



*Polska Grupa
Energetyczna*

Investing in sustainable energy

PGE Group Integrated Report 2023



Letter of the CEO

Ladies and Gentlemen,

The Integrated Report presents the full spectrum of the organisation's functioning, both in the financial and non-financial areas, being a comprehensive reflection of the PGE Group's business and social activities.

PGE's responsibility goes far beyond the conduct of day-to-day business activities and the implementation of investment projects with the highest rate of return.

As the largest producer and the only distributor of electricity operating throughout whole Poland, we are responsible for ensuring the energy security of customers, we co-create stable and safe living conditions and support the development of the national economy.

The aim of the multi-billion investments is to pursue the assumptions of the energy transition, including achieving climate neutrality through the construction of modern, safe and zero-emission generation sources. An effective transition cannot be based solely on the replacement of generation sources. When thinking about sustainable energy, we look at the challenges facing the energy industry comprehensively. This means not only replacing generation sources, but also expanding, modernising and digitalising the distribution network and investing in energy storage.

Without these investments, further development and the connection of new renewable sources will not be possible.

With such a large scale of changes and their impact on customers, business partners, employees and their families, as well as entire communities, it is essential that these processes take place in a planned, harmonious and safe manner. For this reason, we attach great importance to the social and environmental conditions of our operations. PGE's investments are aimed at reducing the impact of our activities on the natural environment. Our aim is also to reduce the costs of energy transition in financial and social aspects. We strive to ensure that the energy we use to power the Polish economy and households is as cheap as possible and that the transformation is carried out in a sustainable manner, also taking into account the stability of the PGE Group, which is the workplace for over 40 thousand employees.

Today, in the PGE Group, we face enormous challenges, the biggest in our history. At the same time, we see opportunities that will allow us to change the face of the energy industry and to be a leader in sustainable development. We would like to present to you this Report, which not only presents the Group's current activities, but, above all, the direction in which PGE is heading.

I invite you to read the report,



Dariusz Marzec
President of the Management Board
of PGE Polska Grupa Energetyczna S.A.





PGE Group: Leader of Sustainable Energy Transition in Poland

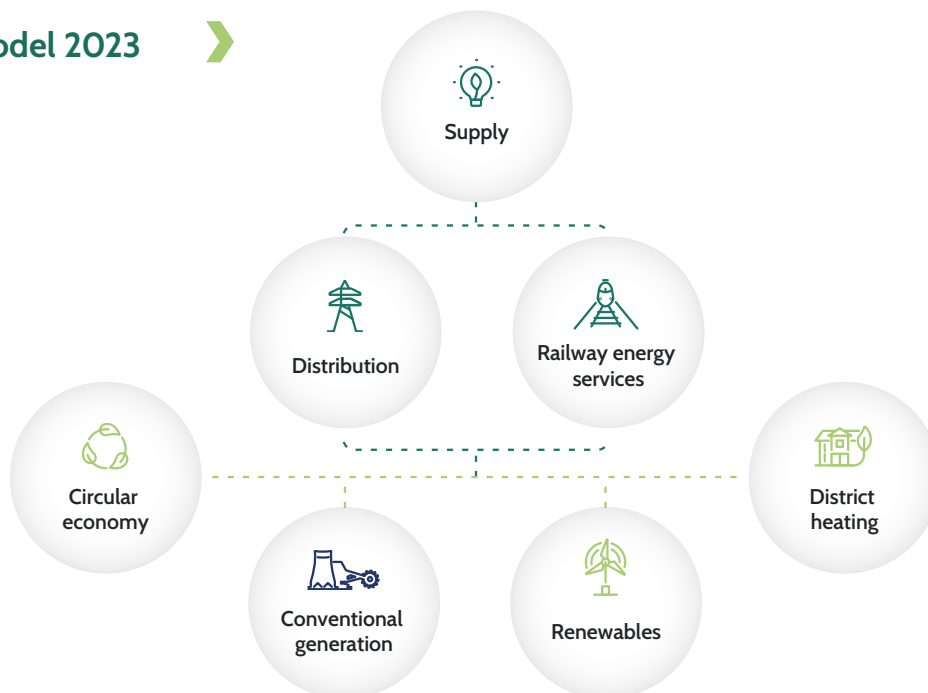
As the PGE Group we are transforming the power sector in Poland. We invest in generation from the renewable energy sources and enable distribution of this energy. We ensure balance for social interests and the natural environment.

The PGE Capital Group (“PGE Group”) is the largest energy group in Poland. It generates approximately 39 percent of Poland’s electricity and approximately 20 percent of the country’s district heat, and its electricity distribution area covers about 40 percent of the country’s territory.

The parent company of the Group is PGE Polska Grupa Energetyczna S.A. (“PGE S.A.”), which is also the Group’s corporate centre, located in the Supply segment.

PGE Capital Group’s current and target business model in line with the current Group Strategy.

