the Supervisory Board |
| 3. | Piotr Kołodziej | - Secretary of the Supervisory Board |
| 4. | Michał Hulbój | - Member of the Supervisory Board |
| 5. | Beata Kisielewska | - Member of the Supervisory Board |
| 6. | Leszek Koziorowski | - Member of the Supervisory Board |
| 7. | Katarzyna Masłowska | - Member of the Supervisory Board |
| 8. | Karolina Mucha-Kuś | - Member of the Supervisory Board |
| 9. | Krzysztof Tkaczuk | - Member of the Supervisory Board |

April 17, 2024
date



ASSESSMENT

by the Supervisory Board
of TAURON Polska Energia S.A.



**Assessment by the Supervisory Board of TAURON Polska Energia S.A.
of the financial statements and
the Management Board's report on the operations of
TAURON Polska Energia S.A. and TAURON Capital Group
for the financial year 2023**

The Supervisory Board of TAURON Polska Energia S.A., pursuant to § 70 item 1 clause 14 and § 71 item 1 clause 12 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by security issuers and the conditions of recognizing as equivalent the information required by the legal regulations of a non-member state, performed assessment of the following documents presented by the Company's Management Board:

- 1) Financial statements of TAURON Polska Energia S.A. for the year ended on December 31, 2023, prepared in accordance with the International Financial Reporting Standards approved by the European Union,
- 2) Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2023, prepared in accordance with the International Financial Reporting Standards approved by the European Union,
- 3) Management Board's report on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

The abovementioned documents were audited by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa with its seat in Warsaw (further: certified auditor) which was appointed by the Supervisory Board to perform audit of standalone and consolidated financial statements of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023.

Assessment of the financial statements of TAURON Polska Energia S.A. for the year ended on December 31, 2023

The Supervisory Board of TAURON Polska Energia S.A. performed assessment of the Financial statements of TAURON Polska Energia S.A. for the year ended on December 31, 2023 prepared in accordance with the International Financial Reporting Standards approved by the European Union, including:

- 1) statement of comprehensive income for the year ended on December 31, 2023 showing negative comprehensive income in the amount of PLN (870) million and net loss for the financial year 2023 in the amount of PLN (638) million,
- 2) statement of financial position as of December 31, 2023 showing on the side of assets and liabilities total sum of PLN 32,054 million,
- 3) statement of changes in equity for the year ended on December 31, 2023 showing equity decrease by PLN (870) million,
- 4) statement of cash flows for the year ended on December 31, 2023 showing net cash increase by PLN 34 million, and
- 5) principles (policy) of accounting and the additional explanatory notes.

The Supervisory Board issued positive assessment on the Financial statements of TAURON Polska Energia S.A. and stated their compliance with the ledgers, documents and the actual state of affairs.

The basis for the issuing by the Supervisory Board of a positive assessment was the report of the independent certified auditor on the audit according to which the above Financial statements of TAURON Polska Energia S.A.:

- 1) give a true and fair view of the assets, liabilities and the financial position of TAURON Polska Energia S.A. and as of December 31, 2023, and its financial results and cash flows for the period from January 1, 2023 to December 31 in accordance with the International Financial Reporting Standards approved by the European Union and the adopted principles (policy) of accounting,

- 2) are in compliance, with respect to their form and content, with the legal regulations applicable to TAURON Polska Energia S.A. as well as with the Articles of Association of TAURON Polska Energia S.A.
- 3) were prepared based on the properly kept accounting records (ledgers), in compliance with provisions of chapter 2 of the accounting act of September 29, 1994 (further: accounting act).

Assessment of the financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2023

The Supervisory Board of TAURON Polska Energia S.A. performed assessment of the Consolidated financial statements of TAURON Polska Energia S.A. for the year ended on December 31, 2023 prepared in accordance with the International Financial Reporting Standards approved by the European Union, including:

- 1) consolidated statement of comprehensive income for the year ended on December 31, 2023 showing positive comprehensive income in the amount of PLN 1,339 million and net profit for the financial year 2023 in the amount of PLN 1,678 million,
- 2) consolidated statement of financial position as of December 31, 2023 showing on the side of assets and liabilities total sum of PLN 49,798 million,
- 3) consolidated statement of changes in equity for the year ended on December 31, 2023 showing equity increase by PLN 1,339 million,
- 4) consolidated statement of cash flows for the year ended on December 31, 2023 showing net cash increase by PLN 108 million, and
- 5) principles (policy) of accounting and the additional explanatory notes.

