

ZMIENIAMY SIĘ
DLA WAS



ZEPAK
Energia dla Ciebie

ZE PAK SA CAPITAL GROUP

MANAGEMENT BOARD'S REPORT ON ZE PAK SA'S AND ZE PAK SA CAPITAL GROUP'S ACTIVITIES IN 2023

This is a translation of the document issued originally in Polish language.

The Polish original should be referred to in matters of interpretation.



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1. SELECTED CONSOLIDATED FINANCIAL DATA

<i>Selected consolidated financial data</i>	<i>PLN thousand 12 months of 2023 period from 1/1/2023 until 31/12/2023</i>	<i>PLN thousand 12 months of 2022 period from 1/1/2022 until 31/12/2022</i>	<i>EUR thousand 12 months of 2023 period from 1/1/2023 until 31/12/2023</i>	<i>EUR thousand 12 months of 2022 period from 1/1/2022 until 31/12/2022</i>
Sales revenues	3 105 807	2 740 990	685 851	584 645
Profit/loss on operating activities	689 469	274 409	152 254	58 531
Gross profit/loss	682 361	276 245	150 685	58 922
Net profit/loss on continuing operations	558 327	184 872	123 295	39 433
Net profit/loss on discontinued operations	164 332	30 508	36 289	6 507
Net profit/loss for the financial year	722 659	215 380	159 584	45 940
Net profit for the parent company's shareholders	745 110	215 380	164 542	45 940
Comprehensive income	719 465	215 989	158 878	46 070
Net cash from operating activities	(321 804)	503 256	(71 064)	107 343
Net cash from investment activities	(488 697)	(651 176)	(107 918)	(138 894)
Net cash from financial activities	(1 009)	1 104 000	(223)	235 480
Net change in cash and cash equivalent	(811 510)	956 080	(179 205)	203 929
Net profit per share from continuing operations (in PLN/EUR per share)	10.99	3.64	2.43	0.78
Net profit per share (in PLN/EUR per auction)	14.66	4.00	3.24	0.85
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>as at 31/12/2023</i>	<i>as at 31/12/2022</i>	<i>as at 31/12/2023</i>	<i>as at 31/12/2022</i>
Total assets	3 589 708	4 539 455	825 600	967 921
Fixed assets	1 592 159	1 978 515	366 182	421 867
Current assets	1 997 549	2 560 940	459 418	546 054
Total equity	1 911 513	1 214 499	439 630	258 961
Basic capital	101 647	101 647	23 378	21 674
Equity allocated to parent company shareholders	1 911 513	723 696	439 630	154 309
Total liabilities	1 678 195	3 324 956	385 969	708 961
Long-term liabilities	579 396	1 199 141	133 256	255 686
Short-term liabilities	1 098 799	2 125 815	252 714	453 275
Book value per share (in PLN/EUR per share)	37.61	23.90	8.65	5.10
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

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<i>Selected financial data of ZE PAK SA</i>	<i>PLN thousand 12 months of 2023 period from 1/1/2023 until 31/12/2023</i>	<i>PLN thousand 12 months of 2022 period from 1/1/2022 until 31/12/2022</i>	<i>EUR thousand 12 months of 2023 period from 1/1/2023 until 31/12/2023</i>	<i>EUR thousand 12 months of 2022 period from 1/1/2022 until 31/12/2022</i>
Net revenues from the sale of products, goods and materials	3 215 623	2 789 734	710 101	595 042
Profit/loss on operating activities	654 232	618 875	144 473	132 004
Gross profit/loss	664 472	632 253	146 734	134 858
Net profit/loss	584 412	543 577	129 055	115 943
Net cash from operating activities	(815 175)	636 661	(180 014)	135 798
Net cash from investment activities	(187 256)	143 594	(41 351)	30 628
Net cash from financial activities	(268)	30 119	(59)	6 424
Total net cash flows	(1 002 699)	810 374	(221 425)	172 850
Net profit per share (in PLN/EUR per share)	11.50	10.70	2.54	2.28
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547
	<i>as at 31/12/2023</i>	<i>as at 31/12/2022</i>	<i>as at 31/12/2023</i>	<i>as at 31/12/2022</i>
Total assets	2 842 621	2 785 039	653 777	593 838
Fixed assets	1 883 371	778 403	433 158	165 974
Current assets	959 250	2 006 636	220 619	427 863
Equity	1 992 833	1 408 414	458 333	300 308
Basic capital	101 647	101 647	23 378	21 674
Liabilities and provisions for liabilities	849 788	1 376 625	195 443	293 530
Long-term liabilities	129	129	30	28
Short-term liabilities	142 809	106 685	32 845	22 748
Book value per share (in PLN/EUR per share)	39.21	27.71	9.02	5.91
Weighted average number of shares	50 823 547	50 823 547	50 823 547	50 823 547

Selected consolidated financial data has been converted using the following exchange rates:

- data concerning the comprehensive income statement (income statement) and the cash flow report (cash flow statement) according to an exchange rate, which is the arithmetic mean of the average NBP exchange rates on each last working day of the month within the financial period, from 1 January 2023 to 31 December 2023, i.e., 4.5284 EUR/PLN, and from 1 January 2022 to 31 December 2022, i.e., 4.6883 EUR/PLN.
- data on individual items of the financial standing statement (balance sheet) according to the average EUR/PLN exchange rate set by the National Bank of Poland (NBP) as at 29 December 2023, i.e., 4.3480 EUR/PLN, and as at 30 December 2022, i.e., 4.6899 EUR/PLN.

2. DESCRIPTION OF THE COMPANY AND OF THE CAPITAL GROUP

2.1. Basic information on the Company and Capital Group

Basic information on the Company

ZE PAK Spółka Akcyjna (formerly Zespół Elektrowni Pątnów – Adamów – Konin Spółka Akcyjna, hereinafter also referred to as 'ZE PAK SA' or the 'Company') operates as a joint-stock company under the provisions of the Code of Commercial Companies and other generally applicable provisions of Polish law. The Company was established as result of transforming Zespół Elektrowni Pątnów – Adamów – Konin state-owned company with its registered office in Konin into a company wholly owned by the State Treasury under the business name of Zespół Elektrowni "Pątnów – Adamów – Konin" Spółka Akcyjna. The deed of transformation was signed on 29 December 1994 in the presence of a notary public Elżbieta Brudnicka from a Notarial Office in Warsaw. On 31 December 1994, the Company was entered into the commercial register section "B" by the District Court in Konin under number RHB 847. Based on the decision of the District Court in Poznań, 22nd Commercial Department of KRS dated 21 June 2011, the Company was entered into the Register of Entrepreneurs. Currently the Company is entered into the Register of Entrepreneurs kept by the District Court Poznań Nowe Miasto and Wilda in Poznań, IX Commercial Department, under the KRS number 0000021374. The Company was established for an unlimited period of time.

Name:	ZE PAK Spółka Akcyjna
Legal status:	joint-stock company
Short name:	ZE PAK SA
Registered office and address:	ul. Kazimierska 45, 62-510 Konin, Poland
Phone number:	+48 63 247 30 00
Fax number:	+48 63 247 30 30
Website:	www.zepak.com.pl
E-mail address:	zepak@zepak.com.pl
KRS (National Court Register):	0000021374
REGON (Business Registry No.):	310186795
NIP (Tax ID No.):	665-000-16-45

According to the Company's Articles of Association, the Company's core business is the generation and sale of electricity and the generation and sale of heat. The Company generates energy from conventional sources. The Company decided to gradually shut down its lignite power generation activities and to get involved in a number of projects focusing its future activities on low-carbon and carbon-neutral energy sources. The Company may operate in the Republic of Poland and abroad. It should be taken into account that both the Company and the Group are currently in the process of significant changes regarding the nature of future activities. Currently undertaken investment projects are being implemented through special purpose vehicles, also in cooperation with external partners. This method of the Group's activities will result in transforming the Company into a holding entity, accumulating shares in companies responsible for the implementation of separate projects.

Company's shares are listed on the regulated market operated by the Giełda Papierów Wartościowych SA in Warsaw (Warsaw Stock Exchange). Company's shares are dematerialised and marked by the Krajowy Depozyt Papierów Wartościowych SA (National Depository for Securities) with the securities code ISIN PLZEPAK00012.

In 2023, the share capital of ZE PAK S.A. remained unchanged. As at 31 December 2023, the Company's share capital amounted to PLN 101 647 094.00, broken down into 50 823 547 class A bearer shares with a face value of PLN 2.00 each, representing 50 823 547 votes at the Company's General Meeting, comprising 100% of the total votes at the Company's General Meeting.

The Company has no branches (establishments).

Basic information on the Capital Group

As at 31 December 2023, the ZE PAK SA Capital Group (also referred to hereafter as the 'Group', 'Capital Group', 'ZE PAK SA Group') comprises the parent company ZE PAK SA, 10 subsidiaries, 25 companies where ZE PAK SA holds shares and consolidates using the equity method and 4 jointly controlled companies. A detailed list of the companies that make up the ZE PAK SA Capital Group and the others where ZE PAK SA holds shares is presented in Table 1.

The companies of greatest importance to the Group due to their scale of operations are ZE PAK SA, which is involved in the generation of electricity and heat, and PAK KWB Konin SA, which is involved in lignite mining. The Group's conventional generating assets comprise four lignite-powered units with a total capacity of 1 118 MW located at the Pątnów power plant, in central Poland, in the Wielkopolskie province. The Group's mining assets are concentrated within PAK KWB Konin SA.

The Group has been gradually reducing its lignite mining and lignite power generation activities for several years until the ultimate total cessation of these activities. The current baseline scenario projects continue coal-based operation until the end of 2025. The Company has the right to decide on the extension depending on external factors (power system demand, market situation, regulatory environment).

PAK CCGT sp. z o.o., i.e., a company that is a 100% subsidiary of ZE PAK, responsible for preparing and implementing a project covering the construction of a gas unit within the former coal-fired Adamów power plant is one of the prospective assets. The project to build a 600 MW class gas-fired unit in Q4 2023 has entered the implementation phase. The currently anticipated commissioning date is the end of Q1 2027.

It is also planned to use the assets of the Pątnów Power Plant for the needs of a potential nuclear power plant construction. The project is developed in cooperation with third-parties. The special purpose vehicle set up to implement this project is PGE PAK Energetyka Jądrowa SA, where the Company holds 50% of the shares.

The ZE PAK Group is cooperating with the Polsat Plus Group by jointly developing a structure of PAK Polska Czysta Energia sp. z o.o. ('PAK - PCE') subsidiaries, whose activities focus on renewable energy generation and the production and use of green hydrogen. Until 3 July 2023, ZE PAK held the majority of shares in PAK - PCE. Following a series of transactions under an agreement concluded by ZE PAK and Cyfrowy Polsat SA, on 3 July 2023, Cyfrowy Polsat SA acquired 50.5% of the shares in PAK - PCE, thereby taking control of PAK-PCE sp. z o.o. and its subsidiaries, while ZE PAK is a minority shareholder with 49.5% of the shares in PAK - PCE. The company has acquired a capital-strong partner that will be able to guarantee the implementation of a wide range of prospective investment projects in the field of renewable energy sources, as well as the production and use of green hydrogen. PAK - PCE's main generating assets in the RES area are two biomass units generating electricity and heat with a total capacity of 110 MW, located at the Konin Power Plant, an 83 MW photovoltaic farm located in Brudzew and two wind farms: Kazimierz Biskupi and Miłosław with a total capacity of 27 MW. At the same time, wind projects with a total expected capacity of around 270 MW are under development by further SPVs. In the area of hydrogen projects, the concept of building a comprehensive green hydrogen chain from the production of green hydrogen, through the construction of a network of hydrogen filling stations, to manufacturing hydrogen buses is being developed.

In addition to the companies from the main areas of the Group's activities, the Group also includes other companies, which are engaged, among others, in: carrying out construction and assembly works, maintenance works, services, production and trading activities for the purpose of satisfying their own needs as well as providing comprehensive services to the industry.

The vast majority of the sales revenue generated by the Group comes from the sale of electricity. The Group also generates revenues related to the Power Market mechanism, as a result of winning power market auctions (primary market) and by taking over power obligations from other entities (secondary market). This is supplemented by revenues from the sales of heat, as well as construction and renovation contracts. Revenues from the termination of long-term contracts for the sale of electricity are an additional source of sales revenues, depending on the level of generation costs and energy prices in the market and production volumes. The Group, by having lignite mines within its structure, provides the Pątnów power plant with access to continuous supplies of lignite for its house-load generation systems located in the direct vicinity of the mines. The vertically integrated Group allows for optimisation of lignite inventories and supplies while coordinating lignite extraction with its demand for this fuel. Reduced mining operations mean coal supplies from third-party vendors beginning to play an increasingly important role.

Through the person of the main shareholder, the Group is linked to other entities in which Zygmunt Solorz holds a significant interest, directly or indirectly.

Figure 1: Diagram of ZE PAK SA subsidiaries as at 31 December 2023 and selected other companies where ZE PAK SA holds shares and are relevant to the Group's operations

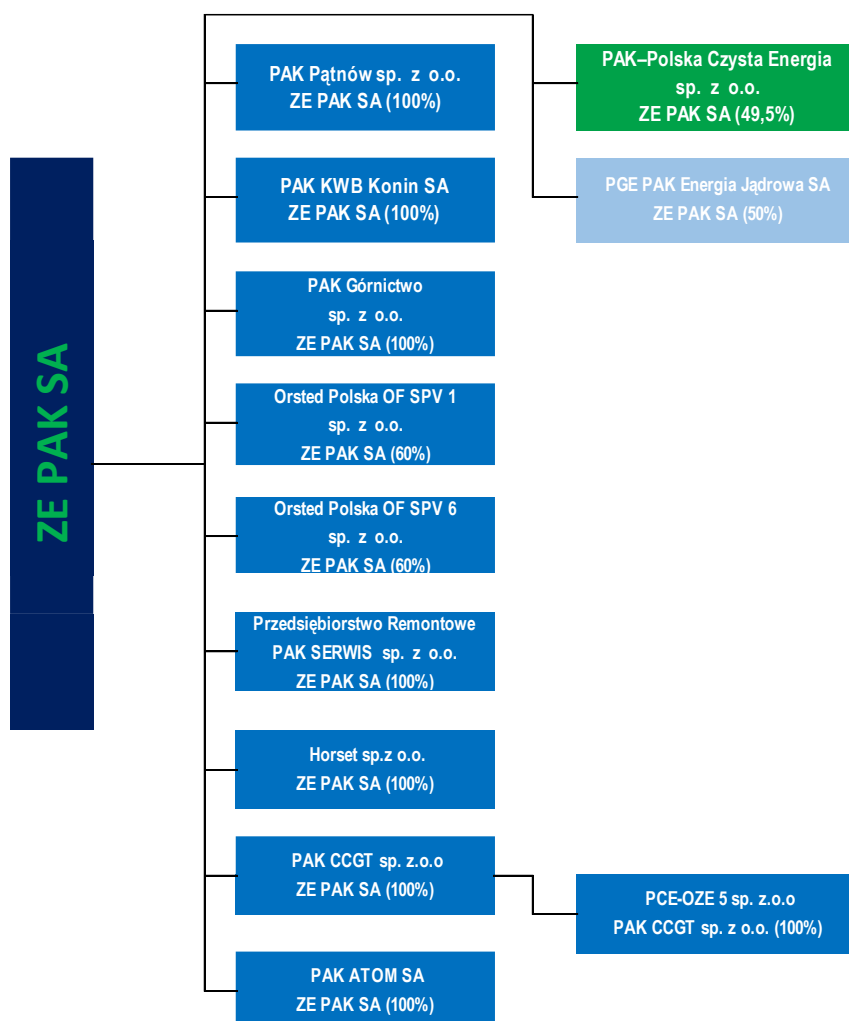


Table 1: List of companies where ZE PAK SA holds shares

Unit	Registered office	Scope of activity	As at statement publication date	Group's share in capital, %	
				As at 31 December 2023	As at 31 December 2022
ZE PAK SA subsidiaries					
"PAK Kopalnia Węgla Brunatnego Konin" SA	62-540 Kleczew ul. 600-lecia 9	Lignite extraction	100.00%	100.00%	100.00%
"PAK Górnictwo" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Repair and maintenance of machinery	100.00%	100.00%	100.00%
Przedsiębiorstwo Remontowe "PAK SERWIS" sp. z o.o.	62-510 Konin ul. Przemysłowa 158	Renovation and construction services	100.00%	100.00%	59.59%*
"PAK CCGT" sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%	100.00%

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“PCE–OZE 5” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%	59.59%*
“PAK Pątnów” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Electricity generation	100.00%	100.00%	100.00%
“Ørsted Polska OF SPV 1” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation – offshore wind power	60.00%	60.00%	60.00%
“Ørsted Polska OF SPV 6” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation – offshore wind power	60.00%	60.00%	60.00%
“PAK ATOM” SA	62-510 Konin ul. Kazimierska 45	Electricity generation	-	100.00%	100.00%
“Horset” sp. z o.o.	03057 Kiev/Ukraine ul. Smoleńska 31/33		100.00%	100.00%	-

Companies where ZE PAK SA holds shares and consolidates using the equity method

“PAK – Polska Czysta Energia” sp. z o.o.	62-510 Konin ul. Kazimierska 45	Activities of central companies, excluding financial holdings	49.50%	49.50%	59.59%
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Jointly controlled companies

PGE PAK Energia Jądrowa SA	62-510 Konin ul. Kazimierska 45	Electricity generation	50.00%	50.00%	-
“Ørsted Polska OF SPV 8” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation – offshore wind power	50.00%	50.00%	50.00%
“Ørsted Polska OF SPV 9” sp. z o.o. (formerly “Mawzorino Investments” sp. z o.o.)	00-801 Warsaw ul. Chmielna 73	Electricity generation – offshore wind power	50.00%	50.00%	50.00%
“Ørsted Polska OF SPV 10” sp. z o.o.	00-801 Warsaw ul. Chmielna 73	Electricity generation – offshore wind power	50.00%	50.00%	50.00%

* Entities with partially or completely indirect share of ZE PAK SA via other ZE PAK SA Group companies

Description of Group structural changes

On 3 July 2023, the Company sold shares representing approximately 10.1% of the share capital of PAK – PCE and approximately 10.1% of the votes at the shareholders' meeting of PAK – PCE to Cyfrowy Polsat SA (CP), a company that is part of the Polsat Plus Group. Prior to closing the transaction, the shares of Przedsiębiorstwo Remontowe PAK Serwis sp. z o.o. and PCE – OZE 5 sp. z o.o. were transferred to the Company and were therefore not transacted. As a result of the transaction, the Company holds approximately 49.5% of the share in PAK – PCE, while CP holds approximately 50.5% of the share therein.

On 28 November 2023, the Extraordinary Shareholders' Meeting of ZE PAK SA approved the merger of ZE PAK SA with PAK-ATOM SA pursuant to Art. 492(1) cl. 1 of the Code of Commercial Companies, i.e., by transferring all assets of PAK-ATOM SA (‘Acquired Company’) to ZE PAK SA (‘Acquiring Company’).

As of 31 December 2023, share in the general number of votes held by the Group in subsidiaries is equal to the Group's share in capitals of these subsidiaries.

2.2. Basic principles and changes related to the ZE PAK SA Capital Group and Company management rules

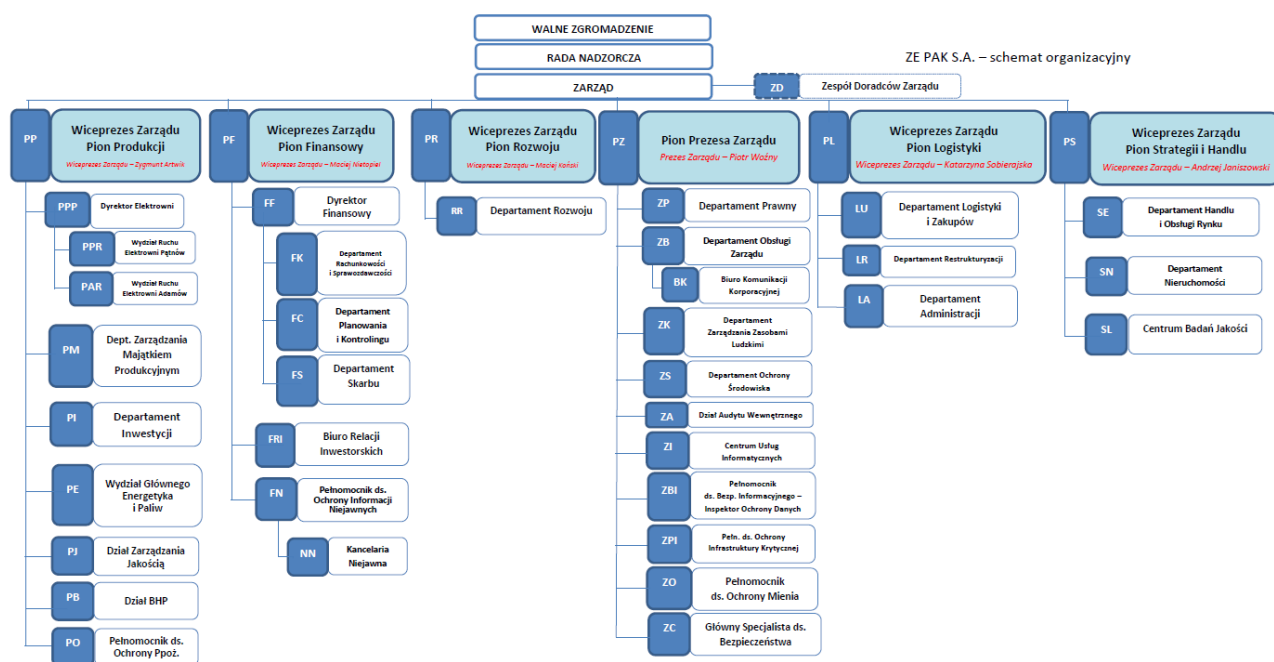
Aiming at ordering key issues related to management of the Capital Group in which ZE PAK S.A. is the parent company and, at the same time, the owner of capital seeking a satisfactory return on the funds engaged, a Head Office operates within the organisational structure of the Company. The responsibilities of the Head Office include, among others, issues associated with corporate governance. The basic tasks of the Head Office as part of corporate governance include supervision over the activities of the ZE PAK SA Capital Group and other companies wherein ZE PAK SA holds shares or stocks. This unit coordinates the coherence of the activities by all Group entities and monitors their compliance with the applicable legislation, as well as the interests of the Capital Group as a whole.

In accordance with the policy implemented within the Group, its key subsidiaries, members of the ZE PAK SA Management Board may act as members of the management boards at these companies, while acting as the members of supervisory boards in other Group companies. In addition, to ensure the correct functioning of the corporate governance

body, the Management Board of ZE PAK SA recommends to the Supervisory Board of ZE PAK SA, the candidatures of other management and supervisory board members of the Group companies.

The Company's organisational structure includes created organisational divisions that bring together the Company's organisational units (departments, offices, branches, etc.). Individual organisational divisions are managed by ZE PAK SA's Management Board members in accordance with the internal division of competences made by the Company's Supervisory Board. The members of the Management Board at ZE PAK SA cooperate and coordinate activities related to the Company's affairs and ensure the proper cooperation of the divisions and organisational units managed by them. The areas of the Company's activities managed by individual Management Board members are defined by the Company's organisational by-laws, which determine the organisation of the Company's as an enterprise.

Figure 2. Company's organizational structure with an internal division of competences



The ZE PAK SA Capital Group operates shared service centres in the following fields:

- legal, services for the Groups' companies,
- investments,
- accounting, finances and controlling,
- HR and payroll,
- environmental protection,
- logistics and procurement,
- administration.

Shared services centres provide services in the field defined above under contracts concluded by ZE PAK SA with Group companies. The concentration of competences in particular areas is aimed at improving the quality of services provided and optimising the operating costs of the ZE PAK SA Capital Group.

There are significant changes ongoing in the Group's structure in relation to the transition process. The portfolio of renewable energy developers was being expanded within the Capital Group. In July 2023, ZE PAK signed a Promised Agreement with Cyfrowy Polsat SA (of the Polsat Plus Group) for the sale of shares in PAK-Polska Czysta Energia sp. z o.o., as a result of which Cyfrowy Polska ultimately holds 50.5% of the shares in PAK-Polska Czysta Energia Sp. z o.o., and ZE PAK S.A. holds 49.5% of the shares.

The nature of the new projects means that a number currently undertaken investment project initiatives will be implemented by special purpose vehicles, often in cooperation with third-party partners. This method of the Group's

activities will result in transforming the Company into a holding entity, accumulating shares in companies responsible for the implementation of separate projects.

2.3. Described structure of main capital deposits or main capital investments made within the Capital Group

Information on the structure of the ZE PAK SA Capital Group can be found above in point 2.1 of this report. In 2023, there were no deposits or capital investments made within the Capital Group that were material to the Group's operations.

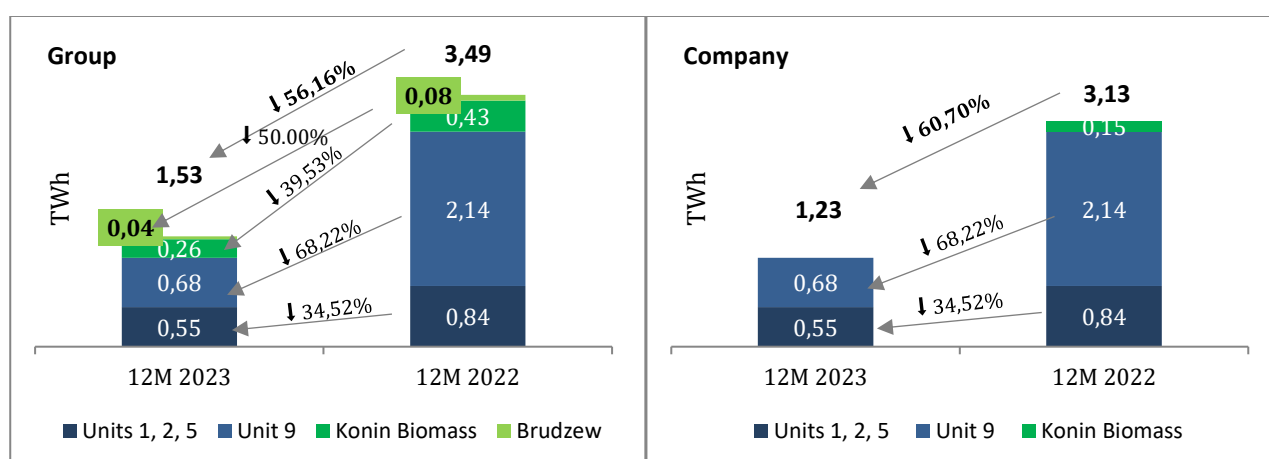
2.4. Characteristics of the main products, goods and services, and the main outlet markets and supply sources

The ZE PAK SA Capital Group focuses its current activities on several fields. The primary one is undoubtedly the generation of electricity from conventional sources and the participation in the generation of electricity from renewable energy sources, lignite extraction, wholesale electricity trading and measures to ensure an adequate amount of CO₂ emission allowances. Furthermore, the companies functioning within the Group deal with, among others, execution of construction and installation work, maintenance work, services, manufacturing and trade activities, aimed at fulfilling the needs and providing comprehensive services to the industry. In 2023, the Company conducted its activities mainly in the Polish market. The exception is the activity related to certain transactions on CO₂ emission allowances, which were concluded with foreign counterparties. In addition, also one of the companies in the renovation segment, i.e., PAK Serwis sp. z o.o., provides services to foreign entities, mainly German companies related to the energy sector. One of the Group companies, i.e., Horset sp. z o.o., has been registered in Ukraine and is preparing for potential commercial activities.

The Group is an electricity producer and has so far based its production mainly on lignite; however, being aware of the challenges associated with operations in the field of emission-intensive energy sources, it has decided to gradually reduce its coal-fired electricity generation and develop projects related to low-emission and emission-neutral sources.

Total net electricity generation at the Group's power plants in 2023 amounted to 1.53 TWh, i.e., 56.16% lower than in the previous year. Units 1,2 and 5 (Pałnów I) generated 0.55 TWh, unit 9 (Pałnów II) generated 0.68 TWh, while the Konin power plant generated 0.26 TWh. The decrease in generation output at the Pałnów I and Pałnów II power plants was attributable to less coal available for extraction in the mines supplying the Company, while the decrease recorded at the Konin power plant is related to the disclosure of generation only in H1 2023. The generating assets of the Konin power plant were part of the PAK – PCE assets subject to sale in the transaction with the Polsat Plus Group. The same is true for electricity generation at the photovoltaic farm in Brudzew, with the farm generating 0.04 TWh in H1 2023. The Group discloses generation volumes from assets where it holds a dominant interest (or until it held a dominant interest).

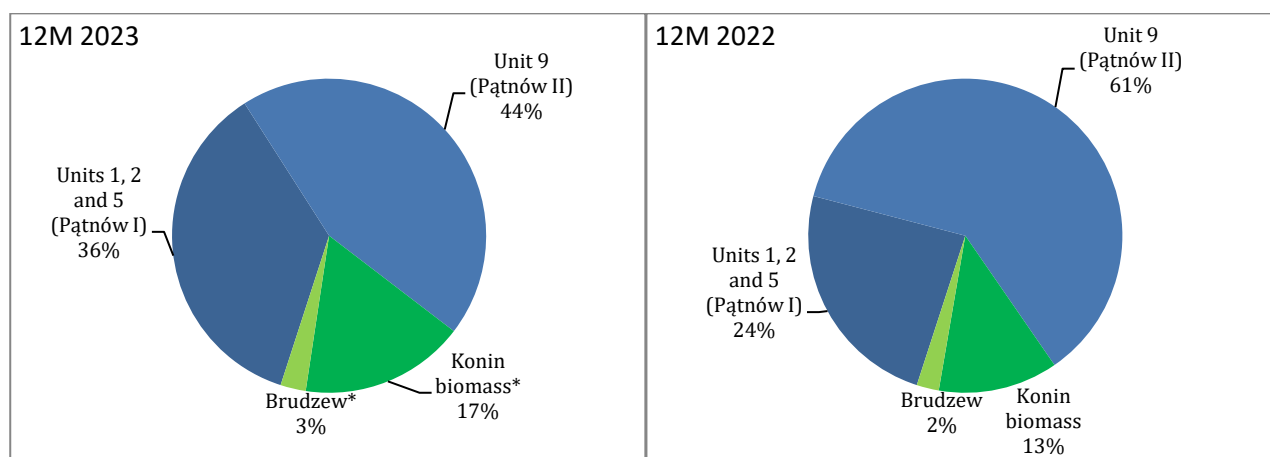
Graph 1: Net electricity production



Source: internal data

In the implementation of the plan to gradually move away from coal-fired power generation, the Group's mine does not undertake significant investments in the extraction segment and thus relies on the currently operated Tomisławice open pit, whose resources are decreasing. This, in turn, impacted energy generation capacity over the past year.

Graph 2: Generation structure broken down by individual power plants



Source: internal data

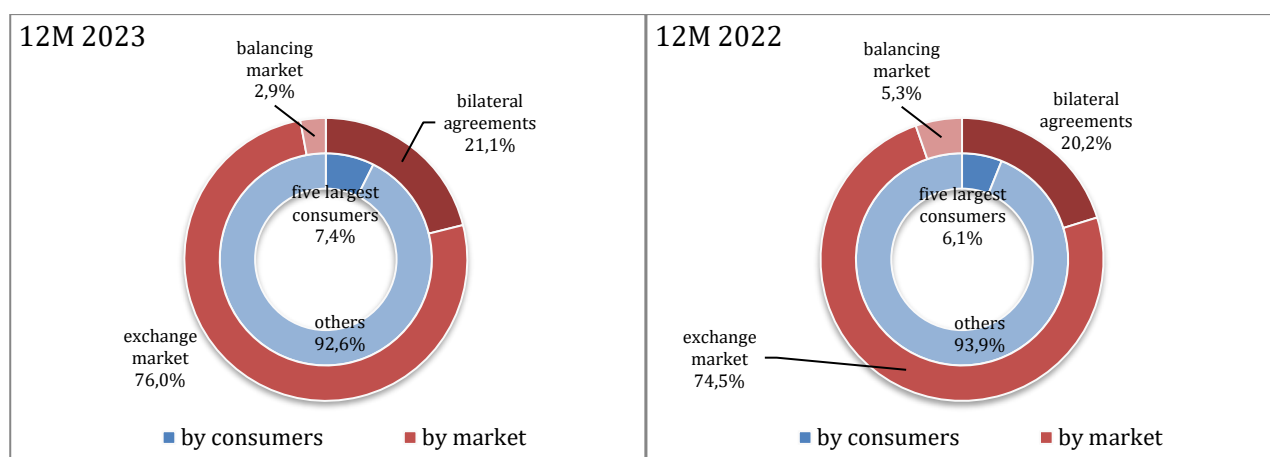
* data for H1 2023 due to CP taking control over the asset package belonging to PAK-PCE where ZE PAK is a minority shareholder

In addition to power generation, the Group is also a wholesale power trader. In 2023, the Group sold a total of 2.66 TWh of internally generated and market-acquired electricity, 55.89% less than in 2022. Less coal available for extraction in the mines supplying the Company contributed to the decrease in the output of coal-fired units. This impacted the production capacities, while one of the factors contributing to lower sales of purchased electricity was recognizing the sales previously conducted by PAK – Volt SA and PAK – PCE Biopaliwa i Wodór sp. o.o. only in H1 2023, due to selling the control stake in PAK – Polska Czysta Energia sp. z o.o., (the sole shareholder of the aforementioned companies) to Cyfrowy Polsat.

Total electricity sales at the ZE PAK SA parent company amounted to 1.87 TWh in 2023, down 53.00% y/y.

The main direction of electricity sales in 2023 were sales on the exchange market, which accounted for 76% of the total volume of energy sold. Under bilateral contracts concluded mainly with electricity trading companies operating on the Polish market, Group companies sold 21.1% of the total annual volume of energy sales realised in 2023. Transactions with end consumers accounted for 13.7% of the total electricity sales volume. The electricity balancing market complements the sales structure. Therein the Group companies sold 2.9% of the total electricity sales volume for last year.

Graph 3: Energy sales structure by consumers (inner ring) and market (outer ring)



Source: internal data

Electricity sales revenues (total - generated and traded, less excise duty) accounted for 82.29% of the Group's total sales revenues in 2023, while revenues received from the termination of long-term contracts (LTCs) accounted for 3.38% of the Group's sales revenues.

Heat generated in the Group's power plants is sold to local consumers. The main recipient is the Municipal District Heating Company in Konin, and local industrial manufacturers. The Group sold 1 009 TJ of heat in the previous year. Heat sales comprised 1.46% of the Group's total sales revenues.

In 2023, revenues from the sale of rights of origin were lower compared to 2022. The decrease was determined both by the slightly lower generation volume and the slightly lower price obtained from the sales of green certificates. The share of revenues from the sales of energy certificate of origin property rights in 2023 accounted for 1.26% of the Group's total revenues.

It is worth mentioning the activities related to construction and assembly work when considering significant sources complementing the revenue structure. PAK Serwis sp. z o. o., one of the Group's companies, implements such tasks for the Group and for third-party entities. The main external consumers are entities from the industrial construction sector, and the electricity generation and distribution sector. The revenues on services provided for such third-party entities accounted in 2023 for 2.37% of the total sales revenues of the Group. Remaining activities generated 5.16% of the total revenues in the previous year.

The main raw material used by the Group for energy generation is lignite. Extracted lignite is delivered directly from open cast mines to nearby power plants. Therefore, lignite extraction within the ZE PAK Group is strictly related to the volume of electricity produced by the power plants located in the vicinity of the mines. Purchases from third-party vendors supplement supplies from own open pits.

The Group's power generation process also utilized biomass, which is combusted in a specially dedicated boiler, located at the Konin Power Plant. Biomass supply contracts are concluded with third-party vendors. All of the biomass used by ZE PAK SA in 2023 was certified.

3. DESCRIPTION OF ACTIVITIES

3.1. Significant events in the accounting year, as well as events after the balance sheet date affecting current and future activities

Significant events in the accounting year

There were no changes in the composition of the Company's Management Board during the reported period. However, the Supervisory Board composition changed. Changes to the composition of the Company's Management Board also took place after the end of the reporting period. The description of these changes can be found in clause 9.10. 'Personal composition, its changes and a description of the activities of management and supervisory bodies' in this statement.

Signing of a letter of intent regarding cooperation in the field of investment aimed at improving water retention and the development of renewable and nuclear energy

On 26 January 2023, ZE PAK SA, the Poznań University of Life Sciences and Polish Waters concluded in Poznań a letter of intent related to establishing cooperation with regards to conducting environmental research and analyses, as well as technical solutions aimed at improving the environmental condition in the region of the Konin-Turek energy basin, with particular focus of new investments by ZE PAK S.A. in renewable and nuclear energy.

The agreement concluded in Poznań is aimed at establishing cooperation with relation to the ongoing energy transition at ZE PAK S.A., using the substantive and technical potential of the letter's signatories in relation to environmental and technical studies covering planned investment projects. In particular, the joint actions are to be undertaken in the field of assessing the nuclear power plant site, reconstructing water resources in Eastern Wielkopolska, and the ongoing revitalization of mining and industrial areas. The area of cooperation includes, among others, joint actions towards:

- shaping new ecosystems within degraded and devastated areas;
- reconstructing water resources in Eastern Wielkopolska and incorporating ZE PAK S.A.'s post-mining sites to the existing hydrographic network, which will contribute to improve hydrographic conditions in the region and provide a new function (retention and anti-flood) for created post-mining reservoirs;
- assessing the potential nuclear power plant site in Pątnów;
- using post-mining areas for producing energy from renewable sources.

The implementation of the presented objectives is to bring benefits for the widest possible group of stakeholders, with particular focus on water and energy security of Poland. The actions taken fall in line with the objectives and

recommendations in terms of limiting the adverse environmental impact, development of alternative fuels and energy efficiency improvement, set out in documents at national and EU levels.

PGE PAK Energia Jądrowa – construction of a nuclear power plant in Konin/Pątnów in Wielkopolska – agreement and principal decision

On 7 March 2023, the Company and PGE Polska Grupa Energetyczna S.A. with its seat in Lublin concluded a preliminary agreement on the establishment of a joint special-purpose company in the form of a joint-stock company with its seat in Konin, to commence direct cooperation with regards to the construction of a nuclear power plant based on the Korean APR1400 technology.

Following the concluded agreement, PGE and ZE PAK signed the Articles of Association of PGE PAK Energia Jądrowa SA on 13 April 2023. PGE and ZE PAK each hold 50% of the shares in PGE PAK Energia Jądrowa. The objective and task of the company will be to participate in the planned construction of the nuclear power plant in Konin/Pątnów in Wielkopolska. The power plant is treated as a joint venture between PGE PAK Energia Jądrowa SA and the Korean KHNP. The investment project will be implemented based on a safe and proven technology of ARP 1400 reactors.

The assumed project involves the construction of at least two units with a total capacity of 2 800 MW and operating under the APR1400 technology, developed by Korean company KHNP. PGE PAK Energia Jądrowa S.A. represents Poland at all project stages, including the implementation of site and environmental studies, funding acquisition and the development, jointly with the Korean side, of a detailed project schedule, as well as at subsequent stages of obtaining permits and administrative decisions.

On 24 November 2023, PGE PAK Energia Jądrowa sp. z o.o. received the principal decision issued by the Ministry of Climate and Environment to build a nuclear power plant at the site of the currently operated coal-fired power plant in the Konin region. It allows work to be commenced at the designated location. It also confirms the consistency of the planned investment with the objectives of Poland's energy policy.

Change in the composition of ZE PAK SA Supervisory Board

On 13 April 2023, Mr Maciej Stec submitted a statement on resigning from the position of a ZE PAK SA Supervisory Board Member. His reason for the resignation was the planned appointment to the Management Board of PGE PAK Energia Jądrowa SA with its seat in Konin.

Integrated Permits – revocation of the contested decision of the Minister of Climate and Environment, and dismissal of Greenpeace Poland's complaint against the decision of the Minister of Climate and Environment

Following the verdict of the Provincial Administrative Court in Warsaw (WSA) of 22 May 2023 revoking the decision of the Minister of Climate and Environment of 21 November 2022 (DIŚ-III.415.63.2021) – ref. no. IV SA/Wa 167/23 (Pątnów Power Plant and Konin Power Plant), appealed against by the Greenpeace Poland Foundation, and the verdict of 24 May 2023 dismissing the complaint filed by the Greenpeace Poland Foundation against the decision of the Minister of Climate and Environment of 21 November 2022, ref: DIŚ-III.435.12.2020.AŻ.1. File ref. No.: IV SA/Wa 166/23 (Pątnów II Power Plant), the Company still has the right to apply granted derogations from emission limit values and operate generating assets at all of the aforementioned power plants.

The Company filed a cassation appeal with the Supreme Administrative Court on 2 August 2023 against the verdict of the Provincial Administrative Court of 22 May 2023, while the Greenpeace Poland Foundation filed a cassation appeal with the Supreme Administrative Court on 2 August 2023 against the verdict of the Provincial Administrative Court of 24 May 2023.

Concluding Annex No. 5 to a preliminary agreement for the sale of shares in PAK – Polska Czysta Energia sp. z o.o. and disposal of shares in PAK – Polska Czysta Energia sp. z o.o.

On 3 July 2023, the Company and Cyfrowy Polsat SA (CP) concluded Annex No. 5 to the preliminary agreement, covering the sale by the Company of 2 390 600 shares in PAK – PCE sp. z o.o. ('PAK – PCE') to CP, representing approximately 10.1% of PAK – PCE share capital and approximately 10.1% of the votes at the PAK – PCE shareholders' meeting.

The conclusion of Annex 5 was particularly related to the new arrangements between ZE PAK and CP concerning, among other things, the number of shares in PAK – PCE disposed of by the Company. According to Annex 5, the parties agreed that the subject matter of the Promised Agreement would be 2 390 600 shares in PAK – PCE, representing approximately

10.1% of the share capital of PAK – PCE and approximately 10.1% of the votes at the shareholders' meeting of PAK – PCE.

In addition, the Company and CP agreed that, prior to closing of the transaction, the companies: (i) Przedsiębiorstwo Remontowe PAK Serwis sp. z o.o. and (ii) PCE – OZE 5 sp. z o.o. would be transferred from the group of PAK – PCE subsidiaries onto the Company and would therefore not be transacted.

Due to the reduction in the number of shares in PAK – PCE disposed of by the Company, the base price for the PAK – PCE shares also changed, and amounted to PLN 115 149 802.00. The base price was: (i) reduced by the amount of the disallowed outflow specified in the agreement; (ii) increased by the interest accrued for the period commencing from Locked Box date until the date of CP's contribution to the increasing PAK – PCE Biopaliwa i Wodór sp. z o.o. share capital, i.e., until 13 May 2022, at the average interest rate on cash deposits in banks maintaining current bank accounts of the Company for the period of time closest to the period indicated; (iii) increased by the amount resulting from transactions executed by the parties concerning all energy activities carried out at the Konin Power Plant, including, in particular, the generation of electricity from biomass, constituting an organised part of the enterprise, and (iv) decreased by the amount of settlements related to the sale by PAK – PCE of 100% of the shares in Przedsiębiorstwo Remontowe PAK Serwis sp. z o.o. to the Company.

In addition, on 3 July 2023, the parties concluded a Promised Agreement under which the Company sold the PAK – PCE shares to CP. The final price for the 2 390 600 shares in PAK – PCE, representing approximately 10.1 percent of the PAK – PCE share capital and approximately 10.1 percent of the votes at the PAK – PCE shareholders' meeting, after all adjustments referred to above, was PLN 117 025 256.00.

After completing the transaction, Cyfrowy Polsat SA currently holds 49.5% of shares in PAK – PCE, and the Company holds the remaining 50.5% shares in PAK – PCE.

CCGT unit construction contract

On 1 September 2023, PAK CCGT sp. z o.o. concluded a contract with a consortium of Siemens Energy Global GmbH&Co. KG, with its registered office in Germany (Consortium Leader), Siemens Energy sp. z o.o., with its registered office in Warsaw, and Mytilineos SA, with its registered office in Greece (jointly the 'General Contractor') for the 'Construction of a 600 MWe CCGT unit with associated infrastructure at the Adamów Power Plant' for an estimated amount of approx. PLN 2.3 billion ('EPC Contract'), and a long-term LTSA maintenance agreement for the 600 MWe class CCGT unit ('LTSA') concluded with Siemens Energy sp. z o.o. for a period of 12 years from the date of commissioning of the CCGT unit.

On 20 November 2023, the PAK CCGT sp. z o.o. Supervisory Board agreed to proceed with the EPC Contract ('Notice To Proceed') and for PAK CCGT sp. z o.o. to make an advance payment to the General Contractor implementing the project, amounting to 20% of the EPC Contract price. Also on 20 November 2023, the ZE PAK SA Supervisory Board approved an increase in the share capital and supplementary capital of PAK CCGT sp. z o.o. by a total of PLN 408.1 million and for ZE PAK SA to provide this company with a loan of up to PLN 280 million. The Supervisory Board of ZE PAK SA also gave its approval for the Company to issue a surety under the EPC contract. The formal approvals issued by the ZE PAK SA and PAK CCGT sp. z o.o. Supervisory Boards were the last formal elements allowing the commencement of the CCGT Unit Construction Project at the Adamów Power Plant.

Signing of Letter of Intent on cooperation in restoring water resources within the Noteć river catchment

On 14 December 2023, a tripartite agreement was concluded between the State Water Holding Polish Waters (PGW WP), ZE PAK SA and the Wierzbinek commune, the subject matter of which is the restoration of the water resources of the Noteć catchment area.

The objective of the agreement is to restore water resources and improve the hydrological status in the upper Noteć River and Grójecki Canal catchment area, as well as to supply water to Lake Zakrzewek and to fill the reservoir after the Lubstów quarry more quickly. To achieve this, the signatories pledged joint action, including raising support from the Just Transition Fund and national resources.

Water from the dewatering of the Tomislawice open pit and the waters of the Pichna River will be used to restore the water resources within the areas mentioned. The construction of a conveyance system for these waters includes, among other things, the construction of a pumping station on the Pichna, a connector between the beds of the Pichna and the

Noteć rivers, and the conveyance of water from the connector to Lake Zakrzewek. This task is planned to be completed between 2023 and 2025.

The total value of the project is PLN 4 million, of which 2.8 million will be financed from EU and national funds and 1.2 million from own resources. ZE PAK has pledged PLN 800 000 for this purpose, and the Wierzbinek commune and PGW WP have pledged PLN 200 000 each.

ZE PAK also undertook to draw up project documentation, obtain the necessary approvals and survey the land. The Wierzbinek commune will allocate the land for the designed facilities and provide assistance in obtaining the necessary administrative decisions, while PGW WP will coordinate the project from the technical and financial sides, and later operate the resulting hydrotechnical facilities.

The parties have pledged to keep each other informed of the project progress.

Significant events after the balance sheet date

Changes to the ZE PAK SA Management Board

At a meeting of the Company's Supervisory Board on 23 January 2024, the Company's Supervisory Board appointed Mr Maciej Koński to the Management Board, entrusting him with the function of Vice-President of the Management Board. The resolution on the appointment became effective upon its adoption.

3.2. Important agreements concluded in the financial year

Significant agreements for the Group's activity

Due to the characteristics of the business and markets in which the ZE PAK SA Capital Group operates, the basic contracts concluded with the main suppliers and consumers in the ordinary course of business are of a standard nature. Contracts for the supply of the main raw material in the form of lignite are of a long-term nature and the main suppliers are subsidiaries of ZE PAK SA. Contracts supplementing coal supplies are concluded with third-party vendors. In the area of energy sales, the company is obliged to sell the entire volume of energy generated through the exchange market. In the area of purchasing CO₂ emission allowances, Group companies sign framework agreements with individual contractors specifying the basic terms of cooperation. On the other hand, the purchase itself is made within separate transactions for specific quantities and at current market prices. The majority of CO₂ emission allowances are purchased in forward transactions.

Contracts related to credits, loans and guarantee facilities received

In 2023, the Group's companies concluded the following agreements regarding loans, borrowings and guarantee facilities:

Contracts related to credits and guarantee facilities received

1. ZE PAK SA concluded Annex No. 5 to the guarantee facility agreement with one of the banks. Under the concluded annexes, the validity period of the guarantee facility agreement was extended until 31 March 2024. The available limit for guarantees remained unchanged and amounts to PLN 80 000 thousand.
2. ZE PAK SA and one of the banks concluded Annex No. 2 to the limit guarantee agreement, extending its validity until 30 June 2024. The available revolving limit is PLN 100 000 thousand.
3. ZE PAK SA and one of the banks concluded Annex No. 7 to the multi-purpose credit limit agreement. According to the concluded Annex, the validity agreement was extended until 31 March 2024. The available multi-purpose credit limit is PLN 25 000 thousand. Overdraft facility interest rate according to WIBOR 1M rates plus bank margin.
4. PAK – PCE Biopaliwa i Wodór sp. z o.o. and one of the banks concluded Annex No. 1 to a multi-purpose credit limit agreement for PLN 25 000, with a validity term until 30 November 2024. The interest rate according to the WIBOR rate amounts to 1M plus the bank's profit margin.
5. PR PAK SERWIS sp. z o.o. and one of the banks concluded Annex No. 16 to the multi-purpose credit limit agreement, extending agreement validity until 31 March 2024. The available revolving multi-purpose credit limit is PLN 20 000 thousand. The interest rate according to the WIBOR rate amounts to 1M plus the bank's profit margin.

6. PR PAK SERWIS sp. z o.o. and one of the insurance companies concluded Annex No. 4 to the framework agreement for the provision of contractual warranties under the revolving limit extending the term of the agreement until 15 October 2024. The available revolving limit is PLN 5 000 thousand.
7. PR PAK SERWIS sp. z o.o. and one of the insurance companies concluded Annex No. 3 to the contract of mandate for periodic contractual insurance warranties, extending the agreement term until 10 October 2024. The available renewable limit is PLN 3 000 thousand.
8. Park Wiatrowy Pałczyn 1 sp. z o.o. and one of the banks concluded an agreement for a term loan (PLN 95 500 thousand) and a VAT loan (PLN 5 000 thousand) for the total amount of PLN 100 000 thousand, with the term loan maturity date until 20 December 2038 and the VAT loan maturity date until 31 December 2023. The interest rate on the loan during the period in which the loan is made available is WIBOR 3M for the term loan plus the bank margin and WIBOR 1M for the VAT loan plus the bank margin.
9. PAK – PCE Fotowoltaika sp. z o.o. concluded Annex No. 1 to the term loan agreement of 12 March 2021 increasing the term loan limit (by PLN 44 000 thousand, from PLN 138 000 thousand to PLN 182 000 thousand) with other terms and conditions remaining unchanged. Repayment period for the term loan until 31 December 2035. The loan bears interest during the term of the loan at WIBOR 1M plus the bank's margin. The interest during the repayment period at the WIBOR 3M rate plus bank margin.

Agreements regarding loans granted

1. PAK - Polska Czysta Energia sp. z o.o., on 31 January 2023, granted a loan to PAK – PCE Fotowoltaika sp. z o.o. for PLN 11 000 thousand, with a maturity deadline by the end of March 2036. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the Janiszew I PV farm.
2. On 27 February 2023, Cyfrowy Polsat SA granted PAK – Polska Czysta Energia sp. z o.o. a loan of PLN 60 000 thousand or its equivalent in EUR, with a maturity date at the end of December 2025. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the “Dobra” complex of two wind power plants.
3. On 27 February 2023, Cyfrowy Polsat SA granted PAK – Polska Czysta Energia sp. z o.o. a loan of PLN 50 000 thousand or its equivalent in EUR, with a maturity date at the end of December 2025. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the Janiszew I PV farm.
4. On 14 March 2023, Cyfrowy Polsat SA granted PAK – Polska Czysta Energia sp. z o.o. a loan of PLN 82 000 thousand or its equivalent in EUR, with a maturity date at the end of December 2025. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the “Przyrów” complex of fourteen wind power plants.
5. On 15 January 2023, PAK – Volt SA repaid PLN 30 000 thousand of the PLN 120 000 thousand loan granted by ZE PAK SA on 24 November 2022 or its equivalent in EUR, with maturity date by the end of December 2025. The loan is revolving.
6. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 21 October 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 30 100 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
7. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 21 October 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 86 100 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
8. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 21 October 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 71 200 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
9. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 21 October 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 167 200 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.

10. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 21 October 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 68 500 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
11. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 21 October 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 18 400 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
12. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 29 November 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 132 371 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
13. On 15 March 2023, ZE PAK SA concluded Annex No. 1 to the loan agreement of 1 December 2022 with PAK – Polska Czysta Energia sp. z o.o., for a loan in the amount of PLN 20 300 thousand or its equivalent in EUR, which extended the loan maturity date until 31 December 2023. The loan was fully repaid on 3 October 2023.
14. On 13 April 2023, Cyfrowy Polsat SA granted PAK – Polska Czysta Energia sp. z o.o. a loan of PLN 99 000 thousand or its equivalent in EUR, with a maturity date at the end of December 2025. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the “Drzeżewo I-III” wind power plant complex.
15. On 14 April 2023, PAK - Polska Czysta Energia sp. z o.o., granted a loan to EVIVA Drzeżewo sp. z o.o. for PLN 18 474 thousand, with a maturity date by the end of December 2025.
16. On 18 April 2023, ZE PAK SA granted a loan to PAK CCGT sp. z o.o. for PLN 7 000 thousand, with a maturity deadline by the end of June 2026. The loan is allocated to financing the current operating activities.
17. On 11 May 2023, PAK - Polska Czysta Energia sp. z o.o., granted Great Wind sp. z o.o. a loan of PLN 90 000 thousand or its equivalent in EUR, with a maturity date at the end of December 2025. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the “Człuchów” complex of 33 wind power plants.
18. On 19 May 2023, Cyfrowy Polsat SA granted PAK – Polska Czysta Energia sp. z o.o. a loan of PLN 41 000 thousand or its equivalent in EUR, with a maturity date at the end of December 2025. The loan is allocated to the development and manufacturing of a series of 35 hydrogen buses.
19. PAK - Polska Czysta Energia sp. z o.o., granted a loan to EVIVA Drzeżewo sp. z o.o. for PLN 10 000 thousand, with a maturity date by the end of March 2036. The loan is intended for the implementation of an investment project involving the construction of a RES facility in the form of the “Drzeżewo I-III” wind power plant complex.
20. On 30 June 2023, PAK CCGT sp. z o.o. granted a loan to PCE – OZE 5 sp. z o.o. for PLN 1 850 thousand, with a maturity deadline by the end of December 2025. The loan is allocated to financing the current operating activities.
21. On 10 August 2023, ZE PAK SA and PG HYDROGEN sp. z o.o. concluded Annex 4 to the loan agreement of 1 April 2021 for the amount of PLN 62.4 thousand extending the loan repayment date until 6 September 2024. On 3 October, the loan was replaced by a new loan granted by ZE PAK SA in the amount of PLN 68.2 thousand, with a repayment term until the end of October 2028.
22. On 2 October 2023, PAK – Volt SA repaid PLN 8 000 thousand of the PLN 13 000 thousand loan granted by ZE PAK SA on 15 December 2020, with a repayment deadline of 15 December 2023. The loan has been repaid in full.
23. On 24 October 2023, ZE PAK SA granted a loan to PAK CCGT sp. z o.o. in the amount of PLN 3 500 thousand, with a maturity deadline by the end of June 2026. The loan is allocated to financing the current operating activities.
24. On 24 November 2023, ZE PAK SA granted a loan to PAK CCGT sp. z o.o. for PLN 280 000 thousand, with a maturity deadline by the end of June 2041. The loan is intended for the implementation of a construction project involving a 600MWe CCGT unit together with associated infrastructure at the Adamów Power Plant.

Granted and obtained guarantees and sureties

1. On 28 February 2023, ZE PAK SA granted a surety for PAK - PCE Stacje H2 sp. z o.o. to the National Fund for Environmental Protection and Water Management (NFOŚiGW) in the amount of PLN 20 000 thousand, in connection

with Agreement No. 3387/2022/Wn03/OA-it-fn/P concluded between NFOŚiGW and PAK – PCE Stacje H2 sp.z.o.o. for co-financing in the form of a loan.

2. On 10 October 2023, PAK – Polska Czysta Energia sp. z o.o. issued a surety for EVIVA Drzeżewo sp. z o.o. to Polish Wind Holding B.V in the amount of EUR 7 084 thousand, in connection with the agreement of 5 October 2023 concerning the purchase of EVIVA Lębork and Eviva Drzeżewo sp. z o.o.
3. On 9 November 2023, PAK – Polska Czysta Energia sp. z o.o. granted a surety for Great Wind sp. z o.o. to a consortium of banks comprising BGK, mBank SA, PKO BP SA, Santander BP SA in the amount of EUR 8 500 thousand, in connection with the aforementioned banks granting an investment loan to Great Wind sp. z o.o.
4. On 9 November 2023, ZE PAK SA granted a surety for Great Wind sp. z o.o. to a consortium of banks comprising BGK, mBank SA, PKO BP SA, Santander BP SA in the amount of PLN 20 000 thousand, in connection with the aforementioned banks granting an investment loan to Great Wind sp. z o.o.
5. On 22 November 2023, ZE PAK SA granted a surety for PAK – CCGT sp. z o.o. to a consortium of Siemens Energy Global GmbH&Co. KG; Siemens Energy sp. z o.o.; Mytilineos SA in the amount of PLN 390 699 thousand and EUR 622 738 thousand, in connection with the conclusion by the aforementioned companies of Agreement No. 1149/2023 dated 1 September 2023.

Table 2: List of granted guarantees and sureties as at 31 December 2023

	2023		2023	
	<i>ZE PAK Group</i>		<i>ZE PAK</i>	
	<i>PLN thousand</i>	<i>EUR thousand</i>	<i>PLN thousand</i>	<i>EUR thousand</i>
Granted guarantees	11 061	604	4 000	-
- including for Group companies	-	-	-	-
Sureties granted	542 377	626 534	428 877	622 738
- including for Group companies	-	-	-	-

Table 3: List of guarantees and sureties received in 2023, as at 31 December 2023

	2023		2023	
	<i>ZE PAK Group</i>		<i>ZE PAK</i>	
	<i>PLN thousand</i>	<i>EUR thousand</i>	<i>PLN thousand</i>	<i>EUR thousand</i>
Guarantees received	99 036	138 136	4 428	-
- including from Group companies	-	-	-	-
Sureties received	-	-	-	-
- including from Group companies	-	-	-	-

The agreements concluded with affiliates on terms different than market terms

In 2023, there were no agreements concluded on terms different than market terms between the affiliates of the ZE PAK Capital Group.

3.3. Execution of the investment programme

The main project currently implemented at the ZE PAK Group is the construction of a 600 MW class gas-steam unit at the site of the former Adamów power plant. Design work is also underway in preparation for the development of the Przykona photovoltaic farm with a capacity of around 280 MW.

In 2023, the ZE PAK Group, in cooperation with the Polsat Plus Group, continued to implement renewable energy investment projects, including the construction of wind farms, photovoltaic farms and projects related to the production and use of green hydrogen.

Construction of the Adamów CCGT unit and the Przykona photovoltaic farm

A decision was made in 2022 to develop a project involving the construction of the Adamów CCGT unit with a maximum capacity of 600 MWe. Owing to gas fuel, the new power plant will be characterised by the lowest emissions among conventional energy sources, and its high operational availability and flexibility will enable effective stabilisation of electricity production from renewable sources and the Polish power system. The project is being implemented at the site of the former Adamów coal-fired power plant, which is now demolished. In September 2023, a contract was concluded with the construction work general contractor – a consortium between Siemens Energy Global GmbH Co KG, Siemens Energy sp. z o.o. and Mytilineos SA, which is implementing the project on a 'turnkey' basis.

On 20 November 2023, the Supervisory Board of PAK CCGT sp. z o.o. agreed to proceed with the EPC Contract ('Notice To Proceed') and for PAK CCGT sp. z o.o. to make an advance payment to the Consortium in the amount of 20% of the EPC Contract price. Also on 20 November 2023, the Supervisory Board of ZE PAK SA approved the Company issuing a surety under the EPC Agreement. The formal approvals granted by the ZE PAK SA and PAK CCGT sp. z o.o. Supervisory Boards were the final formal elements required to commence the EPC Contract.

The planned unit will be designed and constructed by the general contractor as a single-shaft unit: with one SGT4 4000F gas turbine, an SGEN5-3000W generator, a heat recovery boiler steam generator (HRSG), an SST5-5000 condensing steam turbine generator and a wet fan cooling tower. The project will be implemented on a 'turnkey' basis, covering the execution of all work, including design, obtaining selected administrative decisions on behalf of the ordering party, supplies, civil work, installation, staff training, commissioning, trial run, power plant commissioning and provision of warranty services for a period of two years starting from power plant commissioning. Work commenced in December 2023. The project schedule provides for the power plant to be commissioned in Q1 2027.

In September 2023, a long-term service agreement was also concluded with Siemens Energy sp. z o.o. for a period of 12 years from the date of commissioning of the CCGT unit.

The facility under construction won a power market auction in December 2021, obtaining 17 years of support in the form of payments for the declared capacity, i.e., 493 MW (the available net capacity of the unit planned for construction).

3.4. Risk management

In conducting its activities, the Group is exposed to a series of risks, occurring actually, potentially or theoretically, present in the industry as well as on the markets wherein the Capital Group's companies operate. These are factors which originate both from the inside of the Group as well as from its environment. Given the formalization of the realm related to the risk encountered within the Group's activities, a comprehensive document titled 'Principles of Risk Management for the ZE PAK S.A. Capital Group' ('Management Principles') was developed. The Management Rules have been developed and implemented to identify and determine the boundaries of risk, which occur or can occur in the ZE PAK S.A. Capital Group, as well as to specify the mechanisms used to mitigate risk exposure in the course of conducting activities in the energy and extraction sectors, and to minimise the effects of the risk, which due to the specificity of the ZE PAK S.A. Capital Group's primary production operations cannot be eliminated in its entirety.

The Capital Group's business model and strategy were established pursuant to the aforementioned principles. The fundamental principle of the business model executed by the Group in the realm of its economic activities, namely, extraction, generation and commercial, is to maximise the production and profit while simultaneously complying with the risk mitigation principle. In order to achieve its business goals, the Group accepts incurring the risk, but only to the extent and pursuant to principles specified in the Management Rules. All types of business risks and situations resulting in exposure to risk are constantly minimised, provided that the Management Principles or the Board's decisions do not authorise specific deviations. The specific roles and the scope of liability for decisions and actions related to the executed market policy and strategy were distinguished in relation to the Group's capital structure and the organisational chart of particular companies. A particular role related to the compliance and correct application of the Management Principles is played by the task team named the 'Risk Management Committee', which acts as an advisory body to the ZE PAK SA Management Board. The body was appointed by the Order of the President of the Company's Management Board. The main task of the Risk Management Committee is to recognize and identify, as well as substantively assess all economic risk with a value exceeding PLN 10 million, related to the economic activities conducted by the Group.