Business model 2023



The PGE Group operates across the entire value chain: it produces electricity and heat in both conventional and renewable power plants and CHP plants, and then supplies and sells energy to customers across Poland, both households and businesses, institutions and local governments. The PGE Group also has an area dedicated to the management of combustion by-products (CBPs). It functions within the Circular Economy segment. The utilisation of CBPs allows PGE to reduce the extraction of natural resources, limit its impact on the environment and reduce CO2 emissions. In this way, the PGE Group

implements measures aimed at making the energy sector waste-free, in line with the idea of a circular economy oriented towards natural environment protection.

As of April 2023, the PGE Group's structure includes a Railway Energy Services segment, which is based on the company PGE Energetyka Kolejowa S.A. (formerly PKP Energetyka S.A.) and the entities clustered around it. The segment provides services to entities in the railway industry.

Business model 2025+ >





Key data for 2023

Financial

PLN 95,564 m

Sales revenues

PLN 10,028 m

EBITDA

BBB+ / Fitch

credit rating

PLN 10,088 m

Capital expenditures

71.3%

Capital expenditure of environmentally sustainable activities

Baa1 / Moody's

credit rating

Operating

38.88 TWh

Distribution of electricity

34.63 TWh

Sales of energy to final off-takers

49.00 PJ

Sales of heat

2.73 TWh

Net electricity production from renewable energy sources

7,088 MW

Installed thermal capacities

1,312 MW

Installed RES capacities

320 thousand km

Length of distribution lines



PGE – the climate conscious company

The issue of climate change and the decarbonisation of the Group’s operations that are a priority for both us and our stakeholders.

Winning the title of Climate Conscious Company 2023 and once again improving its rating in the international CDP survey, PGE has confirmed that it is aware of the importance of climate change and manages the environ-

mental impact of its operations to a high degree. In this area we will consistently set the highest standards in Poland.



CDP B score
Climate Change



17th place

of the 152 largest companies listed on the Warsaw Stock Exchange in the survey Climate Conscious Company 2023



CCA 8.33

out of 10 points Climate Conscious Company 2023

Participation in the CDP study enables the PGE Group to gain new competencies for even better reporting on non-financial issues in the years to come.

This makes it easier for PGE to meet the requirements for mandatory activity analyses, in line with the EU Taxonomy and sustainable reporting standards. Furthermore, the parallel execution of the PGE Group’s carbon footprint counting process makes it possible to increase the amount of information disclosed about the organisation’s climate impact. Notwithstanding the information dimension, this translates into the use of such data within the organisation to define and implement the PGE Group’s development plans, also in terms of ESG.



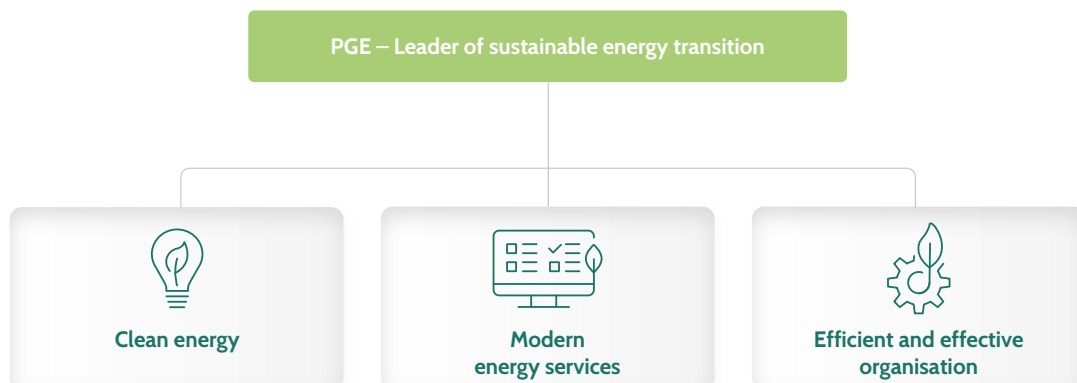
PGE Group's Strategy until 2030

PGE was the first company in the power industry in Poland to announce a business strategy with a transition plan aiming at the Group's climate neutrality in 2050. Implementing the goals and assumptions defined in the strategy adopted by the Management Board of PGE S.A. and published in October 2020, the Group is reconstructing its generation portfolio towards low- and zero-emission sources. The effects related to emission reductions will become visible as more investments are commissioned.

