

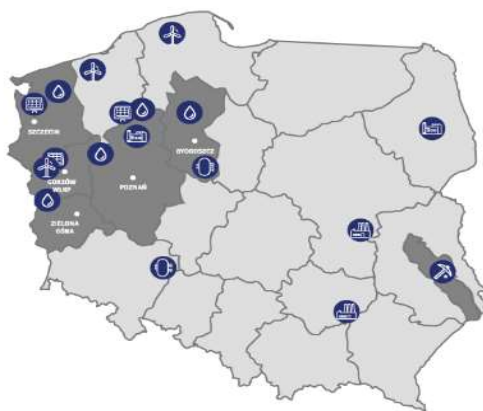


# Sustainable development of the ENEA Group in 2022

## Key information about the ENEA Group

The ENEA Group supplies a comprehensive range of energy products and services to over 2.7 million individual and institutional customers across Poland. As a vice-leader of the electricity production segment, we contribute materially to the strength of Poland's energy security and development of the economy.

### ENEA Group's business areas



- |  |   |
|--|---|
|  Power Plants:<br>Kozienice, Potaniec   |  Biogas power plants:<br>Gorzestaw, Liszkowo |
|  ENEA Ciepło, MEC Piła,<br>PEC Oborniki   |  LW Bogdanka                                 |
|  Wind farms: Bardy,<br>Darżyno, Baczyna   |  Distribution area<br>of ENEA Operator       |
|  21 hydroelectric<br>power plants   |  Lublin coal basin                           |
|  PV farms:<br>PV Jastrowie I, PV Likowo,<br>PV Lubno I i PV Lubno II and<br>PV FW Lubno I |   |

#### Distribution

- Supply of electricity
- Planning and ensuring expansion of the distribution network, including by connecting new customers
- Operation, maintenance and repairs of the distribution grid
- Management of metering data

#### Generation

- Electricity generation based on bituminous coal, biomass, gas, wind, water, biogas and a photovoltaic farm
- Heat generation
- Heat transmission and distribution
- Electricity trading

#### Mining

- Production of bituminous coal
- Sales of bituminous coal
- Securing the Group's raw material base

#### Wholesale trading

- Optimization of wholesale contracts portfolio for electricity and gaseous fuel
- Operations on product markets
- Ensuring access to wholesale markets

#### Retail trading

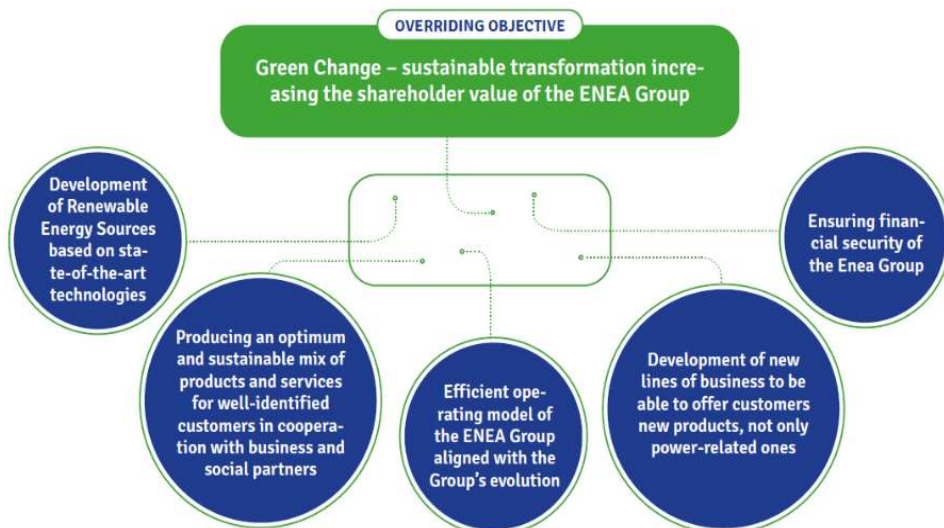
- Trading in electricity and gaseous fuel on the retail market
- Product and service offering adjusted to customers' needs
- Comprehensive customer service

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## Development strategy until 2030

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Implementation of the *ENEA Group Development Strategy until 2030 with an outlook to 2040*, announced in December 2021, will allow the ENEA Group to adapt its activity to the challenges facing the Polish power industry in a reliable and efficient manner. The primary objective stated in the aforementioned document is the *Green Change*, understood as a sustainable transition of the Group leading to an increase in its value, while pursuing a long-term goal of achieving climate neutrality by 2050.