The scope of the Group's risk management featured identification of specific areas of risks related to the execution of the established business goals:

- raw material risks,
- production risks,
- market risks and related financial risks,
- operational risks related to the operation of IT systems,
- risk in the area of information security,
- unstable economic situation,
- unknown level of the dynamics related to the change in the economic model from the current one based primarily on fossil fuels to the future one based on low- and zero-emission sources and energy storage,
- need to convince the local community to the proposed model for the future operation of a company of regional significance.

Each area of risk identified above included the identification of specific types of risks related a specific area. The type of a given risk has been comprehensively described, with theoretical examples of its occurrence within the Group's operations. Each type of risk also features specific forms of action aiming at its minimisation or elimination, a specific benchmark was also assigned and the so-called 'key performance indicator', i.e., the minimum performance level, was specified wherever possible.

Directors and employees of organisational units allocated to a given area of risk are subject to inspection in the scope of compliance with the Management Principles, appropriately to their scope of activities. The management of the organisational units is responsible for the proper and compliant with the Management Principles execution of tasks by subordinate organisational units and individual positions. The Management Principles also include an in-depth description of the correct reporting process regarding identified risk, as well as the procedure in the event of identified violations of the principles set out therein.

According to the Management Principles, the compliance with the procedures and methods described in the document can be neglected only in case of obtaining the approval of the ZE PAK SA's Management Board expressed in writing. In such case, a special procedure also described in the Management Principles is applied.

Information on financial instruments with respect to risks related to price changes, credit risk, material cash flow disruptions and liquidity loss is included in Note 39 to the consolidated financial statement, which also contains information on the financial risk management objectives and methods. For information on transactions for which hedge accounting is applied, see Note 39.3 to the consolidated financial statement.

3.5. Described use of emission proceeds

In 2023, the Companies from the ZE PAK SA Group did issue neither debt nor equity securities, hence, did not record proceeds on issue.

4. MAIN BUSINESS RISK FACTORS

The process of predicting the future performance of the ZE PAK SA Capital Group requires to take into account a number of factors, whether actual, potential or theoretical, occurring within the industry and the markets wherein the Group operates. These are factors originating both from in the Group, as well as from its environment. The Management Board believes these can be divided into continuous in each period and incidental in the period of the interim report relates.

The most important factors with constant impact on the Group's results include the following:

- seasonality and weather conditions significantly impacting electricity generation volume;
- macro-economic trends in the Polish economy and the demand for electricity;
- electricity prices, their volatility and the possibility of negative prices, and the associated emergency measures to limit electricity price levels, in response to the energy crisis;
- regulatory environment;
- prices and supply of certificates of origin;
- costs of extraction and transport of coal and other fuels;
- CO₂ allowance costs;
- compensation for stranded costs related to the termination of the LTC for unit No. 9 at the Pątnów Power Plant;
- investment expenses;

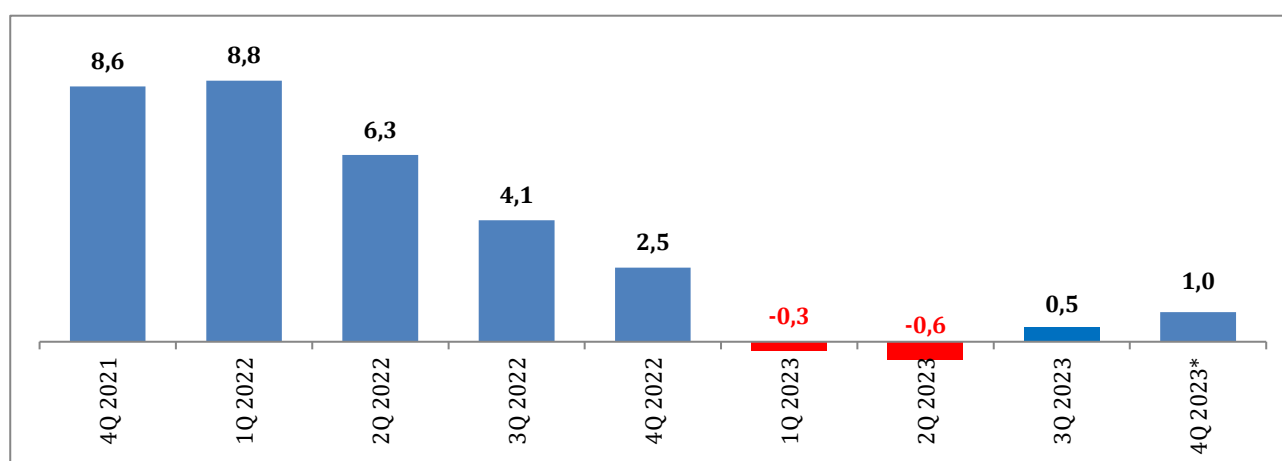
- EUR/PLN exchange rate and interest rates.

Macro-economic trends in Polish economy and the demand for electricity

When conducting activities within the territory of Poland and obtaining most revenues from the sale of electricity, it is necessary to take into consideration the macro-economic trends in the Polish economy. An increase in real GDP and industrial production in Poland, the development of the services sector and an increase or decline in individual consumption are factors of particular importance. All of the aforementioned factors significantly affect the demand for electricity and its consumption.

According to a preliminary estimate, non-seasonally adjusted gross domestic product (GDP) in Q4 2023 increased by 1.0% year-on-year in real terms, compared with an increase of 2.5% in the corresponding quarter of 2022 (at constant annual average prices of the previous year). This impacted a positive foreign trade turnover balance and domestic demand reduced by 2.3%. This resulted from a fall in gross accumulation and an increase in total consumption.

Graph 4: GDP dynamics (%) in relation to the analogous quarter of the previous year



* So-called preliminary gross domestic product estimate for Q4 2023, not adjusted seasonally, in fixed average annual prices for the previous year.

Source: Central Statistical Office data

According to the data disclosed on the ENTSO-E Transparency Platform (net volumes), Poland's electricity generation in 2023 totalled 153.26 TWh¹, a decrease of 5.79% year-over-year.

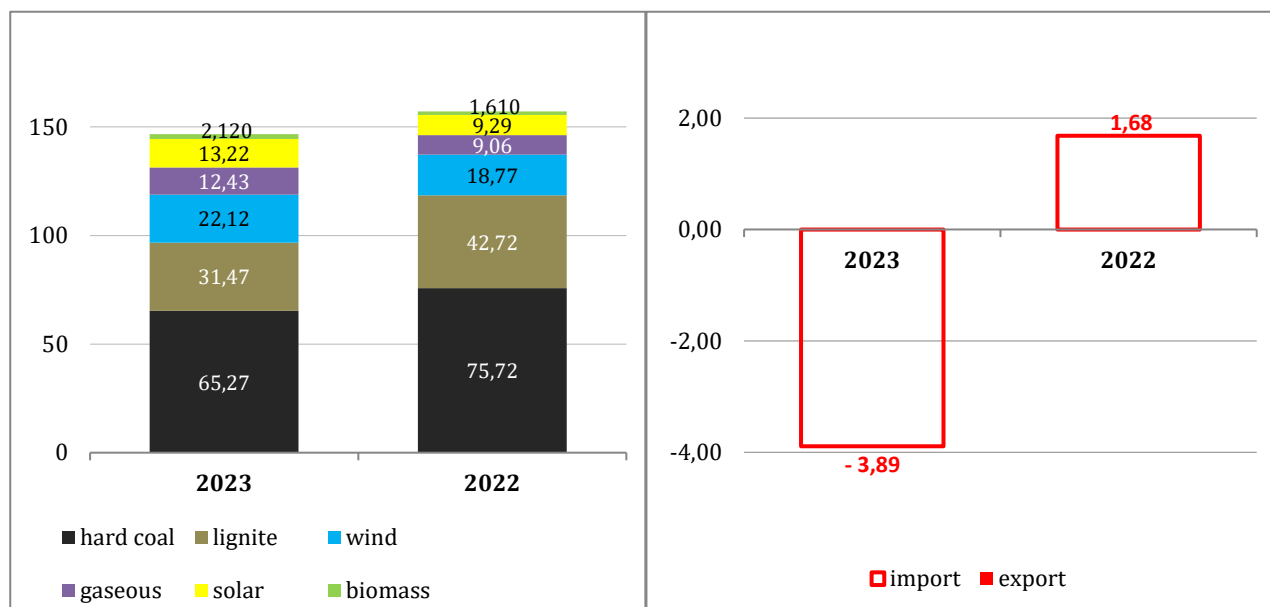
Coal-fired power plants accounted for the largest share of the generation structure, with hard coal-based generation amounting to 65.27 TWh. Lignite led to the generation of 31.47 TWh. On a year-over-year comparison, there was a decrease in production based on both hard coal (down 13.80%) and lignite, down 26.33%. It should be noted that the largest increases were recorded in solar, gas and biomass power generation. In the case of solar power generation, 13.22 TWh were recorded in 2023, an increase of 42.30% relative to the previous year. Generation from gas-fired power plants increased by 37.20% compared to the same period in 2022, with the volume recorded at 9.06 TWh. Biomass-fired power plants generated 2.12 TWh, 31.68% more than in the previous year. Wind power plants generated 17.85% more electricity than during the same period last year.

According to data on the operation of the National Power System and the Balancing Market presented by Polskie Sieci Elektroenergetyczne SA, the foreign exchange balance in 2023 was 3.89 TWh on the import side, meaning that Poland was an importer of electricity.

¹ Based on Entsoe Transparency Platform
<https://transparency.entsoe.eu/generation/r2/actualGenerationPerProductionType/show>

Polskie Sieci Elektroenergetyczne SA indicates that the gross domestic consumption of electricity in 2023 was 167.52 TWh² and decreased by 3.44% compared to 2022.

Graph 5: Electricity generation structure and balance of foreign electricity exchange – TWh



Source: own study based on PSE and ENTSO-E data

Regulatory environment

Electricity market players operate in a regulatory environment subject to continuous change, mainly through the impact of EU law on national law. The most important legal regulations applicable to all electricity generators are the Energy Law, Act on emergency measures aimed at limiting electricity prices and supporting certain consumers, Act on Renewable Energy Sources, which defines the principles of support for specific energy generation technologies, and the Environmental Protection Law, which defines the principles of sustainable use of the environment. The above-mentioned Acts transpose into the Polish legal order the directives and regulations of the European Commission and international conventions concerning, among others, the principles of a uniform wholesale electricity market, environmental protection and climate change (including CO₂ emissions). It is also necessary to take into consideration the tax law provisions, as well as interpretations and recommendations issued by the Energy Regulatory Office, in particular. Any changes in the aforementioned areas could have a major impact on the Group's operations. Regulatory risk is one of the most significant in the electricity generating industry.

Issues associated with the capacity market operation are important factors that could affect financial results.

On 16 December 2021, as a result of a main auction for the 2026 supply year, the Group company PAK CCGT sp. z o.o. concluded a capacity contract for 17 years of supply, contracting 493 MW of a capacity obligation at a base price of PLN 400.39/kW/year. The value of the concluded capacity contract for the first year of supply (2026) is PLN 197 392 270.00. Now, from the point of view of the Group's future financial performance, it will be important to obtain financing for this investment project. This process should be supported by legislation passed at EU level adding nuclear and gas-fired power plants to the set of 'taxonomy' principles from 2023.

According to the current regulations, coal-fired units can receive support under the Capacity Market until the end of H1 2025. Since 2022, Poland has been making efforts to extend the capacity market until the end of 2028. On 17 October, EU energy ministers reached a compromise on support for coal-fired power plants until 2028. The agreement reached does not yet end the legislative process. The proposal must now find support through a 'trilogue' between the EU Council,

² According to Table No 3. The structure of electricity generation in domestic power plants, the volumes of electricity exports and domestic electricity consumption – monthly and cumulatively from the beginning of the year – gross amounts available on the PSE S.A. website.

the European Parliament and the European Commission. Decisions related to the extension of support for coal assets and their final financial dimension may affect the financial performance of the ZE PAK Group's coal assets in 2025.

An important event in the regulatory environment for the Company's financial results is the reform of the balancing market, which has been proceeded since 2019, when intensive work commenced to adapt the balancing market to the requirements of European law. On 27 September 2023, the President of the Energy Regulatory Office approved a portion of the document (without the Operating Reserve pricing model, i.e., scarcity pricing) of the Balancing Terms based on the Commission Regulation (EU) 2017/2195 of 23 November 2017 laying down balancing guidelines, developed and submitted by Polskie Sieci Elektroenergetyczne SA, acting in the territory of the Republic of Poland as the Power Transmission System Operator (TSO), setting the date of entry into force of the document at 14 June 2024. Implementing adopted changes is a very complex process, which requires the effort of the entire sector, including IT solution providers. Implementing new rules into the market requires an in-depth understanding and introducing new solutions within the Company. The changes being implemented mean a huge reform of the balancing market, which introduces, among other things, a new market architecture, as well as new market-based rules for the sale of balancing capacities, new settlement rules on the Balancing Market and different rules for payments for commissioning (which are disappearing as a separate settlement item). It is very difficult to assess the impact of the pending changes on the Group's future financial performance at this stage.

A number of regulations implemented in Q4 2022 will apply in 2023. They will be aimed at impacting a reduction in electricity prices. The acts include a regulation of the Minister of Climate and Environment of 27 September 2022 amending the Regulation on detailed conditions for the operation of the power system, which, as of 1 October 2022, introduced amendments to the rules for offering electricity on the Balancing Market operated by PSE SA, by establishing rules for offering on the Balancing Market with regard to the maximum price resulting from the variable costs of generation. As a result of the introduced regulation, prices on the balancing market and, consequently, prices on the Polish Power Exchange SA were adjusted downwards and are still lower than in the previous year. The provisions of the Act of 27 October 2022 on emergency measures aimed at limiting electricity prices and supporting certain consumers in 2023 and its implementing regulation – the Regulation of 8 November 2022 on the method of calculating the price cap are relevant for the performance of the ZE PAK SA Group. They apply to the Price Difference Fund, and obliged Group companies generating and/or trading in energy, starting from 1 December 2022 until the end of 2023, to recognize write-offs to the Price Difference Fund, the amount of which is all revenues resulting from concluded electricity sale contracts in excess of the price cap, determined according to the principles indicated in the aforementioned regulation. As a result of an amendment to the Act in the Q2 2023, provisions have been introduced to take account of the settlement of dues under the Act up to April 2025, in respect of amounts for which payment was made after 31 December 2023. Each of the Amendments to this Act and the Implementing Regulation executed in 2023 expanded the scope of write-offs to be made. The amendment to the Act of 8 February 2023 broadened the scope of the allowance to include revenues from guarantees of origin within the meaning of the Renewable Energy Sources Act of 20 February 2015 and to include settlements related to the sale of electricity covering, in particular, financial instruments, while the August amendment obliged generators and trading companies to surrender to the Fund 97% of revenues from the sale of guarantees of origin and 97% of revenues from electricity sales contracts, covering financial instruments, which undermines the sense of both the guarantees of origin system, which is an instrument that promotes the generation and consumption of RES electricity, and the PPA system, which is also a mechanism for supporting RES, enabling the sale of RES energy at a fixed price over a long period of time.

On 7 December 2023, the newly elected Sejm adopted the Act on Amending the laws to Support Consumers of Electricity, Gaseous Fuels and Heat, which extends until mid-2024 the application of maximum energy prices for households and certain entities, such as local governments or public utilities or small- and medium-sized enterprises, among others, but changes the way the 'price freeze' is financed. The Act did not extend funding, as in 2023, from contributions to the Generators and Electricity Trading Companies Fund, introducing a gas deduction, paid by natural gas extraction companies over the 2022 period, which will be one of the Act-funding sources. The price-freezing act in force in 2024 is likely to have less of an impact on ZE PAK's financial performance than the previous law.

Electricity prices

The Company generates the vast majority of its revenues from the generation and sales of electricity, so the risk of a change in the electricity sales price is critical to the level of its revenues.

The information disclosed below is based on quotes from the Polish Power Exchange (TGE SA), where the Group sells its generated electricity.

After the rapid electricity price increases in H2 2022, the average price of TGeBASE indices in the day-ahead market on the TGE SA began to gradually return in 2023 to pre-increase levels, which could be observed in Q1 2023 (615.61 PLN/MWh). Q2 2023 recorded a further decline in indices relative to the previous quarter, to an average level of 527.16

PLN/MWh, while Q3 2023 temporarily halted the sharp downward trend at 505.59 PLN/MWh. Q4 saw another large drop in indices relative to the previous quarter, down to an average level of 401.29 PLN/MWh.

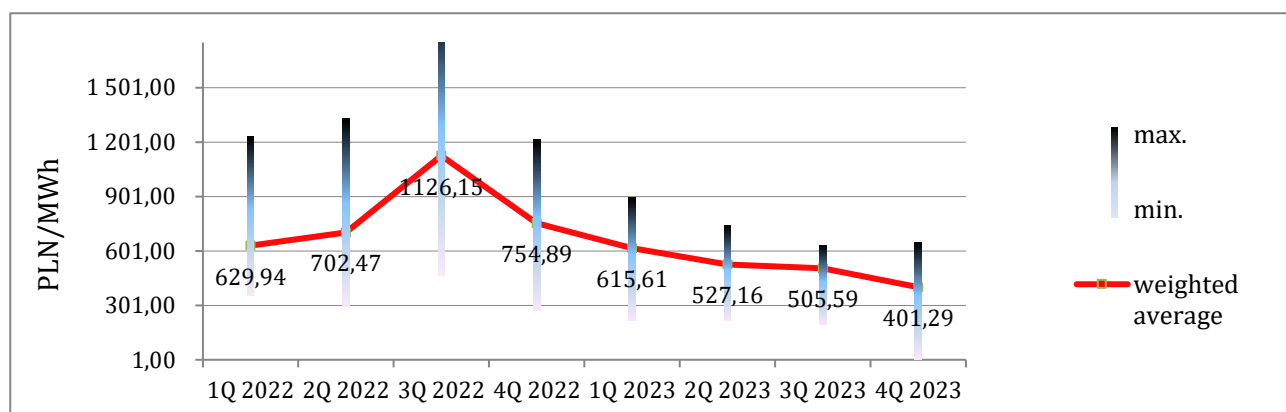
At 58.24 TWh, the day-ahead market turnover on TGE SA in 2023 was higher by 27.28 TWh, or 88.12%, than the same period in 2022 (30.96 TWh).

The price levels in 2023 were still impacted by the EU Council's intervention regarding high energy prices in EU energy markets, which led to the introduction of a regulation of the Minister of Economy³ stipulating the mechanism for energy generators to apply maximum prices (MaxCO) in their balancing bids, and to adopting a number of other legislative documents, including: The Act on emergency measures aimed at limiting electricity prices and supporting certain consumers in 2023.

In addition, the situation of sustained lower prices was invariably caused by increased RES generation with a total record (also historical) generation in 2023 recorded on 10 May 2023 – 13.85 GW according to the National Electricity System), of which wind farms generated 5 575 MW and photovoltaic farms generated 8 273 MW. The historical generation highs for individual RES technologies are 8 384 MW for wind farms recorded on 21 December 2023 and the historical 9 275 MW for PV farms recorded on 6 September 2023.

Compared to the previous year, the average of the TGeBASE indexes in 2023 shows a clear decrease in prices from 787.62 PLN/MWh in 2022 to 511.81 PLN/MWh, a decrease of PLN 275.81 or 35% year-over-year.

Graph 6: TGeBASE energy prices

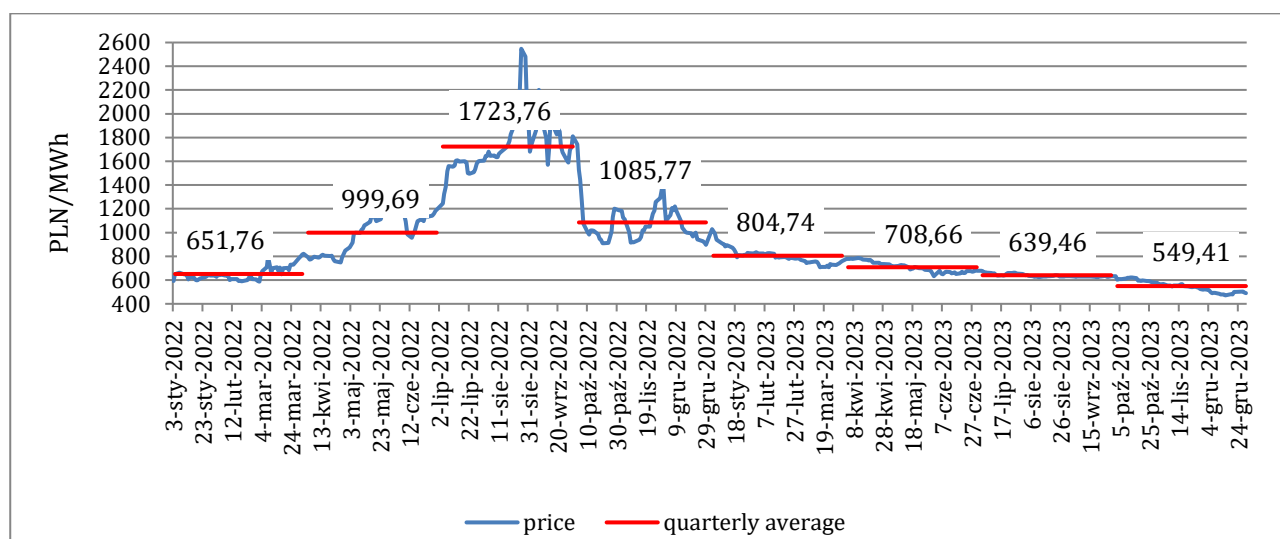


Source: own study based on POLPX data

The arithmetic mean of the daily settlement prices for the BASE_Y-24 reference futures contract in 2023 followed a downward trend (similar to what could be observed in the day-ahead market) and was at a level of 676.18 PLN/MWh, which means a decrease in relation to the BASE_Y-23 futures contract quoted in 2022 (1 122.67 PLN/MWh) by 446.49 PLN/MWh, i.e., by approximately 39.8%. Although the volume of transactions concluded in TGE SA in 2023 in relation to the BASE-Y-24 futures product recorded an upward trend in subsequent quarters of the year (Q1 – 4.02 TWh, Q2 – 7.40 TWh, Q3 – 10.52 TWh, Q4 – 11.45 TWh) yielding a total of 33.40 TWh, this represents a decrease in trading volume of 27.83 TWh, or 45%, compared to the corresponding total period in 2022 (61.22 TWh).

³ Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices (OJ L UE LI 261 of 7/10/2022, p. 1)

Graph 7: Price of an electricity supply futures contract (band with an annual supply)



Source: own study based on POLPX data

The reasons for the decline in prices and the increase in the volume of transactions concluded can be attributed to the offered price of energy, which remains at a much lower level than that observed in previous quarters in quotations on the Polish Power Exchange (TGE SA), the decrease in energy prices in European wholesale markets (caused by the stabilisation of prices and gas supplies, which increased the stock of raw material in storages) and the fall in CO₂ emission allowance prices on European exchanges.

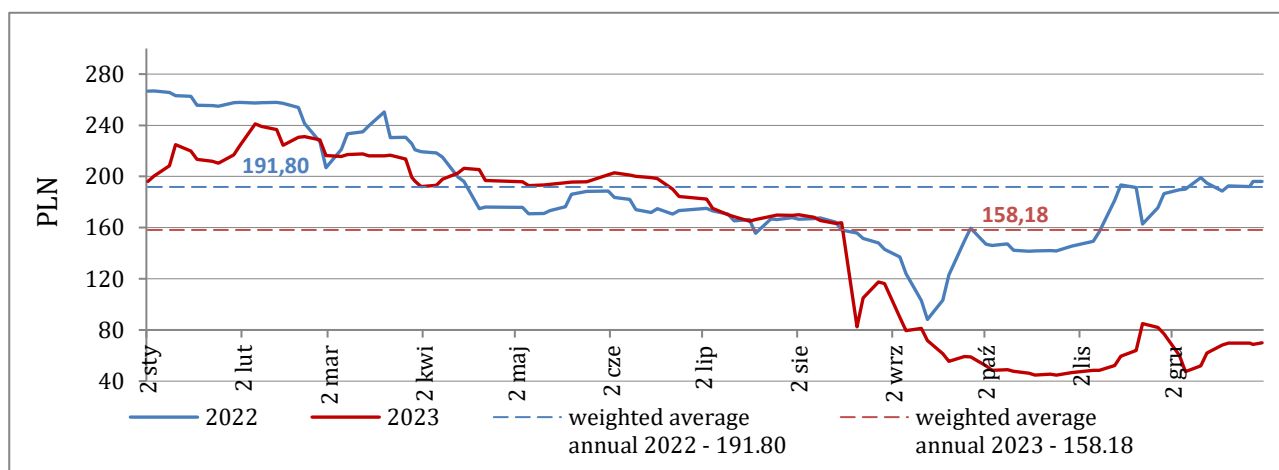
Certificates of origin

One of the power units dedicated to biomass combustion, owned by PAK-PCE Biopaliwa i Wodór sp. z o.o. of the PAK-PCE Group, in which the Company has a minority stake, is entitled to green certificates. The number of certificates of origin obtained depends on the level of generation and is sold to other market participants. However, the generation, especially associated with the biomass unit, is largely dependent on the level of green certificate market prices. In periods when the total price of energy generated from biomass and green certificate prices do not ensure achieving the expected financial effect, output may be reduced or suspended, which automatically also reduces the volume of green certificates generated. Due to the fact that the level of revenues generated from the sales of certificates of origin is lower than the level of revenues generated from the sales of electricity, the risk of changes in the price of certificates of origin also has less impact on the results than, for example, the risk of changes in the price of energy, but the green certificate price level is important from the perspective of PAK – PCE BiW sp. z o.o.

Green certificate prices started to increase in the beginning of 2023, and continued to do so until Q2 2023. The Regulation of the Minister of Climate and Environment of 28 August 2023 on the change of the total electricity volume share resulting from redeemed certificates of origin confirming the generation of electricity from renewable sources in 2024 was proceeded in H2 2023, reducing the volume share relating to Art. 59(1) of the RES Act to 5.0 %. This information contributed to a significant drop in prices. Last year, this level was 12.0%. From this period onwards, the downward price trend continued to deepen until the end of 2023. The level of the obligation to redeem green certificates is of key importance for the development of demand for green certificates, which constitute one of the two sources of revenues - besides electricity sales - affecting the profitability of RES investments made under the certificate of origin system.

The weighted average price at the property rights market sessions amounted in 2023 to 158.18 PLN/MWh for the PMOZE_A instrument, i.e., 33.62 PLN/MWh less compared to 2022, which means a 17.52 % decrease.

Graph 8: Average price of certificate of origin for RES produced energy



Source: own study based on POLPX data

Starting from the H2 2023, and given the sale of the controlling stake in the PAK–PCE sp. z o.o. group, owning PAK – PCE Biopaliwa i Wodór sp. z o.o., to the Polsat Plus Group, which currently owns 50.5% of the shares in PAK–PCE, with ZE PAK SA as a minority shareholder, a description of the factors affecting the level of revenue generated from the sale of green certificates that accrue for the generation of electricity by PAK – PCE Biopaliwa i Wodór sp. z o.o. is discussed in statement of the Polsat Plus Group.

Fuel costs and supplies, coal extraction costs

The most important element of the costs related to electricity and heat generation in ZE PAK SA companies is the fuel cost. The prices of fuel largely determine the competitiveness of particular electricity production processes. Currently, ZE PAK SA power plants produce electricity based on lignite. Until mid-2023, ZE PAK held a majority controlling stake in PAK – PCE Biopaliwa i Wodór sp. z o.o., which employs forest and agricultural biomass to generate electricity. In addition, minimal amounts of heavy and light fuel oil are involved in the electricity generation process for kindling purposes.

Suppliers of lignite to ZE PAK SA is PAK KWB Konin SA, as well as third-party entities. Also important for the financial result is the level of costs associated with lignite extraction, which largely depends on factors that are beyond the direct control of the Company, such as, e.g., the geological conditions of the deposits at the final stage of their exploitation.

Currently, the Company is operating only the Tomisławice open pit. The deposit exploited by PAK KWB Konin SA has a specific resource reserve. The possibility of achieving the assumed level of electricity generation depends on the mining capacity and quality of the coal mined from currently operated Tomisławice deposit.

The price factor of biomass, the price and availability of which is increasingly important due to the commissioning of a second biomass unit at the Konin Power Plant, has had less significance for ZE PAK's performance since the H2 2023, when ZE PAK became a minority shareholder in PAK – PCE Biopaliwa i Wodór sp. z o.o., which owns the biomass assets, and this segment of the market is discussed in the statement by the Polsat Plus Group.

CO₂ emission allowance costs

The activities in the scope of production of electricity and heat from conventional sources are associated with the need to bear the CO₂ emission costs. Due to the fact that these costs represent an important item in the structure of costs incurred by the producers of lignite-based energy, the impact of emitted CO₂ quantities and the allowance CO₂ emission price risk are of great importance to the operating results.

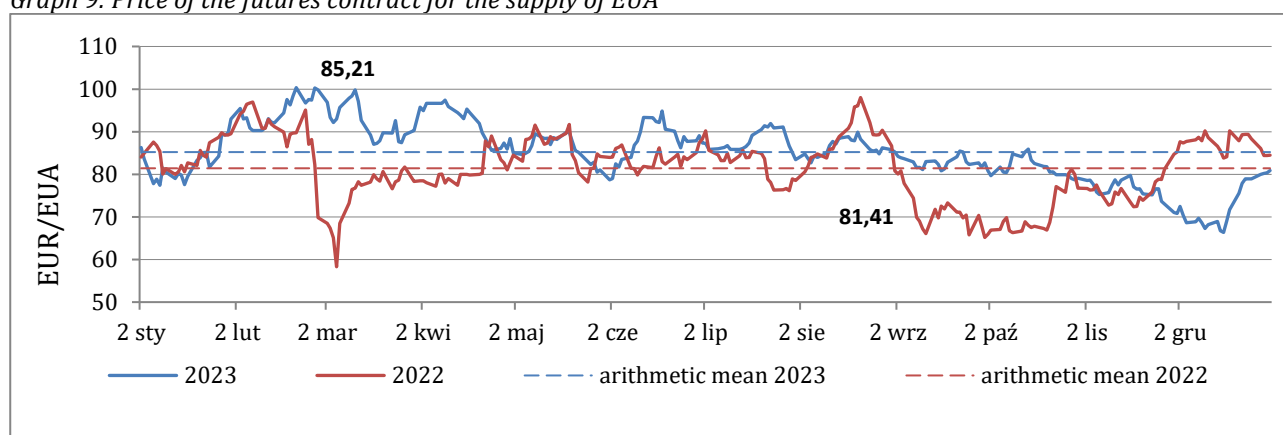
The entire amount of emission allowances required by the ZE PAK SA Group in 2023 had to be purchased on the secondary market.

In 2023, the price fluctuated in the EUR 67-100 range. In Q1 (21 February 2023), the price of CO₂ allowances exceeded the EUR 100 level for the first time in history. Q1 2023 was a growth period due to increased purchase of EUAs by energy utilities, setting prices at a level of EUR 100. In April 2023, the EUA price continued to rise due to the fulfilment of the obligation to redeem allowances by the end of that month. After the redemption period, CO₂ emission allowance price recorded declines due to reduced purchases of EUAs by energy utilities and the increased share of renewable energy

sources, thus, lower demand for EUAs and their sale by financial investors. By the end of May 2023, prices had fallen to EUR 78. In the first half of June, the price once again increased to EUR 95 due to strong increases in the profitability of electricity generation. H2 2023 was characterised by a downward trend. The gradual reduction in raw material prices, the Hamas attack on Israel, the fall in gas prices, and the closing of open positions by investment funds have reduced the EUA price to EUR 70 by the end of 2023. On 1 October 2023, the CBAM, or so-called 'carbon tax', came into force. October to December 2025 is a transitional period, wherein importers or indirect customs representatives are required to submit quarterly reports including information on CBAM goods, no later than one month after the end of the quarter in question. The share of coal in Poland's electricity generation in 2023 fell to 63% from 73%, reaching the lowest level in the more than a 100-year-long history of the Polish electricity sector, while the share of RES increased to 27% from 20%, and the share of gas reached 10%⁴. The upward factors affecting the market in 2024 are the publication of the European Commission's recommendations for the European Union's 2040 climate goal (90%), conflict in the Middle East, and long-term speculation, while the downward factors include the decline in the profitability of fossil fuel energy generation and the growth of RES.

The arithmetic mean of EUA in 2023 was EUR 85.21, compared to EUR 81.41 in 2022.

Graph 9: Price of the futures contract for the supply of EUA



Source: own study based on ICE data

Compensation for stranded costs associated with the termination of a 'Long-term Contract' ('LTC') for unit No. 9 at the Pątnów Power Plant (formerly Elektrownia Pątnów II sp. z o.o.)

The long-term power purchase contract (LTC) was concluded between Elektrownia Pątnów II sp. z o.o. and Polskie Sieci Elektroenergetyczne SA. The contract was a long-term agreement in the scope of electricity supply according to an established price formula.

Due to the premature termination (on 1 April 2008) of the Pątnów II Power Plant's LTC, pursuant to the Act on LTC, the Company is entitled to receive appropriate compensation. The amount of compensation is calculated according to an applicable formula specified in the Act. Elektrownia Pątnów II sp. z o.o. is subject to the aforementioned Act until the end of 2025. The mechanism determining the level of revenues related to compensation for stranded costs is largely based on the offset principle, therefore, the risk related to the level of revenues from this source is somewhat dependent on other risks affecting the level of costs and revenues, e.g., energy prices or emission allowance prices.

On 30 December 2020, Elektrownia Pątnów II sp. z o.o., by way of general succession, was incorporated into ZE PAK SA. The merger of the companies does not affect ZE PAK SA's right to claim compensation for stranded costs.

Seasonality and meteorological conditions

The demand for electricity and heat, among consumers in particular, is subject to seasonal fluctuations. The practice so far has shown that electricity consumption was higher in the winter (mainly due to low temperatures and shorter days) and lower in the summer (due to the holiday period, higher ambient temperatures, and a longer day). A systematic increase

⁴ <https://wysokienapiecie.pl/96011-udzial-wegla-i-oze-w-polsce-2023/>

in the demand for electricity in the summer has been recorded over the last decade, which is mainly due to the rising number of operated air conditioners and cooling devices.

Regardless of the aforementioned factors, meteorological conditions are becoming increasingly important for the ZE PAK SA's production volume. In previous years, the Group's activity was not subject to significant demand seasonality, and was continuous (basically) all-year-round, owing to low unit operating costs. Currently, given the increasing share of RES in the segment of energy producers, mainly wind and photovoltaic sources, when estimating the output volume by ZE PAK SA's conventional sources, weather conditions, with particular regard to wind and insolation conditions, become increasingly important, making our units sub-peak sources. Please bear in mind that in periods when weather conditions favour production from RES sources, the demand for the power from the Group's conventional power plants may be periodically reduced. And similarly, it may increase during periods of lower RES production.

Seasonality and meteorological risks are becoming more important every year due to the increasing installed capacity of weather-dependent sources.

Capital expenditure

The activities in the coal extraction and energy production sector requires substantial investment expenses. The Group's conventional generation assets require periodical renovations and ongoing modernisation, both due to the increasing strictness of requirements in terms of environmental protection, as well as the need for improvement of electricity generation effectiveness. The Group's coal-fired generating units are still needed within the National Power System to stabilise the production of RES sources. To reduce mercury and dust emissions in the boiler flue gases of unit No. 9 at the Pałnów Power Plant to the levels required according to the BAT conclusions, the Company has so far spent approximately PLN 2 MM, while the entire investment will amount to ca. PLN 18 MM.

Given the Group's strategy of phasing-out lignite-based electricity generation, the anticipated increased level of capital expenditure associated with the Group's plans to build a CCGT unit at the Adamów Power Plant should be taken into account. The scale of the project and the anticipated level of capital expenditure are significant in the light of the ability to generate cash flow based on current operations. The level of capital expenditure had a major impact, and according to expectations will still have a major impact on the results of operating activities, debt level and cash flows. Execution delays, investment programme changes and exceeding budget thresholds can have a severe impact on future capital expenditure, as well as on the results, financial standing and development perspectives.

EUR/PLN exchange rate, interest rate level

Despite the fact that the Group conducts its activities in Poland, where it incurs costs and gains revenues in Polish zloty, there is a couple of significant factors which make the financial results dependent on the EUR/PLN exchange rate. The most important factors include:

- transactions related to EUA purchase settled in EUR,
- one of the companies from the renovation segment, PAK Serwis sp. z o.o. is handling its orders outside of Poland, settling them in EUR.

The Group's companies apply instruments aimed at limiting the risk related to exchange rate changes, e.g., for a part of the flows associated with the purchase of CO₂ emission allowances. Forward transactions are used to secure the exchange rate. Management Boards are constantly monitoring the financial position and market situation and can make the decision to use financial instruments limiting the exchange rate risk, if needed. According to the principles applicable at ZE PAK SA Group, potential transactions will have the form of security and will be adapted to the secured item in terms of volume and maturity date. The decision on the choice of the security instrument will also include the following: price, market liquidity, product simplicity, easiness of quotation and accounting as well as flexibility.

As at 31 December 2023, the Group had no long-term financial liabilities with variable interest rates (loans, borrowings).

5. DESCRIPTION OF THE FINANCIAL AND ASSET STANDING

5.1. Principles of preparing a financial statement

The Group develops consolidated financial statements based on the International Financial Reporting Standards approved by the European Union. These standards, collectively referred to as International Financial Reporting Standards (IFRS), also include International Accounting Standards (IAS) and Interpretations issued by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee.

Significant accounting principles applied in relation to the Group's Consolidated Financial Statement have been discussed in Note 11 of the Group's Consolidated Financial Statement for 2023.

ZE PAK SA develops its financial statements based on the act on accounting of 29 September 1994.

The accounting principles (policy) used in the development of the financial statement are presented in clause 6 of the Introduction to ZE PAK Sa's Financial Statement for the year concluded on 31 December 2023.

5.2. Characteristics of basic economic and financial quantities

Consolidated profit and loss statement and the consolidated comprehensive income statement

Total sales revenues from continuing and discontinuing operations combined in 2023 amounted to PLN 3 865 003 thousand. A decrease by PLN 335 232 thousand or 7.98% compared to 2022.

The decrease in revenues was mainly impacted by the absence, starting from H2 2023, of revenues from companies in the field of renewable energy sources due to the sale of the controlling stake in PAK – Polska Czysta Energia sp. z o.o., including revenues from the sales traded electricity by PAK – Volt SA, as well as revenues from the sales of heat and green certificates implemented by PAK – PCE Biopaliwa i Wodór sp. o.o.

A 56.05% decrease in the volume of total electricity sales, both own and purchased, was recorded in 2023. The decrease in sales of own energy was contributed to by the 52.44% lower amount of coal available for extraction in the mines supplying the Company, which impacted generation capacity, while the large decrease in sales of purchased energy reported for the year was due to the failure to recognise sales made to date by PAK – Volt SA and PAK – PCE Biopaliwa i Wodór sp. o.o. Decreases in volumes, despite an increase in the price of electricity sold, resulted in a decline in electricity sales of PLN 446 623, i.e., by 12.31%.

In 2023, capacity market revenues amounted to 167 481 thousand and increased by PLN 7 473 thousand, or 4.67%, relative to the previous year. A higher price of contracted capacity for 2023, as well as the higher revenue taken in the secondary market, are responsible for the higher revenues.

Heat sales revenues in 2023 amounted to PLN 56 395 thousand and declined relative to 2022 by PLN 18 989 thousand, i.e., by 25.19%. The decrease in revenue compared to the same period of the previous year is attributable to the lower volume of heat sold due to the cessation of consolidation of PAK – PCE Biopaliwa i Wodór sp. o.o. heat sales as of the second half of this year.

In 2023, ZE PAK SA became the sole supplier of biomass to PAK – PCE Biopaliwa i Wodór. Until 30 June 2023, this revenue was excluded for the purposes of consolidating the Group's results. Due to the loss of control over PAK – Polska Czysta Energia sp. z o.o., revenue is recognized as of July 2023, and for the period from July to December 2023 amounted to PLN 181 096 thousand.

Revenues from construction contracts in 2023 increased to the amount received in the same period of the previous year by PLN 42 662 thousand, which is 87.00%. The increase in revenues was associated with the construction of wind and photovoltaic farm by PAK Serwis sp. z o.o., a company in the renovation segment.

Selling prime costs in 2023 amounted to PLN 18 239 thousand and decrease by PLN 87 994 thousand in relation to 2022, i.e., by 82.83%. The biggest contributor to the decrease in revenues in 2023 is the non-recognition of gas trading by PAK – Volt SA from July 2023, due to the non-consolidation of its results from H2 2023.

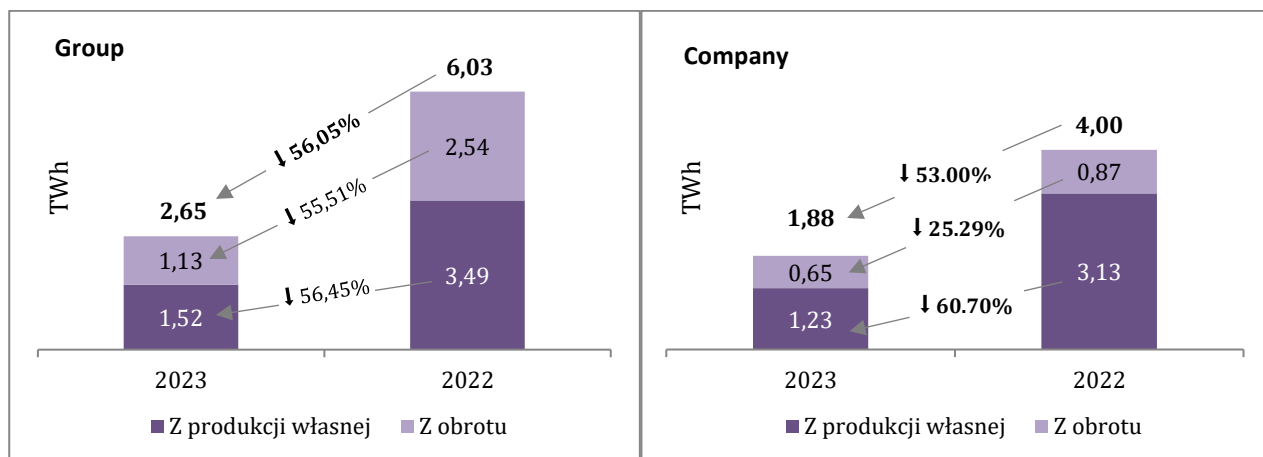
Compared to 2022, revenues from the sale of property rights from energy certificates of origin in 2023 decreased by PLN 19 486 thousand, or 33.31%. The decrease in the sale of property rights from energy certificates of origin is a consequence of selling the controlling stake in PAK – PCE, which has resulted in green certificates no longer being produced and sold within the ZE PAK SA Group as of H2 2023.

Revenues from the termination of LTCs (termination of the long-term capacity and energy purchase contract) in 2023 increased by PLN 2 826 thousand, i.e. 2.21%, due to implementing a lower margin on unit 9 generation.

Table 4: Specification of consolidated sales revenues

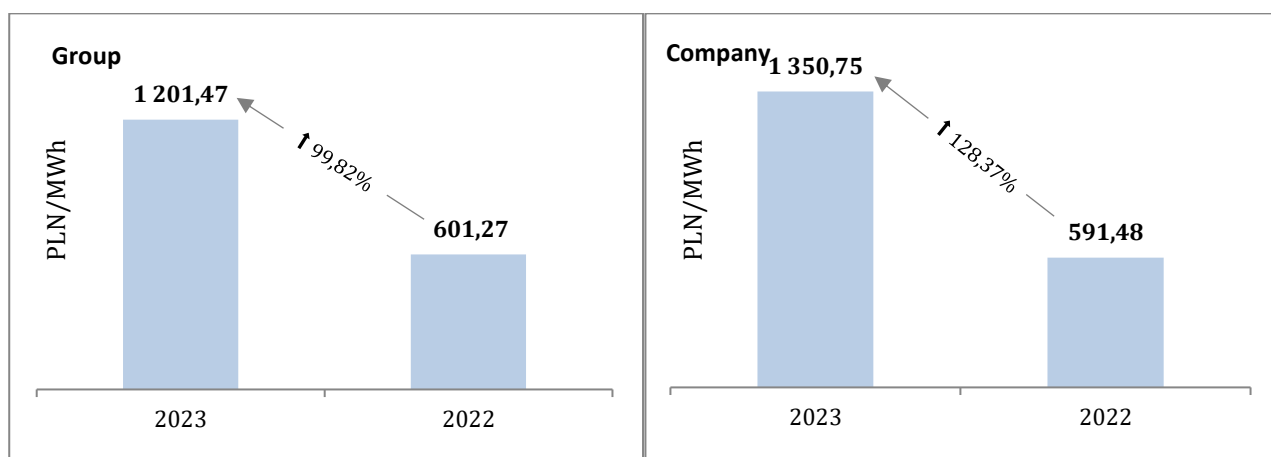
	PLN thousand 12-month period concluded on 31 December 2023	PLN thousand 12-month period concluded on 31 December 2022	PLN thousand change	% dynamics
Revenues from the sale of goods and services, including:	3 695 532	4 017 907	(322 375)	(8.02)
– revenues from sales of own electricity	1 938 705	1 943 487	(4 782)	(0.25)
– revenues from sales of electric energy from trade	1 241 920	1 683 761	(441 841)	(26.24)
– capacity market revenues	167 481	160 008	7 473	4.67
– revenues from sales of thermal energy	56 395	75 384	(18 989)	(25.19)
– revenues from biomass sales	181 096	-	181 096	-
– revenues from construction contracts	91 696	49 034	42 662	87.00
– other sales revenues	18 239	106 233	(87 994)	(82.83)
Excise tax	(43)	(3 846)	3 803	(98.88)
Other revenues, including:	169 514	186 174	(16 660)	(8.95)
– property rights on energy certificates of origin	39 010	58 496	(19 486)	(33.31)
– compensation for termination of long-term contracts	130 504	127 678	2 826	2.21
Total sales revenues, of which:	3 865 003	4 200 235	(335 232)	(7.98)
Revenues from discontinued sales	759 196	1 459 245	700 049	(47.97)
Revenues from continuing sales	3 105 807	2 740 990	364 817	13.31

Graph 10: Electricity sales



Source: internal data

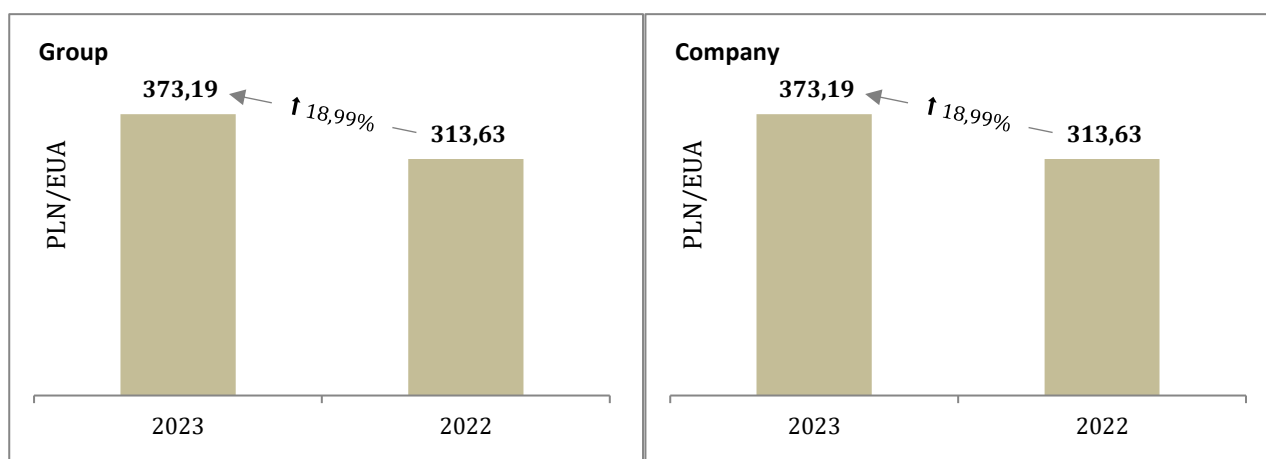
Graph 11: Average electricity sales prices*



* Average price, calculated as electricity sales revenues (own, traded and system services) divided by the sales volume.

Source: internal data

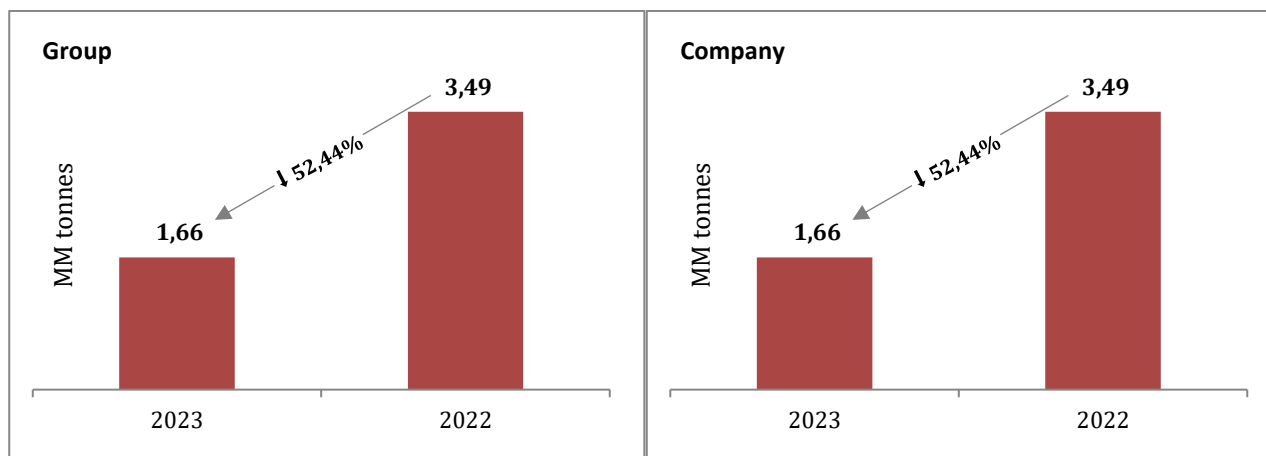
Graph 12: Average acquisition prices of CO₂* emission allowances (EUA)



* Average price calculated as EUA purchase costs for a given period divided by CO₂ emission volume.

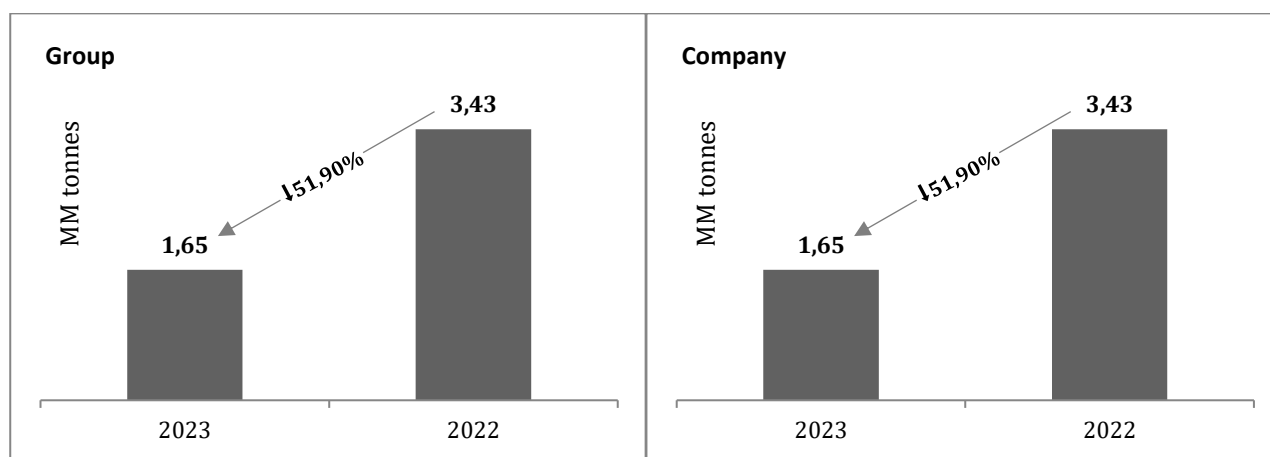
Source: internal data

Graph 13: Lignite consumption



Source: internal data

Graph 14: CO₂ emissions related to combusting non-renewable fuels in the process of electricity generation



Source: internal data

Selling prime costs associated with continuing and discontinued operations amounted in 2023 to PLN 2 605 794 thousand and decreased relative to 2022 by PLN 1 107 392 thousand, i.e., by 29.82%. The reduction in prime cost was mainly driven by a decline in the value of goods and materials sold related to the lower amount of electricity purchased for trading, as well as lower carbon emission costs due to lower emission volumes resulting from reduced electricity generation, and lower material consumption, third-party services and employee benefits costs. The prime cost increase was impacted by the levy to the price difference payment fund introduced in 2023 and recognized under 'taxes and charges excluding excise duty'.

Other operating revenues associated with continuing and discontinued operations in 2023 amounted to PLN 71 913 thousand and were higher by PLN 30 161 thousand than those obtained in the corresponding period of the previous year. The increase in revenue was mainly due to the profit taken on the sale of non-financial fixed assets and the release of a provision for the decommissioning of fixed assets at power plants.

Costs of sales from continuing and discontinued operations in 2023 amounted to PLN 7 764 thousand and were lower by PLN 6 612 thousand than those incurred in the same period last year due to the absence of electricity trading as of the second half of the year, previously implemented under the sales segment.

Overheads associated with continuing and discontinued operations in 2023 amounted to PLN 162 392 thousand and exceeded those incurred in the previous year by PLN 10 419 thousand, i.e., by 6.86%. The increase in overheads results from the decommissioning of two lignite open pits in 2023 and recording reclamation costs under overheads from that point onwards.

Table 5: Selected items of the consolidated income statement (continuing and discontinued operations combined)

	PLN thousand 12-month period concluded on 31 December 2023	PLN thousand 12-month period concluded on 31 December 2022	PLN thousand change	%
				dynamics
<i>Total continuing and discontinued operations</i>				
Sales revenues	3 865 003	4 200 235	(335 232)	(7.98)
Selling prime cost	(2 605 794)	(3 713 186)	1 107 392	(29.82)
Gross profit (loss) on sales	1 259 209	487 049	772 160	158.54
Other operating revenues	71 913	41 752	30 161	72.24
Selling costs	(7 764)	(14 376)	6 612	(45.99)
Overheads	(162 393)	(151 973)	(10 420)	6.86
Other operating costs	(501 809)	(11 174)	(490 635)	4 390.86
Share in profit (loss) of affiliates measured using the equity method	29 239	-	29 239	-
Profit (loss) from operating activities	688 396	351 278	337 118	95.97

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Financial revenue	65 973	56 639	9 334	16.48
Financial costs	(134 751)	(89 849)	(44 902)	49.97
Gross profit (loss)	838 910	318 068	520 842	163.75
Income tax (tax burden)	(116 251)	(102 688)	(13 563)	13.21
Net profit (loss)	722 659	215 380	507 279	235.53
EBITDA*	728 384	391 271	337 113	86.16

* The Company defines and calculates EBITDA as the profit/(loss) on operating activities (calculated as the net profit/(loss) for the accounting year corrected by the (i) income tax (tax load), (ii) financial revenues, as well as (iii) financial costs) corrected by the depreciation (shown in the income statement), as well as impairment write-downs against tangible assets, intangible assets, and mining assets.

Table 6: Consolidated costs by type

	PLN thousand 12-month period concluded on 31 December 2023	PLN thousand 12-month period concluded on 31 December 2022	PLN thousand change	%
				dynamics
Depreciation and amortization	37 807	49 484	(11 677)	(23.60)
Fixed and mining asset impairment write-downs	2 181	(9 491)	11 672	(122.98)
Impairment write-downs against inventory	4 124	6 550	(2 426)	(37.04)
Consumption of materials	486 663	579 766	(93 103)	(16.06)
Outsourcing	94 371	144 428	(50 057)	(34.66)
Taxes and fees excluding excise tax	260 179	135 846	124 333	91.52
CO ₂ emission costs	607 662	1 074 838	(467 176)	(43.46)
Employee benefits	379 443	397 281	(17 838)	(4.49)
Other costs by type	45 980	18 162	27 818	153.17
Value of goods and materials sold and of sold energy purchased in trade	1 090 863	1 528 020	(437 157)	(28.61)
Total costs by type, of which:	3 009 273	3 924 884	(915 611)	(23.33)
Costs by type of discontinued operations	758 227	1 376 781	(618 554)	(44.93)
Costs by type of continuing operations	2 251 046	2 548 103	(297 057)	(11.66)

Other operating costs associated with continuing and discontinued operations in 2023 amounted to PLN 501 809 thousand and increased by PLN 490 635 thousand compared to the previous year, i.e., by 4 390.86%. The primary factor impacting higher costs was increasing the provision for mining area reclamation.

In 2023, the ZE PAK SA Group took a profit of PLN 688 396 thousand on operating activities.

In 2023, the achieved performance was positively impacted by the positive financial result of PLN 150 514 thousand. The impact of financial activities in the same period of the previous year reduced the result by PLN 33 210 thousand.

In 2023, the Group took a gross profit of PLN 838 910 thousand. The net profit in 2023 amounted to 722 659 thousand.

Individual income statement

The net product, goods and material sales revenues in 2023 amounted to PLN 3 215 623 thousand and increased in relation to 2022 by PLN 425 889, i.e., 15.27%.

The increase in revenues was largely due to an increase in revenues from electricity sales, associated with an 128.37% increase in the average price realised, even despite a 53.00% decrease in the total sales volume. Whereas, a 60.70% decrease in sales of self-generated electricity and a 25.29% decrease in sales of purchased electricity were recorded. The decrease in generation output concerned coal and biomass units in relation to the sale of the Konin power plant to PAK – PCE Biopaliwa i Wodór sp. z o.o. in July 2022 (in 2023, there were no biomass-based electricity sales at ZE PAK, while in 2022 sales were only recorded in H1).

The net generation volumes of the Company's individual power plants are shown in Chart 1.

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In 2023, capacity market revenues amounted to PLN 167 481 thousand and decreased by PLN 7 473 thousand, or 4.67%, compared to the previous year. A higher price of contracted capacity for 2023, as well as the higher revenue taken in the secondary market, are responsible for the higher revenues.

Company heat sales revenues in 2023 amounted to PLN 18 572 thousand and decreased relative to 2022 by PLN 16 508 thousand, or 47.06%. The demonstrated decrease in heat sales revenues in 2023 is a consequence of the transfer of heat sales for the city of Konin to PAK – PCE Biopaliwa i Wodór sp. z o.o. as of July 2022.

Table 7: Specification of sales revenues

	<i>PLN thousand</i> <i>12-month period</i> <i>concluded on</i> <i>31 December 2023</i>	<i>PLN thousand</i> <i>12-month period</i> <i>concluded on</i> <i>31 December 2022</i> <i>(restated)</i>	<i>PLN thousand</i> <i>change</i>	<i>%</i> <i>dynamics</i>
Revenues from sales of goods and services, including:	3 085 499	2 633 333	452 166	17.17
– revenues from sales of own electricity	1 689 793	1 684 039	5 754	0.34
– revenues from sales of purchased electricity	840 764	683 668	157 096	22.98
– capacity market revenues	167 481	160 008	7 473	4.67
– revenues from sales of thermal energy	18 572	35 080	(16 508)	(47.06)
– revenues from sales of goods	313 391	24 353	289 038	1 186.87
– revenues from sales of services	55 498	46 185	9 313	20.16
Other revenues, including:	130 124	156 401	(26 277)	(16.80)
– property rights on energy certificates of origin	(381)	28 724	(29 105)	(101.33)
– compensation for termination of long-term contracts	130 505	127 678	2 827	2.21
Net revenues from the sale of products, goods and materials	3 215 623	2 789 734	425 889	15.27

In connection with the transfer of the generation of property rights from energy certificates of origin to PAK – PCE Biopaliwa i Wodór sp. z o.o. as of H2 2022, the last remaining rights owned by the Company were sold at ZE PAK SA in 2023. The negative revenue value is the outcome of taking their lower selling price relative to their value assumed at the end of 2022.

Revenues from the termination of LTCs (termination of the long-term capacity and energy purchase contract) in 2023 increased by PLN 2 827 thousand, i.e., by 2.21%, as a result of taking a lower margin on unit 9 generation.

The revenues from the sales of services recorded by the Company were higher by PLN 9 313 thousand, i.e. 20.16%. The main reason for the increase in revenues was the expansion of the scope of support services provided by the company as part of the shared services centre for entities outside of the Group.

Table 8: Selected income statement items

	<i>PLN thousand</i> <i>Year concluded on</i> <i>31 December</i> <i>2023</i>	<i>PLN thousand</i> <i>Year concluded on</i> <i>31 December</i> <i>2022</i> <i>(restated)</i>	<i>PLN thousand</i> <i>Change</i>	<i>%</i> <i>Dynamics</i>
Net revenues from sales of products, goods and materials, including:	3 215 623	2 789 734	425 889	15.27
– Net product sales revenues	2 061 468	2 081 713	(20 245)	(0.97)
– Net revenues from goods and material sold	1 154 155	708 021	446 134	63.01
Costs of products, goods and materials sold, including:	2 551 053	2 493 348	57 705	2.31
– Sold product manufacturing costs	1 901 531	1 989 172	(87 641)	(4.41)
– Manufacturing costs of goods and materials sold	649 522	504 176	145 346	28.83
Gross profit (loss) on sales	664 570	296 386	368 184	124.22

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Selling costs	1 154	1 692	(538)	(31.80)
Overheads	64 819	55 831	8 988	16.10
Sales profit (loss)	598 597	238 863	359 734	150.60
Other operating revenues	75 722	391 514	(315 792)	(80.66)
Other operating costs	20 087	11 502	8 585	74.64
Profit (loss) from operating activities	654 232	618 875	35 357	5.71
Financial revenue	60 347	30 179	30 168	99.96
Financial costs	50 107	16 801	33 306	198.24
Gross profit (loss)	664 472	632 253	32 219	5.10
Income tax	80 060	88 676	(8 616)	(9.72)
Net profit (loss)	584 412	543 577	40 835	7.51

Production costs of products sold amounted in 2023 to PLN 1 901 531 thousand and increased by PLN 87 641 thousand in relation to 2022, i.e., by 4.41%. The decrease in cost was mainly due to lower prices of CO₂ emission allowances, with a simultaneous decrease in depreciation and third-party services costs. The increase was impacted by higher coal purchase costs.