The Supervisory Board issued positive assessment on the Consolidated financial statements of TAURON Polska Energia S.A. and stated their compliance with the ledgers, documents and the actual state of affairs.

The basis for the issuing by the Supervisory Board of a positive assessment was the report of the independent certified auditor on the audit according to which the above Consolidated financial statements of TAURON Capital Group:

- 1) give a true and fair view of the consolidated assets, liabilities and the financial position of TAURON Polska Energia S.A. and as of December 31, 2023, and its consolidated financial results and consolidated cash flows for the period from January 1, 2023 to December 31 in accordance with the International Financial Reporting Standards approved by the European Union and the adopted principles (policy) of accounting,
- 2) are in compliance, with respect to their form and content, with the legal regulations applicable to TAURON Polska Energia S.A. as well as with the Articles of Association of TAURON Polska Energia S.A.

Assessment of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023

The Supervisory Board issued positive assessment on the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2023 in terms of its compliance with the ledgers, documents and the actual state of affairs. The subject Report shows true and fair view of the assets and liabilities as well as financial position and development perspective of TAURON Polska Energia S.A. and TAURON Capital Group, and its completeness and compliance in the scope of presented information was confirmed by certified auditor.

Additionally, in the opinion of the certified auditor the above Report was prepared in compliance with art. 49 of the accounting act and § 70 and § 71 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by security issuers and the conditions of recognizing as equivalent the information required by the legal regulations of a non-member state and is compliant with the information presented in the Financial statements of TAURON Polska Energia S.A. and Consolidated financial statements of TAURON Capital Group for the year ended on December 31, 2023.

At the same time, pursuant to art. 49b section 9 and art. 55 section 2c of the accounting act TAURON Polska Energia S.A. drew up Non-financial Report of TAURON Capital Group for 2023 in the form of a separate document published on the Company's website.

The above Non-financial Report of TAURON Capital Group for 2023 was drawn up in accordance with Article 49b section 1-8 and art. 55 section 2b-e of the accounting act which implements the guidelines of the Directive of the European Parliament and of the Council 2014/95/EU of October 22, 2014, as regards disclosure of non-financial information, along with the additional, subsequent guidelines, including the European Commission Communication 2019/C 209/01 of June 20, 2019, including the guidelines on non-financial reporting: Supplement on reporting climate-related information and the Global Reporting Index guidelines - GRI Standards.

Summary of the performed assessment

The Supervisory Board, in their assessment of the above financial statements of TAURON Polska Energia S.A. and TAURON Capital Group, and the report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group took account of the recommendations of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. that supervised the process of financial reporting in line with the provisions of the act of May 11, 2017 on certified auditors, audit firms and public oversight.

As part of the process related to auditing the financial statements the Audit Committee was attending regular meetings with the representatives of the audit firm Ernst & Young Audyt Polska with its seat in Warsaw conducting the audit of the financial statements of TAURON Polska Energia S.A. and TAURON Capital Group, monitoring and discussing the course of the audit processes. Furthermore, the Audit Committee studied the reports presented by the audit firm on the audits of the financial statements and the additional report for the financial year 2023 prepared for the Audit Committee and the Company's management, in accordance with the provisions of art. 11 of 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 and art. 67 section 4 clause 9) of the act on certified auditors, audit firms and public oversight.

Considering the above, the Supervisory Board, taking into account the recommendations of the Audit Committee and relying on the opinion of certified auditors, gives positive assessment of the Financial statements of TAURON Polska Energia S.A. and TAURON Capital Group, as well as Report of the management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group and states that they are in compliance with the ledgers, documents and the actual state of affairs.

Members of the Supervisory Board:

- | | | |
|----|--------------------------|---------------------------------------|
| 1. | Sławomir Smyczek | - Chair of the Supervisory Board |
| 2. | Natalia Klima-Piotrowska | - Vice Chair of the Supervisory Board |
| 3. | Piotr Kołodziej | - Secretary of the Supervisory Board |
| 4. | Michał Hulbój | - Member of the Supervisory Board |
| 5. | Beata Kisielewska | - Member of the Supervisory Board |
| 6. | Leszek Koziorowski | - Member of the Supervisory Board |
| 7. | Katarzyna Masłowska | - Member of the Supervisory Board |
| 8. | Karolina Mucha-Kuś | - Member of the Supervisory Board |
| 9. | Krzysztof Tkaczuk | - Member of the Supervisory Board |

April 17, 2024
date