We intend to achieve climate neutrality by minimizing carbon dioxide emissions throughout our value chain. Key directions of our activities in this area:

- phasing out of fossil fuel-fired generation,
- development of renewable sources,
- improvement of energy efficiency.

The increase in the installed RES capacity will be achieved through acquisitions, the development of own projects (mostly in rural areas) and in collaboration with business partners. At the same time, we continue action to spin off assets related to electricity generation in conventional coal- and lignite-fired units from the Group structure to the soon-to-be-launched National Energy Security Agency (NABE)<sup>1)</sup>. Nevertheless, in the initial phase of its efforts aimed at reaching climate neutrality, we intend to use gas as a low-carbon transition fuel in order to maintain Poland's energy security. Investments in this area will be confined to the replacement of some generation capacities (approx. 1.9 GW) based on the existing infrastructure. Conventional low-carbon sources will stabilize the developing RES capacity.

<sup>1)</sup> On 1 March 2022, the Council of Ministers adopted the document "Transformation of the power sector in Poland. Spin-off of coal assets from companies with a State Treasury shareholding", which includes a concept of spinning off, from the corporate groups of each utility company, assets associated with the generation of electricity in conventional coal-fired units and their transfer to NABE.

## ENEA Group in numbers in 2022

|                                |   |  |  |
|--------------------------------|---|--|--|
| <b>17.6 thousand employees</b> | <b>PLN 2.6 billion capital expenditures</b> | <b>PLN 30.1 billion revenue from sales</b> | <b>PLN 2.2 billion profit (EBITDA)</b> |
|--------------------------------|---|--|--|

| <b>MINING</b>                                 | <b>GENERATION</b>        | <b>DISTRIBUTION</b>                       | <b>TRADING</b>   |
|---|--------------------------|---|--|
| <b>24.1%</b>                                  | <b>6.3 GW</b>            | <b>2.8 million</b>                        | <b>2.7 million</b>   |
| share in the steam coal market in Poland      | total installed capacity | users of distribution services            | customers  |
| <b>427 million tons</b>                       | <b>449 MW</b>            | <b>123.1 thousand km</b>                  | <b>23.7 TWh</b>  |
| mining potential in 4 mining concession areas | installed RES capacity   | distribution lines, including connections | sales of electricity and gaseous fuel to retail customers  |
| <b>8.4 million tons</b>                       | <b>26.2 TWh</b>          | <b>20.3 TWh</b>                           | <b>31</b>  |
| net coal production                           | net energy production    | electricity supplied                      | modern Customer Service Offices,<br><b>1</b> Showroom,<br><b>1</b> mobile Customer Service Office (mBOK) and<br><b>1</b> Electronic Customer Service Office (eBOK) |
| <b>PLN 610.6 million</b>                      | <b>PLN 310.2 million</b> | <b>PLN 1.3 billion</b>                    | <b>PLN 76 million</b>  |
| EBITDA contribution                           | EBITDA contribution      | EBITDA contribution                       | EBITDA contribution  |

## Key events in 2022

In 2022, we carried out a number of initiatives that will be of key importance for the Group's sustainable development and its impact on the economy, the society and the environment.

- we developed and adopted strategies for each of the Group's business areas with a view to clarifying and operationalizing the development strategy,
- we signed a letter of intent for the potential acquisition by the State Treasury of all shares in Lubelski Węgiel Bogdanka held by ENEA S.A. and we sold all our shares in Polska Grupa Górnicza S.A. to the State Treasury,
- we successfully executed the process of increasing ENEA S.A.'s capital, having obtained over PLN 750 million for investments in the area of distribution, including on the development of RES capacities and smart power grids,
- we launched the Group's first photovoltaic power plants: in Jastrowie (Wielkopolskie voivodship), Lików (Zachodniopomorskie voivodship) and Lubno (Lubuskie voivodship),
- we launched a new cogeneration source in Piła based on three gas engines and solar collectors,
- we built smart grids in Bydgoszcz, Krosno, Słubice and Żary counties and in the city of Zielona Góra.