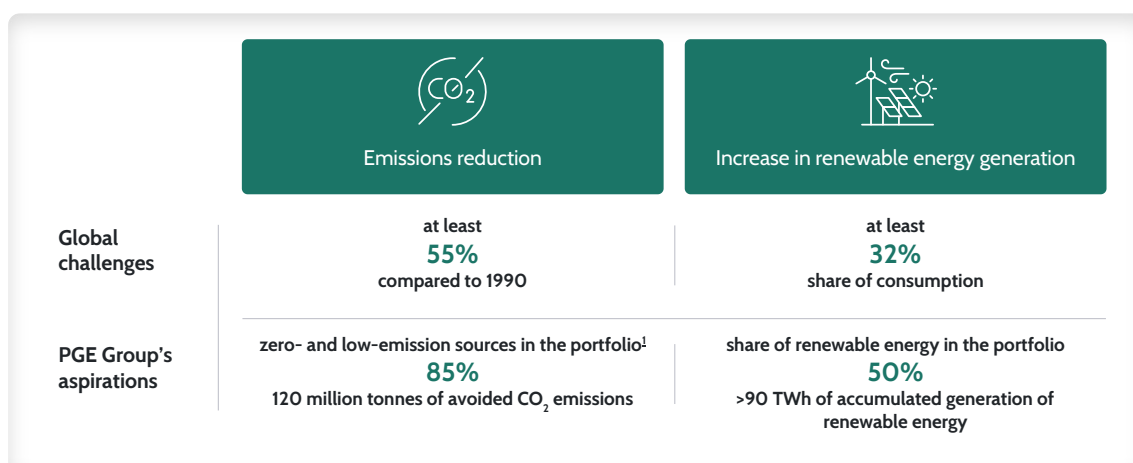
The business strategy of the PGE Group is a response to the profound changes taking place in the energy sector in recent years and to the expectations of society, which to a large extent determine the directions of development for the whole industry. The PGE Group is the leader of transformation and modernisation of the energy sector in Poland and it supports the development of a market environment conducive to the energy transition. The transformation of the PGE Group will be carried out in a sustainable manner, in dialogue with social partners. PGE is aware of the impact of the Group's operations on the environment – in the social, economic and environmental dimensions.

As the leader in the national energy transition, the PGE Group pledges to reduce its environmental impact by achieving climate neutrality by 2050. A permanent reduction of emissions is planned through changes in generation technologies, expansion of the RES portfolio and enabling customers to participate in energy transformation thanks to attractive product offers. By 2030, the share of low- and zero-carbon sources in the generation portfolio should be around 85 percent, and RES should account for around 50 percent of generated energy.

Strategic priorities of the PGE Group



PGE Group's aspirations until 2030



¹ Assuming carve-out of the coal portfolio from the PGE Group

Decarbonisation roadmap

We will achieve sustainable decarbonisation by changing generation technologies, expanding renewable capacity and enabling customers to participate in the energy

transition through attractive product offerings. Systematically moving along the decarbonisation path set in 2020, we have moved closer to our goal in the past year.

PGE Group's steps towards climate neutrality by 2050

2030

Reduction of emissions from electricity production

2040

Use of potential of clean renewable sources

2050

Decarbonisation of district heating, transport and industry



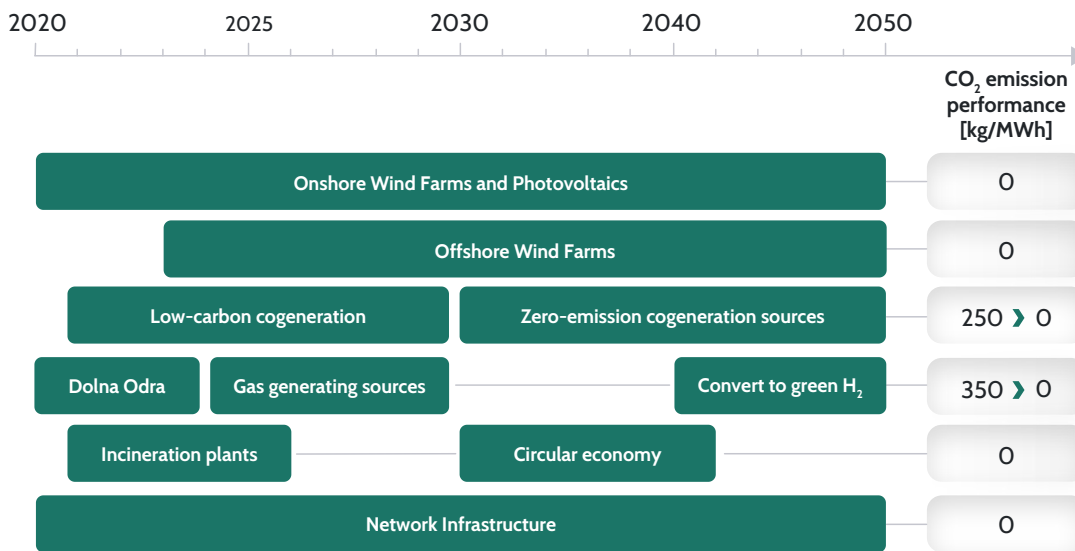
Investing in sustainable energy

PGE Group investments will focus on renewable energy, district heating transformation and grid infrastructure.

The Group will not make new investments in (either generation or extraction) coal and lignite assets, and final investment decisions concerning the construction of gas sources will be taken no later than in 2025. The total planned capital expenditures in the years 2021-2030 will amount to approximately PLN 75 billion, of which

approximately 50 percent will be allocated to the development of renewable energy sources (offshore and onshore wind farms, photovoltaics). Another important area of capital expenditures will be regulated activities, including the grid infrastructure and low-carbon co-generation sources.

