



# **TAURON Group's Climate policy**

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# Introduction

**TAURON Group**, aware of the progressing climate change and its effects on a global and local scale, as well as the extremely important role of the energy sector in the transition to a zero- and low-carbon economy which in the long term will be climate neutral and more resilient, has decided to adopt **TAURON Group's Climate Policy**.

This Policy provides TAURON Group with the backbone in the management of its operations, with a view to reducing Climate Change Risks, the Group's negative impact

on the climate while maximising the positive effect of climate change throughout the value chain.

By implementing Poland's Environmental Policy Guidelines and following the EU's climate and energy policies, through its transition towards clean energy TAURON Group makes a long-lasting contribution to the Paris Agreement temperature targets, in line with the UN's sustainable development goals.





# Objectives of TAURON Group's climate policy

The Policy aims at combating the climate change and ensuring the sustainable development of **TAURON Group's** Business Areas. It is in the best interests of both the current and future generations that we strive for the fair transition towards Climate Neutrality in the future as set out in this Climate Policy.

**TAURON Group** supports joint efforts to limit global warming by curtailing the temperature rise below 2°C relative to pre-industrial levels, and by adapting TAURON Group to this situation both in our own activities as well as in relations with our stakeholders.

The Policy provides for a more unified system of climate change initiatives and actions.

The Policy shows how TAURON Group, by investing in realistic technological solutions and adapting actions in key areas such as production or research and development can contribute to Climate Neutrality while ensuring a just transition.



# Definitions



## **Anthropogenic sources of greenhouse gas emissions**

– sources of emissions from human activity, such as: fossil fuel combustion (burning), carbonate use, land use.



**Asset Lifecycle** – an asset management process covering design, construction, commissioning, operation, maintenance, repair, modification, replacement and disposal of assets.



**Energy Efficiency** – a more efficient usage of energy across all stages of the energy chain, from production to final consumption of energy.



**TAURON Group** – TAURON Polska Energia S.A., its legal successors and any subsidiaries, parent or affiliated to TAURON (as defined in accounting regulations applicable to TAURON).



**Supply Chain** – all activities related to the flow from/to TAURON Group of energy resources, materials, semi-finished products, finished products, secondary raw materials, waste, also including the flow of information relevant for the whole process.



**Climate Neutrality** – the balance between greenhouse gas emissions and their absorption by oceans/seas, forest and soil, or their storage (e.g. CCS - Carbon Capture and Storage technology or CCU - Carbon Capture and Utilization). Climate Neutrality' applies not only to carbon dioxide, but also to other greenhouse gases, such as e.g. methane).



**Business (operating) Areas** – core business areas of TAURON Group, as defined in its Business and Operating Model.



**Policy** – this TAURON Group Climate Policy.



**Reduction of Greenhouse Gas Emissions** – reduction of emissions achieved otherwise than by lowering the production output, by which the emissions to the air have been lower during a given period thanks to certain measures taken with the aim of curtailing emissions per unit of product, resource, material or fuel used.

# Definitions

**Climate Change Risks** – risks, including in particular:

- **physical risks** resulting from the physical effects of climate change which have adverse effect on the activities of TAURON Group Companies, especially arising from weather events (storms, floods, heat waves), climate-related temperature changes or drought;
- **transition risks** arising from the transition to a low-carbon and climate resilient economy (for example, regulatory, financial, social, technology risks and others).

**TAURON Group Companies** – companies of TAURON Group.

**TAURON Group's Environment and Climate Expert Team** – a working group of environmental experts from TAURON Group Companies set up to cooperate within TAURON Group.



# Application of TAURON Group's climate policy

This Policy applies to all activities and actions carried out in TAURON Group's value chain, the effects of which affect or imply climate change, in particular:

- measures limiting the global warming effect

- climate change adaptation of TAURON Group.