Moreover, in 2022, we worked on the following projects, among others:

- spin-off of coal assets to the State Treasury in accordance with the updated schedule of establishment of NABE,

- construction of a photovoltaic farm on land owned by LW Bogdanka,
- comprehensive climate policy for the whole Group, specifying the directions in which we should develop in order to minimize our climate impact.

The ENEA Group climate policy, which we intend to have in place by the end of 2023, will define the goals and indicators of their achievement and will systematize the activities completed so far. It will detail the roles and responsibilities of individual organizational units and Group employees in the area of climate impact management and adaptation to climate change. It will also serve as a tool for building climate awareness and confirming the commitment of both the Group and our employees to climate protection and lowering the degree of global warming.

## Key performance indicators in sustainable development

| Area             | Indicator   | 2020   | 2021                                 | 2022                                 | Change 2022/2021 |
|------------------|---|--|--------------------------------------|--------------------------------------|------------------|
| Economic         | Taxes paid internationally, nationally and locally <sup>1)</sup>  | PLN 734 million                                  | PLN 986 million                      | PLN 575 million                      | -42%             |
|                  | Payments to the state budget by virtue of dividends <sup>2)</sup>   | PLN 0 million                                    | PLN 0 million                        | PLN 30 million                       | +100%            |
|                  | Number of employees <sup>3)</sup>   | 17,480   | 17,461                               | 17,588                               | +0.7%            |
|                  | Payroll and employee benefits   | PLN 2.0 billion                                  | PLN 2.1 billion                      | PLN 2.5 billion                      | +19%             |
|                  | Confirmed incidents of corruption   | 0  | 0                                    | 0                                    | -                |
|                  | Total number of incidents of non-compliance with regulations governing marketing communication, including advertising, promotion and sponsorship                              | Not reported                                     | Not reported                         | 0                                    | -                |
|                  | Total number of court and administrative proceedings concerning breaches of principles of free competition or anti-monopoly regulations to which Group companies were a party | Not reported                                     | Not reported                         | 0                                    | -                |
| Environmental    | Direct (Scope 1) GHG emissions  | 18,671,299 tons of CO <sub>2</sub> <sup>4)</sup> | 22,415,951 tons of CO <sub>2</sub> e | 23,084,025 tons of CO <sub>2</sub> e | +3%              |
|                  | Indirect greenhouse gas emissions (Scope 2)   | Not reported                                     | 292,410 tons of CO <sub>2</sub> e    | 270,244 tons of CO <sub>2</sub> e    | -8%              |
|                  | Intensity of greenhouse gas emissions <sup>5)</sup>   | 752 kg/MWh                                       | 764 kg/MWh                           | 793 kg/MWh                           | +4%              |
|                  | Generation of energy from renewable sources   | 2,392 GWh  | 2,415 GWh                            | 1,949 GWh                            | -19%             |
|                  | Amount earmarked for investments in the environmental area  | PLN 272.5 million                                | PLN 156 million                      | PLN 80 million                       | -49%             |
|                  | Amount of significant penalties imposed for non-compliance with environmental protection laws or regulations  | 0  | 0                                    | 0                                    | -                |
| Social           | Total value of cash and in-kind donations <sup>6)</sup>   | Not reported                                     | PLN 5.0 million                      | PLN 9.7 million                      | +94%             |
|                  | Number of fatalities involving the Group's employees and subcontractors   | 1 <sup>7)</sup>                                  | 0 <sup>7)</sup>                      | 4 <sup>7),8)</sup>                   | -                |
|                  | Number of discriminatory incidents  | 0  | 0                                    | 0                                    | -                |
| Customer-related | Trading Segment: number of individual customers (electricity and gaseous fuel consumers) <sup>9)</sup>  | 2,565 thousand                                   | 2,615 thousand                       | 2,681 thousand                       | +3%              |

|  |                |                |                |       |
|--|----------------|----------------|----------------|-------|
| Distribution Segment: number of customers / electricity consumers <sup>9)</sup>                                | 2,661 thousand | 2,703 thousand | 2,753 thousand | +2%   |
| Sales of electricity and gaseous fuel to retail customers  | 21.1 TWh       | 24.5 TWh       | 23.7 TWh       | -3%   |
| SAIDI – System Average Interruption Duration Index <sup>10)</sup>  | 77 min.        | 77 min.        | 89 min.        | +14%  |
| SAIFI – System Average Interruption Frequency Index of long breaks in electricity supply <sup>10)</sup>        | 2.06           | 1.94           | 1.98           | +0.5% |
| Customer data breaches that qualified for reporting to the President of the Personal Data Protection Authority | 0              | 3              | 0              | -     |

<sup>1)</sup> Items from the Consolidated statement of comprehensive income: Taxes and charges, Current tax.