PGE Group investments until 2050



Investments in 2023

Distribution	PLN 4 224 m
Railway Energy Services	PLN 1,053 m
Renewable Energy	PLN 1,223 m
District Heating	PLN 1,523 m
Conventional Generation	PLN 1,478 m
Supply, Circular Economy & oth.	PLN 877 m

PLN ~10.1 bn
Total CapEx (+43% y/y)

Reliable energy supplies

For several years, one of the PGE Group's priorities has been to ensure the reliability of energy supplies to our

customers. Our activities in this area are focused on four key themes:

1. Grid cabling program

1,760 kms

MV cable lines were completed in 2023

PLN 881 million

capital expenditures in 2023

4,047 km

MV cable lines completed from the start of the Programme in 2019 until the end of December 2023

2. Energy automation for the customer (Remote metering & LTE450 programs)

By the end of 2023, Remote Reading Meters had been installed at 982.3 thousand energy points, representing 17.32% of all points. Goal for 2030 – 100%.

3. Connection of RES

In 2023, PGE Dystrybucja connected to its grid 95.4 thousand domestic photovoltaic installations with a total capacity of 794.16 MW.

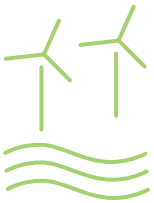
4. Energy for the railway

Implementation of the traction substation modernisation and construction programme - PLN 841 million in 2023.





Offshore wind farms



2.5 GW by 2030
>6.5 GW by 2040

Offshore wind farms' capacity

The 2.5 GW Baltica Offshore Wind Farm project implemented jointly with Ørsted is the largest investment to date in the Polish economic zone of the Baltic Sea and at the same time one of the pillars of the PGE Group's investment strategy

1.5 GW

clean energy capacity of the Baltica 2 wind farm which will start flowing from 2027

>7 GW

total capacity potential of all offshore projects developed by the PGE Group

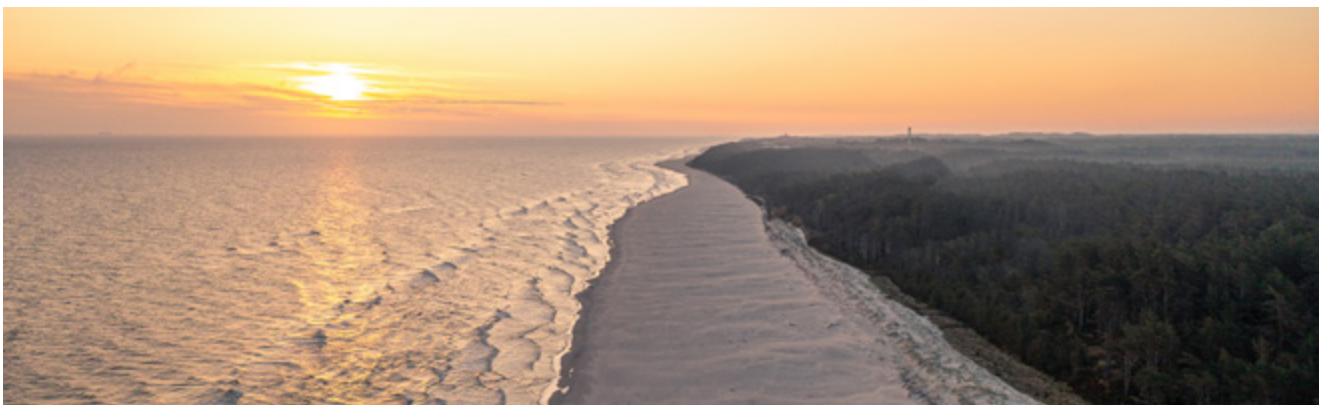
We are building the Offshore Industry in Poland

PGE's investments in offshore wind farms are pioneering projects on the Polish market – therefore PGE Group is contributing to the formation of a new sector of the economy in our country.

The construction and development of the offshore wind energy sector on the Polish coast will have a positive impact on the development of the national economy, particularly in a regional dimension – the whole area of Pomerania. Local companies will be able to benefit from orders from general contractors, and the existing infrastructure on the coast provides opportunities for the development of Polish port and transport logistics.

An important point on the map of this cooperation will be the planned Centre of Competencies for the Offshore Wind Energy Sector in Ustka, which is to be the heart of the ecosystem being created by PGE Baltica intended to establish strong ties between academic institutions and the offshore wind industry.

This is where employees will be trained and their qualifications certified. The centre's project teams will work on new technologies improving the efficiency of offshore wind farms. In the design and research sphere, besides universities, PGE Baltica is already cooperating with various institutes of the Polish Academy of Sciences.



Decarbonisation of generation

The PGE Group is consistently changing its energy mix away from coal as the primary fuel and is building new, lower-emission gas-fired units in Gryfino and Rybnik with a total capacity of 2 248 MW.

In the District Heating segment we continue our decarbonisation plan to phase out the use of coal in heat production by 2030 and replace it with low- and zero-emission sources.