The value of goods and materials sold in 2023 amounted to PLN 649 522 thousand and was higher than in the previous year by PLN 145 346 thousand, i.e., by 28.83%, as a result of a higher purchase price, despite a lower volume of purchased energy.

Selling costs in 2023 amounted to PLN 1 154 thousand and were lower compared to the previous year by PLN 538 thousand, i.e., by 31.80%, as a result of lower electricity trading volume and lower sales to end consumers, as well as lower obligatory burden resulting from these events.

Overheads in 2023 amounted to PLN 64 819 thousand and exceeded those incurred in the previous year by PLN 8 988 thousand, i.e., by 16.10%.

A detailed analytical presentation of costs is shown in Table 9.

Other operating revenues in 2023 amounted to PLN 75 722 thousand and were lower than previous year's by PLN 315 792 thousand, i.e., by 80.66%. The lower revenues in 2023 result mainly from taking profit in 2022 on the sale of OPE Konin Power Plant and additional proceeds from decommissioning Adamów power plant assets.

Other operating costs in 2023 amounted to PLN 20 087 thousand and increase by PLN 8 585 thousand, i.e., by 74.64%, compared to the previous year.

An operating profit of 654 232 thousand was recorded in 2023.

Financial revenues in 2023 amounted to PLN 60 347 thousand and were higher than recorded in the previous year by PLN 30 168 thousand, i.e., by 99.96%. The increase in financial revenues was mainly impacted by the received interest revenues, higher by PLN 34 774 thousand.

Financial costs in 2023 amounted to PLN 50 107 thousand and were higher than previous year's by PLN 33 306 thousand, i.e., 198.24%. The higher level of costs was impacted by the negative exchange rate difference balance higher by PLN 34 558 thousand.

The Group took a net profit of PLN 584 412 thousand in 2023.

Table 9: Costs by type

	<i>PLN thousand</i> <i>Year concluded on</i> <i>31 December</i> <i>2023</i>	<i>PLN thousand</i> <i>Year concluded on</i> <i>31 December</i> <i>2022</i> <i>(restated)</i>	<i>PLN thousand</i> <i>Change</i>	<i>%</i> <i>Dynamics</i>
Depreciation and amortization	1 952	13 380	(11 428)	(85.41)
Material and energy consumption	971 878	659 065	312 813	47.46
Outsourcing	115 229	136 152	(20 923)	(15.37)
Taxes and fees, including:	757 456	1 112 642	(355 186)	(31.92)

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– excise tax	40	39	1	2.56
– CO ₂ emission costs	607 662	1 074 838	(467 176)	(43.46)
Remuneration	93 368	99 177	(5 809)	(5.86)
Social security and other benefits	21 358	23 162	(1 804)	(7.79)
Other costs by type	8 490	12 653	(4 163)	(32.90)
Costs by type	1 969 731	2 056 231	(86 500)	(4.21)

Individual balance sheet

The carrying amount of the Company as at 31 December 2023 was PLN 2 842 621 thousand and increased by PLN 57 582 thousand in comparison to 31 December 2022, i.e., by 2.07%.

Fixed assets increased in value by PLN 1 104 968 thousand to PLN 1 883 371 thousand, or by 141.95%. The following items recorded the highest increase:

- intangible assets, which increased by PLN 581 021 thousand as a result of the purchasing CO₂ emission allowances;
- long-term investments, primarily in relation to an increase in the value of PAK CCGT sp. z o.o. shares by PLN 478 788 thousand, and the acquisition of shares in PAK Serwis sp. z o.o. for PLN 34 643 thousand, as well as an increase in the balance of loans granted by PLN 138 955 thousand due to granting loans to PAK CCGT sp. z o.o., interest compounding and receiving repayment of the loan granted to PAK – Volt SA with interest.

Current assets increased by PLN 1 047 386 thousand, i.e., by 52.20%. At the end of 2023, the biggest changes were recorded by the ‘cash and other monetary assets’ item, which decreased to PLN 222 290 thousand, or by PLN 996 812 thousand, and in the ‘receivables’ item, which increased by PLN 227 551 thousand owing to an increase in the level of trade receivables and VAT receivables.

Table 10: Selected individual asset items

	<i>PLN thousand</i> 31 December 2023	<i>PLN thousand</i> 31 December 2022 <i>(restated data)</i>	<i>PLN thousand</i> Change	%
			<i>Dynamics</i>	
Fixed assets	1 883 371	778 403	1 104 968	141.95
Intangible and legal assets	583 441	2 420	581 021	24 009.13
Tangible fixed assets, including:	23 189	39 281	(16 092)	(40.97)
1. Fixed assets	5 973	5 952	21	0.35
2. Capital work in progress	7 460	15 661	(8 201)	(52.37)
3. Advance payments for capital work in progress	9 756	17 668	(7 912)	(44.78)
Long-term receivables	-	-	-	-
Long-term investments	1 270 397	729 581	540 816	74.13
Long-term prepayments and accruals	6 344	7 121	(777)	(10.91)
Current assets	959 250	2 006 636	(1 047 386)	(52.20)
Inventories including:	17 008	14 220	2 788	19.61
1. Materials	17 007	11 841	5 166	43.63
2. Goods	-	2 378	(2 378)	(100.00)
3. Advance payments for supplies	1	1	-	-
Short-term receivables	715 483	487 932	227 551	46.64
Short-term investments	223 360	1 500 601	(1 277 241)	(85.12)
1. Short-term financial assets, including:	223 360	1 500 601	(1 277 241)	(85.12)
– in affiliates	1 070	281 499	(280 429)	(99.62)
– in other entities	-	-	-	-
– cash and other cash assets	222 290	1 219 102	(996 812)	(81.77)
2. Other short-term investments	-	-	-	-
Short-term prepayments	3 399	3 883	(484)	(12.46)
Basic capital contributions due	-	-	-	-

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Equity shares (stocks)	-	-	-	-
Total assets	2 842 621	2 785 039	57 582	2.07

As at 31 December 2022, equity amounted to PLN 992 833 thousand, an increase of PLN 584 419 thousand, or 41.49% compared to the end of 2022, as a result of the net profit for 2023.

The level of provisions at the end of 2023 amounted to PLN 705 190 thousand and was lower than in the previous year by PLN 563 415 thousand, i.e. by 44.41%, primarily due to a decrease in 'provisions for redeeming carbon dioxide emission allowances', as a result of emissions lower by nearly 52% compared to the previous year.

In 2023, the level of long-term liabilities remained unchanged, while short-term liabilities at the end of 2023, compared to the end of 2022, increased by PLN 36 124 thousand, or 33.82%. The largest increase in liabilities was recorded by 'trade liabilities', which increased by PLN 48 310 thousand.

Table 11: Selected individual liability items

	<i>PLN thousand</i> <i>31 December</i> <i>2023</i>	<i>PLN thousand</i> <i>31 December</i> <i>2022</i> <i>(restated data)</i>	<i>PLN thousand</i> <i>Change</i>	<i>%</i> <i>Dynamics</i>
Equity	1 992 833	1 408 414	584 419	41.49
Basic capital	101 647	101 647	-	-
Supplementary capital	1 769 188	1 766 996	2 192	0.12
Revaluation capital	6 274	8 466	(2 192)	(25.89)
Other supplementary capitals (funds)	3 472	3 472	-	-
Profit (loss) from previous years	(472 160)	(1 015 744)	543 584	(53.52)
Net profit (loss)	584 412	543 577	40 835	7.51
Write-offs from net profit during the financial year (negative value)	-	-	-	-
Liabilities and provisions for liabilities	849 788	1 376 625	(526 837)	(38.27)
Provisions for liabilities	705 190	1 268 605	(563 415)	(44.41)
1. Deferred income tax provisions	-	-	-	-
2. Provision for retirement and similar benefits	27 455	20 095	7 360	36.63
3. Other provisions	677 735	1 248 510	(570 775)	(45.72)
Long-term liabilities	129	129	-	-
1. To related entities	-	-	-	-
2. To other entities in which the entity has equity interests	-	-	-	-
3. To other entities, including:	129	129	-	-
– loans and borrowings	-	-	-	-
– other financial liabilities	-	-	-	-
– other	129	129	-	-
Short-term liabilities	142 809	106 685	36 124	33.86
1. Liabilities to related entities	7 960	18 141	(10 181)	(56.12)
2. Liabilities against other entities, in which the entity has equity interests	-	-	-	-
3. Liabilities against other entities, including	130 898	84 602	46 677	55.17
– loans and borrowings	-	-	-	-
– other financial liabilities	-	-	-	-
– trade-related, with a maturity date of:	97 707	42 624	55 464	130.12
– related to taxes, customs duties, social and health insurance, and other public-law titles	24 776	27 770	(2 994)	(10.78)
– remunerations	4 206	4 666	(460)	(9.86)
– other	4 209	9 535	(5 326)	(55.86)
4. Special funds	3 570	3 942	(372)	(9.44)

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Prepayments and accruals	1 660	1 206	454	37.65
Total liabilities	2 842 621	2 785 039	57 582	2.07

Individual cash flow statement

In 2023, the Company generated a negative cash flow balance from operating activities amounting to PLN 815 175 thousand, which was lower by PLN 1 451 836 thousand compared to the previous year. The largest factors contributing to the decrease in net cash from operating activities were an increase in the level of receivables over the year, while last year's change in receivables will have a positive effect, and the higher value of expenses for the purchase of carbon dioxide allowances in 2023.

The capital expenditure under investment activities in 2023 were higher than proceeds by PLN 187 256 thousand. The proceeds received consisted of repayments of loans granted with interest, proceeds from the disposal of financial assets and dividends received. Expenses are primarily the acquisition of shares in subsidiaries, namely, PAK CCGT sp. z o.o., PAK Serwis sp. z o.o. and PGE PAK Energia Jądrowa SA, as well as loans granted to PAK CCGT for the implementation of the investment programme.

Cash operations under financing activities in 2023 consisted only of interest-related expenses, which amounted to PLN 268 thousand.

Cash amount decreased during 2023 by PLN 1 002 699 thousand and at the end of the year amounted to PLN 219 581 thousand.

Table 12: Selected individual cash flow statement items

	<i>PLN thousand</i> <i>Year concluded on</i> <i>31 December</i> <i>2023</i>	<i>PLN thousand</i> <i>Year concluded on</i> <i>31 December</i> <i>2022</i> <i>(restated data)</i>	<i>PLN thousand</i> <i>Change</i>	<i>%</i> <i>Dynamics</i>
Cash flows from operating activities				
Net profit (loss)	584 412	543 577	40 835	7.51
Total adjustments	(1 399 587)	93 084	(1 492 671)	(1,603.57)
1. Depreciation and amortization	1 952	13 380	(11 428)	(85.41)
2. Profits (losses) on foreign exchange differences	(5 887)	3 217	(9 104)	(283.00)
3. Interest and shares in profits (dividends)	(27 618)	(5 067)	(22 551)	445.06
4. Profit (loss) on investment activities	(37 955)	(403 643)	365 688	(90.60)
5. Change in provisions	590 099	1 153 650	(563 551)	(48.85)
6. Change in inventories	(2 787)	43 005	(45 792)	(106.48)
7. Change in receivables	(263 731)	847 233	(1 110 964)	(131.13)
8. Change in short-term liabilities, excluding loans and borrowings	43 398	(233 335)	276 733	(118.60)
9. Change in prepayments and accruals	1 344	(7 904)	9 248	(117.00)
10. Other adjustments	(1 698 402)	(1 317 452)	(380 950)	28.92
Net cash flows from operating activities	(815 175)	636 661	(1 451 836)	(228.04)
Cash flows from investment activities				
Proceeds	572 445	540 068	32 377	5.99
1. Disposal of intangible and legal assets, as well as tangible fixed assets	66 837	499 266	(432 429)	(86.61)
2. From financial assets, including:	505 608	40 802	464 806	1 139.17
– in affiliates	505 590	40 580	465 010	1 145.91
– in other entities, including:	18	222	(204)	(91.89)
dividends and shares in profits	18	222	(204)	(91.89)
Expenses	759 701	396 474	363 227	91.61
1. Acquisition of intangible and legal assets, as well as tangible assets	21 954	71 083	(49 129)	(69.11)

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2. Financial assets, including:	737 747	325 391	412 356	126.73
– in affiliates	737 747	325 391	412 356	126.73
Net cash flows from investment activities	(187 256)	143 594	(330 850)	(230.41)
Cash flows from financial activities				
Proceeds	0	38 466	(38 466)	(100.00)
1. Loans and borrowings	0	38 466	(38 466)	(100.00)
Expenses	268	8 347	(8 079)	(96.79)
1. Repayment of loans and borrowings	0	4 571	(4 571)	(100.00)
2. Financial lease liability payments	0	475	(475)	(100.00)
3. Interest	268	3 301	(3 033)	(91.88)
Net cash flows on financial activities	(268)	30 119	(30 387)	(100.89)
Total net cash flows	(1 002 699)	810 374	(1 813 073)	(223.73)
Cash flow change in the balance sheet, including:	(996 812)	807 157	(1 803 969)	(223.50)
cash flow change related to foreign exchange differences	5 887	3 217	2 670	83.00
Cash at beginning of period	1 222 280	411 906	810 374	196.74
Cash at end of period, including	219 581	1 222 280	(1 002 699)	(82.04)
restricted cash	6 972	7 171	(199)	(2.78)

Individual financial indicators

The realisation of both consolidated and individual net profit in 2023 resulted in all profitability ratio recording positive values.

The total debt ratio decreased at the end of 2023, meaning that the level of provisions and liabilities decreased in relation to the carrying value.

The current liquidity ratio indicates the extent to which short-term liabilities and provisions, including provisions related to carbon dioxide emission allowances, are covered by current assets and the value of purchased carbon allowances. The values of Group and Company indicators are above unity, which means that the liquidity-related standing of the Group and Company at the end of 2023 is stable.

Table 13: Individual indices

		2023	2022 (restated data)	Change	% Dynamics
ROE	%	29.33	38.59	(9.26)	(24.00)
ROA	%	20.56	19.52	1.04	5.33
Net sales profitability	%	18.17	19.48	(1.31)	(6.72)
Overall debt ratio	<i>x times</i>	0.30	0.49	(0.19)	(38.78)
Current liquidity index	<i>x times</i>	1.24	1.57	(0.33)	(21.02)

5.3. Significant off-balance sheet items

The description of significant off-balance sheet items can be found in Notes 33, 34 and 35 of the Group's consolidated financial statement for 2023.

5.4. Projected financial standing

Financial results achieved in 2023 at both EBITDA and net profit levels are significantly better than those recorded a year earlier. The year-over-year net result growth was 235.35%, while the y-o-y EBITDA result grew by 86.16%. Please note that result comparability is limited due to non-recurring events that occurred during the year, primarily including those

related to the revaluation of the reclamation provision related to lignite open pits and events related to the loss of control of PAK – Polska Czysta Energia sp. z o.o.

2023 saw a continuation of the improvement in the liquidity standing of the Company and the Group. The improvement in the liquidity situation is confirmed by the increase in the value of the current ratio from 1.20 at the end of 2022 to 1.82 at the end of 2023. The Company does not assume any threat to liquidity in the foreseeable future.

The Company and the Group continue to assume relatively high capital expenditures associated to the continued implementation of planned investment projects, with more on this issue in section 3.3 “Execution of the investment programme”.

5.5. Specification of factors affecting current and future financial results

The financial performance of the Group, as an entity focused on the generation and sale of generated electricity on the free wholesale market, is fully subject to and dependent on the behaviour of other market participants who, to a greater or lesser extent depending on their market share, influence price levels. The behaviour of wholesale energy market participants is, in turn, stimulated by legislative actions in the field of broadly understood energy policy, conducted both at the national and EU levels, but also at the global economy level.

In 2019, a package of regulations called ‘Clean Energy for All Europeans’ (Winter Package) was enacted, fundamentally affecting national legislation in the energy sector. The entry into force of these regulations, in particular the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (the so-called ‘Market Regulation’), is very important from the point of view of the Polish power market. As of 1 July 2025, the provisions of the above-mentioned Market Regulation withdraw the support for system emitting more than 550g CO₂/kWh during the production of electricity from fossil fuels, which started generation before the entry into force of the Market Regulation. However, generating units that started commercial operation prior to 4 July 2019 and do not meet the emission limit will have the opportunity to participate in the secondary market, allowing provisions for multi-year contracts concluded until the end of 2019. Due to the global electricity market situation, fuelled by both the COVID-19 pandemic and Russia's war with Ukraine, electricity prices ultimately recorded unprecedented levels and extreme volatility in H2 2022, which has adversely impacted household budgets and, in a broader sense, the entire EU economy. Therefore, a number of extraordinary legislative acts were adopted as part of market interventions already back in H2 2022, both at EU and national level, aimed at influencing electricity price reductions. Given the long-term objectives, the European Commission has been urged by the European Parliament to work quickly on a structural reform of the energy market. On 14 March 2023, the European Commission presented a draft energy market reform commonly known as the EMD (Electricity Market Design) reform, which aims to improve the structure of the EU electricity market and also to protect the European Union from manipulation in the wholesale energy market. The EMD reform is in fact a package of implementing regulations primarily amending the so-called ‘market regulation’ and the REMIT regulation (giving ACER powers to conduct checks on the application of the regulation analogous to those held by the ERO).

In addition to the above-described reform of the European electricity market, when assessing the market and regulatory environment of the electricity producer and seller, several phenomena of particular relevance last year must be taken into account, the effects of which may also affect the Group's performance in the future:

- increases in energy fuels prices as a long-term consequence of the COVID19 pandemic and Russia's war with Ukraine, and the associated emergency legislative solutions to limit the impact of high energy, gas and heat market prices on consumers,
- work on achieving climate neutrality by the European Union (raising reduction targets),
- growth of RES-related capacity in the NPS, in particular intensive growth of photovoltaic systems,
- planned entry into force of the balancing market reform on 14 June 2024.

The ZE PAK SA Group generates most of its revenues from the generation and sales of electricity, therefore the price for which it sells electricity is very important for the results of its activities. Analysing current market trends in the context of the level of electricity prices on wholesale energy markets primarily requires a look at the prices quoted on the Polish Power Exchange (“POLPX” or “TGE”). Factors significantly affecting the level of exchange quotations on the SPOT market (DAM&IDM of the POLPX) are mainly the volume of wind generation, the state of reserves in the NPS system, the volume of transmission capacity made available for cross-border exchange and the status of customer contracts on the forward electricity market. Another factor has gained in importance over the last three years, namely, the solar conditions. Due to the significant and dynamic growth of installed photovoltaic capacity, they affect energy prices, especially in the spring and summer.

Electricity trading volumes on TGE amounted to 147 462 826 MWh in 2023, an increase of 4.3% compared to 2022⁵ (141 371 527 MWh), including a 22.2% decrease in trading volumes on the futures market and a 91.4% increase in trading volumes on the spot market. The weighted average price of a 'BASE' contract (the so-called 'band', i.e., the delivery of a fixed amount of energy over a specific unit of time) on the POLPX Day-Ahead Market was at 533.62 PLN/MWh in 2023, a decrease of 262.55 PLN/MWh, i.e., almost 33%, compared to the corresponding price in 2022 (796.17 PLN/MWh). In turn, the weighted average price of the annual contract with band delivery in 2024 (BASE_Y-24) on the 'CFM' futures market amounted to 642.19 PLN/MWh for the whole of 2023, which means a decrease of 467.85 PLN/MWh, i.e., 42.1%, in relation to the price from the quotation of the BASE_Y-23 contract in 2022 (1 110.04 PLN/MWh). The significant decrease in the average annual price of the BASE_Y-24 contract can be linked to the introduction of non-market (administrative) solutions to mitigate energy and gas price increases caused by Russia's war with Ukraine.

The price of CO₂ emission allowances ('EUAs'), which the emitter is obliged to redeem in an amount corresponding to the volume of CO₂ emitted into the atmosphere, is currently the factor that most determines the competitiveness of a lignite-based power utility company, in addition to the cost of coal and auxiliary fuels. The volume of Group-required allowances must be purchased on the market. The level of prices at which the Group purchases CO₂ emission allowances has had in previous years and will continue to have a significant impact on the Group's future financial performance, as long as the Group continues to produce energy from lignite or gas. It is reasonable to assume that, given the plans to phase out coal-based generation, this impact should diminish in the long term. The CO₂ Emission Allowance Market is one that is currently most exposed to price changes caused by political decisions resulting from the directions of the debate on the shape of the European Emissions Trading Scheme (EU ETS) reform, which has been continuing for several years, as well as the ongoing economic transition. Prices on the CO₂ allowance market recorded a downward trend in 2023. The reason for the decline in EUA prices may have been the reduction in electricity consumption and industrial production in the EU ETS, as well as the increased use of RES energy relative to fossil fuels. EUA prices at the beginning of 2023, in the months of January and February, rose to the EUR 100 level in the futures market. In the following months, the market declined, reaching EUR 80 at the end of May 2023. June saw the market rebound to an EUA price of around EUR 90, only to remain on a downward trend in the following months, ultimately reaching a price of around EUR 68/EUA at the end of 2023. Any changes in the regulatory environment that are assumed to increase the cost of CO₂ emissions will increase the cost of energy generation by coal-fired generating units of the ZE PAK SA Group. Due to the high level of variable operating costs of coal units, caused mainly by the cost of CO₂ emissions, the income generated by coal units does not always cover the costs, resulting in periods when generation is no longer economically justified. In the context of the carbon market, reforms to the EU ETS to ensure greater price stability and reduce speculation are important. On 6 December 2023, a workshop organised as part of the Ariadne project regarding the future pricing of CO₂ allowances in the EU ETS took place in Brussels, and involved a number of think tanks. Experts were unanimous about the higher rate of EUA price increases, especially in the second half of this decade. The increase may be influenced by the publication on 6 February 2024 of EC recommendations, advising a 90% reduction in net greenhouse gas emissions by 2040 compared to the 1990 baseline year. A target of at least 55% by 2030 is now enshrined in the European Green Deal. In turn, the rationale behind the decline in the EUA price include decarbonisation, the declining profitability of fossil fuel power generation and strong growth in installed renewable capacity.

Another factor that will undoubtedly have an impact on the Group's future financial performance is the participation of the Group's generating units in the capacity market. ZE PAK SA has been an active participant since the establishment of the Capacity Market. For 2024, the Group has contracted 628 MW at a price of PLN 259.87/kW/year (including a 40 MW OM contract for 17 years for a physical unit owned by PAK-PCE Biopaliwa i Wodór sp. z o.o.). In 2021, as a result of an auction for the supplies in 2026, a ZE PAK SA's subsidiary, PAK CCGT sp. z o.o., concluded a capacity contract for 17 years of supply, contracting 493 MW of capacity obligation at a base price of PLN 400.39/kW/year. In addition to the planned revenues from the capacity market contracted on the auction primary market, the Company has the opportunity to generate additional revenues from transactions concluded on the secondary power market. With the beginning of 2021, when the capacity market entered its operational phase, the secondary market was launched in practice. It enables the Company, with regard to spare uncontracted capacity, to take over capacity obligations from other entities. In the light of EU legislation (Market Regulation), due to the introduction of the so-called EPS550, support for ZE PAK's coal units within the primary capacity market (i.e., capacity market auctions) is no longer possible from 1 July 2025 onwards. The last primary auction in the primary capacity market that ZE PAK was able to participate in was the auction that was conducted for the 2024 supply year. In the first half of 2025, ZE PAK will be able to be active in the secondary capacity market, but after 1 July 2025 it will have limited contracting opportunities, as it will only be able to take-over capacity obligations contracted until 31 December 2019 from other secondary market entities. Work is currently underway at EU level to reform the entire EMD (Electricity Market Design), including the proceeded extension of support mechanisms

⁵ TGE information from www.tge.pl

for units not meeting emission limits. At this legislative stage, it is difficult to simply determine whether these changes will affect ZE PAK's future financial performance by possibly generating increased revenues from the capacity market to cover fixed costs. However, when dealing with issues related to the capacity market, it is also important to note that the capacity market does not only mean payments for the participants, but also certain obligations and financial penalties for those who fail to perform or inappropriately perform the contracted capacity obligation.

The amendments to the Taxonomy Delegated Act adopted by the European Commission at the beginning of 2022, on which work intensified during 2021, are of great relevance in the context of the ZE PAK Group's investment intentions, including the planned investment in the construction of a CCGT unit at the Adamów Power Plant and the fund-raising for this project. The regulations adopted recognise both gas and nuclear power projects as sustainable. On 21 November 2023, the texts of two delegated acts to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so-called 'EU Taxonomy') were published in the Official Journal of the EU. The Group is taking action associated with plans for both the gas project at the Adamów Power Plant and a potential nuclear project at the Pątnów Power Plant after the operating period of coal assets expires.

As of 2019, intensive work is ongoing in terms of the balancing market reform, bringing the market into line with the requirements of European law. Changes to the balancing market are being introduced in stages. Due to a number of external factors, the timetable for the implementation of Phase II of the reform, which was initially to be implemented for operational application on 1 January 2022, was postponed until 14 June 2024. The changes being implemented mean a huge reform of the balancing market, which introduces, among other things, a new market architecture, as well as new market-based rules for the sale of balancing capacities, new settlement rules on the Balancing Market and different rules for payments for commissioning (which are disappearing as a separate settlement item), as well as changes in power plant operation. Implementing adopted changes is a very complex process, which involves the entire power sector, including IT service providers. The impact of the pending changes on the Group's future financial performance, given the completely new way of contracting and pricing balancing capacity, will only be possible to assess once the market has taken off.

In H2 2022, a series of legislative acts were adopted at both EU and national levels to influence the reduction of energy prices, which reached unprecedented levels in Q3 2022. The package of regulations is the result of extraordinary legislative work aimed at restricting the "excessive", as the legislator described it, revenues of companies in the electricity sector. Among the documents enacted by the Polish legislator, the *Act of 27 October 2022 on emergency measures aimed at limiting electricity prices and supporting certain consumers in 2023*, as well as the implementing regulation to this Act, i.e., the *Regulation of the Council of Ministers of 8 November 2022 on the method of calculating the price cap*, which obliged, as of December 2022 and until the end of 2023, to make financial resource write-offs to the Price Difference Fund, are of particular importance from the point of view of the Group's future results. The obligation to make write-offs to the Price Difference Fund, which arises under contracts concluded for the sale of electricity above the price cap, was calculated according to the principles indicated in the aforementioned regulation. The statutory electricity price caps employed in settlements with households and certain entities (including local governments or utilities, small- and medium-sized enterprises) will remain in force until mid-2024, but the 'price freeze' will no longer be financed by deductions to the Fund made by electricity generators trading companies, and it can therefore be assumed that the Price Freeze Act in force in 2024 will have a smaller impact on ZE PAK's financial results than the Act in force in 2023.

The regulation of the Minister of Economy introduced in Q4 2022, setting out, among other things, the mechanism for energy generators to apply maximum prices (MaxCO) in their balancing bids, will remain in force until the new balancing market rules come into force (14 June 2024). The introduction of a legislative solution, which has undoubtedly affected electricity price levels under short-term and long-term contracts. Its withdrawal from legal circulation is likely to contribute to price deregulation.

5.6. Unusual factors and events affecting achieved financial results

The sale of the majority stake in PAK PCE sp. z o.o. was finalised in 2023. The Company currently holds a minority stake, i.e., 49.5%, in PAK PCE sp. z o.o. Mainly due to the measurement of PAK PCE shares at fair value at the end of 2023, the Group recorded a profit from discontinued operations of PLN 164 million.

In 2023, there were also changes to the estimated reclamation provision, which reduced the Group's financial result. The reclamation provision relates to the mining segment and is associated with the operation of lignite open pits and the estimated cost of reclaiming the areas affected by mining activities after coal phase-out. Via the current report No. 14/2023, the Company disclosed that the amount of the provision had been increased due to a review of assumptions related to the impending termination of mining operations. In turn, via the current report No. 3/2024 the Company announced the partial release of the reclamation provision due to a change in expectations regarding the cost of electricity consumed to pump water out of mine workings. The cumulative effect of changes in the amount of the reclamation

provision in 2023 (understood as the net balance of the increase in the provision, its utilisation and partial release) amounted to PLN 263 million. The amount of the Reclamation provision at the end of 2023 is PLN 621 million.

6. FINANCIAL ASSET MANAGEMENT

6.1. Assessment of financial asset management

The Group manages its current financial resources in a flexible manner, employing cash liquidity analysis models and planning future cash flows based on periodically prepared financial forecasts in the short- and long-term perspective. Using the aforementioned tools, Companies of the Group execute current monitoring and analyses of the receivable and liability maturity dates, as well as adjust the deadlines and bank account balances to the amounts of cash flows. Excess cash is managed by investing in safe instruments of the financial market, which mainly include bank deposits. The period of increased cash demand is usually the turn of the Q1 and Q2. This is due to the fact that the Company hedges the volume of CO₂ emission allowances in the forward market and, as their redemption date approaches (end of April each year), needs cash to acquire them. Overdraft credit facilities are used to ensure flexibility during periods of increased cash demand.

The need for funds in companies implementing investment projects (this particularly applies to PAK CCGT sp. z o.o., which is responsible for the construction of the gas unit at the Adamów power plant) is also important. The Group's approach in this regard is to finance such projects in the short term from loans granted within the Group, while simultaneously working to secure targeted long-term financing in the form of bank loans or concessional loans.

6.2. Assessment of investment plan implementation

The Group has its own operating strategy and an investment plan adjusted accordingly. Investment plans take into consideration the current conditions in legislation and law, as well as economy and technology. The adopted method of implementing planned investments is mainly based on the use of resources obtained through current activities as well as external financing. In planning the funding, the Group's companies take into consideration a series of existing or future factors which can have substantial impact on the executed program. The projected financing structure of particular investment plans also takes into consideration the levels of a series of financial indexes, such as the debt or liquidity index, in a way which allows to obtain their optimal levels.

The ZE PAK SA Capital Group believes that the scale and extent of implemented and planned investment projects focused around the PAK – PCE sp. z o.o. exceeded the ZE PAK SA Group's financing capacity. In light of the above, the Company analysed possible scenarios for further funding of the extensive investment plan related to the development of renewable energy projects and the generation and use of “green” hydrogen, and decided to choose the scenario involving a project partner with a stronger capital standing than the Group. Following a series of transactions under an agreement concluded by ZE PAK SA and Cyfrowy Polsat SA, on 3 July 2023, Cyfrowy Polsat SA acquired 50.5% of the shares in PAK - PCE, thereby taking control of PAK-PCE sp. z o.o. and its subsidiaries, while ZE PAK is a minority shareholder with 49.5% of the shares in PAK - PCE. Under to this transaction, the company has acquired a capital-strong partner that will be able to guarantee the implementation of a wide range of prospective investment projects in the field of renewable energy sources, as well as the production and use of green hydrogen.

Also, in the case of other projects developed by the Group, cooperation with external partners is envisaged. An example being the cooperation on the use of assets at the Pątnów Power Plant for the potential construction of a nuclear power plant.

The biggest challenge at the moment is the financing of the gas unit construction project, which has already started at the Adamów power plant. The project is currently financed through own funds, but external financing is required for further implementation. Advanced discussions are currently underway with financial institutions interested in co-financing this project.

The assumptions made in the field of an investment programme are feasible to implement with the use of existing and potential resources. It should be emphasized that the Group is constantly monitoring the factors having the biggest impact on the implemented investment program, and in case of substantial changes in one or several factors, the Group's companies introduce adjustments or significant changes in the executed strategy.

7. SIGNIFICANT DEVELOPMENT FACTORS AND PROSPECTS

Directional activities designated by the Group's Strategy

The ZE PAK SA Capital Group's strategy directions are determined based on a systematic analysis of a wide spectrum of economic and process factors, such as, e.g., conventional fuel price trends, CO₂ emission allowance prices, mechanisms supporting various electricity and thermal energy production.

The ZE PAK SA Group directs its attention to the regulatory surroundings and technological progress in the broadly understood fields associated with the Group's activities. The aim of such an approach is optimizing investment projects, as well as directional – in terms of diversifying the fuel base and generation source technology, and detailed – related to improvements within existing generating units, and adaptation of generating equipment operation schedules. The Group strives to develop a long-term functioning model under conditions of adverse trends for high-emission power becoming evident in policies adopted at EU level, which is also reflected in forecast changes in the Polish energy mix.

Broadly understood legislative framework determined by the EU and Polish law provisions directly translate to the Group's production capacity. Worn-out technical generating equipment, for which the analyses do not show the usefulness of a modernization, will be gradually decommissioned pursuant to decisions taken. The operation method during the transitional period must be closely matched to their capabilities and the market situation: The optimal method for utilizing the available fuel base will also be additionally taken into account.

The Company is aware of the changes, especially the ones in the legislative and legal areas, which take place within its surroundings. Legal regulations aimed at reducing emissions of CO₂, other gases (SO₂, NO_x) and dusts, as well as the increasing share of electricity generated by intermittent sources constitute significant challenges for the Group's companies. New environmental regulations arising from the introduction of BAT (Best Available Technology) conclusions that came into force in 2021, extend the catalogue of limited pollutions. It is noteworthy that investment activities and proper renovation management covering existing generating units and their associated pollution reduction equipment, result in a gradually reduced emissivity of generated electricity.

The development directions adopted by the Group mean that the Group is gradually reducing the generation of electricity through lignite combustion until the definite phase-out on the one hand, while focusing on the development of low-emission sources such as the project to build a gas unit at the Adamów power plant and emission-neutral sources such as the construction of a large-scale photovoltaic farm in Przykona on the other. Projects related to the generation of electricity from carbon-neutral sources are also being developed in cooperation with Cyfrowy Polsat and efforts to produce and use green hydrogen are being intensified. The directions of activities aimed at making the business model more sustainable have been thoroughly described, also using measurable ratios, in the sustainable development strategy of the ZE PAK Group for the years 2024-2028. Business model transition falls in line with the directions outlined in EU systematics (so-called taxonomy), assuming, among others:

- complete and rapid phasing out of lignite mining and generation based on this fuel; in the baseline scenario by the end of 2024 for coal units 1, 2 and 5 at the Pątnów Power Plant and by the end of 2025 for the 474 MW unit (former Pątnów II Power Plant). The Company has the right to decide on the extension depending on external factors (power system demand, market situation, regulatory environment).
- significant investments in generation assets enabling energy generation based on low- and zero-emission sources described in the taxonomy, such as photovoltaics or, e.g., fossil gas fuels and nuclear fuel, i.e., activities in line with the so-called EU systematics (taxonomy),
- development of activities in the field of electricity generation from renewable sources (wind, photovoltaics, biomass) and the production and use of 'green' hydrogen in cooperation with Cyfrowy Polsat.

PAK CCGT sp. z o.o., i.e., a company that is a 100% subsidiary of ZE PAK, responsible for preparing and implementing a project covering the construction of a gas unit within the former coal-fired Adamów power plant is one of the prospective assets. Owing to gas fuel, the new power plant will be characterised by the lowest emissions among conventional energy sources, and its high operational availability and flexibility will enable effective stabilisation of electricity production from renewable sources and the Polish power system. The project has won a capacity market auction and thus obtained support in the form of a 17-year capacity contract. The project to build a 600 MW class gas-fired unit in Q4 2023 has entered the implementation phase. The currently anticipated commissioning date is the end of Q1 2027.

Another project is a large-scale photovoltaic farm to be located in the Przykona commune, on land previously used for mining activities. Planned capacity of the farm is around 280 MW. Design work relative to this project is currently underway.

It is also planned to use the assets of the Pątnów Power Plant for the needs of a potential nuclear power plant construction. The project is developed in cooperation with third-parties. The special purpose vehicle set up to implement this project is PGE PAK Energetyka Jądrowa SA, where the Company holds 50% of the shares.

The ZE PAK Group is cooperating with the Polsat Plus Group by jointly developing a structure of PAK Polska Czysta Energia sp. z o.o. ('PAK - PCE') subsidiaries, whose activities focus on renewable energy generation and the production and use of green hydrogen. Until 3 July 2023, ZE PAK held the majority of shares in PAK - PCE. Following a series of transactions under an agreement concluded by ZE PAK and Cyfrowy Polsat SA, on 3 July 2023, Cyfrowy Polsat SA acquired 50.5% of the shares in PAK - PCE, thereby taking control of PAK-PCE sp. z o.o. and its subsidiaries, while ZE PAK is a minority shareholder with 49.5% of the shares in PAK - PCE. The company has acquired a capital-strong partner that will be able to guarantee the implementation of a wide range of prospective investment projects in the field of renewable energy sources, as well as the production and use of green hydrogen. PAK - PCE's main generating assets in the RES area are two biomass units generating electricity and heat with a total capacity of 110 MW, located at the Konin Power Plant, an 83 MW photovoltaic farm located in Brudzew and two wind farms: Kazimierz Biskupi and Miłośław with a total capacity of 27 MW. At the same time, wind projects with a total expected capacity of around 270 MW are under development by further SPVs. In the area of hydrogen projects, the concept of building a comprehensive green hydrogen chain from the production of green hydrogen, through the construction of a network of hydrogen filling stations, to manufacturing hydrogen buses is being developed.

Plans for conventional capacity utilisation

The baseline operating model for the coal segment assumes the use of currently operated open pit and no new investments in this area. Coal mining at the Józwin open pit ended on 16 June 2023. Only the Tomisławice open pit is currently in operation. The current baseline scenario projects continue coal-based operation until the end of 2025. The Company has the right to decide on the extension depending on external factors (power system demand, market situation, regulatory environment).

The Pątnów Power Plant currently operates two modernised units No. 1 and 2, each with a capacity of 222 MW, a partially modernised unit No. 5 with a capacity of 200 MW and a modern supercritical unit No. 9 with a capacity of 474 MW (the former Pątnów II Power Plant). The baseline scenario assumes the operation of coal-fired units 1, 2 and 5 at the Pątnów power plant until the end of 2024. A scenario of operation until the end of 2025 was assumed for the 474 MW unit (former Pątnów II Power Plant). The Company has the right to decide on its extension, depending on external conditions (power system demand, market situation, regulatory environment). The remaining units at the Pątnów power plant were decommissioned – unit No. 4 with a capacity of 200 MW was decommissioned at the end of 2019, while units No. 3 and 6, with a capacity of 200 MW each, were decommissioned at the end of June 2020.

The Adamów power plant was decommissioned at the beginning of January 2018. Demolition work has now been completed at the site and work is underway to build a modern, low-carbon and flexible unit such as a gas-steam one.

Once the operation of the coal units at the Pątnów Power Plant has been completed, it will be possible to employ the existing infrastructure and prepare the site for a potential future nuclear power plant project. To this end, the Company has established cooperation with an external partner, the state-owned Korean company Korea Hydro & Nuclear Power Co., Ltd. and with PGE Polska Grupa Energetyczna SA, the state-owned power company. In April 2023, ZE PAK and PGE formed a joint special purpose vehicle in the form of a joint stock company based in Konin to directly cooperate on the project to build a nuclear power plant based on the Korean APR1400 technology. The objective and task of this company is to participate in the planned construction of the nuclear power plant in Konin/Pątnów. In November 2023, PGE PAK Energia Jądrowa sp. z o.o. received the principal decision issued by the Ministry of Climate and Environment to build a nuclear power plant at the site of the currently operated coal-fired power plant in the Konin region, which enables commencing work at the indicated location and confirms the compliance of the planned project with the objectives of Poland's energy policy.

Plans for the development of renewable energy sources

The Company is preparing for the implementation of a large PV project, for which an environmental decision has already been obtained. It is a photovoltaic farm with a rated capacity of approximately 200 MWp in the Przykona commune, in an area previously used for mining activities. Planning and design work preceding the start of this investment is currently underway.

An important requirement to continue the initiated investment programme will be the acquisition of external funding. At present, the construction of the gas unit at the Adamów power plant and preparations to commence the construction of the photovoltaic farm in the Przykona commune are funded by the company's own resources, but the continuation of both

projects depends on obtaining external financing. In the case of both projects, advanced discussions with financial institutions interested in financing these projects are currently ongoing.

8. SHAREHOLDING STRUCTURE SPECIFICATION

8.1. Shareholding structure

As at 31 December 2023, the Company's share capital amounted to PLN 101 647 094.00 and is divided into 50 823 547 shares with a face value of PLN 2.00 each.

The following table shows the list of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Company's General Meeting, according to the information available to the Company based on the notifications provided on the acquisition/disposal of the Company's shares as at the date of this report and as at 31 December 2023 and 31 December 2022.

Table 14: List of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company*

Shareholder	pcs			%		
	Number of shares and corresponding number of votes at the General Meeting			Share in the total number of stocks/votes		
	17/4/2024	31/12/2023	31/12/2022	17/4/2024	31/12/2023	31/12/2022
Zygmunt Solorz (indirectly) through:	33 523 911	33 523 911	33 523 911	65.96	65.96	65.96
– Argumenol Investment Company Limited	33 523 911	33 523 911	33 523 911	65.96	65.96	65.96
Nationale-Nederlanden OFE	4 503 242	4 503 242	4 503 242	8.86	8.86	8.86
OFE PZU “Złota Jesień”	4 635 719	4 635 719	4 635 719	9.12	9.12	9.12
PTE Allianz Polska SA	3 491 456	3 491 456	3 720 890	6.87	6.87	7.32

* List developed according to the information held by the Company based on the provided notifications on the acquisition/disposal of shares.

The structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes as at the date of submission of this annual report for 2023 differs from the corresponding list of the periodic report for 2022. The difference results from a change in the share of ZE PAK SA's share capital and the total number of votes in the accounts of Allianz OFE managed by PTE Allianz Polska SA, which was enacted on 12 May 2023 as a result of the liquidation of the Drugi Allianz Polska Otwarty Fundusz Emerytalny through the transfer of its assets to Allianz OFE.

The Company is not aware of any agreements, which would result in future changes in the shareholding structure of the current shareholders.

8.2. Acquisition of own shares

The Company did not acquire own shares in 2023.

8.3. Stocks and shares of entities of the ZE PAK SA Capital Group held by management and supervisory persons

The table below presents (direct and indirect) holding of the Company's shares and the stocks/shares in affiliates of the Company held by management personnel as at 31 December 2023 and as at the date of this statement.

Table 15: Status for shares in the Company and shares/stocks in entities affiliated with the Company held by managing personnel as at 31 December 2023 and as at the statement date.

Full name	ZE PAK SA shares		Shares/stocks in ZE PAK SA affiliates	
	volume	face value	volume	face value
Piotr Woźny	0	0	0	0
Zygmunt Artwik	0	0	0	0

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Maciej Nietopiel	0	0	0	0
Andrzej Janiszowski	0	0	0	0
Katarzyna Sobierajska	0	0	0	0
Maciej Koński	0	0	0	0

The table below presents (direct and indirect) holding of the Company's shares and the stocks/shares in affiliates of the Company held by management personnel as at 31 December 2023 and as at the date of this statement.

Table 16: Company's share holdings as well as affiliates' share/stock holdings by the supervisory personnel as at 31 December 2023 and as at the date of statement development.

Full name	ZE PAK SA shares		Shares/stocks in ZE PAK SA affiliates	
	volume	face value	volume	face value
Zygmunt Solorz	0	0	0	0
Wiesław Walendziak	0	0	0	0
Tomasz Szelaż	0	0	0	0
Henryk Sobierajski	0	0	0	0
Sławomir Zakrzewski	0	0	0	0
Alojzy Z. Nowak	0	0	0	0
Jarosław Grzesiak	0	0	0	0
Tobiasz Solorz	0	0	0	0
Piotr Żak	0	0	0	0

8.4. Employee shares programme control system

The Company does not have an employee share programme, therefore, there is no control system of the employee share programme.

9. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

The declaration of compliance with corporate governance rules is presented in accordance with Art. 70(6) cl. 5) of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent the information required by the law of a non-member state.

9.1. Set of applied corporate governance rules

As of 1 July 2021, ZE PAK SA is subject to a set of corporate governance principles for companies listed on the WSE Main Market – Best Practices for WSE Listed Companies 2021 ('DPSN 2021'), adopted by Resolution No. 13/1834/2021 of the Exchange Supervisory Board of 29 March 2021.

The Company's Management Board, within the competencies granted to it by the Articles of Association and the generally binding legal regulations, exercises due care in order to ensure the Company's compliance with the Code of Best Practices to the greatest extent possible. The number and scope of principles which were not applied in 2023 have been described in detail in the section below. The Company's Management Board makes all exceptional efforts in order for the Company's information policy towards investors, both individual and institutional, comprising the execution of guidelines included in the Code of Best Practices, to be compliant with the expectations. The Company strives to minimise both the number and scope of principles that have been waived. In addition, for reasons not attributable to the Company, not all principles contained in the Best Practice are applied.

The text of the Best Practice 2021 is published on the website of the Warsaw Stock Exchange at:
DPSN 2021 - https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf

In accordance with the Best Practices, the Company has published information on the status of Company's application of the principles contained in the Best Practices at:
https://ri.zepak.com.pl/upload/files/PL_GPW_dobre_praktyki_ZEPAK_2023_update.pdf

9.2. Set of waived DPSN 2021 principles

Below you can find corporate governance rules, which the Company has not complied within its activities in 2023, together with an explanation of the Company's position regarding each specific departure.

Principle 1.4.2 DPSN 2021

Information on the strategies in the ESG shall, among others, present the equal pay index for its employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

Explanation of the reasons for not applying principle 1.4.2.

Due to the specific nature of the Company's business operating in the heavy industry segment, men (in the production area) constitute a clear majority in the workforce and therefore the Company does not keep such statistics. However, remuneration in the Company is tailored to the level of education and competence and the position occupied and is not in any way dependent on the gender or age of the employee.

Principle 2.1. DPSN 2021

A Company should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%

Explanation of the reasons for not applying principle 2.1.

The Company has not developed a diversity policy in relation to the management board and supervisory board. According to standards applicable at the Company, such objective criteria as knowledge, experience, competences and skills required to hold assigned functions are decisive when selected management and supervising personnel. In the Company's opinion, the cited criteria can ensure effective and efficient operation of the Company and the implementation of the adopted strategy.

Principle 2.2. DPSN 2021

Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals

of the established diversity policy referred to in principle 2.1.

Explanation of the reasons for not applying principle 2.2.

Persons making decisions related to appointing members of the management board and supervisory board ensure the versatility of these bodies, guided by current Company needs, expressed through taking into account the appropriate professional experience, competences and education exhibited by the candidates, which are required to perform the functions entrusted to them. The principle does not apply in terms of satisfying the imposed index of a 30% minimum minority share. The Company believes that the adoption of a fixed minority share ratio in the Company's bodies may lead to a situation where the criterion of belonging to a minority will have a decisive impact on the selection of a candidate at the expense of the criteria which are most important in the Company's opinion, such as relevant professional experience, competence and education.

Principle 2.11.6 DPSN 2021

Annual reports contain information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

Explanation of the reasons for not applying principle 2.11.6.

Due to the absence of a developed diversity policy and the explanation of the non-application of principle 2.1, the annual report of the supervisory board will not contain information on the degree of implementation of the Company's diversity policy.

Principle 4.1. DPSN 2021

The Company shall enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

Explanation of the reasons for not applying principle 4.1.

The Company offers real-time coverage of the general meeting, but in the Company's opinion the current shareholding structure does not justify real-time two-way communication allowing shareholders to speak during the general meeting while at a location other than the venue of the meeting. The possibility to exercise voting rights in person or by proxy is an established practice during the Company's general meetings of shareholders.

Principle 6.2. DPSN 2021

Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation,

sustainable development and the company's stability.

Explanation of the reasons for not applying principle 6.2.

There are currently no incentive schemes within the Company; however, the Company assumes that should such a scheme be adopted it will be compliant with the Best Practice principles.

Principle 6.3. DPSN 2021

If company's incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

Explanation of the reasons for not applying principle 6.3.

There are no incentive schemes based on stock options or other stock-related instruments implemented within the Company; however, the Company assumes that should such a scheme be adopted it will be compliant with the Best Practices principles.

9.3. Changes in the status of applying the DPSN 2021 principles implemented in the financial year

Principle 1.3.1

The company also incorporates ESG topics into its business strategy, in particular, covering environmental issues, including climate change metrics and risks and sustainability issues.

The principle is applied.

Company comment regarding the application of this principle

In October 2020, the Company announced its strategy directions to gradually phase-out conventional power generation and concentrate its future activities in new fields. The Company has also adopted an ESG strategy for 2023 – 2027 covering environmental issues, including metrics and risks

Principle 1.3.2

The company also integrates ESG topics into its business strategy, in particular, covering social and labour issues, related, among others, to measures taken and planned to ensure gender equality, sound working conditions, respect for employee rights, dialogue with local communities, customer relations, among others.

The principle is applied.

Company comment regarding the application of the principle in question.

The Company has adopted a sustainable development strategy (ESG) for the 2023 – 2027 period. Its scope covers also social and labour issues.

Principle 4.1.

The Company shall enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is not applied.

Company comment regarding the application of the principle in question.

The Company guarantees a real-time coverage of the General Meeting. The Company believes that organizing an 'e-meeting' may entail numerous issues of legal and interpretative nature. If such expectations are raised, the Company is willing to reconsider its decision, analysing all potential risks beforehand.

9.4. Description of the main features of internal inspection and risk management systems applied in relation to the preparation of financial and consolidated financial statements

The process of developing Company's financial statements as well as the Capital Group's consolidated financial statements involves using internal control and risk management mechanisms, such as Company's internal procedures, mechanisms of managing IT systems used for registration of economic activities and development of financial statements, as well as data and system protection mechanisms, principles of supervision over the preparation of financial statements, principles of verification and assessment of statements, internal audit and other control elements.

The development of the Company's financial statements as well as the Group's consolidated financial statements is executed in an orderly manner, pursuant to the organisational structure of the Company and Group. The management accounting tools and IT systems implemented in the Company and Group for the purpose of registration of economic events in books of account provide the basis for the evaluation that the Company's financial statements and the Group's consolidated financial statements reliably and clearly present the Company's and Group's financial and economic situation.

The basic regulations in the scope of development of financial statements include: the Company's accounting policy in accordance with the Accounting Act of 29 September 1994, International Financial Reporting Standards ('IFRS'), approved by the European Union, the procedure of closing the books of account of companies including the Capital Group, as well as the financial statement and consolidated financial statement development requirements imposed by the Warsaw Stock Exchange.

As of the date of development of this statement, the Company did not make a decision on keeping the books of account in the Group according to the International Financial Reporting Standards ('IFRS'). Therefore, the process of development of financial statements in the Group takes place in two stages. Firstly, all the companies of the Group develop their own individual statements pursuant to the Polish accounting standards. These statements are studied if they meet the conditions specified in the Accounting Act. Next, the companies transform individual statements based on the accounting policy determined for the Group, in accordance with the International Financial Reporting Standards ('IFRS') and using the so-called sheets of transition into financial statements in the IFRS standards. Thus-developed individual statements are the basis for the development of the Group's consolidated financial statement. An automatic process of importing data from the SAP ERP system to the SAP BPC consolidation system takes place only in the case of ZE PAK SA.

The Group's consolidated statement is developed with the use of the SAP BPC IT system. A stand-alone central unit in the parent company (i.e., ZE PAK SA) merged with accounting departments in individual subsidiaries functions within the system. The consolidation process is started with the central unit opening access for companies to enter data into the system, the subsidiaries have the possibility to access their historical data at any time, but without the possibility of their adjustment. The central unit constantly monitors the entry of data by the companies, and then, after entering individual data, it starts the consolidation process. This process is based on defined business rules, which determine the content of consolidation adjustments. Furthermore, the consolidation process allows for entering manual adjustments by the central unit. The result of the consolidation process completion includes a complete package of the financial statement together with explanatory notes in Excel files, which is then exported to a Word file after verification.

The Management Board is responsible for the Company's internal control system and for its effectiveness in the process of developing financial statements and periodical reports developed and published in accordance with the Resolution of the Minister of Finance of 29 March 2018 on the current and periodical information submitted by issuers of stocks as well

as conditions for the recognition as equally important of information required by the regulations of the law of a country not comprising a member state.

The substantive supervision over the process of development of the Company's and Group's financial statements and periodical reports is executed by a member of the Management Board responsible for financial issues. The organisation of works related to the development of financial statements is the responsibility of the CFO, who together with the Chief Accountant develops a schedule of work leading to the development of the statements.

The Company's effective internal control and risk management systems related to the process of financial reporting is ensured owing to:

- development of procedures specifying the principles and division of responsibility in the development process of financial statements,
- specification of the scope of reporting pursuant to the mandatory provisions of the Accounting Act and International Financial Reporting Standards,
- implementation and execution of supervision over the use by the Capital Group's companies of coherent accounting principles as well as
- semi-annual inspections and annual audits of the financial statements of ZE PAK S.A. and Capital Group by an independent statutory auditor.

The annual and semi-annual financial statements are subject to the independent auditing and inspection by the independent statutory auditor, who gives an opinion on the reliability and clarity of such a statement as well as correctness of account books comprising the basis for the statement development.

The choice of a statutory auditor is made by the Supervisory Board, from a group of reputable auditing companies, which guarantee high service standards and the required independence.

Financial statement audits are conducted:

- in accordance with the provisions of Chapter 7 of the Accounting Act of 29 September 1994,
- pursuant to the National Standards of Financial Auditing within the meaning of International Standards on Auditing, adopted by the resolution of the National Chamber of Statutory Auditors (KRBR) of 10 February 2015 as amended and the KRBR resolution of 7 July 2017.

In particular, the audits include verification of correctness of the accounting rules used by the Company and Group, verification of significant estimates, verifying – in a random manner – accounting evidence and records, which the amounts and information included in the financial statement result from, as well as comprehensive assessment of the financial statement.

The Company's and Group's financial results are regularly monitored during the financial year and are subject to periodical evaluation made by the Supervisory Board. During regular sessions of the Supervisory Board, the Company's Management Board provides information regarding the current financial situation of the Company and ZE PAK SA Group.

The Company's and Group's task is to develop such a financial statement, which includes numerical data and verbal clarifications, which:

- reliably and clearly presents all information significant for the evaluation of the financial and economic standing at a given day, as well as the financial result for a given period,
- was properly developed in all the significant aspects, that is, in accordance with the accounting rules resulting from the International Financial Reporting Standards, as well as the related interpretations published in the form of the European Commission regulations, and according to the requirements of the Accounting Act and executive regulations issued on its basis, as well as on the basis of correctly kept books of account,
- is compliant with the regulations and provisions of the Company's Articles of Association, which affect the financial statement content.

The Company hold documentation, which describes its adopted accounting principles, specified in Art. 10 of the Act on Accounting. The applied principles of cost accounting, asset and liability measurement, as well as financial result determination are pursuant to the Act on Accounting and the International Financial Reporting Standards.

The Management Board is responsible for the correct accounting of the Company and Group. The Company keeps account books within the integrated SAP ERP IT system. This system, like the aforementioned SAP BPC consolidation system of statements, ensures a division of competence, coherence of operation entries in the books, as well as control between the main book of account and auxiliary books. The records kept enable determining the financial result, VAT tax and other budget liabilities. Accounting records ensure correctness and completeness of entries. The chronology of

economic events is observed. Entries in account books reflect the actual state, and data is entered in a complete and correct manner, based on accounting records qualified for entry. The continuity of entries and correctness of the applied procedures are ensured. Accounting records meet the requirements of the Act on Accounting. Ledgers are kept at the Company's registered office. There is a possibility to modify system functionalities in order to ensure the adequacy of technical solutions to the changing accounting principles and legal standards. The system includes documentation both in the part related to end users and the technical part. The system's documentation is subject to periodical verification and updating. The Company implemented organisational and system solutions in terms of ensuring proper use and security of data and hardware access protection systems. Access to the financial record system resources is restricted via proper rights, which are provided to authorised employees only to the extent of their responsibilities and activities.

The Company has an internal audit system in place aimed at conducting an independent and objective assessment of risk management and internal control systems. An internal audit is conducted pursuant to auditing regulations. An audit implements planned and temporary auditing tasks both within the parent company and the Group's companies. Audit plans are developed based on risk analyses. Audit results are reported to the Company's Management Board. Information on internal audit activity also constitutes the subject of analyses by the Audit Committee.

As part of the control activities, the periodic management reporting is subject to evaluation in terms of presented information, especially in the context of analysing the deviations from assumptions adopted in financial plans.

9.5. Shareholders holding significant blocks of shares

The table below shows shareholders with significant blocks of shares, according to the best of Company's knowledge, based on notifications submitted to the Company.

*Table 17: Shareholders holding, directly or indirectly, significant blocks of shares (above 5%), pursuant to information held by the Company and based on notifications on the acquisition/disposal of Company shares, as at the date of report submittal**

<i>Shareholder</i>	<i>Number of shares</i>	<i>Percentage share in share capital</i>	<i>Number of votes</i>	<i>The percentage share in the total number of votes</i>
Zygmunt Solorz (indirectly) through: Argumenol Investment Company Limited.	33 523 911	65.96%	33 523 911	65.96%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	4 503 242	8.86%	4 503 242	8.86%
OFE PZU "Złota Jesień"	4 635 719	9.12%	4 635 719	9.12%
PTE Allianz Polska SA	3 491 456	6.87%	3 491 456	6.87%

* According to the information held by the Company based on the provided notifications on acquisition/disposal of shares.

9.6. Holders of stocks providing special control rights

As at 31 December 2023 and as at the date of development of this statement, the Company has not issued stocks giving special control rights.

9.7. Restrictions on exercising the voting right

According to the Company's Articles of Association and other internal documents of the Company, as at 31 December 2023 and as at the date of development of this statement, there are no limitations regarding the execution of the voting right.

9.8. Restrictions on the transfer of the ownership right of stocks

As at 31 December 2023 and as at the date of development of this report, the Company is not in any way limited in terms of transferring the ownership to Company's stocks.

9.9. Rules of the appointment and dismissal of management and supervisory personnel

Management Board

The Management Board is made up of 3 to 6 members appointed for a joint term. The composition of the Management Board includes: President of the Board, Vice-Presidents and other Board members. The number of Management Board members and their functions are specified by the Supervisory Board. The Management Board's term is three years. The President, Vice-Presidents and other members of the Management Board are appointed and dismissed by the Supervisory Board in a secret ballot. The President, Vice-Presidents and other members of the Management Board can be dismissed or suspended in duties also by the General Meeting.

The Management Board handles Company's cases and represents the Company. The Management Board operates pursuant to applicable law, the Company's Articles of Association and Regulations of: the Management Board, Supervisory Board, Company Organizational Regulations, Work Regulations and Employee remuneration rules, as well as General Meeting resolutions.

Management Board's resolutions are required in cases exceeding common governance, in particular:

- 1) adopting and changing the organizational rules that specify the organization of the Company's enterprise,
- 2) taking loans and borrowings,
- 3) proxy establishment,
- 4) granting loan guarantees and sureties,
- 5) acquisition and disposal of properties, perpetual usufruct or share in a property or perpetual usufruct.

Management Board's resolutions are also required in cases where the Board addresses the General Meeting and the Supervisory Board.

Supervisory Board

The Supervisory Board is made up of at least 5 members appointed for a joint term. The Supervisory Board's term is five years. The members of the Supervisory Board are appointed and dismissed during the General Meeting. The General Meeting, prior to the appointment of Supervisory Board members for a new term, specifies the number of members of the Supervisory Board. In a secret ballot, the Supervisory Board elects the Chairperson, Secretary of the Board, Deputy Chairperson and, if deemed necessary, two Deputy Chairpersons from among its members.

The Supervisory Board should include two members satisfying the criteria of independence provided for an independent supervisory board member within the meaning of the Committee's Recommendation of 15 February 2005 on the role of non-executive directors or directors who are members of supervisory boards in stock-exchange listed companies and (supervisory) board committees (2005/162/EC), taking into account the Good Practices of Companies Listed on the Warsaw Stock Exchange. A candidate for an Independent Supervisory Board Member provides the Company, prior to his/her appointment as a Board member, with a written declaration on meeting independence criteria.

Pursuant to the act of 11 May 2007 on expert auditors, audit firms and public supervision (cons. text., Dz. U. of 2023, item 1015), the Company has the status of a public interest entity within the meaning of this Act, therefore, should have an Audit Committee. The audit committee is composed of at least 3 members. At least one of the audit committee members has knowledge and skills in the field of accounting or auditing financial statements. Pursuant to the said act, most audit committee members, including its chairperson, must satisfy the criteria of independence from a given public interest entity.

The Board supervises the Company's activities in all areas of its operation.

The competence of the Supervisory Board includes issues reserved by the Code of Commercial Companies and the Company's Articles of Association, in particular:

- 1) examination of the Company's annual financial statement and consolidated financial statement both in terms of their conformity with the books, documents and the facts, examination of the annual report of the Management Board on the activities of the Company including an assessment of Management Board, and examination of the Management Board's proposal concerning profit distribution or loss coverage, and submission of a written report on the results of the above examinations to the Ordinary General Meeting,
- 2) preparation and presentation to the Ordinary General Meeting of a report on the activities of the Supervisory Board, evaluation of the Company's standing, evaluation of the manner in which the Company fulfils its information obligations, evaluation of the reasonableness of the Company's policy, including, among others, its pricing policy,

- as well as evaluation of the internal control system and the significant risk management system, in each of the aforementioned cases taking into account the corporate governance principles adopted by the Company,
- 3) approval and amendment of the Company's Management Board Regulations and the Company's Organisational Regulations,
 - 4) approval of the Work Regulations and the Employee Remuneration Rules,
 - 5) determination of principles and amounts of remuneration for Management Board Members,
 - 6) suspension in duties due to significant reasons, in a secret ballot, of the Board's President, Vice-Presidents as well as other Management Board members or the entire Management Board,
 - 7) delegating a Member or Members of the Supervisory Board for a period not exceeding three months to temporarily perform the duties of a Company's Management Board Member who has been dismissed, who has resigned or who is unable to perform his/her duties for other reasons,
 - 8) determination of the remuneration for the Supervisory Board Member or Members delegated to temporarily perform the duties of the Management Board Member,
 - 9) selection of an expert auditor to examine Company's financial statements,
 - 10) the approval of the Company's and the Group's multi-annual operating programmes, including the Company's and Group's operating strategies, as prepared by the Management Board,
 - 11) approval of the Company's quarterly and annual action plans, as well as the Group's quarterly and annual action plans, especially involving generation and revenue plans, type cost plans, unit cost plans, remuneration plans, investment plans as well as renovation and maintenance plans.
 - 12) approval of the terms, plans and prices related to the Company purchasing or selling goods and services. to the extent determined by resolution of the Supervisory Board,
 - 13) approval of bidder selection in the Company's tender procedures and approval of bids submitted by the Company under tender procedures, within the scope defined by resolution of the Supervisory Board,
 - 14) approval of employment in the positions of a director, deputy director, expert or advisor, regardless of the grounds for such employment, in particular, under the employment relationship, as well as other legal relationships. The consent of the Supervisory Board is also required to modify or terminate the employment referred to above.
 - 15) consent to seek, modify or waive any concession or permit referred to in Art. 4(2) of the Articles of Association, as well as to their transfer or provision to third parties,
 - 16) consent to the Company issuing bonds other than bonds convertible into shares or bonds with pre-emptive rights,
 - 17) approval of the plan of merger and division of the Company prior to its agreement, as well as a Company transformation plan.