# Priorities of TAURON Group's climate policy

In terms of measures limiting the global warming effect, TAURON Group follows priority values that are:

- 1.** To aim at improvement of Energy Efficiency in order to reduce or not increase fuel and energy consumption.
- 2.** To reduce greenhouse gas emissions through the use of best technologies and practices.
- 3.** To phase out Anthropogenic sources of greenhouse gas emissions from fossil fuels, through the development of renewable energy and zero-/low-carbon electricity generation technology.
- 4.** To include the global warming impact as an additional criterion in the assessment of new initiatives and investments.
- 5.** To create the energy infrastructure required for decarbonisation of energy systems.
- 6.** To proactively search for technical and organisational solutions that minimise the impact of TAURON Group's activities on climate change.
- 7.** To support TAURON Group's customers in energy use reduction and better energy management.
- 8.** To continuously monitor the direct greenhouse gas emissions from sources used by TAURON Group.





9. To engage TAURON Group throughout the value chain, through cooperation with business and social partners, in order to support climate change mitigation actions.
10. To identify and document the relevant areas of climate impact of all TAURON Group's activities at all stages of the Asset Lifecycle.
11. To strive for the continuous development of knowledge and a culture of climate-oriented responsibility among employees, customers, service providers and suppliers in TAURON Group's Supply Chain, and in particular to promote access to knowledge on climate issues.
12. To support innovative technology with the potential of major energy savings and the storage of energy from renewable or climate-neutral sources.
13. To propagate green or climate-neutral mobility, including the development of low-emission transport and shared transport solutions.
14. To promote and take part in the 'sharing economy' activities that reduce climate impact.



In terms of adaptation to climate change, TAURON Group's main priorities are :

- 1.** To gradually adapt generation assets to the consequences of extreme weather events and weather variability, in particular in Business Areas sensitive to temperature, precipitation and wind force variability.
- 2.** To engage TAURON Group in the value chain, through cooperation with business and social partners in initiatives to adapt to climate change.
- 3.** To take Climate Change Risks into account as an additional criterion in the assessment of new initiatives and investments, in particular the physical risks in new investments.
- 4.** To identify and monitor regions that are more vulnerable to climate-related physical risks, prioritise the adaptation of assets to climate change in regions potentially more vulnerable to severe or long-term physical risks, and include this aspect in decision-making processes in the case of new investments and activities
- 5.** To introduce and adapt products and services that contribute to climate change mitigation.



6. To liaise with local authorities, the state administration and public agencies to define the recommended climate change adaptation actions and solutions, including engagement with public policies related to climate issues and participation in relevant organisations or stakeholder groups.
7. To take action towards a low-carbon and climate resilient economy.
8. To aim at a higher share of revenue streams from the sale of low-carbon products.
9. To incorporate in strategic documents (such as TAURON Group's Strategy, Area Strategies, etc.) and organisational documents (such as by-laws and corporate rules, business and operational model, process documentation, etc.) the impact on the climate and related mitigation measures of TAURON Group business.

**Climate Policy priorities are reflected in TAURON Group's strategic documentation.**





# Roles and responsibilities

## **Employees of TAURON Group Companies**

and persons working for TAURON Group at all organisational levels are required to comply with this Policy (to the extent of their competence).

**Management Boards of TAURON Group Companies** are responsible for implementing and performing any underlying processes in line with the Policy objectives and priorities, ensuring timely, reliable and complete communication of all climate-related activities.

**Management Board of TAURON Polska Energia S.A.** defines and accepts the Climate Policy objectives and priorities of TAURON Group.

## **The Environmental Protection and Circular Economy Team at TAURON Polska Energia S.A.**

coordinates the entire activity of TAURON Group Companies related to climate change, coordinates the work of TAURON Group's Environment and Climate Expert Team in order to develop solutions and action recommendations that cover all aspects of TAURON Group's activities.

## **The Environment and Climate Expert Team**

develops the recommendations of actions to be taken by the TAURON Group Companies in the area of climate impact and the related direct impact on the assets of TAURON Group.

**Chief Risk Officer** at TAURON Polska Energia S.A. coordinates tasks related to the risk management process at all levels and in all areas of TAURON Group's activity.

**The Environment and Circular Economy Team Manager at TAURON Polska Energia S.A.** is responsible for updates to this Policy.

**Vice-President of the Management Board of TAURON Polska Energia S.A.** for Asset Management oversees the implementation of this Policy.