2,248 MW

Total capacity of new gas-fired units in Gryfino and Rybnik

By 2030

moving away from the use of coal in heat production

The energy transition towards zero-carbon is a long-term process, especially for countries like Poland whose energy mix has relied heavily on coal – low-carbon gas capacity is an important transitional stage in this process. After commissioning, the units in PGE Gryfino 2050 will be among the most modern gas-fired power plants in Europe.

A 17-year contract in the main auction of the capacity market was granted for the capacities of the new Dolna Odra plant. They will meet strict environmental standards for emissions.

Currently, the average emissions for power generation in the National Power System is around 0.67 tonnes CO₂/MWh. In the new units, the emissions will be below 0.35 tonnes of CO₂/MWh. The commissioning of the new units will therefore reduce emissions by approx. 2-3 million tonnes of CO₂ per year. The new units will produce electricity equivalent to the demand of some 2.5 million households.

The new units will be characterised by high flexibility, which is important in view of the large installed capacity of onshore wind farms in Pomerania and the planned new capacity in offshore wind farms.



The gas-steam unit in Rybnik will be the largest and most efficient unit of this type in Poland and one of the largest in Europe.

The investment will meet the most stringent emission limits resulting from the BAT conclusions for gas-steam units. Emissions of particulates matter and sulphur oxides will be reduced almost to zero, which will significantly affect air quality in the Rybnik region. The emission factor of the new unit is three times lower than for 200 MW class coal-fired units, and amounts to 320 g of CO₂ per kWh of electricity generated.

ESG management in the PGE Group

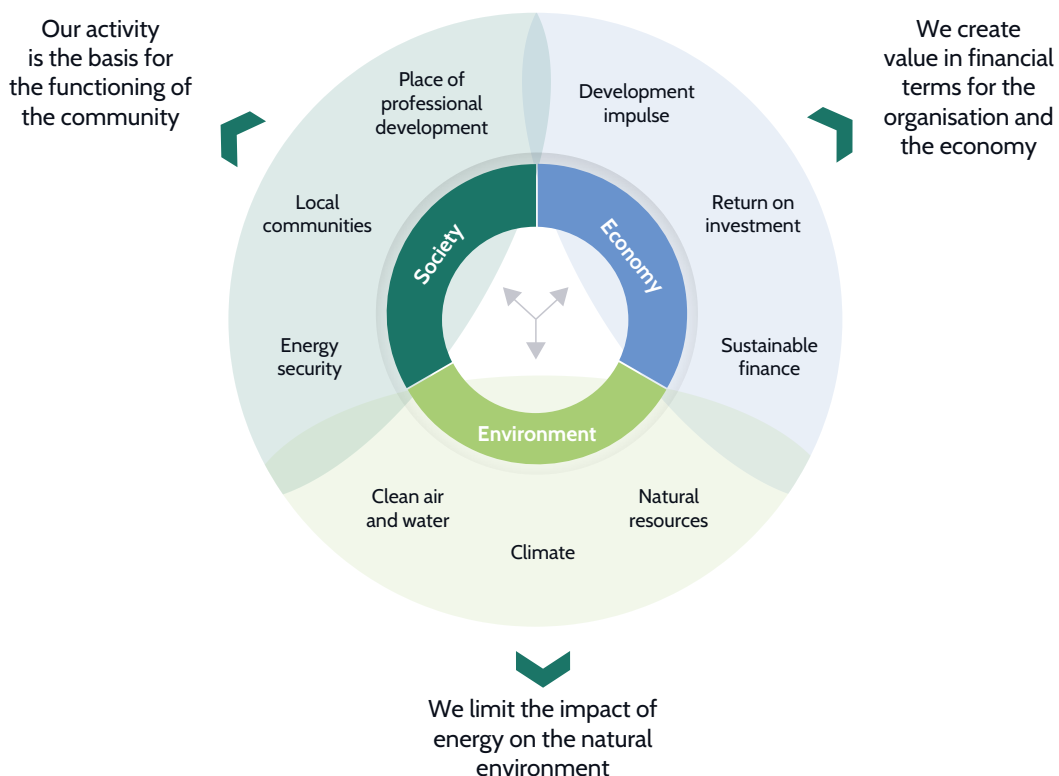
The adoption of the PGE Group’s strategy until 2030 with an outlook to 2050, which sets out the directions for the energy transition, the decarbonisation of generation and the path towards climate neutrality, started the process of implementing the structured management of the ESG area in the PGE Group.

Climate neutrality, responsible management, good stakeholder relations are the basis of the PGE Group’s approach to managing ESG factors.

For the PGE Group, reporting on ESG factors is one of the elements on the way to managing the compa-

ny’s sustainability area. The most important thing is to define ESG objectives and to pursue them effectively, and without a conscious approach to the reporting of non-financial information, it would not be possible to manage and improve the company’s activities in this area effectively.

Sustainable transformation of the PGE Group



Supporting Sustainable Development Goals

Business and its activities are playing an increasingly important role in the implementation of the Sustainable Development Goals (SDG) in a global perspective. The PGE Group also actively supports their implementation through its daily work and its own projects.