In addition, the following matters fall within the competence of the Supervisory Board:

- 1) consideration of and giving opinions on cases submitted by the Board and comprising the subject of General Meeting's resolutions,
- 2) consent to any acquisition, disposal, subscription or encumbrance of shares in companies, as well as any title to shares in other than companies, entities and organisations,
- 3) consent to advance payment to shareholders on account of anticipated dividends,
- 4) consent to the conclusion by the Management Board of any agreement for the provision of consultancy services,
- 5) consent to the execution by the Company of any Qualified Legal Act subject to such exemptions, as may be provided for by a resolution of the Supervisory Board.
- 6) consent to any acquisition and disposal of properties, the right of perpetual usufruct or a share in property or perpetual usufruct, as well as to the establishment of a limited right in rem on properties, perpetual usufruct or a share in property, with a value up to the amount referred to in Art. 1(4) cl. 15 of the Articles of Association,
- 7) conclusion by the Company with an entity affiliated to the Company of a significant agreement within the meaning of the provisions on current and periodic information provided by issuers of securities admitted to trading on a regulated market, excluding typical agreements concluded by the Company on an arm's length basis in the course of its business,
- a) consent to candidates proposed by the Company's Management Board to perform functions in the governing bodies of the Group's companies, designation by the Management Board of persons to perform functions in the bodies of companies and other entities in which the Company participates directly or indirectly.

At the request of the Management Board, the Supervisory Boards grants Board members the approval to take positions in bodies of companies, in which the Company holds shares, as well as to receive remuneration in this regard.

9.10. Personal composition, its changes and a description of the activity of management and supervisory bodies

Management Board

In the financial year of 2023, the Company's Management Board composition was as follows:

- 1) Piotr Woźny – President of the Management Board,
- 2) Zygmunt Artwik – Vice-President of the Management Board,
- 3) Maciej Nietopiel – Vice-President of the Management Board,
- 4) Andrzej Janiszowski – Vice-President of the Management Board,
- 5) Katarzyna Sobierajska – Vice President of the Management Board

The Management Board was not subject to any composition changes in 2023. On 23 January 2024, already after the reporting period was ended, the Company's Supervisory Board appointed Mr Maciej Koński to the Management Board, entrusting him with the function of Vice-President of the Management Board.

As at the date of publishing this statement, the Company's Management Board is composed as follows:

- 1) Piotr Woźny – President of the Management Board,
- 2) Zygmunt Artwik – Vice-President of the Management Board,
- 3) Maciej Nietopiel – Vice-President of the Management Board,
- 4) Andrzej Janiszowski – Vice-President of the Management Board,
- 5) Katarzyna Sobierajska – Vice-President of the Management Board,
- 6) Maciej Koński – Vice-President of the Management Board.

Supervisory Board

As at the beginning of the reporting period, the composition of the Supervisory Board was as follows:

- 1) Zygmunt Solorz – Chairman of the Supervisory Board,
- 2) Tobiasz Solorz – Deputy Chairman of the Supervisory Board,
- 3) Piotr Żak – Deputy Chairman of the Supervisory Board,
- 4) Wiesław Walendziak – Secretary of the Supervisory Board,
- 5) Tomasz Szelaąg – Supervisory Board Member,
- 6) Henryk Sobierajski – Supervisory Board Member,
- 7) Jarosław Grzesiak – Supervisory Board Member,
- 8) Sławomir Zakrzewski – Supervisory Board Member,
- 9) Maciej Stec – Supervisory Board Member,
- 10) Alojzy Z. Nowak – Supervisory Board Member.

On 13 April 2023, Mr Maciej Stec stepped down as a member of the Company's Supervisory Board.

As at the date of signing this statement, the ZE PAK SA Supervisory Board is composed as follows:

- 1) Zygmunt Solorz – Chairman of the Supervisory Board,
- 2) Tobiasz Solorz – Deputy Chairman of the Supervisory Board,
- 3) Piotr Żak – Deputy Chairman of the Supervisory Board,
- 4) Wiesław Walendziak – Secretary of the Supervisory Board,
- 5) Tomasz Szelaąg – Supervisory Board Member,
- 6) Henryk Sobierajski – Supervisory Board Member,
- 7) Sławomir Zakrzewski – Independent Member of the Supervisory Board,
- 8) Alojzy Z. Nowak – Independent Member of the Supervisory Board,
- 9) Jarosław Grzesiak – Supervisory Board Member

Members of the Supervisory Board who satisfy the independence criteria referred to in Art. 129(3) of the Act of 11 May 2017 on expert auditors, audit firms and public oversight, and the principle 2.3. of Best Practices 2021 are: Sławomir Zakrzewski and Alojzy Z. Nowak.

In the execution of their code and statutory obligations, in 2023, the Supervisory Board held five sessions adopting a total of 132 resolutions.

During the reporting period, the Supervisory Board collectively supervised the Company's activities in all areas of its operation. The Supervisory Board is primarily focused on the following issues:

- 1) evaluation of statements developed for the financial year of 2022,
- 2) expressing consent on the Company's activities resulting in incurring liabilities valued in excess of PLN 500 thousand,
- 3) issuing opinions on the applications submitted by the Management Board with regards to cases related to the Company's current activities,
- 4) approving activities associated with the restructuring process in progress at the ZE PAK SA Capital Group,
- 5) establishment, jointly with PGE Polska Grupa Energetyczna SA, of a special purpose vehicle, PGE PAK Energia Jądrowa SA, to implement an investment project involving the construction of a nuclear power plant,
- 6) implementation by the Company's Management Board of the ZE PAK SA Capital Group's energy transition through expanding the RES project portfolio.

Audit Committee

In 2023, the Audit Committee debate in the following composition:

- 1) Sławomir Zakrzewski – Chairman of the Audit Committee,
- 2) Tomasz Szelağ,
- 3) Alojzy Z. Nowak.

A member of the Audit Committee with knowledge and skills in the industry in which ZE PAK SA operates is Mr Sławomir Zakrzewski, who acquired these through his extensive professional experience in the construction and energy sectors, gained both domestically and abroad. A member of the Audit Committee with knowledge and skills in the field of accounting is Mr Tomasz Szelağ, who acquired these through his education and perfected them by holding numerous managerial positions requiring the said knowledge and skills. The members of the Audit Committee satisfying the criterion of independence are Mr. Sławomir Zakrzewski and Mr. Alojzy Z. Nowak.

The Company has developed a policy for the selection of the audit firm to conduct an audit and a policy for the provision of permitted non-audit services by the audit firm, entities affiliated with the audit firm and a member of the audit firm's network.

Main assumptions of the policy for selecting the audit firm to conduct the audit:

- 1) In accordance with the Company's Articles of Association, the body selecting the audit firm for the statutory audit is the Supervisory Board of the Company.
- 2) The statutory audit remuneration received by the audit firm or its subcontractors, may neither be subject to any conditions, including the outcome of the statutory audit, nor shaped or conditioned upon the provision of additional services that do not constitute the statutory audit of the Company or its affiliates.
- 3) The Audit Committee of the Company's Supervisory Board approves the procedure for the selection of the audit firm.
- 4) The Company draws up tender documents for the invited audit firms according to specified criteria.
- 5) The Company evaluates the bids submitted by audit firms according to the selection criteria specified in the tender documentation, prepares a report containing the conclusions of the selection procedure and submits it to the Audit Committee.
- 6) The Audit Committee recommends an audit firm selection to the Company's Supervisory Board.
- 7) If the decision of the Company's Supervisory Board regarding the selection of the audit firm deviates from the Audit Committee's recommendation, the Company's Supervisory Board shall justify the reasons for not following the Audit Committee's recommendation and communicate such rationale Company's General Meeting of Shareholders.

Main principles of the policy on the provision of permitted non-audit services to the Company by the audit firm, its affiliates and a member of the audit firm's network:

- 1) In implementing the provisions of the Act of 11 May 2017 on expert auditors, audit firms and public oversight ('AoEA'), the Company does not enter into agreements with the audit firm performing the audit, entities related to the audit firm and members of the audit firm's network for the provision of prohibited services within the meaning of Art. 136 of the AoEA.
- 2) To the extent not related to the Company's tax policy, the Company may commission the audit firm performing an audit or an affiliate of that audit firm or a member of that audit firm's network, with work that constitutes permitted non-audit services.
- 3) The legality of the performance of work referred to in point 2 shall be supervised by the Audit Committee. Prior to the Company commissioning the services referred to in point 2, the Audit Committee assesses the independence risk and liability securities referred to in Art. 69-73 of the AoEA.
- 4) The policy also lists the main types of permitted and prohibited services.

The recommendation for the selection of the audit firm to conduct the audit was made following a selection procedure organised by the Company that meets the applicable criteria and such recommendation meets the Company's conditions in terms of the auditor's product.

In September 2023, the Audit Committee of the ZE PAK SA Supervisory Board adopted a Resolution on the recommendation of the Audit Committee to the ZE PAK SA Supervisory Board regarding the selection of an audit firm to conduct statutory audits and reviews of the consolidated and individual financial statements of ZE PAK SA and the individual financial statements of the companies within the ZE PAK SA Capital Group, prepared for the years 2023-2024.

The Audit Committee of the ZE PAK SA Supervisory Board met with the representatives of the Company twice in 2023.

9.11. Operation procedure of the General Meeting, its key powers and a description of shareholders' rights and how to exercise them

General Meeting

The General Meeting is held in cases specified in the Code of Commercial Companies, as well as the Company's Articles of Association. The General Meeting, as a rule of thumb, is convened by the Company's Management Board and debates as ordinary or extraordinary. In case of summoning a General Meeting by an entity or body other than the Company's Board, the Board is obligated to cooperate with the entity or body in order to take any legally specified actions required to summon, organize or hold a General Meeting. Since the first day of the Company's shares being listed on the regulated market of the Giełda Papierów Wartościowych w Warszawie SA (Warsaw Stock Exchange), General Meetings can take place with via electronic communication devices. The decision on organising a General Meeting through electronic communication devices is made by the Company's Supervisory Board.

The General Meeting takes place in Warsaw or at the Company's registered office. The General Meeting shall be broadcast in real time, with a link to the video broadcast of the General Meeting made available on the Company's website after the debates are closed.

The General Meeting of ZE PAK SA shall be convened by way of announcement on the Company's website and in the manner set out for the transmission of current information pursuant to the provisions on public offering and the conditions for introducing financial instruments into the organised trading system and on public companies.

The materials made available to shareholders in relation to the General Meeting, including drafts of resolutions proposed for passing, as well as other important materials are made available by the Company at <http://ri.zepak.com.pl/>.

The basic competencies of the General Meeting include:

- 1) examination and approval of the Management Board's statement of the Company's activities, as well as the financial statement for the previous accounting year, and granting a discharge to the members of Company's bodies on account of their fulfilment of duties,
- 2) distribution of profit and loss coverage,
- 3) change in the subject of Company's activities,
- 4) amendments to the Company's Articles of Association,
- 5) increase or decrease of the share capital,
- 6) authorisation of the Management Board to acquire own shares for redemption,
- 7) appointment and dismissal of Supervisory Board members,
- 8) determining the remuneration of Supervisory Board members,
- 9) Company merging, division and transformation,
- 10) Company termination and liquidation,
- 11) emission of convertible bonds or bonds with right of priority and subscription warrants,
- 12) disposal and lease of an enterprise or its organized part, and establishing a limited right in rem thereon.
- 13) establishment and cancellation of the Company's capitals and funds,
- 14) conclusion by the Company of a credit, loan, surety or other similar agreement with a member of the Company's Management Board, Supervisory Board, proxy or Company liquidator or for any of these persons,
- 15) conclusion by a subsidiary of a credit, loan, surety or other similar agreement with a member of the Company's Management Board, Supervisory Board, proxy or Company liquidator or for any of these persons,
- 16) any decisions regarding claims for remedy of damage done during the Company's establishment or executing management or supervision, as well as
- 17) use of share capital.

People who are shareholders 16 days prior to the date of the General Meeting have the right to participate in the General Meeting. A prerequisite for admitting a shareholder to participate in a General Meeting is the shareholder providing a personal certificate on the right to participate in the General Meeting, issued by an entity handling the securities account.

A shareholder participates in General Meeting sessions and executes the right of vote in person or through a proxy.

A shareholder representing at least 1/20 of the Company's share capital is entitled to request specific issues to be included in the Company's General Meeting agenda. The request shall be submitted to the Company's Management Board no later than 21 days prior to the Company's General Meeting.

The shareholder who requests to include specific cases in the General Meeting's agenda should demonstrate the possession of an appropriate number of shares at the date of request submission, attaching a deposit certificate to the request, issued by the entity keeping the stocks account.

The shareholder representing at least 1/20 of the Company's share capital can submit resolution drafts regarding the cases introduced into the General Meeting's agenda or cases which are to be introduced into the agenda in written or electronic form and prior to the date of the General Meeting.

During the General Meeting, each of the shareholders authorised to participate in the General Meeting can submit drafts of resolutions in terms of cases introduced into the agenda.

Resolutions by the General Meeting are adopted by an absolute majority of votes cast, unless the Code of Commercial Companies stipulates otherwise. One Company share entitles to one vote at the General Meeting.

9.12. Description of rules regarding amendments to the Company's Articles of Association

Amendments to the Company's Articles of Association pursuant to the Code of Commercial Companies and provisions of the Company's Articles of Association, require the General Meeting to pass a suitable resolution and an entry into the register of entrepreneurs. The General Meeting can authorize the Company's Supervisory Board to determine a consolidated text of the amended articles of association or to introduce editorial changes specified in the General Meeting's resolution. The amendments to the Articles of Association become binding upon being entered into the register of entrepreneurs. In 2021, one amendment was introduced to the Company's Articles of Association. It concerned a change of the Company's name from Zespół Elektrowni Pątnów-Adamów-Konin Spółka Akcyjna to ZE PAK Spółka Akcyjna, while in March 2022, the General Meeting of Shareholders adopted the new amended consolidated text of the Company's Articles of Association, filed with the National Court Register and effective as of the registration of the amendment by the National Court Register in the Register of Entrepreneurs, i.e., as of 14 June 2022. The consolidated text of the Articles of Association is available at the Company's website.

9.13. Information on the remuneration system and the remuneration amount for management and supervisory personnel

The remuneration system at ZE PAK SA is based on the Corporate Collective Labour Agreement for ZE PAK SA employees as of 19 October 2021 (CCLA). Only members of the Management Board, the chief accountant and key managers with management contracts are not subject to the provisions of the Collective Labour Agreement. The Company's Collective Bargaining Agreement entered into force on 1 January 2022, which results from the procedure for registering the agreement with the Regional Labour Inspector in Poznań.

The basic employee remuneration components contained in the CCLA include an individual monthly basic salary, a monthly statutory bonus, a length-of-service bonus, an annual bonus, and a post-employment benefit and allowances. The employees are also entitled to receive awards from the Management Board President's Fund and social benefits.

The Management Board determines the principles of remuneration for key managers under individual contracts. The basic remuneration component is the base salary. Key managers are entitled to receive a discretionary bonus awarded by way of a decision of the Management Board. Key managers are also entitled to certain components under the Corporate Collective Labour Agreement.

Members of the ZE PAK SA Management Board are paid under individual management contracts, the content of which is developed by the Supervisory Board of the Company. In 2020, the Ordinary General Meeting of the Company adopted the 'Remuneration Policy for Members of the Management Board and Supervisory Board of ZE PAK SA'. The Policy is aimed at ensuring a constant increase in the value of the Company, the implementation of which by the Management Board and the Supervisory Board requires – among other things – an appropriate shape of the remuneration structure for

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the Management Board and Supervisory Board members throughout the entirety of their duties. This is achieved by limiting the remuneration of these individuals to a fixed portion, allowing them to perform their duties with respect to the Company's overall business without limiting themselves to achieving selected goals only. The volatility of the market, social and economic situation, as well as the need to respond flexibly to emerging business risks and opportunities, do not justify the rigid definition of such objectives. The need to respond flexibly to changing situations and emerging challenges is ensured – in the case of the Management Board boards – by the possibility of granting them bonuses. This provides the flexibility to ensure the stable existence of the Company and its long-term interests. Management Board members are entitled to a monthly salary. They can also be granted a discretionary award. No severance pay is anticipated in the event of a dismissal from the Management Board. There are no provisions on compensation in the event of a discharge due to a merger or acquisition.

The Company does not have an incentive or bonus program based on the Company's capital.

Table 18: Information on the value of remuneration paid in 2023 by the Company and the Company's subsidiaries to all acting Management Board members in 2023

<i>Name and surname of the Management Board member</i>	<i>PLN thousand (Gross) remuneration paid by the Company</i>	<i>PLN thousand including variable elements of remuneration*</i>	<i>PLN thousand (Gross) remuneration paid by the Company's subsidiaries</i>	<i>PLN thousand In total:</i>
Piotr Woźny	2 041.18	1 250.00	0.00	2 041.18
Zygmunt Artwik	2 144.80	1 500.00	0.00	2 144.80
Maciej Nietopiel	672.90	250.00	0.00	672.90
Andrzej Janiszowski	1 174.98	800.00	0.00	1 174.98
Katarzyna Sobierajska	860.00	250.00	0.00	860.00
Total	6 893.86	4 050.00	0.00	6 893.86

* Variable remuneration components included awards and bonuses, severance pays for dismissal of the Management Board, equivalents for holiday leave and retirement benefits.

Table 19: Information on the value of non-cash benefits granted in 2023 by the Company and the Company's subsidiaries to all acting Management Board members in 2023

<i>Name and surname of the Management Board member</i>	<i>PLN thousand Total estimated value of non- cash benefits granted by the Company</i>	<i>PLN thousand Total estimated value of non-cash benefits granted by the Company's subsidiaries</i>	<i>PLN thousand Total</i>
Piotr Woźny	0.0	-	0.0
Zygmunt Artwik	0.0	-	0.0
Maciej Nietopiel	10.05	-	10.05
Andrzej Janiszowski	0.0	-	0.0
Katarzyna Sobierajska	0.0	-	0.0
Total	10.05	-	10.05

In 2023, the total amount of remuneration, understood as the value of remuneration, bonuses and benefits received in cash, in kind or in any other form, paid by the Company and the Company's subsidiaries to Management Board members amounted to PLN 6 903.91 thousand. The given amount shall be treated as the gross value of remuneration paid or due in the period from 1 January to 31 December 2023.

The members of the ZE PAK S.A. Supervisory Board are remunerated under Resolution No. 12 of the Extraordinary General Meeting of 15 April 2019, which set the monthly salary for the Chairperson of the Supervisory Board at PLN 15 thousand, Deputy Chairperson of the Supervisory Board at PLN 12 thousand, and for other members at PLN 10 thousand.

Table 20: Information on the value of remuneration, as well as the value of non-cash benefits paid by the Company in 2023, as well as the Company's subsidiaries to all acting Supervisory Board members in 2023

<i>Name and surname of the Supervisory Board member</i>	<i>PLN thousand</i>	<i>PLN thousand</i>	<i>PLN thousand</i>
<i>Value of (gross) remuneration paid by the Company and the Company's subsidiaries</i>	<i>Total estimated value of non-cash benefits granted by the Company and the Company's subsidiaries</i>		<i>Total</i>
Zygmunt Solorz	840.50	0.0	840.50
Tomasz Szelaĝ	120.90	0.0	120.90
Wiesław Walendziak	120.90	0.0	120.90
Sławomir Zakrzewski	120.00	0.0	120.00
Jarosław Grzesiak	560.00	0.0	560.00
Alojzy Z. Nowak	120.00	0.0	120.00
Maciej Stec	44.33	0.0	44.33
Piotr Źak	695.30	0.0	695.30
Tobias Solorz	693.30	0.0	693.30
Henryk Sobierajski	120.00	0.0	120.00
Total	3 435.23	0.0	3 435.23

In 2023, the total amount of remuneration, understood as the value of remuneration, bonuses and benefits received in cash, in kind or in any other form, paid by the Company and the Company's subsidiaries to the Supervisory Board amounted to PLN 3 435.23 thousand. The given amount shall be treated as the gross value of remuneration paid or due in the period from 1 January to 31 December 2023.

The Company has no liabilities associated with pensions and benefits of a similar nature towards former executives, supervisors or former members of administrative bodies and no liabilities incurred in connection with such pensions.

10. DECLARATION REGARDING THE DIVERSITY POLICY

With reference to Art. 70(6) cl. 5 let. m) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information, the Company declares that no separate document describing the diversity policy with regard to the Management Board and the Supervisory Board has been adopted in the ZE PAK SA Group and in ZE PAK SA. According to standards applicable at the Company, such objective criteria as knowledge, experience, competences and skills required to hold assigned functions are decisive when selected management and supervising personnel. In the Company's opinion, the cited criteria can ensure effective and efficient operation of the Company and the implementation of the adopted strategy. At the same time, other management solutions related to the issue of diversity management have been adopted. The Group is highly committed to high corporate culture standards and the creation of a working environment free from any form of discrimination. Employees are appraised based on their performance and not gender, age, nationality or ethnicity.

The restructuring process, which has been continuing for years, has meant that most vacancies had been filled through internal recruitment (as part of transfers between departments and companies). As a side effect of the measures to reduce lay-offs and focus the recruitment process on people already employed in the Group's companies, there was no significant inflow of young employees and, thus, the average age of the workforce increased. At some point this could lead to numbers of significant retirement leaves and staff shortages. Therefore, the ZE PAK SA Group actively monitors changes in the workforce age structure to avoid the adverse consequences of losing a large proportion of experienced employees without adequately preparing their successors.

At the same time, the Code of Ethics adopted within the Company includes both a diversity policy, which guarantees equal treatment regardless of gender, age, worldview, religion, political views, etc. The document constitutes a tool for reporting potential incidents of discrimination on any grounds. It defines desirable and undesirable behaviour within the organisation, while simultaneously constituting its ethical policy. Due to its nature, it also incorporates elements of the anti-discrimination policy, anti-corruption policy and procedures for reporting violations and irregularities, non-compliance with legal obligations, occupational health and safety and environmental safety hazards, unfair competition practices and attempts to conceal any of the above. It applies to all employees, regardless of their position or seniority. In 2020, the Code of Ethics was also implemented in other Group companies.

The Company also adopted the Procedure for whistleblowing violations of the Act on Public Offerings and Conditions for Introducing Financial Instruments to the Organised Trading System and on Public Companies, Regulation 2017/1129 and Ethical Procedures and Standards, which gives employees the possibility to report inappropriate unsafe or unethical behaviour by their employers in a safe and simple manner, as well as providing full protection to the whistleblowers. The Company also adopted the Whistleblowing Regulations 2021, which sets out the Company's internal whistleblowing procedure, follow-up procedure and whistleblower protection procedure.

Both the Code of Ethics and the Whistleblowing Procedure can be found on the Company's Intranet site.

The Company currently believes such solutions to be sufficient.

Figures related to diversity of the Company's and the Group's Management Board and Supervisory Board can be found in this report, in the 2023 Non-Financial information statement in the subsection – 'Employee Issues'.

11. COMPANY MANAGEMENT BOARD'S NON-FINANCIAL INFORMATION STATEMENT FOR 2023 FOR THE CAPITAL GROUP

This statement on non-financial (ESG) data has been prepared **with reference** to **GRI Standards 2021**, i.e., a recognised international standard for non-financial reporting. Employing the reporting approach and, above all, the indicators of this standard, will significantly simplify for the Group's stakeholders to find key information and compare it with the performance of other companies in the mining and energy industries. Also, to this end, the indices of the various indicators of the standard have also been marked in the text. At the same time, given the amendment to the regulations on mandatory reporting of non-financial data, the ZE PAK SA Group is preparing for their implementation. With the entry into force of the new EU Sustainability Reporting Standards (ESRS), implementing the so-called CSRD directive, the ZE PAK SA Group declares to transfer its reporting to the platform of a new standard. Simultaneously, already at the stage of the current statement on non-financial data it has decided to: (a) refresh the materiality analysis already based on the dual materiality analysis described in the ESRS, (b) employ, where appropriate, dual labelling of quantitative indicators – the addition of the ESRS standards alongside the GRI indices, in the Group's view, will enable users of the report to find comparative data they are looking for more easily.

[2-2, 2-3, 2-5] This statement covers all the companies of the ZE PAK SA Capital Group included in the consolidated report of the management board. It refers to the period from 1 January 2023 to 31 December 2023, with an indication of significant events that occurred after 31 December 2023 and prior to signing the statement. The statement on non-financial data has not been attested by an independent auditor.

In addition to the aforementioned GRI Standards 2021, in defining the scope of the content described in the statement, the ZE PAK SA Group took into account:

- EU Sustainability Reporting Standards (ESRS).
- the requirements of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, specifically, information relevant to financial market institutions indicated in the document entitled *Final Report on draft Regulatory Technical Standards*,
- 'Best Practices for WSE Listed Companies 2021' ('DPSN2021'),

At the stage of defining the scope of the non-financial data (ESG) statement, the scope of published information, i.e., key reporting areas, was supplemented with aspects directly related to the **Group's transition strategy and the transformation of its business model to a sustainable one**. This was accompanied by an intra-organisational discussion with a third-party expert to understand the impact of the change in the business model on the nature of the relationship with the environment and, subsequently, the resulting potential changes in the nature of the impact, both positive and negative, on the social, environmental and business environment. Therefore, the aim was to capture not only the current impact, but its dynamics and potential future nature. The materiality assessment and prioritisation of issues conducted in subsequent steps contributed to defining the scope of the statement in a way that refers to the logic for defining material issues described in **GRI 3: Material Topics 2021**.

The already ongoing transformation of the business model aimed at a gradual but also fairly rapid decarbonisation of the business model, including the energy generation model, assumes commissioning new generation sources based on low-emission and emission-neutral sources, while simultaneously phasing out lignite extraction and energy generation based on this fuel. These activities are associated **with significant investments (CapEx) in the activities described by the**

so-called “taxonomy”⁶, gradually emerging operating costs (OpEx) on these activities, as well as an increasing share of revenues from activities considered environmentally sustainable.

Implementing the said transition today underpins the business development strategy of the ZE PAK SA Group. At the same time, these aspects are also a key element of the new sustainability strategy, which was developed in late 2022 and early 2023, later updated due to changes in the ownership structure, i.e., the acquisition by Cyfrowy Polsat SA in 2023 of operational control over the green asset portfolio within the PAK-Polska Czysta Energia sp. z o.o. group, where ZE PAK has a minority stake. Using targets for the following years, it describes in a tangible way both the investments in new generation assets and the gradual generation process decarbonisation, as well as the phasing out of the current lignite-based mining and generation activities. It also refers to plans associated with long-term reclamation and restoration of brownfield and post-mining sites, as well as the effects of the transition on the local labour market. At the same time, it also sets targets for the ongoing impact on both the environment and the socio-economic situation in the region.

11.1. Dual materiality analysis – redefining report content scope

Based on the non-financial reporting standard (European Sustainability Reporting Standards ESRS) that is being implemented and, as of next year, mandatory, the ZE PAK Group decided to prematurely assess the issues (referred to in the standard) associated **with sustainability in terms of their materiality, and, consequently, which of those should be taken into account in non-financial reporting.**

Such analysis was conducted by the ZE PAK Group based on the principle of so-called **dual materiality**, indicated in the ESRS, i.e., the simultaneous **assessment of impact materiality** and **financial materiality** of individual issues. Its various stages have been documented.

The first of these, i.e., the **assessment of impact materiality**, according to the ESRS concerns significant actual or potential positive or negative impacts of a company on people or the environment in the short-, medium- or long term. Impacts include those related to the entity's own upstream and downstream operations and value chain, including through its products and services, as well as business relationships. On the other hand, the assessment of **financial materiality** corresponds to the identification of information considered material to the original users of the financial statements for general purposes when making decisions on the provision of resources to the entity. In particular, information is considered material if the omission, distortion or concealment of a fact could influence the decisions made by those users.

The individual aspects in relation to impact materiality were assessed taking into account the factors identified in the ESRS, including those referred to in the standard of the OECD Guidelines for Multinational Enterprises (MNEs), i.e., (a) scale, (b) scope, (c) irreversible nature of the impact (according to an adopted multi-stage scale). In the case of financial materiality, the approximate scale of the financial consequences of the individual impacts (according to an adopted multi-level scale) facilitated the assessment. An assessment of the occurrence probability (e.g., risk materialisation) was also imposed on all of them (according to an adopted multi-level scale). A first, working assessment of the materiality of individual sustainability issues was carried out internally and the results were presented to the ZE PAK SA Vice-President of the Management Board for approval. This was followed by a second step involving stakeholders. A total of 55 stakeholders were involved in the consultation process and were invited to participate in a survey that summarised the main results of the assessment conducted during the first step. Those invited for the consultations were able to state whether the issues we considered important were such in their opinion and should be included in the report or not. They were also able to additionally comment on a particular aspect (e.g., pointing out some narrower aspects related to the issue that ZE PAK Group should pay more attention to). Twenty-two people responded to the survey, and their assessments and comments were superimposed on the earlier assessments. A transparent key was adopted. If at least 50% of the respondents indicated that an aspect should be included in the report, it was considered important. The results did not differ significantly from the version developed internally (through consultations, one issue recommended for inclusion in the report by less than 50% of respondents was dropped from reporting). **The very scope of issues itself is also not materially different from that reported in previous years under the non-financial data statements.**

The analytical approach arising from the ESRS enables determining the nature of an activity impact, both positive and negative, on the social, environmental and business environment. Furthermore, it does not just focus on the current impact, but captures its potential future nature. The assessment of materiality and both dimensions of issues conducted in subsequent steps, as well as an indication of priorities, enabled defining the scope of the statement in a manner referring to the logics of defining important issues described in **GRI 3: Material Topics 2021**.

⁶Regulation of the European Parliament and of the Council (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

11.2. Business model description

[GRI 2-6] [ESRS 2 SBM-1] The ZE PAK SA Capital Group is one of the most important energy producers on the Polish market. At the same time, it is an important element of the country's energy system, co-guaranteeing its stable functioning. In terms of installed capacity and electricity generation, the ZE PAK SA Group is the largest privately-owned (not controlled by the State Treasury) energy group in Poland, consisting of vertically-integrated entities active in lignite mining, power generation from conventional and renewable sources and energy trading.

In the current, extremely difficult geopolitical situation, it should be emphasized that energy generation of the ZE PAK SA Group is entirely based on domestic fuel, with lignite coming from local deposits. Therefore, **energy generation within the ZE PAK SA Group was and is independent of fuel import** and the associated risk. With the construction and commissioning of new natural gas-based assets and, in the longer term, a nuclear power plant, it will begin to use fuels that do not come from Polish deposits, but will still remain independent of imports from Russia or Belarus.

From the perspective of its current operations, companies of greatest importance to the Group due to their scale of operations are **ZE PAK SA**, which is involved in the **generation of electricity and heat**, and **PAK KWB Konin SA**, which is involved in **lignite mining**. These operations are supplemented by wholesale trading of electricity and sales of certificates of origin of electric power, activities aiming at guaranteeing the adequate number of CO₂ emission allowances as well as production and sale of heat. For years, the Group has also included other companies that deal with, i.e., the execution of construction and installation work, maintenance work, services, manufacturing and trade activities, aimed at fulfilling the demands and providing comprehensive services to the industry.

At the same time, in the light of the significant carbon footprint of conventional power generation, a few years ago the Group embarked on an unprecedented transition towards more sustainable low- and zero-carbon generating sources. Hydrogen technologies have also been included in the Group's scope of interest.

The Group's conventional generating assets comprise four lignite-powered units with a total capacity of 1 118 MW located at the Pałnów power plant, in central Poland, in the Wielkopolskie province. The Group's mining assets are concentrated within PAK KWB Konin SA.

The Konin Power Plant, a former coal-fired power plant, which today operates 2 units with boilers dedicated to biomass combustion and a total generating capacity of 105 MW (50 MW and 55 MW), producing electricity and heat from biomass, and originally part of the ZE PAK SA CG, is now part of the PAK-PCE group structure, where ZE PAK SA is a minority shareholder with 49.5% of the shares.

The Adamów Power Plant, originally also part of ZE PAK SA, was decommissioned in the beginning of January 2018. The decommissioning of power plant units was dictated by the decision of the European Commission acting on the basis of the derogation described in the directive of 24 November 2010 and stating the need to terminate the operation of generation assets of the Adamów Power Plant at the beginning of January 2018. Currently, the decommissioning work within the power plant site have been completed, the site of the former power plant has been cleaned, and work associated with the construction of a new 600 MW gas and steam unit is currently in progress. Owing to gas fuel, the new power plant will be characterised by the lowest emissions among conventional energy sources, and its high operational availability and flexibility will enable effective stabilisation of electricity production from renewable sources and the Polish power system. In 2022, the unit won a capacity market auction, offering 493 MW of availability for a period of 17 years as of 2026. Another project being implemented within the ZE PAK Group is the construction of a large-scale photovoltaic farm in the Przykona commune, on land previously used for mining activities. Assumed capacity of the new farm is approximately 280 MW. Design work associated with the preparations for farm construction is currently in progress.

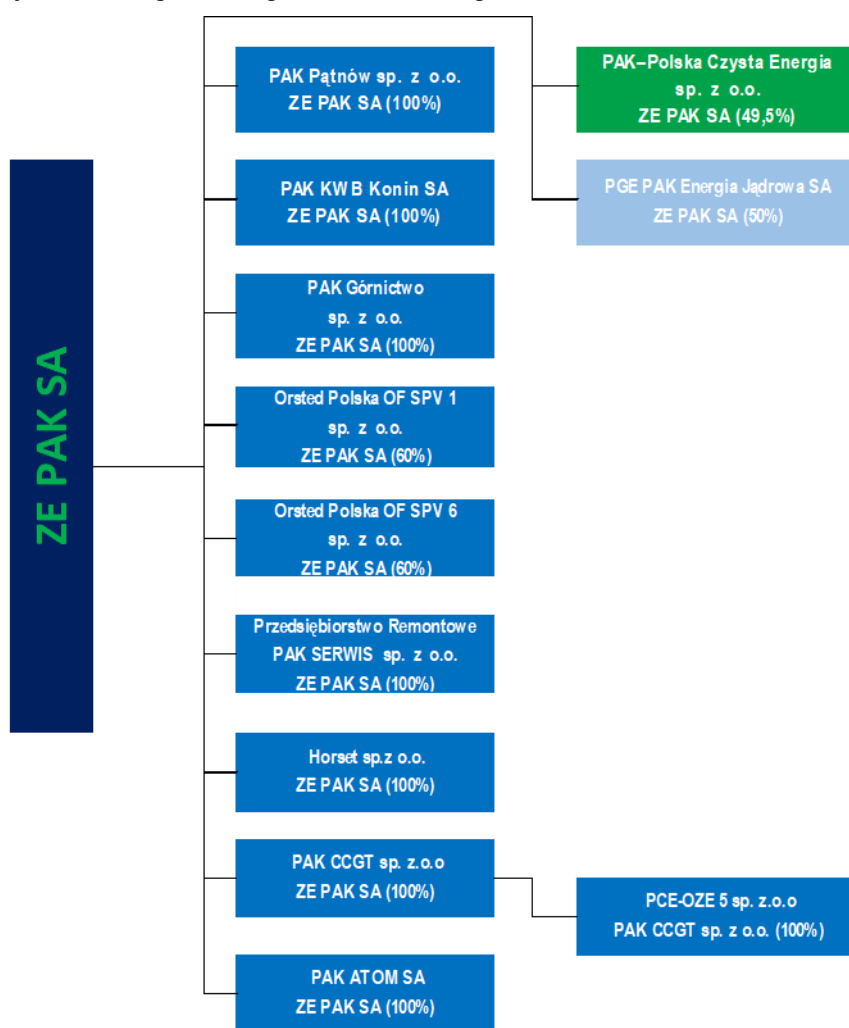
The baseline operating model for the coal segment assumes the use of currently exploited open pits and no new investments in this area. Coal mining at the Józwin open pit ended on 16 June 2023. Only the Tomisławice open pit is currently in operation.

The vast majority of the sales revenues generated by the Group originates from the sales of electricity; **however, its origin, i.e., generation method, will change**. The Group also generates revenues related to the Power Market mechanism, as a result of winning power market auctions (primary market) and by taking over power obligations from other entities (secondary market). This is supplemented by revenues from the sales of heat, as well as construction and renovation contracts. Revenues from the termination of long-term contracts for the sale of electricity are an additional source of sales revenues, depending on the level of generation costs and energy prices in the market and production volumes. The Group, by having lignite mines within its structure, provides the Pałnów power plant with access to continuous supplies of lignite for its house-load generation systems located in the direct vicinity of the mines. The vertically integrated Group allows for optimisation of lignite inventories and supplies while coordinating lignite extraction with its demand for this fuel. As

the coal reserves in the company's own open pits dwindle, third-party supply will become increasingly important in the final years of coal mining.

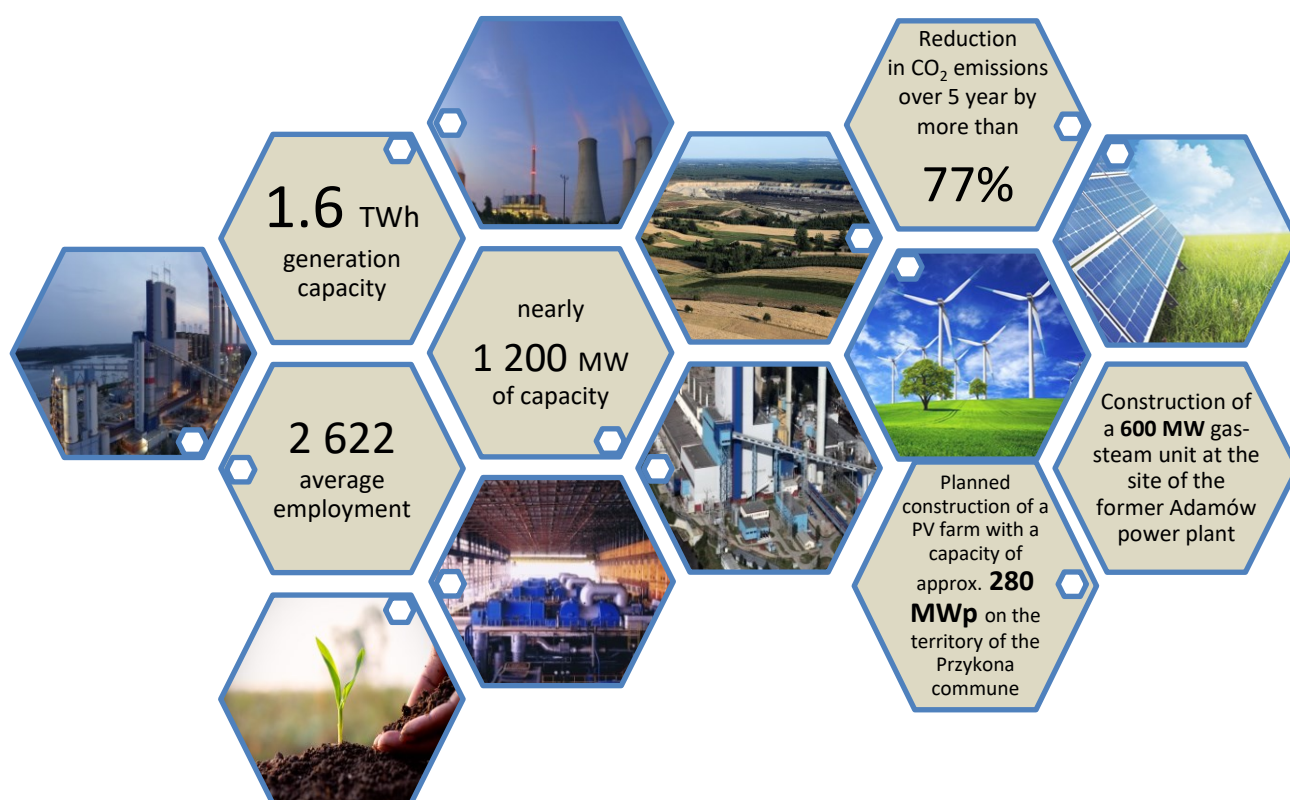
PAK CCGT sp. z o.o., i.e., a company that is a 100% subsidiary of ZE PAK, responsible for preparing and implementing a project covering the construction of a gas unit within the former coal-fired Adamów power plant is one of the prospective assets. A photovoltaic farm with a capacity of around 280 MW will also be built nearby, within the Przykona commune. It will be adapted to cooperate with this unit.

It is also planned to use the assets of the Pątnów Power Plant for the needs of a potential nuclear power plant construction. The project is developed in cooperation with third-parties.



The ZE PAK Group is cooperating with the Polsat Plus Group by jointly developing a structure of PAK Polska Czysta Energia sp. z o.o. ('PAK - PCE') subsidiaries, whose activities focus on renewable energy generation and the production and use of green hydrogen. ZE PAK is a minority shareholder with a 49.5% stake in PAK - PCE. **Today, the ZE PAK SA Group is the energy sector leader when it comes to green transition.** Having so far been a producer of conventional energy from high-carbon sources, already back in 2020 the Group **initiated the most ambitious strategy for the transition from coal to green energy in Poland – it announced, among other things, a complete coal phase-out within several coming years.** The current baseline scenario projects continue coal-based operation until the end of 2025. The Company has the right to decide on the extension depending on external factors (power system demand, market situation, regulatory environment).

The ZE PAK SA Group in a few numbers:



Climate risk – scenario analysis

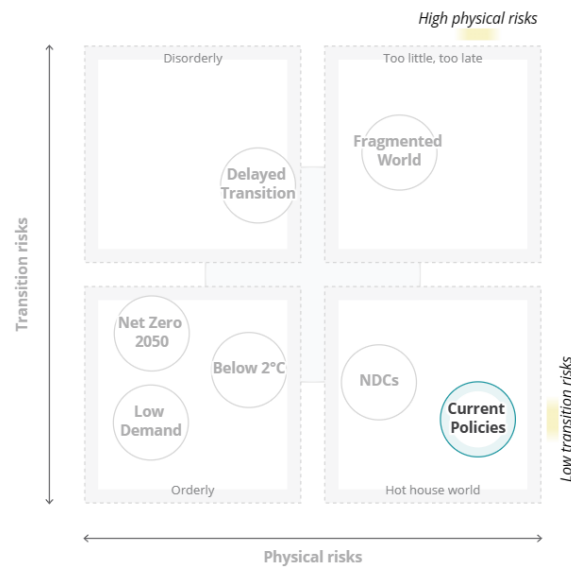
[GRI 201-2] [ESRS E1 IRO-1] The ZE PAK SA Group is an entity whose operations until a few years ago were characterised by a significant carbon footprint both in absolute and relative terms (emissivity per unit of energy generated). The initiated and consistently implemented business model transition strategy translates into multi-year plans, including multimillion-dollar investments in new climate-friendly generating assets and expenditures related to the decommissioning of shut-down carbon-intensive conventional power generating assets, as well as the rehabilitation of brownfield sites. As a result, the carbon footprint of activities both in absolute and relative terms has already decreased significantly. ZE PAK SA Group's ambition is to move towards zero-carbon power generation.

In order to continue the pace of investment projects implemented on an unprecedented scale in Poland, the ZE PAK Group decided to acquire a capital-strong partner, which in mid-2023 formally became the majority shareholder in PAK – PCE sp. z o.o., a group that has been bringing together clean energy entities and assets for several years. Such a decision enabled ensuring that a wide range of forward-looking investment projects in the field of renewable energy sources and the production and use of green hydrogen are in progress. However, at the same time and from a formal point of view of the rules governing consolidated reporting, including the carbon footprint reporting rules, emissions are consolidated using the operational control method. This means, despite the consistent implementation of the original transformation strategy, that the low- and zero-carbon assets of the PAK-PCE group will not be reported by the ZE PAK SA Group, but by the Polsat Plus Group (the new majority owner of PAK-PCE).

(note: due to Cyfrowy Polsat assuming operational control over the green assets concentrated in PAK-PCE sp. z o.o., the related climate risks have been omitted from this analysis; at the same time, they are included in an analogous analysis published by Cyfrowy Polsat)

Current and potential sources of the organisation's carbon footprint

Despite the dramatic decrease, still the largest source of the carbon footprint within ZE PAK SA Group and ZE PAK SA is that resulting from the combustion of lignite in the power generation process (Scope 1). Apart from the biogenic emissions associated with biomass combustion, other fuels (mazut, light fuel oil) generate marginal emissions compared to lignite. Similarly, the sources of relatively minor emissions are those associated with the combustion of petrol and diesel. Also, the transport of raw materials, due to the nature of lignite power generation, is not a source of



The assets belonging to the ZE PAK Group are quite well prepared for the possible materialisation of physical risks, although of course, any event, particularly of a severe nature, can lead to material losses. First and foremost are weather phenomena such as storms or gales, the scale of which will be extreme (flooding, wind damage, damage to the power grid).

Dissipation of excess heat can be a problem for large, conventional generation facilities, especially in the case of prolonged hot weather combined with drought. However, the unique cooling system, which the interconnected Konin lakes are a key element of, provides ZE PAK with a much higher level of safety than that of most power plants in Poland located by rivers (the level of the latter drops significantly and the water temperature rises – as a result, these power plants have to reduce generation output).

Planned new generating facilities will be further prepared for the challenges of the prevailing weather conditions.

Table 21: Potential, identified climate-related physical risks [IRO-1 AR 11]

temperature-related: constant	
constant	severe
<p>Permanently higher average air temperatures will also translate into higher average water temperatures in the Konin lakes, whose water resources are used in the cooling process of conventional power plants. At the same time, however, ZE PAK SA Group's generating assets have a significant advantage in this case over most conventional generating facilities in the country, which cool down using river waters, whose low levels drop significantly during the hot, thus increasing their temperature. Mentioning the possibility of replenishing the water in the Konin lakes in the event of excessive water loss is worth mentioning.</p> <p>(the assumed phasing out of lignite-based units will occur relatively quickly, i.e., these activities will not be conducted over a time perspective wherein such risks could become severe)</p>	<p>Heat waves exacerbate the cooling problems of conventional power plants. At the same time, the facilities of the ZE PAK Group are in a much better situation than those of other generators cooling down with river water.</p>
wind-related	
constant	severe

No significant impact	Negligible risk of damage to generating infrastructure. Risk of damage to the power grid in the event of violent and extreme weather events (e.g., storms, hurricanes).
water-related	
constant	severe
<p>The stepping processes observed in the Wielkopolska region are associated with increasingly higher levels of water stress and the entailed increasing limitations on the water resources that can be used economically in these areas. These constraints may intensify and, therefore, become an obstacle when it comes to further industrial development.</p> <p>With this in mind, the ZE PAK SA Group is already engaged in costly initiatives to increase water retention in the region (including through increased water reclamation of land).</p> <p>At the same time, the industrial areas in the Konin area where the ZE PAK SA Group plants operate are not at risk of flooding in the event of sea level rise, even in the unfavourable scenario of a +3°C or even 4°C rise in global temperature ⁸.</p>	<p>Very violent atmospheric phenomena associated with the occurrence of sudden and heavy rainfall or rapid melting of snow cover can be disruptive to mining operations (the need to drain large amounts of water from the open pits). However, this will be phased-out in the short perspective.</p> <p>Heavy downpours can disrupt transport to/from plants by damaging roads.</p>
Earth-related	
constant	severe
No significant impact	<p>No significant impact on the generating infrastructure; possible landslide hazards in the lignite open pit area.</p> <p>(However, the rate of phasing out of lignite-based mining and power generation activities means that these activities will not be carried out in a perspective where such risks could become acute)</p>

Transition risks and climate-related opportunities *Net Zero 2050*

In a sense in opposition to the scenarios of the *Hot house world* group, a group of scenarios such as Net Zero 2050, which assumes climate neutrality by 2050, offers the hope of avoiding the most severe physical risks to the economy. At the same time, however, the dynamic transition of the economy, including, e.g., the huge financial outlay required, will generate unprecedented challenges for national economies as well as individual companies. It therefore implies a high level of transition risk.

Scenario: Net Zero 2050

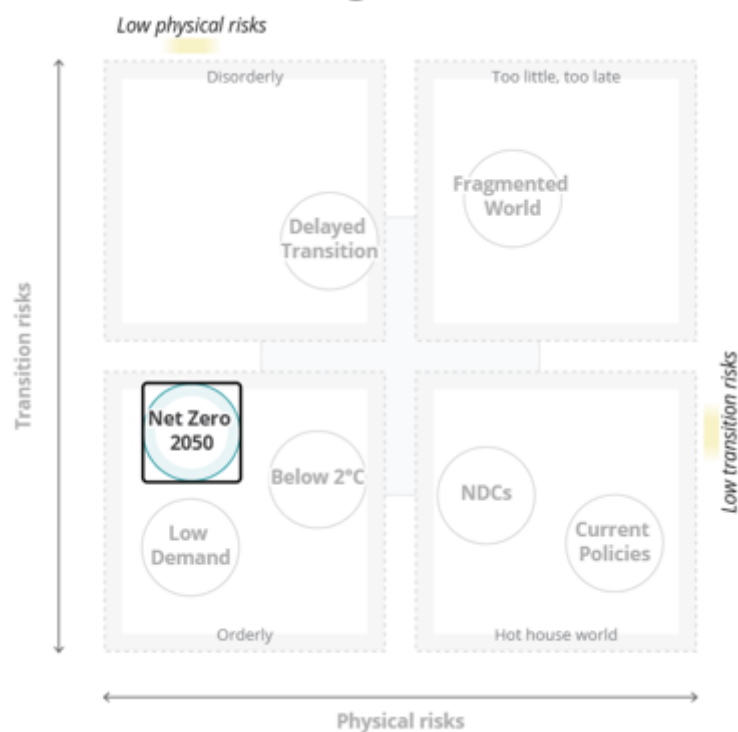
Net Zero 2050 is to halt the scale of global warming to around 1.5°C. This is to be achieved by enforcing strict climate policies and implementing costly, innovative solutions. The aim of the measures is to achieve climate neutrality by 2050.

Scenario specifics:

- physical risk: **relatively low**
- transition risk: **high**
- ambitions: <1.5°C

⁸Coastal risk screening tool. Land projected to be below annual flood level in 2050* (interactive maps)(<https://coastal.climatecentral.org/>).

- policy introduction: immediate and smooth
- process change: rapid
- CDR technology use: medium / high
- regional policy variability: average



Source: The Network of Central Banks and Supervisors for Greening of Financial System (NGFS)

Economic policy, and in particular EU climate policy, has challenged ZE PAK Group SA to take steps to profoundly transform its business model so that it can deliver low- and zero-carbon energy to the market, once being an entity characterized by a high carbon footprint. Significant transition risks have become a reality in the case of lignite-based mining and power generation activities. The regulations that have been introduced and, in particular, the resulting rapidly rising cost of emission allowances (ETS) have called the long-term economic viability of this type of activity into question. Moreover, as a consequence of the regulatory solutions being implemented, it would become increasingly difficult to obtain possible external funding for them. As a result, this led to the decision to gradually, albeit quite rapidly, phase-out production, both in terms of mining activities and lignite-based power generation. More mines of the ZE PAK Group are being decommissioned and open pit sites are being reclaimed. Individual coal units are also being and will be decommissioned.

These are being replaced by new generating assets, i.e., PAK-PCE-centred photovoltaic (PV) farms and wind farms. At the same time, an investment project to build a gas-fired power station at the site of the former, demolished Adamów power plant will be implemented over the next few years, and will have an important role in stabilising RES-based electricity generation. Another investment project, implemented jointly with the PGE Group, will be the construction of a nuclear power plant in Pątnów.

Past implementations and specific plans for future projects demonstrate that the ZE PAK SA Group is up to the task of an in-depth transition and will move from high-carbon energy generation to clean and climate-friendly power. At the same time, however, this process, apart from excluding assets, only some of which were obsolete and depreciated, means committing huge amount of funds. In addition to the need for external financing, this requires building partnerships with other entities and constructing assets of which the ZE PAK SA Group will be a key, but not sole, investor. With the backing of the Polsat Plus Group, ZE PAK SA Group could afford to invest extensively in RES, but became a minority shareholder in such facilities. In the case of a future nuclear power plant, the shares in the plant are acquired by the ZE PAK SA Group and the PGE SA Group at a 50:50 ratio.

Table 22: Potential identified climate-related transition risks and opportunities in individual business segments [IRO-1 AR 12]

political and legal
<ul style="list-style-type: none"> • increasing environmental requirements, including regulations resulting in increased costs and reduced profitability of activities with associated greenhouse gas emissions (e.g., from lignite-based power generation), • it is more difficult to obtain financing for projects based on conventional non-renewable fuels (especially coal), while simultaneously promoting activities relevant to sustainable development that meet technical criteria (so-called 'taxonomy'), • greater ESG and emission reporting obligations.
technology
<ul style="list-style-type: none"> • the lack of prospects for lignite-based power generation technology resulting in the need to phase-out lignite-based power generation and the decommissioning of lignite mines (despite the technological possibility of continuing production, incomplete depreciation of assets and available lignite reserves), • capital commitment to RES technologies, which are, however, in terms of technology, mostly unstable sources (wind, solar), with limited availability of technologies enabling large-scale energy storage, • investing in stable and, at the same time, flexible low- and zero-carbon energy sources that can stabilise production from other RES sources (i.e., ultimately nuclear power; gas-fired power in the interim period).
market
<ul style="list-style-type: none"> • high emission allowance prices (ETS), • reluctance of investors and markets to finance coal and lignite related activities, • increasing customer demand for green energy (customer drive to reduce carbon footprint).
repute-related
<ul style="list-style-type: none"> • aversion to black energy, especially one with a significant carbon footprint.

Other scenarios: *Fragmented World*

The complex geopolitical situation, in which it is difficult to assume unanimity among all governments on climate policy, favours one of the least favourable scenarios, i.e., a scenario in which action to combat climate change, if chosen, is taken inconsistently and too late, in general. Approaches of individual governments are divergent, i.e., only some countries or groups of countries, are meeting climate targets. As a result, economies, including those in the EU, that have decided to pursue ambitious climate targets are assuming the burden of the transition risks and costs involved, only to then face physical risks that will become a reality anyway. In the current international situation, such a scenario seems most likely.

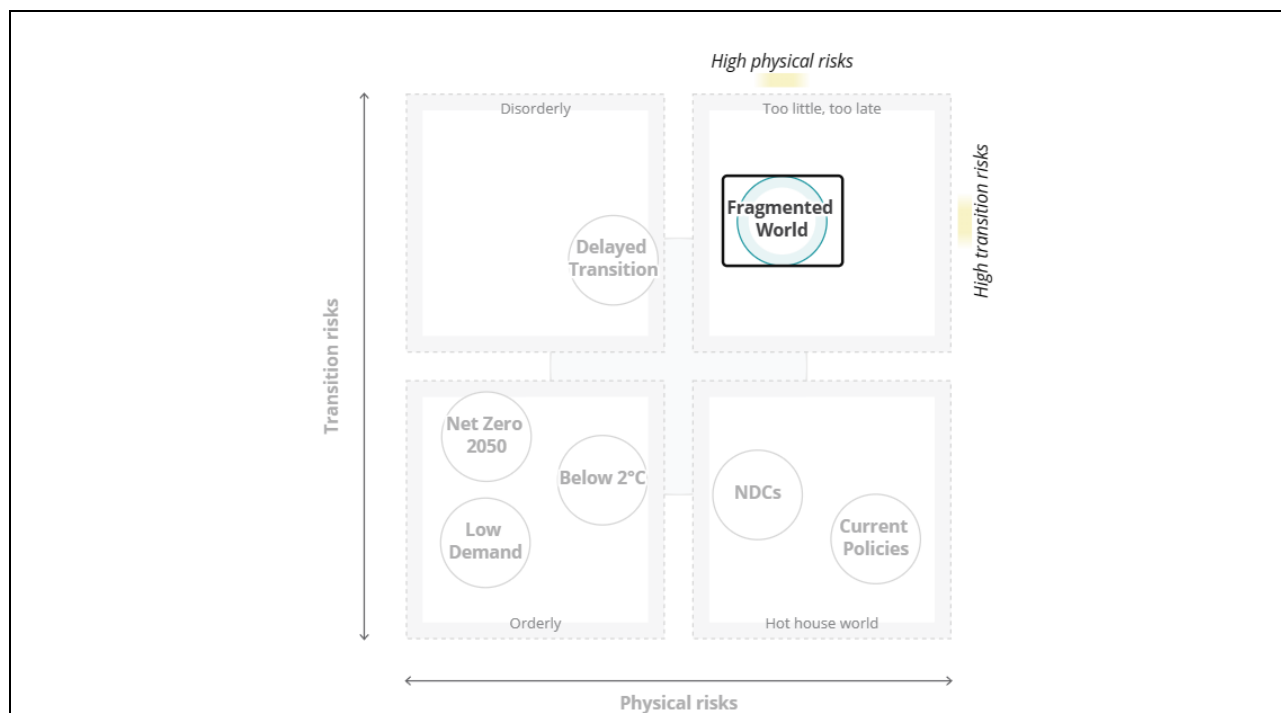
Scenario: *Fragmented World*

Assumes delays in the implementation of climate policies and their divergence. As a result, it leads to high transition risks in some countries and high global physical risks due to the overall ineffectiveness of the transition towards a sustainable economy.

Countries without established zero-emission targets are following their current policies, while other countries are only partially achieving their objectives (80% of the target). This scenario is part of the *Too little, too late* family of scenarios.

Scenario specifics:

- physical risk: **high**
- transition risk: **high**
- ambitions: 2.3°C
- policy introduction: delayed, fragmented/divergent
- process change: slow at first, fragmented later
- CDR technology use: low / medium
- regional policy variability: high



Source: *The Network of Central Banks and Supervisors for Greening of Financial System (NGFS)*

In the case of operations, such as those at the ZE PAK SA Group, key transition risks have been realised in practice. Specific regulations and high emission costs are already a reality. The transition, i.e., closure and decommissioning of specific mining and manufacturing facilities, is also a fact. Even if decisions are made to temporarily delay the decommissioning of a particular unit, the process appears to be irreversible. Similarly, some investments in RES have already been made and others are in progress (at various stages).

Some of the new assets (wind farms, photovoltaic farms) where the ZE PAK SA Group has a minority stake, may be exposed to physical risks, especially severe wind risks. This can lead to their component getting damaged or the need to suspend work. In contrast, planned power plants will be built taking into account current requirements, including the risks that violent weather events may entail, which were not necessarily considered when the decommissioned facilities were constructed. Thus, the level of exposure to risks, despite their similar nature, will actually be lower.

The gas and steam unit at the site of the former Adamów Power Plant

[203-1] A decision was made in 2022 to develop a project involving the construction of the **Adamów CCGT unit with a maximum capacity of 600 MWe**. Owing to gas fuel, the new power plant will be characterised by the lowest emissions among conventional energy sources, and its high operational availability and flexibility will enable effective stabilisation of electricity production from renewable sources and the Polish power system. The project is being implemented at the site of the former Adamów coal-fired power plant, which is now demolished. In September 2023, a contract was concluded with the construction work general contractor – a consortium between Siemens Energy Global GmbH Co KG, Siemens Energy sp. z o.o. and Mytilineos SA, which will be implementing the project on a ‘turnkey’ basis.

On 20 November 2023, the Supervisory Board of PAK CCGT sp. z o.o. agreed to proceed with the EPC Contract (‘Notice To Proceed’) and for PAK CCGT sp. z o.o. to make an advance payment to the Consortium in the amount of 20% of the EPC Contract price. Also on 20 November 2023, the Supervisory Board of ZE PAK SA approved the Company issuing a surety under the EPC Agreement. The formal approvals granted by the ZE PAK SA and PAK CCGT sp. z o.o. Supervisory Boards were the final formal elements required to commence the EPC Contract.

The planned unit will be designed and constructed by the general contractor as a single-shaft unit: with one SGT4 4000F gas turbine, an SGEN5-3000W generator, a heat recovery boiler steam generator (HRSG), an SST5-5000 condensing steam turbine generator and a wet fan cooling tower. The project will be implemented on a ‘turnkey’ basis,

covering the execution of all work, including design, obtaining selected administrative decisions on behalf of the ordering party, supplies, civil work, installation, staff training, commissioning, trial run, power plant commissioning and provision of warranty services for a period of two years starting from power plant commissioning. The project schedule provides for commencing construction work in December 2023 and for the power plant to be commissioned in Q1 2027.

In September 2023, a long-term service agreement was also concluded with Siemens Energy sp. z o.o. for a period of 12 years from the date of commissioning of the CCGT unit.

The facility under construction won a power market auction in December 2021, obtaining 17 years of support in the form of payments for the declared capacity, i.e., 493 MW (the available net capacity of the unit planned for construction).



Sustainable development strategy and social responsibility management

[ESRS 2 SBM-1] ZE PAK Group's ambitious development strategy, focused on a rapid transition towards clean power generation technologies and a radical reduction of its carbon footprint, initiated an internal reorganisation of the Group, including a discussion on functional strategies, also on the sustainability strategy. The key areas of responsibility identified in the original strategy are still relevant, and the nature of the day-to-day impact of conducted operational activities will be diminishing in many areas, this will be a gradual process and will still require management attention. The transition of the business model, in addition to the gradual reduction of the existing impact categories, will mean new challenges and new aspects of responsibility towards the environment, which must be included in a new management approach and sustainability strategy.

The ZE PAK Group Sustainability Strategy for 2024-2028 developed at the beginning of 2023 (updated at the start of 2024) takes into account ESG factors, i.e., these concerning the environmental impact (**E**nvironmental), social environment (**S**ocial) and corporate governance (**G**overnance), and focuses:

- on business model decarbonisation and its transition towards a sustainable economy, as part of the energy transformation of the Eastern Wielkopolska region,
- in ESG areas, not directly related to the transition, on actions in line with the logic of striving to improve existing processes, typical of total quality management (TQM) and ensuring with legal requirements and expectations of the environment, at minimum.

Each of the seven objectives has been assigned metrics (KPIs) and their values, which they should achieve in the following years, as well as directions of activities or projects (also described by the metrics), which will be part of the implementation of the aforementioned objectives.