# Implementation of climate policy

## The tools supporting the implementation of this Policy are:

- Short and long-term climate goals, reviewed at least every five years
- Definition of Energy Efficiency targets
- Established indicators and target values used to assess climate risks and opportunities
- Integrated monitoring and reporting that ensure progress towards the international requirements and targets
- Integration and implementation of the flow of information and communication methods at TAURON Group in terms of internal and external communication of climate change issues

- By-laws and corporate rules
- Ongoing vigilance
- Support for initiatives reaching beyond TAURON Group (indirect impact)

## Climate due diligence processes are embedded in:

- risk management
- asset management
- human capital management, training and recruitment.

The Policy will be updated as needed whenever changes occur in the framework rules of TAURON Group's activity or priorities related to climate and legal environment.



# Related documents

Documents related to this Policy are:

- **TAURON Group's Environmental Policy**
- **TAURON Group's Asset Management Policy**
- **TAURON Group's Human Capital Management Policy** and documents relating to human capital and social aspects, including staff training and recruitment
- **TAURON Group's Corporate Risk Management Strategy** and documents relating to corporate risk management in TAURON Group
- **Strategic Research Agenda.**



# Final provisions

1.

The manager of the Environment and Circular Economy Team at TAURON Polska Energia S.A. is responsible for updates to this Policy.

2.

The actual implementation of this Policy is supervised by the Vice-President of the Management Board of TAURON Polska Energia S.A. for Asset Management.





# Identified regions of higher exposure to climate-related physical risks

**Data sources:** The regions exposed to climate-related physical risks were identified based on a document which had been adopted by Resolution 67 of the Council of Ministers of 16 July 2019 '2030 Environmental Policy – a strategy for development in the area of environment and water management'.

## Regions more vulnerable to climate-related physical risks:

**Entire Poland** – high risk of heavy rains.

**Mountains and highland, river valley slopes, seashore cliffs** – heavy rains causing the risk of flooding, inundation or landslides.

**Łódź province** – strong desertification and parallel floods in the key river valleys of the region (Warta, Pilica, Bzura rivers). The water deficit area will cover a significant part of the province. It will be further compounded by low rainfall and zones of high water scarcity during the vegetation season in northern parts of the region, as well as very strong desertification in the north-west of the region. 90% of Łódź province is estimate as already covered by precipitation levels below 400 mm per year.





**Kujawy, Dobrzyńskie Lakes, Chełmińskie Lakes regions** – risk of drought.

**Valley of Vistula river** – below Włocławek there is a risk of flood associated with adverse changes in hydrological conditions in Vistula (lowering river bottom, high erosion), and above Włocławek there is a risk of poor or excessive of sediments (hinders icebreakers).

**Lubuskie and Pomorskie provinces** – high risk of gusty winds and heavy rains, especially in urban areas.

**Pomorskie, Warmia-Mazury, Zachodniopomorskie provinces** – very high risk of eutrophication of inland waters.

**Central and lower parts of Vistula and Oder rivers, tributaries in central Vistula river (Bug, Narwia and Kamienna)** – high risk of flood.

**Southern Poland, Zalew Wiślany lagoon, the Gulf of Gdansk** – very high level of flood risk.

**Opolskie province, especially the valleys of Oder and Nysa Kłodzka rivers** – exposure to floods in investment zones and large cities (population of 100,000 or more).

**Pomorskie province, especially Kaszuby and Bory Tucholskie, and Śląskie province** – very high risk of weakened trees, making them more susceptible to wind damage.



## Non-exhaustive list of physical risk factors related to climate change:

- more frequent cases of extreme temperatures
- more frequent near-zero temperatures in winter
- mild winters
- higher rainfall intensity leading to floods at any time of the year
- uneven rainfall causing longer rain-free periods or intermittent / heavy rainfall
- increased evaporation
- increased frequency and intensity of hurricanes
- strong winds, with incidental whirlwinds and lightning
- more droughts and the associated water access limitations as well as more wildfires
- very high risk of weakened trees that are more susceptible to wind damage.





## Non-exhaustive list of transition risk factors related to climate change:

- changes in legislation (stringent requirements) in the area of climate issues
- changes in demand for products of TAURON Group Companies, resulting from regulatory changes (eradication of coal fuel, development of prosumers, support for thermal insulation, and construction of private heat sources)
- difficulties or increased cost of finance for fossil fuel operations
- staff restructuring caused by changes in the business profile
- curtailment or exclusions of fossil fuel assets
- other regulatory, financial, social, technological risks, etc.



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