As the PGE Group, we take action on each of the 17 UN Sustainable Development Goals. Our activities in support of the Goals, are directly related to our business activities. We support the Goals by pursuing our strategic

business objectives. We operate in an industry that has an impact on both the environment and the environment in which we conduct our investments.

In the PGE Group's strategy, we have identified four key Sustainable Development Goals, the implementation of which we support in our activities. These are:





ESG risks

ESG risks – their identification and assessment – are a key element of strategic ESG management. This approach makes it possible to set courses of action in the social and environmental areas, assessing them in terms of effectiveness or possible risks and opportunities.

Effective and consistent management of risks in the areas of sustainability, i.e. social, environmental or governance, is a prerequisite for the sustainable development of an organisation, especially in such an important economic sector as energy. ESG risk management is currently crucial from the perspective of ensuring both the PGE Group's resilience to change. Proper ESG risk management is also important from a financial perspective. Elevated levels of ESG risk can directly affect companies' operational capabilities, costs and profits, as well as ratings based on ESG ratings.

The ability to identify and address risks plays an important role in governance and fits in with the expectations of not only investors, but also customers. And integrating environmental and social issues into the risk management framework is crucial to ensure the long-term sustainability and success of the company.

ESG risks in the PGE Capital Group



climate and environmental risks



risks associated with labour issues



risks associated with social issues



risks associated with respect for human rights



risk associated against fraud and corruption

The PGE Capital Group is aware of the impact of its activities on the climate, as well as the risks of climate change to the Group's operations.

This interdependence generates both risks and opportunities for growth. Therefore, stakeholders' expectations regarding the reporting of the environmental impact of its activities are therefore understood, thus recognising climate risk management as a key element of strategic management, with a direct impact on financial aspects.

Global warming, changing precipitation patterns, rising sea levels and extreme weather events are increasingly posing serious challenges to the resilience of electricity systems, thus increasing the likelihood of disruptions.

Climate change directly affects every segment of the electricity system:



generation potential and capacity



heating and cooling demand



the resilience of transmission and distribution networks



demand patterns

The PGE Group, being aware of the risks posed by climate change, as part of the first stage of the climate risk management process, in 2023 once again conducted an assessment of the relevant physical (material) climate risks that could have a negative impact on its operations, consequently supporting adaptation to climate change and increasing resilience to climate risks.

The assessment covered climatic factors in the form of primarily temperature, precipitation and wind as well as their negative impact on the key activities of the PGE Group.



E – Environment

Environmental protection policy

Processes and activities relevant to environmental protection are defined in the PGE Group's Environmental Protection Policy.



The policy defines the following elements
general principles, rights and obligations in the field of
environmental protection applicable in the PGE Group.

Environmental Management System ISO 14001:2015

In PGE S.A., a team responsible for the implementation, maintenance and improvement of the environmental management system based on the PN-EN ISO 14001:2015 standard has functioned since 2019.

Considering the key companies of the PGE Capital Group (PGE S.A., PGE GiEK, PGE EC, PGE EO, PGE Dystrybucja, PGE Ekoserwis, PGE EK), the ISO 14001:2015 standard is implemented in 100 percent of the companies and certified in the majority of the companies (PGE GiEK, PGE EC, PGE Ekoserwis, PGE EK).

To ensure that the environmental policy in the PGE Group is effectively implemented, administrators and coordinators of the environmental management system have been appointed in the particular companies.

PGE Group's carbon footprint

The PGE Group is keen to disseminate ESG knowledge among Polish enterprises and the company's suppliers in order to create an "ESG value chain". In its brand strategy, PGE has taken on the role of a leading company in green change: in the literal sense of the word, both as a leader of change in the Polish electricity market, but also as a guardian and advisor in the area of green energy.

In 2023, there was a 13.55 percent reduction in the carbon footprint relative to 2021, despite the inclusion of the Rail Power Engineering segment within the Group. There was a significant reduction of 19.2 percent in scope 1 and 1.8 percent in scope 2. Conventional power

generation is responsible for 72.5 percent of the PGE Group's calculated carbon footprint. Scope 3 represents approximately 29.7 percent of the total carbon footprint understood as the sum of scope 1, scope 2 and scope 3.