At the same time, a strategic decision was taken in mid-2023 to transfer the ownership of a majority stake in PAK-PCE sp. z o.o., which brings together special purpose vehicles that are responsible for operations in the fields of specific renewable technologies (including photovoltaic farms, wind farms, biomass energy, hydrogen generation and the hydrogen bus project). In the light of the above, the Company has updated the Strategy to include its shareholding in the PAK-PCE group. The new owner has become the Polsat Plus Group, whose key shareholder, as in the case of the ZE PAK Group, is Mr Zygmunt Solorz. Increasing the capital commitment of the Polsat Plus Group that was previously a minority stakeholder means obtaining a capital-strong partner that will be able to guarantee the implementation of a wide range of prospective investment projects in the field of renewable energy sources, as well as the production and use of green hydrogen. The ZE PAK SA Group still holds almost half of the company's shares and, given its business competence, remains an entity on whose employees the significant burden of operational management of PAK-PCE's

assets will rest. At the same time, however, the transfer of the majority stake to the Polsat Plus Group will have a significant impact from the perspective of both financial and non-financial reporting – i.e., especially when reporting under the operating control principle, it will result in multiple items being reported by the new majority shareholder. As a result, e.g., the levels of selected indicators assumed in the ZE PAK SA Group's Sustainable Development Strategy for 2024-2028 will formally not be achievable (this applies, e.g., to the volume of direct CO₂ emissions from energy generation per unit of energy (1 MWh)), because the ZE PAK SA Group will recognize emissions from conventional power generation, but no longer the clean generation source (PAK-PCE sp. z o.o).

ZE PAK Group's sustainable development strategy for 2024-2028

For decades, ZE PAK has been an important link in the National Power System. It has an important impact on the industrial functioning of the Konin subregion and on the local labour market. As a producer of electricity, having so far based its generation primarily on lignite, the Group has consciously made a decision to gradually reduce coal-based energy generation and develop projects in the field of electricity based on low-emission and emission-neutral sources, as well as the production and use of green hydrogen:

- a low-carbon electricity project in the form of a CCGT unit at the site of the former Adamów power station,
- construction of a large-scale PV farm in Przykona,
- in cooperation with CP – developing the structure of PAK-PCE subsidiaries, whose activities focus on renewable energy generation and the production and use of green hydrogen.

The strategy is based on the seven following objectives, with the first three related to business transition and decarbonisation, and the next three to optimizing non-financial results of the business, and the last one is a management objective:

Goal 1: Transition towards low- and zero-emission power – implemented independently and in cooperation with CP.

Goal 2: Entering the hydrogen fuel and zero-emission automotive industries – implemented independently and in cooperation with CP.

Goal 3: Responsible phase-out from the extraction (lignite) industry with respect for the social and natural environment – implemented independently.

Goal 4: Being a responsible regional employer – implemented independently.

Goal 5: Striving for circular economy (CE) – implemented independently.

Goal 6: Being a good neighbour and member of the local community: limiting the impact of current operations on the social and natural environment – implemented independently.

Goal 7: Ensuring high-quality management system and its continuous improvement, taking into account social and environmental issues in the decision-making process – implemented independently.







All these goals have been assigned measurable objectives (KPIs):

Table 23: ESG Strategy goals for 2024-2028

	2023	2024	2025	2026	2027	2028
Goal 1: Transition towards zero- and low-emission power.						
mining and operation scenario for coal-fired units	Józwin open pit – mining cessation	Units No. 1, 2 and 5 at the Pątnów power plant – decommissioning	The baseline scenario assumed decommissioning of unit No. 9 at the Pątnów II power plant by the end of the year.	The emission and installed capacity indicators shown below will only apply if a decision is taken to extend coal-based operations		-
direct CO ₂ emission volume related to energy generation per energy unit (1 MWh)*	1.35	1.30	1.30	1.30	0.47	0.32
installed capacity of low- and zero-emission assets	214.5	337.5	483.9	788.3	1 349.3	1 349.3

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(wind farms + PV + biomass (together with PAK-PCE assets) + gas-steam unit)						
<i>*indicator calculated as the number of purchased EUAs, divided by net electricity generation, not including electricity based on biomass, photovoltaics and wind</i>						
Goal 2: Entering the hydrogen fuel and zero-emission automotive industries.						
volume of green hydrogen sold (tonnes) (cumulative, within the PAK-PCE structure where ZE PAK is a minority shareholder)	7	232	723	2 063	4 080	6 670
number of manufactured hydrogen buses (cumulative, by a company from the PAK-PCE group where ZE PAK is a minority shareholder)	20	23	24	54	99	154
Goal 3: Responsible phase-out from the extraction (lignite) industry with respect for the social and natural environment.						
Improvement and restoration of natural water relations within post-mining areas*			Technical reclamation of post-mining land*			
Filling the reservoir after the Lubstów and Głowy open pits	2024-2025		Filling applications for post-mining land reclamation		2024-2025	
Filling the reservoir after the Roztoka open pit	2024-2025		Technical reclamation completion – 419 ha		2026	
Filling the reservoir after the Józwin open pit	2024-2028		Technical reclamation completion – 510 ha		2027	
Filling the reservoir after the Drzewce open pit	2024-2028		Technical reclamation completion – 672 ha		2028	
Filling the reservoir after the Adamów open pit	2024-2028					
<i>* It is planned to reach a capacity of more than 800 million m3 in water reservoirs from the Konin-Turek region by the end of 2028</i>			<i>* Completion of technical reclamation of an area of 1 602 ha is planned by the end of 2028</i>			
Goal 4: Being a responsible regional employer.						
	2023	2024	2025	2026	2027	2028
employment level (in persons)	2 623	2 464	2 326	2 208*	1 387*	1 112
average remuneration within the ZE PAK SA Group/average remuneration announced by the Central Statistical Office for the Konin subregion	≥100%	≥100%	≥100%	≥100%	≥100%	≥100%
number of plant downtime days related to strike actions	0	0	0	0	0	0
accident frequency rate	<100% of the previous year value	<100% of the previous year value	<100% of the previous year value	<100% of the previous year value	<100% of the previous year value	<100% of the previous year value
<i>* only in case of extending coal-based operations</i>						

Goal 5: Striving for circular economy (CE).						
degree of economic utilization of flue gas desulfurization raw material	~100%	~100%	~100%	~100%	~100%	~100%
degree of economic utilization of combustion waste	≥100% of the previous period level	≥100% of the previous period level	≥100% of the previous period level	≥100% of the previous period level	≥100% of the previous period level	≥100% of the previous period level
degree of economic utilization of demolition raw materials	~100%	~100%	~100%	~100%	~100%	~100%
degree of economic utilization of flue gas desulfurization raw material	~100%	~100%	~100%	~100%	~100%	~100%
Goal 6: Being a good neighbour and member of the local community: limiting the impact of current operations on the social and natural environment.						
number of major environmental accidents	'zero'	'zero'	'zero'	'zero'	'zero'	'zero'
number of major social conflicts	'zero'	'zero'	'zero'	'zero'	'zero'	'zero'
Goal 7: Ensuring high-quality management system and its continuous improvement, taking into account social and environmental issues in the decision-making process.						
number of significant penalties or sanctions associated with the violation of social or environmental interests, human rights or confirmed practices of corrupt, anti-market, monopolistic nature and related to the activities of the ZE PAK SA Group	'zero'	'zero'	'zero'	'zero'	'zero'	'zero'
<p>All goals have been broken down into specific actions and projects that are part of their implementation, as well as reaching Sustainable Development Goals (SDGs).</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>7 CZYSTA I DOSTĘPNA ENERGIA</p> </div> <div style="text-align: center;">  <p>8 WZROST GOSPODARCZY I GODNA PRACA</p> </div> <div style="text-align: center;">  <p>9 INNOWACYJNOŚĆ, PRZEMYSŁ, INFRASTRUKTURA</p> </div> <div style="text-align: center;">  <p>13 DZIAŁANIA W DZIEDZINIE KLIMATU</p> </div> <div style="text-align: center;">  <p>14 ŻYCIE POD WODĄ</p> </div> <div style="text-align: center;">  <p>15 ŻYCIE NA LĄDZIE</p> </div> </div>						

Cooperation in the field of investment aimed at improving water retention and the development of renewable and nuclear energy

On 26 January 2023, ZE PAK SA, the Poznań University of Life Sciences and Polish Waters concluded in Poznań a letter of intent related to establishing cooperation with regards to conducting environmental research and analyses, as well as technical solutions aimed at improving the environmental condition in the region of the Konin-Turek energy basin, with particular focus of new investments by ZE PAK S.A. in renewable and nuclear energy.

Preventing adverse climate change documented by the results of scientific research, and ensuring energy security require conducting a properly prepared energy transition. An answer to such a challenge is the development of nuclear energy and support for energy from renewable sources.

The agreement concluded in Poznań is aimed at establishing cooperation with relation to the ongoing energy transition at ZE PAK S.A., using the substantive and technical potential of the letter's signatories in relation to environmental and technical studies covering planned investment projects. In particular, the joint actions are to be undertaken in the field of assessing the nuclear power plant site, reconstructing water resources in Eastern Wielkopolska, and the ongoing revitalization of mining and industrial areas. The area of cooperation will involve, among others, joint actions towards:

- shaping new ecosystems within degraded and devastated areas;
- reconstructing water resources in Eastern Wielkopolska and incorporating ZE PAK S.A.'s post-mining sites to the existing hydrographic network, which will contribute to improve hydrographic conditions in the region and provide a new function (retention and anti-flood) for created post-mining reservoirs;
- assessing the potential nuclear power plant site in Pątnów;
- using post-mining areas for producing energy from renewable sources.

11.3. Social issues

ZE PAK SA Group's policy and management approach towards social issues are set out in the ZE PAK Group Sustainable Development Strategy for 2024-2028 and are in principle consistent with the approach adopted in the earlier ZE PAK SA Group Social Responsibility Strategy for 2017-2020. This approach is also reflected in other internal regulations. It is also, in strictly defined cases, arbitrarily specified in administrative decisions permitting mining and generation operations at ZE PAK SA Group facilities and depends on the specifics of a given facility. Each time, however, the optimum solutions in this respect are sought by the Group based on, among others, public consultations and in observance of applicable law.

The ZE PAK SA Group's management approach towards social issues is determined by the nature of the Group companies' environmental impact. In particular, wherever the impact is or may be adverse and may involve certain nuisances for humans, the management approach is aimed at eliminating, reducing or compensating for these nuisances and, consequently, reducing the exposure of the ZE PAK SA Group to risk (also understood as risk to reputation or image).

The impact of the ZE PAK SA Group on the environment is multidimensional:

- **Overall social impact.** From the perspective of the general public, the ZE PAK SA Group is an important energy supplier for the Polish economy and society. However, the Group's main customers are not end consumers; the Group sells the vast majority of the energy it generates on the wholesale market. For this reason, the ZE PAK SA Group strives to ensure a stable supply of electricity at a competitive price.
- **Local communities adjacent to ZE PAK SA.** The ZE PAK SA Group's environmental impact is much broader spectrum from the point of view of the local community, i.e., understood as the community living in the immediate vicinity of the Group's plants, where electricity and heat generation and lignite mining are carried out. The exploitation of lignite seams and the generation of energy have a strong impact on the natural environment (see section: Environmental issues) and, as a consequence, most often the society.

The impact of ZE PAK SA Group's transition on the social environment and future risks

[GRI 413-2] [ESRS 2 SBM-3] The transition of the ZE PAK SA Group towards a sustainable economy will involve a change in the nature of social impact. Above all, it will contribute to the reduction and gradual elimination of individual risk categories referred to above. Ceasing the exploitation of lignite deposits from new open pits, in relation to which the Group has applied for exploitation concessions, means that there will be no transformation of further new areas and no impact on, among other, surface waters in their vicinity. Already in December 2020, the management board ZE PAK SA confirmed the abandonment of investment projects involving the extraction of lignite and associated minerals from the

deposits at: Piaski, Dęby Szlacheckie and Ościsłowo. The phasing-out of energy production from lignite will entail shutting-down extraction from the currently exploited deposits, their gradual decommissioning and reclamation of the land they occupy. This will ultimately mean the elimination of nuisance to the public associated with, for example, noise or dust from mine sites and coal transport. Natural hydrographic conditions will also be gradually restored, no longer disturbed by artificial drainage of the mining area. Importantly, wherever land reclamation involves water reclamation, water reservoirs will be created, which will be part of nationwide water retention efforts. However, it is worth being aware that in the restoration of natural hydrographic conditions in the interim period may be entail their periodic disruption, which will be the result of depressional funnels filling with water and the associated reduction in the amount of water in certain surface watercourses. These, in turn, will additionally no longer be supplied with water pumped out of the mining areas.

The new activity types should not cause such a serious nuisance to the public environment as, e.g., the lignite open pits do today. The already announced plans to invest in nuclear energy may become a possible source of controversy and public concern, especially in relation to the local community or certain groups of ecologists. Nevertheless, it should be noted that conducted surveys commissioned by the Ministry of Climate and Environment⁹ show that the acceptance of Poles for the construction of a nuclear power plant in the country, including in the vicinity of their place of residence, is high. According to an announcement by the Ministry of Climate and Environment: 'The November 2023 survey indicates that 89.9% of respondents express support for nuclear power plants in our country, while 7.2% have an opposite opinion. It is particularly important that the majority of respondents (76.6%) support locating a nuclear power plant in the immediate vicinity of their residence, while 20.9% are of an opposite opinion. The number of supporters of building a nuclear power plant in their neighbourhood increased by 5% compared to the previous year.' It is noteworthy that after announcing the intention to build a nuclear power plant, the ZE PAK SA Group did not face any public criticism, either on a national or local level. The ZE PAK SA Group does not expect any other of its planned activities (construction of a gas-steam unit, construction of a photovoltaic farm) to become a source of public concern or generating significant public nuisance.

Therefore, the nature of the nuisances associated with the operation of the ZE PAK Group will be changing as the transition progresses, but generally, the intensity of nuisances will decrease, and thus the level of social risk will be lower.



Current social risks and management approach

[GRI 413-2] [ESRS 2 SBM-3] Current sources of social risk, given the adverse impact on the natural but also social environment, are first and foremost the **risks and nuisances, which are a source of social risk**, related to:

- **impact on site surface** (open pit mineral extraction involves site surface transformation; originally used land is replaced by spatial landforms (pit, spoil heap) and the associated infrastructure (conveyor belts, haul roads, back-up facilities),
- **impact on surface water** (among others, reduction of flow in watercourses influenced by the mine and increased flow in watercourses due to discharge of water from underground and surface drainage of the open pit),
- **impact on groundwater** (formation of a so-called depression funnel as a result of open pit working drainage),
- **noise emissions** (primary machinery associated with the excavation of the overburden and its placement, primary machinery extracting coal, coal and overburden conveyors, road transport),
- **impact of mine facilities on atmospheric air** (dust emissions: technological (mechanical), i.e., associated with mechanical mining and transport of raw material by belt conveyors; climatological, i.e., associated with wind erosion of vegetation-free areas; organised emissions of pollutants into the air from the boiler room providing heat for the social facilities of the mine),
- **impact on environmentally valuable areas** (in case the environmentally valuable area is located in the impact zone),

⁹ A nationwide survey commissioned by the Ministry of Climate and Environment, conducted by DANAE from 15-30 November 2023, using CATI (telephone interviews), on a sample of 2090 Poles aged 15-75.

- **risks associated with electromagnetic fields.**

Business risks that may negatively affect the performance and development of the ZE PAK SA Group, and related to the social impact area, directly result from the nature of the impact (e.g., the aforementioned disturbance of the hydrological imbalance or noise). They constitute both a nuisance and may also be a source of material damage to third parties. This can lead to disputes with the community and a loss of their support for current and future investments, including the so-called public consent to the action. On one hand, this can result in an increase in complaints from the population to administrative authorities, the initiation of proceedings against the company and, if the allegations are confirmed, legal and financial sanctions. Ineffective dialogue, e.g., regarding compensation or land buy-out, can also mean civil lawsuits for damages. A particular threat is the loss of public trust and a negative opinion of the plant as an unreliable investor, which can make it considerably hinder obtaining further permits (e.g., if the existing infrastructure is used for investments in the area of renewable energy sources). This, in turn, may translate into a higher risk associated with a new investment project and lower favourability of investors and lenders, thus, difficulties in raising capital.

It is worth mentioning at this point that **plant workers are recruited from local communities**. Consequently, these groups are not separable and any potential animosity with the local community related to, for example, nuisance will indirectly translate to the organisation's culture and working atmosphere and vice versa: any significant employer-employee incidents can and do result in specific consequences in relations with the local community. The same person may have several roles, i.e., be an employee, a resident of the local community neighbouring the plant and exposed to, e.g., noise nuisance, as well as a property owner who applies for compensation or buy-out.

Operational management and social impact

[GRI 413-2] [ESRS 2 SBM-3] The management approach of the ZE PAK SA Group at the operational management level focuses primarily on ensuring current safety for the natural and, consequently, social environment, while guaranteeing production continuity and stability. This approach was originally defined in the Social Responsibility Strategy for 2017-2020 and, as previously mentioned, it is still valid at the operational management level and is also reflected in the new ZE PAK Group Sustainable Development Strategy for 2024-2028. It presupposes the provision of effective mechanisms minimizing the risks of anomalies and deviations resulting in an above-normal impact on the environment in the extraction or production process to a minimum. It is an approach typical of quality management systems, assuming continuous improvement of processes and optimisation of applied solutions. At the same time, it is an approach characteristic of typical risk management, i.e., striving to eliminate risks, and in further steps, if elimination is not possible, reduce and ultimately compensate them.

The ZE PAK SA Group assumes that the implementation of the assumed approach of eliminating the negative impact on the environment to a minimum translates also into stable operation of the plants, which is not disturbed by interruptions to mining or generation that would be caused by social factors. These aspects are also addressed by the policies accompanying the management systems and the internal regulations guaranteeing compliance with the law and administrative permits associated with specific generation facilities and installations.

The management approach and, consequently, the actions implemented, directly or indirectly address the risks associated with the loss of support from the local community, thus becoming part of the prevention of events that could disrupt the stable operation of mining and generation facilities. As for the aspects related to impacts on the natural environment, which at the same time represent a source of potential nuisance for local communities, these are described in more detail later in the report (see Environmental issues). All this because they constitute an element of environmental management, which has parallel consequences for local communities. The approach to them was also described in other internal regulations, as well as in administrative decisions regulating environmental issues. This description is limited to characterising the approach of the ZE PAK SA Group to those aspects that directly affect people. Nevertheless, they all focus on measures to monitor and reduce adverse impacts.

Property buy-out

[GRI 413-2] [ESRS 2 SBM-3] Lignite deposits in the Group's area of operations have their own specific characteristics and abundance. The Company does not exploit a single deposit but, over the years, has been forced to launch more open pits. In light of the above, the reclamation process of previously exploited open pits and the exploitation of the current ones take place at the same time.

In the areas to be subject to extraction, as well as those in the immediate vicinity of the area where mining is to be conducted, property buy-outs are taking place. This most often applies to agricultural lands, but can also include buildings and structures associated with mining land. The assessment of the impact, i.e., whether a particular property adjacent to an open pit will be subject to buy-out, is always determined on a case-by-case basis. The individual approach is justified in view of the fact that, e.g., emotional factors related to attachment to a particular location, often play a significant role

in such matters. It is the Group's intention to implement the described processes in such a way as to limit negative emotions, as this may affect subsequent projects of this type. Those are always difficult situations, especially as often the properties have not only financial value to the owners, but in many cases, these are farms inherited by subsequent generation. Nonetheless, a reduction, and ultimately a cessation, of lignite-based energy production will result in further land buy-outs slowing down, and ultimately halting. Currently, land buy-outs are limited and concern areas within the Konin Mine. It is associated with the depletion of exploited deposits (Józwin open pit, Drzewce open pit). Land purchases relate, in particular, to the Tomisławice open pit, covered by a concession valid until 2030.

Mining damage

[GRI 413-2] [ESRS 2 SBM-3] Mining damage can be divided into direct and indirect damage. **Direct** damage is generally associated with mine operations and the progress of exploitation work. They include the reconstruction and construction of new roads, power lines, water mains and other technical infrastructure, as well as the renovation of roads used by mine transport and, in special cases, the relocation of religious cultural objects, e.g., chapels, churches and cemeteries. The Group's mining segment companies paid out PLN 23 746.5 thousand in 2023, PLN 2 804.9 thousand in 2022 and PLN 2 263.3 thousand in 2021 on account of direct damage. It should be noted that in each case the payment of compensation for indirect damage was made by way of a settlement or agreement. In addition to direct damage, there is also **indirect** damage associated with deposit drainage, which leads to a lowering of groundwater levels in areas adjacent to the mines. In turn, the discharge of water from an open and into watercourses can lead, e.g., to a rise in water levels. The outcomes of groundwater level drawdown involve partial degradation of soil productivity, withering of trees, periodic drying up of farm wells and ponds, damage to buildings, impact on the efficiency of deep drilled wells and others. On the other hand, the discharge of water from the open pit drainage via surface watercourses can cause periodic flooding of adjacent areas.

In order to minimise this damage, systematic maintenance of these watercourses is conducted under the company's own activities or financial participation in maintenance costs. The Group's mining segment companies paid out PLN 1 245.9 thousand in 2023, PLN 1 515 thousand in 2022 and PLN 1 858 thousand in 2021 on account of indirect damage. Due to the nature of indirect damage, financial compensation is usually of a one-off nature. The ZE PAK SA Group endeavours to compensate for adverse impacts by paying appropriate compensation to the victims in justified cases. Landowners covered by compensation receive written notifications with a proposal of the compensation amount due related to the impact of the mine. In the event of acceptance, an out-of-court settlement is signed with the owner concerned, with a waiver of claims following payment of compensation. Compensation is paid based on previously concluded settlements or agreements. Only a small number of mining damage cases are subject to settlement by ordinary courts. In 2023, there was no judgement for damages (4 cases are pending – no resolution). In 2022, PLN 32.2 thousand (approximately 0.7% of the total compensation paid for direct and indirect damages) was paid on the basis of court judgements (1 judgement), while in 2021, PLN 216.4 thousand (approximately 5% of the total compensation paid for direct and indirect damages) was paid on the basis of court judgements. The low share of compensations paid under court judgements proves the conciliatory attitude of the Company, which prefers to agree potential compensation amounts through negotiations, seeking agreement with the other party.

Other nuisances, including periodic

[GRI 413-2] [ESRS 2 SBM-3] The extraction of coal, its transport and related task can be a source of nuisance in the form of dust or noise. Due to the location of mining plants, i.e., conducting activities at a considerable distance from human concentrations as a result of prior property buy-out, these nuisances are limited. In addition, the work technology, including the dampening of slopes during dry periods, helps to reduce the risk of dust.

In the case of other periodic nuisances, e.g., increased noise associated with renovation or modernisation work at the generating facilities (such work give rise to the necessity to purge the boiler system with air at a very high pressure in order to remove even the tiniest filings from the system that could cause damage to it, which is quite noisy), as a rule the ZE PAK SA Group notifies the local community about such nuisances through the media. The information goes, e.g., to local offices or the local media. The same happens in the case of other nuisances (e.g., in traffic due to transport of oversized equipment, increased dust or dew from chimneys, etc.). As a result, they are not controversial and the plant can count on the forbearance of residents in the immediate vicinity. As part of its educational activities aimed at the external environment, the corporate communications department operating within the ZE PAK SA structure also develops press articles explaining the principles of lignite open-pit mining and post-mining land reclamation. As mentioned above, the residents in the immediate vicinity of the plants are often employees of ZE PAK SA Group companies. Hence, although this refers to communication outside the organisation, proper internal communication, where the employees themselves act as ambassadors of the ZE PAK SA Group, can also play an important role. Internal communication can also play an equally important role in the situations referred to above. In 2021, ZE PAK SA ended publishing the Group's monthly magazine – 'Kontakt'. Internal communication with employees is mainly conducted via the Intranet, mailing and articles published on social media (Facebook, Twitter).

Social involvement

[GRI 413-1] [ESRS 2 SBM-3] Since the beginning of its operations, the ZE PAK SA has been declaring its support for local initiatives. The Group's aim is to support the local community through community involvement so that, as far as possible, it can be compensated for those nuisances associated with the operation of the plants, to the extent that they cannot be eliminated or reduced.

Through its corporate social responsibility activities, the Company focuses on creating public awareness of important social, environmental or cultural issues. Engaging in events of a social nature, enables promoting social inclusion and building interpersonal links.

The Group's aim is not to engage in spectacular ventures for the sake of publicity, but to reach out to the nearest communes (financial support for the organisation of local festivals in Turek and Rychwał) and their residents (support for treatment and rehabilitation fund-raisers) and independent organisations in the region. The group recognises that getting involved in local projects is not only a duty, but also an opportunity to build lasting community links.

Sports initiatives

For many years, ZE PAK SA has also been involved in social sports initiatives, recognising their value for community development and the promotion of a healthy lifestyle. As every year, the organisers of running events (the 6th gRUNT race in the Bieniszewska Forest, the 'Aktywni Konin' Running Club, the Mine Lamp Run, the Konin branch of the Polish Tourist Society, the Harnaś Mountain Tourism Club) and sailing regattas (the ZE PAK SA President's Cup Sailing Regatta) could count on financial support. For the first time, the Company has been involved in a project by the Association for Social Prevention 'ETAP' - Ocalony Legion (*Saved Legion*). It addresses the extremely important issue of addiction among children and young people. The run took place in the Bieniszewska Forest under the slogan 'There's no such thing as *impossible*'.

The company also invests in young athletes through sponsorship of local sports teams. The financial support made it possible for the girls' team to participate in the 'National Children's Games in handball for girls and boys', which took place in Dźwirzyno.

It is also very important for the Company to support young sporting talent in the local community. Owing to a donation, Sparta Sports Club, the oldest club in Konin, was able to purchase sportswear for the *Gnome* Group of the 'Sparta Konin' Youth Sports Club Association.

Health-promoting initiatives

Being aware of the important role played by blood donors, and how important it is to build up a permanent supply in blood banks – which save lives every day – ZE PAK SA has supported the activities of the 'Intercompany Club of Honorary Blood Donors PCK Pątnów – Konin Power Plants of the ZE PAK Capital Group' for years.

There is the Provincial Polyclinical Hospital with a paediatric ward operating in Konin. The support from ZE PAK SA enabling the artistic agency Prekursor Artystyczny to organise two events to make the youngest patients' time at the facility more pleasant. In March, the 'Cure for Boredom' campaign allowed to donate gift packages that occupied the attention of a young patient with something else. And in December, in the run-up to Christmas, the 'Little Theatre for Big Patients – Santa's procession' campaign was organised. It involved games and entertainment activities combined with the distribution of gift packs.

Cultural initiatives

The Company is well aware of the importance of promoting cultural initiatives taking place within the area of its operations and the surrounding area, which is why it willingly joins in the organisation of such events. The largest museum festival in Konin, i.e., Museum Night 2023, could not take place without the support of ZE PAK SA, especially as the largest exhibit is the Gosław forest elephant found in the Józwin opencast.

One of the most important cultural events in Konin for over 40 years, the 43rd International Children's Song and Dance Festival in Konin was also held with financial support from ZE PAK SA. Almost 2 500 participants performed on stage in 2023. As emphasized by the jurors of the dance and vocal competitions, the level of the participants in the Festival is so high that year after year it is with great difficulty for them to make their choices.

As every year, the most important event related to ecology, which is gaining at increasing environmental awareness, participated by ZE PAK SA – as a strategic partner – is the 'For the Earth, for us' (*Dla Ziemi, dla nas*) festival in Uniejów, organised by the Polsat Group. The idea of the festival is to draw attention to the environmental challenges our planet Earth is tackling every day. Huge changes that our planet is subjected to, including the climate ones, have a tremendous impact on the lives of each of us. Therefore – as the organizers of the festival write on their website – “with all our

experience and passion, we want to join an ever-wider stream of people's involvement around the world to reverse the process of this degradation”.

The message that accompanied the two-day meeting oscillated around the For Earth For Us idea. Such an idea, stemming from the fact that Wielkopolska's power engineers recognise the progressive degradation of the quality of life on Earth, envelopes the entire ZE PAK SA Group, and it is clear from the idea of the association's Czysta Polska (Clean Poland) Programme, announced by Zygmunt Solorz, co-owner of the Polsat Group and ZE PAK SA Group, that even the smallest action to stop these adverse changes makes sense. Hence the Earth Festival, an event promoting ecology, a concert of the huge stars of the Polish stage and several hundred thousand people already supporting the Clean Poland Program association, which is constantly developing and gaining new supporters. At last year's edition, visitors at the ZE PAK SA stand had the opportunity to make their own ecological soaps, bath balls, plant anti-smog plants and take part in an environmental knowledge competition. Visitors also had the chance to take a ride in the Nesobus – the Polish Hydrogen Bus, which is the future of urban and agglomeration transport.

Kindergartens, who are no strangers to the topic of ecology, are also asking for financial support. In an effort to build environmental awareness among the youngest – with the support of ZE PAK SA – Jan Brzechwa Kindergarten No. 16 in Konin managed to organize an environmental fest. On the other hand, it was possible to equip Kindergarten No. 6 in Turek with modern containers for waste segregation.

Conference partnership

As it continues to grow and expand its investment portfolio, the Company is an active partner of conferences and social events that focus on issues related to environmental protection, social equality or technological innovation. The Company's involvement supports the exchange of knowledge, networking between scientists, entrepreneurs and practitioners, and inspiring activities for positive social change.

In 2023, the Company became one of the sponsors of the ‘Water Days’ (*Dni Wody*) conference organised by the Scientific Society for Water Engineering and Management (TNIGW) and held at the Poznań University of Life Sciences.

The Company's participation as both a sponsor and participant in the ‘H2Poland Central European Hydrogen Technology Forum’ event entitled modern hydrogen technologies was very important from the perspective of developing modern hydrogen technologies.

Other

In the vicinity of the Company's area of operations, in the Kazimierz Biskupi commune, one of the two Camaldolese hermitages active today and the only strictly contemplative, hermitic male order in Poland, i.e., the Congregation of the Camaldolese Eremites of the Crown Mountain – the Five Martyrs' Hermitage in Bieniszewo, runs its activities. The Order has been able to count on the support of ZE PAK SA for many years. As every year, the Company has also made a donation to the monks.

Last year, PAK KWB Konin SA made a number of donations, both in-kind and financial, primarily to the surrounding communes, educational facilities, and social organisations. One of the beneficiaries in 2023 was the Kazimierz Biskupi Commune, which received pebbles, sand and soil (twice) with loading, as well as a bentonite mat. A donation of sand including loading was also made to the Ślesin, Wilczyn and Kleczew communes. The Wierzbiniek commune, on the other hand, received soil with loading on two occasions.

The Voluntary Fire Brigade in Wąsosze was the recipient of a donation of an Iveco Massif truck. Meanwhile, 14 scrap beams from decommissioned B-1600 elements were donated to the Łuczywno Volunteer Fire Brigade along with loading by a loader, as well as 20 double wardrobe lockers and an alarm siren along with its installation. In turn, the Kramsk commune received 20 m of old-use conveyor belt and the School and Kindergarten Complex in Ratyń received 2 m of such belt. The Kramsk commune received a donation of 5 old Weholite SN8 pipes and the Przykona commune received 120 lm of worn-out steel pipes.

On two occasions, the Association for the Development of Lubstówek Village received financial aid to organise a Children's Day and a Santa Claus event for children and young people. The Association of Civic Initiatives in Konin was a beneficiary of similar support – the company donated Christmas and New Year parcels to the charges of the Socioterapeutic Day Centre.

The company has been supporting the organisation of harvest festivals in the surrounding communes for years; last year, the Osiek Mały and Kleczew communes received a subsidy for the preparation of such festivities. As in previous years, on the occasion of St Barbara's Day, PAK KWB Konin SA sponsored a nationwide sporting event. The Sailing Club

operating by the Konin Mine received a cash donation to purchase prizes in kind for the winners of the 29th Winter St. Barbara's Day Regatta and a yacht launching service using a mobile crane.

Over the next few years of its operations, the ZE PAK Group will continue its commitment to the local community through ongoing involvement in various initiatives. It is convinced that corporate social responsibility activities not only have a positive impact on the company's image, but, above all, contribute to positive relations with the local community, support development in various areas of life, inspire positive social change and help create a more sustainable world for future generations.

Tax payments and transformation of the ZE PAK SA Group

Due to the nature and large scale of its operations, the ZE PAK SA Group has a significant direct and indirect economic impact on the region, particularly on the development of the communes wherein it conducts business. Money transfers in the form of various taxes and quasi-fiscal charges (licence fees, concession fees, etc.), contribute significantly to the budgets of the communes. For years, many of the richest communes in Poland have been mining communes. Although in the case of the ZE PAK SA Group, extraction and generation are spread over several communes, the source of the fees are not only the mines, but also the power plants and the photovoltaic farm. For example, in **2023**, ZE PAK SA Group companies paid **PLN 283 million** (PLN 162 million in 2022 and more than PLN 187 million in 2021) in such fees, **of which PLN 110 million** (PLN 113 million in 2022 and PLN 135 million in 2021) were fees to local authorities. In the case of the Company, in 2023 ZE PAK SA made public payments of **PLN 114 million** (over PLN 41 million in 2022 and PLN 47 million in 2021), **of which PLN 27 million** (PLN 38 million in 2022 and PLN 44 million in 2021) were charges to local administrations. These funds enable, e.g., municipalities to implement investment tasks, finance health care, education, etc. Simultaneously, owing to the salaries of employees, most of whom are recruited from local communities, the so-called multiplier effects are triggered and the local economy is stimulated, including sectors not directly associated with lignite mining and energy. In 2022, ZE PAK SA Group companies allocated PLN 379 million for employee benefits (PLN 397 and 370 million in 2021 and 2020, respectively). However, please note that the transition of the ZE PAK SA Group, including the gradual phasing out of mines and generation assets, entails a tangible reduction in the stream of taxes and fees, primarily felt by local government budgets. Reduced extraction output means lower mining royalties, while the reclamation of post-mining areas and the decommissioning of generation assets mean reduced property taxes. Thus, local government revenues in the areas where operations are conducted will shrink. In light of the above, the ZE PAK SA Group is trying to communicate its plans in advance and raise awareness of the consequences of the green transition ongoing within the ZE PAK SA Group for local governments. It is also trying, through the implementation of investment projects, such as the 100-hectare photovoltaic farm in Brudzew, to compensate for the loss of revenue through taxes on new properties, at least partially. However, it is important to be aware that these fees will compensate for the lost revenue of the commune only to a certain extent.

Other indirect impact on the local economic and social environment

Local fish farms and heat generation

[GRI 203-2] [ESRS S3 S3-4] The Konin energy basin has a unique cooling system based on an open water cycle. The joint name 'Konin Lakes' includes the lakes: Gosławskie, Państwskie, Wąsowsko-Mikorzyńskie, Licheńskie and Slesińskie, which are incorporated into the cooling circuit of the Państw power plant and the Konin power plant. All lakes are connected via a system of canals with a total length of approximately 26 km and form a closed circuit, wherein the water flow is regulated by culverts and pumping stations. The water is involved in the energy transformations that take place, e.g., in the steam turbine condenser. It is a cooler that is designed to dissipate heat not converted by the turbine into work to nearby lakes. This has, of course, affected their ecosystems, but has also made the reservoirs particularly valuable for fishing and fish farming. Increased water temperature and high water flow in the canals and lakes have resulted in farmed fish ponds being located within the cooling system. The fish farms operating within this area are not only the largest producers of sturgeon fish in Poland (Siberian sturgeon, Russian sturgeon, sterlet), but also other fish species such as European catfish, rainbow trout, grass carp, silverfish, catfish, carp and ornamental fish. Owing to the use of thermally elevated waters for reproduction, rearing and breeding of thermophilic fish, they are an important producer of fry in the domestic market. Cooperation with the ZE PAK SA Group ensures that warm water flows directly through the ponds, providing optimal conditions for the development of fry and adult fish. One of the farms even takes its rearing water from the pre-cooling reservoir of the Konin power plant and production is strictly dependent on the conditions created by the power plant, the water temperature, its purity, etc. Therefore, there is a constant communication path and flow of information between the fish farms and the power plants. In addition to some of the largest fish farms in Poland, the area is well known among anglers. Supporting this type of economic activity, as well as any other form of social involvement, makes it possible to partially compensate the social environment for the nuisance associated with the ZE PAK SA Group's

operations. It is worth noting that key heat for the fish farms comes from the Konin plant, a plant where only biomass is combusted. Therefore, the departure from lignite and the phasing-out of the units fired by it will not have adverse consequences for fish farms in the region.

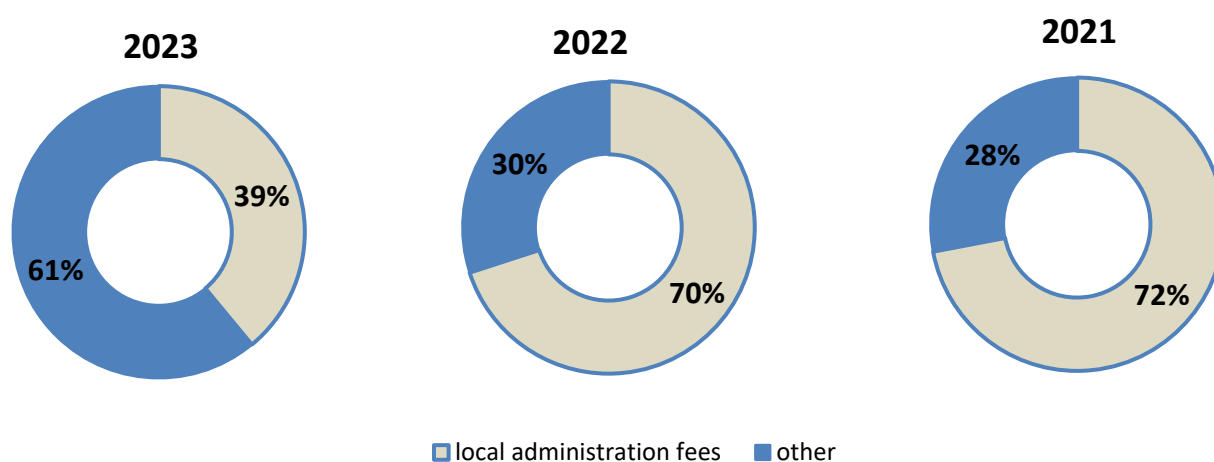


Key indicators

Table 24: Key indicators related to social impact

	2023	2022	2021
Number of environmental accidents resulting in severe contaminations	0	0	0
Percentage share of compensation paid under a court judgement in relation to the amount of compensation paid by the Group under a settlement or agreement	0.7%	0.7%	5.0%
Total amount of taxed and quasi-fiscal charges paid – Group total	PLN 282 MM	PLN 162 MM	PLN 187 MM
Total amount of taxed and quasi-fiscal charges paid – ZE PAK total	PLN 114 MM	PLN 41 MM	PLN 47 MM
Total amount of taxed and quasi-fiscal charges paid – to local administration (Group)	PLN 110 MM	PLN 113 MM	PLN 135 MM
Total amount of taxed and quasi-fiscal charges paid – to local administration (ZE PAK)	PLN 27 MM	PLN 38 MM	PLN 44 MM

Graph 15: Percentage share of taxes and quasi-fiscal charges in the Group paid to local administration, relative to the total amount of taxes and quasi-fiscal charges paid



11.4. Employee issues

Current employee risks and management approach

In terms of human resources management, the ZE PAK SA Group has implemented formal solutions that determine the relationship between the employer and employees based on the provisions of Polish law, including, among others, work

regulations based on the Labour Code Act, Company Collective Agreements based on the Labour Code Act, Employee Benefit Fund regulations based on the Company Employee Benefit Fund Act, and remuneration regulations are in force at entities not covered by the provisions of the Company Collective Agreements. There are Employee Councils in companies meeting the statutory criteria. There are also trade unions functioning within the companies of the ZE PAK SA Group. In issues set out by legal provisions, the ZE PAK SA Management Board and the Management Boards of other companies communicate and consult decisions with employee representatives.

Simultaneously, in addition to formalised solutions resulting from specific legal regulations or voluntarily adopted (e.g., a recruitment procedure), day-to-day operational activities are based on a number of solutions and customary forms of conduct, which, in the opinion of the management staff, do not require rigid formalisation, but at the same time guarantee effective and efficient management that complies with legal standards and social coexistence standards. The Group Companies comply with labour laws and require proper behaviour of their employees both within mutual relations between employees, and between employees and their superiors.

The Company Collective Bargaining Agreements applicable at the ZE PAK SA Group Companies during the reporting period contain rules for the employment and remuneration of employees. In turn, the bylaws of the Company Employee Benefit Fund set out the rules for the use and financing of social and housing activities for the benefit of employees and their family members. The provisions of both documents are implemented by the managers, although at the same time, there are collective disputes in the Group subject to resolution based on the applicable legislation. During the reporting period we have had 5 collective disputes, namely, three collective disputes at ZE PAK SA and one at PAK Kopalnia Węgla Brunatnego Konin SA and PAK Górnictwo sp. z o.o. each. The collective disputes at ZE PAK SA apply to wage increases and reinstating provisions from the terminated collective agreement. The collective dispute at ZE PAK SA is at the mediation phase with the participation of a third-party mediator. The dispute at PAK Kopalnia Węgla Brunatnego Konin SA concerns a wage increase and the cessation of the company's restructuring and lay-offs. The dispute is at the mediation phase with the involvement of a third-party mediator. The collective dispute at PAK Górnictwo sp. z o.o. concerns a wage increase and the trade unions' desire to conclude a collective agreement. The collective dispute is past the mediation phase and trade union organisations have held a referendum among the employees on whether they intend to go on strike. Trade union organisations have obtained a strike mandate but have not decided to do so. The Company Collective Agreement for ZE PAK SA employees signed on 19 October 2021 came into force on 1 January 2022. In the same period, the Company Collective Agreement for the employees of PAK Serwis sp. z o.o. came into force.

The fundamental aspects associated with the field of people management were also defined several years ago in the ZE PAK SA Group's Social Responsibility Strategy for 2017-2020. In terms of operational management, these have been maintained until the present day, including a reflection in the new ZE PAK Group Sustainable Development Strategy for 2024-2028, albeit taking into account the transition-related requirements.

Ensuring human resources and their restructuring

The companies of the ZE PAK SA Group are perceived as a stable and trustworthy employer against the background of the local and rather small labour market.

However simultaneously, the restructuring process that has been going on for years has meant that most vacancies have had for years been filled based on internal recruitment (in other words, the employment of people working in the ZE PAK SA Group was protected by making transfers between individual departments, plants and companies). Prolonged concentration on people already employed in ZE PAK SA Group companies in recruitment processes means that there is no significant inflow of young employees and leads to an increasing average age of employees. In turn, the ageing of the workforce translates into an increase in the number of retirees. While such a phenomenon was previously perceived as a certain disadvantage, in the era of the transition of the ZE PAK SA Group, it provides an opportunity to make it less painful. The phasing out of lignite extraction and conventional power generation based on the combustion of this fuel will mean a gradual elimination of jobs both in the mining industry and in the power plants themselves. Certain plants are already in the phase-out process. It is enough to mention the decommissioned Adamów Power Plant and its associated mine. In 2022, coal mining was ceased at the Drzewce open pit within PAK Kopalnia Węgla Brunatnego Konin SA, while the mining activities at the Józwin open pit were phased-out in 2023. Whenever possible, employees have been, are being and will be relocated, e.g., to other open pits, but this will not be possible in the case of everyone. To a certain extent, it will be possible to mitigate the social costs of phasing out generation simply through employees reaching retirement age and retiring, especially mining or bridging pensions. ZE PAK SA actively participates in the development of shielding programmes for power engineers and miners, in particular, paid leave in the energy and mining sectors, which may guarantee mitigating the effects of reducing lignite-based power generation. The process of job shedding will be staggered, which will also mitigate the social costs, but it will not be fully possible through compensating for the jobs being shed with retirements.

Social dialogue

A potential source of risk in the employee area may be protracted collective disputes. Therefore, dialogue with the representatives of the workforce enables identifying potential sources of problems and, on the other hand, provides an opportunity for a reliable and comprehensive presentation of the restrictions within which the companies of the ZE PAK SA Group operate. In the era of the energy transition, trade union organisations are extremely constructive and active in supporting initiatives that are close to the ZE PAK SA Group itself and that fall in line with the so-called just transition. This term is construed as a manner of moving away from fossil fuels, which does not overburden communities associated, for example, with mining regions. Eastern Wielkopolska is such a region exactly. At the same time, the ZE PAK SA Group has been actively involved in the operations of the so-called 'Coal Platform', which is an EU-level structure tasked with developing a framework of financial and organisational support programmes for regions associated with coal mining in Europe. It is easier to cooperate with common goals. Although there are still areas where managers and representatives of the public side differ in opinions, the constructive cooperation referred to above is worth noting. In 2022, on the initiative of the Management Board and with the participation of Trade Union Organisations, talks were held with the Regional Development Agency in Konin and the Marshal's Office in Poznań to specify the regional just transition program. Representatives of Trade Union Organisations and the Management Board had the opportunity to present their ideas at the European Commission's headquarters in Brussels. The aforementioned work will continue until funding is available to support projects for the Eastern Wielkopolska region.

In 2022, Trade Union Organisations, with the significant assistance of the Company's Management Board, held talks with representatives of the Government of the Republic of Poland regarding the introduction of shielding programmes for employees of the lignite mining and lignite-based power industry.

On the initiative of Trade Union Organisations operating in the ZE PAK SA Group, a social legislative initiative committee was established with the aim to collect signatures to a draft act on social security for employees in the lignite mining and lignite-based energy sectors. The Company's Management Board has supported these activities from the beginning and has helped draft the act. In December 2022, the parties eventually signed a relevant agreement and began the process of proceeding legislating regulations concerning the implementation of energy and mining paid leave, as well as severance pay for persons on the lay-off list in connection with the process of phasing-out lignite-based electricity generation. Under of these activities, ZE PAK has repeatedly had the opportunity to provide opinions on act drafts and accompanying regulations at various stages (prior to official public consultation of the draft act, inter-ministerial arrangements, etc.). As a result, the ZE PAK social side, with the support of the employer, secured a share of the entitlements designed for state-owned companies, allowing to obtain mining or energy leave (paid at 80% of salary) and one-off cash severance payments (12 times monthly salary) for those not entitled to leave already 4 years before retirement. The Act was passed by the Polish Parliament on 13 July 2023 and came into force on 14 September 2023. ZE PAK CG employees will be the first beneficiaries of the Act as soon as the EU issues its approval for the payment of benefits (obligation to assess compliance with state aid rules).

Occupational Health and Safety

[GRI 403-1, 403-2] [ESRS S1 S1-1, S1-3] Another dimension of employee-related risk is the occupational health and safety risk. It strongly depends on the hazards associated with the arduousness of work at a particular workplace, and all activities in the field of OHS management concentrate exactly on the eliminating or reducing hazards that lead to the minimisation of accident consequences, should they occur, and the occurrence of occupational diseases, conducted based on an occupational risk assessment.

As in the case of the previous areas, the most important directions of activities in terms of occupational health and safety management were originally set out in the Social Responsibility Strategy of the ZE PAK SA Capital Group for 2017-2020. They still remain applicable and are also reflected in the new ZE PAK Group Sustainable Development Strategy for 2024-2028.

At the same time, one should bear in mind the existing certified management systems, with their scope addressing safety management issues, related to:

- the process of electricity and heat generation together with all auxiliary processes, identified environmental aspects, conducted occupational risk assessment based on identified hazards related to onerous work and legal and other requirements (ZE PAK SA - compliant in terms of OHS with PN-ISO 45001:2018),
- work in the field of renovations and servicing of power equipment, industrial construction services, investment management in the power industry and the industry, as well as modernisation and maintenance of electrical and automation systems in the power industry (Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o. - compliant in terms of OHS with PN-ISO 45001:2018).

Their objective, like that of the sustainable development strategy, is to minimise the accident rate, with particular emphasis on eliminating serious and fatal incidents and the occurrence of occupational diseases by taking organisational and technical measures to eliminate or reduce employee exposure to harmful factors present within the working environment, such as noise or dust intensity down to a standard-compliant level. A procedure has been implemented to periodically assess compliance with relevant legal and other health and safety requirements as part of the Integrated Quality, Safety and Environmental Management System. The information is published in the ISO-ZE PAK SA Central Improvement System tab and is updated on an ongoing basis. At the same time, selected management aspects, in line with a broader scope of safety management, are regulated by internal regulations, manuals, orders and work instructions.

Mining

[GRI 403-1, 403-2] [ESRS S1 S1-1, S1-3] The mining sector is the only one of the three main sectors with no implemented certified management system in accordance with PN-ISO 45001:2018. OHS management is conducted based on the Regulations of the President and Regulations of the Mining Plant Operations Manager. The Regulations address all areas that involve the possibility of risks to the proper and safe performance of official duties by the employees. Examples of issues regulated by Regulations include occupational risks associated with executed work, a list of work requiring special psychophysical predispositions, safe operation of the equipment, medical assistance, periodic examinations and medical check-ups, and many others.

Typical hazards associated with open pit lignite mining should be divided into natural and traumatic hazards. The latter, potentially related to the operation of machines, especially their rotating elements, although dangerous in terms of outcomes, owing to OHS measures and employee awareness, occur rarely. In recent years, in practice, if there have been accidents, they have been light accidents, such as sprains, twists and occasionally fractures. As far as so-called natural hazards are concerned, they can be divided into landslide hazards (slope bursting), methane hazards (occurrence of gas in dewatering wells), fire hazards and water hazards (related to precipitation, proximity of natural reservoirs and watercourses or watercourses in the heading).

In 2023, measures were implemented at PAK KWB Konin SA to improve OHS conditions in the mining sector, in accordance with the adopted annual plan to improve health and safety conditions. Operator cabins of basic machines, such as excavators and heapers were conducted, which enabled reducing noise emissions in the cabins and improve the technical fit-out of the machines. Air-conditioning units in basic machine operator cabins were repaired and installed to improve working conditions during the summer period. Similarly, the replacement of seats for basic machinery operators made it possible to reduce the workers' exposure to vibrations.

Six AED defibrillators were purchased for use in medical and pre-medical rescue to save people who have suffered cardiac arrest. They were deployed in transport ambulances, at locations within the ward, as well as in the open pit area. One AED training defibrillator has also been purchased and is being employed by health and safety staff to train crew in first aid and the operation of the device.

Flashlights were replaced, and new equipment and power tools with accessories (hammers, drills, grinders, impact spanners, etc.) were purchased to eliminate heavy and dangerous physical work. HYT-type radios were purchased and provided for the workers. Battery-powered power tools were purchased to eliminate electric shock hazards. The markings of emergency stop button enclosures on conveyors (so-called 'lines') were refurbished. Information and warning signs in switchgear containers on excavators, conveyors and cable gates were replaced. Landslides at the Koźmin open pit were monitored and secured based on an expert opinion defining the geotechnical conditions of the post-mining reservoir slopes at the stage of further filling in terms of the heap and native soil stability conducted by the National Geological Institute. Monitoring of groundwater and surface water in the areas within the impact range of open pits was also executed.

Conventional generation

[GRI 403-1, 403-2] [ESRS S1 S1-1, S1-3] In the field of manufacturing at ZE PAK SA, as already mentioned, occupational health and safety is managed as part of the Integrated Quality, Safety and Environmental Management System based on occupational health and safety management system procedures pursuant to the PN-ISO 45001:2018 standard, hereinafter referred to as the 'Occupational Health and Safety Management System'. At the same time, the activities in the area of occupational health and safety are regulated by ordinances of the President of the Management Board and business orders of the Vice-President for the generation division, related to broader aspects but also covering occupational health and safety issues.

The key documents specifying the procedures for safe power equipment operation include, in particular, the Power Equipment Operation Manuals, the Power Equipment Safe Work Instructions at ZE PAK SA and official orders of the Vice-President for the generation division and the Power Plant Director, as well as procedures of the OHS Management

System in accordance with the PN-ISO 45001 standard, which particularly include documenting occupational risk assessment, based on the PN-N-18002 standard.

Based on the identification of workplace hazards, the employer assesses and documents occupational risks associated with the work conducted and applies the preventive measures required to reduce these risks. A documented occupational risk assessment is a tool that enables managers making optimal and effective use of technical and organisational measures to eliminate or maximally mitigate the level of risk associated with hazards that may constitute a source of an accident at work or an occupational disease. If the organisational and technical protection measures in place are insufficient, the assessment shall identify the personal protection equipment to be used. The procedure for carrying out the risk assessment and templates of the documents used are defined in the procedures of the Integrated Quality, Safety and Environmental Management System. Employees are informed about occupational risks and the principles of protection against hazards each time an update is made. In addition, implemented training programmes in the field of occupational health and safety are intended to updated and supplement knowledge of work-related hazards and methods of protection against these hazards.

Annually conducted analyses indicate that the renovations executed over the years, successive modernisations and, above all, the decommissioning of old equipment in previous years and the construction of new equipment and systems, including generating units (a contract for the construction of a 600 MWe gas unit at the Adamów power plant was concluded in 2023), in addition to improving generation efficiency and reducing adverse environmental impact, undoubtedly contribute to improving the working conditions of employees. Technical occupational safety is also improved through eliminating or reducing the risk to the health and life of the employees.

The effectiveness of the implemented corrective and preventive measures and through the proper organisation of work enabled eliminating the overruns of the highest permissible concentrations of harmful factors in the work environment, i.e., noise. Exceeding these values in previous years caused by such elements as boilers, turbines, pumps, fans, conveyors, transmission gears, motors, couplings, etc. In 2023, systematic reduction of the number of people exposed to this harmful factor through organisational and technical measures produced the expected outcome. The effectiveness of the implemented corrective measures and through the proper organisation of work enabled eliminating the overruns of the highest permissible concentrations of harmful factors in the work environment, i.e., dust. Another group of hazards are dangerous factors that may lead to the injury or death of an employee. These particularly include exceptionally hazardous work and work with a potential of a particular threat to human health or life. The most relevant factors in this group include high temperature, high pressure, electric current, explosive atmosphere and moving machinery parts.

Factors related to work arduousness include inadequate lighting and night-time employment. The number of people exposed to these onerous factors is systematically reduced through taking organisational and technical measures (decommissioning off worn-out generating equipment of units No. 3, 4 and 6 in 2020 and 2021, current overhauling and maintaining the lighting system).

There are also factors and work processes at ZE PAK SA that pose a particular threat to health or life. These include chemical, carcinogenic or mutagenic and biological factors. With regard to chemical agents, the conducted hazard identification and risk assessment showed the use of chemical agents belonging to the hazard group of corrosive agents and those with irritant and sensitising effects. Organizational unit managers have lists of hazardous chemical substances used and their material safety data sheets. Employees confirm in writing that they have read the safety data sheets and risk assessments. The OHS service prepares records and data required by law, which it then submits to a competent state or provincial sanitary inspector and a competent district labour inspector, as well as to a primary occupational health care unit for the purpose of preventive health care. Employees whose duties include the operation of biomass transport equipment (contact with fungi), the operation of a wastewater treatment plant and chemical analyses of domestic sewage (contact with pathogens found in domestic sewage and waste sludge) are in contract with biological agents. The occupational risk assessment enabled identifying the occurrence of biological agents belonging to risk group 2, i.e.: agents that may cause human disease, may be hazardous to workers but are unlikely to spread within the human population. Effective methods of prevention or treatment usually exist with regard to them. Workers with occupational exposure to biological agents have been offered available vaccinations against these hazards. The vaccinations, most of which the employees consented to, are performed as part of preventive healthcare.

On 1 July 2023, a regulation by the Minister of Health called-off the state of epidemic in Poland, which had been in force since 16 May 2022. A working team established at ZE PAK SA for the ongoing analysis of the situation related to the SARS-CoV-2 coronavirus threat was disbanded on 1 July 2023. The called-off epidemic emergency entails the return of obligations related to periodic employee examinations, OHS training and qualification examinations. The Occupational Health and Safety Service conducted systematic inspections of workplaces and compliance with OHS regulations and rules, and participated in a review of working conditions as part of the activities of the ZE PAK SA OHS Committee. Following a review of work conditions conducted in 2023, corrective action was taken to improve work conditions and increase the occupation health and safety level. Upon receipt of the review reports, unit managers issued relevant service

orders, which set out deadlines for their implementation and the persons responsible for doing so. In addition to the activities of the Health and Safety Committee, employees and their representatives (employees acting as Social Labour Inspectors) were also involved in planning, implementing and evaluating measures to improve the technical condition of power equipment and systems, as well as occupation health and safety conditions at workplaces. This is achieved by releasing equipment for overhauls and regular repairs, supervising these processes and participating in the evaluation of the work conducted through protocol-based acceptance and commissioning of power equipment and system after repairs and overhauls. Another element of the OHS management system is the participation of employees in investment planning through their involvement in the Investment Documentation Evaluation Committee, as well as in drafting and agreeing the so-called ToR (Terms of Reference) with potential contractors. For example, talks are underway with a contractor to construct a power plant in Adamów to produce electricity from natural gas. Employees and their representatives were also actively involved in committees and teams set up for the selection of suppliers of work clothing, footwear and PPE, the selection of a RENTAL service provider for the ZE PAK SA CG, and the selection of an occupational medicine service provider. Employees took part in the work of the Technical Fire and Explosion Prevention Committee at ZE PAK SA Power Plant. As part of the work of this committee, approximately 80 employees of ZE PAK SA and PAK-PCE BiW were trained in 2022 and 2023 on the implementation of the employer's obligations under the Regulation of the Minister of Economy of 8 July 2010 on the minimum requirements, concerning occupational safety and health, related to the possibility of the occurrence of an explosive atmosphere in the workplace. The training was conducted by the State Labour Inspectorate branch in Konin. In addition, at the initiative of the Trade Unions, a training is organised once a year for the OHS Committee and those taking part in consultations at the ZE PAK SA CG. It is conducted by Inspectors of the State Labour Inspectorate, and aimed at updating knowledge in the form of lectures and solving problems affecting the crew in the form of workshops.

Servicing

[GRI 403-1, 403-2] [ESRS S1 S1-1, S1-3] The workplace occupational risk assessments in the renovation segment (PAK Serwis sp. z o.o.) cover all work positions, both stationary and non-stationary. Occupational risk assessment is conducted out once every three years and in each case of changes to work position are reported or in the event of an accident. The Health and Safety Office keeps lists of all jobs subject to occupational risk assessment.

A so-called last minute risk analysis (LMRA) is also carried out. Prior to the start of the task, employees identify potential workplace hazards using an LMRA sheet. Work and areas of activity associated with significant hazards are identified. For each significant hazard, a course of action and supervision is established to ensure compliance with legal and other health and safety requirements.

The following procedures are of particular significance from the perspective of ongoing OHS management:

- 'Occupational health and safety, and environmental protection training',
- 'Hazard identification and occupational risk assessment',
- 'OHS and environmental monitoring',
- 'Major accidents',
- 'Organising work with significant hazards',
- 'Investigation of accidents and occupational diseases'.

Annual analyses show that the most common cause of accidents during maintenance work is incorrect behaviour of employees, i.e., failure to exercise due care and focus attention on the work being executed. In contrast, the most common cause of near-misses is, primarily, failure to conduct a risk assessment before commencing a task. The main factors posing a risk to the health and life of employees, related to the working environment are working at height, optical radiation (UV and IR) and dust containing crystalline silica, and the factor related to the arduousness of work is a forced body position. As part of post-accident prevention, employees are familiarised with accident circumstances and the causes leading to the occurrence of the accident, additional training is provided, and information on accidents is passed on to ZE PAK SA services (in those cases, where the cause is found to be related to power equipment). Occasionally, disciplinary penalties are also imposed on a supervisor who is proven to have failed to comply with OHS regulations in connection with the accident. Employees of the Occupational Health and Safety Office conduct inspections with regard to the compliance with OHS regulations and rules, resulting in the issuing of a so-called non-compliance card and requests for imposition of a disciplinary sanction in individual cases. In their memoranda or post-inspection reports, the services record recommendations, usually concerning disorder at the workplace or improper technical condition of means of work. Also, the duty to conduct workplace inspections is fulfilled by supervision employees (senior masters and managers), which they document through checklists. In the past period, the Occupational Health and Safety Service has greatly focused on inspections of personal protective equipment and equipment used to conduct work - the technical condition and validity of periodic inspections of machinery and equipment.

The employer's obligation to ensure safe and hygienic working conditions for employees at PAK SERWIS was implemented in 2023 as follows:

- a) technical means, purchases included:
- agricultural tractor,
 - hydraulic chamfering machine,
 - PED BLUE personal dosimeter - 3 pcs,
 - portable plasma cutter,
 - Karcher S650 manual sweeper,
 - non-spark wrenches,
 - 3.5 t pallet trucks.
- b) organisational measures:
- the social room in the building of the construction brigade at the Konin power plant was renovated,
 - the social room in the electrical workshop building at the Konin power plant was renovated,
 - the walls and ceiling in the workshop and tin smithing room of the construction brigade at the Konin power plant were painted,
 - the Masters' rooms in the Electrical Workshop at the Pątnów power plant were refurbished.

Auxiliary activities – Maintenance and service

[GRI 403-1, 403-2] [ESRS S1 S1-1, S1-3] PAK Górnictwo sp. z o.o. conducts maintenance and renovation work at PAK KWB Konin. Work related to reclaiming post-open pit areas is in progress. The company of group collects waste, which it then transfers to authorised entities. The company employs around 800 employees, a significant proportion of whom work in the Mining Plant Operations Department. The OHS Service conducts a post-accident investigation in relation to each accident at work that occurs in the company's areas of operation. A post-accident instruction is drawn up for each accident at work, based on which the employees are made aware of the accident circumstances and the causes behind the occurrence of the accident. Information on accidents is also provided to the services of ZE PAK SA, PAK KWB Konin SA. Accident cause analyses show that the most common cause of accidents during is incorrect behaviour of employees, i.e., failure to exercise due care and focus attention on the work being executed. A five-point occupational risk assessment has been prepared for all work positions in accordance with the Polish Standard PN-N-18002. Harmful factors in the work environment are measured on an ongoing basis, based on the method statement for the supervision of measurements of workplace factors. The main harmful factors within a work environment are noise, vibration, dust and, to a lesser extent, chemical factors, and the factor related to onerousness is night work. Measurements results and records can be found in the OHS office. Organisational and technical programmes are drawn up based on workplace factor tests to reduce exposure to their adverse effects. The employees of the OHS Office conduct inspections on an ongoing basis, which cover observance of OHS regulations and rules. A protocol is drawn up for each inspection. Post-inspection recommendations are implemented by managers. Reviews of working conditions are also conducted based on an official order. The company's Manager Board receives the recommendations from such a review. Recommendations that do not require financial outlay are implemented immediately, whereas a decision to implement review conclusions that require financial outlay is made by the Company's Management Board. Internal legal acts such as ordinances and instructions concerning organisational arrangements, which directly or only indirectly concern issues of occupational health and safety and ergonomics, i.e., which have an impact on ensuring safe and hygienic working conditions in the company, are also drawn up on an ongoing basis. Method statements covering work execution and operation of machinery, equipment and tools, the handling of chemical substances and their mixtures or hazardous materials are developed and updated, together with the hazards that may occur during the work process and the methods of avoiding them or mitigating their effects.