<sup>2)</sup> Item from the Consolidated statement of cash flows: Dividends paid.

<sup>3)</sup> Number of all employment contracts in the ENEA Group companies as at the last day of the year. Includes employees with a temporary suspension of employment, i.e. on parental leaves, unpaid leaves above 30 days and those receiving rehabilitation benefits. Employees on an unpaid leave in one Group company and at the same time working with another company under employment contracts are calculated twice.

<sup>4)</sup> Total emissions related to the generation of energy by the Koźienice Power Plant, the Polaniec Power Plant, the Białystok CHP Plant, the "Zachód" Heat Plant, MEC Piła and PEC.

<sup>5)</sup> Ratio of total CO<sub>2</sub> emissions associated with electricity generation to total gross electricity generation. In the case of the power plants in Koźienice and Polaniec, the calculations are based on total CO<sub>2</sub> emissions for sources that generate only electricity or cogenerate electricity and trace quantities of heat (for methodology reasons, it was impossible to break down the data for the former type of plants). In the case of MEC Piła and ENEA Ciepło, the presented data concern only CO<sub>2</sub> emissions related directly to the generation of electricity, i.e. they do not include emissions related to the generation of heat. Unit emissions for 2020 and 2021 were adjusted in relation to the values published earlier, thanks to the access to more precise data for MEC Piła and ENEA Ciepło.

<sup>6)</sup> Total amount of funds provided by Group companies to the ENEA Foundation, the "Solidary Miners" Foundation and directly to other entities.

<sup>7)</sup> No data available for employees of ENEA Serwis' subcontractors.

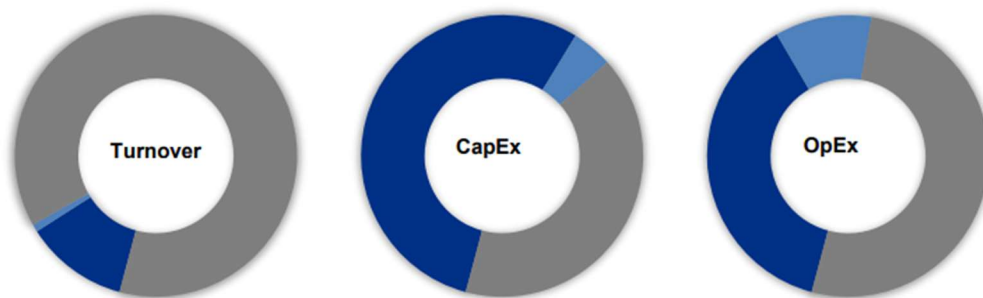
<sup>8)</sup> No data available for employees of RG Bogdanka and employees of subcontractors of RG Bogdanka, MEC Piła and ENEA Operator.

<sup>9)</sup> As at the end of the reporting period.

<sup>10)</sup> Reflects scheduled and unscheduled interruptions in electricity supply for high and medium voltages

## Alignment of environmentally sustainable activities with EU Taxonomy

| Categories of activity of the ENEA Group   | Revenue | CapEx  | OpEx   |
|--|---------|--------|--------|
| Taxonomy-aligned                           | 11.80%  | 54.54% | 37.41% |
| Taxonomy-eligible but not Taxonomy-aligned | 0.88%   | 4.69%  | 11.10% |
| Taxonomy non-eligible                      | 87.32%  | 40.77% | 51.49% |



- Taxonomy-aligned
- Taxonomy-eligible but not Taxonomy-aligned
- Taxonomy non-eligible

## ENEA Group's contribution to social and economic development

We make a multidimensional contribution to the Polish economy:

- we deliver electricity and heat and provides innovative services to individual and business customers,
- we are a large employer,
- we generate jobs in the value chain,
- we are a major taxpayer, which includes being the 6th largest CIT payer among tax groups for 2021,
- we make a substantial contribution to local budgets in the form of taxes and charges,
- we expand regional and local infrastructure,
- develops technological innovations,
- we support education of future staff, especially engineers.