↓ **13.55%**

a reduction in the carbon footprint in 2023 relative to 2021

↓ **19.2%**

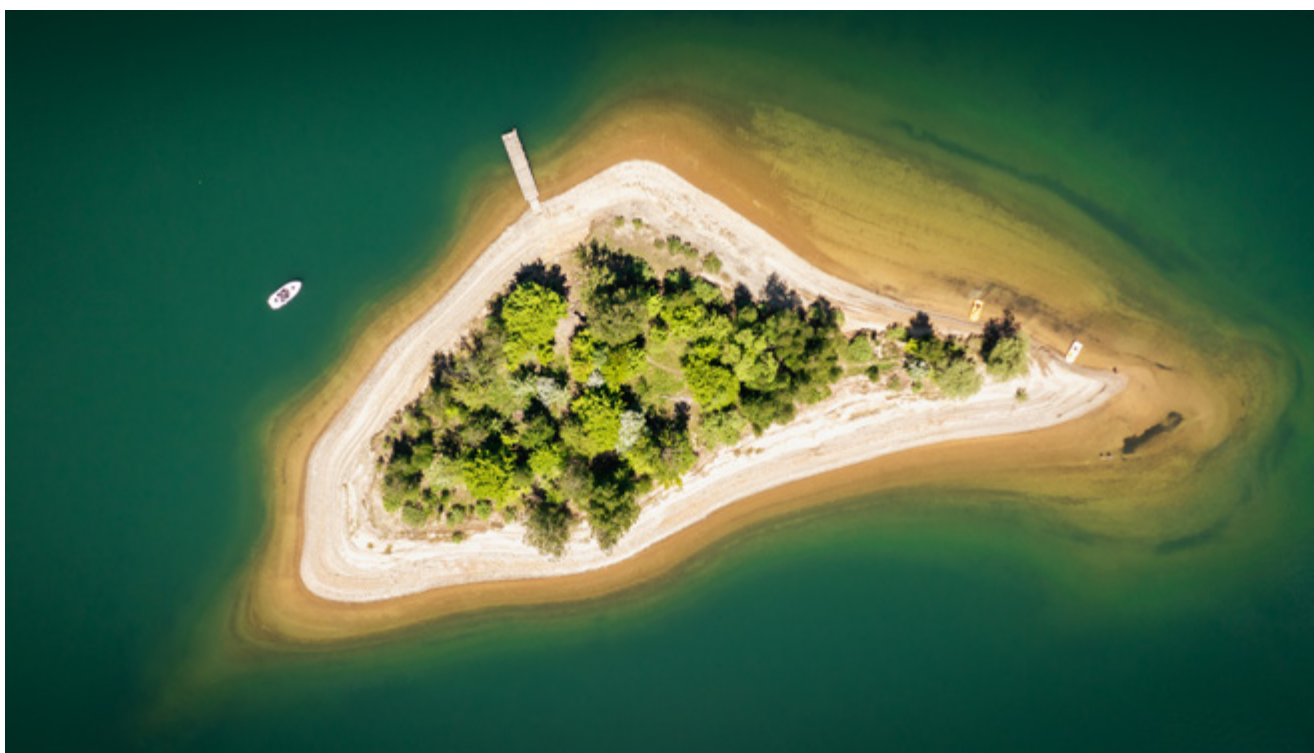
there has been a significant reduction in the carbon footprint of scope 1

↓ **1.8%**

there has been a reduction in the carbon footprint of scope 2

The PGE Group calculated its carbon footprint for the first time as part of the 2020 pilot project.

However, taking a responsible approach to calculating the data and obtaining comparable results within the sector, it takes as its base the data for 2021, when the carbon footprint was calculated on the basis of the manual developed in cooperation with the Polish Association of Combined Heat and Power Plants and the PGE Group's general procedure for calculating the carbon footprint. The adopted method constitutes a consistent approach to calculating the footprint of a country's power generation sector.

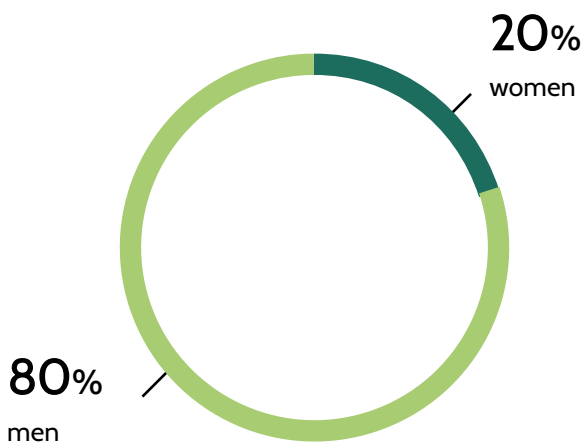


S- Social

The PGE Capital Group builds its market advantage and leadership in sustainable transformation on the basis of an efficient and effective organisation.

The execution of tasks, especially those relating to employees, is driven by the company's values such as partnership, development and responsibility. Hence the concern for the highest standards going beyond compliance with generally applicable legal norms, such as the right to rest, minimum wages, respect for rules on the non-employment of children and the prohibition of the employment of minors.

Total number of employees by gender in PGE Group



Diversity Policy

One of the manifestations of PGE's core values is the creation of a working environment that is open to different points of view, diversity of thinking, as well as collaboration and respect. The Diversity Policy, which defines the principles followed in the PGE Group, was developed in 2022 and its provisions are implemented in operating activities.

The objective of the diversity policy is to create a working environment that is open to different points of view, multiculturalism and diversity of ways of thinking, based on cooperation, mutual support, showing respect and ensuring fair and equal treatment, particularly in the following areas:

- recruitment, selection and employment,
- access to professional development,
- creation of a workplace free of bullying, discrimination and other inappropriate behaviour that is contrary to the Code of Ethics, but does not exhaust the criteria of bullying or discrimination,
- internships and apprenticeships,
- remuneration and job appraisal,
- vertical and horizontal promotions,
- employee evaluation,
- problem and conflict resolution.