New business areas

[GRI 403-2] [ESRS S1 S1-3] New areas of activity related to energy generation based on natural gas (Adamów power plant), renewable energy sources (RES), nuclear energy and hydrogen production will be associated with work environment risks different to the current ones. In the case of the solar and wind power investment projects, which have already been initiated on a larger scale, one can, of course, talk about, e.g., the risk of electric shock, for example, but the risk level is incomparably lower than in the certain work positions in lignite mining or conventional power generation, due to their maintenance-free operation technologies. In contrast, planned investments in nuclear power generation will involve exposure of some work positions to ionising radiation and the need for appropriate radiological protection to eliminate or maximally reduce the doses of ionising radiation. Although a workplace risk assessment for certain job positions will only be possible at a more advanced stage of individual ventures, it can be assumed that people's exposure to risks associated with occupational hazards will be less than currently. Also, the risks associated with the arduousness of work in these positions will certainly be lower than today.

Key indicators

Table 25: End-of-year employment structure by contract type (in persons, at the end of subsequent periods) [GRI 2-7, 2-8] [ESRS S1 S1-6, S1-7]

	2023			2022			2021		
	females	males	total	females	males	total	females	males	total
<i>By contract type</i>									
Group									
Permanent employment contract	269	2 293	2 562	302	2 723	3 025	333	3 092	3 425
Fixed-term employment contract	7	51	58	15	52	67	7	59	66
Trial-period employment contract	1	1	2	2	14	16	0	5	5
ZE PAK									
Permanent employment contract	195	524	719	209	576	785	228	696	924
Fixed-term employment contract	3	8	11	10	8	18	5	4	9
Trial-period employment contract	1	1	2	0	0	0	0	0	0

Table 25a: Structure of persons working based on civil-law contracts (at the end of subsequent periods) [GRI 2-7, 2-8] [ESRS S1 S1-6, S1-7]

	2023			2022			2021		
	females	males	total	females	males	total	females	males	total
<i>Civil-law contract</i>									
Group									
	14	52	66	13	79	92	13	79	92
ZE PAK	8	15	23	3	19	22	4	19	23

Table 26: End-of-year employment structure by position, education and age (in persons, at the end of subsequent periods). The structure does not include people employed under a civil-law contract [GRI 2-7, 2-8] [ESRS S1 S1-6, S1-7]

	2023			2022			2021		
	females	males	total	females	males	total	females	males	total
<i>By position type</i>									
Group									
Management positions	27	118	145	28	143	171	45	259	304
Non-management positions	250	2 227	2 477	281	2 656	2 937	295	2 899	3 194
ZE PAK									
Management positions	23	50	73	23	50	73	30	60	90
Non-management positions	176	483	659	196	534	730	203	640	843
<i>By education</i>									
Group									

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Higher (bachelor's, master's, post-graduate, including PhD. and professor)	180	613	793	201	730	931	206	764	970
Secondary (high school, technical school, post-secondary, post high school)	88	906	994	107	1 062	1 169	123	1 206	1 329
Vocational (basic, vocational training)	6	726	732	8	872	880	11	1 028	1 039
Primary (primary, middle school)	3	100	103	3	125	128	5	155	160
ZE PAK									
Higher (bachelor's, master's, post-graduate, including PhD. and professor)	144	251	395	153	263	416	156	294	450
Secondary (high school, technical school, post-secondary, post high school)	54	181	235	64	207	271	73	247	320
Vocational (basic, vocational training)	1	83	84	2	90	92	3	128	131
Primary (primary, middle school)	0	18	18	0	24	24	1	31	32
<i>By age</i>									
Group									
Up to 30	5	75	80	5	116	121	4	157	161
31 to 40	48	381	429	51	469	520	56	538	594
41 to 50	78	677	755	93	902	995	100	1 128	1 228
Over 50	146	1 212	1 358	170	1 302	1 472	185	1 330	1 515
Total	277	2 345	2 622	319	2 789	3 108	345	3 153	3 498
ZE PAK									
Up to 30	3	11	14	3	10	13	2	9	11
31 to 40	37	59	96	34	72	106	38	83	121
41 to 50	60	141	201	67	157	224	72	195	267
Over 50	99	322	421	115	345	460	121	413	534
Total	199	533	732	219	584	803	233	700	933

Table 27: Persons newly employed within the year (in persons, for a given period) [GRI 401-1] [ESRS S1 S1-6]

Group	2023			2022			2021		
	females	males	total	females	males	total	females	males	total
Up to 30	1	16	17	2	47	49	0	27	27
31 to 40	7	12	19	9	67	76	1	21	22
41 to 50	0	7	7	9	93	102	6	24	30
Over 50	6	15	21	7	128	135	2	28	30
Total	14	50	64	27	335	362	9	100	109

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% of new employees in a team	5.05%	2.13%	2.44%	8.46%	12.01%	11.65%	2.61%	3.17%	3.12%
ZE PAK									
Up to 30	0	3	3	1	5	6	0	4	4
31 to 40	6	5	11	6	6	12	0	10	10
41 to 50	0	0	0	4	9	13	5	6	11
Over 50	6	6	12	2	4	6	1	7	8
Total	12	14	26	13	24	37	6	27	33
% of new employees in a team	60.3%	2.63%	3.55%	5.94%	4.11%	4.61%	2.6%	3.9%	3.5%

Table 28: People leaving their jobs (in persons, for a given period) [401-1] [ESRS S1 S1-6]

Group	2023			2022			2021		
	females	males	total	females	males	total	females	males	total
Up to 30	0	10	10	0	57	57	3	26	29
31 to 40	3	36	39	9	117	126	3	83	86
41 to 50	1	87	88	5	192	196	8	193	201
Over 50	40	199	239	34	334	367	26	272	298
Total	44	332	376	48	700	746	40	574	614
% rotation	15.88%	14.16%	14.34%	15.05%	25.10%	24.00%	11.59%	18.20%	17.55%
ZE PAK									
Up to 30	0	0	0	0	2	2	2	0	2
31 to 40	0	5	5	6	11	17	0	4	4
41 to 50	1	5	6	1	29	30	5	8	13
Over 50	31	55	86	20	98	118	13	55	68
Total	32	65	97	27	140	167	20	67	87
% rotation	16.08%	12.20%	13.25%	12.33%	23.97%	20.80%	8.6%	9.6%	9.3%

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Table 29: Diversity within the Company's bodies (in persons, at the end of subsequent periods) [GRI 405-1b] [ESRS S1 S1-9]

	2023			2022			2021		
	females	males	total	females	males	total	females	males	total
Group's Management Board									
Up to 30									
31 to 40	1	2	3		2	2		1	
41 to 50	3	4	7	3	7	10	2	8	10
Over 50	1	12	13	1	17	18		14	14
Total	5	18	23	4	26	30	2	23	25
ZE PAK Management Board									
Up to 30									
31 to 40								1	
41 to 50		2	2		2	2	2	8	10
Over 50	1	2	3	1	2	3		14	14
Total	1	4	5	1	4	5	2	23	25
Group's Supervisory Boards									
Up to 30									
31 to 40		2	2		1	1			
41 to 50	1	9	10	1	5	6	1	8	9
Over 50		11	11		12	13		7	7
Total	1	22	23	2	18	20	1	15	16
ZE PAK Supervisory Board									
Up to 30									
31 to 40		1	1		1	1			
41 to 50		2	2		3	3	1	8	9
Over 50		6	6		6	6		7	7
Total		9	9		10	10	1	15	16

Table 30: Accidents at work [GRI 403-9] [ESRS S1 S1-14]

	2023	2022	2021
Group			
Total number of accidents (casualties), including:	27	20	37
– minor	27	20	35
– severe	0	0	0
– fatal	0	2	2
Number of days lost	1 124	1 079	1842
Total accident casualty frequency rate (per 1000 insured)	8.2	7.0	7.9
Severe and fatal accident casualty frequency rate (per 1000 insured)	0.177	0.254	0.254
ZE PAK			
Total number of accidents (casualties), including:	4	1	4
– minor	4	1	3
– severe	0	0	0
– fatal	0	0	1
Number of days lost	228	40	79
Total accident casualty frequency rate (per 1000 insured)	3.8	1.8	1.7
Severe and fatal accident casualty frequency rate (per 1000 insured)	0.346	0.346	0.346

Table 31: Occupational diseases [GRI 403-10a] [ESRS S1 S1-14]

	2023	2022	2021
Number of confirmed occupational diseases Group	0	1*	0

*Case confirmed by ZE PAK

Table 32: Number of employees exposed to factors harmful to health and factors associated with work strenuousness (in persons, at the end of subsequent periods) [ESRS S1 S1-14]

	2023	2022	2021
Group			
Noise	56	45	129
Dust	15	4	0
Insufficient lighting	76	104	141
Energy expenditure	6	6	420
Work-related nuisance – working at night	1 471	1 302	1383
ZE PAK			
Noise	0	13	16
Dust	0	0	0
Insufficient lighting	76	93	141
Energy expenditure	6	6	0
Work-related nuisance – working at night	288	336	438

11.5. Environmental issues

The impact of ZE PAK SA Group's transition on the environment and future risks

The transformation of the ZE PAK Group towards new lines of business related to low-carbon and emission-neutral sources of energy generation means benefits related primarily to the radical reduction of greenhouse gas emissions from the combustion of non-renewable fossil fuels and energy generation based on renewable (wind, solar, biomass¹⁰)¹¹ or other zero-carbon (nuclear power) sources. Given the need to stabilise production generation based on non-renewable sources with a significantly lower carbon footprint (natural gas) is assumed during the interim period of the transition.

Limiting fossil fuel means a simultaneous reduction in emissions of other pollutants into the air (SO_x, NO_x, dust and resulting from kBAT) and the amount of waste, other combustion by-products and wastewater. The abandonment of lignite extraction will enable avoiding the interference with land relief that the construction of an open pit mine entails, the impact on surface and groundwater, as well as the noise and dust associated with the extraction of this raw material.

The gradual phasing out of open pit mining also means the gradual restoration of natural hydrographic conditions, no longer disturbed by artificial drainage of the mining area. Wherever land reclamation involves water reclamation, water reservoirs will be created, which will be part of nationwide water retention and drought-prevention efforts. Nevertheless, the restoration of natural hydrographic conditions in the interim period may entail their periodic disruption, which will be the result of depression funnels filling with water and the associated reduction in the amount of water in certain surface watercourses. These, in turn, will additionally no longer be supplied with water pumped out of the mining areas.

Simultaneously, however, the new projects will entail other environmental impacts that will give rise to risk categories specific to them. In the case of the currently already commissioned investments by the PAK-PCE group, where ZE PAK is a minority shareholder, the exposure to environmental risks will be significantly lower, but will also be of a completely different nature. For example, in relation to photovoltaic farms, it is primarily the landscape that is disturbed during the

¹⁰ Biomass combustion emissions, while evidently existing, do not affect the CO₂ balance in nature. The same biomass, if not combusted but subjected to putrefaction processes, would release significant amounts of carbon dioxide into the atmosphere due to the oxidation of the carbon therein. Therefore, biomass combustion is considered to be climate neutral and, crucially, biomass is a renewable fuel.

¹¹ In mid-2023, ownership of a majority stake in PAK-PCE sp. z o.o., which brings together special purpose vehicles responsible for operations in specific renewable technologies (including photovoltaic farms, wind farms, biomass energy, hydrogen generation, hydrogen bus), was formally transferred to the Polsat Plus Group. The ZE PAK SA Group still remains the owner of almost half of the company and, given its business competences, the entity on whose employees the significant burden of operational management of PAK-PCE's assets will rest.

operational phase, and areas of such farms are often used for agricultural purposes. The ZE PAK SA Group is also looking at projects that allow the use of farmland, e.g., for animal grazing. In the case of wind power, however, it is worth pointing out the threat the turbines may pose to birds and bats in addition to the significant disturbance to landscape.

The new activity types should not cause such a serious nuisance to the public environment as the lignite mines do today. The resulting photovoltaic farm, although it covers a vast area, has been located on reclaimed post-mining land, so its construction did not involve the exclusion of land from agricultural production, land purchases or relocation of residents. There are no large concentrations of people in its immediate vicinity. Anyway, the impact of the photovoltaic farm itself, apart from the transformation of the area, is limited.



Current environmental risks and management approach

As with other segments, the framework of ZE PAK SA Group's policy and management approach to environmental issues at the operational level is reflected in the provisions of the ZE PAK Group's Social Responsibility Strategy for 2024-2028. At the same time, one should bear in mind the existing certified management systems, with their scope addressing environmental issues, related to:

- the process of electricity and heat generation along with all auxiliary processes, identified environmental aspects, hazards, as well as legal and other requirements (ZE PAK SA),
- work in the field of installation, renovation and servicing of power and industrial equipment, industrial construction services, investment management in the power industry and the industry, as well as modernisation and maintenance of electrical and automation systems in the power industry (Przedsiębiorstwo Remontowe PAK SERWIS sp. z o.o.

and incorporate the environmental policies of the selected companies, followed by specific procedures that are periodically reviewed and optimised. Their aim, just like the aim of the ZE PAK SA Capital Group Sustainable Development Strategy for 2024-2028, is to ensure a stable and environmentally safe process of lignite extraction, energy generation, and maintenance and modernisation works.

At the same time, selected management aspects, in line with a broader scope of environmental management, are regulated by internal regulations and orders. These often reflect not only applicable national laws, but also specific administrative decisions and permits or environmental impact reports relating to a specific project, facility or plant. The latter, i.e., the environmental impact reports, or more precisely, their description of the anticipated impacts of the planned project on the environment, are in themselves a binding reference point for the managers of individual facilities and plants. This approach is extremely important. It is important to realise that environmental impact reports, rather than universal management systems, on one hand refer to the specificity of a given project, and on the other, unlike many other procedural solutions, are created through dialogue and open consultation with the surroundings. Therefore, solutions minimizing the impact on the natural environment are developed under the participation of stakeholders (local authorities, administration, local community, ecological organisations). They also take into account the unique specificity of each site, which is important, for example, in the case of open pits, because even if they are located close to each other, the prevailing site conditions (e.g., geological, hydrological, human settlement location) will be, at most, similar, but not identical. Therefore, the approach towards environmental management and limiting adverse impacts on the natural surrounding may also be, at most, similar, but not identical.

The starting point for the policy and the procedures based on it is the nature of the business activity's environmental impact. It entails specific risks, which are addressed by particular and constantly improved procedures and process solutions. To briefly define the nature of environmental impact requires dividing it into impacts related to mining activities (lignite mining) and energy generation.

In the case of **mines**, the primary environmental impact aspects are:

- **impact on site surface** - (open pit mineral extraction involves site surface transformation; originally used land is replaced by spatial landforms (pit, spoil heap) and the associated infrastructure (conveyor belts, haul roads, back-up facilities),
- **impact on surface water** - (among others, reduction of flow in watercourses influenced by the mine and increased flow in watercourses due to discharge of water from underground and surface drainage of the open pit),
- **impact on groundwater** - (formation of a so-called depression funnel as a result of open pit drainage),
- **noise emissions** - (primary machinery associated with the excavation of the overburden and its placement, primary machinery extracting coal, coal and overburden conveyors, road transport),
- **impact of mine facilities on atmospheric air**
 - unorganised dust emissions: process (mechanical), i.e., related to mechanical mining and transport of raw material by belt conveyors; climate, i.e., related to wind erosion of vegetation-free areas,
 - organised emissions of pollutants into the air from the boiler house providing heat for the social facilities of the mine,
- **impact on environmentally valuable areas** (in case the environmentally valuable area is located in the impact zone),
- **risks associated with electromagnetic fields.**

In the case of **energy generation in conventional coal- and biomass-fired power plants**, the following aspects of environmental impact should be distinguished, among others:

- **emissions of compounds associated with coal combustion, e.g., CO₂, SO₂, NO_x,**
- **dust emissions,**
- **noise generation** (e.g., due to the operation of power unit turbines),
- **waste generation** (in the process of lignite combustion and flue gas purification),
- **possible leakage of oil, mazut or acids resulting in local contamination of the soil and water environment,**
- **heating of surface water, lakes** (due to the use of lake surface water within the cooling process),
- **leaks of ash pulp or overlaying water into the soil and water environment,**
- **industrial wastewater discharge,**
- **electromagnetic field emissions,**
- **terrorism threat, which may result in environmental contamination.**

The various aspects of environmental impact referred to above give rise to specific risks both for business and the natural environment. In fact, it was the excessive environmental costs of energy generation based on lignite combustion, especially in the climate context, that so influenced the economic policy of the EU and Poland, and further on the decision to extinguish this activity in the ZE PAK SA Group and transform towards more environmentally sustainable technologies.

In addition, each of the above-mentioned aspects may in certain situations (e.g., an accident resulting in contamination or above-normal emissions) cause image losses, social conflicts and loss of social consent for the activity, legal or financial sanctions or other decisions resulting in profit depletion. As a consequence, this may mean, for example, an upset in generation stability (the need to temporarily shut down some part of a generating system), a decrease in revenues (reduced output) or an increase in costs (e.g., the need to clean up accident consequences, but also the need to incur additional fees and penalties).

Therefore, the policies and procedures adopted by the ZE PAK SA Group with regard to the mining and conventional power generation areas, as adopted in the new ZE PAK Group Sustainable Development Strategy for 2024-2028, focus on ensuring mechanisms and procedures that minimise the risks of anomalies and deviations resulting in an above-normal impact on the natural environment within the extraction or generation process, and minimising atmospheric emissions by optimally shaping the use of the ZE PAK SA Group's current generation capacities and ensuring that the risk of overruns of gaseous emissions into the atmosphere is minimised.

In the generation segment, activities in 2023 have traditionally focused on aspects related to air protection (emissions, immissions), water and wastewater management (lake monitoring, wastewater management, underground water management), waste management, and noise emissions to the environment.

Impact of activities on the immediate natural environment

[GRI 303-1, 304-2] [ESRS E3 E3-2, E4-2] In the mining segment, most key measures to prevent, reduce or compensate for adverse environmental impacts are pre-planned already at the stage of environmental analyses and the development of the environmental impact report. In addition to technical and engineering solutions (appropriate heap shaping, planning solutions to minimise the effects of water condition disturbance due to open pit dewatering, etc.), impact standards are

strictly defined in individual environmental aspects and environmental monitoring is conducted out throughout the many years of an open pit life cycle, as well as monitoring of water levels in wells, watercourses and water reservoirs, quantity and quality of water discharged to consumers (waters and to the soil), the extent of the depression funnel, dust emissions, noise levels, etc.

In the past year, the mine has conducted:

- quantitative and qualitative monitoring of groundwater and surface water,
- nature monitoring, with particular emphasis on areas of high natural value,
- technical and biological reclamation.

[GRI 304-1, 304-3] [ESRS E3 E3-2, E4-2] There are several areas of natural significance within the range of significant impact of the ZE PAK SA Group's plants, both open pit mines and power plants: Among others, the eastern part of the 'Adamów-Koźmin' mining area has been included in the Natura 2000 Special Bird Protection Area – Dolina Środkowej Warty (site code: PLB300002). The same area is located within the reach of the Drzewce open pit drainage. Part of the Drzewce open pit field A is located within the Natura 2000 area and the rest of the site and field B affects the site. In turn, the 'Nadgoplański Park Tysiąclecia' Landscape Park and Nature Reserve (NPT) is located 7-12 km west of the Tomisławice open pit. In the area of the Tomisławice open pit, there is also the 'Goplańsko – Kujawski' protected landscape area and the 'Jezioro Głuszyńskie' protected landscape area. In turn, Special Habitat Protection Area – 'Puszcza Bieniszewska' PLH300011 is in the vicinity of the Pątnów Power Plant, located 2.5 km to the west. Within the range of influence of the Pątnów Power Plant, at a distance of approx. 6-8 km to the south of the power plant, there is also a border of a Special Bird Protection Area – 'Dolina Środkowej Warty' – PLB300002 and a Special Habitat Protection Area – 'Ostoja Nadwarciańska'. - PLH300009.

At PAK KWB Konin SA, monitoring of the water environment was conducted for active open pits, as well as the open pits where mining has already been phased-out. At the Tomisławice opencast, monitoring of breeding birds in Ostoja Nadgoplańska, monitoring of natural habitats and plant species was conducted. As part of corrective measures in Ostoja Nadgoplańska, meadows were mowed to restore, preserve or improve the condition of habitats with protected plant species and to create favourable conditions for birds and insects. Bird monitoring was executed at the Drzewce open pit site, monitoring the impact of the open pit on wetland birds protected in the Dolina Środkowej Warty special bird protection area. As part of nature compensation aimed at habitat restoration, 15 artificial floating platforms for the black tern were installed on an oxbow lake in the Middle Warta Valley.

Special Area of Habitat Protection PLH300011 'Puszcza Bieniszewska' [304-4]

The dense forest complex is located at the western edge of the urban-industrial agglomeration of Konin. Almost the entire area is covered by well-preserved oak-hornbeam forests and riparian forests, small areas are occupied by acidophilous and light oak forests. Among them, there are three eutrophic water reservoirs, on the banks of which vast areas of eutrophic rushes and mossy meadows develop. The forest communities are well-preserved and highly diverse. It includes very well-preserved fertile deciduous forests of various types, particularly valuable as a gene reservoir in a landscape subject to very intensive, large-scale anthropopressure (there are extensive external and internal heaps of lignite mines nearby, currently undergoing reclamation).

A total of 8 habitat types from Annex I of the Habitats Directive were identified here. Valuable floristic refuge. Worth noting is the occurrence of a stable population of the *Liparis loeseli*, a species from Annex II of the Habitats Directive (1 Annex II animal species was also observed here). In addition, at least 12 other, nationally or regionally rare, species occur here. There are also rich populations of numerous species protected under Polish law.

Threats include air pollution - direct neighbourhood of open pit mines, power plant ash settling ponds and heated waters of Lake Gosławickie; change of groundwater level; change of use. The area is mostly located within 4 nature reserves of Bieniszew (144.1 ha; 1996), Sokółki (240 ha; 1996), Pustelnik (100.25 ha; 1997) and Mielno (93.65 ha; 1957). Entirely within the Powidzko-Bieniszewski Protected Landscape Area (20 480 ha).

Special Protection Area for Birds PLB300002 'Dolina Środkowej Warty' [304-4]

The area includes the Warta Valley between the villages of Babin (near Uniejów) and Dębno n. Wartą (near Nowe Miasto n. Wartą). The valley varies in width from 500 m to about 5 km, and is filled by silts and sands, with only small areas of shallow peats in drainless depressions. The area of the valley is transformed to a varying degree and used differently.

Within the Kolska Basin, the river is embanked on both sides - floodplains (meadows and pastures, local riparian meadows and vicinage) are located in the zone between the embankments and in the mouths of the Prosna and Kielbaska rivers. Within the Konin-Pyzdrska Valley, the valley has retained a more natural character.

Its western part has not been embanked and is subject to periodic flooding. This area is occupied by a mosaic of extensively used meadows and pastures, riparian woodlands and oxbow lakes overgrown with reeds. The western part of the area (west of the mouth of the Prosna River) is occupied by a large complex of flooded, near-natural old ash and elm riparian forests and lowland oak-hornbeam forests. Their significant fragments have been preserved through reserve protection. Due to the construction of the Jeziorsko dam reservoir on the Warta River, the natural hydrological rhythm of the River Warta has been modified, resulting in a variety of habitat changes. The area contains a European rank E 36 bird refuge (Middle Warta Valley).

There are at least 42 bird species from Annex I of the Birds Directive, and 18 species from the Polish Red List (PCK). The area is a very important wetland bird sanctuary, especially during the breeding season. During the breeding season the area is inhabited by more than 10% of the domestic population of the white tern (PCK), more than 2% of the domestic population of the following bird species: gannet, grebe, redshank, platypus, little tern (PCK), white-winged tern (PCK), black tern, tern and at least 1% of the domestic population of the following bird species: ruff (PCK), bittern (PCK), marsh harrier, pond harrier, middle-spotted woodpecker, spotted warbler, bluethroat (PCK), barred warbler, barred warbler, lapwing, grey heron, hoopoe, oddball, crane, great curlew (PCK), ringed plover (PCK) and barred warbler; relatively high abundance is achieved by: hen harrier (PCK), bulbul, corncrake, corncrake, snipe, ortolan, blindworm (PCK), kingfisher and field pipit; the very rare pintail (PCK) probably nests; in addition, hoopoe, odonion, kestrel and remiz occur in abundance above 1% of the domestic population, and in abundance c. 1% of the domestic population - quail. During the autumn migration there are white egrets (up to 23 individuals), marmots up to 1 500 individuals, cranes (up to 250 individuals) and mixed flocks of geese up to over 5 000 individuals. During the spring migration, tooting ruffs are encountered in numbers of up to 1 200 individuals. The following forms of preservation are employed: Landscape Parks: Nadwarciański (13 428.0 ha), Żerkowsko - Czeszewski (15 640.0 ha), Protected Landscape Area, Pyzdrski (until 1995, 30000) (16 572.0 ha), Uniejowski (18 000.0 ha), Goplańsko-Kujawski, Nadwarciański, Powidzko-Bieniszewski, Szajcaria Żerkowska, Złotogórski

Limiting snowmelt floods and unpredictable flooding after heavy summer rains in the period from June to August constitute threats. The change in the hydrological regime leads to a reduction in meadow and pasture management and, consequently, to the expansion of shrub and woody vegetation into open areas. The change in hydrographic conditions also has a negative impact on the health of the riparian forests in the western part of the area.

Special Habitat Protection Area PLH300009 'Ostoja Nadwarciańska' [304-4]

The refuge is located in the eastern part of Wielkopolska and includes a fragment of the Middle Warta Valley. The Warta River flows here latitudinally in the Warsaw-Berlin Proglacial Valley shaped during the last glaciation.

The floodplain of the Warta River reaches a width of over 4 km locally and is characterised by a great diversity of vegetation, hence creating favourable habitats for many animal species, birds in particular. The present-day valley bottom has been formed mainly as a result of accumulation and erosion activities of riverine waters (mainly the Warta, and to a lesser extent the Prosna and Czarna Struga). The relief is abundant in various fluvial forms, such as river embankments, floodplain with various types of oxbow lakes, dune terrace and dune hills. The waters of the Warta River are characterised by a snowmelt and rainfall regime, with a specific rhythm of freshets and lows determining the environmental conditions of the entire valley, The flood zone still covers most of the refuge, creating periodic floodplains of up to several thousand hectares. These floodplains are mainly formed in spring, during the melt season, and irregularly occur in summer as well. Originally, such floodplains shaped the natural conditions throughout the valley.

At present, they are modified by a rather narrow embankment of the greater part of the valley, as well as the large dam reservoir 'Jeziorsko' in operation since the 1980s. The vegetation cover is very varied. It has mainly retained a semi-natural and natural, dynamic character. There are sporadic fragments of willow riparian forests *Salicetum albo-fragilis*, which are vanishing on a European scale, while phytocoenoses of riverine vicuñas *Salicetum triandro-viminalis*, connected with them in succession, are frequent. In small areas, especially on the edges of the valley, currant alder *Ribo nigri-Alnetum* and accompanying ash-alder fenwoods *Fraxino-Alnetum*, as well as riverside forms of ash-elder fenwoods *Ficario-Ulmetum campestris typicum* (now spontaneously expanding their local range) have been preserved. For several hundred years the largest areas have been occupied by wet meadows and pastures (*Molinietalia*) and rushes of the class *Phragmitetea*, especially *Glycerietum maximae* and *Caricetum gracilis*. Aquatic plant communities of the classes *Lemnetea* and *Potametea* are well developed in oxbow lakes. Sandy dunes are overgrown with grasslands of

the Koelerio-Corynephoretea class and pine stands. There are also interesting transitional bogs in the depressions without drainage within dune terraces.

The vast majority of the area is dominated by extensive meadow and pasture farming (including the grazing of flocks of geese, which is a tradition in this area) with forestry. Arable fields are concentrated in elevated areas and on the valley edge, where moderate agricultural settlements have developed. Some fragments of the terrain, especially in the Warta River riparian zone, are basically subject only to fluvial processes shaping the natural vegetation. The amphibian fauna is abundant in the refuge (13 out of 18 species occurring in Poland were found here). Other groups of organisms are less well identified, but there are interesting species of fungi, bryophytes, molluscs, mayflies, leeches, bats and fish.

The high value of this area is determined by the relatively low level of anthropogenic transformation, as natural and semi-natural ecosystems predominate. The international environmental values of the refuge have been confirmed by its inclusion in the CORINE biotopes and ECONET – Poland programmes. The Middle Warta Valley also meets the criteria of important areas for the preservation of wetland biotopes within the framework of the Ramsar Convention. The area is also important for bird preservation.

Landscape Park and Nature Reserve ‘Nadgoplański Park Tysiąclecia’ (NPT) [304-4]

The park area is located 7-12 km west of the Tomisławice open pit. A large area within its boundaries is covered by water – 2 130 ha, including Lake Gopło – 2 050 ha. Of the protected plants, mention should be made of yellow water lily and white water lily. Around the lake, the natural arrangement of meadows has been preserved – from wet meadows to fresh meadows and pastures. Birds are the most numerous and interesting in the NPT area. Lake Gopło is the most populated site in Poland for the greylag goose, breeding site of the bittern, marsh harrier, lapwing, skylark and wintering site of the black stork, red-throated duck, silvery gull, plover and, recently, the white-tailed eagle. New species include the purple heron, common pochard, little ringed plover, ruffed plover, grebe and capped plover. The ‘Goplańsko – Kujawski’ Protected Landscape Area was established in the southern part of the reserve and the landscape park ‘Nadgoplański Park Tysiąclecia’, along the Warta-Gopło channel, in the area of Sompolno, Wierzbinek and Zarynia. Parts of forests with valuable tree stand, marshes and peat bogs with marsh and meadow vegetation, often on meadows of organic origin, are protected within the boundaries of this area. The ‘Kawęczyńskie Brzęki’ forest reserve is located within the ‘Goplańsko – Kujawski’ Protected Landscape Area. The reserve protects an oak-hornbeam forest with a rowan-birch tree. The ‘Goplańsko – Kujawski’ Protected Landscape Area is connected in its eastern part with the ‘Głuszyńskie Lake’ Protected Landscape Area. Forests (Orle Forest) and meadow and marsh complexes are valuable.

The ZE PAK SA Group conducted reclamation work to recover areas which, due to lignite mining, were excluded from forest or agricultural production.

In areas where the exploitation of deposits has already been completed, technical reclamation and biological reclamation is conducted with relation to water, forest, agricultural, recreational and other. For example, in 2023, the technical reclamation covered approximately 597 ha, and biological reclamation covered approximately 3 304 ha. Approximately 1 627 thousand trees and shrubs were planted under biological reclamation.

Biological reclamation of final working slopes and internal heaps at an area of approx. 125 ha covered lands after PAK KWB Adamów. At the Adamów and Koźmin and the Władysławów open pit site, work was in progress involving filling post-mining pits with water, with a total area of about 860 ha, and involving nurturing the slopes of these pits including, among others, sodding the slopes of the Adamów Intermediate Reservoir, nursing the slopes of the Władysławów Reservoir and nursing the slopes of the Koźmin Reservoir. Planting was also conducted as part of forestry effort and covered the slope of the Adamów Koźmin Reservoir.

Decisions were obtained to declare agricultural reclamation on the internal heaps of the Adamów, Koźmin and Władysławów open pits, on a total area of 16.1099 ha complete.

In addition, administrative decisions have been obtained for the reservoirs emerging from the PAK KWB Adamów workings:

- Decision No. 4/23 of the Governor of Wielkopolskie province, ref. No. IR-V.7840.209.2022.2, dated 17 January 2023, approving the land development design, as well as the architectural and construction design, and granting a permit for the construction of an inlet and outlet to the Koźmin Końcowy reservoir within the framework of the project entitled ‘Construction of the Koźmin Końcowy reservoir’. ‘Restoration of the morphological continuity of the Teleszyna river bed. Construction of an inlet and outlet including hydraulic/engineering structures’.

- Decision No. 47/23 of the Governor of Wielkopolskie province, ref. No. IR-V.7840.17.2023.2, dated 31 March 2023, approving the land development design, as well as the architectural and construction design, and granting a building permit for the project 'DG-2 Water ditch from the Passive Canal to the Głowy Reservoir in the Koźmin open pit'.
- Decision of the Director of the Regional Water Management Board of Wody Polskie in Poznań, PO.RUZ.4210.167.2023.OB.7, dated 19 October 2023, granting a water permit for the specific use of water comprising the transfer of surface water from the Teleszyna River at the Przykona junction into the Adamów Open Pit Area in order to increase the water resources of the Adamów Pośredni and Adamów Końcowy water reservoirs.
- Decision of the Director of the Regional Water Management Board of Wody Polskie in Poznań, PO.RUZ.4210.86.2023.MD.12, dated 5. September 2023, granting a water permit for the specific water use in terms of using water for the purposes of economic activity in terms of discharging water from the in-depth dewatering of the Adamów open pit into the Adamów Końcowy reservoir. The decision is not final due to the appeal of the Turek District State Forest entity and is therefore not enforceable.

473 500 trees and shrubs were planted in 2023 at the premises of KWB Adamów (in the Turek district).

At PAK KWB Konin areas (in the Konin and Kolsk districts), technical reclamation works were conducted on the internal heaps of the Józwin and Drzewce open pits and on the external and internal heaps of the Tomisławice open pit. Technical reclamation was also conducted in relation to shaping and profiling the slopes of the final workings after the Drzewce and Józwin II B open pits. Technical reclamation covered a total area of approximately 586 ha.

Biological reclamation with the biological reconstruction of reclaimed areas in modes of water, agriculture, forest and recreation was conducted on an area of approx. 2 280 ha. Decisions were obtained regarding the completion of reclamation at Józwin II A in the agricultural mode on an area of 27.0597 and in the recreation mode on an area of 5.3789 ha and the forestry mode, in the Drzewce – Field A open pit, covering an area of 15.8043 ha. The flooding of the Kleczew reservoir after the Kazimierz Północ open pit has been completed and an application has been submitted to the County Office in Konin for the completion of water reclamation on an area of 102.8519 ha (a decision procedure is pending). Reclamation decision covering a total area of 48.2429 ha were obtained.

At the same time, appeal proceedings are pending; at the Supreme Administrative Court in Warsaw to the appeal of the Kleczew commune against the decision to terminate the reclamation in the water mode of the flooded part of the Kleczew reservoir in the Kazimierz Północ open pit with an area of 242.1941 ha, and at the Provincial Administrative Court in Poznań to the appeal of PAK KWB Konin regarding the recognition of the reclamation of the flooded part of the Kleczew reservoir with an area of 165.3419 ha.

As of 2023, the final workings of the Drzewce and Józwin II B open pits, where lignite mining has been phased-out, are being flooded. Biological reclamation in the forestry mode is ongoing in relation to the Drzewce – Bilczew field and Field A open pit, as well as the Tomisławice open pit – external heap, Józwin II B open pit and the slope of the Kleczew reservoir on an area of approx. 375 ha, and in the agricultural, recreational and other modes on the Józwin II A open pit, Józwin II B open pit and LZG (Mining Plant) Kazimierz Północ on an area of approx. 250 ha. The filling of the Lubstów reservoir is in progress.

A total of 1 153 thousand trees and shrubs were planted at the PAK KWB Konin site (Konin and Kolsk districts) in 2023. A total of 1 627 thousand trees and shrubs were planted on mining sites in the Konin, Kolsk and Turek districts.

Administrative decisions have been obtained for the reservoirs created in the PAK KWB Konin workings:

- Decision of the Director of the Regional Water Management Board of Wody Polskie in Poznań, PO.RUZ.4210.90.2023.OB.6, dated 17 July 2023, granting a water permit for the construction of water facilities in the form of two outlets from pipelines introducing water from the well dewatering of the Drzewce open pit mining plant into the final working of the Drzewce open pit.
- Decision of the Director of the Regional Water Management Board of Wody Polskie in Bydgoszcz, ref. No. BD.RUZ.4210.27.2022.PC, dated 13 January 2023, granting a water permit for the specific use of water comprising the transfer of water from the Noteć River to the water reservoir of the Lubstów open pit final working.

Table 33: Specification of area sizes with completed technical reclamation, in the course of biological reclamation and seeding, as well as areas with a decision on successfully completed reclamation (hectares)

	2023	2022	2021
Technical reclamation	597	270	167
Biological reclamation (in progress)	3 304	2 165	2 252
Biological reclamation (completed)	64.35	629.3	388.0

Table 34: Share of lands with a decision on completing reclamation to lands excluded from agricultural and forestry production in mines (%)

	Total since 2006	2023	2022	2021
Lands excluded from agricultural and forestry production subject to reclamation (ha)	3 278.78	33.59	36.64	37.86
Lands with obtained decision on reclamation completion (ha)	3 520.82	64.35	629.31	388.05
Share of lands with a decision on completing reclamation to lands excluded from agricultural and forestry production in mines (%)	107%	192%	1,718%	1,025%

Table 35: Reclamation effectiveness index for a given year: % share of lands with a decision on completing reclamation to lands excluded from agricultural and forestry production (%)

	2023	2022	2021
Estimated area of total lands excluded from agricultural and forestry production subject to reclamation (ha)	4 120	4 150	4 740
Lands with obtained decision on reclamation completion (ha)	64.35	629.3	388.1
Reclamation effectiveness index (%)	1.6%	15.2%	8.2%

Table 36: Plantings

	2023	2022	2021
Number of trees planted (pcs)	1 627 000	456 500	202 000



Air protection: emissions and immissions

The existing generating facilities have been modernised and retrofitted with process solutions, primarily associated with adapting them to the ever more stringent environmental standards. Owing to the modernisation of two units at the Pałnów

I power plant and the earlier construction of a unit at the former Pałnów II power plant, **generation efficiency increased** (and thus fuel efficiency) at these power plants on one hand, and **emissivity, including the mass of CO₂ per unit of electricity produced, decreased** on the other. This approach also enabled **dramatically reducing emissions of harmful nitrogen and sulphur oxides and dust into the atmosphere**. However, bear in mind that successive tightening of standards eliminating emissions or increasing the fees associated with them has its impact on the economic efficiency of the energy generation process in a conventional manner, using fossil fuels.

The new, extremely ambitious green transition strategy of the ZE PAK SA Group, which assumes a shift towards low-emission and emission-neutral electricity sources is becoming a reality¹². Investments in new, eco-friendly generation assets are implemented together with the phasing out of lignite-based power generation. This had already begun prior to the formal adoption of the strategy document. The following have been decommissioned in recent years:

- Adamów Power Plant (600 MW: 5 coal-fired units with a capacity of 120 MW each) – last unit shut-down on 1 January 2018.
- Pałnów I Power Plant (200 MW: 1 coal-fired unit with a capacity of 200 MW - unit No. '4') – shut-down at the end of 2019.
- Pałnów I Power Plant (200 MW: 1 coal-fired unit with a capacity of 200 MW - unit No. '3') – shut-down in mid-2020.
- Pałnów I Power Plant (200 MW: 1 coal-fired unit with a capacity of 200 MW - unit No. '6') – shut-down at the end of 2020.
- Konin Power Plant (93 MW: 2 steam turbine generators in the manifold system with coal boilers) – shut-down in mid-2020.

As a result, over the recent years, the ZE PAK SA Capital Group has decommissioned power equipment with a capacity of 1 293 MW. There are only 4 coal-fired units left out of the 7 originally available ones in the Pałnów Power Plant – the largest in the Group.

The group plans to decommission its remaining coal-fired units – **it has announced a complete coal phase-out within the next few years at the latest. The scenario assumes the operation of coal-fired units No. 1, 2 and 5 at the Pałnów power plant until the end of 2024. A baseline operation scenario until the end of 2025 was assumed for the 474 MW unit (former Pałnów II Power Plant). The Company has the right to decide on the extension depending on external factors (power system demand, market situation, regulatory environment)**. As in the case of the extraction segment, key environmental impact parameters related to electricity generation are monitored, often on a continuous basis. Similarly, reports of potential irregularities are reviewed. However, it should be mentioned that the environmental conditions imposed on conventional generators are becoming increasingly more stringent and this trend is expected to continue. In this context, mention should be made, for example, of the BAT (Best Available Technology) Conclusions, which for the conventional power sector entered into force on 18 August 2021. The BAT regulations tighten emission limits for nitrogen oxides, sulphur oxides and dust, which had previously been governed by the Industrial Emissions Directive (IED). Limits for chlorine and fluorine compounds and heavy metals, such as mercury, have also been included in the catalogue of these standards. This poses major organisational and capital challenges for conventional power generators related to the adaptation to new regulations. However, it is also necessary to take into account certain derogations and exemptions that a generator will be entitled to under certain conditions (e.g., due to a remaining relatively short lifetime that does not justify incurring disproportionate expenses).

Throughout the year, the emission of pollutants at individual power plants was monitored for compliance with applicable emission standards and requirements of BAT Conclusions. Continuous emission monitoring systems were extended to meet the assumptions regarding monitoring air emissions in the light of kBAT. The correct operation of the continuous measurement systems at ZE PAK SA was supervised, and the functioning of procedures, i.e., QAL3 - quality assurance procedure during operation of flue gas emission monitoring systems compliant with PN-EN 14181, was coordinated. As of 18 August 2021, a number of additional emission-monitoring obligations, including metals and semi-metals and an extended range of fuel quality were performed. The correct operation of protective equipment reducing air emissions was supervised. The production process was coordinated in terms of meeting air emission standards and limits (optimisation of the combustion process at the Pałnów II power plant). The tasks at ZE PAK SA under the PRTR (National Pollutant Release and Transfer Register) were executed through measuring and reporting pollutants. Financial obligations for the

¹² In mid-2023, ownership of a majority stake in PAK-PCE sp. z o.o., which brings together special purpose vehicles responsible for operations in specific renewable technologies (including photovoltaic farms, wind farms, biomass energy, hydrogen generation, hydrogen bus), was formally transferred to the Polsat Plus Group. The ZE PAK SA Group still remains the owner of almost half of the company and, given its business competences, the entity on whose employees the significant burden of operational management of PAK-PCE's assets will rest.

emission of pollutants into the atmosphere as part of the operations, i.e., environmental and penalty fees, and in the scope of reporting pollutant emissions into the air, were performed.

Due to the impact of pollutant emissions on the immediate surroundings, atmospheric air purity within the impact area of the Group's power plants (air pollutant immission) is also monitored. In 2023, no significant differences were identified between the levels of tested substances and their equivalents measured by stations of the Provincial Inspectorate of Environmental Protection in Wielkopolska.

In the context of emissions of all pollutants, including dust, the past year was satisfactory for the Group. A comparison of relevant indicators can be found at the end of this chapter. Integrated permits for the combustion systems of ZE PAK Spółka Akcyjna, i.e., Pątnów I Power Plant – units no. K1, K2 and K5, Pątnów II Power Plant – unit No. K9, Konin Power Plant - units no. K12 as well as K-85 and K-86 were adjusted to the requirements of BAT conclusions, taking into account individual deviations from emission limits. The Company conducts its generation activities in line with the permissible emission limits arising from the IED Directive and BAT Conclusions. Constant emission monitoring systems, expanded according to BAT 4 requirements, constitute grounds for the verification of ZE PAK SA's fulfilment of the requirements set out in the Commission Implementing Decision (EU) 2017/1442 on emissions of pollutants into the atmosphere.

Irrespective of the reduction in emission factors per unit of production referred to above, it is also important to note that the systems employed at the Pątnów and Konin power plants did not exceed permissible emission levels once in the past year.

Water and sewage management, and lake monitoring

Unique, semi-natural cooling system

[\[GRI 303-1\]](#) [\[ESRS E3 E3-2\]](#) From a formal standpoint, the condenser cooling system of the Pątnów Power Plant and Konin Power Plant is an open system. However, this is not a typical solution for many industrial facilities, where cooling is provided by the waters of flowing rivers, whose waters receiving excess heat. The solution applied in the case of the ZE PAK power plant can be viewed as a kind of closed circuit, with incorporated natural water reservoirs, connecting them with each other through a system of canals. This system enables replenishing the water from the Warta River in this specific system in the event of a water table decrease. As a result, the relatively constant water level in the lakes allows power plants to operate effectively in the summer months, a situation impossible in those power plants located on rivers, which have to reduce power in the event of hot droughts (at low water levels). Thus, ZE PAK's power plants are better prepared for the risks entailed by a warming climate, i.e., prolonged droughts, which in the case of ZE PAK do not necessarily, with the output levels of recent years, mean that generation has to be significantly reduced. It is a circuit that combines natural reservoirs and man-made solutions into a whole. However, it is in a closed system of sorts and operates practically independently of the other reservoirs and natural watercourses, without affecting their functioning. This is an engineering solution unparalleled in Europe and the world.

The system connects five natural lakes of Konin, which, as a single lake complex, are a cooling water intake, as well as the receiver and cooling point for heated discharge water. The Pątnów power plant draws cooling water from Lake Gosławskie and Lake Pątnowskie. The Konin power plant draws cooling water from Lake Pątnowskie. Water, heated in condensers, is discharged into discharge ducts that distribute it to all lakes of the cooling circuit. The cooling circuit consists of the following connected lakes: Gosławskie, Pątnowskie, Licheńskie, Wąsowskie, Mikorzyńskie and Ślesieńskie, canals, pumping stations, culverts and siphons. The cooling circuit common to the Pątnów and Konin Power Plants is called a distant circuit (the volume of water in the distant circuit is approximately 87 188 000 m³). The exception is Lake Gosławskie, which cools water only from the Pątnów Power Plant and is called the near circuit (amount of water in the near circuit of approximately 21 500 000 m³).

The remote cooling circuit operates during a high air and temperature season (summer), in the following manner: heated cooling water drawn by the Central Pump Station from Lake Gosławskie for cooling of the Pątnów Power Plant is partially discharged through a discharge duct back into Lake Gosławskie through 3 overflows, while the remaining part continues to flow through the duct and connects with the discharge water of the Konin Power Plant. Combined channels distribute water to Lake Pątnowskie and lakes: Mikorzyńskie and Licheńskie. From Lake Licheńskie, the 'Piotrkowice' pumping station pumps water through channels to Lake Ślesieńskie. There may be water shortages in the lakes during summer periods with low rainfall (so-called "dry summers"). These shortages can be supplemented from the Warta River through pumping stations in Morzysław and Pątnów via the Warta - Gopło Channel.

The system created in the 20th century has strongly influenced the biology of the lakes, mainly by contributing to an increase in average lake water temperature. Energy generation by power plants has contributed to the creation of an aquatic ecosystem characteristic only of the heated and well-aerated Konin lakes. The discharge of aerated and warm, but

strictly temperature-controlled, water has for years favoured the development of fish breeding, including their reproduction and the production of stocking material. This is further used by fish farms throughout the country. The management in the vicinity of the power plants implemented by fish farms, which are technologically coupled to the cooling circuit, together constitutes a sturgeon fish breeding system that is unique on domestic, and even European scale.

Unfortunately, the unique ecosystem of the Konin lakes, including intensive fishing, creates conditions for colonisation by alien, often invasive species. As many as 41 species alien to the region and at least 58 cryptogamous species, i.e., not clearly native or alien, were recorded there, and their expansion or invasion could and may be due to both natural and anthropogenic causes. The predominant species among the studied ones were stringfish, molluscs and flatworms. At the same time, the lake ichthyofauna was enriched by 12 alien fish species. It was possible to determine the circumstances of lake system colonisation for 58% of the species. Most of them originated from the Pontocaspian and Asian areas. Species from North America, Africa, South America and a few from Australia, Oceania and Central America were also recorded. Some were brought to Poland for commercial purposes (aquaculture, fish-keeping). Others were introduced to the lakes on purpose, e.g., Asian herbivorous fish like grass carp, white trout and spotted trout – as they were to help limit the spread of spiral wallaby (a grass popular in fish-keeping). A significant number of species populated the lakes as 'stowaways' that were accidentally released into the environment, such as due to aquaculture and aquaristics. Some, e.g., the hybrid water lily, also came, for example, from so-called 'plantings'.

An example of an invasive species may be the bivalve mollusc – Chinese bark beetle – occurring naturally in the Amur and Yangtze rivers, and brought to Poland from Hungary together with farmed herbivorous fish in the early 1980s. It was found by accident in the summer of 1993, during an exploration of the bed of the Pątnów power plant discharge channel. Similarly to the Chinese bark beetle, the stone moroko – a fish naturally found in China, was brought to Poland with stocking material from Hungary, but as a result of its expansion in Poland, it inhabits more than 50 sites, mainly within pond complexes. Its spread has been facilitated by the stocking of farm ponds, lakes and rivers with stocking material of other fish.

A separate group of alien fish species found in Konin lakes includes 'escapees' from breeding facilities. The occurrence of sturgeon, rainbow trout, tilapia or golden carp was related to their unintentional introductions. Most of these species do not reproduce in heated lakes. Their impact on the environment and the already poor native lake ichthyofauna is also unknown. The fish inhabiting the lakes are currently under strong pressure from anglers, as well as fish-eating birds congregating in the area of the Konin lakes.

Lake monitoring

[GRI 303-1] [ESRS E3 E3-2] Anthropogenic activities have contributed to the formation of an aquatic ecosystem characteristic only of the heated Konin lakes (Gosławskie, Pątnowskie, Ślesińskie, Licheńskie, Wąsowsko-Mikorzyńskie), which is subject to continuous monitoring by ZE PAK. The following parameters are variable:

- circulating water quantities,
- discharge water temperature,
- lake water levels,
- use of lakes for cooling ("near" or "distant" circuit only).

All the above-mentioned parameters are subject to constant monitoring. The thermal conditions in lakes and cooling circuit channels of the Pątnów power plant and the Konin power plant are systematically monitored by ZE PAK SA under the terms of the integrated permit. The monitoring involves:

- surface water temperature measurements at 24 points important for the preservation of the lakes and cooling circuit operation; the measurements are taken at least once a month (in the cold season) and much more frequently (even daily) in the summer season (depending on air temperature),
- continuous, automatic measurement of water temperature at the intakes from the Pątnowskie and Gosławskie lakes,
- continuous, automatic measurement of water temperature at power plant discharges.

A network of control and measurement benchmarks gauges is established on all cooling system facilities. Measurements of water levels and water flows are taken to control the proper functioning of the entire cooling circuit. This is achieved, among other things, by means of water level gauges, installed on the intake and discharge channels and on the lakes. Lake water level fluctuations depend on a number of factors, mainly of a natural character. In turn, the ability to use water to cool the units under operation depends on water quantity and temperature. Physical and chemical monitoring of water is also carried out once a month in all lakes and channels included in the cooling circuit.

Wastewater management

[GRI 303-1] [ESRS E3 E3-2] Wastewater generated at power plants is treated at on-site treatment plants and, once the achieved parameters are in line with current legislation, is discharged to receiving bodies. However, for many years, power plants have been taking measures to use wastewater in internal systems and prevent water pollution in lakes. Thus, wastewater from the flue gas purification plant, oily wastewater from the washing of industrial floors and filter flushing wastewater from the potable water treatment plant are used to produce ash-slag pulp, so there is no need to use lake water as a transport medium for this purpose. Furthermore, the lakes are not polluted with chemicals. In addition, wastewater from a modern water demineralisation station is used by the flue gas desulphurisation plant for the production of lime milk. Owing to the comprehensive modernisation of the waste water discharge system at the Pałnów power plant, all wastewater (including domestic and industrial) was managed within the plant's internal system, which contributed to the complete cessation of pollutant emissions to surface waters.

Water stress analysis

According to the *Aqueduct™ Water Risk Atlas*¹³ published by the World Resources Institute (WRI), the entire area of the Konin Lakes, where the mining and manufacturing operations of the ZE PAK SA Group are conducted, is a region where the so-called “water stress”¹⁴ has been identified as “high” and the overall water risk¹⁵ as “medium-high”. In contrast, the risk of physical water availability, which contributes to the overall water risk and includes, among others, the water stress issue, has been assessed in relation to this area as “extremely high”. This implies the need for very serious economical and rational use of the scarce resources and special care not to pollute them.

Water for Wierzbinek

The restoration of water resources in the Noteć River catchment area is the subject of a tripartite agreement between the State Water Holding Wody Polskie, ZE PAK SA and the Wierzbinek commune. A letter of intent to collaborate on this project was signed on 14 December 2023.

The objective of the agreement is to restore water resources and improve the hydrological status in the upper Noteć River and Grójecki Canal catchment area, as well as to supply water to Lake Zakrzewek and to fill the reservoir after the Lubstów quarry more quickly. To achieve this, the signatories pledged joint action, including raising support from the Just Transition Fund and national resources.

Water from the dewatering of the Tomisławice open pit and the waters of the Pichna River will be used to restore the water resources within the areas mentioned. The construction of a conveyance system for these waters includes, among other things, the construction of a pumping station on the Pichna, a connector between the beds of the Pichna and the Noteć rivers, and the conveyance of water from the connector to Lake Zakrzewek. This task is planned to be completed between 2023 and 2025.

The total value of the project is PLN 4 million, of which 2.8 million will be financed from EU and national funds and 1.2 million from own resources. ZE PAK has pledged PLN 800 000 for this purpose, and the Wierzbinek commune and PGW WP have pledged PLN 200 000 each.

ZE PAK also undertook to draw up project documentation, obtain the necessary approvals and survey the land. The Wierzbinek commune will allocate the land for the designed facilities and provide assistance in obtaining the necessary administrative decisions, while PGW WP will coordinate the project from the technical and financial sides, and later operate the resulting hydrotechnical facilities.

The parties have pledged to keep each other informed of the project progress. On behalf of the signatories, the document was signed by Bogumił Nowak, Director of the Regional Water Management Authority in Poznań, Piotr Woźny, President of ZE PAK, and Paweł Szczepankiewicz, Mayor of Wierzbinek.

¹³ <https://www.wri.org/applications/aqueduct/water-risk-atlas>

¹⁴ water stress measures the ratio of total water intake to available renewable surface and groundwater sources.

¹⁵ Overall water risk measures all water risks by aggregating all selected indicators from the physical quantity, quality and regulatory and reputational risk categories. Higher values indicate higher water risk.

Table 37: Water consumption¹⁶ [GRI 303-3] [ESRS E3 E3-4]

		UoM	2023	2022	2021
Group					
Surface waters:	fresh (≤1000 TDS)	m ³	1 488 330	2 352 681	2 701 643
	other (>1000 TDS)	m ³	0	0	0
Groundwater:	fresh (≤1000 TDS)	m ³	114 141 420	337 894	455 999
	other (>1000 TDS)	m ³	0	0	0
Salt water:	fresh (≤1000 TDS)	m ³	0	0	0
	other (>1000 TDS)	m ³	0	0	0
Produced water:	fresh (≤1000 TDS)	m ³	0	0	0
	other (>1000 TDS)	m ³	0	0	0
Purchased water		m ³	185 545	190 639	184 773
Total water intake		m³	115 815 295	2 881 214	3 342 415
ZE PAK					
Surface waters:	fresh (≤1000 TDS)	m ³	1 488 330	2 352 681	2 701 643
	other (>1000 TDS)	m ³	0	0	0
Groundwater:	fresh (≤1000 TDS)	m ³	313 486	334 917	425 987
	other (>1000 TDS)	m ³	0	0	0
Salt water:	fresh (≤1000 TDS)	m ³	0	0	0
	other (>1000 TDS)	m ³	0	0	0
Produced water:	fresh (≤1000 TDS)	m ³	0	0	0
	other (>1000 TDS)	m ³	0	0	0
Purchased water		m ³	0	0	0
Total water intake		m³	1 801 816	2 387 598	3 127 630

Comment: in the case of ZE PAK: surface water includes the sum of total water drawn for individual power plants i.e., Patnów, Konin (the former Adamów power plant does not draw such waters). This is a non-returnable consumption. The amounts of water drawn for cooling purposes, which is returned to the environment in its entirety in unchanged quantity and composition, were not included in the statement. Groundwater for ZE PAK is the sum of water drawn at the following power plants: Patnów, Adamów and Konin. In the case of mines, the intake of groundwater from plant's intakes for social-living and fire purposes.

Table 38: Wastewater drainage (open pit drainage)¹⁷ [GRI 303-4] [ESRS E3 E3-4]

		UoM	2023	2022	2021
<i>Water discharged, by destination</i>					
Surface waters		m ³	0	0	0
Groundwater			113 824 221	151 550 861	160 581 455
Salt water		m ³	0	0	0
Produced water		m ³	0	0	0

¹⁶ Only entities with the largest water demand were taken into account, i.e., ZE PAK SA and KWB Adamów and KWB Konin.

¹⁷ Only entities with the largest water demand were taken into account, i.e., ZE PAK SA and KWB Adamów and KWB Konin.

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Purchased water	m ³	185 545	0	0
Total	m³	114 009 766	151 550 861	160 581 455

Comment: waters from open pits were discharged into the environment – the specified volume does not include domestic wastewater discharge

Table 39: Water consumption¹⁸ [GRI 303-5] [ESRS E3 E3-4]

	UoM	2023	2022	2021
Total water consumption	m ³	189 258	193 616	212 419

Waste

[GRI 306-2] [ESRS E5 E5-2] The main waste streams generated at KWB Adamów and KWB Konin are iron and steel scrap, furnace slag and ash from plant boiler houses.

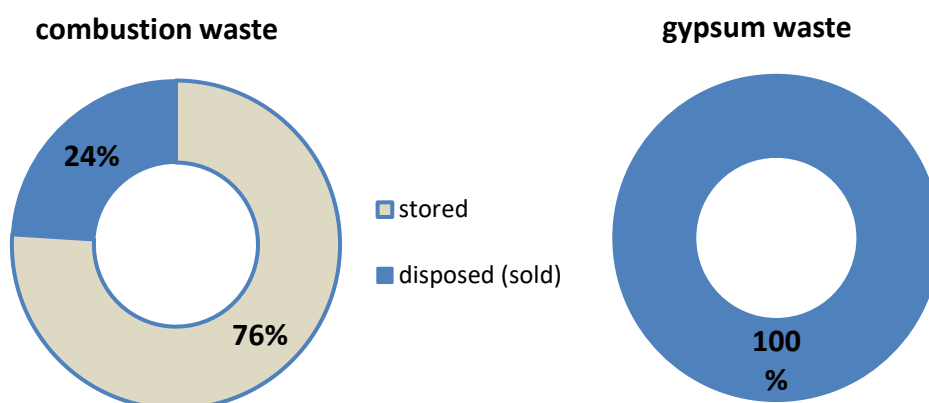
A total of 3 118.38 Mg of waste, including 3.8 Mg of hazardous waste were generated in 2023. A total of 3 838.59 Mg of waste was generated in 2022, including 15.8 Mg of hazardous waste, of which: Adamów – 691.36 Mg of total waste and 3.55 Mg of hazardous waste, KWB Konin – 3 147.23 Mg of total waste and 12.25 Mg of hazardous waste. 3 691.91 Mg of waste, including 18.12 Mg of hazardous waste were generated in 2021. The generated waste was handed over to companies with relevant permits in terms of waste collection, processing, i.e., recovery or neutralization (except for ash and slag waster from plant boiler houses, which were used for hardening land surfaces, construction of internal road and yard substructures).

[GRI 306-2] [ESRS E5 E5-2] The main waste stream generated at ZE PAK SA is furnace waste (ash) and solid waste from calcium-based flue gas desulphurisation methods (gypsum). The waste generated is primarily managed by external companies as part of waste recovery. Fly ash generated is mainly used to create mixtures for road foundations and road binders. Waste from flue gas desulphurisation, on the other hand, is mainly directed to the production of gypsum products, plasterboard and cement plants. In 2023, approximately 146.32 thousand tonnes of flue gas desulphurisation waste were generated (with more than 111 thousand tonnes sold) and approximately 53.36 thousand tonnes of waste from calcium-based flue gas desulphurisation (53.36 thousand tonnes sold). The remaining quantities of waste generated are directed to landfills owned by the Company.

The combustion and flue gas desulphurisation waste generated in ZE PAK SA meet the requirements of environmental protection and does not endanger human life and health, which was confirmed by tests in the field of physico-chemical, toxicological and ecotoxicological properties executed for the needs of registration of substances in accordance with the REACH regulation's requirements.

Graph 16: Percentage share of managed waste generated at the Company in 2023

¹⁸ Only entities with the largest water demand were taken into account, i.e., ZE PAK SA and KWB Adamów and KWB Konin.



The landfills operated by ZE PAK SA in 2023 were monitored in terms of groundwater, surface water and supernatant water quality, at a frequency specified in integrated permits and landfill operation manuals, i.e., one a quarter. Currently, ZE PAK SA owns 4 waste disposal sites, all of them under operation in 2023, i.e.,

- solid waste landfill for the Pątnów open pit (inert waste landfill),
- Zachodnia (Western) open pit furnace waste landfill with the so-called Wschodnia (Eastern) open pit evaporator and the solid waste landfill (landfill for non-hazardous and inert waste),
- northern combusted fuel waste storage site Pątnów open pit (landfill for non-hazardous and inert waste),
- open-pit combustion waste disposal site - Gosławice open pit together with the Linowiec evaporator (landfill for non-hazardous and inert waste).

Monitoring was carried out within a basic and supplementary monitoring network. Groundwater quality was monitored through a network of piezometric boreholes located in the vicinity of landfills. The quality of groundwater studied in piezometers and deep wells in 2023 ranged from Class I to V. Overlaying waters occurring at the landfills (used for hydrotransport of combustion waste) were characterised by high mineralisation, high electrolytic conductivity, high pH and total hardness. In addition, landfill monitoring involves an annual assessment of slope stability and subsidence extent. Most scarps monitored in 2023 turned out to be stable. ZE PAK SA is also conducting ongoing reclamation of non-operated waste landfill sections.

Table 40: Waste management – generated waste [GRI 306-3] [ESRS E5 E5-5]

Waste streams (waste code)	UoM	2023	2022	2021
Group				
Ash-slag mixture (10 01 80)	tonnes	36 961.7	154 607.9	212 219.9
Furnace slag (10 01 02)	tonnes	110 502.3	207 872.0	416 621.9
Calcium-based reaction wastes from flue-gas desulphurisation in sludge form (10 01 07)	tonnes	48 705.0	96 244.4	148 191.3
Bottom ash, slag and boiler dust (excluding boiler dust mentioned in 10 01 04) (10 01 01)	tonnes	1 584.3	-	2 824.4
Fly ash from peat and untreated wood (10 01 03)	tonnes	24 333.6	3 628.0	14 242.9
Sludge from on-site effluent treatment other than those mentioned in 10 01 20 (10 01 21)	tonnes	-	131.6	398.5
Calcium-based reaction wastes from flue-gas desulphurisation in solid form (10 01 05)	tonnes	53 366.0	93 847.7	155 717.8
other non-hazardous waste	tonnes	2 864.5	7 814.9	5 913.6
hazardous waste	tonnes	15.4	134.6	88.7
Total	tonnes	278 332.9	564 281.2	956 219.1

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Ash-slag mixture (10 01 80)	tonnes	35 818.1	59 500.3	212 220.0
Furnace slag (10 01 02)	tonnes	110 502.3	220 227.3	416 621.9
Calcium-based reaction wastes from flue-gas desulphurisation in sludge form (10 01 07)	tonnes	48 705.0	29 460.7	148 191.3
Bottom ash, slag and boiler dust (excluding boiler dust mentioned in 10 01 04) (10 01 01)	tonnes	-	1 702.0	572.4
Fly ash from peat and untreated wood (10 01 03)	tonnes	-	13 706.2	14 242.9
Sludge from on-site effluent treatment other than those mentioned in 10 01 20 (10 01 21)	tonnes	-	131.6	398.5
Calcium-based reaction wastes from flue-gas desulphurisation in solid form (10 01 05)	tonnes	53 366.0	93 797.2	155 717.8
other non-hazardous waste	tonnes	1 334.2	7 794.1	4 235.6
hazardous waste	tonnes	11.6	50.6	3.5
Total	tonnes	249 737.3	426 370.0	952 203.9

Noise

As part of the obligation to monitor noise emitted into the environment imposed by integrated permits on fuel combustion facilities, in 2023 ZE PAK measured noise from the premises of the Pątnów power plant (unit No. 9) and the premises of PAK-PCE Biopaliwa i Wodór sp. z o.o. The results of conducted tests did not indicate overrun permissible values set out in the permits. Other systems covered by the obligation of noise monitoring were not measured, with the results from 2022 still valid.