Increasing connection capacity by us makes it possible for regions and local communities to develop, among others, facilitating the acquisition of investors by local governments. Expansion and modernization of electrical grids makes it possible to improve the spatial development of cities, towns, townships and counties, allows for connecting RES installations and develop energy clusters. We also exert influence on the life of local communities by creating jobs and paying taxes and charges to local government's budgets. On the other hand, connecting new clients to our CHP plants improves the living conditions of local communities by improving the microclimate.

The support provided by the ENEA Group for the development of renewable energy sources can have a significant impact on the development of the region. The townships where such investments are made receive tax revenue: from property taxes, from legal entities investing in renewable energy sources, and from natural persons, such as farmers who lease their land for wind farms and receive taxable income as a result. What is important, RES is considered to be a non-intrusive industry, so the land allocated for such investments does not lose its utility and tourism value.

### Direct economic value generated by the ENEA Group

| Data for the entire ENEA Group<br>a. Direct economic value generated by the ENEA Group [data in PLN million] | 2020 <sup>1)</sup> | 2021 <sup>2)</sup> | 2022       |
|--|--------------------|--------------------|------------|
| i. Generated economic value:   |                    |                    |            |
| Revenue in total <sup>3)</sup>   | 18,515             | 21,626             | 30,555     |
| ii. Distributed economic value:  |                    |                    |            |
| Operating expenses <sup>4)</sup>   | 14,454             | 16,922             | 26,632     |
| Payroll and employee benefits <sup>5)</sup>  | 1,963              | 2,137              | 2,496      |
| Payments to capital providers (dividends and interest) <sup>6)</sup>   | 243                | 177                | 265        |
| Payments to public institutions (taxes) <sup>7)</sup>  | 734                | 986                | 575        |
| Social investments (donations) <sup>8)</sup>   | no data            | 5                  | 10         |
| <b>RETAINED VALUE (difference between i. and ii.)</b>  | <b>1,121</b>       | <b>1,400</b>       | <b>577</b> |

<sup>1)</sup> Reported data

<sup>2)</sup> Data for the year converted in accordance with the Consolidated Financial Statements for 2022.

<sup>3)</sup> Items from the Consolidated statement of comprehensive income: Revenue from sales and other income; Other operating revenue; Finance income; Change in provisions related to onerous contracts (revenue part); Dividend income.

<sup>4)</sup> Items from the Consolidated statement of comprehensive income: Amortization and depreciation; Consumption of materials and supplies and cost of goods sold; Purchase of energy and gas for subsequent sale; Transmission services; Other third-party services; Change in provisions related to onerous contracts (expense part); Other operating expenses; Other finance costs.

<sup>5)</sup> Items from the Consolidated statement of comprehensive income: Employee benefit costs.

<sup>6)</sup> Items from the Consolidated Financial Statements: Dividends paid; Costs of interest in respect of borrowing facilities; Costs of interest in respect of bonds; Costs of interest in respect of lease liabilities and head lease; Costs of interest in respect of IRS; Other interest.

<sup>7)</sup> Items from the Consolidated statement of comprehensive income: Taxes and charges; Current tax.

<sup>8)</sup> Total value of cash and in-kind donations made through the ENEA Foundation and the "Solidary Miners" Foundation or directly to beneficiaries.

## ENEA Group' social involvement in 2022

In connection with Russia's aggression against Ukraine, support activities for refugees were carried out by the ENEA Group throughout 2022. We opened the doors of our three recreation centers, offering a safe shelter for some 270 people, predominantly mothers with children, in the most difficult period after the outbreak of the hostilities. Moreover, in cooperation with public benefit organizations, we organized help along the Polish-Ukrainian border and in centers across the country. In total, in 2022, the ENEA Foundation donated over PLN 5.5 million for causes related to the provision of support to Ukrainians.

The children and youth staying in our centers were provided with support offered by the ENEA Foundation, which – in cooperation with Caritas Polska – provided them with learning aids and other necessary school supplies. Where the centers' administrators reported such a need, it also helped with essential daily necessities, such as clothing and cleaning supplies. The organization also carried out a special edition of the "Power of Helping" employee initiative support program entitled "To the aid of Ukraine!".