As the largest power utility in Poland, the PGE Group has a direct and significant impact on society. It is the guarantor of an uninterrupted supply of electricity and heat, and fulfils important economic roles, both natio-

nally and regionally. At the same time, it is a workplace for more than 40,000 people. PGE's impact on society is therefore a key ESG factor influencing the Group's operational decisions.



Fair energy transition

The PGE Group's energy transition is being carried out in such a way that the occurring processes take into account and respect:



the interests and needs of local communities,



territorial administrations,



investors and businesses,



the needs of the natural environment,



the creation of new jobs for the current employees of the coal and lignite sector.

The PGE Group makes sure that entrepreneurs and employees in the energy sector as well as residents of coal and lignite regions are part of the entire transition process and actively participate in it.

The transformation of mining and quarrying regions is a complex, difficult and ambitious task, and comprehensive measures are needed to maximise the security of the local population (especially lignite mine and power plant employees and their families, who are directly affected by the transformation of the lignite regions), and to maintain the economic potential of the regions that have been heavily dependent on mine and power plant operations for several decades. It is also crucial to ensure the energy security of the region and the state as a whole in the process of phasing out the operation of coal and lignite assets.

G- Governance

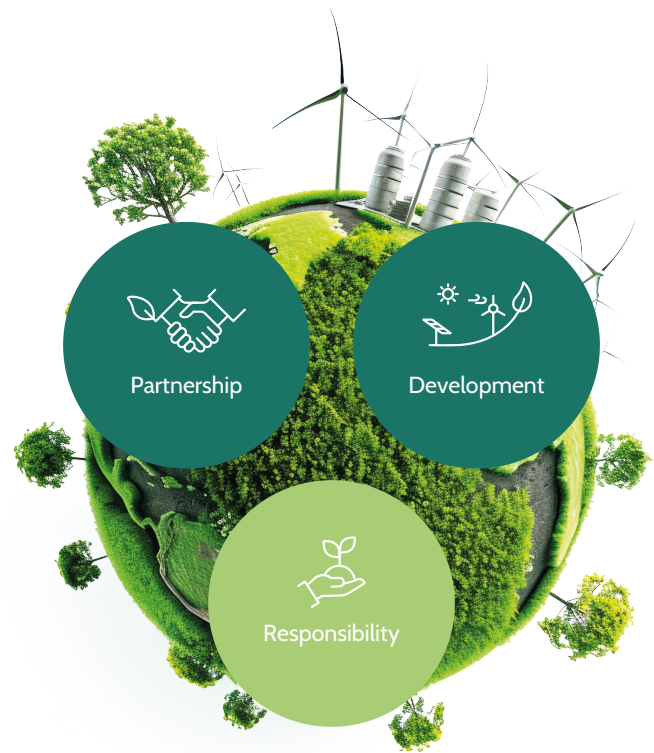
The PGE Group raises its employees' awareness of applicable laws, regulations and internal standards. Everyone is required to act in accordance with the internal regulations binding in the PGE Group companies and the ethical standards described in the PGE Capital Group's Code of Ethics.

Caring for the PGE Group's high standards

Employees' values and key principles of conduct in their daily work are set out in the PGE Group Code of Ethics. The Vice President of the Management Board of PGE S.A. for Support and Development, as the officer responsible in the the Management Board for the Compliance area, is involved in promoting the provisions of the Code and implementing them into the everyday functioning of the organisation.

The PGE Group Code of Ethics promotes honesty, commitment to duty, attention to quality, innovation and professionalism, open communication, respect for others and cooperation regardless of position or diversity. It is a fundamental document in terms of ethics and compliance. It constitutes the overarching declaration and basis for other internal regulations. The Code of Ethics introduces a standard for relations within the company as well as between PGE and its stakeholders with a view to ensuring the PGE Group's transparent, honest and ethical operations.

Values of the PGE Group





There is ongoing communication within the PGE Group on issues relating to compliance with the law and ethical standards. The contents of the PGE Capital Group Code of Ethics, as well as other policies of the compliance area, are available to employees, business partners and other stakeholders.

Key internal policies in the area of ethical standards:

- The Code of Ethics of the PGE Capital Group,
- The Anti-Corruption Policy of the PGE Capital Group,
- The Code of Conduct for Business Partners of PGE Capital Group Companies,
- The Policy of Diversity in the PGE Capital Group.

In 2023, the communication activities carried out in the PGE Group focused on the following themes:



compliance with the law (including the sanctions regime, as mentioned below),



the manager's role in ensuring the organisation's compliance,



building an organisational culture based on fairness and integrity,



the role of the whistleblower and the need to respond to situations of inappropriate behaviour,



avoidance of conflicts of interest,

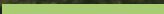


issues related to cooperation with business partners (examining business partners or the need to include compliance clauses in contracts).



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