Inspections

In 2023, the Provincial Inspectorate for Environmental Protection in Poznań, Konin Branch conducted three planned inspections of ZE PAK SA Group's power plants. The scope of all inspections included verification of compliance with environmental protection regulations and administrative decisions.

The mines were inspected by the Provincial Inspectorate for Environmental Protection in Poznań, Konin Branch, in terms of compliance with regulations and administrative decisions issued for the Józwin IIB open pit, and by the Regional Mining Authority in Poznań in terms of fulfilment of obligations related to reclamation and liquidation of redundant workings at the Adamów, Władysławów and Koźmin open pits. All follow-up orders have been implemented.

Major industrial failure prevention programs

The programme for preventing major industrial failures at the Pątnów Power Plant were updated in 2023.

Other

Administrative decisions on waste collection and generation are crucial due to the activities executed at **PAK Górnictwo sp. z o.o.** This mainly concerns waste generated in maintenance-renovation and maintenance-repair workshops, conveyor belt renovation halls, electric locomotive repair halls and the water bottling plant.

Key indicators

Taking into account the changing legal and environmental environment, the rising price of CO₂ emission allowances, the tightening standards for the emissivity of other substances, the Company is already significantly reducing its carbon footprint. A significant decline in CO₂ relative to earlier years can be observed over the recent years.

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Table 41: Consumption of key fuels [GRI 302-1] [ESRS E1 E1-5]

Energy sources	UoM	2023	2022	2021
Group				
<i>a. Non-renewable sources / total consumption of key non-renewable fuels</i>				
lignite	Mg	1 664 415	3 488 705	5 229 634
fuel oil	Mg	3 214	4 916	6 628
mazut	Mg	521	982	2 547
diesel oil	Mg	2 101	2 307	2 780
gasoline	Mg	70	48	43
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
biomass	Mg	408 205	675 575	485 378
ZE PAK				
<i>a. Non-renewable sources / total consumption of key non-renewable fuels</i>				
lignite	Mg	1 664 415	3 488 705	2 858 832
fuel oil	Mg	3 027	4 793	6 628
mazut	Mg	521	982	2 547
diesel oil	Mg	49	52	49
gasoline	Mg	42	26	27
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
biomass	Mg	-	316 205	485 378

Table 42: Gross electricity generation [GRI 302-1] [ESRS E1 E1-5]

Energy sources	UoM	2023	2022	2021
Group				
<i>a. Non-renewable sources</i>				
lignite/fuel oil/mazut	MWh	1 446 851	3 326 893	4 534 739
	GJ	5 208 663	11 976 813	16 325 062
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
biomass	MWh	296 338	552 724	374 659
	GJ	1 066 816	1 989 806	1 348 773
solar energy	MWh	37 467	79 778	3 609
	GJ	134 880	287 200	12 993
Total electricity	MWh	1 780 655	3 959 394	4 913 008
	GJ	6 410 359	14 253 819	17 686 828
% of RES energy	%	18.7%	16.0%	7.7%
ZE PAK				
<i>a. Non-renewable sources</i>				
lignite/fuel oil/mazut	MWh	723 947	2 207 961	4 534 739
	GJ	2 606 208	7 948 660	16 325 062
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
biomass	MWh	-	236 767	374 659

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	GJ	-	852 362	1 348 773
solar energy	MWh	-	-	-
	GJ	-	-	-
Total electricity	MWh	723 947	2 444 728	4 909 399
	GJ	2 606 208	8 801 022	17 673 835
% of RES energy	%	0%	9.7%	7.6%

Table 43: Gross thermal energy generation [GRI 302-1] [ESRS E1 E1-5]

Energy sources	UoM	2023	2022	2021
Group				
<i>a. Non-renewable sources</i>				
lignite/fuel oil/mazut	GJ	189 170	227 959	247 912
<i>b. Renewable sources (RES) / consumption of renewable fuels</i>				
biomass	GJ	534 072	1 008 649	1 089 931
Total thermal energy	GJ	723 242	1 236 608	1 337 843
% of RES energy	%	73.8%	81.6%	81.5%
ZE PAK				
<i>a. Non-renewable sources</i>				
lignite/fuel oil/mazut	GJ	189 170	227 959	247 912
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
biomass	GJ	-	590 616	1 089 931
Total thermal energy	GJ	189 170	818 575	1 337 843
% of RES energy	%	0%	72.2%	81.5%

Table 44: Total gross energy generation (electricity, thermal) [GRI 302-1] [ESRS E1 E1-5]

Energy sources	UoM	2023	2022	2021
Group				
<i>a. Non-renewable sources</i>				
lignite/fuel oil/mazut	GJ	5 397 833	12 204 772	16 572 974
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
Biomass and sun	GJ	1 735 768	3 285 655	2 451 697
Total thermal energy	GJ	7 133 601	15 490 427	19 024 671
% of RES energy	%	24.3%	21.2%	12.9%
ZE PAK				
<i>a. Non-renewable sources</i>				
lignite/fuel oil/mazut	GJ	2 795 378	8 176 619	16 572 974
<i>b. Renewable (RES) sources / consumption of renewable fuels</i>				
biomass	GJ	-	1 442 978	2 438 704
Total thermal energy	GJ	2 795 378	9 619 597	19 011 678
% of RES energy	%	0%	15.0%	12.8%

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Table 45: Electricity sales

Energy sources	UoM	2023	2022	2021
Group				
<i>a. Own energy sales</i>				
black energy sales	MWh	1 226 436	2 981 579	4 039 419
	GJ	4 415 168	10 733 684	14 541 909
green energy sales	MWh	294 418	548 765	320 015
	GJ	1 059 905	1 975 552	1 152 055
Total own energy sales	MWh	1 520 854	3 530 344	4 359 434
	GJ	5 475 073	12 709 237	15 693 964
<i>b. Purchased energy sales</i>				
purchased electricity sales	MWh	1 129 051	2 548 220	1 391 282
	GJ	4 064 585	9 173 591	5 008 614
Total energy sales	MWh	2 649 905	6 078 563	5 750 716
	GJ	9 539 658	21 882 828	20 702 578
ZE PAK				
<i>a. Own energy sales</i>				
black energy sales	MWh	1 226 436	2 981 579	4 039 419
	GJ	4 415 168	10 733 684	14 541 909
green energy sales	MWh	0	193 462	316 406
	GJ	-	696 465	1 139 062
Total own energy sales	MWh	1 226 436	3 175 041	4 355 825
	GJ	4 415 168	11 430 149	15 680 971
<i>b. Purchased energy sales</i>				
purchased electricity sales	MWh	646 989	871 971	860 586
	GJ	2 329 161	3 139 097	3 098 110
Total energy sales	MWh	1 873 425	4 047 013	5 216 411
	GJ	6 744 330	14 569 247	18 779 081

Table 46: Thermal energy sales

Energy sources	UoM	2023	2022	2021
Group				
<i>a. Own energy sales</i>				
Total own energy sales	GJ	1 008 891	1 192 699	1 292 335
<i>b. Purchased energy sales</i>				
purchased electricity sales	GJ	-	-	-
Total energy sales	GJ	1 008 891	1 192 699	1 292 335
ZE PAK				
<i>a. Own energy sales</i>				
Total own energy sales	GJ	496 853	1 192 699	1 292 335
<i>b. Purchased energy sales</i>				
purchased electricity sales	GJ	-	-	-
Total energy sales	GJ	496 853	1 192 699	1 292 335

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Table 47: CO₂ emissions at the ZE PAK SA Group (Scope, 1, 2)* [GRI 305-1, 305-2] [ESRS E1 E1-4]

Energy sources	UoM	2023	2022	2021
Group				
<i>a. fuel combustion emissions – energy generation (Scope 1) (1)</i>				
lignite (1.1)	thous. tonnes	1 626.1	3 382.3	4 799.4
fuel oil (1.2)	thous. tonnes	9.9	15.7	22.7
mazut (1.3)	thous. tonnes	1.6	3.0	8.0
meal (flue gas desulphurization system (IOS)) (1.4)	thous. tonnes	14.7	26.2	41.2
NOx emissions (flue gas denitrification system) (1.5)	thous. tonnes	0.3	0.4	0.7
Total from non-renewable fuels (1.1+1.2.+1.3+1.4+1.5)	thous. tonnes	1 652.6	3 427.6	4 872.0
<i>biomass (biogenic emissions) (1.6)**</i>	thous. tonnes	422.4	799.2	549.0
Total (Scope 1) (1.1+1.2.+1.3+1.4+1.5+1.6)	thous. tonnes	2 075.1	4 226.8	5 421.0
<i>b. fuel combustion emissions – processes other than energy generation (Scope 1) (1)</i>				
diesel oil (2.1)	thous. tonnes	6.4	7.4	8.9
gasoline (2.2)	thous. tonnes	0.2	0.1	0.1
Total (Scope 1) (2.1+2.2)	thous. tonnes	6.9	7.5	9.0
Total direct emissions (Scope 1) (1+2)	thous. tonnes	2 082.0	4 234.3	5 430.0
<i>c. emissions associated with generating purchased energy (Scope2) (3)</i>				
extra-organization purchased electricity (3.1)	thous. tonnes	773.4	1 804.1	971.1
Total (Scope 2) (3)	thous. tonnes	773.4	1 804.1	971.1
Total (Scope 1+2)	thous. tonnes	2 855.4	6 038.5	6 401.1
<i>including biogenic emissions**</i>	<i>thous. tonnes</i>	422.4	799.2	549.0
ZE PAK				
<i>a. fuel combustion emissions – energy generation (Scope 1) (1)</i>				
lignite (1.1)	thous. tonnes	1 626.1	3 382.3	4 799.4
fuel oil (1.2)	thous. tonnes	9.6	15.3	22.7
mazut (1.3)	thous. tonnes	1.6	3.0	8.0
meal (flue gas desulphurization system (IOS)) (1.4)	thous. tonnes	14.7	26.2	41.2
NOx emissions (flue gas denitrification system) (1.5)	thous. tonnes	0.2	0.3	0.7
Total from non-renewable fuels (1.1+1.2.+1.3+1.4+1.5)	thous. tonnes	1 652.3	3 427.1	4 872.0
<i>biomass (biogenic emissions) (1.6)**</i>	thous. tonnes	-	354.9	549.0
Total (Scope 1) (1.1+1.2.+1.3+1.4+1.5+1.6)	thous. tonnes	1 652.3	3 782.0	5 421.0

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<i>b. fuel combustion emissions – processes other than energy generation (Scope 1) (1)</i>				
diesel oil (2.1)	thous. tonnes	0.2	0.2	0.2
gasoline (2.2)	thous. tonnes	0.1	0.1	0.1
Total (Scope 1)(2.1+2.2)	thous. tonnes	0.3	0.2	0.2
Total direct emissions (Scope 1)(1+2)	thous. tonnes	1 652.6	3 782.3	5 421.3
<i>c. emissions associated with generating purchased energy (Scope2) (3)</i>				
extra-organization purchased electricity (3.1)	thous. tonnes	443.2	617.4	600.7
Total (Scope 2) (3)	thous. tonnes	443.2	617.4	600.7
Total (Scope 1+2)	thous. tonnes	2 095.8	4 399.6	6 021.9
<i>including biogenic emissions**</i>	<i>thous. tonnes</i>	<i>-</i>	<i>354.9</i>	<i>549.0</i>

Table 48: Greenhouse gas emissions (eCO2) - (Scope 1, 2)* [GRI 305-1, 305-2] [ESRS E1 E1-4]

Energy sources	UoM	2023	2022	2021
Group				
<i>a. fuel combustion emissions – energy generation (Scope 1) (1)</i>				
fuel combustion emissions (lignite, fuel oil, mazut, biomass)***	thous. tonnes	2 449.5	4 979.6	6 365.2
<i>b. fuel combustion emissions – processes other than energy generation (Scope 1) (1)</i>				
diesel oil (2.1)	thous. tonnes	6.7	7.4	8.9
gasoline (2.2)	thous. tonnes	0.2	0.1	0.1
Total (Scope 1)(2.1+2.2)	thous. tonnes	6.9	7.5	9.0
Total direct emissions (Scope 1)(1+2)	thous. tonnes	2 456.4	4 987.2	6 374.3
<i>c. emissions associated with generating purchased energy (Scope 2) (3)</i>				
extra-organization purchased electricity (3.1)	thous. tonnes	924.5	2 145.2	1 171.2
Total (Scope 2) (3)	thous. tonnes	924.5	2 145.2	1 171.2
Total (Scope 1+2)	thous. tonnes	3 380.9	7 132.3	7 545.5
<i>including biogenic CO2 emissions **</i>	<i>thous. tonnes</i>	<i>422.4</i>	<i>799.2</i>	<i>549.0</i>
ZE PAK				
<i>a. fuel combustion emissions – energy generation (Scope 1) (1)</i>				
fuel combustion emissions (lignite, fuel oil, mazut, biomass)***	thous. tonnes	1 960.0	4 472.9	6 365.2
<i>b. fuel combustion emissions – processes other than energy generation (Scope 1) (1)</i>				
diesel oil (2.1)	thous. tonnes	0.2	0.2	0.2
gasoline (2.2)	thous. tonnes	0.1	0.1	0.1
Total (Scope 1)(2.1+2.2)	thous. tonnes	0.3	0.3	0.2

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Total direct emissions (Scope 1)⁽¹⁺²⁾	thous. tonnes	1 960.2	4 473.1	6 365.5
<i>c. emissions associated with generating purchased energy (Scope 2) ⁽³⁾</i>				
extra-organization purchased electricity ^(3.1)	thous. tonnes	529.8	734.0	724.5
Total (Scope 2) ⁽³⁾	thous. tonnes	529.8	734.0	724.5
Total (Scope 1+2)	thous. tonnes	2 490.0	5 207.2	7 089.9
<i>including biogenic CO2 emissions **</i>	thous. tonnes	-	354.9	549.0

Table 49: Other indirect eCO2 emissions – (Scope 3)* [GRI 305-3] [ESRS E1 E1-4]

Energy sources	UoM	2023	2022	2021
Group				
UPSTREAM				
1. Products and services purchased	thous. tonnes	3.90	n/a	n/a
2. Investment goods	tonnes	0.05	n/a	n/a
3. Liquid fuel acquisition (Pb, ON) _(WTT) – not included under scope 1 and 2	thous. tonnes	1.6	1.7	2.0
4. Upstream transport and distribution				
Railway transport	thous. tonnes	3.3	1.7	2.0
Road transport	thous. tonnes	6.6 ¹⁹	10.9 ²⁰	1.8
5. Waste management in operations	thous. tonnes	1.5	3.8	3.0
6. Business trips	thous. tonnes	0.05332	0.02960	n/a
7. Commuting to work	thous. tonnes	3.7	4.3	n/a
8. Upstream-leased assets	tonnes	Not applicable (no emissions)		
DOWNSTREAM				
9. Downstream transport and distribution	thous. tonnes	0.0003	n/a	n/a
10. Processing of sold products	thous. tonnes	Not applicable (no emissions)		
11. Use of sold products	thous. tonnes	Not applicable (no emissions)		
12. End-of-life product handling	thous. tonnes	Not applicable (no emissions)		
13. Downstream-leased assets	thous. tonnes	Not applicable (no emissions)		
14. Franchise	thous. tonnes	Not applicable (no emissions)		
15. Investments	thous. tonnes	Not applicable (no emissions)		

¹⁹ The emissions from biomass transport in 2023 are shown only for the first half of the year due to the acquisition of a controlling stake in PAK-PCE by Cyfrowy Polsat (data from the second half of the year is disclosed in the Polsat Plus Group report)

²⁰ Noticeable increase in the value results from obtaining and including in calculation for 2022 of previously not included information on biomass transport.

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Total (Scope 3)	thous. tonnes	20.3	22.4	8.4
ZE PAK				
UPSTREAM				
1. Products and services purchased	thous. tonnes	1.61	n/a	n/a
2. Investment goods	thous. tonnes	0.0032	n/a	n/a
3. Liquid fuel acquisition (Pb, ON) _(WTT) – not included under scope 1 and 2	thous. tonnes	0.1	0.06	0.06
4. Upstream transport and distribution				
Railway transport	thous. tonnes	3.3	1.7	1.6
Road transport	thous. tonnes	0.5	10.9 ²¹	1.8
5. Waste management in operations	thous. tonnes	0.7	3.7	2.2
6. Business trips	thous. tonnes	0.01426	0.0078	n/a
7. Commuting to work	thous. tonnes	1.0	1.1	n/a
8. Upstream-leased assets	thous. tonnes	Not applicable (no emissions)		
DOWNSTREAM				
9. Downstream transport and distribution	thous. tonnes	-	n/a	n/a
10. Processing of sold products	thous. tonnes	Not applicable (no emissions)		
11. Use of sold products	thous. tonnes	Not applicable (no emissions)		
12. End-of-life product handling	thous. tonnes	Not applicable (no emissions)		
13. Downstream-leased assets	thous. tonnes	Not applicable (no emissions)		
14. Franchise	thous. tonnes	Not applicable (no emissions)		
15. Investments	thous. tonnes	Not applicable (no emissions)		
Total (Scope 3)	thous. tonnes	7.1	17.5	5.6

* Methodology for estimating the carbon footprint: in the case of **solid fuels for energy generation** (i.e., lignite, biomass), CO₂ emissions are determined based on a calculation method, i.e., the sum of daily emissions calculated as the product of daily fuel consumption, its current calorific value, the emission factor determined through chemical analysis of the fuel and the oxidation factor. An advantage of this method is its greater accuracy due to the calculation taking into account the actual parameters of the fuel originating from deposits exploited by ZE PAK.

In the case of **liquid fuels used for energy generation** (mazut, fuel oil), the emission factor is not determined based on chemical analysis results, but the factors according to NOBiZE guidelines are applied. In addition, emissions from the use of flue gas desulphurisation and denitrification systems (also calculated as the consumption of meal and urea solution, and the emission factors they adopted) are also added to the emissions. Emissions from fuels which are not used directly to generate electricity and heat, i.e., **for automotive fuels** (petrol, diesel), are calculated as the product of the consumption volume and the calorific value and emission factors according to the KOBiZE guidelines. (2020-21); as of 2022 onwards, calculations have been made using the conversion factors from the current version of the UK Government GHG Conversion Factors for Company Reporting.

Regarding indirect emissions, for purchased electricity, the emission factors published by KOBiZE were used. When it comes to the remaining indirect emissions (i.e., Scope 3), their majority is estimated using the conversion factors of the current version of the UK Government GHG Conversion Factors for Company Reporting (known as defra), although a more accurate emission factor provided by the service provider (PKP Cargo) was applied in the case of rail transport. For Categories 1 and 2 of Scope 3, the Environmentally Extended Input-Output (EEIO) method was employed, i.e., internal financial purchasing data and conversion factors for the nearest

²¹ Noticeable increase in the value results from obtaining and including in calculation for 2022 of previously not included information on biomass transport.

purchasing categories, derived from 'Supply Chain Greenhouse Gas Emission Factors v1.2 by NAICS-6' (source: United States Environmental Protection Agency).

For calculations related to the CO₂ equivalent (eCO₂), nitrogen oxides (NO_x) were also included in the emission factors for purchased electricity as well as, for example, rail transport. NO_x emissions were also included for electricity and heat production, enlarging the carbon footprint accordingly (Global Warming Potentials (GWP) values from the most recent IPCC Fifth Assessment Report, 2014 (AR5) were used).

****Comment:** CO₂ is undoubtedly generated as a biomass combustion product. Such emissions, however, unlike those from the fossil fuel combustion, do not increase the balance of CO₂ circulating in nature and which would mostly be gradually released into the atmosphere anyway through biomass putrefaction processes. Therefore, there are two practical approaches to carbon footprint estimations. According to the methodology for calculating and reporting the carbon footprint for **KOBiZE** and **ETS** purposes, which is the basis for the formal reporting of the ZE PAK Group's carbon footprint, biomass combustion is treated as zero-emission. In turn, according to the **GHG Protocol** methodology, CO₂ emissions from biomass combustion should be included in the carbon footprint. **In order to present a reliable and comprehensive picture of the environmental impact, ZE PAK Group publishes the carbon footprint taking into account both methods (methodological approaches).**

***the carbon footprint resulting from nitrogen oxide (NO_x) emissions was added to the CO₂ emissions disclosed previously, using a GWP conversion factor of 265 (IPCC Fifth Assessment Report, 2014 (AR5))

Graph 17: CO₂ emissions associated with energy generation in the Group, 2018-2023

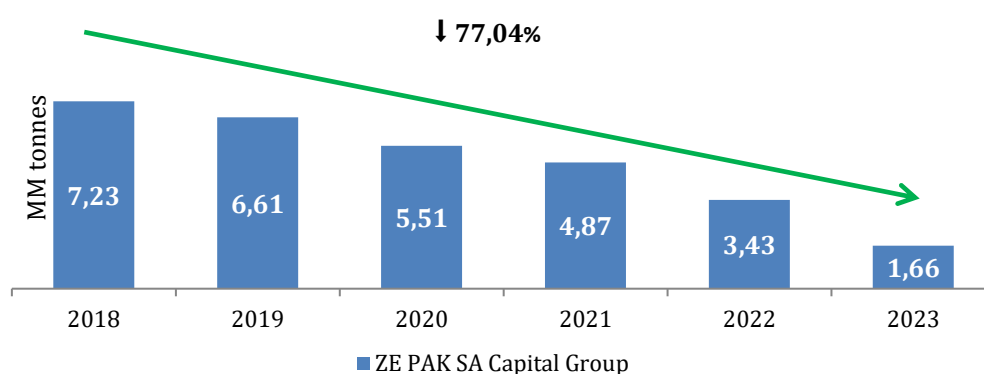


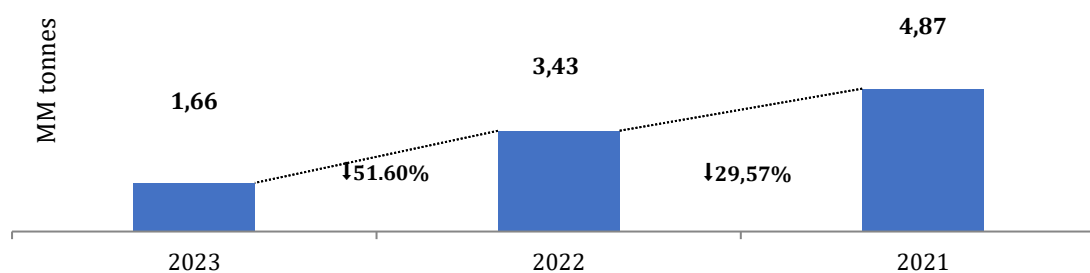
Table 50: CO₂ emissions related to energy generation

	2023	2022	2021
Group			
CO ₂ emissions at the ZE PAK SA Group (MM tonnes)	1.66	3.43	4.87
CO ₂ emissions in the ZE PAK SA Group per generation unit (MM tonnes/TWh)	0.93	0.87	0.99
ZE PAK			
CO ₂ emissions at ZE PAK SA (MM tonnes/TWh)	1.66	3.43	4.87
CO ₂ emissions at ZE PAK SA per generating unit (MM tonnes/TWh)	0.93	0.96*	0.99

* since the beginning of 2020 until the end of June 2022, CO₂ emissions were reported within the Company; as of July 2022, as a result of the transfer of the organised part of the Konin Power Plant enterprise (BiW) to PAK – PCE sp. z o.o., CO₂ emissions were

reported separately for ZE PAK and BiW (a company indirectly, through PAK – PCE belonging to the ZE PAK SA Group that has been a minority shareholder in the PAK – PCE group since July 2023).

Graph 18: Total CO₂ emissions associated with energy generation in the Group and ZE PAK SA (MM tonnes) [GRI 305-4]



Graph 19: CO₂ emissions associated with energy generation in the Group and Company per generation unit [305-4]

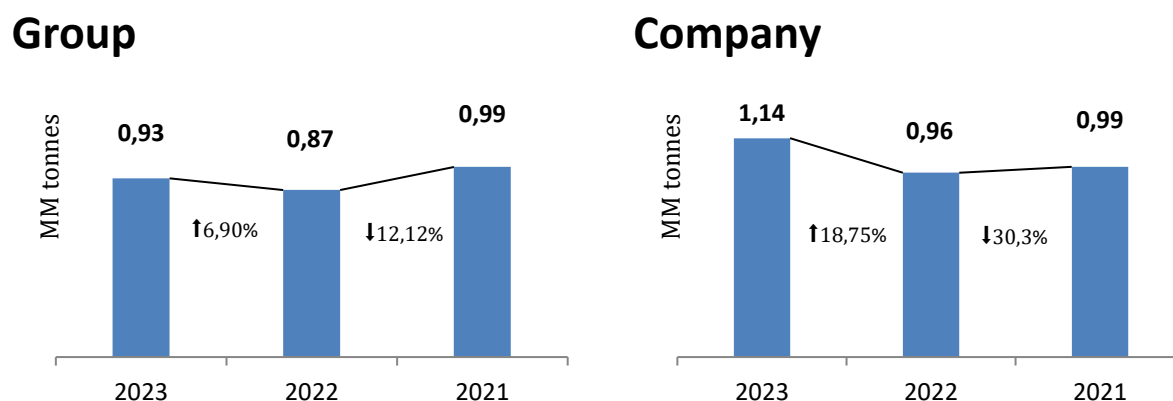


Table 51: Atmospheric emissions of SO₂, NO_x and dusts [GRI 305-7] [ESRS E2 E2-4]

	2023	2022	2021
Group			
SO ₂ emissions in the ZE PAK SA Group (thous. tonnes)	0.41	0.93	1.53
SO ₂ emissions in the ZE PAK SA Group per generation unit (thousand tonnes/TWh)	0.23	0.23	0.31
NO _x emissions in the ZE PAK SA Group (thous. tonnes)	1.41	2.84	3.56
NO _x emissions in the ZE PAK SA Group per generation unit (thousand tonnes/TWh)	0.79	0.72	0.73
Dust emissions in the ZE PAK SA Group (thous. tonnes)	0.09	0.29	0.37
Dust emissions in ZE PAK SA Group per generation unit (thousand tonnes/TWh)	0.05	0.07	0.08

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SO ₂ emissions in ZE PAK SA (thousand tonnes/TWh)	0.40	0.92	1.53
SO ₂ emissions in ZE PAK SA per generation unit (thousand tonnes/TWh)	0.28	0.26	0.31
NO _x emissions in ZE PAK SA (thousand tonnes/TWh)	1.16	2.61	3.56
NO _x emissions in ZE PAK SA per generation unit (thousand tonnes/TWh)	0.80	0.73	0.73
Dust emissions in ZE PAK SA (thousand tonnes/TWh)	0.082	0.24	0.37
Dust emissions in ZE PAK SA per generation unit (thousand tonnes/TWh)	0.06	0.07	0.08

Graph 22: Total SO₂, NO_x and dust emissions to the atmosphere (thousand tonnes)



Graph 23: SO₂, NO_x and dust emissions to the atmosphere per generation unit (thousand tonnes/TWh)

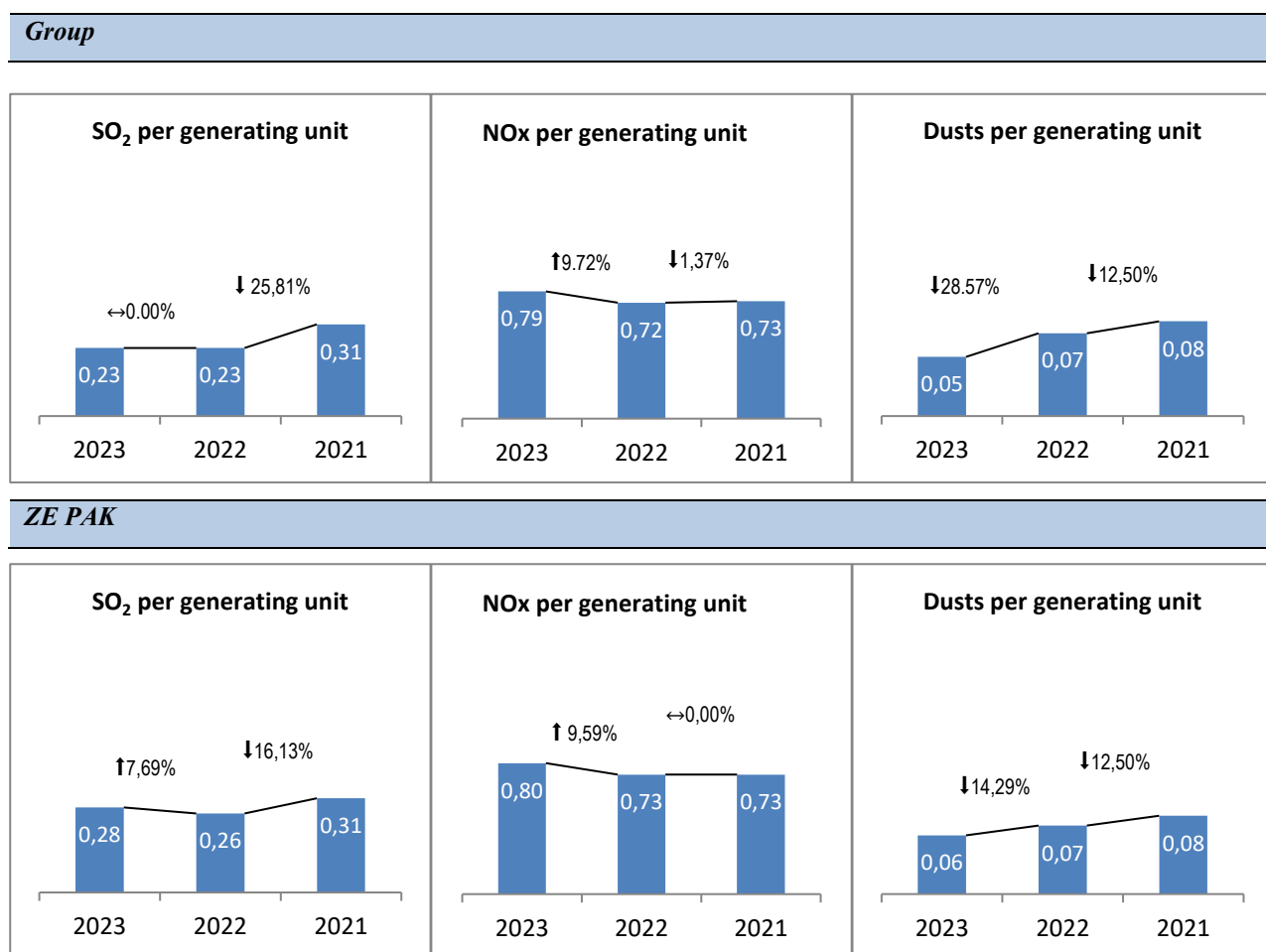


Table 52: Violation of environmental standards (%)

Emission volume arising from overrun standards, relative to total emissions

	2023	2022	2021
SO ₂	0.00	0.00	0.00
NO _x	0.00	0.00	0.00
Dust	0.00	0.00	0.00

11.6. Issue of respecting human rights

Management approach

When analysing issues related to respect for human rights, a few of those should be singled out, respect for which may be of particular importance in the case of large industrial enterprises, such as the ZE PAK SA Group, i.e.:

- **recognition of the existence of inalienable rights and dignity of the individual regardless of any differences that divide people** (*Art. 1 and Art. 2 of the Universal Declaration of Human Rights of 10 December 1948*) in the context of interpersonal relations and the prohibition of any form of discrimination
- **right to life, liberty and security of the person** (*Art. 3*) in the context of, among others, ensuring a high level of health and safety at work (cf.: 'OHS')
- **prohibition of humiliation** (*Art. 4*) in the context of the mobbing risk
- **right to ownership** (*Art. 17*) in the context of buying-out land from third parties (cf.: 'Property buy-out')
- **right to social security** (*Art. 22*)

- **right to equal pay for equal work and right to associated in trade unions** (*Art. 23*)
- **right to holidays and rest** (*Art. 24*).

In the dimension relating to the individual and ensuring respect for the individual (*Art. 1*), which means respect for diversity and simultaneous non-acceptance of any form of discrimination (*Art. 2*) or mobbing (*Art. 4*), in addition to respecting and enforcing the legal regulations that guarantee such respect (e.g., the Labour Code), ZE PAK SA has adopted a Code of Ethics, which is available to all employees at the Company's internal website. It not only guarantees the aforementioned rights of the individual, but is itself a tool to resolve potential conflicts. It contains a mechanism for both resolving doubts and reporting suspected potential behaviour that violates the Code of Ethics. It is worth mentioning that the Code of Ethics also stigmatises other behaviour that violates human rights, such as child labour, forced labour or slave labour.

At the same time, internal regulations at the ZE PAK SA Group guarantee respect for the right to social security (*Art. 22*), or the right to leave and rest (*Art. 24*). The Group scrupulously complies with obligations related to the payment of social insurance (ZUS) contributions or the recording of holidays due (*Art. 24*). It also actively supports employees' leisure and activities (e.g., by subsidising leisure and offering sports passes). These issues are formally regulated in the regulations of the Company Social Benefit Fund (CSBF).

The ZE PAK SA Group also provides procedural solutions for fair remuneration, i.e., analogous remuneration for analogous work regardless of non-substantive features that differentiate employees (*Art. 23*). Monitoring of pay levels and possible gender pay gaps has also been established. Nevertheless, one needs to be aware of the strong male dominance in mining occupations, as well as in jobs within the energy industry. As a result, there is a relatively small percentage of females among the employees of the ZE PAK SA Group and, furthermore, they dominate in certain areas (finances, human resources).

As mentioned previously, there are Employee Councils in ZE PAK SA Group companies meeting the statutory criteria, elected on the basis of the regulations in force in this respect. There are also a number of trade union organisations operating pursuant to the Trade Union Act. The management boards of the Group Companies communicate and consult decisions with employee representatives (Employee Councils, trade unions) on matters specified in the legislation. The management believes, freedom of association in trade unions and related rights are ensured (*Art. 23*).

It should be emphasised that suspected violations of any of the human rights, including rights not referred to herein, can and should be reported through the mechanisms provided for in the Code of Ethics. In 2023, the Company additionally developed a Complaint Handling Mechanism that introduces uniform internal rules related to reporting violations of the law at the workplace, i.e., the Company. It sets out (i) an internal procedure for filing complaints associated with violations of the law; (ii) a follow-up procedure; (iii) a procedure for protecting whistleblowers; (iv) an internal procedure for documenting complaints received; and (v) a procedure for handling complaints of gender-based violence and harassment (GBVH).

Failure to respect human rights, including the aforementioned right to organise and strike, would not only imply a violation of national law (and consequent sanctions), but could also lead to an unnecessary escalation of employer-employee conflicts. Despite the existing differences of opinion, manifested, for example, by industrial disputes, the management of the ZE PAK SA Group appreciates the role of the trade unions. The theoretical exacerbation of disputes in the absence of dialogue, can lead to strike action and threaten the stability of generation processes. Trade union organisations, as well as the management, despite the disputes and the different assessment of the situation (e.g., in short- and long-term approaches), are constructively oriented and are aware of the economic consequences of a possible upset in the stability of energy supply. Such consequences could affect not only the Group, but also the country's energy system.

As for the risk of not respecting the rights of the individual, such cases may not only expose the ZE PAK SA Group to litigation and the need to pay compensation, but they are above all a real threat to the organisational culture, work atmosphere and, thus, its efficiency. They also involve the risk of losing valuable employees or, through discrimination, the inability to utilize their full potential (e.g., promoting of people with lower competences, while inhibiting the promotion of those discriminated against).

Any disrespect for human rights in the ZE PAK SA Group also means a measurable reputation risk, which in turn, when such phenomena escalate, may affect the loss of social consent to operate.

Key indicators

Table 53: Key indicators in the area of respect for human rights [GRI 406-1] [ESRS S1 S1-17]

	2023	2022	2021
Number of reported cases on suspected unethical behaviour, under mechanisms provided for by the Code of Ethics and related to violation of individual rights	0	0	0
Union density rate	45.97	45.80%	46.93%
Number of disputes wherein trade union refer to the provisions of the act on the resolution of collective disputes	5	5	5
Number of days lost due to strike actions	0	0	0

11.7. Issues related to counteracting corruption

Management approach

One of the objectives of the ZE PAK SA Group's Social Responsibility Strategy for 2017-2020 was to ensure a management system that included solutions related to the prevention of corruption and other unacceptable unethical phenomena. Their prevention is also an important objective of the new ZE PAK Group Sustainable Development Strategy for 2023-2027. Exposure to such risks depends, among other things, on the scale of investment project implemented and contracts performed, the effectiveness of the control system and the lack of social acceptance for undesirable behaviour in the organisation's culture. The risk of corrupt behaviour accompanies every enterprise, and instances of decision-making by corrupt employees lead, among other things, to suboptimal choices in purchasing processes, both in the sense of overpricing and, e.g., inadequate quality of products or services, untimely delivery or provision of services, or consent by a corrupt employee to other, inappropriate behaviour by the contractor (e.g., breaking regulations, failure to conduct warranty repairs, etc.). Of course, corruption and bribery can take a number of other forms and can also be related to the giving of benefits by an organisation's employees to officials for issuing a favourable decision, etc. As a consequence for the organisation, this can mean risks related to unjustified cost increases as well as, for example, huge image losses.

Bearing in mind the scale of the planned, and often already implemented investment projects aimed at making the transformation of the ZE PAK SA Group into a clean energy supplier a reality, the exposure to potential corruption risks will be greater in the coming years. At the same time, please note that, at the operational level, the business model to date has been subject to a relatively low risk of corrupt behaviour in relation to the scale of business conducted. Unlike many other electricity generators, the ZE PAK SA Group has so far based its operations on a strongly integrated business model, i.e., energy generation was primarily based on its own raw material resources and was supplemented also with supplies from a third-party vendor. Currently, the Company is operating only the Tomislawice open pit. The deposit exploited by the Company's mine has a certain resource reserve. The possibility of achieving the assumed level of electricity generation depends on the mining capacity and quality of the coal mined from currently operated Tomislawice deposit. Supplies from third-party vendors, primarily KWB Sieniawa, are gaining importance as the coal reserves at the operated open pit are dwindling. Also, maintenance work is, in many cases, conducted by entities within the ZE PAK SA Group. Consequently, outsourcing products and services is reduced to a minimum, which in turn contributes to a reduction in the risk, although, of course, it does not eliminate it. The corruption risk will grow, as indicated above, as the investment project is implemented.

Over the past few years, a number of steps have been taken to ensure effective control mechanisms on one hand and sensitise employees to symptoms of corruption and entrench in them the lack of acceptance of passivity towards such behaviour on the other. The Code of Ethics was adopted by ZE PAK SA as early as 2017, and in 2020 by other Group companies.

In turn, the internal control system "ZE PAK SA Internal Audit Regulations" establishes the principles for the organisation and operation of internal audit, which provides a systematic and methodical approach to assessing and improving the effectiveness of risk management, control and organisational management processes. These include the examination and evaluation of the activities of the ZE PAK SA Group organisational units and companies in terms of thrift, legality, purposefulness, reliability and transparency of documentation (processes). The objective of audit activities is to reveal unused economic reserves, detect irregularities and abuses in the activities of organisational units and identify the causes and effects of the irregularities found and the persons responsible for them, as well as to develop post-audit conclusions

and recommendations. Irregularities and abuses also include any activities that may bear the hallmarks of bribery and corruption.

The internal audit system includes self-control of the correctness of work performed, functional control and institutional control (conducted precisely by the internal audit unit). Within the framework of institutional control, the internal audit unit checks the activities of the organisation as a whole, responding to the needs reported by the Management Board and the Supervisory Board in accordance with audit regulations (among other things, it assesses the coordination of activities between work positions and organisational units, evaluates the system for creating and circulating documentation and information, etc.) at intervals depending on the identified risk areas and the level of materiality of the risk, as well as the role of control in reducing it. In this context, the activities of the internal audit unit are complementary to the primary control and ongoing supervision and are intended to reveal weaknesses or gaps in the organisation and functioning of the internal control system. Audits are planned (in accordance with the annual plan approved by the Board of Directors), ad hoc (at the direction of the Board of Directors or the Supervisory Board) and follow-up.

Purchasing procedures applicable at ZE PAK SA Group described in management systems also regulate issues related to vendor selection. In the case of the generation segment, ZE PAK SA has implemented an Integrated Management System under which, in Sector 5.3 'Supporting the implementation of a product/service', among other things, two procedures 5.3 - 01 'Supplier assessment' and 5.3 - 02 'Identification and traceability' apply. A prerequisite for the selection of suppliers is that they must be specialised suppliers, meeting the agreed technical and commercial conditions and guaranteeing 100% reliability of supply. In addition, suppliers whose products directly determine the quality of electricity and heat are subject to qualification based on ongoing cooperation with suppliers, control of deliveries and periodic evaluation of them by, among other things, auditing them, as well as updates to the list of qualified suppliers. The management system also introduces "Vendor assessment sheets". In addition to obvious factors such as, for example, the quality of supplies, level and constancy of prices and payment terms, it takes into account, for example, timeliness or whether suppliers have certified management systems.

The ZE PAK SA company is responsible for purchases in the field of electricity generation and extraction for PAK KWB Konin SA. The purchasing process itself has been defined by ZE PAK SA in the Vendor Selection Rules. This process is supported by an electronic purchasing platform, which eliminates certain risks, e.g., it prevents viewing bids already submitted prior to the deadline. Thus, it eliminates the risk that a dishonest employee would pass on information about competing bids to a supplier who is in the process of developing one. Please note that the purchasing process exercises the option of an electronic platform auction, which, conducted in real time, reduces the possibility of an unethical agreement with a potential supplier. Furthermore, employees do not have the opportunity to observe the auction, i.e., the bids submitted by individual bidders, until the auction closes. They are able to review them only after closing the tender process.

PAK Górnictwo sp. z o.o. and PAK Serwis sp. z o.o. make purchase for the maintenance and service segment based on their own regulations, which are similar in the design of the process itself. They apply the same tools, including the same electronic purchasing platform. Roughly speaking, the purchasing procedure is initiated by a business unit, which submits a specific purchasing need. After obtaining relevant approvals justifying the future purchase, a committee is set up to define the purchasing criteria. The committee then evaluates the bids collected and identifies a recommended supplier. This is followed up by negotiations. Finally, the accepted bid is forwarded for implementation. From the perspective of process transparency, it is important that information on planned purchases (i.e., requests for proposals and tenders) is published on both the electronic purchasing platform and the website, and the purchases themselves are generally open tenders.

Simultaneously, all areas, including the aforementioned purchasing, are subject to reviews by internal audit staff, also with regard to the potential occurrence of corrupt events. The audits can be planned as well as ad hoc. Employees of the internal audit unit have access to all information and reports necessary to perform audit activities in a reliable and objective manner. At the same time, the auditors are obliged to keep the audit manager informed about the course of the audit and any difficulties encountered during audit activities. The audit manager submits an assessment of meeting the audit objective to the Management Board or the Supervisory Board. The auditors are entitled to enter and access all facilities and premises of the audited entity; to review all recording and registration devices, as well as plans, reports, protocols and official memoranda, official correspondence and any other documents and materials related to the activities of the audited entity; to periodically assist in any activities related to the activities of the audited entity; to request the manager and other employees of the audited entity to provide explanations and information (oral and written) related to the subject of the audit; to request the manager of the audited entity to conduct a partial or complete stocktaking of specific assets within a specified period of time and to order relevant calculations, the preparation of lists, analytical statements, copies, extracts, etc.; to accept declarations from employees and other persons on matters related to the activities of the audited unit; to determine the actual state of affairs by means of measurements, situational sketches, photographs and recordings, etc.; to take the necessary actions in order to secure the evidence of the audited unit's activities; to approach the audit

manager with a request to appoint experts and professionals in the event of a justified reason for an expert opinion; request the manager of the audited entity to provide all means necessary for the efficient conduct of the audit and for the operative implementation of the conclusions resulting from the inspection findings; to conduct audit activities at the time selected by the auditor and extend the subject of the inspection in justified cases without obtaining additional consent from the inspection manager. The manager of the inspected entity is obliged to provide the auditor with appropriate working conditions and administer any technical assistance necessary for the efficient conduct of the audit.

Should, during the course of the audit, circumstances be identified that pose a threat to human health and life, as well as circumstances that could result in damage to property, due to mismanagement, negligence or waste, or an act that may be considered a criminal offence, the auditor submits a written request to the head of the audited entity, who is obliged to immediately take appropriate action to eliminate the aforementioned phenomena. The auditor immediately notifies the audit manager and secures documents and objects constituting evidence of mismanagement or crime. Then, the audit manager, after receiving a legal opinion, decides to notify law enforcement authorities.

At the same time, anyone employed within the ZE PAK SA Group, should they suspect that they have witnessed unethical behaviour, including those bearing the hallmarks of corruption, not only has the opportunity but also the obligation to report it using mechanisms provided for in the Code of Ethics and the whistleblowing procedure implemented at ZE PAK SA. For this purpose, the person may contact his/her superior or the person designated by the Management Board and acting as an Ethics Officer or may make an anonymous report to the e-mail addresses dedicated to such reports, indicated in the aforementioned Code of Ethics and Procedure. Such a report is analysed and the employee who provided the information, even if it is not confirmed but was provided in good faith, cannot face any consequences and will be protected from any retaliation. In 2023, the Company developed a Complaint Handling Mechanisms that introduces uniform internal rules related to reporting violations of the law at the workplace, i.e., the Company.

In connection with the DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (EU) 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law, the 'Whistleblowing regulations' have been adopted at ZE PAK SA and the companies in the capital group employing more than 250 persons (PAK KWB "Konin", PAK Górnictwo sp. z o.o. and PAK Serwis sp. z o.o.). Adopted regulations specify:

- internal procedure for reporting violations of the law,
- follow-up action procedure,
- whistleblower protection procedure,
- internal procedure for documenting complaints received,
- procedure for handling gender-based violence and harassment (GBVH) complaints.

The ZE PAK SA Internal Audit Department is responsible for the correct implementation and execution of the aforementioned procedures at ZE PAK SA and other companies of the capital group.

The regulations are publicly available at the ZE PAK SA Intranet site.

Key indicators

Table 54: Key indicators in the area related to counteracting corruption [GRI 205-3] [ESRS G1 G1-4]

	2023	2022	2021
Number of cases of suspected corruption behaviour reported to law enforcement authorities	0	0	0
Number of people convicted by a final judgement for a corruption offence	0	0	0

11.8. Other GRI content

Declaration on the application of GRI Standards	<i>The ZE PAK SA Group and ZE PAK SA made public the information quoted in this GRI content index for the period 1/1/2023 - 31/12/2023 with reference to GRI Standards</i>
Used GRI 1 standard:	<i>GRI 1: Foundation 2021</i>

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Applicable GRI sectoral standards:	<i>No sectoral standards for the industry.</i>
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GRI standard	Disclosure (indicator)	Page in document
GRI 2: General Disclosures 2021	2-2 Entities included in the organization's sustainability reporting	64
GRI 2: General Disclosures 2021	2-3 Reporting period, frequency and contact point	64
GRI 2: General Disclosures 2021	2-5 External assurance	64
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	66
GRI 2: General Disclosures 2021	2-7, 2-8 Employees	95
GRI 201: Economic Performance	201-2 Financial implications and other risks and opportunities due to climate change	69
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impact	88
GRI 205: Anti-corruption 2016	205-3 Confirmed corruption cases and actions taken	131
GRI 302: Energy 2016	302-1 Energy consumption by an organization	117
GRI 303: Water and Effluents 2018	303-1 Impact on water resources, as a common resource	104, 110, 111
GRI 303: Water and Effluents 2018	303-3 Total water intake by source	113
GRI 303: Water and Effluents 2018	303-4 Wastewater management	114
GRI 303: Water and Effluents 2018	303-5 Water consumption	114
GRI 304: Biodiversity 2016	304-1 Plants owned, rented, managed or adjacent to protected areas or areas of high value in terms of biodiversity, located outside of protected areas	104
GRI 304: Biodiversity 2016	304-2 Significant impact of actions, products and services on biodiversity	104
GRI 304: Biodiversity 2016	304-3 Protected or revitalized habitats	104
GRI 304: Biodiversity 2016	304-4 Species includes in the red list of international union for conservation of nature and its resources, and in domestic lists of protected species with habitats in areas exposed to plant operations	104
GRI 305: Emissions 2016	305-1 Direct greenhouse gas emissions (scope 1)	120

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GRI 305: Emissions 2016	305-2 Indirect greenhouse gas emissions (scope 2)	120
GRI 305: Emissions 2016	305-3 Other greenhouse gas emissions (scope 3)	121
GRI 305: Emissions 2016	305-4 Greenhouse gas emission intensity	125
GRI 305: Emissions 2016	305-7 Emissions of nitrogen oxides, sulphur oxides and other significant emissions to the atmosphere	125
GRI 306: Waste 2020	306-2 Total weight of waste by waste type and waste handling method	114
GRI 306: Waste 2020	306-3 Significant spills	115
GRI 401: Employment 2016	401-1 New employees and employment rotation	97
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system (OHS)	91
GRI 403: Occupational Health and Safety 2018	403-2 Hazard identification, risk assessment and incident analysis	91
GRI 403: Occupational Health and Safety 2018	403-9 Accidents at work	100
GRI 403: Occupational Health and Safety 2018	403-10 Occupational diseases	100
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity among management bodies and personnel	99
GRI 406: Non-discrimination 2016	406-1 Discrimination incidents and corrective actions taken	129
GRI 413: Local Communities 2016	413-1 Plants with implemented local community involvement programmes, impact assessments and development schemes	85
GRI 413: Local Communities 2016	413-2 Plants with significant actual and potentially adverse impact on local communities	82

11.9. Taxonomy

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Pursuant to Art. 8(1) of Regulation (EU) 2020/852, companies subject to Art. 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council (2) shall be required to disclose information on how and to what extent their activities relate to environmentally sustainable business activities, i.e., business activities that are eligible for and comply with taxonomy based on the criteria indicated in the regulations.

Through the information below, the ZE PAK Group and ZE PAK SA have disclosed turnover, capital expenditure and operating expenditure related to assets or processes associated with environmentally sustainable business activities. The method of data presentation is further clarified in Annex I of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. It takes into account the updates on the form of presentation set out in Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Reference is also made below to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Identification of activities as environmentally sustainable

An economic activity qualifies as environmentally sustainable if it:

- makes a significant contribution to meeting one or more environmental objectives,
- does not cause serious harm to any environmental objective,
- is conducted in accordance with minimum safeguards,
- meets the technical eligibility criteria that have been established by the Commission.

The objective was to analyse individual economic activities of the ZE PAK Group in terms of meeting the four criteria above. To do that:

1. The business activities conducted were analysed, **identifying those aspects that are taxonomy-compliant** within the meaning of Article 1 of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021. This review covered revenue categories, capital expenditure implemented (CapEx) and operating expenditure incurred (OpEx). The initial analysis and identification stage precluded making any exclusions due to the low relevance of specific activities. In preparing the 2023 statement and thus updating its business aspects identified a year earlier in terms of its current activities, the ZE PAK Group has taken into account the activities relevant to sustainability that were announced as annexes to a relevant regulation during the year. In particular, this involves the Commission (EU) completing the list of economic activities that qualify as making a significant contribution to climate change mitigation or adaptation, as well as the Commission (EU) publishing technical eligibility criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems
2. In the case of activities making a significant contribution to climate change mitigation or adaptation, taking into account the exemptions introduced, it was also verified whether individual activities **meet the so-called 'technical taxonomy criteria'** in terms of the first two environmental objectives (i.e., the significant contribution criteria). This analysis, in line with the applicable regulations, also precludes economic activities that qualify as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems

3. It has been assessed whether, if an activity meets the technical criteria for a minimum of one objective, **such an activity is not without detriment to achieving other environmental objectives** (i.e., the criteria under the 'do no significant harm' principle),
4. **Meeting the so-called minimum safeguards was assessed** for all activities, both those meeting the technical criteria and those not.
5. The revenues (turnover), expenditure (CapEx) and operating costs (OpEx) associated with the aforementioned taxonomy-eligible activities were summarised, broken down into those that meet the technical criteria and those that do not, or that harm other objectives, failing to meet the principle of no significant harm, or those that would fail to meet the principle of minimum safeguards. The Company has also identified activities that qualify as *transitional activities (T)* or *enabling activities (E)*.

Step 1: Identification of taxonomy-eligible activities

The ZE PAK Group has twice reviewed its business model and related business activity types in terms of identifying compliant activities, i.e., by developing non-financial data statements for 2021, 2022 and 2023. In 2023, similarly to the previous year, revenue (turnover), capital expenditure (CapEx) and operating expenditure (OpEx) were reviewed at stage of identifying taxonomy-compliant activities. In order to mitigate the risk of overlooking and consequently failing to take into account any activity that has an impact on sustainability, no materiality threshold was set at this stage and no exclusions were applied. At the same time, however, the results of the analysis conducted in 2023 were extremely influenced by 3 factors:

- **transfer of ownership over a majority stake in PAK-PCE sp. z o.o. to the Polsat Plus Group** - a company that brings together special purpose vehicles responsible for activities in the field of specific renewable technologies (e.g., photovoltaic farms, wind farms, biomass power, hydrogen generation and the hydrogen bus project). In practice, this means that the taxonomy-eligible business activities, previously reported in statements will no longer be recognised as activities of the ZE PAK Group, and the values disclosed in this statement will only relate to H1 2023, when PAK-PCE sp. z o.o. was still part of the ZE PAK Group;
- the ZE PAK Group's undertaking activities in the field of **gas and nuclear power** will fit into the technical criteria of taxonomy-eligible activities, with which it was supplemented in March 2022;
- the establishment in June 2023 of technical eligibility criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and **protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems** will significantly expand the range of ZE PAK Group's activities shown as taxonomy-eligible (activities related to mine decommissioning, and the reclamation of post-mining and post-industrial areas).

As a consequence, there have been significant changes in the range of taxonomy-eligible activities. The results of the taxonomy-compliant activity analysis are presented in the table below:

Table 55: Analysis results for ZE PAK CG taxonomy-compliant activities

Taxonomy-compliant economic activity			Comment	Impact on:		
				Revenues (turnover)	Capital expenditure (CapEx)	Operating expenditure (OpEx)
CCM CCA	3.2.	Manufacture of equipment for the production and use of hydrogen	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)		✓	✓
CCM CCA	3.3.	Manufacture of low carbon technologies for transport	(activities transferred, along		✓	✓

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			with PAK-PCE sp. z o.o., to the Polsat Plus Group)			
CCM CCA	3.10.	Hydrogen production	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)		✓	✓
CCM CCA	4.1.	Electricity generation using photovoltaic technology	(activity mostly conducted by companies owned by PAK-PCE sp. z o.o. and transferred to the Polsat Plus Group – the ZE PAK Group is currently constructing an additional PV farm to cooperate with the CCGT unit)	✓	✓	✓
CCM CCA	4.3.	Wind-based electricity generation	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)		✓	✓
CCM CCA	4.8.	Bioenergy-based electricity generation	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)	✓		✓
CCM CCA	4.20.	Combined generation of heating/cooling energy and electricity from bioenergy	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)	✓		✓
CCM CCA	6.11.	Sea and coastal passenger water transport	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)			✓
CCM CCA	6.15.	Infrastructure enabling low-carbon road transport and public transport	(activities transferred, along with PAK-PCE sp. z o.o., to the Polsat Plus Group)	✓	✓	✓
CCM CCA	4.26	Phases prior to marketing advanced nuclear-process energy generation technologies with minimum fuel cycle waste			✓	✓
CCM CCA	4.29	Electricity generation based on gaseous fossil fuels			✓	✓
BIO	1.1.	Preservation, including restoration, of habitats, ecosystems and species				✓
PCC	2.4.	Remediation of contaminated areas and sites				✓
CE	2.6.	Decontamination and dismantling of decommissioned products		✓		

CE	3.1.	Construction of new buildings			✓	
CE	3.3.	Demolition and dismantling of buildings and other structures		✓		✓
WTR	3.1.	Nature-based solutions for flood and drought risk prevention and protection against such risk				✓

At the same time, it should be noted that in addition to the activities that were transferred with PAK-PCE to the Group and which are included in this statement only in relation to H1 results, there were a number of activities under which the ZE PAK Group did not generate revenues. In the case of activities such as 4.26, 4.29, 4.1 (insofar as they relate to the newly constructed photovoltaic farm in Przykona) they were and are at the investment stage. Some of the activities conducted under PAK-PCE were still at the investment project stage.

Step 2: Allocating financial quantities associated with an identified taxonomy-compliant activity

Based on the financial and accounting records kept, the ZE PAK Group allocated turnover, capital expenditure (CapEx) and operating expenditure (OpEx) quantities to each of the taxonomy-compliant activities identified above. This step has been implemented pursuant to the accounting rules set out in *Annex I of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation*. The volumes identified on the basis of the financial and accounting records are the denominators of the indicators referred to in *Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088*.

Step 3: Technical eligibility criteria verification

The technical staff of the business units responsible for each of the identified taxonomy-compliant activities assessed the conformity of these activities with the technical criteria, both with regard to the so-called 'substantial contribution' and the 'do no significant harm' (DNSH) principle criteria.

Due to the reporting exemptions introduced for 2023, this analysis has been limited only to the first two environmental objectives for which such criteria have already been developed and published, i.e.:

- climate change mitigation,
- climate change adaptation.

Based on the financial and accounting records kept, the turnover, capital expenditure (CapEx) and operating expenditure (OpEx) have been allocated accordingly for those activities that met the technical eligibility criteria. Thus, they are defined for individual activities to the extent that they meet the technical qualification criteria.

These figures were determined in accordance with the accounting rules set out in Annex I of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. These amounts constitute indicator numerators referred to in Regulation of the European Parliament and of the Council (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

Step 4: Assessment of meeting minimum safeguards

The ZE PAK Group has assessed whether its operations are conducted in a way that ensures meeting the so-called 'minimum safeguards'.

According to Article 18 of Regulation 2020/852 'The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights'.

Due to the absence of binding regulations clarifying the definition above and defining the manner and process of assessing meeting minimum safeguards, the *Final Report on Minimum Safeguards* developed by the Platform On Sustainable Finance was employed within the assessment process, but it does not constitute a regulation and is not legally binding. According to the recommendations, one of the four conditions below constitutes the non-fulfilment of the minimum safeguards:

- inadequate or non-existent due diligence processes related to human rights, including labour rights, corruption, taxation and fair competition,
- a company finally held liable or found to have violated labour or human rights law in certain types of labour or human rights court cases,
- failure to co-operate with the OECD National Contact Point (hereafter 'OECD NCP') on a notification accepted by the OECD NCP,
- The Business and Human Rights Resource Centre (BHRRC) took up the allegation against the company and the company did not respond within three months.

The processes and regulations implemented within the ZE PAK Group are sufficient to meet the first two prerequisites, i.e., to ensure due diligence in terms of employee rights, human rights, anti-corruption and anti-bribery, fair competition and compliance with tax regulations to the extent described by national law. In particular, the Company's internal regulations related to employment are in line with the applicable provisions of the Labour Law and other national regulations implementing the International Labour Organisation standards ratified by the Republic of Poland into Polish law.

There were also no gross violations of labour, human rights, anti-corruption law, as well as violations in terms of consumer and competition protection, and in terms of tax law in 2023. There were also no administrative proceedings against ZE PAK Group entities or members of their authorities in relation to such violations. Also, no penalties were imposed during the reporting period on the members of the authorities of ZE PAK SA or its subsidiaries, nor were they convicted by final judgements or otherwise held liable for gross violations of the law within the scope referred to in premise two.

The ZE PAK Group was not recorded as being in breach of the applicable rules by:

- Business and Human Rights Resource Centre (BHRRC) (<https://www.business-humanrights.org/en/companies/>).
- OECD National Contact Point (<http://mneguidelines.oecd.org/database/>).

The ZE PAK Group is also not aware of being recognized, in any other manner, as an entity in violation of employee rights, human rights or applicable regulations relating to anti-corruption and bribery, tax avoidance or fair competition.

Result summary and presentation

The results obtained in the course of the previous steps have been summarized in tables compliant with the updated template (Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities).