Another important area of the Foundation's support continued to be initiatives addressed to employees, such as health prevention programs, e.g. "Mission: Prevention", and financing of grassroots activities by employee groups through "Power of Helping", a periodic grant program. It also supported, among others, integration and professional and social integration and reintegration of people at risk of exclusion, physical exercise and sports (including Paralympic and amateur sports), as well as historical and environmental education.

The "Solidary Miners" Foundation helped victims of the war in Ukraine. It provided them with accommodation in LWB's training center in Stary Tartak and transport from the border deeper into Poland and offered in-kind donations. It supported LWB's employees engaged in the assistance at the Polish-Ukrainian border and in temporary accommodation facilities for Ukrainians. It cooperated with local governments and non-governmental organizations, including in the form of delivering donations from a British foundation. Apart from actions for people affected by the war, the Foundation focused on social problems caused by the epidemic: financing the purchase of necessary medical and rehabilitation equipment for people in a difficult life situation, and providing organizational, material and financial support to health care, educational and nursing institutions, for example in the purchase of medical equipment and medicines, or renovations.

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## Our values

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The ENEA Group has in place the *ENEA Group Code of Ethics* which defines the values that should guide the Employees, selected by them in a survey, and indicating the model conduct for all employees, and introduces standards for relations with customers, business partners, shareholders, local communities and associates.

Our day-to-day work values:

### Integrity

conduct in line with ethical rules, the law and internal procedures, mutual respect and openness in expressing views and opinions,

### Responsibility

acting in compliance with our declarations with respect to quality, timeliness and reliability of services, performing employee obligations and performing the obligations set forth in social contracts,

### Safety

sharing knowledge and continuous upskilling, enabling employees to gain new experience,

### Competence

taking preventive and corrective actions in order to ensure a safe working environment, protection of the natural environment and protection of sensitive data, personal data and protected information.

We have drawn up the principles of conduct in the ENEA Group. They show us how we should behave in day-to-day professional situations, towards each other, our stakeholders and the environment in which we operate. Thanks to these principles, nearly seventeen thousand employees of the ENEA Group have similar attitudes at work and together build a consistent corporate image.

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## Corporate governance

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We have been building our organizational culture on shared values, account being taken of stakeholders' expectations. It is based on compliance with the law and internal regulations, mutual trust, respect for beliefs and diversity of our employees, equal treatment and preventing any malpractice.

Selected key documents laying down the ENEA Group's corporate governance principles:

- *ENEA Group Code of Ethics*
- *LW Bogdanka Group Code of Conduct*
- *Policy against mobbing, discrimination and other unacceptable conduct*
- *ENEA Group Compliance Policy*
- *Policy for reporting breaches and protecting whistleblowers in the ENEA Group*
- *Rules for Offering and Receiving Gifts in the ENEA Group*
- *Code of Conduct for Contractors of the ENEA Group*
- *Rules for evaluating contractors in the General Purchasing Procurement Area*
- *ENEA Group Information Security Policy*
- *Personal Data Protection Policy in the ENEA Group*
- *Sustainable Direct Marketing Policy at ENEA S.A.*

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## **Our contribution to initiatives to promote sustainable development**

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The UN Sustainable Development Goals (SDGs) are an important reference for the ENEA Group's activity. We support the implementation of nine SDGs. In connection with our business model and the development strategy we are implementing, we make a particularly substantial contribution to Goal 7: *Clean and accessible energy*, Goal 8: *Economic growth and decent work*, and Goal 9: *Innovation, industry, infrastructure*, while at the same time continuously increasing the value of our company. In our case, environmental and social responsibility supports the achievement of our economic goals.

We also support initiatives promoting broadly-understood sustainability and corporate social responsibility:

- United Nations Global Compact,
- Declaration on sustainable development in the power industry in Poland,
- Sustainable Development Declaration of the Polish Business,
- Partnership for achieving Sustainable Development Goals in Poland,
- Responsible Business Forum (where ENEA S.A. and Lubelski Węgiel „Bogdanka” have the status of strategic partners),
- GÓRNICTWO OK Joint Social Initiative Group,
- Economic Security of Poland Consortium,
- Charter of Effective Transformation of Distribution Grids of the Polish Energy System (since 2022)

**For more information on the ENEA Group's sustainable development-related activities in 2022, please visit our ESG website at <https://www.enea.pl/serwisescg> or write us an e-mail to [esg@enea.pl](mailto:esg@enea.pl).**