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Table 56: Percentage share of consolidated **turnover** on products and services associated with taxonomy-compliant economic activity in 2023

Economic activity (1)	Year			Criteria related to substantial contribution						Criteria related to the DNSH ('do no significant harm') principle						Share of taxonomy-compliant (A.1) or taxonomy-eligible (A.2) activity Turnover, year N-1 (18)	Entailing activity category (19)	Transitional activity category (19)	
	Code(s) (2)	Turnover (absolute value) (3)	Turnover part, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (17)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity (16)				Minimum safeguards (17)
		PLN thousand	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. Taxonomy-eligible activity																			
A.1. Types of environmentally sustainable activities (taxonomy-compliant)																			
Electricity generation using photovoltaic technology	CCM /CCA 4.1.	17 229.64	0.55%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	0.50%		
Bioenergy-based electricity generation	CCM /CCA 4.8.	271 779.84	8.75%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	9.60%		
Combined generation of heating/cooling energy and electricity from bioenergy	CCM /CCA 4.20	28 109.82	0.91%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	1.60%		
Infrastructure enabling low-carbon road transport and public transport	CCM /CCA 6.15.	85.77	0.00%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	
Turnover on sustainable activities (taxonomy-compliant) (A.1)		317 205.07	10.21%	10.21 %	0.00%	0.00%	0.00%	0.00%	0.00%								11.70%		
Including enabling (E)		85.77	0.00%	0.00%	0.00%												0.00%		
Including transitional (T)		-	0.00%														0.00%		
A.2. Taxonomy-eligible activity, but not environmentally sustainable (not taxonomy-compliant activity)																			

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				EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL									
Decontamination and dismantling of decommissioned products*	CE 2.6.	27 717.80	0.89%	N/EL	N/EL	N/EL	EL	N/EL	N/EL									
Demolition and dismantling of buildings and other structures*	CE 3.3.	7 092.75	0.23%	N/EL	N/EL	N/EL	EL	N/EL	N/EL									
<i>Turnover on activity that is taxonomy-eligible but not environmentally sustainable (not taxonomy-compliant) (A.2).</i>		34 810.55	1.12%	0.00%	0.00%	0.00%	1.12%	0.00%	0.00%							0.00%		
A. Turnover on taxonomy-eligible activity (A.1 + A.2)		352 015.62	11.33%	10.21 %	0.00%	0.00%	1.12%	0.00%	0.00%							11.70%		
B. Not taxonomy-eligible activity																		
<i>Operating expenditure on not taxonomy-eligible activity (B)</i>		2 753 791.38	88.67%															
TOTAL (A+B)		3 105 807.00	100.0%															

*activities excluded in 2023 from taxonomy compliance verification

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Table 56a: Activities related to nuclear energy and natural gas

Row	Nuclear energy-related activity	
1	The company researches, develops, demonstrates and deploys innovative electricity generation systems that generate energy under nuclear processes with minimum fuel-cycle waste, finances such activity or is exposed to it.	YES
2	The company constructs and safely operates new nuclear facilities to generate electricity or process heat, including for the purposes of a district heating system or industrial processes, such as hydrogen production, and also modernizes them in terms of safety, using best available technologies, finances such activity or is exposed to it.	NO
3	The company conducts safe operation of existing nuclear facilities generating electricity or process heat, including for the purposes of a district heating system or industrial process, such as hydrogen production from nuclear energy, and also modernizes them in terms of safety, finances such activity or is exposed to it.	NO
Natural gas-related activity		
1	The company reconstructs or operates electricity generation systems that use gaseous fossil fuels, finances such activity or is exposed to it.	YES
2	The company reconstructs, modernizes or operates systems for combined heating/cooling and electricity generation using gaseous fossil fuels, finances such activity or is exposed to it.	NO
3	The company constructs, modernizes or operates systems that generate thermal/cooling energy using gaseous fossil fuels, finances such activity or is exposed to it.	NO

Table 56b: Taxonomy-compliant economic activity (denominator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	0	0	0	0	0	0
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	0	0	0	0	0	0
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	0	0	0	0	0	0

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4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	0	0	0	0	0	0
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	0	0	0	0	0	0
6	Amount and share of taxonomy-compliant economic activity, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	0	0	0	0	0	0
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	352 015.62	11.33%	352 015.62	11.33%	-	-
8	Total applicable key performance indicator	352 015.62	11.33%	352 015.62	11.33%	-	-

Table 56c: Taxonomy-compliant economic activity (numerator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-

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6	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the numerator of the applicable key performance indicator	317 205.07	10.21%	317 205.07	10.21%	-	-
8	Total amount and total share of taxonomy-compliant economic activity types in the numerator of the applicable key performance indicator	317 205.07	10.21%	317 205.07	10.21%	-	-

Table 56d: Economic activity eligible for taxonomy but not taxonomy-compliant

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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7	Amount and share of other taxonomy-eligible but not taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	34 810.55	1.12%	34 810.55	1.12%	-	-
8	Total amount and total share of taxonomy-eligible but not taxonomy-compliant economic activity types in the denominator of the applicable key performance indicator	34 810.55	1.12%	34 810.55	1.12%	-	-

Table 56e: Economic activity not eligible for taxonomy

Row	Economic activity types	Amount	Percentage share
1	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
2	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
3	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
4	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
5	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
6	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
7	Amount and share of other business activity types not eligible for taxonomy, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	2 753 791.38	88.67%
8	Total amount and total share of business activity types not eligible for taxonomy in the denominator of the applicable key performance indicator	2 753 791.38	88.67%

Accounting principles

The calculation of the Key Performance Indicator for Turnover (KPI Turnover) was based on the ZE PAK Group's 2023 financial statement prepared in accordance with International Reporting Standards (IFRS). Net sales revenues from the a/m statement have been adopted as the indicator denominator.

Revenues from taxonomy-compliant activities have been identified based on the assessment of conformity with Regulation (EU) 2020/852. The amount reported in the ZE PAK Group's consolidated financial statement on activities identified as taxonomy-compliant has been allocated to the numerator of the key performance indicator.

Information on assessing the conformity with Regulation (EU) 2020/852

Individual revenue categories for the ZE PAK Group have been analysed in terms of taxonomy eligibility. This process covered analysing taxonomy-eligible activities. Six taxonomy-eligible activities were identified based on the conducted analysis:

CCM/CCA 4.1.	Electricity generation using photovoltaic technology
CCM/CCA 4.8.	Bioenergy-based electricity generation
CCM/CCA 4.20.	Combined generation of heating/cooling energy and electricity from bioenergy
CCM/CCA 6.15.	Infrastructure enabling low-carbon road transport and public transport
CE 2.6.	Decontamination and dismantling of decommissioned products
CE 3.3.	Demolition and dismantling of buildings and other structures

The individual activities identified above, with the exception of those excluded from the 2023 mandatory analysis, have been analysed in terms of the technical criteria defined for each activity. The requirements of individual technical criteria have been consulted and confirmed with persons in the individual companies having relevant knowledge to confirm whether the technical criterion was met.

The conducted analysis demonstrated that four identified eligible activities are taxonomy-compliant. Three involve renewable energy generation and the fourth involves the use of zero-emission fuel (hydrogen filling stations).

To avoid double counting, individual revenue amounts have been allocated to a single activity. After assigning to a given activity, they were not included in further analyses.

Contribution to meeting multiple objectives, disaggregation of key performance indicators

In the case of activities falling under climate change mitigation (CMM) and climate change adaptation (CCA), climate change mitigation (CMM) was identified as the predominant objective and the turnover on the above-mentioned activities were attributed to it. The key performance indicator was not disaggregated.

Context-related information

Not applicable.

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Table 57: Percentage share of consolidated **capital expenditure** on products and services associated with taxonomy-compliant economic activity in 2023

Economic activity (1)	Year			Criteria related to substantial contribution						Criteria related to the DNSH ('do no significant harm') principle						Share of taxonomy-compliant (A.1) or taxonomy-eligible (A.2) activity Capital expenditure, year N-1 (18)	Entailing activity category (19)	Transition activity category (19)	
	Code(s) (2)	Capital expenditure (absolute value) (3)	Turnover part, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (17)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity (16)				Minimum safeguards (17)
		PLN thousand	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. Taxonomy-eligible activity																			
A.1. Types of environmentally sustainable activities (taxonomy-compliant)																			
Manufacture of equipment for the production and use of hydrogen	CCM /CCA 3.2.	9 937.61	1.20%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	
Manufacture of low carbon technologies for transport	CCM /CCA 3.3.	37 627.55	4.55%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	
Hydrogen production	CCM /CCA 3.10.	10 683.25	1.29%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	22.60%		
Electricity generation using photovoltaic technology	CCM /CCA 4.1.	48 980.93	5.92%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	0.30%		
Wind-based electricity generation	CCM /CCA 4.3.	224 118.69	27.10%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	63.50%		
Infrastructure enabling low-carbon road transport and public transport	CCM /CCA 6.15.	19 196.38	2.32%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	

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Phases prior to marketing advanced nuclear-process energy generation technologies with minimum fuel cycle waste	CCM CCA 4.26.	1 426.57	0.17%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T			T
Capital expenditure related to sustainable activity (taxonomy-compliant) (A.1.)		351 970.99	42.56%	42.56 %	0.00%	0.00%	0.00%	0.00%	0.00%	T	T	T	T	T	T	T	86.40%		
Including enabling (E)		66 761.54	8.07%	8.07%	0.00%	0.00%	0.00%	0.00%	0.00%	T	T	T	T	T	T	T	0.00%		
Including transitional (T)		1 426.57	0.17%	0.17%						T	T	T	T	T	T	T	0.00%		
A.2. Taxonomy-eligible activity, but not environmentally sustainable (not taxonomy-compliant activity)																			
				EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL										
Electricity generation based on gaseous fossil fuels	CCM CCA 4.29.	470 508.12	56.89%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Construction of new buildings*	CCM /CCA 7.1 CE 3.1.	2 159.40	0.26%	EL	EL	N/EL	EL	N/EL	N/EL										
<i>Capital expenditure on activity that is taxonomy-eligible but not environmentally sustainable (not taxonomy-compliant) (A.2).</i>		472 667.52	57.15%	0.26%	56.89 %	0.00%	0.26%	0.00%	0.00%										
A. Capital expenditure on taxonomy-eligible activity (A1 + A.2)		824 638.51	99.70%	42.64 %	56.89 %	0.00%	0.26%	0.00%	0.00%										
B. Not taxonomy-eligible activity																			
Operating expenditure on not taxonomy-compliant activities (B)		2 451.49	0.30%																
TOTAL (A+B)		827 090.00	100.00 %																

*activities excluded in 2023 from taxonomy compliance verification

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Table 57a: Activities related to nuclear energy and natural gas

Row	Nuclear energy-related activity	
1	The company researches, develops, demonstrates and deploys innovative electricity generation systems that generate energy under nuclear processes with minimum fuel-cycle waste, finances such activity or is exposed to it.	YES
2	The company constructs and safely operates new nuclear facilities to generate electricity or process heat, including for the purposes of a district heating system or industrial processes, such as hydrogen production, and also modernizes them in terms of safety, using best available technologies, finances such activity or is exposed to it.	NO
3	The company conducts safe operation of existing nuclear facilities generating electricity or process heat, including for the purposes of a district heating system or industrial process, such as hydrogen production from nuclear energy, and also modernizes them in terms of safety, finances such activity or is exposed to it.	NO
Natural gas-related activity		
1	The company reconstructs or operates electricity generation systems that use gaseous fossil fuels, finances such activity or is exposed to it.	YES
2	The company reconstructs, modernizes or operates systems for combined heating/cooling and electricity generation using gaseous fossil fuels, finances such activity or is exposed to it.	NO
3	The company constructs, modernizes or operates systems that generate thermal/cooling energy using gaseous fossil fuels, finances such activity or is exposed to it.	NO

Table 57b: Taxonomy-compliant economic activity (denominator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	1 426.57	0.17%	1 426.57	0.17%	-	-
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	470 508.12	56.89%	470 508.12	56.89%	-	-
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-compliant economic activity, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	352 703.82	42.64%	352 703.82	42.64%	-	-
8	Total applicable key performance indicator	824 638.51	99.70%	824 638.51	99.70%	-	-

Table 57c: Taxonomy-compliant economic activity (numerator)

	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	1 426.57	0.17%	1 426.57	0.17%	-	-
2	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-

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6	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the numerator of the applicable key performance indicator	350 544.42	42.38%	350 544.42	42.38%	-	-
8	Total amount and total share of taxonomy-compliant economic activity types in the numerator of the applicable key performance indicator	351 970.99	42.56%	351 970.99	42.56%	-	-

Table 57d: Economic activity eligible for taxonomy but not taxonomy-compliant

	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	470 508.12	56.89%	470 508.12	56.89%	-	-
5	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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7	Amount and share of other taxonomy-eligible but not taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	2 159.40	0.26%	2 159.40	0.26%	-	-
8	Total amount and total share of taxonomy-eligible but not taxonomy-compliant economic activity types in the denominator of the applicable key performance indicator	472 667.52	57.15%	472 667.52	57.15%	-	-

Table 57e: Economic activity not eligible for taxonomy

	Economic activity types	Amount	Percentage share
1	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
2	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
3	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
4	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
5	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
6	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
7	Amount and share of other business activity types not eligible for taxonomy, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	2 451.49	0.30%
8	Total amount and total share of business activity types not eligible for taxonomy in the denominator of the applicable key performance indicator	2 451.49	0.30%

Accounting principles

The basis for calculating KPI Capex was the ZE PAK Group's consolidated financial statement for the year concluded on 31 December 2023 – the adopted numerator were costs settled based on:

- a) IAS 16 Property, plant and equipment, cl. 73(e) subcl. (i) and (iii);
- b) IAS 38 Intangible assets, cl. 118(e) subcl. (i);
- c) IAS 40 Investment property, cl. 76(a) and (b) (in the case of a fair value model);
- d) IAS 40 Investment property, cl. 79(d) subcl. (i) and (iii) (in the case of a model based on acquisition price or generation cost);
- e) IAS 41 Agriculture, cl. 50(b) and (e);
- f) IFRS 16 Lease, cl. 73(h).

Taxonomy-compliant capital expenditure have been identified based on the assessment of conformity with Regulation (EU) 2020/852. The amount reported in the ZE PAK Group's consolidated financial statement on activities identified as taxonomy-compliant has been allocated to the numerator.

Information on assessing the conformity with Regulation (EU) 2020/852

The individual categories of ZE PAK Group's capital expenditures have been analysed pursuant to the provisions of Regulation (EU) 2021/2178, Annex I, para. 1.1.2.2.

Twelve taxonomy-eligible activities were identified based on the conducted analysis:

- CCM/CCA 3.2. Manufacture of equipment for the production and use of hydrogen
 - CCM/CCA 3.3. Manufacture of low carbon technologies for transport
 - CCM/CCA 3.10. Hydrogen production
 - CCM/CCA 4.1. Electricity generation using photovoltaic technology
 - CCM/CCA 4.3. Wind-based electricity generation
 - CCM/CCA 6.15. Infrastructure enabling low-carbon road transport and public transport
 - CCM CCA 4.26. Phases prior to marketing advanced nuclear-process energy generation technologies with minimum fuel cycle waste
 - CCM CCA 4.29. Electricity generation based on gaseous fossil fuels
 - CCM/CCA 7.1, Construction of new buildings
 - CE 3.1
-

Contribution to meeting multiple objectives, disaggregation of key performance indicators

Based on the conducted conformity assessment, it was determined that seven activities contribute substantially to meeting the two environmental objectives, i.e., climate change mitigation (CCM) and climate change adaptation (CCA). The Climate Change Mitigation (CCM) objective was identified as the predominant one and financial quantities were allocated to it.

The key performance indicator was not disaggregated.

Context-related information

Not applicable.

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Table 58: Percentage share of consolidated **operating cost** on products and services associated with taxonomy-compliant economic activity in 2023

Economic activity (1)	Year			Criteria related to substantial contribution						Criteria related to the DNSH ("do no significant harm") principle							Share of taxonomy-compliant (A.1) or taxonomy-eligible (A.2) activity Operating expenditure, year N-1 (18)	Entailing activity category (19)	Transition activity category (19)
	Code(s) (2)	Operating expenditure (absolute value) (3)	Turnover part, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity (16)	Minimum safeguards (17)			
		PLN thousand	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. Taxonomy-eligible activity																			
A.1. Types of environmentally sustainable activities (taxonomy-compliant)																			
Manufacture of equipment for the production and use of hydrogen	CCM /CCA 3.2.	2 728.56	0.47%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	
Manufacture of low carbon technologies for transport	CCM /CCA 3.3.	4 099.06	0.70%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	
Hydrogen production	CCM /CCA 3.10.	520.47	0.09%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	1.30%		
Electricity generation using photovoltaic technology	CCM /CCA 4.1.	3 562.31	0.61%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	0.20%		
Wind-based electricity generation	CCM /CCA 4.3.	5 977.71	1.02%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	1.70%		
Bioenergy-based electricity generation	CCM /CCA 4.8.	44 664.07	7.65%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	12.30%		
Combined generation of heating/cooling energy and electricity from bioenergy	CCM /CCA 4.20	4 619.54	0.79%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T	2.40%		

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Sea and coastal passenger transport	CCM /CCA 6.11.	10.73	0.00%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T			T
Infrastructure enabling low-carbon road transport and public transport	CCM /CCA 6.15.	1 438.31	0.25%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T		E	
Phases prior to marketing advanced nuclear-process energy generation technologies with minimum fuel cycle waste	CCM CCA 4.26.	1 450.82	0.25%	T	T	N/EL	N/EL	N/EL	N/EL	T	T	T	T	T	T	T			T
Operating costs related to sustainable activities (taxonomy-compliant) (A.1)		69 071.58	11.83%	11.83 %	0.00%	0.00%	0.00%	0.00%	0.00%	T	T	T	T	T	T	T	17.90%		
Including enabling (E)		8 265.93	1.42%	1.42%	0.00%	0.00%	0.00%	0.00%	0.00%								0.00%		
Including transitional (T)		1 461.55	0.25%														0.00%		
A.2. Taxonomy-eligible activity, but not environmentally sustainable (not taxonomy-compliant activity)																			
				EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL										
Electricity generation based on gaseous fossil fuels	CCM CCA 4.29.	663.74	0.11%	EL	EL	N/EL	N/EL	N/EL	N/EL										
Preservation, including restoration, of habitats, ecosystems and species*	BIO 1.1.	26 720.99	4.58%	N/EL	N/EL	N/EL	N/EL	N/EL	EL										
Remediation of contaminated areas and sites*	PCC 2.4.	209.40	0.04%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Demolition and dismantling of buildings and other structures*	CE 3.3.	4 434.37	0.76%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Nature-based solutions for flood and drought risk prevention and protection against such risk*	WTR 3.1.	2 917.64	0.50%	N/EL	N/EL	EL	N/EL	N/EL	N/EL										
Operating expenditure on activity that is taxonomy-eligible but not environmentally sustainable (not taxonomy-compliant) (A.2).		34 946.14	5.99%	0.11%	0.00%	0.00%	0.76%	0.00%	0.00%										

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A. Operating expenditure on taxonomy-eligible activity (A.1 + A.2)	104 017.72	17.82%	11.95 %	0.00%	0.00%	0.76%	0.00%	0.00%										
B. Not taxonomy-eligible activity																		
<i>Operating expenditure on not taxonomy-eligible activity (B)</i>	479 662.34	82.18%																
TOTAL (A+B)	583 680.06	100.0%																

*activities excluded in 2023 from taxonomy compliance verification

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Table 58a: Activities related to nuclear energy and natural gas

Nuclear energy-related activity		
1	The company researches, develops, demonstrates and deploys innovative electricity generation systems that generate energy under nuclear processes with minimum fuel-cycle waste, finances such activity or is exposed to it.	YES
2	The company constructs and safely operates new nuclear facilities to generate electricity or process heat, including for the purposes of a district heating system or industrial processes, such as hydrogen production, and also modernizes them in terms of safety, using best available technologies, finances such activity or is exposed to it.	NO
3	The company conducts safe operation of existing nuclear facilities generating electricity or process heat, including for the purposes of a district heating system or industrial process, such as hydrogen production from nuclear energy, and also modernizes them in terms of safety, finances such activity or is exposed to it.	NO
Natural gas-related activity		
1	The company reconstructs or operates electricity generation systems that use gaseous fossil fuels, finances such activity or is exposed to it.	YES
2	The company reconstructs, modernizes or operates systems for combined heating/cooling and electricity generation using gaseous fossil fuels, finances such activity or is exposed to it.	NO
3	The company constructs, modernizes or operates systems that generate thermal/cooling energy using gaseous fossil fuels, finances such activity or is exposed to it.	NO

Table 58b: Taxonomy-compliant economic activity (denominator)

	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	1 450.82	0.25%	1 450.82	0.25%	-	-
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	663.74	0.11%	663.74	0.11%	-	-
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-compliant economic activity, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	101 903.16	17.46%	101 903.16	17.46%	-	-
8	Total applicable key performance indicator	104 017.72	17.82%	104 017.72	17.82%	-	-

Table 58c: Taxonomy-compliant economic activity (numerator)

	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	1 450.82	0.25%	1 450.82	0.25%	-	-
2	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-

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5	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the numerator of the applicable key performance indicator	67 620.76	11.59%	67 620.76	11.59%	-	-
8	Total amount and total share of taxonomy-compliant economic activity types in the numerator of the applicable key performance indicator	69 071.58	11.83%	69 071.58	11.83%	-	-

Table 58d: Economic activity eligible for taxonomy but not taxonomy-compliant

	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	663.74	0.11%	663.74	0.11%	-	-
5	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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6	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-eligible but not taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	34 282.40	5.87%	34 282.40	5.87%	-	-
8	Total amount and total share of taxonomy-eligible but not taxonomy-compliant economic activity types in the denominator of the applicable key performance indicator	34 946.14	5.99%	34 946.14	5.99%	-	-

Table 58e: Economic activity not eligible for taxonomy

	Economic activity types	Amount	Percentage share
1	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
2	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
3	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
4	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
5	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
6	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
7	Amount and share of other business activity types not eligible for taxonomy, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	479 662.34	82.18%
8	Total amount and total share of business activity types not eligible for taxonomy in the denominator of the applicable key performance indicator	479 662.34	82.18%

Accounting principles

The basis for calculating the Opex KPI denominator pursuant to the provisions of Annex No. 1 to Regulation 2021/2178 was extracting direct, non-capitalised expenses, based on the consolidated financial statement of the ZE PAK Group for the year concluded 31 December 2023 from the overheads of the ZE PAK Group.

Taxonomy-compliant capital expenditure have been identified based on the assessment of conformity with Regulation (EU) 2020/852. The amount reported in the ZE PAK Group's consolidated financial statement on activities identified as taxonomy-compliant has been allocated to the numerator.

Information on assessing the conformity with Regulation (EU) 2020/852

Individual ZE PAK Group's operating expense categories recognized in the denominator of the key performance indicator have been analysed in accordance with the provisions of Regulation (EU) 2021/2178:

Ten taxonomy-eligible activities, including eight taxonomy-compliant ones, were identified based on the conducted analysis:

CCM/CCA 3.2.	Manufacture of equipment for the production and use of hydrogen
CCM/CCA 3.3.	Manufacture of low carbon technologies for transport
CCM/CCA 3.10.	Hydrogen production
CCM/CCA 4.1.	Electricity generation using photovoltaic technology
CCM/CCA 4.3.	Wind-based electricity generation
CCM/CCA 6.11.	Sea and coastal passenger transport
CCM/CCA 6.15.	Infrastructure enabling low-carbon road transport and public transport
CCM/CCA 4.26.	Phases prior to marketing advanced nuclear-process energy generation technologies with minimum fuel cycle waste
CCM/CCA 4.29.	Electricity generation based on gaseous fossil fuels
CE 3.3.	Demolition and dismantling of buildings and other structures

In the case of all eight of the compliant activities that were in line with meeting the two environmental objectives, the climate change mitigation (CCM) objective was considered as predominant.

Context-related information

Not applicable.

ZE PAK S.A.

Pursuant to Art. 8(1) of Regulation (EU) 2020/852, companies subject to Art. 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council (2) shall be required to disclose information on how and to what extent their activities relate to environmentally sustainable business activities, i.e., business activities that are eligible for and comply with taxonomy based on the criteria indicated in the regulations.

Through the information below, the ZE PAK Group and ZE PAK SA disclose data on turnover, capital expenditure and operating expenditure related to assets or processes associated with environmentally sustainable business activities. The method of data presentation is further clarified in Annex I of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. Reference is also made to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. Next, it was updated in the Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm

to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Reference is also made below to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Identification of activities as environmentally sustainable

An economic activity qualifies as environmentally sustainable if it:

- makes a significant contribution to meeting one or more environmental objectives,
- does not cause serious harm to any environmental objective,
- is conducted in accordance with minimum safeguards,
- meets the technical eligibility criteria that have been established by the Commission.

The objective was to analyse individual economic activities of the ZE PAK Group in terms of meeting the four criteria above. To do that:

1. The business activities conducted were analysed, **identifying those aspects that are taxonomy-compliant** within the meaning of Article 1 of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021. This review covered revenue categories, capital expenditure implemented (CapEx) and operating expenditure incurred (OpEx). The initial analysis and identification stage precluded making any exclusions due to the low relevance of specific activities.

In preparing the 2023 statement and thus updating its business aspects identified a year earlier in terms of its current activities, the ZE PAK Group has taken into account the activities relevant to sustainability that were announced as annexes to a relevant regulation during the year. In particular, this involves the Commission (EU) completing the list of economic activities that qualify as making a significant contribution to climate change mitigation or adaptation, as well as the Commission (EU) publishing technical eligibility criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems.

2. In the case of activities making a significant contribution to climate change mitigation or adaptation, taking into account the exemptions introduced, it was also verified whether individual activities **meet the so-called 'technical taxonomy criteria'** in terms of the first two environmental objectives (i.e., the significant contribution criteria). This analysis, in line with the applicable regulations, also precludes economic activities that qualify as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems.
3. It has been assessed whether, if an activity meets the technical criteria for a minimum of one objective, **such an activity is not without detriment to achieving other environmental objectives** (i.e., the criteria under the 'do no significant harm' principle).
4. **Meeting the so-called minimum safeguards was assessed** for all activities, both those meeting the technical criteria and those not.
5. The revenues (turnover), expenditure (CapEx) and operating costs (OpEx) associated with the aforementioned taxonomy-eligible activities were summarised, broken down into those that meet the technical criteria and those that do not, or that harm other objectives, failing to meet the principle of no significant harm, or those that would fail to meet the principle of minimum safeguards. The Company has also identified activities qualifying as *transitional activity* or *enabling activity*.

Step 1: Identification of taxonomy-eligible activities

ZE PAK SA has twice reviewed its business model and related business activity types in terms of identifying compliant activities, i.e., by developing non-financial data statements for 2021 and 2022. In 2023, similarly to the previous year, revenue (turnover), capital expenditure (CapEx) and operating expenditure (OpEx) were reviewed at the stage of identifying taxonomy-compliant activities. In order to mitigate the risk of overlooking and consequently failing to take into account any activity that has an impact on sustainability, no materiality threshold was set at this stage and no exclusions were applied. Simultaneously, however, the results of the analysis conducted in 2023 were significantly

impacted by the establishment in June 2023 of technical eligibility criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and **protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems** will significantly expand the range of ZE PAK Group's activities shown as taxonomy-eligible (activities related to mine decommissioning, and the reclamation of post-mining and post-industrial areas).

As a consequence, there have been significant changes in the range of taxonomy-eligible activities. The results of the taxonomy-compliant activity analysis are presented in the table:

Table 59: Analysis results for taxonomy-compliant ZE PAK SA activities

Taxonomy-compliant economic activity			Comment	Impact on:		
				Revenues (turnover)	Capital expenditure (CapEx)	Operating expenditure (OpEx)
CE	3.3.	Demolition and dismantling of buildings and other structures		✓		

Step 2: Allocation of financial quantities related to identified taxonomy-compliant activities

Based on the financial and accounting records kept, ZE PAK S.A. assigned turnover, capital expenditure (CapEx) and operating expense (OpEx) amounts to each of the identified taxonomy-compliant activities. This step has been implemented pursuant to the accounting principles set out in Annex I to the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. The volumes identified on the basis of the financial and accounting records are the denominators of the indicators referred to in *Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088*.

Step 3: Technical eligibility criteria verification

The technical staff of the business units responsible for each of the identified taxonomy-compliant activities assessed the conformity of these activities with the technical criteria, both with regard to the so-called 'substantial contribution' and the 'do no significant harm' (DNSH) principle criteria.

Due to the reporting exemptions introduced for 2023, this analysis has been limited only to the first two environmental objectives for which such criteria have already been developed and published, i.e.:

- climate change mitigation,
- climate change adaptation.

Based on the financial and accounting records kept, the turnover, capital expenditure (CapEx) and operating expenditure (OpEx) have been allocated accordingly for those activities that met the technical eligibility criteria. Therefore, they have been defined for individual activities to the extent that they meet the technical qualification criteria.

These quantities have been determined pursuant to the accounting principles set out in Annex I to the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and

specifying the methodology to comply with that disclosure obligation. These amounts constitute indicator numerators referred to in Regulation of the European Parliament and of the Council (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

Step 4: Assessment of meeting minimum safeguards

ZE PAK SA has assessed whether its operations are conducted in a way meeting the so-called 'minimum safeguards'.

According to Article 18 of Regulation 2020/852 'The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights'.

Due to the absence of binding regulations clarifying the definition above and defining the manner and process of assessing meeting minimum safeguards, the *Final Report on Minimum Safeguards* was employed within the assessment process. It was developed by the Platform On Sustainable Finance, yet it does not constitute a regulation and is not legally binding. According to the recommendations, one of the four conditions below constitutes the non-fulfilment of the minimum safeguards:

- inadequate or non-existent due diligence processes related to human rights, including labour rights, corruption, taxation and fair competition,
- a company finally held liable or found to have violated labour or human rights law in certain types of labour or human rights court cases,
- failure to co-operate with the OECD National Contact Point (hereafter 'OECD NCP') on a notification accepted by the OECD NCP.
- The Business and Human Rights Resource Centre (BHRRC) took up the allegation against the company and the company did not respond within three months.

The processes and regulations implemented within ZE PAK SA are sufficient to meet the first two prerequisites, i.e., to ensure due diligence in terms of employee rights, human rights, anti-corruption and anti-bribery, fair competition and compliance with tax regulations to the extent described by national legislation. In particular, the Company's internal regulations related to employment are in line with the applicable provisions of the Labour Law and other national regulations implementing the International Labour Organisation standards ratified by the Republic of Poland into Polish law.

There were also no gross violations of labour, human rights, anti-corruption law, as well as violations in terms of consumer and competition protection, and in terms of tax law in 2023. There were also no administrative proceedings against ZE PAK SA or members of its authorities in relation to such violations. Also, no penalties were imposed during the reporting period on the members of the authorities of ZE PAK SA, nor were they convicted by final judgements or otherwise held liable for gross violations of the law within the scope referred to in premise two.

ZE PAK SA was not recorded as being in breach of the applicable rules by:

- Business and Human Rights Resource Centre (BHRRC) (<https://www.business-humanrights.org/en/companies/>).
- OECD National Contact Point (<http://mneguidelines.oecd.org/database/>).

ZE PAK SA is also not aware of being recognized, in any other manner, as an entity in violation of employee rights, human rights or applicable regulations relating to anti-corruption and bribery, tax avoidance or fair competition.

Result summary and presentation

The results obtained in the course of the previous steps have been summarized in tables compliant with the updated template (Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, supplementing Regulation (EU) 2020/852

of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

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Table 60: Percentage share of individual **turnover** on products and services associated with taxonomy-compliant economic activity in 2023

Economic activity (1)	Year			Criteria related to substantial contribution						Criteria related to the DNSH ("do no significant harm") principle						Minimum safeguards (17)	Share of taxonomy-compliant (A.1) or taxonomy-eligible (A.2) activity Turnover, year N-1 (18)	Entailing activity category (19)	Transitional activity category (19)
	Code(s) (2)	Turnover (absolute value) (3)	Turnover part, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (17)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity (16)				
		PLN thousand	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. Taxonomy-eligible activity																			
A.1. Types of environmentally sustainable activities (taxonomy-compliant)																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Turnover on sustainable activity (taxonomy-compliant) (A.1)		-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%										
Including enabling (E)		-	0.00%	0.00%	0.00%														
Including transitional (T)		-	0.00%																
A.2. Taxonomy-eligible activity, but not environmentally sustainable (not taxonomy-compliant activity)																			
				EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL										
Demolition and dismantling of buildings and other structures*	CE 3.3.	6 658.75	0.21%	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
<i>Turnover on activity that is taxonomy-eligible but not environmentally sustainable (not taxonomy-compliant) (A.2).</i>	-	6 658.75	0.21%	0.00%	0.00%	0.00%	0.21%	0.00%	0.00%										

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A. Turnover on taxonomy-eligible activity (A.1 + A.2)	-	6 658.75	0.21%	0.00%	0.00%	0.00%	0.21%	0.00%	0.00%										
B. Not taxonomy-eligible activity																			
<i>Turnover on not taxonomy-eligible activity (B)</i>		3 208 964.34	99.79%																
TOTAL (A+B)		3 215 623.09	100.0%																

**activities excluded in 2023 from taxonomy compliance verification*

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Table 60a: Activities related to nuclear energy and natural gas

Row	Nuclear energy-related activity	
1	The company researches, develops, demonstrates and deploys innovative electricity generation systems that generate energy under nuclear processes with minimum fuel-cycle waste, finances such activity or is exposed to it.	NO
2	The company constructs and safely operates new nuclear facilities to generate electricity or process heat, including for the purposes of a district heating system or industrial processes, such as hydrogen production, and also modernizes them in terms of safety, using best available technologies, finances such activity or is exposed to it.	NO
3	The company conducts safe operation of existing nuclear facilities generating electricity or process heat, including for the purposes of a district heating system or industrial process, such as hydrogen production from nuclear energy, and also modernizes them in terms of safety, finances such activity or is exposed to it.	NO
Natural gas-related activity		
1	The company reconstructs or operates electricity generation systems that use gaseous fossil fuels, finances such activity or is exposed to it.	NO
2	The company reconstructs, modernizes or operates systems for combined heating/cooling and electricity generation using gaseous fossil fuels, finances such activity or is exposed to it.	NO
3	The company constructs, modernizes or operates systems that generate thermal/cooling energy using gaseous fossil fuels, finances such activity or is exposed to it.	NO

Table 60b: Taxonomy-compliant economic activity (denominator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-compliant economic activity, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	6 658.75	0.21%	6 658.75	0.21%	-	-
8	Total applicable key performance indicator	6 658.75	0.21%	6 658.75	0.21%	-	-

Table 60c: Taxonomy-compliant economic activity (numerator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-

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6	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the numerator of the applicable key performance indicator	-	-	-	-	-	-
8	Total amount and total share of taxonomy-compliant economic activity types in the numerator of the applicable key performance indicator	-	-	-	-	-	-

Table 60d: Economic activity eligible for taxonomy but not taxonomy-compliant

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-eligible but not taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	6 658.75	0.21%	6 658.75	0.21%	-	-

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8	Total amount and total share of taxonomy-eligible but not taxonomy-compliant economic activity types in the denominator of the applicable key performance indicator	6 658.75	0.21%	6 658.75	0.21%	-	-
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Table 60e: Economic activity not eligible for taxonomy

Row	Economic activity types	Amount	Percentage share
1	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
2	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
3	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
4	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
5	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
6	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
7	Amount and share of other business activity types not eligible for taxonomy, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	3 208 964.34	99.79%
8	Total amount and total share of business activity types not eligible for taxonomy in the denominator of the applicable key performance indicator	3 208 964.34	99.79%

Accounting principles

The calculation of the Key Performance Indicator for Turnover (KPI Turnover) was based on ZE PAK's 2023 financial statement prepared in accordance with International Reporting Standards (IFRS). Net sales revenues from the a/m statement have been adopted as the indicator denominator.

Revenues from taxonomy-compliant activities have been identified based on the assessment of conformity with Regulation (EU) 2020/852. The amount reported in ZE PAK's financial statement on activities identified as taxonomy-compliant has been allocated to the numerator of the key performance indicator.

Information on assessing the conformity with Regulation (EU) 2020/852

Individual revenue categories for ZE PAK have been analysed in terms of taxonomy eligibility. This process involved an analysis of the activities eligible for taxonomy and identified in the Regulation (EU) 2021/2139 and Regulation (EU) 2022/1214. One taxonomy-eligible activity was identified based on the analysis:

C3.3. Demolition and dismantling of buildings and other structures

In 2023, the activity was excluded from the analysis of meeting the technical criteria.

Contribution to meeting multiple objectives, disaggregation of key performance indicators

Not applicable.

Context-related information

Not applicable.

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Table 61: Percentage share of unit **capital expenditure** on products and services associated with taxonomy-compliant economic activity in 2023

Economic activity (1)	Year			Criteria related to substantial contribution						Criteria related to the DNSH (“do no significant harm”) principle							Share of taxonomy-compliant (A.1) or taxonomy-eligible (A.2) activity Capital expenditure, year N-1 (18)	Entailing activity category (19)	Transitiona l activity category (19)
	Code(s) (2)	Capital expenditure (absolute value) (3)	Turnover part, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (17)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity (16)	Minimum safeguards (17)			
		PLN thousand	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. Taxonomy-eligible activity																			
A.1. Types of environmentally sustainable activities (taxonomy-compliant)																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure related to sustainable activity (taxonomy-compliant) (A.1.)	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%										
Including enabling (E)	-	-	0.00%	0.00%	0.00%														
Including transitional (T)	-	-	0.00%																
A.2. Taxonomy-eligible activity, but not environmentally sustainable (not taxonomy-compliant activity)																			
				EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL										
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure on activity that is taxonomy-eligible but not environmentally sustainable (not taxonomy-compliant) (A.2).	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%										

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A. Capital expenditure on taxonomy-eligible activity (A1 + A.2)	-		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%									
B. Not taxonomy-eligible activity																			
Operating expenditure on not taxonomy-compliant activities (B)		9 680.14	100.0%																
TOTAL (A+B)		9 680.14	100.0%																

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Table 61a: Activities related to nuclear energy and natural gas

Row	Nuclear energy-related activity	
1	The company researches, develops, demonstrates and deploys innovative electricity generation systems that generate energy under nuclear processes with minimum fuel-cycle waste, finances such activity or is exposed to it.	NO
2	The company constructs and safely operates new nuclear facilities to generate electricity or process heat, including for the purposes of a district heating system or industrial processes, such as hydrogen production, and also modernizes them in terms of safety, using best available technologies, finances such activity or is exposed to it.	NO
3	The company conducts safe operation of existing nuclear facilities generating electricity or process heat, including for the purposes of a district heating system or industrial process, such as hydrogen production from nuclear energy, and also modernizes them in terms of safety, finances such activity or is exposed to it.	NO
Natural gas-related activity		
1	The company reconstructs or operates electricity generation systems that use gaseous fossil fuels, finances such activity or is exposed to it.	NO
2	The company reconstructs, modernizes or operates systems for combined heating/cooling and electricity generation using gaseous fossil fuels, finances such activity or is exposed to it.	NO
3	The company constructs, modernizes or operates systems that generate thermal/cooling energy using gaseous fossil fuels, finances such activity or is exposed to it.	NO

Table 61b: Taxonomy-compliant economic activity (denominator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-compliant economic activity, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	-	-	-	-	-	-
8	Total applicable key performance indicator	-	-	-	-	-	-

Table 61c: Taxonomy-compliant economic activity (numerator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-

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6	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the numerator of the applicable key performance indicator	-	-	-	-	-	-
8	Total amount and total share of taxonomy-compliant economic activity types in the numerator of the applicable key performance indicator	-	-	-	-	-	-

Table 61d: Economic activity eligible for taxonomy but not taxonomy-compliant

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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7	Amount and share of other taxonomy-eligible but not taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	-	-	-	-	-	-
8	Total amount and total share of taxonomy-eligible but not taxonomy-compliant economic activity types in the denominator of the applicable key performance indicator	-	-	-	-	-	-

Table 61e: Economic activity not eligible for taxonomy

Row	Economic activity types	Amount	Percentage share
1	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
2	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
3	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
4	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
5	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
6	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-

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7	Amount and share of other business activity types not eligible for taxonomy, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	9 680.14	100.0%
8	Total amount and total share of business activity types not eligible for taxonomy in the denominator of the applicable key performance indicator	9 680.14	100.0%

Accounting principles

The basis for calculating KPI Capex was the ZE PAK's financial statement for the year concluded on 31 December 2023 – the adopted numerator were costs settled based on:

- a) IAS 16 Property, plant and equipment, cl. 73(e) subcl. (i) and (iii);
- b) IAS 38 Intangible assets, cl. 118(e) subcl. (i);
- c) IAS 40 Investment property, cl. 76(a) and (b) (in the case of a fair value model);
- d) IAS 40 Investment property, cl. 79(d) subcl. (i) and (iii) (in the case of a model based on acquisition price or generation cost);
- e) IAS 41 Agriculture, cl. 50(b) and (e);
- f) IFRS 16 Lease, cl. 73(h).

Taxonomy-compliant capital expenditure have been identified based on the assessment of conformity with Regulation (EU) 2020/852. The amount reported in ZE PAK's financial statement on activities identified as taxonomy-compliant has been allocated to the numerator.

Information on assessing the conformity with Regulation (EU) 2020/852

Individual categories of ZE PAK's capital expenditures have been analysed pursuant to the provisions of Regulation (EU) 2021/2178:

No taxonomy-eligible activities relevant for the Company's image were identified based on the conducted analysis.

Contribution to meeting multiple objectives, disaggregation of key performance indicators

Not applicable.

Context-related information

Not applicable.

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Table 62: Percentage share of individual **operating cost** on products and services associated with taxonomy-compliant economic activity in 2023

Economic activity (1)	Year			Criteria related to substantial contribution						Criteria related to the DNSH ("do no significant harm") principle						Share of taxonomy-compliant (A.1) or taxonomy-eligible (A.2) activity Operating expenditure, year N-1 (18)	Entailing activity category (19)	Transitiona l activity category (19)	
	Code(s) (2)	Operating expenditure (absolute value) (3)	Turnover part, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (17)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity (10)				Minimum safeguards (17)
		PLN thousand	%	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T; N; N/EL	T/N	T/N	T/N	T/N	T/N	T/N	T/N	%	E	T
A. Taxonomy-eligible activity																			
A.1. Types of environmentally sustainable activities (taxonomy-compliant)																			
Operating costs related to sustainable activities (taxonomy-compliant) (A.1)	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%										
Including enabling (E)	-	-	0.00%	0.00%	0.00%														
Including transitional (T)	-	-	0.00%																
A.2. Taxonomy-eligible activity, but not environmentally sustainable (not taxonomy-compliant activity)																			
				EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL	EL N/EL										
Operating expenditure on activity that is taxonomy-eligible but not environmentally sustainable (not taxonomy-compliant) (A.2).	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%										
A. Operating expenditure on taxonomy-eligible activities (A.1 + A.2)	-	4 158.67	0.42%	0.00%	0.00%	0.00%	0.42%	0.00%	0.00%										
B. Not taxonomy-eligible activity																			

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		392 026.73	100.0%
<i>Operating expenditure on non taxonomy-eligible activities (B)</i>			
TOTAL (A+B)		392 026.73	100.0%

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Table 62a: Activities related to nuclear energy and natural gas

Row	Nuclear energy-related activity	
1	The company researches, develops, demonstrates and deploys innovative electricity generation systems that generate energy under nuclear processes with minimum fuel-cycle waste, finances such activity or is exposed to it.	NO
2	The company constructs and safely operates new nuclear facilities to generate electricity or process heat, including for the purposes of a district heating system or industrial processes, such as hydrogen production, and also modernizes them in terms of safety, using best available technologies, finances such activity or is exposed to it.	NO
3	The company conducts safe operation of existing nuclear facilities generating electricity or process heat, including for the purposes of a district heating system or industrial process, such as hydrogen production from nuclear energy, and also modernizes them in terms of safety, finances such activity or is exposed to it.	NO
Natural gas-related activity		
1	The company reconstructs or operates electricity generation systems that use gaseous fossil fuels, finances such activity or is exposed to it.	NO
2	The company reconstructs, modernizes or operates systems for combined heating/cooling and electricity generation using gaseous fossil fuels, finances such activity or is exposed to it.	NO
3	The company constructs, modernizes or operates systems that generate thermal/cooling energy using gaseous fossil fuels, finances such activity or is exposed to it.	NO

Table 62b: Taxonomy-compliant economic activity (denominator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-compliant economic activity, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-compliant economic activity, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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4	Amount and share of taxonomy-compliant economic activity, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-compliant economic activity, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-compliant economic activity, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	-	-	-	-	-	-
8	Total applicable key performance indicator	-	-	-	-	-	-

Table 62c: Taxonomy-compliant economic activity (numerator)

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-compliant economic activity, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-

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6	Amount and share of economic activity pursuant to taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the numerator of their key performance indicator	-	-	-	-	-	-
7	Amount and share of other taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the numerator of the applicable key performance indicator	-	-	-	-	-	-
8	Total amount and total share of taxonomy-compliant economic activity types in the numerator of the applicable key performance indicator	-	-	-	-	-	-

Table 62d: Economic activity eligible for taxonomy but not taxonomy-compliant

Row	Economic activity types	Amount and share (information to be disclosed in monetary amounts and percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
2	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
3	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
4	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
5	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-
6	Amount and share of taxonomy-eligible economic activity but not compliant with taxonomy, referred to in section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-	-	-	-	-

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7	Amount and share of other taxonomy-eligible but not taxonomy-compliant economic activity types, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	-	-	-	-	-	-
8	Total amount and total share of taxonomy-eligible but not taxonomy-compliant economic activity types in the denominator of the applicable key performance indicator	-	-	-	-	-	-

Table 62e: Economic activity not eligible for taxonomy

Row	Economic activity types	Amount	Percentage share
1	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.26 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
2	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.27 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
3	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.28 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
4	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.29 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
5	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.30 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
6	Amount and share of economic activity referred to in row 1 template 1, which is an economic activity not eligible for taxonomy pursuant to section 4.31 of Annexes I and II to the Delegated Regulation (EU) 2021/2139 in the denominator of their key performance indicator	-	-
7	Amount and share of other business activity types not eligible for taxonomy, not referred to in rows 1-6 above in the denominator of the applicable key performance indicator	392 026.73	100.00%
8	Total amount and total share of business activity types not eligible for taxonomy in the denominator of the applicable key performance indicator	392 026.73	100.00%

Accounting principles

The basis to calculate the KPI Opex denominator pursuant to the provisions of Annex No. 1 to Regulation (EU) 2021/2178 was extracting direct, non-capitalised expenses, based on ZE PAK's financial statement for the year concluded 31 December 2023 from the overheads of the ZE PAK related to

- research & development work,
- building renovation activities,
- short-term lease,
- maintenance and repairs, and
- any other direct expenses related to day-to-day servicing of tangible fixed assets by a company or third party commissioned which activities necessary to ensure the continued and efficient operation of those assets under an outsourcing contract.

Taxonomy-compliant capital expenditure have been identified based on the assessment of conformity with Regulation (EU) 2020/852. The amount reported in ZE PAK's financial statement on activities identified as taxonomy-compliant has been allocated to the numerator.

Information on assessing the conformity with Regulation (EU) 2020/852

Individual categories of ZE PAK's operating expenses included in the denominator of the key performance indicator have been analysed in accordance with the provisions of EU Regulation 2021/2178.

1 taxonomy-compliant activity was identified based on the conducted analysis:

CE3.3. Demolition and dismantling of buildings and other structures

Contribution to meeting multiple objectives, disaggregation of key performance indicators

Not applicable.

Context-related information

Not applicable.

12. OTHER INFORMATION

12.1. Significant legal proceedings

In 2023 ZE PAK SA and companies consolidated within the Group were not a party in pending court proceedings, a body competent for arbitration proceedings or a public administration body, whose single or total value would exceed 10% of the equity of ZE PAK S.A., except the ones specified below.

Proceedings related to the environmental decision issued with respect to PAK KWB Konin SA concerning the Tomisławice lignite deposit

PAK KWB Konin SA is a party in the administrative proceedings related to the environmental decision regarding the lignite deposit in Tomisławice. On 7 August 2007, the Head of the Wierzbinek commune issued an environmental decision regarding the lignite open pit. On 5 December 2008, this decision was contested by nine natural persons supported by the Greenpeace foundation due to alleged gross infringement of legal regulations. On 25 March 2009, the Self-government Appeal Court dismissed to overrule the environmental decision. The plaintiffs applied for the judicial review. On 4 May 2009, after the judicial review, the Self-government Appeal Court sustained its previous decision. The plaintiffs again appealed against the environmental decision. On 5 May 2010, the Provincial Administrative Court in Poznań decided that the environmental decision, pursuant to which the license for the extraction of lignite at the Tomisławice deposit was granted, was a gross breach of legal regulations. PAK KWB Konin SA and the Self-government Appeal Court submitted an appeal against this judgement. On 21 March 2012, the Supreme Administrative Court revoked the contested decision of the Provincial Administrative Court in Poznań and referred the case to judicial review. On 6 November 2012, the Provincial Administrative Court in Poznań announced the decision revoking the decision of the Self-government Appeal Court of 25 March 2009 on dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open cast by PAK KWB Konin S.A. On 7 January 2013, PAK KWB Konin S.A. submitted a cassation appeal against the described judgement.

After examination during a hearing on 7 October 2014, the Supreme Administrative Court dismissed PAK KWB Konin SA's cassation appeal against the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 revoking the decision of the Self-government Appeal Court in Konin of 25 March 2009 dismissing the statement of invalidity of the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune, related to the extraction of lignite from the Tomisławice open cast.

Dismissal of the cassation appeal by PAK KWB Konin SA means that the judgement of the Provincial Administrative Court in Poznań of 6 November 2012 became legally binding, and the case regarding the statement of invalidity of the environmental decision will be examined again by the Self-government Appeal Court. On 18 January 2019, the Self-government Appeal Court in Konin issued a decision refusing to deem the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune and associated with the operation of the lignite open pit in Tomisławice as invalid.

On 19 June 2020, the Company was informed that a closed-door hearing at the Provincial Administrative Court in Poznań resulted in a judgement dismissing the appeal against the decision of the Self-government Appeal Court in Konin regarding the refusal to deem the environmental decision issued on 7 August 2007 by the Head of the Wierzbinek Commune and associated with the operation of the lignite open pit in Tomisławice as invalid.

Therefore, the judgement of the Provincial Administrative Court in Poznań, dated 18 June 2020 means that the environmental decision issued by the Head of the Wierzbinek Commune on 7 August 2007 still remains in legal circulation.

The Greenpeace Poland Foundation, based in Warsaw, and Jozef Imbierski filed a cassation appeal with the Supreme Administrative Court against the judgement of the Provincial Administrative Court in Poznań dated 18 June 2020. On 26 October 2020, PAK KWB SA Konin submitted a response to the cassation appeal, filing for dismissal. A hearing date in this case is still to be set.

Proceedings on formal decisions associated with the construction of the Adamów Power Plant CCGT unit

1. Decision on environmental conditions

By way of a decision of 7 August 2023, the Mayor of the City of Turek established, at the request of PAK CCGT sp. z o.o., environmental conditions for the project entitled 'Construction of a 600 MW class CCGT unit with associated infrastructure at the Adamów Power Plant' (DEC-Decision on environmental conditions). By way of a decision of 8 August 2023, the Mayor issued a DEC – pursuant to Art. 108(1) of the Act of 14 June 1960 Code of Administrative Proceedings (Dz. U. of 2023, item 775, as amended). - the order of immediate enforceability, indicating that 'implementation of the project in question is of particular significance for ensuring Poland's energy security, prevent potential losses for the national economy in situations of power shortages, as well as the important social interest of ensuring stable power supplies for households'. On 28 August 2023, the Towarzystwo na Rzecz Ziemi (TnZ-Society for the Earth) filed a complaint against the order. On 14 September 2023, TnZ supplemented the complaint by indicating rationale that, according to their opinion, demonstrate that there was no legal basis for the order.

On 4 September 2023, TnZ filed an appeal against the DEC, enclosing a study on the impact of the planned project on surface water. In the course of further appeal proceedings, TnZ submitted further letters attaching additional studies.

In a letter of 9 October 2023, the Local Government Appeals Court in Konin called on PAK CCGT sp. z o.o. to provide explanations by responding to the claims in the complaint, the TnZ appeal, as well as the studies submitted.

By way of a letter of 6 November 2023, PAK CCGT sp. z o.o. requested a change in the deadline for submitting its position in the case to 9 February 2024, indicating that the company had commissioned an expert report addressing the allegations contained in both the letters and studies submitted by TnZ.

In a letter of 21 November 2023 addressed to the Local Government Appeals Court in Konin, PAK CCGT sp. z o.o. presented its position regarding the complaint, addressing the allegations cited by TnZ in particular.

2. Construction permit

By way of Decision No. 483/23 of 24 October 2023, the Turek District Governor approved the land development plan, and the architectural and construction design, and granted PAK CCGT sp. z o.o. permission for the construction of the unit section under the task 'Construction of a 600 MW class CCGT unit with associated infrastructure at the Adamów Power Plant site'.

As a result of the reviewing the PAK CCGT sp. z o.o. request, the Turek District Governor, by way of a decision of 31 October 2021, imposed the order of immediate enforceability on the construction permit.

By way of a letter of 31 October 2023, an authorized natural person lodged an appeal against the construction permit. The appeal, together with the case file, was forwarded to the Wielkopolska Provincial Office by the Staroste of Turek and was registered.

To the Company's knowledge, the authorised natural person filed a statement withdrawing the appeal.

Other legal proceedings were described in the consolidated financial statement of the Group in section 33.1.

12.2. Major achievements in the field of research and development

Since 2020, the ZE PAK SA Capital Group, in cooperation with the Polsat Plus Group, has conducted work on an innovative design of a Polish Hydrogen Bus prototype, the objective of which was to develop from scratch a design of a new eco-friendly bus powered by hydrogen cells. Following the completion of construction and obtaining EU approval for the manufactured bus, work began on the construction of a hydrogen-cell bus factory, and was completed in Q3 2023.

Development work to increase competitiveness in the city bus market is currently in progress, in cooperation with the Polsat Plus Group. The scope of work includes the construction of a prototype with a central engine, outward opening doors and a modified driver's cab. Advanced driver assistance systems will be introduced, including pedestrian and cyclist detection, driver drowsiness warning and traffic sign recognition. This will make it more responsive to the requirements of future users.

Construction of the prototype will begin in the new factory. Approval is also expected to be extended to include new regulations on vehicle safety and cybersecurity.

The ZE PAK SA Group is also working on a single-family house autonomous power supply. This project involves developing a concept and technical selection of equipment for a self-sufficient stand-alone system supplying electricity, heat, domestic hot water to single-family houses with low energy consumption and passive houses based on own renewable energy sources using hydrogen as an energy storage and carrier. The initial operation phase of the assembled stand-alone power system designed for single-family houses is currently in progress. In June 2022, the company commissioned developing a demonstrator design for the project "Stand-alone single-family supply with electricity and heat, based on own renewable energy sources, using hydrogen as an energy carrier and storage". This project will

constitute ground for the construction of a single-family dwelling model in the form of a container building, which can be moved to different locations to demonstrate the stand-alone supply system for a single-family house. A demonstrator concept has been developed. The next step will involve developing technical designs of the demonstrator.

12.3. Information on selecting an auditing company to examine the annual consolidated financial statement

According to a statement of the Supervisory Board, the audit firm conducting the audit of the annual consolidated financial statement was selected pursuant to the regulations, including those concerning the selection and procedure for the selection of an audit firm. The audit firm and the members of the audit team fulfil the requirements for the development of an impartial and independent audit report regarding the annual consolidated financial statement, in accordance with applicable regulations, professional standards and ethics. Applicable regulation associated with the rotation of the audit firm, key expert auditor and mandatory grace periods are observed. The Company has a policy in place on audit firm selection and a policy on the provision of additional non-audit services to the issuer by the audit firm, an affiliate of the audit firm or a member of its network, including services conditionally exempted from the prohibition to be provided by the audit firm.

12.4. Information on financial statement audit

The audit firm auditing the financial statement and consolidated financial statement is PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. The contract for the audit of the Company's financial statement and the Group's consolidated financial statement, together with the verification of consolidated statements tagging with XBRL tags in accordance with ESEF requirements, was concluded in September 2023. Its scope covers auditing financial statements for the years 2023-2024.

Information regarding the remuneration for the audit firm was presented in section 37 of the Group's consolidated financial statement for 2023.

12.5. Financial projections

The Capital Group did not publish financial forecasts for 2023 and it will not present financial forecasts for 2024.

12.6. List of tables

No.	Title
1.	<i>Table 1: List of companies where ZE PAK SA holds shares</i>
2.	<i>Table 2: List of granted guarantees and sureties as at 31 December 2023</i>
3.	<i>Table 3: List of guarantees and sureties received in 2023, as at 31 December 2023</i>
4.	<i>Table 4: Specification of consolidated sales revenues</i>
5.	<i>Table 5: Selected items of the consolidated income statement (continuing and discontinued operations combined)</i>
6.	<i>Table 6: Consolidated operating costs</i>
7.	<i>Table 7: Specification of sales revenues</i>
8.	<i>Table 8: Selected income statement items</i>
9.	<i>Table 9: Costs by type</i>
10.	<i>Table 10: Selected individual asset items</i>
11.	<i>Table 11: Selected individual liability items</i>
12.	<i>Table 12: Selected individual cash flow statement items</i>
13.	<i>Table 13: Individual indices</i>
14.	<i>Table 14: List of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company</i>
15.	<i>Table 15: Status for shares in the Company and shares/stocks in entities affiliated with the Company held by managing personnel as at 31 December 2023 and as at the statement date</i>

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16.	<u>Table 16: Company's share holdings as well as affiliates' share/stock holdings by the supervisory personnel as at 31 December 2023 and as at the date of statement development</u>
17.	<u>Table 17: Shareholders holding, directly or indirectly, significant blocks of shares (above 5%), pursuant to information held by the Company and based on notifications on the acquisition/disposal of Company shares, as at the date of report submittal</u>
18.	<u>Table 18: Information on the value of remuneration paid in 2023 by the Company and the Company's subsidiaries to all acting Management Board members in 2023</u>
19.	<u>Table 19: Information on the value of non-cash benefits granted in 2023 by the Company and the Company's subsidiaries to all acting Management Board members in 2023</u>
20.	<u>Table 20: Information on the value of remuneration, as well as the value of non-cash benefits paid by the Company in 2023, as well as the Company's subsidiaries to all acting Supervisory Board members in 2023</u>
21.	<u>Table 21: Potential identified climate-related physical risks [IRO-1 AR 11]</u>
22.	<u>Table 22: Potential identified climate-related transition risks and opportunities in individual business segments [IRO-1 AR 12]</u>
23.	<u>Table 23: ESG strategy goals for 2024-2028</u>
24.	<u>Table 24: Key indicators related to social impact</u>
25.	<u>Table 25: End-of-year employment structure by contract type (in persons, at the end of subsequent periods) [GRI 2-7, 2-8] [ESRS S1 S1-6, S1-7]</u>
25a.	<u>Table 25a: Structure of persons working based on civil-law contracts (at the end of subsequent periods) [GRI 2-7, 2-8] [ESRS S1 S1-6, S1-7]</u>
26.	<u>Table 26: End-of-year employment structure by position, education and age (in persons, at the end of subsequent periods) The structure does not include people employed under a civil-law contract [GRI 2-7, 2-8] [ESRS S1 S1-6, S1-7]</u>
27.	<u>Table 27: Persons newly employed within the year (in persons, for a given period) [GRI 401-1] [ESRS S1 S1-6]</u>
28.	<u>Table 28: People leaving their jobs (in persons, for a given period) [401-1] [ESRS S1 S1-6]</u>
29.	<u>Table 29: Diversity within the Company's bodies (in persons, at the end of subsequent periods) [GRI 405-1b] [ESRS S1 S1-9]</u>
30.	<u>Table 30: Accidents at work [GRI 403-9] [ESRS S1 S1-14]</u>
31.	<u>Table 31: Occupational diseases [GRI 403-10a] [ESRS S1 S1-14]</u>
32.	<u>Table 32: Number of employees exposed to factors harmful to health and factors associated with work strenuousness (in persons, at the end of subsequent periods) [ESRS S1 S1-14]</u>
33.	<u>Table 33: Specification of area sizes with completed technical reclamation, in the course of biological reclamation and seeding, as well as areas with a decision on successfully completed reclamation (hectares)</u>
34.	<u>Table 34: Share of lands with a decision on completing reclamation to lands excluded from agricultural and forestry production in mines (%)</u>
35.	<u>Table 35: Reclamation effectiveness index for a given year % share of lands with a decision on completing reclamation to lands excluded from agricultural and forestry production (%)</u>
36.	<u>Table 36: Plantings</u>
37.	<u>Table 37: Water consumption [GRI 303-3] [ESRS E3 E3-4]</u>
38.	<u>Table 38: Wastewater drainage (open pit drainage) [GRI 303-4] [ESRS E3 E3-4]</u>
39.	<u>Table 39: Water consumption [GRI 303-5] [ESRS E3 E3-4]</u>
40.	<u>Table 40: Waste management – generated waste [GRI 306-3] [ESRS E5 E5-5]</u>
41.	<u>Table 41: Consumption of key fuels [GRI 302-1] [ESRS E1 E1-5]</u>
42.	<u>Table 42: Gross electricity generation [GRI 302-1] [ESRS E1 E1-5]</u>
43.	<u>Table 43: Gross thermal energy generation [GRI 302-1] [ESRS E1 E1-5]</u>
44.	<u>Table 44: Total gross energy generation (electricity, thermal) [GRI 302-1] [ESRS E1 E1-5]</u>
45.	<u>Table 45: Electricity sales</u>
46.	<u>Table 46: Thermal energy sales</u>

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47.	<u>Table 47: CO₂ emissions at the ZE PAK SA Group (Scope 1, 2) [GRI 305-1, 305-2] [ESRS E1 E1-4]</u>
48.	<u>Table 48: Greenhouse gas emissions (eCO₂) – (Scope 1, 2) [GRI 305-1, 305-2] [ESRS E1 E1-4]</u>
49.	<u>Table 49: Other indirect eCO₂ emissions – (Scope 3) [GRI 305-3] [ESRS E1 E1-4]</u>
50.	<u>Table 50: CO₂ emissions related to energy generation</u>
51.	<u>Table 51: Atmospheric emissions of SO₂, NO_x and dusts [GRI 305-7] [ESRS E2 E2-4]</u>
52.	<u>Table 52: Violation of environmental standards (%)</u>
53.	<u>Table 53: Key indicators in the area of respect for human rights [GRI 406-1] [ESRS S1 S1-17]</u>
54.	<u>Table 54: Key performance indicators in the area related to counteracting corruption [GRI 205-3] [ESRS G1 G1-4]</u>
55.	<u>Table 55: Analysis results for ZE PAK CG taxonomy-compliant activities</u>
56.	<u>Table 56: Percentage share of consolidated turnover on products and services associated with taxonomy-compliant economic activity in 2023</u>
57.	<u>Table 57: Percentage share of consolidated capital expenditure on products and services associated with taxonomy-compliant economic activity in 2023</u>
58.	<u>Table 58: Percentage share of consolidated operating cost on products and services associated with taxonomy-compliant economic activity in 2023</u>
59.	<u>Table 59: Analysis results for taxonomy-compliant ZE PAK SA activities</u>
60.	<u>Table 60: Percentage share of individual turnover on products and services associated with taxonomy-compliant economic activity in 2023</u>
61.	<u>Table 61: Percentage share of individual capital expenditure on products and services associated with taxonomy-compliant economic activity in 2023</u>
62.	<u>Table 62: Percentage share of individual operating cost on products and services associated with taxonomy-compliant economic activity in 2023</u>

All other information the disclosure of which is required by regulations and that have not been disclosed in this management board's report of operations do not concern the Group.

Konin, 29 April 2024

SIGNATURES:

Piotr Woźny
President of the Management Board

Zygmunt Artwik
Vice-President of the Management Board

Andrzej Janiszowski
Vice-President of the Management Board

Maciej Nietopiel
Vice President of the Management Board

Katarzyna Sobierajska
Vice President of the Management Board

Maciej Koński
Vice-President of the Management Board